

Report

**Downtown Market
Evaluation**

*Prepared for:
City of Winters*

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INTRODUCTION

In the following report, Keyser Marston Associates, Inc. (KMA) provides an assessment of commercial and residential development opportunities for downtown Winters. The report has been prepared to provide economic guidance for the development of a Master Plan for Winters' historic downtown area. The purpose of the analysis is to provide realistic development concepts for the downtown, which will be incorporated into the vision for the downtown and physical guidelines for directing future development. The analysis also provides guidance on the magnitude of development of different land use types for downtown in the near term and for the General Plan buildout horizon.

Background

The City of Winters, located in southeastern Yolo County immediately north of Solano County, is situated in a region that has been, and is anticipated to continue, growing as part of the San Francisco-Sacramento corridor. The City adopted a General Plan in 1992 following a public process to articulate what residents wanted for the future of their city in terms of character and size. One outcome of the process that is incorporated into the General Plan is a population limit of 12,500 people and designation of an Urban Limit Line within which all population growth will occur.

The City also adopted a Community Development Project Area Plan in 1992, a redevelopment area under California law. The project area includes much of the City and all of the downtown area. The current downtown Master Planning process is intended to define and articulate the vision of a downtown area and recommend strategies to retain local businesses while attracting new commercial and mixed use (with residential) development. This report will serve as an input into the Master Planning process; it provides guidance regarding the scale and scope of development in downtown Winters.

In undertaking this analysis, KMA has:

1. Met with city officials to identify the development opportunities and constraints in the downtown area and to gain insight into the vision and goals of the City.
2. Interviewed downtown business owners, realtors, and developers to gather information and generate an understanding of local development issues.
3. Reviewed demographic and socio-economic data for Winters and surrounding areas to serve as an input to the analysis of market opportunities.

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4. Evaluated retail market conditions in the area, including an analysis of current Winters retail sales and expenditure potential available, enabling an understanding of current leakage to sales outlets in other cities such as Vacaville and Davis.
 5. Identified opportunities and constraints for developing different types of retail outlets in Winters in general and the downtown in particular.
 6. Evaluated market conditions for office space.
 7. Evaluated residential market conditions in the area, including an assessment of housing stock composition and planned new developments, and several interviews with current developers active in Winters, for the purpose of identifying potential multi-family products for the downtown area.

Caveats and Limiting Conditions

In the preparation of any analysis, certain caveats and limiting conditions must be acknowledged. The principal ones pertaining to this analysis are:

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor the national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. The analysis, opinions, recommendations, and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and

recommended actions contained herein should not be relied upon as solid input for final business decisions regarding current and future development and planning.

SECTION I – POPULATION AND INCOME EVALUATION

Winters and Its Trade Area

For the purposes of this analysis, KMA estimated the Winters primary trade area as the five-mile ring around the center of Winters. This trade area encompasses all of the City limits, the Golden Bear Estates area, a small part of northern Solano County and a few miles east of the 505 highway. The trade area is designated as such because residents patronize retail and service outlets in proximity to where they live irrespective of city limits. In Winters, people living to the north and west of town are particularly likely to be oriented to Winters for certain needs. This designation was confirmed by interviews with local merchants.

For some types of retail, such as eating and drinking outlets, Winters appears to draw from outside the primary trade area. A secondary trade area has not been designated per se, but as will be seen, the analysis of support for some types of retail recognizes the draw from other nearby communities and from visitors passing by or through Winters en route to other destinations.

Table 1 summarizes the salient socio-economic characteristics for the City proper and its primary trade area. In addition, to provide a benchmark with which to compare the residents of these areas, the socio-economic characteristics of Yolo County and the State of California are also shown. Table 2 shows U.S. Census data for the City of Winters in 1990 and 2000.

The primary sources of socio-economic information are the U.S. Census 2000, the California Department of Finance Demographic Research Unit and Claritas, Inc. Claritas is a private secondary data service provider that uses the U.S. Census and other sources to provide information for any geographic area updated to the current time. Claritas is widely used by the retail industry to evaluate demographics.

Population and Households

1. According to the California Department of Finance, the population of Winters is currently around 6,868 persons. Claritas estimates the five-mile population at 9,026, inclusive of the city. This is to say that the trade area population in the surrounding area adds approximately 2,100 people, a significant increase to the city population (31%). Yolo County's population in 2004 is 184,487.
2. The City has grown by 12% since the 2000 Census. The trade area population outside the city limits is fairly stable, resulting in a trade area growth of 8%. During the same period, the County grew by 9% and the State by 7%.

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3. There are an estimated 2,091 households in Winters in 2004. In 2000, the average household size was 3.21 persons. There are an additional 738 households outside of the city but within the five-mile radius, for a total of 2,829 households. The average household size for the market area is estimated at 3.16 persons. On average, the households in the Winters area are larger than in the County (2.71) and the State (2.87).

Income

1. Per capita income in the City was \$17,133 in 2000. The surrounding area population has higher incomes on average, bringing the average within the five-mile radius to \$18,342. The per capita income for the County and the State were \$19,365 and \$22,711, respectively, or higher than Winters.
2. The average City household income in 2000 was \$55,599, while in the five-mile market area the average was \$58,138. The household income in the County and the State were \$53,929, and \$65,680. In other words, the Winters household income exceeds the County's average, but due to the larger household size, the Winters per capita income is lower than the County average. As compared to the State, the City's household income was approximately 15% lower.

Commute Relationships

1. According to the Census, 30% of Winters residents work in Winters, 61% of Winters residents work within the County, and 39% commute to work outside of Yolo County.¹

Other Demographic Characteristics

1. In 2000, about 70% of the population in the City, the five-mile market area, and the County identified themselves as white, compared to approximately 60% of the State. Less than 1% of the population of the City and market area were black, compared to 2% of the County, and 6.7% of the State. Just over 1% of the population was Asian or Pacific Islander, compared with over 10% of the County and 12% of the State. Fully 28% of the City is either of "other ethnicity" or of "two or more ethnicities."
2. Persons of Hispanic origin made up a significant share of the City's and the five-mile market area's population in 2000. According to Claritas, 44% of the population in the City and 42% of the population in the market area were of Hispanic origin in 2000 as compared to 26% in the County and 32% in the State.

¹ Workers 16 year and older.

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3. In general, the City's population was younger than that in the region. For every resident over the age of 65, there were slightly less than 5 residents under the age of 20 in the City. In the County, the ratio was closer to 3.7 residents under 20 for every 1 resident over 65. However, the median age in the City is actually older, at 31.4 versus 29.5 for the County.
 4. Enrollment in the Winters Joint Unified School district increased 9% over the ten-year period from 1993 through 2003. Interestingly, however, the enrollment growth occurred in the mid-1990s and enrollment stabilized at just over 2,000 students around 1998. While the population of Winters grew 12% between 2000 and 2004, school enrollment was 2,013 in 1999-2000 when the Census was taken and 2,012 in 2003-04.
 5. Approximately 27% of the City's residents were in management or professional occupations, 22% in sales and office occupations, 17% in production, transportation and material moving, and 14% in service occupations. Only 9% were employed in farming, fishing, and forestry occupations. Within the County, 41% of the City's residents were in management or professional occupations, 24% in sales and office occupations, 11% in production, transportation and material moving, and 14% in service occupations. Only 3% were employed in farming, fishing, and forestry occupations.
 6. Overall, the City of Winters has a much larger percentage of owner-occupied housing than the County (69% versus 53%).

Residential Growth

Situated between the San Francisco and Sacramento metropolitan regions, the I-80 corridor that links the two regions has been experiencing substantial growth for the past 25 years. Until the 1990's this pressure was mostly focused on the cities along I-80 itself, but since the 1990's, Winters has been experiencing pressure to allow for significant residential construction. Growth and development are controversial issues in Winters as in much of Yolo County, as the City tries to maintain its small-town character while accommodating for new residents. Currently, there are approximately 700 new housing units in various stages of the City's planning process; City officials estimate that these units will be built over the course of the next 5 to 6 years. Table 3 contains an overview of the proposed developments.

If the City maintains a comparable rate of residential construction in the future, KMA estimates Winters would reach its buildout level of 12,500 residents around 2020 to 2022. As an interim benchmark year for planning purposes, by 2010, the City would have about 9,000 residents.

While it is difficult to access hard data on the new residents of Winters, KMA conducted several interviews with City officials, business owners, developers and realtors in Winters to get a sense for what types of households are moving to Winters. Generally, our interviews suggested that

the new residents are relocating from either the Bay Area, typically the Vallejo-Fairfield area and sometimes further, or from Davis, Vacaville, and Woodland. The new residents tend to be professionals with families and are attracted by the small-town atmosphere and the reasonable home prices.

SECTION II - RETAIL MARKET ANALYSIS

Existing Conditions

The existing retail base in Winters is fairly limited given the area's historically small population. There are no major general merchandise establishments in Winters, there is one full scale grocery store, one drug store, a few convenience stores, two hardware stores, and a small clustering of specialty retail on Main Street in the historic downtown area. Much of Main Street is currently occupied by office space uses, which many feel have 'crowded out' potential retail users, according to people we interviewed.

