ECONOMIC AND FISCAL CONDITIONS STUDY FOR THE CITY OF GRASS VALLEY

ACCEPTED BY THE GRASS VALLEY CITY COUNCIL ON

APRIL 11, 2006

Prepared for
City of Grass Valley

Prepared by

Applied Development Economics
100 Pringle Avenue, Suite 560 • Walnut Creek, California 94596 • (925) 934-8712
2151 River Plaza Drive, Suite 150 • Sacramento, California 95833 • (916) 923-1562
www.adeusa.com

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EXECUTIVE SUMMARY

The Grass Valley 2020 General Plan identified four Special Development Areas (SDAs) which include 1,636 acres of land within the City's Sphere of Influence. Nevada County, the City of Grass Valley, and the Local Agency Formation Commission (LAFCo) Sphere of Influence Plan all require the SDAs to be annexed into the City before gaining approval to develop the land.

This study is being prepared because the City would like to better understand its baseline economic and fiscal conditions. The City knows that each SDA is preparing a Master or Specific Plan, which will be submitted for City consideration. Thus, the information included in this report will help the City evaluate the proposed land use mixes relative to the market demand, and the timing of the proposed annexations. Accordingly, the study measures the jobs/housing balance and fiscal impacts of the City's General Plan land use alternatives for the combined four SDAs. The impacts of three SDA land use alternatives are described below in more detail.

The scope of this study and the application of three land use alternatives had been reviewed and approved by the City Council as appropriate scenarios for measuring and evaluating change. The objective of the study was not to determine where or when growth should occur within the City, but to forecast regional trends of Western Nevada County through 2020. The conclusions of the study will be used as an informational tool for the City to determine whether the overall growth projections for the 2020 General Plan should be re-evaluated, refined or adjusted.

The study presents only three alternatives. However, there are many more than three alternatives that could be approved by the City Council. One land use alternative would retain the General Plan policies without change. A second land use alternative would change the General Plan so that it fits the master and specific plans proposed by the SDAs. A third alternative presents a land use mix that would match Grass Valley's 1.7 jobs/housing balance. Accordingly, the study does not recommend that Grass Valley retain the existing jobs/housing balance. The study simply uses the existing jobs/housing balance number as a benchmark to measure change.

IMPACTS OF LAND USE ALTERNATIVE#1: RETAIN 2020 GENERAL PLAN LAND USE REQUIREMENTS FOR THE SDAS

The 2020 General Plan was adopted without the benefit of any market analysis, but the General Plan designates 50 acres of the SDA properties for commercial retail uses, and 493 acres for business park and industrial uses as displayed in Table 1. It is estimated that the land dedicated for business park uses will support approximately 3.22 million S.F. of space given Grass Valley's steep terrain, and environmental constraints. However, the market analysis enclosed in this report estimates that the SDAs can absorb 1.93 million S.F. of new commercial and business park space by 2020. Thus, if the General Plan land use policies are retained, then available infill properties will absorb .86 million S.F. of space by 2020, and land to be annexed can absorb 1.07 million square feet.

The current General Plan requirements allow the SDAs and other areas of the City to capture the full market demand for business space, which can accommodate 1,936 workers. However, the supply of SDA land reserved for business space is so large that it will take many years after 2020 to fully absorb the available land supply. Thus, if the current General Plan land use requirements are retained, then the SDA property owners will be required to hold large amounts of land for future generations of potential business users.

The 2020 General Plan also allows the SDA property owners to develop 648 housing units. Thus, the development of the SDAs as guided by the 2020 General Plan, will produce a 3.0 jobs/housing balance ratio, which is substantially higher than Grass Valley's current 1.7 jobs/housing balance ratio. This means that the retention of the 2020 land use requirements for the SDAs may strengthen Grass Valley's position as a regional employment center if the development of the project areas proceed as guided by the 2020 General Plan.

The current General Plan land use requirements also guide the SDAs to develop a land use mix that produces a positive fiscal impact, which means that the City can afford to service the new growth. It is estimated that if the SDAs develop a land use mix allowed by the 2020 General Plan, then the City can earn a net fiscal gain of $1.55 million per year.

In addition, the 2020 General Plan will not allow the SDAs to absorb the future market demand for housing in Western Nevada County. This means that the remaining housing growth will be pushed elsewhere, which will encourage low-density sprawl in the unincorporated areas of Western Nevada County. Limiting the amount of housing to be less than the market demand may also push a portion of the projected population growth outside the region.

SUMMARY OF LAND USE ALTERNATIVE #2: CHANGE THE 2020 GENERAL PLAN TO MATCH THE SDA MASTER AND SPECIFIC PLANS

The SDA property owners have prepared draft Master or Specific Plans that are not consistent with the 2020 General Plan for reasons of economic feasibility and their desire to produce planned real estate development projects for Grass Valley. Three of four SDA applicants have filed their application plans for City review and approval. All applications are on hold by council directive pending the release of this study. The jobs/housing balance and fiscal impacts of changing the General Plan to match the SDA Master and Specific Plans are described below in more detail.

TABLE 1
Economic and Fiscal Impact Summary of SDA Land Use Alternatives
2005-2020

Market Demand	**SDA Allowed Land Uses Alternative #1**	**SDA Proposed Land Uses Alternative #2**	**Balanced Land Uses Alternative #3**
Market Demand for Housing	2,525	2,525	2,525
Demand Absorbed by SDAs	648	2,525	1,139
Demand Absorbed Elsewhere	1,877	0	1,386
Demand for Business Space			
Total Demand for Business Space (Million S.F.)	1.93	1.93	1.93
Demand Captured by Infill (Million S.F.)	0.86	0.86	0.86
Demand Left to be Captured by New Annexations (Million S.F.)	1.07	1.07	1.07
Business Space Allowed by General Plan			
SDA Acreage Reserved for Business Uses	493	211	211
Estimated Business Space Allowed (Million S.F.)	3.22	1.38	1.38
Business Space Captured by New Annexations (Million S.F.)	1.07	1.07	1.07
Job Creation by SDAs	1,936	1,936	1,936
General Plan Impacts			
Jobs/Housing Balance	3.0	0.8	1.7
Net Fiscal Revenue ($millions)	**$1.55**	**$0.36**	**$0.64**

Source: Applied Development Economics

The SDA Master and Specific Plans will propose 1.38 million S.F. of business space and 4,111 housing units. The planned developments will also include community centers, health clubs, golf courses, parks, churches, and other civic facilities. The SDA Master and Specific Plans strive to achieve the concept of smart growth that mixes residential and business uses. Each property owner has spent a considerable amount of time and financial resources on their planning efforts. However, the market analysis indicates that the SDAs can capture only one million square feet of new business space by 2020, which will leave approximately 40,000 square feet of space to be absorbed after 2020.

The new housing units proposed by the SDA Master and Specific Plans also exceed 2020 market demand. Thus, it will take many years past 2020 for the SDAs to develop the proposed number of housing units.

Consequently, the land use mix that the market can support by 2020 will produce a 0.8 jobs/housing balance ratio if the General Plan is changed to match the SDA Master and Specific Plans. This means that the 2020 jobs/housing balance ratio achieved by the SDA land use mix is exactly the same as Western Nevada County's current 0.7 jobs/housing balance ratio.

Finally, implementation of the SDA Master and Specific Plans will achieve a land use mix that generates an annual net positive fiscal impact of $357,584 by 2020. This means that the City's budget will be somewhat strengthened if the General Plan is changed to match the

SDA Master and Specific Plans, and the City would be able to afford to service the new growth.

SUMMARY OF BALANCED LAND USE MIX FOR THE SDAS

A land use mix that would allow the SDAs to capture 862,595 S.F. of new business space and 1,139 new housing units will achieve a 1.7 jobs/housing balance ratio. Thus, the City could achieve a balanced land use mix if it made no changes to the allowed commercial zoning, and expanded the allowed residential units from 648 units to 1,139 units. However, if the City does not allow the SDAs to capture its market potential of 2,525 housing units by 2020, then the remaining housing demand may be developed in the form of low-density sprawl elsewhere in Western Nevada County, or in another region.

A balanced land use mix for the SDAs will generate an annual net positive fiscal impact of $640,425 once the market potential has been achieved. This means that a balanced land use mix will improve the City's fiscal situation.

RECOMMENDATIONS FOR PROJECT SPECIFIC IMPACT ANALYSIS

The City has requested ADE to recommend the project specific type of studies that the SDA property owners should submit along with their Master or Specific Plan. The recommendations could apply to any property owners that require changes to the 2020 General Plan, and are summarized below.

Recommendation #1: Require Jobs/Housing Balance and Fiscal Impact Report for any land development project that needs a General Plan change.

Each SDA property owner should be required to prepare a report that would inform City Staff and Council about the jobs/housing balance and fiscal impacts of their proposed Master or Specific Plan. The property owners should also suggest ways to mitigate any negative fiscal impacts that may be presented by the implementation of one or more SDA Master or Specific Plans. For example, the City can require the establishment of special service districts, either as Community Facilities Districts capable of imposing special taxes, or in terms of assessment or Landscape and Lighting districts that can fund either the construction or maintenance of certain public infrastructure or common facilities. As the proposed annexation areas are evaluated, the City may wish to consider these sorts of financing mechanisms to augment the public revenues otherwise generated by the new developments.

Recommendation #2: Require any Proposed New Retail Project to Submit an Economic Impact Analysis on the Downtown

Property owners that request a land use change and General Plan amendment in order to develop new commercial retail space should also analyze the economic impacts on the existing downtown district, and other City retail centers. This recommendation would not apply to property owners who seek to expand commercial space consistent with the 2020 General Plan.

Recommendation #3: The final land use mix in each SDA should be determined after the completion of each individual economic and fiscal impact study, and EIR. The final approval should also include the consideration of all environmental, traffic, and land use planning issues.

GUIDING PRINCIPLES BEHIND THE RECOMMENDATIONS

The additional impact analysis should be based on the four principals listed below.

Principle #1: The City should acknowledge the existing 1.7 jobs/housing balance, and use the number as a benchmark for evaluating future land development proposals.

Principle #2: The City of Grass Valley must maintain a fiscally healthy budget.

Principle #3: The City of Grass Valley needs to retain an economically healthy downtown district.

Principle #4: Requirements by the City for additional economic analysis should utilize successful models that have been adopted in other communities.

Principle #5: The SDAs and other annexation areas should be planned to meet the long term community needs of the City of Grass Valley and Western Nevada County well into the future, beyond the lifetime of the 2020 General Plan.

Principle #6: The City of Grass Valley should partner with the SDA property owners in order to attract jobs, and achieve the desired jobs/housing balance.

ASSUMPTIONS BEHIND THE LAND DEMAND AND ABSORPTION PROJECTIONS

The assumptions that form the basis for the land demand and market absorption projections rely on population and employment projection models produced by the federal and state government. These projections are compared against past trends, and are summarized in Table 2 below. The methodologies used to prepare every table in the body of the report are explained in Appendix A.