The Winters market area is predominantly defined by its competition, mainly the very strong retail presence in Vacaville and also in Davis. Vacaville, located approximately 10 miles south of Winters, has emerged as a dominant regional retail center, with a wide array of big-box retailers, large grocery stores, a Wal-mart, an outlet mall, etc. Fairfield further to the southwest contains a traditional mall shopping center with full line department stores. Davis also offers a wide selection of retail and eating and drinking choices of a different character from the Vacaville and Fairfield retail.

Existing Per Capita Sales by Major Category

A first insight into leakage can be gained from an examination of existing sales levels in Winters and how they compare on a per capita sales basis in Winters with per capita sales in Yolo County and the State as a whole. Leakage refers to purchases made by Winters residents outside of Winters; the sales are 'leaked' out to other communities. Following this examination, retail potential as a function of income and population is compared to existing sales levels.

KMA evaluated the strength currently exhibited by retail uses within Winters by comparing the performance of existing retail uses in the City to the performance of similar uses in the State. KMA was provided detailed data on retail sales currently reported to the State Board of Equalization by Winters retail outlets, as collected by Hinderliter, de Llamas & Associates. This data provided very helpful insight into the current retail experience in Winters. KMA adjusted these figures to reflect the non-taxable sales. Based on industry standards and KMA site visits, we assume that 65% of drug store sales are taxable, 35% of grocery store sales are taxable (state average), and between 75% and 90% of sales at other stores that sell food (e.g., convenience stores, bodegas, bakeries, etc.) are taxable. Sales at all other establishment types are considered 100% taxable.

To protect confidentiality, retail sales data is presented aggregated in four major retail categories: Comparison Goods, Convenience Goods, Eating and Drinking, and Building Materials and Hardware.

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1. Convenience Goods: Includes food stores and drug stores. In Winters, the per capita sales were \$1,351, just over half that of Yolo County, at \$2,421. The State average is between the County and the City, at \$1,858. This suggests that many Winters residents are doing much of their food and drug store purchases outside of the City. Yolo County appears to be importing convenience goods sales from neighboring counties.
 2. Comparison Goods: Includes apparel, general merchandise, specialty shops and home furnishing. Sales per capita for comparison goods are very low in Winters, at \$129 compared to \$2,436 for the County and \$3,577 for the State. There are very few retailers of comparison goods in Winters. As mentioned, there are no apparel stores, no general merchandise stores, and several small specialty retailers. It is not surprising that Winters does not perform well in this category given the intense competition from Vacaville and Davis. (Yolo County overall is a major exporter of comparison goods sales.)
 3. Eating & Drinking Places: Winters performs very well in the Eating & Drinking category, with per capita sales of \$1,036, versus \$865 and \$1,086 for the County and State, respectively. There are several restaurants in Winters, the largest of which is the Buckhorn Café. The restaurants in Winters are known to draw visitors from out of town.
 4. Building Materials & Hardware: Sales per capita for building materials and hardware are also very low in Winters, at \$149 per person, versus \$755 for the County and \$737 for the State. There are no major building supply retailers in Winters, but many within a short driving distance.

This overview analysis indicates that there is significant leakage of comparison and convenience sales to retailers outside of the Winters market area. The Eating & Drinking category is performing well in Winters, indicating that Winters restaurants are most likely attracting people from outside of the trade area, such as from Davis or Woodland.

Analysis Methodology and Assumptions

Retail potential refers to the total sales generated by a population, regardless of where the sales take place. We estimated the retail potential for the Winters market area in three steps:

1. Develop an estimate of the percent of per capita income spent on a particular retail category using state or national figures;
2. Apply the percentage to the per capita income in the Winters market area to calculate the per capita expenditures; and

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3. Multiply the per capita expenditure by the number in the market area to develop an estimate of the total expenditures generated by the market area.

As we mentioned above, retail potential is one component in a leakage analysis. The second major component is the current retail sales in the market area. If total retail sales in Winters are smaller than the potential, this indicates that residents of the market area are making purchases outside of Winters; i.e., Winters has net leakage to other communities. If total retail sales in Winters are greater than the potential, Winters is importing sales from other communities.

Percent of Income Spent on Retail Categories

To develop an estimate of the percent of per capita income spent on various retail categories, KMA analyzed the California State Board of Equalization (SBE) 2002 Taxable Sales data (classified by store type) and the Federal Bureau of Labor Statistics "Consumer Expenditure Survey" (CES) for 2002 to establish retail expenditures as a percentage of gross annual income. The results of this analysis are shown in Table 5.

KMA reviewed the expenditure survey data for the United States, the Western Region, for households with three and four people, and for Hispanic households; each group was cross-referenced by income levels comparable to Winters. Table 4 presents the share of income typically spent on retail goods in the West, for all income levels. This review indicated that approximately 29% of the gross income of residents in the West is spent on retail goods and services typically found in neighborhoods, community, regional, and super-regional shopping centers.

To corroborate the potential expenditures from the consumer expenditure survey data, KMA estimated the share of retail sales in California as a percent of its resident income. To make this estimate, the retail sales in 2002 from the sales tax data were compared to aggregate income in the State during that year. After adjusting taxable sales in the categories of general merchandise, drug stores and food stores to reflect total sales, KMA found that sales in the State were about 31% of its gross income, or close to the 29% based on the CES data.

We assume the residents of the City and the market area exhibit the same expenditure patterns as the State of California. In general, KMA relied on SBE data to determine the percent of income spent on various retail categories. For example, in the State of California, 14% of gross income is spent on comparison goods; in this analysis, we assume that residents of Winters and the market area also spend 14% of their gross income on comparison goods. The one exception is grocery store sales, for which we also relied upon CES data.

Income and Per Capita Expenditure

Once we have an estimate of the percent of per capital income spent on each of the various retail categories, we then apply these percentages to the appropriate per capita income levels to estimate retail expenditures per capita. KMA relied on Claritas estimates of current per capita income in the Winters trade area (5 miles radius from downtown). In order to estimate per capita income in 2010 and 2020, we assume that income levels will experience real growth (i.e., after adjusting for inflation) of 1% a year.

<u>Year</u>	<u>Per Capita Income</u>
2004	\$20,698
2010	\$21,971
2020	\$24,270

Total Expenditure Potential

To estimate total expenditure potential for each retail category, we multiple the per capita expenditure times the population, as indicated in Table 1 and summarized below.

<u>Year</u>	<u>Market Area Population</u>
2004	9,026
2010	11,145
2020	14,658

Since the analysis differs by type of retail, each major category is analyzed separately. The results are described below and summarized in Tables 6 and 7.

Convenience Goods Analysis

As described, KMA relied on SBE data for the percent of income spent on all retail categories except food. The SBE estimate, adjusted using industry standards for the nontaxable nature of many food products, indicates that in California, 6.5% of income is spent on food. For many reasons, including the larger households in Winters, the presence of many Hispanic families, and the lower average and per capita incomes, KMA adjusted this percentage using additional data from the CES. A summary of the additional data points consulted is shown below. Based on a weighting of the percentages shown below, KMA assumes that 7.8% of gross income in Winters is spent on food.

% of Income Spent on Food

Western Region	7.2%
Hispanic	10.6%
Four person HHs, 50K to 70K	8.4%
Three person HHs, 50K to 70K	7.4%
Western Region, 50K to 70K	7.5%
Input into Winters Analysis:	7.8%

The results of the food expenditures analysis are shown below.

<u>Percent of Per Capita Income</u>	<u>2004 Per Capita Expenditures</u>	<u>2004 Total Expenditures / Potential</u>	<u>Existing Retail Sales</u>	<u>Import/(Leakage) (Sales Less Potential)</u>
7.8%	\$1,600	\$14,600,000	\$7,200,000	(\$7,400,000)

The table below shows the level of leakage estimated in 2010 and at buildout assuming no additional food store space development.

<u>Year</u>	<u>Sales Leakage</u>
2010	(\$11,900,000)
2020	(\$20,500,000)

In summary, the analysis concludes that the City of Winters is currently capturing roughly half of the food and beverage retail sales potential generated by the five-mile primary trade area. Residents of the trade area now spend approximately \$7.4 million in stores located elsewhere, primarily in Vacaville and Davis. With the projected growth of Winters, the \$7.4 million will grow to roughly \$12 million by 2010 and \$20.5 million by 2020, assuming no additions of food sales capacity in Winters (either new stores added or existing ones significantly expanded or altered).

In the supermarket industry today, new stores are being developed at increasingly larger sizes, in part to compete with challenges presented by retailers such as Costco and Wal-Mart. Most of the chains now look to store sizes of at least 45,000 sq.ft. and some chains build their stores more in the 55,000 to 60,000 sq.ft. range. These stores need to be able to look to volumes in excess of \$18 million, depending on the chain. A “rule of thumb” used by those in the industry seeking new store opportunities is to look for markets where there are 7,000 households not served by a competitive modern supermarket. The Winters trade area even at General Plan buildout does not pass this test.

In summary, a supermarket opportunity clearly does not exist for the downtown area within the horizon of this study, or the build-out of the General Plan. (A freeway-located store would be able to attract a portion of sales from I-505 traffic, especially travelers headed for recreation destinations within a few hours driving time. Even with the extra sales from transients, feasibility in the near terms appears doubtful. If a new store is to be located near I-505 in north Vacaville, even this option becomes more unlikely. KMA has not analyzed the potential for a store at a freeway location.)