TABLE 2
Comparison of Past Growth Rates and Future Projections

	Annual Growth Rates 1990-2003	Projected Growth Rates 2003-2020
Population Growth		
Western Nevada County	1.1%	1.6%
Grass Valley	2.2%	2.8%
Employment Growth		
Western Nevada County	2.3%	1.4%
Grass Valley	3.2%	2.0%

Source: Applied Development Economics

This report's projected demand for housing relies upon the accuracy of the California Department of Finance (DOF) population projections for Nevada County. It is assumed that the projected population of Grass Valley and Western Nevada County will be stronger than past trends, which is consistent with the DOF projections for Nevada County. The data indicates that Grass Valley's population expanded at an annual growth rate of 2.2 percent between 1990 and 2003, and the projected annual population growth rates will increase to 2.8 percent through 2020. More recent experience corroborates these projections, as Grass Valley actually grew at a 3.9% annual rate between 2003 and 2005.

In addition, the report's projected demand for business space relies upon the accuracy of the Nevada County employment projections published by the U.S. Bureau of Economic Analysis (BEA). The BEA projections indicate that future employment growth in Nevada County will be slower than past trends.

Projections for the City of Grass Valley assume that the City retains its historical share of the region's growth. Of course, this assumes a continuation of land use policies that allow the City to absorb its historical share of regional growth. If the City changes its historical direction, then the projected growth will be pushed to other locations in Western Nevada County, or out of the region.

The build-out of infill properties assumes that Grass Valley's historical rates of infill development will continue going forward. The analysis relies upon the accuracy of the City's Housing Element, which identified that the City has a sufficient amount of undeveloped land to absorb 1,191 units, and that commercial properties could be developed for a mix of uses that could absorb another 273 units. Thus, 840 housing units could be developed on existing infill sites assuming that 70 percent of the vacant residential sites are buildable. The analysis also relies upon the data collected from the commercial land inventory study, which revealed that 40 percent of commercially zoned infill properties could actually be developed. In addition, the study uncovered that the developed commercial properties occupy a 15 percent land coverage, in part because of the topography and environmental constraints unique to Grass Valley. Thus, the infill properties can absorb 1.07 million S.F. of new business space if the new development covers 15 percent of the developable infill parcels.

1. PROJECT SETTING: DEMOGRAPHIC AND EMPLOYMENT TRENDS

The past trends of population growth that have shaped Grass Valley's housing market are documented in this section of the report. Data in Table 3 quantifies Nevada County's population growth compared to the surrounding region between 1990 and 2003. Nevada County's population is currently estimated to be 95,700 persons, and the data indicates that 17,190 persons have established their homes in Nevada County since 1990. Nevada County's annual population growth rate of 1.5 percent was similar to California's 1.4 percent annual population growth rate, but slower than the 1.8 percent rate of growth within the Sacramento Area Council of Governments (SACOG) region and the 2.7 percent rate of growth within the Sierra Economic Development District (SEDD).[1]

TABLE 3
Population Growth in Nevada County Compared to the Region and California
1990 - 2003

	Persons			Population Change 1990 - 2003	Percent Change 1990 - 2003	Annual Growth Rate 1990 - 2003
	1990	2000	2003			
Nevada County	78,510	92,033	95,700	17,190	21.9%	1.5%
SACOG Region	1,304,954	1,531,308	1,636,900	331,946	25.4%	1.8%
SEDD Region	382,609	502,286	542,823	160,214	41.9%	2.7%
California	29,760,021	33,871,648	35,591,000	5,830,979	19.6%	1.4%

Source: Applied Development Economics based on data from US Census, CA Department of Finance

Note: Sierra EDD Region includes Sierra, Nevada, Placer, and El Dorado Counties. SACOG Region includes Sacramento, Sutter, Yolo, and Yuba Counties. Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census). Western Nevada County 2003 values estimated based on the 1990 - 2000 growth rate.

Data in Table 4 shows that Nevada County's household growth expanded by an annual rate of 1.8 percent between 1990 and 2003, which is considerably higher than the annual population growth rate of 1.5 percent. The difference between the population and household growth rates are due to the low numbers of persons per household in Nevada County.

[1] SACOG region includes the Counties of Sacramento, Sutter, Yolo, and Yuba Counties. SEDD region includes the Counties of Sierra, Nevada, Placer, and El Dorado.

TABLE 4
Household Growth in Nevada County Compared to the Region and California
1990 - 2003

	1990	2000	2003	Population Change 1990-2003	Percent Change 1990-2003	Annual Growth Rate 1990-2003
Nevada County	30,788	36,961	38,745	7,957	25.8%	1.8%
SACOG Region	488,389	560,545	592,730	104,341	21.4%	1.5%
SEDD Region	145,030	192,735	212,793	67,763	46.7%	3.0%
California	10,381,206	11,502,870	11,866,756	1,485,550	14.3%	1.0%

Source: Applied Development Economics based on data from US Census, CA Department of Finance

Note: Sierra EDD Region includes Sierra, Nevada, Placer, and El Dorado Counties. SACOG Region includes Sacramento, Sutter, Yolo, and Yuba Counties. Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census). Western Nevada County 2003 values estimated based on the 1990 - 2000 growth rate.

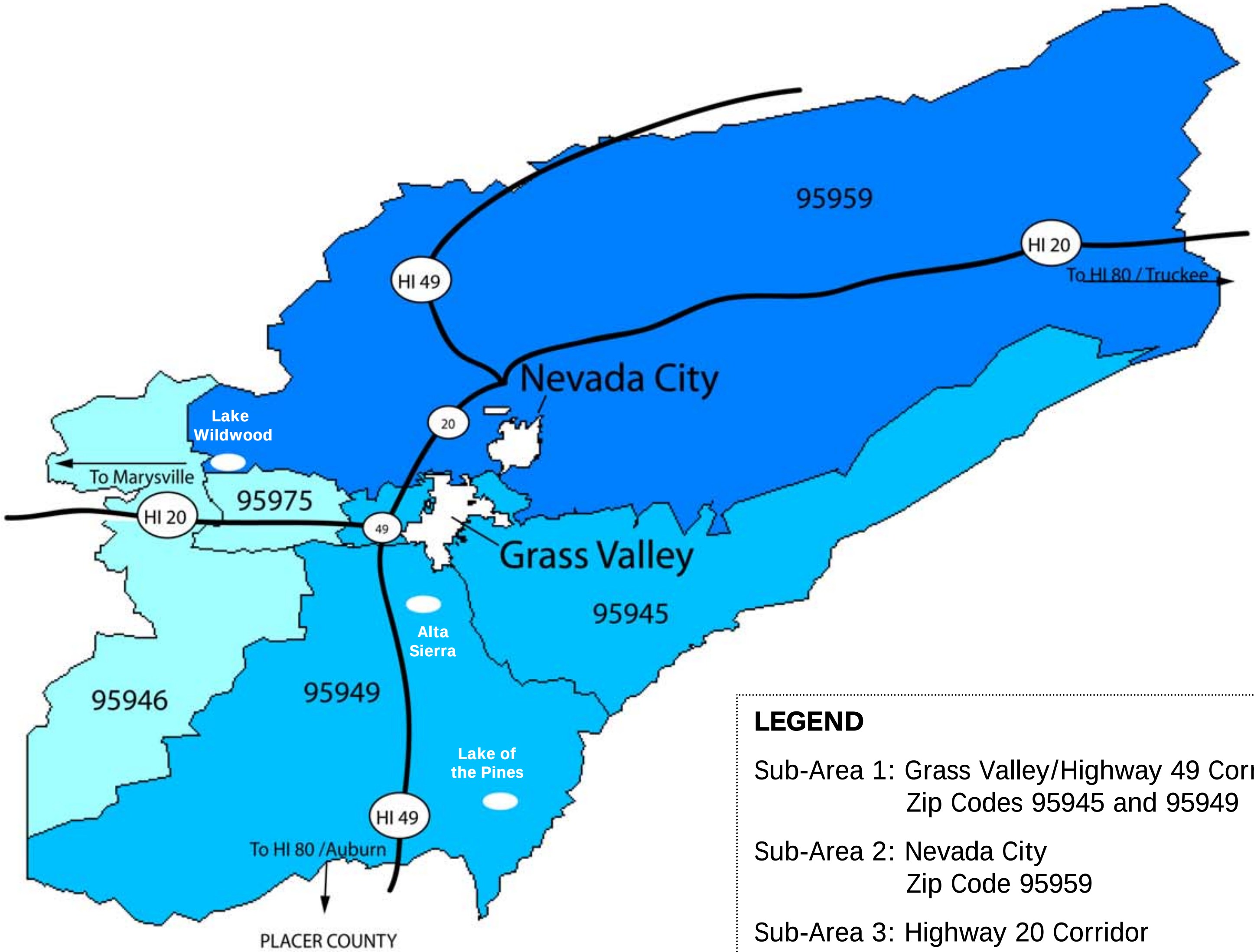
The data on household growth is a measure of the demand for housing, which has been stronger in Nevada County than in the SACOG region and throughout California. That is, there is a 1.8 percent annual growth rate in the SACOG region, and a 1.0 percent growth rate throughout California. However, Nevada County's household growth rate was slower than the SEDD region's household growth rate of 3.0 percent between 1990 and 2003.

1.1 DEMOGRAPHIC TRENDS IN GRASS VALLEY AND WESTERN NEVADA COUNTY

Data in Table 5 displays the distribution of the population and households within each sub-area of Western Nevada County during the time of the 2000 Census, as displayed in Figure 1.[2] The data indicates that Western Nevada County contained 76,412 persons and 31,174 households. US Census data indicates that 62.5 percent of Western Nevada County's population and households live within the Grass Valley/Highway 49 Corridor sub-area. The City of Grass Valley contained 11,476 persons, which accounted for 15 percent of Western Nevada County's 2000 population. The Nevada City sub-area incorporated 23.9 percent of Western Nevada County's population, and the Highway 20 corridor sub-area incorporated 13.6 percent of Western Nevada County's population in 2000.

[2] Sub-area #1 is labeled the Grass Valley/Highway 49 corridor, and combines the two zip codes of 95945 and 95949. This sub-area extends to the Placer County line, and includes the City of Grass Valley. Sub-area #2 incorporates the single zip code of 95959, which includes Nevada City. Sub-area #3 is labeled the Highway 20 corridor, which extends east of Grass Valley to the Yuba County border, and combines the zip codes 95975 and 95946.

FIGURE 1
Grass Valley and Western Nevada County Sub-areas



LEGEND

Sub-Area 1: Grass Valley/Highway 49 Corridor
Zip Codes 95945 and 95949

Sub-Area 2: Nevada City
Zip Code 95959

Sub-Area 3: Highway 20 Corridor
Zip Codes 95975 and 95946

TABLE 5
Western Nevada County Population and Households by Zip Code, 2000

	Population 2000	Percent Total	Households 2000	Percent Total
Western Nevada County	76,412		31,174	
Grass Valley/Highway 49 Corridor Sub-Area [1]	47,743	62.5%	19,486	62.5%
Grass Valley (City)	11,476	15.0%	4,508	14.5%
Sub-Area Remainder	36,267		14,978	
Nevada City Sub-Area [2]	18,279	23.9%	7,461	23.9%
Nevada City (City)	3,001	3.9%	1,225	3.9%
Sub-Area Remainder	15,278		6,236	
Highway 20 Corridor Sub-Area [3]	10,390	13.6%	4,227	13.6%

Source: Applied Development Economics based on data from US Census.

Note: [1] includes zip codes 95945 and 95946, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Data in Table 6 estimates that the population of Western Nevada County expanded at an annual growth rate of only 1.1 percent between 1990 and 2003. Population growth within the Grass Valley/Highway 49 Corridor sub-area expanded at an annual growth rate of only 1.2 percent, and the sub-area captured 70.4 percent of Western Nevada County's population growth between 1990 and 2003.

TABLE 6
Population Growth Trends Within Nevada County, 1990 - 2003

	Population 1990	Population 2000	Population 2003	Population Change 1990 - 2003	Percent New Growth Within Western Nevada County	Percent Change 1990 - 2003	Annual Growth Rate 1990 - 2003
Nevada County	78,510	92,033	95,700	17,190		21.9%	1.5%
Western Nevada County	68,432	76,412	78,518	10,086		14.7%	1.1%
Grass Valley/Highway 49 Corridor Sub-Area [1]	42,131	47,743	49,235	7,104	70.4%	16.9%	1.2%
Grass Valley (City)	9,048	11,476	12,000	2,952	29.3%	32.6%	2.2%
Sub-Area Remainder	33,083	36,267	37,235	312		12.6%	0.9%
Nevada City Sub Area [2]	16,856	18,279	18,647	1,791	17.8%	10.6%	0.8%
Nevada City (City)	2,855	3,001	3,030	175		6.1%	0.5%
Sub-Area Remainder	14,001	15,278	15,617	1,616		11.5%	0.8%
Highway 20 Corridor Sub-Area [3]	9,445	10,390	10,636	1,191	11.8%	12.6%	0.9%

Source: Applied Development Economics based on data from US Census, CA Department of Finance, and ADE zip code based estimates
Note: Sierra EDD Region includes Sierra, Nevada, Placer, and El Dorado Counties. SACOG Region includes Sacramento, Sutter, Yolo, and Yuba Counties. Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census). Western Nevada County 2003 values estimated based on the 1990 - 2000 growth rate.

Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Most of the sub-area's population was absorbed within the Grass Valley City Limits, which expanded at an annual growth rate of 2.2 percent. Essentially, 29.3 percent of the population growth within Western Nevada County was captured within the Grass Valley City Limits. Of course, the annexations of existing housing units that were formerly located in County unincorporated areas affects the population growth within the City Limits.

The demand for housing is directly related to the population growth and the number of persons living in each household, as illustrated in Table 7. Fewer persons per household drive up the demand for housing relative to population growth. The data indicates that Western Nevada County had 2.55 persons per household in 1990, which declined to 2.47 persons per household by 2003. Household size within the Grass Valley/Highway 49 Corridor sub-area has held constant at 2.49 persons per household. Household size within the Nevada City sub area significantly declined from 2.67 persons per household in 1990 to 2.39 persons per household by 2003. This decline may relate to the large estate homes that have been developed around Nevada City during the past decade. Household size within the Highway 20 corridor sub-area declined more slowly, from 2.5 persons per household in 1990 to 2.45 persons per household in 2003.

TABLE 7
Trends in Household Size Within Nevada County
1990 - 2003

	Households 1990	Households 2000	Households 2003
Nevada County	2.55	2.49	2.47
Western Nevada County	2.53	2.45	2.46
Grass Valley/Highway 49 Corridor Sub-Area [1]	2.49	2.50	2.49
Nevada City Sub-Area [2]	2.67	2.45	2.39
Highway 20 Corridor Sub Area [3]	2.50	2.46	2.45

Source: Applied Development Economics based on data from US Census, CA Department of Finance
Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Data in Table 8 displays the changing age demographics in Grass Valley, Western Nevada County, and California. The data shows that 22 percent of Grass Valley's population is more than 65 years old, compared to only 11 percent of California's population. Thus, there are a large concentration of persons more than 65 years old in Grass Valley and Western Nevada County.

However, the concentration of older people in Grass Valley has remained relatively unchanged since 1990, when the over 65 years old population comprised 23 percent of the City's total population. Essentially, the relatively large concentration of older people in Grass Valley and Western Nevada County has remained steady since 1990.

In contrast, the most significant age demographic change in Grass Valley has been the growth among the primary working age population. That is, the gains of population among people between 30 and 54 years old amounted to 9.2 percent between 1990 and 2000. This is similar to the 7.1 percent gain of population between 30 and 54 years old throughout California.

TABLE 8
Population by Age Trends in Grass Valley, Western Nevada County, and California, 1990 and 2000

	City of Grass Valley					
	Population 1990	**Percent 1990**	**Population 2000**	**Percent 2000**	**Change 1990 - 2000**	**Percent Change 1990 - 2000**
Under 17	2,093	23%	2,547	23%	454	5.0%
18 to 29	1,536	17%	1,654	15%	118	1.3%
30 to 54	2,668	29%	3,499	32%	831	9.2%
55 to 64	631	7%	819	7%	188	2.1%
65 and Over	2,120	23%	2,403	22%	283	3.1%
Total	**9,048**	**100%**	**10,922**	**100%**	**1,874**	**20.7%**
	Western Nevada County					
	Population 1990	**Percent 1990**	**Population 2000**	**Percent 2000**	**Change 1990 - 2000**	**Percent Change 1990 - 2000**
Under 17	16,210	24%	15,798	22%	-412	-0.6%
18 to 29	6,675	10%	6,539	9%	-136	-0.2%
30 to 54	24,359	36%	25,846	37%	1,487	2.2%
55 to 64	7,493	11%	8,544	12%	1,051	1.5%
65 and Over	13,695	20%	13,768	20%	73	0.1%
Total	**68,432**	**100%**	**70,495**	**100%**	**2,063**	**22.8%**
	California					
	Population 1990 (millions)	**Percent 1990**	**Population 2000 (millions)**	**Percent 2000**	**Change 1990 - 2000**	**Percent Change 1990 - 2000**
Under 17	7.8	26%	9.3	27%	1.6	5.2%
18 to 29	6.3	21%	5.9	17%	-0.4	-1.2%
30 to 54	10.4	35%	12.5	37%	2.1	7.1%
55 to 64	2.2	8%	2.6	8%	0.4	1.2%
65 and Over	3.1	11%	3.6	11%	0.5	1.6%
Total	**29.7**	**100%**	**33.8**	**100%**	**4.1**	

Source: Applied Development Economics based on U.S. Census, 1990 & 2000.
Note: Western Nevada County is zip codes 95949, 95945, 95959, 95975 & 95946.

Data in Table 9 quantifies the demographic formation of new households within Western Nevada County between 1990 and 2003. The formation of new households is what creates the demand for housing, and the data shows that Western Nevada County gained 4,849 new households between 1990 and 2003, for an annual household growth rate of 1.3 percent. The Grass Valley/Highway 49 Corridor sub-area expanded at the similar annual growth rate of 1.2 percent. However, most new households were absorbed within the Grass Valley City Limits, where new household formation expanded at an annual growth rate of 1.9 percent. Household growth within the Nevada City sub-area expanded at an annual growth rate of 1.6 percent, and 1.1 percent within the Highway 20 corridor sub-area.

TABLE 9
Household Growth Trends Within Nevada County, 1990 - 2003

	Households 1990	Households 2000	Households 2003	Household Change 1990 - 2003	Percent Change 1990 - 2003	Annual Growth Rate 1990 - 2003
Western Nevada County	27,074	31,174	31,923	4,849	17.9%	1.3%
Grass Valley/Highway 49 Corridor Sub-Area [1]	16,986	19,486	19,773	2,787	16.4%	1.2%
Grass Valley (City)	3,634	4,401	4,901	1,268	34.9%	1.9%
Sub-Area Remainder	13,352	15,086	15,192	1,839	13.8%	1.2%
Nevada City Sub-Area [2]	6,313	7,461	7,802	1,489	23.6%	1.6%
Nevada City (City)	1,069	1,225	1,268	198	18.6%	1.3%
Sub-Area Remainder	5,244	6,236	6,534	1,290	24.6%	1.7%
Highway 20 Corridor Sub-Area [3]	3,775	4,227	4,348	574	15.2%	1.1%

Source: Applied Development Economics based on data from US Census, CA Department of Finance
Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

1.2 HOUSING SUPPLY TRENDS IN GRASS VALLEY AND SURROUNDING REGION

Data in Table 10 quantifies the actual growth of housing units as opposed to the demographic formation of new households. The growth of housing units is different than household formation because some housing units are vacant, and other units are built as second homes and are occupied on a part-time or seasonal basis.

TABLE 10
Growth of Housing Units Within Nevada County, 1990 - 2003

	Number Housing Units 1990	Number Housing Units 2000	Number Housing Units 2003	Housing Unit Change 1990 - 2003	Percent of Western Nevada County Growth 1990 - 2003	Annual Growth Rate 1990 - 2003
Western Nevada County	29,191	33,234	34,555	5,364		1.3%
Grass Valley/Highway 49 Corridor Sub-Area [1]	17,991	20,549	21,387	3,396	63.3%	1.3%
Grass Valley (City)	4,385	5,266	5,790	1,405	26.2%	2.2%
Sub-Area Remainder	13,606	15,283	15,597	1,991		1.1%
Nevada City Sub-Area [2]	7,061	8,093	8,431	1,370	26.5%	1.4%
Nevada City (City)	1,399	1,415	1,439	40		0.2%
Sub-Area Remainder	5,662	6,678	6,992	1,330		1.6%
Highway 20 Corridor Sub-Area [3]	4,139	4,592	4,737	598	11.1%	1.0%

Source: Applied Development Economics based on data from US Census, CA Department of Finance
Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

There were a total of 5,364 new housing units developed in Western Nevada County between 1990 and 2003. The Western Nevada County housing stock expanded at an annual growth rate of 1.3 percent. The housing stock within the Grass Valley/Highway 49 Corridor sub-area expanded at exactly the same annual growth rate of 1.3 percent. However, the City of Grass Valley expanded its housing supply by 1,405 new units, at an annual rate of 2.2 percent. Thus, the City of Grass Valley has absorbed 26 percent of all housing units developed in Western Nevada County during the past 13 years.

Data in Table 11 summarizes the status of home ownership within Western Nevada County and its sub-areas. The data indicates that 76 percent of all housing units developed in Western Nevada County are owner occupied. Thus, Western Nevada County has a very high rate of home ownership in comparison to California's home ownership rate of only 57 percent. However, the City of Grass Valley only has a 44 percent home ownership rate, which is significantly lower than either Western Nevada County or California.