The implications for Winters of this conclusion is that local residents will continue to do a share of their food and beverage purchases in outlets outside of Winters. Many residents will continue to make periodic trips to the large outlets in the neighboring cities.

The existing and projected volume of exported food and beverage sales does generate opportunities for local retailers. Local stores can compete in terms of convenience and in terms of quality and uniqueness. Specialty food outlets such as bakeries for breads or dessert confections, ice cream, produce (local or organic), wine, and ethnic specialties are among the many possibilities. Specialty food outlets must cater primarily to local residents but will also sell well to visitors to the extent that downtown Winters grows its visitor base. Specialty food and beverage outlets are categorized as food sales for sales tax collection and analytical purposes, but in reality many such food outlets overlap heavily with eating and drinking establishments. A delicatessen, for example, often sells food both to take out and to be consumed on the premises. As a result, specialty food space recommendations are incorporated into specialty retail and eating and drinking space and not treated as a separate category.

Comparison Goods

Comparison goods include apparel, general merchandise (e.g., as sold in department stores, Wal-Mart, Target, etc.), specialty stores (e.g., gifts, sporting goods, florists, bookstores, jewelry, etc.) and home furnishings and appliances. The term comparison refers to shopper behavior in that shoppers tend to compare among outlets for goods of this nature. For per capita expenditure potential, KMA relied on a combination of SBE data for the State of California and U.S. Census data to estimate the percent of income spent on each of the comparison good categories. The conclusion is:

<u>Retail Category</u>	<u>Percent of Per Capita Income</u>
Apparel	1.7%
General Merchandise	5.4%
Specialty Stores	5.2%
Home Furnishings and Appliances	<u>1.7%</u>
Total	14.0%

Per capita and total expenditure potential for the Winters trade area is indicated below as compared to existing sales.

<u>Retail Category</u>	<u>2004 Per Capita Expenditures</u>	<u>2004 Total Expenditures / Potential</u>	<u>Existing Retail Sales</u>	<u>Import/(Leakage) (Sales Less Potential)</u>
Apparel	\$350	\$3,100,000	Negligible	(\$3,100,000)
General Merchandise	\$1,120	\$10,100,000	\$0	(\$10,100,000)
Specialty Stores	\$1,090	\$9,800,000	\$900,000	(\$8,900,000)
Home Furnishings and Appliances	\$350	\$3,100,000	\$470,000	(\$2,600,000)
Total	\$2,900	\$26,000,000	\$1,400,000	(\$24,700,000)

The analysis indicates that the vast majority of retail sales in the comparison goods categories are occurring in outlets outside of Winters. Winters captures a mere 5% of its sales potential at this time.

The inset table below shows the level of leakage estimated in 2010 and at buildout given no additional development.

<u>Retail Category</u>	<u>Sales Leakage</u>	
	<u>2010</u>	<u>2020</u>
Apparel	(\$4,100,000)	(\$6,000,000)
General Merchandise	(\$13,200,000)	(\$19,200,000)
Specialty Stores	(\$11,900,000)	(\$17,700,000)
Home Furnishings and Appliances	(\$3,600,000)	(\$5,500,000)
Total	(\$32,900,000)	(\$48,400,000)

As would be expected, the leakage grows considerably with the projected population growth, assuming no new retailers in this category are introduced into Winters.

Comparison retail by definition is usually regional retail. Regional shopping centers with their full-line department stores and mall shops have traditionally captured the majority of comparison retail sales in the U.S. in the latter 20th century. In recent decades, however, the dominance of the regional mall has been eroded by big box retailers, outlet malls, and stores such as Costco and Wal-Mart, all of which serve regional trade areas. But the key is that they all are regional in nature. As has been indicated, the I-80 Corridor is the location of a full range of regional retailers selling comparison goods, as well as other lines. Unless a community can serve as a location for region-serving stores, leakage of comparison good sales to outlets outside the community is virtually inevitable.

Retailing in Davis is of a different character and it too is a regional draw. Davis' strength is specialty retailing — bookstores, cameras and audio equipment, home furnishings, etc. which combined with eating and drinking, entertainment and culture, also draws expenditures from beyond its own city limits.

As a result of the nature of comparison retailing, Winters cannot expect to capture all, or even a majority, of the current and projected leakage. However, opportunities for improving on the current 5% level are strong. For a community of the size and location of Winters (relative to the I-80 corridor and to Davis), we would estimate the potential expenditure capture at the 25% to 35% range, excluding general merchandise. To capture the expenditure potential will require, in addition to the stores themselves, a downtown amenity and pedestrian environment that makes shopping a pleasant experience, as will be pursued in the downtown master planning and implementation strategy work program.

For planning purposes, the analysis table summarizes the capture rate and supportable floor area of comparison retail space. (See Table 8.) Winters may never have a general merchandise outlet (a store type definition) and is excluded from the analysis. The summary below indicates the supportable floor area for the two projection timeframes.

	Supportable Floor Area	
	<u>2010</u>	<u>2020</u>
Apparel and Accessories	3,300-4,900 sq.ft.	6,000-8,400 sq.ft.
Specialty Retail	9,300-13,900 sq.ft.	16,900-23,600 sq.ft.
Home Furnishings, etc.	<u>3,300-4,900 sq.ft.</u>	<u>6,000-8,400 sq.ft.</u>
Total	15,900-23,700 sq.ft.	28,900-40,400 sq.ft.
Or, say,	15,000-25,000 sq.ft.	30,000-40,000 sq.ft.

The above area conclusions are intended as input to planning for the future of the downtown area. The space will not likely be developed without some level of community assistance in the upgrading of the downtown and possibly some subsidy for the initial projects. See comments and recommendations at the end of this report.

The space amounts are presented on a range basis with figures for each time horizon. In the 2020 time horizon we recommend planning for roughly 15,000 square feet more than the earlier period. The higher end of the range implies a stronger level of visitor support. The figures should in no way be construed as ceilings above which the City can never hope to exceed; they are meant as realistic inputs for planning purposes.

The comparison retail stores in small size outlets mix well with eating and drinking outlets, as well as cultural and entertainment uses and activities such as theatre and live music. See recommendations at the end of the retail section.

Eating and Drinking Outlets

Eating and drinking outlets refer to the full range of restaurant, fast food, bars and other businesses that sell food and beverages to be consumed on the premises. For per capita expenditure potential, KMA relied on a combination of SBE data for the State of California and U.S. Census data to estimate the percent of income spent on eating and drinking. These data support that 4.6% of per capita income is spent on eating and drinking outside of the home. The expenditure rate applied to income levels in Winters and the trade area population is as follows:

<u>Percent of Per Capita Income</u>	<u>2004 Per Capita Expenditures</u>	<u>2004 Total Expenditures / Potential</u>	<u>Existing Retail Sales</u>	<u>Import/(Leakage) (Sales Less Potential)</u>
4.6%	\$950	\$8,500,000	\$6,500,000	(\$2,000,000)

The analysis indicates that despite the presence of several strong restaurants and other outlets in Winters, there is still a leakage to other communities. We assume that the leakage is particularly strong in the fast food and other subcategories since there are few outlets in Winters. When shoppers for either food or comparison goods make shopping trips, they likely patronize fast food and other outlets as part of the shopping or other purpose trip. When residents go out of town for entertainment, they likely patronize non-local eating and drinking places. Also, of the 70% of the workers who work in locations outside of Winters, a good share likely patronize outlets near their place of work. Finally, any area loses sales in this category when residents travel and vacation away from home.

Considering the leakage of sales in the convenience (food sales primarily) and comparison categories and the share of workers who commute outside, we can estimate that Winters imports considerable sales to perform in this category as well as it does. In our interviews with local merchants and others, we learned that many visitors do indeed eat and drink in Winters. Some of these visitors come solely for a meal, some for the theatre and a meal, and some are passing through en route to Berryessa, Cache Creek and other destinations.

The results of the analysis for 2010 and 2020, assuming no new outlets or expansions of existing outlets are added in Winters are summarized in Table 9.

The City of Winters now captures 76% of its potential, or now has a net export of 24%. Since this situation already contains a considerable export of sales on the part of Winters trade area

residents, there are significant opportunities for new outlets that cater to residents and recapture some of the exported sales. In addition, there is potential for enhanced import of sales from the nearby communities and visitors passing through Winters en route to other destinations. Therefore, we estimate that the Winters capture can be improved to the 85% to 100% range. After adjusting for sales to existing outlets in Winters, the potential would support additional space as follows:

	Supportable Floor Area	
	<u>2010</u>	<u>2020</u>
Eating and Drinking	8,600-13,300 sq.ft.	20,900-27,800 sq.ft.
Or, say,	7,500-15,000 sq.ft.	20,000-30,000 sq.ft.

As with the comparison goods space recommendations, these projections are for inputs to the planning process. The figures are intended for the downtown only and do not apply to freeway located outlets. (See comments at end). The higher end of the range would depend on a higher lever of sales from the visitor base. The figures should in no way be construed as ceilings.