TABLE 11
Home Ownership and Rentals Within Western Nevada County
2000

	Total Housing Units	Number Owner Occupied Housing Units	Number Renter Occupied Housing Units	Total Occupied Units	Percent Owner Occupied
California (millions)	12.21	6.55	4.96	11.5	57.0%
Nevada County	44,282	27,958	8,936	36,894	75.8%
Western Nevada County	33,234	23,560	7,448	31,008	76.0%
Grass Valley/Highway 49 Corridor Sub-area [1]	10,623	6,074	3,972	10,046	60.5%
Grass Valley (City)	5,266	2,209	2,807	5,016	44.0%
Sub-area Remainder	5,357	3,865	1,165	5,030	76.8%
Nevada City Sub-area [2]	8,093	5,639	1,665	7,304	77.2%
Nevada City (City)	1,399	794	519	1,313	60.5%
Sub-area Remainder	6,694	4,845	1,146	5,991	80.9%
Highway 20 Corridor Sub-Area [3]	4,592	3,600	638	4,238	84.9%

Source: Applied Development Economics based on data from US Census

Note: Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census).
[1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Data in Table 12 compares Grass Valley's 44 percent rate of home ownership statistics with other neighboring urban areas. The data indicates that home ownership in Grass Valley is similar to the 41.6 percent rate of home ownership in Marysville. There are some similarities to Sacramento's 50.1 percent home ownership rate. However, Grass Valley's home ownership rate is much lower than the home ownership rates in Auburn (59.7%), Rocklin (72.7%), and Roseville (69.4%). Home ownership rates throughout California stand at 56.9 percent.

TABLE 12
Home Ownership and Rentals in Grass Valley and Neighboring Communities, 2000

City	Total Housing Units	Number Owner Occupied Housing Units	Number Rental Occupied Housing Units	Total Occupied Housing Units	Percent Owner Occupied
Grass Valley	5,266	2,209	2,807	5,016	44.0%
Marysville	5,011	1,953	2,745	4,698	41.6%
Auburn	5,440	3,166	2,138	5,304	59.7%
Rocklin	14,444	9,663	3,621	13,284	72.7%
Roseville	31,980	21,395	9,421	30,816	69.4%
Sacramento	163,914	77,396	77,169	154,565	50.1%
California (millions)	12.21	6.55	4.96	11.51	56.9%

Source: Applied Development Economics based on 2000 U.S. Census

Data in Table 13 quantifies the type of housing units that were developed in Grass Valley between 1990 and 2000, and compares the type of housing developed with the trends throughout California. The data indicates that there were 913 new housing units developed in Grass Valley between 1990 and 2000. There were 372 new single family homes developed, 203 new mobile or other homes, 184 housing units developed in multi-family units that have five or more units, and 154 housing units developed in smaller multi-family units with between two and four units.

Grass Valley's total housing stock expanded at an annual growth rate of 1.9 percent compared to California's annual growth rate of .9 percent. All types of housing units were developed in Grass Valley at a faster rate of growth than throughout California. Most dramatically, housing units developed in multi-family buildings with between two and four units expanded at an annual growth rate of 2.3 percent, compared to California's annual growth rate of .5 percent. Single family homes in Grass Valley expanded at an annual rate of 1.5 percent, compared to a 1.2 percent annual growth rate throughout California.

The data indicates that multi-family units dominate Grass Valley's housing stock. Single-family homes comprise only 51 percent of Grass Valley's housing inventory, compared to 64 percent of California's housing stock. Multi-family units account for 39 percent of Grass Valley's housing stock. The remaining 9 percent consists of mobile homes and other types of housing units.

TABLE 13
Type of Housing Developed in Grass Valley Compared to California, 1990 - 2000

Housing Type	Number Units 1990	Number Units 2000	Growth 1990 - 2000	Annual Growth 1990 - 2000	Percent Total 2000
			Grass Valley		
Single Family	2,350	2,722	372	1.5%	51%
Multi Family					
2-4 Units	594	748	154	2.3%	14%
5+ Units	1,141	1,325	184	1.5%	25%
Mobile Homes & Other	300	503	203	5.3%	9%
Total Units	**4,385**	**5,298**	**913**	**1.9%**	**100%**
			California		
Single Family	6,912,859	7,815,366	902,507	1.2%	64%
Multi Family					
2-4 Units	975,275	1,024,803	49,528	0.5%	8%
5+ Units	2,621,868	2,804,712	182,844	0.7%	23%
Mobile Homes & Other	672,880	569,668	-103,212	-1.7%	5%
Total Units	**11,182,882**	**12,214,549**	**1,031,667**	**0.9%**	**100%**

Source: Applied Development Economics based on U.S. Census data
Note: Totals may not add due to rounding

1.3 HOUSEHOLD INCOMES IN GRASS VALLEY AND SURROUNDING REGION

The data contained in this section compares the incomes of Grass Valley residents with the surrounding region. The income information is an indicator of the City's potential to attract more retail business.

Data in Table 14 shows that the 2000 median household incomes in Western Nevada County amounted to $43,232 9 percent lower than the California median household income of $47,493. However, Western Nevada County's median household incomes were 1 percent higher than the $42,742 median household incomes in the SACOG region.

Most importantly, the 2000 median household incomes in the City of Grass Valley amounted to only $28,182, which equals only 65 percent of the median household incomes throughout Western Nevada County. Thus, household incomes earned by Grass Valley residents are significantly lower than the region.

TABLE 14
Change in Median Household Incomes - Grass Valley and Surrounding Areas, 1990 - 2000

	1990	2000	Change	% Change
Grass Valley (City)	$28,169	$28,182	$13	0.0%
Western Nevada County	$42,263	$43,232	$969	2.3%
SACOG Region	$41,995	$42,742	$747	1.8%
California	$48,096	$47,493	-$603	-1.3%

Source: Applied Development Economics based on data from US Census

Note: SACOG Region includes Sacramento, Sutter, Yolo, and Yuba Counties. Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census). All amounts represented in year 1999 dollars.

The income distribution data displayed in Table 15 provides insight into the reasons why incomes earned by the City of Grass Valley residents are significantly lower than Western Nevada County's incomes. The 2000 census data quantifies the fact that 44 percent of households located within the Grass Valley City Limits earn incomes that are less than $25,000. Moreover, 77 percent of households within the Grass Valley City Limits earn incomes of less than $50,000 per year, while only 53 percent of other Western Nevada County households earn less than $50,000. Thus, Grass Valley has a large number of low income residents, and very few high income residents relative to the remainder of Western Nevada County.

TABLE 15
Household Income Distribution in Grass Valley

and Western Nevada County, 2000

Income Range	Grass Valley (City) Number Households	Percent Total	Remainder of Western Nevada County Number Households	Percent Total
Less than $24,999	2,242	44%	6,083	23%
$25,000 to $49,999	1,694	33%	7,840	30%
$50,000 to $74,999	711	14%	5,730	22%
$75,000 to $99,999	246	5%	2,910	11%
$100,000 or more	182	4%	3,911	15%
Total	**5,075**		**26,474**	

Source: Applied Development Economics based on data from US Census
Note: Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census)

1.4 EMPLOYMENT TRENDS IN GRASS VALLEY AND SURROUNDING REGION

Table 16 summarizes the most recently available employment by industry data for the City of Grass Valley, Western Nevada County, and the SACOG region. The data indicates that Grass Valley has 1,142 firms that generate 8,701 private sector jobs; Federal, state, and local government agencies create 943 jobs, for a total of 9,644 jobs. There are 250 retail establishments in Grass Valley that create 2,800 jobs, which accounts for 29 percent of the City's employment. There are also 159 educational and health service establishments that generate 1,664 jobs, which accounts for 17.3 percent of the City's employment. Approximately 75 percent of all education and health service sector jobs in Western Nevada County are located in Grass Valley. In addition, there are 294 professional and business service establishments that create 931 jobs, and 48 manufacturing establishments that create 920 jobs. Approximately 131 finance, insurance, and real estate establishments create 718 jobs. Finally, government agencies in Grass Valley create 943 jobs. Government in Grass Valley is relatively small, as the sector generates only 9.8 percent of the community's employment. In comparison, the government sector accounts for 22 percent of Western Nevada County's job base, and 27.5 percent of the SACOG region's job base.

TABLE 16
Employment by Industry in Nevada County
2003

Industry	Grass Valley Number Firms	Grass Valley Number Jobs	Grass Valley Percent Total	Western Nevada County Number Jobs	Western Nevada County Percent Total	SACOG Region Number Jobs	SACOG Region Percent Total
Mining	4	47	0.5%	54	0.2%	1,000	0.1%
Construction	138	625	6.5%	2,132	9.3%	63,200	7.2%
Manufacturing	48	920	9.5%	1,735	7.6%	50,100	5.7%
T.C.P.U.	13	182	1.9%	352	1.5%	23,500	2.7%
Wholesale Trade	49	191	2.0%	432	1.9%	27,600	3.2%
Retail Trade	250	2,800	29.0%	4,970	21.8%	155,200	17.8%
F.I.R.E.	132	718	7.4%	1,359	6.0%	55,900	6.4%
Services		3,217		6,767		256,600	
Information	16	215	2.2%	318	1.4%	23,300	2.7%
Professional & Business Services	294	931	9.7%	1,970	8.6%	99,500	11.4%
Educational & Health Services	159	1,664	17.3%	2,204	9.7%	82,900	9.5%
Arts, Entertainment, & Recreation	13	79	0.8%	182	0.8%	21,100	2.4%
Other Services	27	329	3.4%	822	3.6%	29,800	3.4%
Government		943	9.8%	5,029	22.0%	240,200	27.5%
Total	**1,142**	**9,644**	**100.0%**	**22,830**		**873,300**	

Source: Applied Development Economics; derived from U.S. Census and LMID.

Note: T.C.P.U. - Transportation, Communications & Public Utilities, F.I.R.E. - Finance, Insurance & Real Estate

Data in Table 17 compares the expansion of total employment within Western Nevada County compared to communities within commuting distance from the City of Grass Valley. It is estimated that 5,300 new jobs were created in Nevada County between 1997 and 2003. It is estimated that Western Nevada County captured 2,963 new jobs. In comparison, 11,505 new jobs were created in Roseville, 2,512 new jobs were created in Rocklin, and 1,254 new jobs were created in Auburn during the same time period. Even further away, Sacramento County created 75,200 new jobs.

The data also shows that the annual rate of job creation was 2.3 percent within Western Nevada County, which was significantly slower than Nevada County's 3.4 percent annual rate of job creation. Roseville and Rocklin had an annual job growth rate of 4.8 and 5.1 percent, which was twice as fast as the job creation growth rate in Western Nevada County.

TABLE 17
Employment Growth Trends in Western Nevada County and Surrounding Commute Sheds, 1997 - 2003

	TOTAL JOBS				
	1997	2003	Change 1997-2003	Percent Change 1997-2003	Annual Growth Rate 1997-2003
Nevada County	23,600	28,800	5,200	22.0%	3.4%
Western Nevada County	19,936	22,830	2,893	14.5%	2.3%
Placer County Cities					
Roseville	35,416	46,921	11,505	32.5%	4.8%
Rocklin	7,159	9,671	2,512	35.1%	5.1%
Auburn	12,552	13,806	1,254	10.0%	1.6%
Yuba County	14,600	16,000	1,400	9.6%	1.5%
Sacramento County	501,400	576,600	75,200	15.0%	2.4%
California	13,129,700	14,410,201	1,280,500	9.8%	1.6%

Source: Applied Development Economics, from LMID, California Department of Finance and U.S. Census

Data in Table 18 shows that job creation within the Grass Valley/Highway 49 corridor sub-area expanded at an annual growth rate of 3.0 percent. Approximately 83 percent of the new jobs created within Western Nevada County located in the Grass Valley/Highway 49 corridor sub-area.

TABLE 18
Employment Growth Trends Within Western Nevada County, 1997 - 2003

	1997	2003	Percent Employment Within Western Nevada County 2003	Change 1997 - 2003	Percent Regional Growth 1997 - 2003	Annual Growth Rate 1997 - 2003
Western Nevada County	19,936	22,899		2,963		2.3%
Grass Valley/Highway 49 Corridor Sub-Area [1]	12,635	15,109	66.0%	2,474	83.5%	3.0%
Grass Valley (City)	7,924	9,644		1,670	56.4%	3.2%
Nevada City Sub-Area [2]	6,598	6,925	30.2%	327	11.0%	0.8%
Nevada City (City)	4,362	4,792				
Highway 20 Corridor Sub-area	703	865	3.8%	162	5.5%	3.5%

Source: Applied Development Economics; derived from U.S. Census and LMID.
Note: [1] includes zip code 95945, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

1.5 JOBS-HOUSING BALANCE IN GRASS VALLEY AND SURROUNDING REGION

An important goal of Grass Valley's community leadership is to achieve a better balance of incomes and home ownership opportunities, and that a continued jobs/housing balance is essential to a socially healthy environment. Data in Table 19 provides the information that Grass Valley decision makers need to understand the City's jobs-housing balance situation. The data shows that the State of California's goal is for every community to create a 1.5

jobs-housing balance relationship, which means that there should be 1.5 workers in every household. It is implied that communities with a jobs/housing balance less than 1.5 should attract more jobs, and communities with a jobs-housing relationship that is greater than 1.5 should be developing more housing units. At this time, the State's jobs-housing balance goals are not mandates.

TABLE 19
Jobs-Housing Balance Data in Grass Valley and Surrounding Region 2003

California Total	Jobs	Housing Units	Current Ratio	State HCD Goal	Job Shortage to Achieve HCD Goal	Housing Unit Shortage to Achieve HCD Goal	Job Shortage to Achieve State Average	Housing Unit Shortage to Achieve State Average
California Total	14,410,200	12,600,651	1.1	1.5	4,490,777	0	0	0
Nevada County Jurisdictions								
Western Nevada County	22,830	32,949	0.7	1.5	26,594	0	13,414	0
Grass Valley (City)	9,644	5,790	1.7	1.5	0	968	0	2,977
Nevada City	4,792	1,439	3.3	1.5	0	957		2,917
Nevada County Commute Sheds								
Auburn	13,806	5,592	2.5	1.5		1,311	0	6,959
Roseville	46,921	37,844	1.2	1.5	9,845	0	0	4,812
Rocklin	9,671	18,048	0.5	1.5	17,401	0	18,181	0
Yuba County	16,000	23,115	0.7	1.5	18,673	0	9,427	0
Sacramento County	576,600	502,207	1.1	1.5	176,711	0	0	0

Source: Applied Development Economics, from LMID, U.S. County Business Patterns, and the California Department of Finance

The data also shows that the State of California does not achieve the State Government's jobs/housing balance goals. As of 2003, there are 14.4 million jobs and 12.6 million housing units in California, which means that the State has a 1.1 jobs/housing balance ratio. Thus, there is a need for 4.5 million new jobs in order for the State of California to achieve a 1.5 jobs-housing balance ratio.

The City of Grass Valley's 2020 General Plan encourages a strong jobs-housing balance that meets or exceeds the state goal. The analysis indicates that Grass Valley's General Plan policies are being accomplished, based on the fact that there are 9,644 jobs and 5,790 housing units. Thus, Grass Valley has a 1.7 jobs/housing balance ratio. This means that Grass Valley could actually add 968 new housing units and still maintain the State's 1.5-jobs/housing balance goal.

Conversely, Western Nevada County has a 0.7 jobs/housing balance ratio, which includes the City of Grass Valley's job base and housing stock. The data indicates that there is a severe shortage of jobs in the region, and the region must attract 26,594 new jobs in order to achieve a 1.5 jobs-housing balance. In order to accomplish this regional goal, the City of Grass Valley, which functions as the region's employment hub, would need to significantly expand its employment.

In comparison to Grass Valley's jobs/housing balance situation, the City of Auburn has a jobs/housing balance ratio of 2.5; Roseville has a jobs-housing balance ratio of 1.2; Rocklin has a jobs/housing balance of 0.5; and Yuba County has a jobs/housing balance of 0.7.

1.6 JOURNEY TO WORK PATTERNS IN GRASS VALLEY AND SURROUNDING REGION

Data in Table 20 provides valuable information on the commuting trends among Grass Valley's workforce, and compares the commuting with the SACOG region and the California workforce. The data shows that only 19 percent of the Grass Valley workforce commutes more than 25 minutes to work. In comparison, 39 percent of the Sacramento region's workforce and 43 percent of California's workforce commutes more than 25 minutes to work. Only 12 percent of Grass Valley's workforce commutes out of county, compared to 19 percent of the SACOG workforce.

Most interestingly, the percentage of Grass Valley's workers that commute to work for more than 25 minutes declined from 21 percent in 1990 to 19 percent by 2000. However, the total number of workers commuting more than 25 minutes to work expanded by 135, from 749 in 1990 to 884 by 2000. So, the roadways have become more congested even though the commuting culture in Grass Valley has lagged behind the State and regional trends, and actually declined during the 1990s.

TABLE 20
Commuting to Work Patterns in Grass Valley, SACOG Region, and California 1990 and 2000

	1990 Number Workers	Percent Total	2000 Number Workers	Percent Total
Grass Valley				
Less than 10 minutes	1,387	38%	1,819	39%
10 to 24 minutes	1,473	41%	1,998	43%
25 to 45 minutes	453	13%	433	9%
More than 45 minutes	296	8%	451	10%
Totals	**3,609**	**100%**	**4,701**	**100%**
Worked Outside County	492	14%	570	12%
SACOG Region				
Less than 10 minutes	98,683	17%	100,819	15%
10 to 24 minutes	302,615	51%	307,989	46%
25 to 45 minutes	143,415	24%	177,936	27%
More than 45 minutes	48,989	8%	77,090	12%
Totals	**593,702**	**100%**	**663,834**	**100%**
Worked Outside County	95,014	16%	128,224	19%
California				
Less than 10 minutes	2.22	16%	2.16	15%
10 to 24 minutes	6.17	44%	6.09	42%
25 to 45 minutes	3.47	25%	3.7	25%
More than 45 minutes	2.06	15%	2.56	18%
Totals	**13.94**	**100%**	**14.52**	**100%**
Worked Outside County	N/A	N/A	N/A	N/A

Source: Applied Development Economics from US Census 1990 and 2000.
Note: SACOG includes Sacramento, Yuba, Yolo and Sutter counties.
Less than 10 minutes includes people working at home.

1.7 HOUSING AFFORDABILITY IN GRASS VALLEY AND SURROUNDING REGION

Grass Valley's jobs/housing balance is affected by the relationship between the wages earned at local jobs and housing prices. That is, if the local wages provide the workforce with incomes that are too low to purchase a house nearby, then household decision makers throughout California have demonstrated their willingness to commute long distances in order to own affordable housing.

Data in Table 21 provides data indicators on housing affordability, which impacts the journey-to-work commute patterns and jobs/housing balance. The data indicates that for-sale housing in Grass Valley is unaffordable for the majority of residents. The average wage paid by Grass Valley employer's amounts to $31,116 as displayed in Column (2), and the

TABLE 21
Housing Affordability Indicators In Grass Valley and Its Commute Shed
2003

	Jobs (1)	Wages (2)	Housing Units (3)	Home Prices (4)	Income Required to Purchase Home (5)	Number Wage Earners Required to Purchase Home (6)
California	**14,410,200**	**$40,769**	**12,600,651**	**$369,500**	**$86,375**	**2.1**
Nevada County	**28,800**	**$30,483**	**46,484**	**$301,250**	**$70,420**	**2.3**
Western Nevada County	5,620	$31,568	32,949	$296,090	$69,214	2.2
Grass Valley/ Highway 49 Corridor Sub-Area [1]	15,040	$30,489	19,493	$281,896	$64,903	2.1
Grass Valley (City)	9,644	$31,116	5,790	$288,000	$67,323	2.2
Nevada City Sub-Area [2]	6,925	$34,051	8,585	$325,000	$75,972	2.2
Nevada City	4,792	$33,834	1,439	$296,000	$69,193	2.0
Highway 20 Corridor Sub-Area [3]	865	$30,455	4,871	$302,023	$70,601	2.3
Placer County	**125,700**	**$38,362**	**123,302**	**$306,500**	**$71,648**	**1.9**
Lincoln	6,493	$42,025	10,861	$289,000	$67,557	1.6
Auburn	18,881	$38,212	20,827	$322,679	$75,430	2.0
Loomis	6,571	$40,048	5,864	$375,833	$87,855	2.2
Rocklin	17,206	$40,624	15,251	$310,650	$72,618	1.8
Roseville	64,097	$36,703	47,812	$341,143	$79,746	2.2
Yuba County	16,000	$26,612	23,115	$180,000	$42,077	1.6
Sacramento County	576,600	$37,604	502,207	$255,000	$59,609	1.6
SEDD Region	203,700	$35,541	247,358	$295,823	$69,152	1.9
SACOG Region	706,300	$36,343	620,224	$251,825	$58,867	1.6

Source: Census, DataQuick, Minnesota IMPLAN Group, California Employment Development Department LMID Group, and California Department of Finance

Note: Western Nevada County is zip codes 95949, 95945, 95959, 95975 & 95946, sub areas in Western Nevada County are created by zip code boundaries; Placer County sub areas also are zip code boundaries and include 95648, 95602, 95722, 95703, 95603, 95658, 95663, 95650, 95747, 95765, 95677, 95678, 95746 & 95661; SEDD is the Sierra Economic Development District - Sierra County, Placer County, El Dorado County & Nevada County, Sierra County was excluded in calculating home prices; SACOG is the Sacramento Area Council of Governments and excludes Placer and El Dorado Counties leaving Sacramento County, Yolo County, Yuba County & Sutter County. All figures in 2003 dollars; income needed to purchase home calculated from Housing Affordability Index methods used by the National Association of Realtors®

Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

average home price is $288,000 as displayed in Column (4).[3] Assuming that households have the 10 percent down-payment required to enter the housing market, then the potential buyer must document an annual income of $67,323 in order to get access to a bank loan as displayed in Column (5). Thus, it will require 2.2 persons working an average wage job in Grass Valley in order to afford a home in the community as displayed in Column (6). Any number higher than 2.0 indicates that the housing stock is unaffordable to the average worker. The estimates of non-affordability are very similar throughout Western Nevada County.

[3] Data from the Nevada County Board of Realtors indicates that Grass Valley housing prices have substantially increased in 2004. The latest data indicates that the average 2004 sales price of a Grass Valley home is $375,238.

An examination of the housing prices in the region shows that the lack of housing affordability extends well beyond the City of Grass Valley and Western Nevada County. The price of housing is actually higher in the nearby commute sheds of Placer County. That is, the average housing price is $341,143 in Roseville, $310,650 in Rocklin, and $375,833 in Loomis. Thus, Western Nevada County functions as a relatively affordable housing market, and there is an incentive for the Placer County workforce to live in Western Nevada County, and commute to work.