Building Materials and Hardware

Building materials include lumber, plumbing and electrical supplies, paint, glass and wallpaper supplies, other building materials and hardware stores. The only two businesses in this category in Winters are the two local hardware stores. As expected, the leakage analysis for this category indicates a significant export of building materials sales to neighboring communities. Hardware stores used to be classified as convenience retail and indeed the local Winters stores continue to function in this manner. But sales for hardware and building materials have increasingly been dominated by the “big box” stores such as Home Depot which draw from a regional area. Winters will not have sufficient population base to locate large new outlets locally.

Local Perspectives on Winters Retailing

KMA conducted interviews with a few business owners on Main Street and elsewhere. At this time, Main Street does not generate adequate foot traffic to support many small retail establishments and some merchants have tried to expand their lines of business to improve the viability of their businesses.

In general, the rents on Main Street range from \$0.65 per square foot to \$1.10 per square foot, with recent leases at the upper end. While these rents are lower than on Grant St., and certainly lower than in the surrounding communities, retailers felt they were high given the level of retail sales generated at the location.

There is anecdotal evidence that customers at the specialty retail stores are interested in spending more time shopping in Winters, poking in and out of small stores. In addition, one storeowner mentioned that she has friends interested in possibly opening small retail establishments, but there is no space available on Main Street.

See Section IV, the summary of conclusions and recommendations on commercial uses.

SECTION III - OFFICE SPACE AND LODGING

Existing Conditions

Today downtown Winters has a small representation of office space which is occupied by local-serving businesses, including insurance agents, realtors, business services, lawyers and other professionals and service providers.

It is difficult to develop an accurate estimate of existing office space in Winters. A survey conducted in April of this year by the City to analyze off-street parking provides a good baseline estimate. The survey estimates that there is somewhere in the range of 25,000–35,000 square feet of office space in downtown Winters. On a per capita basis, this equates to between 3.6 square feet per person and 5 square feet per person.

Building permit information from the City of Winters indicates that there has been very little new construction of office space in the last decade. Since the 1993-94 fiscal year, permits were issued to projects with a total value of \$700,000. At a round number estimate of \$100 per square foot for new office construction cost, this would equate to about 7,000 sq.ft. of new office space.

Most of the major sources of employment in Winters are not located in office space. According to the Winters Chamber of Commerce, there are four major employers in Winters: the Mariani Nut Company (250 full-time workers, 200 seasonal), the Hines Nursery (150 full-time, 25 contract, and 100 seasonal), the Winters Joint Unified School District (244 employees) and the Buckhorn Restaurant Companies (100 employees). These jobs are predominantly located outside of traditional office space.

Local sources suggest there is almost no vacant office space in Winters. A realtor in downtown Winters receives inquiries about office space quite frequently, typically from professionals and small entrepreneurs looking to establish a business. Rents are around \$1.00-\$1.10 in the downtown and \$1.15-\$1.25 near the highway.

Potential Demand

At this time we believe that there is a shortage of good quality office space to serve existing needs. As indicated, most office users are not operating out of space originally intended for office use. Some would most likely prefer better quality space and would relocate were new space made available, willing to pay the higher rents that new space by definition would have to command. There is also most likely some office space located in people's homes. As such, we believe that there is at this time what is typically called "Replacement Demand," probably on the order of at least 5,000 to 10,000 square feet.

The standard methodology for projecting office space demand is to work off of past trends of office space development, but clearly this has little relevance to Winters. There does not seem to exist any solid methodologies for relating office space to population. Some studies have put forth ratios in the range of 5 to 10 square feet per capita, once a community has reached a size to have its own full range of professionals, including medical and dental. Clearly the amount of office space supported is also a function of the income level of the residents. In affluent communities, far more banks, stock brokerage firms, investment advisory, and tax return preparers are in evidence.

For a community such as Winters, the 5 to 7 square foot range provides a benchmark range. At 5 square feet, the existing population (including the 5 mile service area) would support about 45,000 square feet. If the existing inventory is in the range of 25,000 to 35,000, then we can estimate that an additional 10,000 to 20,000 square feet is supportable plus the replacement demand.

In the nearer term, say through 2010, we would expect that Winters could support approximately 10,000–15,000 square feet more office space. At General Plan build-out, or say, 2010, this would equate to between 4 square feet per person and 5 square feet per person. In the longer-term, through build-out, we estimate that Winters could support an additional 15,000 to 20,000 square feet.

Recommended Strategies

Expanding the supply of office space in the downtown would further the City's redevelopment goals in several ways. Office space located in the downtown creates a daytime population base which supports local restaurants, convenience stores, and other retailers during the weekdays. In addition, facilitating Winters residents working locally encourages patronage of local personal services and grocery stores and community involvement in general.

As mentioned previously, many of the first-floor storefronts on Main St. are occupied by office tenants, which can support a higher rent than many retailers. An effort to encourage current office tenants to relocate from these prime retail spaces to new office buildings would further the City's retail strategy. In a downtown area, one would expect second-floors to be occupied by office space tenants such as business services, insurance agents, lawyers, etc. In Winters, there are several second-floor offices, although many of the downtown buildings have unoccupied or unsafe second floor space and the market is not strong to warrant the high costs of appropriate remodeling, and even then, much of the space would still not be well laid out to meet modern office needs.

The visioning and planning efforts the City will be undertaking should provide identification of good locations for small buildings to accommodate pure office uses and quasi-office uses, or space suitable for office, service or retail tenants. This latter designation relates to many types

of tenants that can and do locate in either retail or office space, such as real estate and insurance brokers, travel agents, hair salons, etc. As downtown Winters retail becomes stronger, then some of these spaces will evolve to more purely retail uses that can take advantage of pedestrian traffic.

Recently, the office market has seen a trend of condominium office space, which works essentially like a residential condominium in that an office tenant purchases, rather than leases, a fraction of a larger office building. One developer of condominium office space active in the Bay Area is currently working on a project in Alameda that will sell offices in the range of 1,500 to 3,000 sq.ft. The condominium structure allows small business owners the opportunity to buy office space instead of rent, which is otherwise not feasible for such small spaces. Condominium office space has proven very popular for small business owners in the Bay Area, and may be appropriate for some users in Winters.

Lodging

According to local sources, the only lodging available in Winters is a recently opened 6-room bed & breakfast. Over the longer-term, as the population increases and activity in the downtown increases, it is likely that the city could support other small B&Bs or inns located in or near the downtown. Within the context of the General Plan horizon, the city will not be large enough nor the downtown strong enough to support inns or hotels. There may however, be opportunities to locate chain operations near I-505, in which case, visitors would be more beneficial to the downtown than if not developed at all.

SECTION IV – COMMERCIAL USES: SUMMARY AND RECOMMENDATIONS

The preceding sections have summarized the analysis and conclusions for each of the major commercial land use categories. In this section, we draw the conclusions together and provide some overall comments and recommendations regarding planning for the future of the Winters downtown area.

Space Planning Recommendations

Space planning recommendations are made for comparison retail, eating and drinking and office space. They are:

	<u>2010</u>	<u>2020</u>
Comparison Retail	15,000-25,000 sq.ft.	30,000-40,000 sq.ft.
Eating and Drinking	<u>10,000-15,000 sq.ft.</u>	<u>20,000-30,000 sq.ft.</u>
Total	25,000-40,000 sq.ft.	50,000-70,000 sq.ft.

The two uses are generally clustered together as small tenants, often occupying space that is interchangeable from one use to another in multi-tenant buildings, including mixed use with residential. Therefore, it is more useful to treat them as a single use or unit. Such uses are often referred to as specialty retail, covering the whole range of both categories. In addition, small tenants in the food and drug store categories and service uses can be located in “specialty retail” space.

The 2020 timeframe refers to the buildout of the current General Plan more than a specific date per se. The earlier timeframe figures could have use in a phasing strategy. The two sets of figures are not additive; therefore the planning may focus on the larger numbers. And, as stated previously, the figures should not be construed as levels of development that will just happen as the community grows, nor should the figures be construed as any sort of ceilings over which the City can never expect to accommodate.

In addition to the retail space, office uses represent a significant development opportunity for the downtown area. Our space recommendations are as follows:

	<u>2010</u>	<u>2020</u>
Replacement Demand	5,000-10,000 sq.ft.	5,000-10,000 sq.ft.
New Office Space Demand	<u>10,000-15,000 sq.ft.</u>	<u>25,000-35,000 sq.ft.</u>
Total	15,000-25,000 sq.ft.	30,000-45,000 sq.ft.
Or, say		30,000-50,000 sq.ft.

The figures are presented in a manner similar to the retail figures — they are not additive; the 2020 figures are suggested for the planning, with the earlier figures for phasing.

Opportunities and Constraints

Opportunities at this time in Winters:

- Significant export of sales to retailers outside of Winters. A portion of these sales can be “recaptured” and accommodated in the downtown.
- Winters has an unspoiled small town character; the planning is occurring before new development has already limited some opportunities.
- Winters has an “incubator” stage visitor base that can be expanded.
- Winters is a growing area.
- Downtown opportunities have not yet been seriously eroded by commercial development by I-505.

Constraints are:

- Winters is still small and will not become large enough to support many types of retailers.
- The location is somewhat isolated from a regional perspective. There are no population centers to the west and north.
- Winters is dominated by the powerful retail concentration in nearby Vacaville, and to a lesser extent Davis and Fairfield.
- Downtown conditions are weak at this time as measured by prevailing rent levels in commercial space. These rent levels are generally too low to support the costs associated with new construction.