Conversely, Yuba County with its $180,000 average housing prices offers more affordable housing for Grass Valley workers shut out of the local housing market. There is a financial incentive for Grass Valley workers to live in Yuba County and commute to work.

2. CURRENT LAND USE PATTERNS

Data in Table 22 translates the current employment and housing units within the Grass Valley City Limits into land use categories. Data in Columns (1) and (2) translate the establishment and employment by industry information (as displayed in Table 13) into segmented commercial land use categories. Data in Column (3) then compares the employment by commercial use categories with the available General Plan data that measures the amount of land occupied by each commercial land use category. Data in Column (6) estimates the amount of built commercial space that could be located in existing retail centers or business parks, as summarized below.

- It is estimated that there are 286 establishments located within built retail space, which employ 2,123 workers. Grass Valley's built retail space occupies 204.8 acres of land, and there is an estimated 1.06 million S.F. of developed retail commercial space. The data indicates that each acre of occupied retail land accommodates 5,171 S.F. of built space, which is equivalent to a .12 floor area ratio (FAR).
- It is estimated that there are 96 establishments located in commercial space that offer personal services, and these establishments employ 1,401 workers. Other commercial space in Grass Valley occupies 68.3 acres of land, with an estimated 698,790 S.F. of developed building space. The data indicates that each acre of other occupied commercial land accommodates 10,239 S.F. of built space, which is equivalent to a .24 F.A.R.
- Pure office and research and development space are often developed within established business parks such as the Whispering Pines Business Park. It is estimated that there are 373 establishments that employ 2,236 workers in office and research and development space. Office and R&D space occupies 138.4 acres of land, and 960,507 S.F. of developed office and R&D space. The data indicates that each acre of office and R&D land accommodates 6,939 S.F. of built space, which is equivalent to a .11 F.A.R.
- Light industrial and distribution space comprises another component of business park space. It is estimated that there are 154 establishments that employ 1,382 workers in Grass Valley's existing light industrial and distribution space. Existing light industrial and distribution space occupies 124.3 acres of land, and 593,700 S.F. of light industrial and distribution space. The data indicates that each acre of light industrial and distribution land accommodates 4,777 S.F. of built space, which is equivalent to a .11 F.A.R.

- It is estimated that there are 2,501 Grass Valley employees that work within a variety of other land use categories, which occupy 77.7 acres of land. The institutional uses include schools, hospitals, recreation facilities, hotels, transportation, utilities, and other institutional uses. The data indicates that there is 449,104 S.F. of built institutional space, which has been developed at a .13 F.A.R.

Finally, the data indicates that Grass Valley has 5,790 housing units located on 498.8 acres of land. On average, there are 11.6 housing units per acre in Grass Valley, which is a measure of the existing development patterns, and not an estimate of future densities associated with new development.

TABLE 22
Existing Land Use Development Patterns in Grass Valley, 2003

Land Use	Est. (1)	Emp (2)	Occupied Acres (3)	Average Emp Per Occupied Acre (4)	Existing Commercial & Industrial Space (5)	Building SF per Employee (6)	Space per Occupied Acre (7)	Floor Area Ratio (8)
Retail & Other Commercial								
Retail [a]	287	2,123	204.8	12.6	1,058,769	499	5,171	0.12
Commercial Service Establishments [b]	96	1,401	68.3	12.6	698,790	499	10,239	0.24
Business Park Space								
Office/Reaserch & Development [c]	373	2,236	138.4	16.2	960,507	430	6,939	0.16
Light Industrial/Distribution [d]	154	1,382	124.3	11.1	593,700	430	4,777	0.11
Institutional Uses [e]	234	2,501	77.7	32.2	449,104	179	5,783	0.13
Schools & Colleges		620						
Miscellaneous Commercial [f]		533						
Other Institutional [g]		520						
Hospitals		313						
Hotels/motels		311						
Transportation		98						
Utilities		83						
Other		23						
Total	**1,143**	**9,643**	**613.35**	**15.7**	**3,760,870**		**6,132**	**0.14**

	# Units	Occupied Acres	Units per Acre
Housing	**5,790**	**498.8**	**11.6**

Source: Applied Development Economics. Acreage data provided by the City of Grass Valley. Housing data collected from the California Department of Finance See Appendix A, Methodology, for more information on how table was created.

3. DEMOGRAPHIC AND EMPLOYMENT PROJECTIONS

The projected population and commercial growth form a foundation that measures the current and future demand for residential and commercial space in Grass Valley. The projected demand relies upon the population projections by the California Department of Finance, and the employment projections prepared by Woods & Poole Economics. The population projections indicate that there will be an additional 10.23 million people living in the State of California by 2020. The employment projections indicate that the California economy will add 3.38 million new jobs by 2020.[4]

3.1 DEMOGRAPHIC PROJECTIONS

Data in Table 23 projects that California's population is projected to expand at a 1.5 percent annual growth rate between 2003 and 2020. In comparison, population within the Sierra Economic Development District region, which includes Nevada County, is projected to expand at a much more rapid annual growth rate of 2.3 percent. The neighboring SACOG region's population is projected to expand at an annual growth rate of 1.6 percent, which is closer to the California growth rate. The population projection data suggests that the SACOG region is becoming congested, and growth is projected to be slower than past trends.

The population projection data indicates that Nevada County will need to absorb 37,500 new people by 2020, at a 2 percent annual growth rate. This means that Nevada County's population is projected to expand to 133,200 people by 2020. However, Western Nevada County is projected to grow at a slower annual growth rate of 1.4 percent through 2020, and the area should plan to absorb 20,265 new people.[5]

The data indicates that the City of Grass Valley should plan to absorb 7,669 new residents by 2020. Essentially, it is projected that 36 percent of the new people moving to Western Nevada County will seek to locate within the Grass Valley City limits. Thus, if market forces prevail within the City limits, then City of Grass Valley's population will expand at an annual growth rate of 2.9 percent.

Of course, the projected growth of population within the City limits assumes that the City will expand its housing supply, encourage infill properties to be developed, and provide City services for new development within the Sphere of Influence. If City leaders decide to not provide services for new development within the Sphere of Influence, and slow down the

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[4] The California population projections for 2020 have been calculated by the California Department of Finance. The employment projections are calculated by ADE, utilizing the Woods & Poole economics projected rate of employment growth, which has been applied to the LMID 2003 employment estimates.

[5] Population projections within Nevada County assume a continuation of past trends. That is, the population growth within Western Nevada County was slower than Nevada County's population growth between 1990 and 2003. The slower rate of growth within Nevada County is projected forward.

rate of residential growth, then the regional population growth will be absorbed within the unincorporated areas of the County, where there is a substantial amount of available residential land available, as shown in Figure 2.

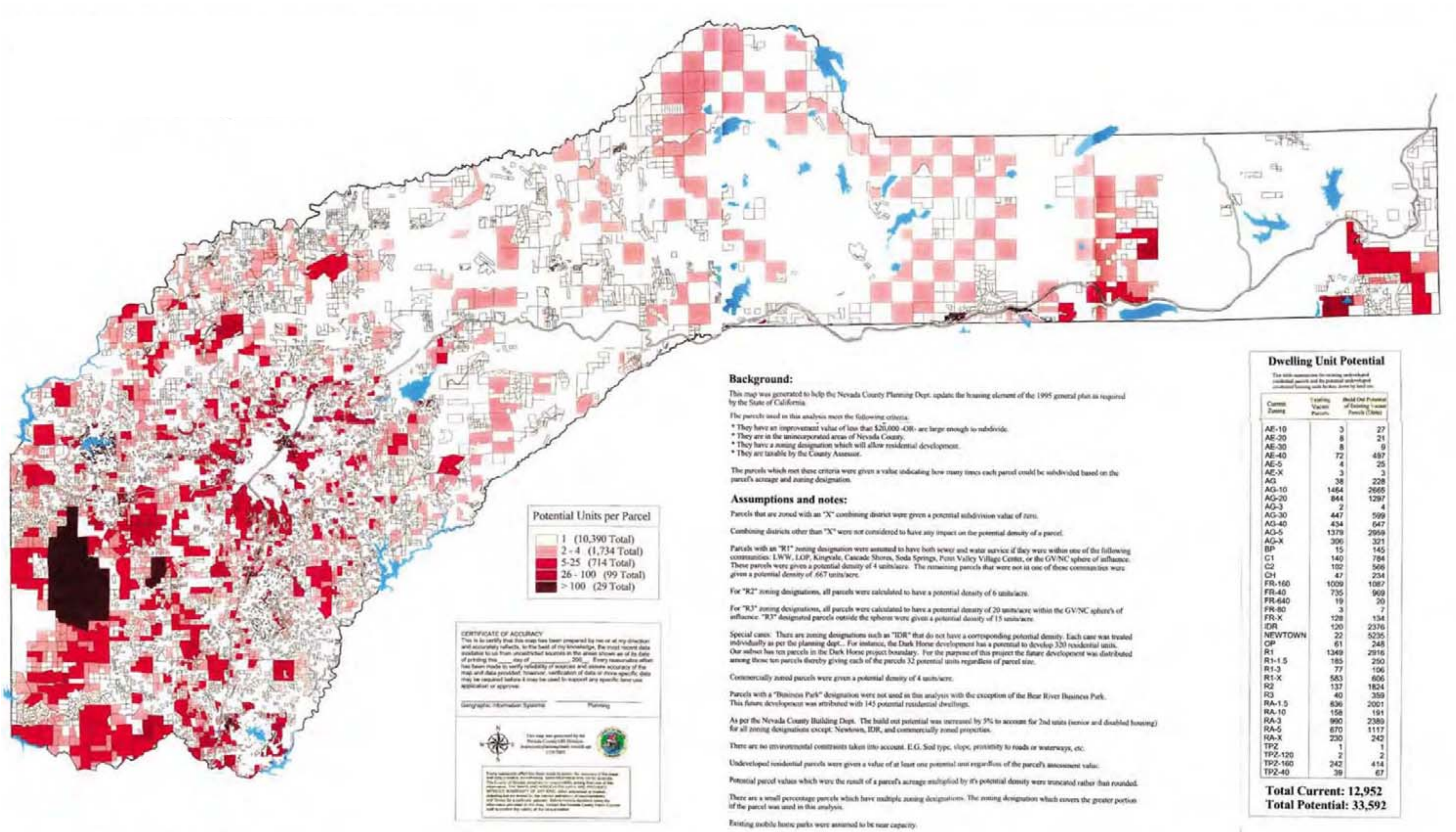
The remainder of Western Nevada County's projected population growth will expand into the unincorporated areas of the Grass Valley/Highway 49 Corridor sub-area, where it is estimated that 9,058 new people will try to establish residence. This amounts to an annual growth rate of 1.3 percent. The Nevada City sub-area is projected to gain 3,906 new people, at an annual growth rate of 1.1 percent. The Highway 20 Corridor sub-area is projected to gain 2,599 new people at an annual growth rate of 1.3 percent.