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- Winters is not located within an area that is, in and of itself, a strong tourist or visitor destination in the way that communities in Napa or Sonoma Counties area. There is a limited visitor base related to the recreational destinations to the west and north with some predictable future growth.

Other Comments and Recommendations

- New development in the downtown may or may not “just happen” with the city’s growth. Certainly the levels of development projected in this report for planning purposes will not occur without some level of public assistance to facilitate the process. As a minimum, planning will enable the City to guide development in desirable directions.
- New construction of retail and office space will, by definition, require rent levels considerably in excess of prevailing rents in the downtown. With an enhanced downtown environment and measures to improve pedestrian activity, retailers should be capable of sustaining higher rent levels than currently prevail. It may be that initial projects will need public assistance to enable feasibility given the current weak conditions in the downtown. (The next phase of the work program should include financial feasibility testing of pioneer projects.)
- The downtown is in need of upgrading visually and environmentally to make it attractive for residents to come downtown. The planning effort should seek to identify a park, plaza or public amenity of some sort to give it focus and sense of place.
- All uses need to be supported by adequate and easily accessible parking.
- The planning and strategizing should seek ways of introducing new retail to the most key intersections or locations within the downtown. A part of this strategy could be to identify suitable locations for new office space in other areas and encourage a transition of office uses out of existing space in good retail locations.
- New retail must cater first and foremost to existing residents. If the downtown successfully draws residents, it will become more attractive to visitors as well.
- It may well take a critical mass of new commercial development to improve conditions to the point that new development can occur without some level of public assistance. How much will depend on the vision for the downtown and what public amenities can be achieved in the early phases of the program.
- If the downtown is to succeed in the long run, there must be a strong public policy commitment to support it and resist the inevitable pressures to locate new commercial uses of all kinds near the freeway. Proposed projects near I-505 should be evaluated in the context of impact on the downtown.

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- Residential development, in any configuration, will provide a downtown population to support commercial uses.

SECTION V - RESIDENTIAL CONSTRUCTION IN THE DOWNTOWN

A residential presence in a downtown area brings a vibrancy and level of activity that can be difficult to generate otherwise. Historically, residential has been one of the toughest uses to introduce to a downtown, but these are unusual times that may or may not last. The analysis, commentary and recommendations in this section are intended to serve as input to the process of planning for the downtown. The housing component needs to have the flexibility to work in varying housing cycles and needs to be integrated into the planning for other land uses, open space and amenities in the downtown.

Pace of New Construction in Winters

Building permit information from the City of Winters indicates that almost 500 new residential units were permitted between the years 1993-94 and 2003-04. This equates to an average of 45 units per year. Since 2001, the pace has picked up, to 73 units per year on average.

Currently, there are approximately 700 new housing units in various stages of the City's planning process; City officials estimate that these units will be built over the course of the next 5 to 6 years, which translates to a rate of about 115 to 140 units per year. If a comparable rate of residential construction continues in the future, KMA estimates Winters would reach its build-out level of 12,500 residents around 2020 to 2022. As an interim benchmark year for planning purposes, by 2010, the City would have about 9,000 residents at this rate of construction.

Existing Conditions in the For-Sale Market

The for-sale housing market in Winters continues to strengthen, fueled by national and regional forces, and at the local level driven primarily by families attracted to the area because of the relatively affordable prices and the small-town atmosphere.

Prices for existing homes have escalated quickly over the past few years. According to Dataquik, a company that compiles home sales data, the average price for a home in Winters in 2000 was around \$140,000; in 2004, the average is closer to \$325,000. KMA reviewed data from the County Assessor's office for a small sample of homes built in 2002 and resold (or pending sale) in 2004. The average price of the homes in 2002 was about \$290,000; in 2004, the same homes sold for an average of \$440,000. In just two years, these homes have increased 50% in value. A recent listing of homes for sale in Winters range from the low \$300,000s to over \$1 million.

While the volume of new construction in Winters is limited by the City's desire to manage its growth, a few new single family developments have come on line recently that provide insight into the market for new units. The Meyers Group, a research group that gathers information on

new housing production, has collected information on two recent developments in Winters, the Keystone project – 18 units located at the intersection of Railroad and Neiman and sold in 2003 – and the Carter Ranch project – 140 units located at the intersection of Main and Grant, sold from 2001 through 2003. Table 10, at the end of this report, provides a summary of the projects. Both projects contained a mix of three and four bedroom units ranging from 1,600 sq.ft. to almost 3,000 sq.ft.; the average sales price for the units in 2003 was \$337,000 for the three bedrooms and \$363,000 for the four bedrooms. These prices average about \$180 per square foot for the three bedroom and \$168 for the four bedroom units.

There are some multi-family ownership projects in Winters, including a few under development currently. One small townhome project on the eastern side of Winters was nearing completion until a fire destroyed the building in November 2004. The project contained five three and four bedroom units ranging in size from 1,500 to 1,900 sq.ft., with detached carports for parking. According to the developer, the project was to be targeted to people ‘simplifying’ their living situation; in other words, current homeowners who are looking for a townhome because it is easier to maintain in terms of yardwork, etc. The developer also expected to attract some first-time homebuyers, although the finishes were intended to be moderately upscale in order to attract a more established market.

A second townhome project is scheduled to be built next year across the street from the 5-unit project. The developer anticipates ten identical three-bedroom units of 1,500 sq.ft. each with tuck-under garages. The targeted consumers are both current homeowners downsizing to a townhome and first-time homebuyers. He estimates that about 50% of the units will be sold to current Winters residents and 50% to new residents.

While these projects are not located in the downtown, KMA suggests that the City monitor the success of these developments, including the sales prices achieved, the price per square foot, and the length of time on the market, as an indication of the viability of higher-density housing in Winters. In addition, the City may want to survey the buyers of these units to ascertain where they are relocating from, their age, occupation, household size, etc., to get a better sense of the demand for multi-family for-sale housing in Winters.

The experience in Winters with for-sale units other than single family detached homes is still very limited. As such there is little track record with which to gauge the depth of the townhome or condominium market, or how many units might be sold annually were they available, and what markets are being served.

Existing Conditions in the Rental Market

Rental housing is scarce in Winters; there is a small inventory and vacancies are infrequent. Much of the rental housing appears to be single-family homes and duplexes, as there are few apartment projects in Winters. A search of apartment projects in Winters identified three non-

senior housing developments: Almondwood Apartments, Creekside Apartments and Winters Apartments, which is an affordable housing development. All three projects currently claim 100% occupancy. Market rental rates at these projects are around \$900 for a two-bedroom unit, which is low compared to other rental opportunities in Winters.

While these apartment projects are currently achieving low rents, there also appears to be some demand for higher-end rental units, such as single-family homes. KMA spoke with a local realtor and rental property manager who had 4 or 5 current listings for about \$1,700 and up. He expects the listings will lease fairly quickly, mostly likely to young professionals — for example, untenured professors from U.C. Davis. He also said that small homes and duplexes that rent in the \$1,200 range are in very high demand in Winters.

The Main Street Villages project is currently renting live/work lofts in the downtown area; according to the City, four lofts have been approved and two are occupied. The lofts have been well received by artists and others looking for studio space attached to living space. While the developer of these units was not specific in terms of the rents the units are commanding, he has been pleased so far by the marketability of the units.

In the Sacramento region and Northern California in general, the rental market has been experiencing a difficult period in the recession of the early 2000's. With slow to negative job growth there have been fewer newcomers to the region, a usual source of renters. But unlike most recessions, the recent one has been characterized by a very powerful for-sale residential market fueled by record low mortgage rates. Many renters of more expensive apartments have been able to enter the homebuyer market, leaving rental projects with higher vacancies and reduced rents compared to the late 1990s. The rental market in Winters appears to be unaffected by the conditions in the larger area. However, it also must be stated that the rental market in Winters is so small in scale, that there is little useful track record or history with which to judge the impact or the potential looking ahead.

Conclusions and Recommendations

While the housing market in Winters is small in terms of volume, it is strong in terms of value appreciation in recent years and low vacancy levels. In the for sale market, the number of new units constructed annually may be meager by regional standards, but the units appear to have sold well, values of units have increased dramatically as evidenced by resales, and developers are eager to develop more subdivisions. While sales experience with new townhomes and other multi-family formats is far more limited, the market for such units appears to also be healthy, representing one of the more affordable options in the greater regional area. The track record with rentals is far more limited, but to the extent vacancies indicate market strength, the rental market appears to offer opportunities for more product as well.

For the most part, the residential market strength is in evidence in locations outside of the downtown and the downtown is still largely untested as a residential location. Main Street Villages is a promising start, but is it only a few units and is not being built at a density or a configuration traditionally associated with the downtown experience. The key questions remain: what are the opportunities for the downtown and how can they be maximized by downtown planning and implementation strategy. At this point we can provide initial conclusions on opportunities and a few comments looking ahead to the next phase which will address in more depth, the planning and implementation strategy questions.

Before the very powerful residential market conditions of the past five years, introducing residential into a downtown was difficult, often the last of the land uses to be brought into a downtown. A typical strategy was to build up the retail activity and, along with office, civic, entertainment and cultural uses and amenities, create a sense of place. Then people would want to live near or within this downtown that had been established as a desirable place to be. Over the past several years, however, small city downtowns are emerging through strategies that start with the strength of the residential component. Nonetheless, some of the old rules on how to introduce the housing still hold.

The first traditional “rule” for introducing residential uses into a downtown is that the units must be price competitive with units elsewhere in the market area. Generally this translates into less expensive prices for ownership units and comparable rents for rental units. Since it is more expensive to develop residential units in a downtown configuration (even before taking into account land costs) this is generally accomplished by building smaller units that may sell or rent for more per square foot, but per unit are less expensive. The two-bedroom townhome outside of the downtown area might be 1,400 square feet or more; in the downtown it might be 1,200, sq. ft. (or less). In the Winters price ranges, the 1,400 sq. ft. townhome might sell for \$270,000 to \$300,000 or in the range of \$185 to a little over \$200 per square foot outside the downtown. In the downtown, a 1,200 square unit might be marketed at a similar or slightly lower price range, but on a per square foot level, the sales prices would be \$225-\$250 per square foot. Buyers in the downtown usually accept smaller units as part of the downtown choice.

The second “rule” is that rental housing is easier to introduce than ownership units. People are more willing to risk renting in an untested location than they are buying because buying is perceived as an investment. A rental agreement can be short term; buying is a longer-term proposition. The rental market in Winters is fairly limited in range of product available and extent of rental activity from which to extrapolate recommendations for the downtown. There appear to be no “suburban type” garden apartments with large units (for rentals), and moderate to upscale finishes and amenities. In fact, it appears that the few apartment projects that do exist in Winters are not meeting the demand for larger and better quality units. According to interviews, this demand is being met at this time by renting single-family detached units. All of this suggests that opportunities exist for downtown rentals that are larger units at better quality levels than the current apartment buildings. If renters are comparing choices with other

communities such as Davis, then a careful combination of value that delivers size and quality of finishes and amenities at a rent level that compares well to the price elsewhere would be acceptable, even if it is high end for Winters. Since the depth of the market is so unknown, initial projects would need to be very small (in terms of number of units) until experience suggests otherwise.

If the current strength of the for-sale market continues, which most analysts believe to be highly dependent on mortgage rates remaining low, then introduction of townhomes and other higher density for-sale residential products appear to be a strong opportunity for the Winters greater downtown area. In addition to national and regional market conditions having a major impact on opportunities in downtown Winters, the degree of environmental enhancement and amenities introduced into the downtown area will have a major impact on opportunities.

Target Markets

The primary target market for downtown for-sale units is usually first- or second-time buyers and young to mid age professionals, perhaps moving from another townhome or condominium. We would expect that the first time buyers attracted to downtown Winters will be a somewhat different market from those attracted to the new subdivision homes in Winters, which is why we have recommended monitoring and surveying new project buyers. As for the move-down empty nester market, well-established downtowns with retail, restaurant, entertainment and cultural attractions can be successful in catering to this market segment, but downtowns that can do this are the exception and not the rule. The move-down market is more difficult to serve because buyers with built up equity in homes have so many choices and a downtown without strong attractions is not likely to rank high among the choices. For Winters, KMA believes the first/second time buyer is the lower risk target market, at least in the near term. The first or second time buyer market and the move-down market generally require different products (unit size, quality of appliances and finishes) although some builders do occasionally manage to attract some of both. As indicated previously, there also appear to be opportunities for larger size rental units that might be built with appropriate mapping for ownership but also suitable for rentals in the near term.

Mixed-Use

Mixed-use is a term that usually connotes mixing residential and commercial, primarily retail, uses within the same structure. Usually a vertical configuration is assumed, such as residential units over a level of shops. Mixed-use projects are significantly more complicated to successfully design, develop and finance. In Winters, mixed-use is still an untested market. It will probably be easier to pioneer residential units in configurations like townhomes (or new variations that do not attach the structures), and move to vertical mixed use in later phases. Again, the level of environmental enhancement and amenities will also influence opportunities for mixed use. In strong residential markets, mixed-use projects often have great success with

the residential units, rental or for-sale, but the commercial portion is a struggle. For this reason as well, Winters will need to proceed with caution in introducing mixed-use into the downtown.

Summary Comments

The above discussion has sought to provide guidance to the planning phase regarding residential development opportunities for downtown Winters. Many of the conclusions are couched in variables related to the economy and continued power of the for-sale residential market. Since the implementation of any downtown master plan will occur over an extended time period, it will be important to build in flexibility so the residential “products” can adapt to market conditions in different cycles. In the future, for example, there may be a market for small rental units but at this time that particular product does not appear to be in demand in Winters. Much of the above discussion also is couched in variables related to planning and degree of environmental upgrading in the downtown. In the next phase of the work program, KMA will work with the physical planner retained by the City, to refine residential opportunities. We will evaluate some of the new residential products (such as unattached townhomes) being pioneered in emerging small city downtowns, assist with strategies to improve market opportunities through open spaces or other types of enhancements, address financial feasibility questions, and generally aid the planners in maximizing opportunities for this key use in the downtown.

TABLE 1
SUMMARY OF SOCIO-ECONOMIC CHARACTERISTICS
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA

	<u>City of Winters</u>	<u>Five-Mile Market Area ¹</u>	<u>Yolo County</u>	<u>State of California</u>
POPULATION				
2000	6,125	8,359	168,660	33,871,648
2004 ²	6,868	9,026	184,487	36,144,267
% Change	12%	8%	9%	7%
Buildout	12,500	--	--	--
% Change from 2004	82%			
Median Age	31.4	32.4	29.5	33.3
2000 ETHNICITY				
White	69.8%	71.4%	67.7%	59.5%
Black	0.7%	0.8%	2.0%	6.7%
Asian & Pacific Islander	1.3%	1.6%	10.2%	12.3%
Other	28.2%	26.2%	20.2%	21.5%
Hispanic Origin	44.4%	42.2%	25.9%	32.4%
NUMBER OF HOUSEHOLDS				
2000	1,907	2,644	59,375	11,502,870
2004 ²	2,091	2,829	64,751	12,014,799
% Change	10%	7%	9%	4%
Average Household Size (2000)	3.21	N/A	2.71	2.87
2000 PER CAPITA INCOME				
	\$17,133	\$18,342	\$19,365	\$22,711
2000 AVERAGE HOUSEHOLD INCOME				
	\$55,599	\$58,138	\$53,929	\$65,680
2000 COMMUTE PATTERNS				
Residents Who Live/Work in Same County	61%	N/A	67%	83%
Residents Who Live/Work in Different Counties	39%	N/A	33%	17%
Residents Who Live and Work in Winters	30%	--	--	--

Sources:

1. All data for the five mile market area is from Claritas.
2. 2004 population and household data for the City, County and State from the California Dept. of Finance, Demographic Research Unit.
3. All other data is from the US Census, 2000.

**TABLE 2
OVERVIEW OF THE CITY OF WINTERS CENSUS DATA
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

	<u>2000</u>		<u>1990</u>	<u>Change</u>	<u>% Change</u>
Population					
Total Population	6,125		4,639	1,486	32%
Percent Hispanic or Latino	44%		40%	4%	
Number of Households	1,907		1,506	401	27%
Average Household Size	3.21		3.08	0.13	4%
Housing					
Total Housing Units	1,954		1,564	390	25%
Occupied Housing Units	1,907	98%	1,506	401	27%
Owner-Occupied Housing	1,314	69%	1,019	295	29%
Renter-Occupied Housing	593	31%	487	106	22%
Economic Characteristics					
Median HH Income in 1999/89	\$48,678		\$31,381	\$17,297	55%
Average HH Income in 1999/89	\$55,599		\$36,423	\$19,176	53%
Per Capita Income in 1999/89	\$17,133		\$11,561	\$5,572	48%
Occupations					
	Percent of Employed Labor Force				
Management, Professional and Related	27%		N/A		
Service Occupations	14%		N/A		
Sales and Office Occupations	22%		N/A		
Farming, Fishing and Forestry	9%		N/A		
Construction, Extraction, and Maintenance	11%		N/A		
Production, Transportation, and Material Moving	17%		N/A		

**TABLE 3
HOUSING DEVELOPMENT PIPELINE
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

<u>Project Name</u>	<u>Description</u>	<u>Location</u>
NOT YET APPROVED		
Winters Highlands	Approximately 378 single-family residential units and 64 multifamily residential units.	Northwestern part of city.
Callahan Estates	119 single-family residential lots.	Northwestern part of city.
Creekside Estates	42-unit subdivision.	Southwestern part of city.
Ogando/Hudson	65 single-family residential lots.	Northwestern part of city.
Total Units in Approval Process	604 single family; 64 multifamily.	
UNDER CONSTRUCTION		
Winters Townhomes & Apartments	15 mixed townhomes and apartments.	Eastern part of city.
The Cottages at Carter Ranch	30-unit single-family residential affordable subdivision.	Northwestern part of city.
Carrion Subdivision	Parcel Map for a 4-unit subdivision. Design review required for each home.	Unknown.
Main Street Village	Mixed Use commercial/residential project. Four lofts approved, may do additional multifamily on 2nd floor.	Edge of downtown business district.
Total Units Under Construction	34 single family; 23 multifamily.	