TABLE 23
Projections of Population Growth Within Western Nevada County and the Region, 2003 - 2020

	2003	2020	Change 2003 - 2020	Percent Change 2003 - 2020	Annual Growth Rate 2003 – 2020
California (millions)	35.6	45.8	10.23	28.7%	1.5%
SEED Region	542,843	798,820	355,997	47.2%	2.3%
SACOG Region	1,636,900	2,141,500	504,600	30.8%	1.6%
Nevada County	95,7000	133,200	37,500	39.2%	2.0%
Western Nevada County	78,518	98,783	20,265	25.8%	1.4%
Grass Valley (City)	12,000	19,669	7,669	63.9%	2.9%

Source: Applied Development Economics; Based on baseline data provided by the California Employment Development Department, and projections provided by Woods & Poole Economics

FIGURE 2
Potential Residential Development Within the Unincorporated Areas of Nevada County
January 2003



3.2 EMPLOYMENT PROJECTIONS

Data in Table 24 compares Nevada County's projected employment growth with its regional neighbors. It is projected that there will be 12,000 new jobs created within Nevada County between 2003 and 2020. That is, the total number of jobs created in Nevada County will expand from 28,800 jobs to 40,800 jobs by 2020. Thus, Nevada County's job base will expand by 41.7 percent at an annual growth rate of 2.1 percent.

In comparison, employment is projected to expand at a more rapid annual growth rate of 2.5 percent in the surrounding SEDD region between 2003 and 2020. Employment growth within the SACOG region is only projected to expand at slower annual growth rate of 1.7 percent. Essentially, employment in Nevada County and its neighboring regional economies are all projected to expand more rapidly than California's 1.2 percent projected annual rate of employment growth.

PROJECTED EMPLOYMENT GROWTH WITHIN NEVADA COUNTY

The projection data also indicates that job growth within Western Nevada County will expand at an annual rate of 1.4 percent, which is closer to the California growth rates, than to the growth rates of the surrounding region. However, if market forces are allowed to prevail, most new employers in Western Nevada County will seek to locate within the Grass Valley City limits, where infrastructure and City services are offered, and where there is convenient access to the regional labor force. Thus, it is projected that market forces will seek to locate 3,804 new jobs within the Grass Valley City limits between 2003 and 2020. This means that 71 percent of the new jobs created in Western Nevada County will seek to locate within the Grass Valley city limits. Thus, employment within the City of Grass Valley is projected to expand at an annual rate of 2.0 percent.

Of course, the projected growth of employment within the City limits assumes that available infill properties can actually be developed, and the City will expand its land supply through annexations, and provide adequate infrastructure services for the land annexations. If City leaders decide to not provide services for new development within the Sphere of Influence, then the regional job growth may be absorbed within the unincorporated areas of the County, Nevada City, or neighboring jurisdictions in Placer County.

TABLE 24
Projections of Employment Growth Within Western Nevada County and the Region, 2003 - 2020

	2003	2020	Change 2003 - 2020	Percent Change 2003 - 2020	Annual Growth Rate 2003 – 2020
California (millions)	14.41	17.79	3.38	23.4%	1.2%
SEED Region	203,700	309,342	105,642	51.9%	2.5%
SACOG Region	706,300	935,877	229,577	32.5%	1.7%
Nevada County	28,800	40,800	12,000	41.7%	2.1%
Western Nevada County	22,830	28,922	6,092	26.7%	1.4%
Grass Valley (City)	9,644	13,448	3,804	39.4%	2.0%

Source: Applied Development Economics; Based on baseline data provided by the California Employment Development Department, and projections provided by Woods & Poole Economics

Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

It is projected that there will be a demand to locate 1,547 new jobs to Grass Valley and the unincorporated areas that surround the City of Grass Valley. Another 608 new jobs are projected to be located within Nevada City and the surrounding sub-area. Approximately 378 new jobs are projected to be located within the Highway 20 sub-area corridor.

EMPLOYMENT BY INDUSTRY PROJECTIONS

Data in Table 25 projects the employment by industry changes that are projected to occur in the City of Grass Valley between 2003 and 2020. The data indicates that market forces will seek to locate 2,357 new services sector within the Grass Valley City limits during the next 17 years. The services sector will account for 62 percent of all the new jobs created in the City of Grass Valley. The retail trade sector is projected to create 461 new jobs, which will account for 12 percent of the projected employment growth. Employment within Federal, State, and local government agencies is projected to expand by 399 jobs, which amounts to 10 percent of the projected job growth. The finance, insurance, and real estate sectors are projected to expand by 278 jobs, which amounts to 7 percent of the projected job growth. The other economic sectors of construction, wholesale trade, manufacturing, and transportation and communications (T.C.P.U.) are projected to create a combined total of 312 jobs during the next 17 years, which will amount to 8 percent of the total job creation within the City of Grass Valley.

TABLE 25
Projected Employment Growth by Industry in Grass Valley, 2003 - 2020

	2003	2020	Job Growth 2003 - 20	Percent Total Growth 2003 - 20	Annual Growth Rate 2003 - 20
Mining	47	45	-3	0%	-0.3%
Construction	625	776	151	4%	1.3%
Manufacturing	920	968	48	1%	.3%
T.C.P.U.	182	235	53	1%	1.5%
Wholesale Trade	191	251	60	2%	1.6%
Retail Trade	2,800	3,261	461	12%	.9%
F.I.R.E.	718	995	278	7%	1.9%
Services	3,217	5,575	2,357	62%	3.3%
Government	943	1,342	399	10%	2.1%
Total	9,644	13,448	3,804		2.0%

Source: Applied Development Economics; based on baseline data provided by the California Employment Development Department, and projections provided by Woods and Poole Economics, Inc

Note: T.C.P.U. - Transportation, Communications & Public Utilities, F.I.R.E. - Finance, Insurance & Real Estate

4. HOUSING MARKET ANALYSIS

This section of the report projects Western Nevada County's population growth and the demand for housing, and refines the projections for the City of Grass Valley. The demand for housing in Grass Valley is based on a number of factors, which include a pent up demand among current renters that desire to become a homeowner if adequate housing could be purchased at an affordable price. There is also a pent up demand for move-up housing among current homeowners that are seeking either a larger house and/or a better location. Essentially, the pent-up demand is a measure of current demand that the housing market has been unable to satisfy due to a lack of supply. In addition, there is a need to measure the market demand for housing based on the projected demand to accommodate future population growth in Western Nevada County. An analysis of each segment is provided below.

4.1 PENT UP DEMAND FOR HOUSING IN GRASS VALLEY

Data in Table 26 identifies the current pent-up demand for housing that exists due to the mismatch between the cost of housing that local residents can afford, and the capacity of the market to provide affordable housing. In order to measure the pent-up demand the consulting team surveyed 557 Grass Valley area residents and 100 Grass Valley employers, which collected data on the pent-up demand for housing, the type of housing in demand, and the price that can be afforded. [6]

In summary, the survey data allows us to estimate that only 10 percent of Grass Valley's households are actually seeking housing that can afford a home priced more than $265,000, which is lower than Grass Valley's median home price of $288,000. There are approximately 260 homeowners and 213 renters that are seeking housing, and can afford a new home priced more than $265,000. It should be noted, however, that existing homeowners are looking to move up in value, quality, and location of home. Therefore, it is unlikely that existing homeowners are looking to move up to a home valued lower than the current median home price of $288,000.

The survey data allows us to estimate that only 7 percent of Grass Valley's households that are in the housing market can afford a home priced more than $318,000, which more closely approximates the current home price market. This means that there are approximately 193 homeowners and 133 renters that are seeking housing, and can afford a new home priced more than $318,000.

[6] See Appendix B for report that summarizes the survey results. Appendix C includes the survey questionnaires.

The survey also identified the type of housing that Grass Valley consumers are seeking.[7] That large majority of consumers that are in the housing market (approximately 60 percent) are seeking a mid-sized single family home that includes three to four bedrooms. Another 24 percent of households are seeking a small single-family unit with one to two bedrooms. There are as many consumers in the housing market that are seeking live/work space (6 percent), as there are consumers seeking a large single-family unit with five or more bedrooms. Only 4 percent of consumers in the housing market are seeking some type of multi-family home such as town homes, duplexes, condominiums, or apartments.

[7] Data is limited to Grass Valley residents that have sufficient incomes to afford a new home valued above $265,000.

TABLE 26
Pent Up Demand for Housing in Grass Valley

	Total	Owners	Renters	% Total
2003 HH [a]	4,901	2,156	2,745	
No. of Grass Valley Households				
Looking to purchase a home [b]	3,266	604	2,662	
That can purchase a home valued at more than $210,000 [c]	846	314	532	
That can Purchase a Home valued at more than $265,000 [d]	473	260	213	
That can Purchase a Home valued at more than $318,000 [e]	326	193	133	
% Total Households				
That can purchase a home valued at more than $210,000[f]	17%	15%	19%	
That can purchase a home valued at more than $265,000 [g]	10%	12%	8%	
That can purchase a home valued at more than $318,000 [h]	7%	9%	5%	
Pent Up Demand for Housing by Type of Residence [j]				
Midsize Single Family (3 to 4 bedrooms) [k]	508	215	293	60%
Small Single Family (1 to 2 bedrooms)	203	46	154	24%
Live/work space	51	29	22	6%
Large Single Family (5 or more bedrooms)	51	51	0	6%
Multi-family [l]	34	8	26	4%
Totals	**846**	**348**	**498**	

Source: Applied Development Economics based on employee survey data collected by RRC Associates
Note: See Appendicies C and D for survey questionnaire. See Appendix B for report on pent up demand.
Row [a] measures 2003 households, and the percentage of owners and renters
Row [b] reports the survey results which asked employees whether or not they were interested in purchasing a home in Grass Valley
Rows [c,d,e] quantifies the number of homeowners and renters that can afford to purchase a home valued above the 3 identified price levels
Row [f,g,h] = row [a]/rows [c,d,e]
Row [j] quantifies the type of homes that prospective home buyers that can afford more than $211,000
Row [k] combines the demand for mid-size homes, with the demand for mid-size home with an additional detached cottage
Row [l] combines the demand for townhomes/duplexes, condominiums, and rented apartments

4.2 PROJECTED DEMAND FOR HOUSING

Data in Table 27 projects the number of new housing units that will need to be developed in Grass Valley and Western Nevada County in order to absorb the population that is projected to expand between 2003 and 2020. The data indicates that the market forces of demographic change will demand 2,890 new housing units within the Grass Valley City limits between 2003 and 2020. This means that the City of Grass Valley should plan to absorb 170 new housing units each year until 2020. Essentially, the projections indicate that Grass Valley will be a very popular location for residents of Western Nevada County, as housing in the City is projected to expand at an annual growth rate of 2.8 percent, compared to Western Nevada County's 1.6 percent annual rate of housing growth.[8]

The projected demand for new housing within the Grass Valley City limits amounts to 30 percent of the new housing that market forces should absorb throughout Western Nevada County, which should plan to absorb 9,577 new housing units by 2020.[9] This means that Western Nevada County should plan to absorb 563 new housing units each year until 2020.