TABLE 4
TOTAL AND PER CAPITA SALES, CITY OF WINTERS, YOLO COUNTY AND CALIFORNIA
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA

-----Total Retail Sales-----			
	2002		
	Winters	Yolo County	California
Comparison Goods	\$809,280	\$431,787,789	\$125,382,399,000
Convenience Goods	\$8,500,190	\$429,174,242	\$65,123,393,429
Eating & Drinking Places	\$6,514,700	\$153,298,000	\$38,079,830,000
Building Materials & Hardware	\$935,400	\$133,887,000	\$25,816,009,000
Retail Stores Total	\$16,759,570	\$1,148,147,031	\$254,401,631,429

-----Per Capita Retail Sales-----			
	2002		
	Winters	Yolo County	California
Population	6,291	177,250	35,048,666
Comparison Goods	\$129	\$2,436	\$3,577
Convenience Goods	\$1,351	\$2,421	\$1,858
Eating & Drinking Places	\$1,036	\$865	\$1,086
Building Materials & Hardware	\$149	\$755	\$737
Retail Stores Total	\$2,664	\$6,478	\$7,259

Note:

"Convenience goods" include food and drug stores. Food and drug store sales are adjusted by KMA to reflect nontaxable sales.

"Comparison goods" include apparel, general merchandise, specialty retail and home furnishing stores.

Source: City of Winters, California State Board of Equalization; California State Department of Finance; KMA

**TABLE 5
ESTIMATED RETAIL POTENTIAL
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

Share of Income Spent on Retail Goods- Consumer Expenditure 2002 Survey - West Region

Expenditure Type	Expenditure	Income Share
Food at Home	\$3,317	6.4%
Food away from Home	2,314	4.4%
Alcoholic Beverages	420	0.8%
Household Supplies and Operations	1,293	2.5%
Household Furnishings and Equipment	1,727	3.3%
Apparel and Services	1,836	3.5%
Drug & Medical Supplies	538	1.0%
Entertainment ¹	1,792	3.4%
Personal care products	569	1.1%
Reading	162	0.3%
Tobacco & Smoking Supplies	247	0.5%
Miscellaneous	905	1.7%
Total	\$15,120	29.1%
Retail Expenditures as Share of Income		29.1%

Share of Income Spent on Retail Goods in California- SBE & Census

Estimated Total Income in 2002 (\$000s) \$833,744,732

Establishment Type	Sales (\$000s)	Income Share
Apparel Stores	\$14,029,200	1.7%
General Merchandise Stores ²	53,830,234	6.5%
Specialty Stores	43,539,120	5.2%
Food Stores ³	54,146,891	6.5%
Eating & Drinking Places	38,079,830	4.6%
Home Furnishing & Appliances	13,983,287	1.7%
Building Materials	25,816,009	3.1%
Other Retail Stores	10,977,060	1.3%
Retail Stores Total	\$254,401,631	30.5%
Retail Expenditures as Share of Income		30.5%

1. Does not include fees and admissions.

2. Assumes general merchandise sales are 95% taxable and drug store sales are 65% taxable.

3. Assumes food store sales are 35% taxable.

**TABLE 6
EXISTING CONDITIONS FOR KEY RETAIL CATEGORIES
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

CONFIDENTIAL INFORMATION

	Estimated Population in Five Mile Trade Area ¹		9,026				
	Estimated Per Capita Income ²		\$20,698				
	Gross Five Mile Trade Area Income		\$186,820,148				
	<u>Winters Sales (2003)³</u>	<u>% of State Income</u>	<u>Per Capita Potential</u>	<u>Total Potential</u>	<u>Import (Export)</u>	<u>Supportable New Retail</u>	
						<u>\$/SF</u>	<u>Total SF</u>
COMPARISON GOODS							
Women's Apparel	200	0.5%	100	901,150	(900,950)	250	3,604
Men's Apparel	0	0.1%	27	243,147	(243,147)	250	973
Family Apparel	0	0.8%	166	1,495,702	(1,495,702)	250	5,983
Shoes	0	0.3%	56	503,573	(503,573)	250	2,014
Apparel Stores	\$200	1.7%	\$348	\$3,143,573	(\$3,143,373)		12,573
General Merchandise, excl. Drugs	0	5.4%	1,117	10,081,248	(10,081,248)	250	40,325
General Merchandise Total	\$0	5.4%	\$1,117	\$10,081,248	(\$10,081,248)		40,325
Gifts, Art goods & Novelties	1,400	0.2%	45	402,910	(401,510)	275	1,460
Sporting Goods	340,160	0.4%	83	750,393	(410,233)	275	1,492
Florists	113,200	0.1%	25	223,800	(110,600)	275	402
Photographic Equipment & Supplies	0	0.1%	12	109,886	(109,886)	275	400
Musical instruments	0	0.2%	40	360,459	(360,459)	275	1,311
Stationery and Books	0	0.5%	100	898,556	(898,556)	275	3,267
Jewelry	500	0.3%	54	490,665	(490,165)	275	1,782
Office, store and school supplies	17,300	1.6%	338	3,049,474	(3,032,174)	275	11,026
Other Specialties	428,300	1.9%	384	3,469,822	(3,041,522)	275	11,060
Specialty Stores Total	\$900,860	5.2%	\$1,081	\$9,755,966	(\$8,855,106)		32,200
Household and home furnishings	472,800	1.2%	242	2,186,580	(1,713,780)	250	6,855
Household appliance dealers	0	0.5%	105	946,705	(946,705)	250	3,787
Home Furnishings & Appliances	\$472,800	1.7%	\$347	\$3,133,285	(\$2,660,485)		10,642
Total Comparison Goods	\$1,373,860	14.0%	\$2,893	\$26,114,071	(\$24,740,211)		95,741
CONVENIENCE GOODS							
Drug Stores⁴	\$623,000	1.1%	\$219	\$1,980,684	(\$1,357,684)	275	4,937
Food Stores⁴	\$7,204,106	7.8%	\$1,614	14,571,972	(\$7,367,865)	300	24,560
Total Convenience Goods	\$7,827,106	8.9%	\$1,834	16,552,656	(\$8,725,549)		29,497
EATING AND DRINKING							
Eating places: no liquor	245,900	2.1%	427	3,854,549	(3,608,649)	350	10,310
Eating places: beer and wine	1,326,400	1.2%	239	2,152,787	(826,387)	350	2,361
Eating and drinking: all type of liquor	4,939,500	1.4%	280	2,525,347	2,414,153	350	0
Eating and Drinking	\$6,511,800	4.6%	\$945	\$8,532,683	(\$2,020,883)		12,672
BUILDING MATERIALS AND HARDWARE							
Lumber and building materials	0	2.3%	467	4,210,710	(4,210,710)	275	15,312
Plumbing and Electrical Supplies	0	0.4%	76	690,392	(690,392)	275	2,511
Paint, glass and wallpaper	0	0.1%	25	228,602	(228,602)	275	831
Building Materials, No Hardware	\$0	2.7%	\$568	\$5,129,703	(\$5,129,703)		18,653
Hardware stores	\$947,700	0.4%	\$73	\$654,982	\$292,718	275	0
Total Building Materials & Hardware	\$947,700	3.1%	\$641	\$5,784,685	(\$4,836,985)		18,653

Source: City of Winters; SBE; Consumer Expenditure Survey; KMA

1. Based on Claritas Data.

2. Based on Claritas Data.

3. Sales in 2003 based on HdL data for the City of Winters.

4. Assumes drug store sales are 65% taxable, and food sales in Winters are, on average, 55% taxable. Includes package liquor stores.

**TABLE 7
PROJECTED SUPPORT FOR NEW RETAIL @ 100% CAPTURE RATE
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

	CURRENT POPULATION			2010		
Estimated Trade Area Population ¹	9,026			11,145		(3.58% per year)
Estimated Per Capita Income ²	\$20,698			\$21,971		(1% real growth per year)
Gross Trade Area Income	\$186,820,148			\$244,870,630		
	Import	Supportable New Retail		Import	Supportable New Retail	
	(Export)	\$/SF	Total SF	(Export)	\$/SF	Total SF
COMPARISON GOODS						
Women's Apparel	(901,000)	250	3,600	(1,181,000)	250	4,720
Men's Apparel	(243,000)	250	970	(319,000)	250	1,280
Family Apparel	(1,496,000)	250	5,980	(1,960,000)	250	7,840
Shoes	(504,000)	250	2,020	(660,000)	250	2,640
Apparel Stores	(\$3,143,000)		12,570	(\$4,120,000)		16,480
General Merchandise, excl. Drugs	(10,081,000)	250	40,000	(13,214,000)	250	53,000
General Merchandise Total	(\$10,081,000)		40,000	(\$13,214,000)		53,000
Gifts, Art goods & Novelties	(402,000)	275	1,460	(527,000)	275	1,920
Sporting Goods	(410,000)	275	1,490	(643,000)	275	2,340
Florists	(111,000)	275	400	(180,000)	275	650
Photographic Equipment & Supplies	(110,000)	275	400	(144,000)	275	520
Musical instruments	(360,000)	275	1,310	(472,000)	275	1,720
Stationery and Books	(899,000)	275	3,270	(1,178,000)	275	4,280
Jewelry	(490,000)	275	1,780	(643,000)	275	2,340
Office, store and school supplies	(3,032,000)	275	11,030	(3,980,000)	275	14,470
Other Specialties	(3,042,000)	275	11,060	(4,120,000)	275	14,980
Specialty Stores Total	(\$8,855,000)		27,140	(\$11,887,000)		36,070
Household and home furnishings	(1,714,000)	250	6,856	(2,393,000)	250	9,572
Household appliance dealers	(947,000)	250	3,788	(1,241,000)	250	4,964
Home Furnishings & Appliances	(\$2,660,000)		10,644	(\$3,634,000)		14,536
				(32,855,000)		
CONVENIENCE GOODS						
Drug Stores⁴	(\$1,358,000)	\$275	4,940	(\$1,973,000)	\$275	7,170
Food Stores⁴	(\$7,368,000)	\$300	24,560	(\$11,896,000)	\$300	39,653
EATING AND DRINKING						
Eating places: no liquor	(3,609,000)	350	10,310	(4,806,000)	350	13,730
Eating places: beer and wine	(826,000)	350	2,360	(1,495,000)	350	4,270
Eating and drinking: all type of liquor	2,414,000	350	0	1,629,000	350	0
Eating and Drinking	(\$2,021,000)		12,670	(\$4,672,000)		18,000
BUILDING MATERIALS AND HARDWARE						
Lumber and building materials	(4,211,000)	275	15,310	(905,000)	275	3,290
Plumbing and Electrical Supplies	(690,000)	275	2,510	(300,000)	275	1,090
Paint, glass and wallpaper	(229,000)	275	830	(6,724,000)	275	24,450
Building Materials	(\$5,130,000)		18,650	(\$7,928,000)		28,830
Hardware stores	\$292,718	275	0	\$0	275	0

Sources: City of Winters (Hinderliter, de Llamas & Associates data); State Board of Equalization; Claritas; Bureau of Labor Statistics Consumer Expenditures Data, KMA.

1. Based on Claritas Data. Build-out population assumes 12,500 people in the City of Winters and no growth outside of the City's boundaries.
2. Current estimate from Claritas. Per capita income in 2010 and at build-out assumes a 1% increase in real income per year.
3. Sales in 2003 based on HdL data for the City of Winters.
4. Assumes drug store sales are 65% taxable, and food sales in Winters are, on average, 55% taxable. Includes package liquor stores.

**TABLE 7
PROJECTED SUPPORT FOR NEW RETAIL @ 100% CAPTURE RATE
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

	CURRENT POPULATION			AT BUILD-OUT (EST. 2020)		
Estimated Trade Area Population ¹	9,026			14,658	(3.08% per year)	
Estimated Per Capita Income ²	\$20,698			\$24,270	(1% real growth per year)	
Gross Trade Area Income	\$186,820,148			\$355,750,141		
	Import	Supportable New Retail		Import	Supportable New Retail	
	(Export)	\$/SF	Total SF	(Export)	\$/SF	Total SF
COMPARISON GOODS						
Women's Apparel	(901,000)	250	3,600	(1,716,000)	250	6,860
Men's Apparel	(243,000)	250	970	(463,000)	250	1,850
Family Apparel	(1,496,000)	250	5,980	(2,848,000)	250	11,390
Shoes	(504,000)	250	2,020	(959,000)	250	3,840
Apparel Stores	(\$3,143,000)		12,570	(\$5,986,000)		23,940
General Merchandise, excl. Drugs	(10,081,000)	250	40,000	(19,197,000)	250	77,000
General Merchandise Total	(\$10,081,000)		40,000	(\$19,197,000)		77,000
Gifts, Art goods & Novelties	(402,000)	275	1,460	(766,000)	275	2,790
Sporting Goods	(410,000)	275	1,490	(1,089,000)	275	3,960
Florists	(111,000)	275	400	(313,000)	275	1,140
Photographic Equipment & Supplies	(110,000)	275	400	(209,000)	275	760
Musical instruments	(360,000)	275	1,310	(686,000)	275	2,490
Stationery and Books	(899,000)	275	3,270	(1,711,000)	275	6,220
Jewelry	(490,000)	275	1,780	(934,000)	275	3,400
Office, store and school supplies	(3,032,000)	275	11,030	(5,790,000)	275	21,050
Other Specialties	(3,042,000)	275	11,060	(6,179,000)	275	22,470
Specialty Stores Total	(\$8,855,000)		27,140	(\$17,677,000)		53,140
Household and home furnishings	(1,714,000)	250	6,856	(3,691,000)	250	14,764
Household appliance dealers	(947,000)	250	3,788	(1,803,000)	250	7,212
Home Furnishings & Appliances	(\$2,660,000)		10,644	(\$5,494,000)		21,976
				(48,354,000)		
CONVENIENCE GOODS						
Drug Stores⁴	(\$1,358,000)	\$275	4,940	(\$3,149,000)	\$275	11,450
Food Stores⁴	(\$7,368,000)	\$300	24,560	(\$20,544,000)	\$300	68,480
EATING AND DRINKING						
Eating places: no liquor	(3,609,000)	350	10,310	(7,094,000)	350	20,270
Eating places: beer and wine	(826,000)	350	2,360	(2,773,000)	350	7,920
Eating and drinking: all type of liquor	2,414,000	350	0	131,000	350	0
Eating and Drinking	(\$2,021,000)		12,670	(\$9,736,000)		28,190
BUILDING MATERIALS AND HARDWARE						
Lumber and building materials	(4,211,000)	275	15,310	(8,018,000)	275	29,160
Plumbing and Electrical Supplies	(690,000)	275	2,510	(1,315,000)	275	4,780
Paint, glass and wallpaper	(229,000)	275	830	(435,000)	275	1,580
Building Materials	(\$5,130,000)		18,650	(\$9,768,000)		35,520
Hardware stores	\$292,718	275	0	(\$300,000)	275	1,091

Sources: City of Winters (Hinderliter, de Llamas & Associates data); State Board of Equalization; Clarit

1. Based on Claritas Data. Build-out population assumes 12,500 people in the City of Winters and no c
2. Current estimate from Claritas. Per capita income in 2010 and at build-out assumes a 1% increase
3. Sales in 2003 based on HdL data for the City of Winters.
4. Assumes drug store sales are 65% taxable, and food sales in Winters are, on average, 55% taxable

**TABLE 8
POTENTIAL FOR COMPARISON RETAIL IN WINTERS
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

	<u>Sales Potential</u>	<u>Capture Rate</u>	<u>Winters Potential</u>	<u>Sales Per SF</u>	<u>Supportable Floor Area</u>
2010					
Apparel	\$4,120,000	20% - 30%	\$824,000 - \$1,236,000	\$250	3,300 - 4,900
Specialty	\$12,787,000	20% - 30%	\$2,557,000 - \$3,836,000	\$275	9,300 - 13,900
Home	\$4,107,000	20% - 30%	\$821,000 - \$1,232,000	\$250	3,300 - 4,900
Total	\$21,014,000		\$4,202,000 - \$6,304,000		15,900 - 23,700
2020					
Apparel	\$5,986,000	25% - 35%	\$1,497,000 - \$2,095,100	\$250	6,000 - 8,400
Specialty	\$18,578,000	25% - 35%	\$4,645,000 - \$6,502,000	\$275	16,900 - 23,600
Home	\$5,967,000	25% - 35%	\$1,492,000 - \$2,088,000	\$250	6,000 - 8,400
Total	\$30,531,000		\$7,634,000 - \$10,685,100		28,900 - 40,400

**TABLE 9
 POTENTIAL FOR EATING AND DRINKING ESTABLISHMENTS IN WINTERS
 DOWNTOWN MARKET EVALUATION
 CITY OF WINTERS, CA**

EATING & DRINKING

	2010	2020
Total Sales Potential	\$11,184,000	\$16,248,000
Capture Rate	85% - 100%	85% - 100%
Winters Potential	\$9,506,000 - \$11,184,000	\$13,811,000 - \$16,248,000
<Less> Existing Sales	\$6,511,800	\$6,511,800
Residual Sales Potential	\$2,994,200 - \$4,672,200	\$7,299,200 - \$9,736,200
Sales per SF	\$350	\$350
Supportable Floor Area (SF)	8,600 - 13,300	20,900 - 27,800

**TABLE 10
NEW FOR-SALE CONSTRUCTION
DOWNTOWN MARKET EVALUATION
CITY OF WINTERS, CA**

Project Name	Year(s)	Lot Sizes	3-Bedroom Detached Homes				4-Bedroom Detached Homes			
			Units Sold	Unit SF	Price	PSF	Units Sold	Unit SF	Price	PSF
1 Keystone (Seeno Homes)	2003	7,000	4	1,924	\$367,075	\$191	4	2,957	\$414,950	\$140
			5	2,356	\$418,125	\$177				
			5	2,760	\$425,250	\$154				
			14	2,377	\$406,084	\$171	4	2,957	\$414,950	\$140
2 Dry Creek Meadows (DUC Housing Partners)	2001- 2003	6,300	28	1,626	\$301,950	\$186	42	1,963	\$339,950	\$173
							34	2,141	\$362,950	\$170
							36	2,323	\$382,950	\$165
			28	1,626	\$301,950	\$186	112	2,133	\$360,754	\$169
Total/Average (rounded)			42	1,876	\$337,000	\$180	116	2,161	\$363,000	\$168

Source: Meyers Group.