TABLE 27
Projected Household Growth Within Western Nevada County
2003 - 2020

	Households 2003	Households 2020	Projected Household Growth 2003-2020	Annual Demand for New Housing 2003-2020	Annual Growth Rate 2003 - 2020
Western Nevada County	31,923	41,501	9,577	563	1.6%
Grass Valley (City)	4,901	7,791	2,890	170	2.8%
Sub-area Remainder	14,872	18,619	3,747	220	1.3%
Nevada City Sub-Area [2]	7,802	9,592	1,790	105	1.7%
Highway 20 Corridor Sub-Area [3]	4,348	5,491	1,142	67	1.4%

Source: Applied Development Economics based on data from US Census, CA Department of Finance
Note: Sierra EDD Region includes Sierra, Nevada, Placer, and El Dorado Counties. SACOG Region includes Sacramento, Sutter, Yolo, and Yuba Counties. Western Nevada County includes zip codes 95945, 95949, 95959, 95975, and 95946

[1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

Future demand for housing directly relates to the projected population growth relative to the projected household size, as illustrated in Table 28. The data projects that household size will decline in Nevada County, from 2.47 persons per household in 2003 to 2.38 persons per household by 2020. Fewer persons per household drive up the demand for housing relative to population growth. Household size within the Grass Valley/Highway 49 Corridor sub-area is projected to decline from 2.49 persons per household in 2003 to 2.45 persons per household by 2020. Household size within the Nevada City sub-area is projected to decline from 2.39 persons per household by 2003 to 2.35 persons per household by 2020. Finally, household size within the Highway 20 corridor sub area is projected to decline from 2.45 persons per household in 2003 to 2.41 persons per household by 2020.

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8 Strong projections of housing growth within the City limits assume that the City has the capacity and willingness to absorb the projected market demand. If not, the housing demand will spread into the unincorporated areas of Nevada County.

9 The demand is based on the projected household formation, and does not factor in vacancies and the demand for second homes or vacation properties.

TABLE 28
Household Size Projections Within Nevada County
2003 - 2020

	Household Size 2003	Household Size 2020
Nevada County	2.47	2.38
Western Nevada County	2.46	2.43
Grass Valley Highway 49 Corridor Sub-Area [1]	2.49	2.45
Nevada City Sub-Area [2]	2.39	2.35
Highway 20 Corridor Sub-Area [3]	2.45	2.41

Source: Applied Development Economics based on data from US Census, CA Department of Finance
Note: [1] includes zip codes 95945 and 95949, [2] includes zip code 95959, [3] includes zip codes 95975 and 95946

4.3 DEMAND FOR SECOND HOMES AND RETIREMENT COMMUNITIES

Common wisdom suggests that Grass Valley has the potential to attract a significant amount of retirees, or part-time residents of second homes. There is a concern in the community that more retirees and homeowners that are not full-time residents of the community may cause a decline in the commitment to the schools, and other forms of civic participation that help Grass Valley achieve a socially healthy environment.

Accordingly, there is no real way to project the demand for future second homes other than to analyze the current second home market, and assume that past trends will continue into the future. The data in Table 29 indicates that the City of Grass Valley and the region have a relatively small supply of vacant or second homes. Only 4.7 percent of Grass Valley and 6.7 percent of the Western Nevada County housing units are either vacant or second homes. In comparison, 5.8 percent of California's housing stock consists of second homes and vacant housing units.

There is a presence of second homes in the unincorporated areas around Nevada City, and Grass Valley does have the potential to attract second homebuyers. However, to date there has been no trend to develop second homes in Grass Valley, and while the potential development of second homes may remain a concern, it has not yet happened in a significant way.

TABLE 29

Second Home Occupancies in Grass Valley and Region
2000

	Total Housing Units	Number Vacant or Second Homes	Percent Vacant or Second Homes
Nevada County	44,282	7,388	16.7%
Western Nevada County	33,234	2,226	6.7%
Grass Valley (Zip 95945)	10,623	577	5.4%
Grass Valley (City)	5,266	250	4.7%
Grass Valley (Zip Code Remainder)	5,357	327	6.1%
Nevada City (Zip 95959)	8,093	789	9.7%
Nevada City (City)	1,399	86	6.1%
Nevada City (Zip Code Remainder)	6,694	703	10.5%
Highway 49 Corridor (Zip 95949)	9,926	506	5.1%
Highway 20 Corridor (Zips 95975, 95946)	4,592	354	7.7%
California	12.21	0.7	5.8%

Source: Applied Development Economics based on data from US Census
Note: Western Nevada County is defined as the sum of the Grass Valley and Nevada City CCDs (US Census).

5. RETAIL MARKET ANALYSIS

The data in Table 30 compares the spending by Grass Valley residents with the sales captured by the City's retailers, which measures the net sales leakages or regional capture of sales by store type. The data indicates that Grass Valley's retail establishments are serving the larger region. This means that the residents of Grass Valley are well served by the existing retailers, and any effort to expand retail services will rely on attracting additional spending from people that live outside the Grass Valley City Limits as described below.

- Column (1) estimates the total household spending among Grass Valley residents to be $78 million using the latest population, income, and consumer spending survey data. The spending estimates have been estimated for 23 different store types.
- Column (2) documents that the City collects $283.1 million of taxable sales, spread across the 23 identified store types. The taxable sales data do not include the sales collected by retailers located in the unincorporated areas along New Brunswick Road.
- Column (3) estimates that the actual sales collected by Grass Valley retailers amounts to $438.1 million, which adjusts for the sale of the non-taxable products of food and prescription drugs.
- Column (4) identifies store types that experience net sales leakages, which helps identify new business development opportunities that could capture spending leakages. The few store types that experience spending leakages are limited to photograph equipment stores, specialty food stores, used merchandise, and paint and wall paper stores.
- Column (5) identifies store types that capture regional sales, which includes visitor sales. The data indicates that Grass Valley is a retail destination. Local retailers capture a significant amount of regional spending, and depend on local sales for only a small portion of their total earnings. Nearly every type of store in Grass Valley captures regional sales, with the largest regional capture rates occurring among supermarkets ($89.5 million), auto dealers ($37 million), and department and dry good stores ($34.2 million). Drug stores, office supplies, convenience stores, home centers, and gasoline stations all capture more than $10 million of regional sales per year.

TABLE 30
2003 Grass Valley Household Spending Sales Leakages and Regional Capture, 2003

Retail Group	Total Household Spending (1)	Taxable Sales (2)	Actual Sales (3)	Sales Leakages (4)	Regional Capture (5)
Total	$78,044,914	$283,057,500	$438,073,751		
Apparel Store Group	**$4,547,905**	**$5,014,900**	**$5,014,900**		**$466,995**
General Merchandise Group					
Department & Dry Goods	$7,430,332	$39,120,800	$41,662,194		$34,231,861
Other General Merchandise & Drug Stores	$6,300,155	$10,143,600	$19,696,532		$13,396,377
Specialty Retail Group					
Gifts & Novelties	$416,890	$822,400	$833,232		$416,342
Sporting Goods	$529,287	$4,875,700	$4,880,581		$4,351,293
Photographic Equipment	$63,537	$0	$0	$63,537	
Books & Stationery	$381,916	$1,507,200	$1,507,200		$1,125,284
Office Supplies/Computer Equipment	$872,966	$13,505,000	$13,505,000		$12,632,034
Jewelry	$494,895	$2,030,100	$2,032,132		$1,537,237
Misc. Specialty Retail	$2,452,288	$10,937,900	$11,042,098		$8,589,810
Food, Eating and Drinking Group					
Supermarkets	$14,164,283	$25,947,500	$103,688,327		$89,524,044
Convenience & Liquor Stores	$1,268,916	$8,319,300	$14,919,306		$13,650,391
Specialty Food Stores	$457,945	$0	$0	$457,945	
Eating & Drinking Places	$6,348,044	$18,782,300	$20,869,222		$14,521,178
Building Materials and Home Furnishings Group					
Furniture & Home Furnishings	$3,120,817	$9,246,500	$9,265,030		$6,144,213
Household Appliances & Electronics	$1,360,213	$10,158,400	$10,158,400		$8,798,187
Used Merchandise	$205,560	$0	$0	$205,560	
Nurseries & Garden Supply Stores	$617,815	$2,410,600	$2,415,431		$1,797,616
Lumber, Home Centers & Hardware Stores	$1,854,419	$14,740,000	$14,740,472		$12,886,053
Paint & Wallpaper	$59,196	$0	$0	$59,196	
Automotive Group					
Motor Vehicle Dealers	$17,531,709	$54,555,300	$54,555,300		$37,023,591
Gasoline Service Stations	$6,953,822	$25,861,800	$27,988,961		$21,035,139
Auto Parts & Accessories	$611,992	$9,000,800	$9,000,800		$8,388,808

Source: Applied Development Economics Retail Model derived from the Bureau of Labor Statistics Consumer Expenditure Survey.

Note: Column 1 quantifies household spending for residents of Grass Valley only.

6. BUSINESS SPACE MARKET ANALYSIS

The demand for business space in Grass Valley is based on a number of factors, which includes a pent up demand by existing establishments to expand and occupy additional space in Grass Valley. Essentially, the pent-up demand is a measure of current demand due to an inadequate supply of space. There is additional market demand for new business space that is based on the projected demand for employment growth. An analysis of each market segment of business space is provided below.

6.1 PENT UP DEMAND FOR BUSINESS PARK SPACE

Data in Table 31 measures the pent up demand for business park space that could be captured in Grass Valley if additional space could be developed. The potential business park users could involve 373 firms that occupy office or research and development space. These firms employ 2,236 workers, and occupy an estimated 960,507 S.F. of space. In addition, Grass Valley has 154 firms that occupy manufacturing and distribution space. These firms employ 1,382 workers, and occupy an estimated 593,700 S.F. of space.

Accordingly, the outcomes of a business park tenants survey conducted during the late spring of 2004 estimated that 22 percent of Grass Valley's business park tenants desire to expand their space by 115 percent. This translates into a pent up demand of 243,000 SF of new office or research and development space.[10] There is an additional pent-up demand for 150,200 SF of light manufacturing and distribution space. In total, the survey results indicate that existing market demand could support an additional 393,200 S.F. of business park space, if the space could be developed. Essentially, there will be a need for 60 acres of vacant land to accommodate the pent up demand for business park space, assuming that the land cannot be developed more intensively than a .15 F.A.R.

However, additional information would be needed in order to support the short-term development of new business park space. That is, we still do not know how many firms are interested in occupying new space, and how many firms are interested in developing more space on their existing site. In addition, the timing of potential relocations is a critical element that affects short-term demand. Most commercial tenants are committed to leases of 5-years or longer. Accordingly, the survey respondents may want to expand their space, but be unable to expand on their existing site, or relocate due to existing lease obligations. Other additional factors such as the lack of access to capital may also constrain Grass Valley's capacity to absorb the pent up demand.

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[10] See Appendix B for a summary of the business survey results.

TABLE 31
Pent Up Demand for Business Park Space in Grass Valley
2003

	Office/Research & Development	Light Industrial/ Distribution	Business Park Total
Establishments	373	154	527
Employment	2,236	1,382	3,618
Existing Space	960,507	593,700	1,554,207
Space per Establishment	2,575	3,855	6,430
% Firms need expansion	22%	22%	22%
% Additional space required	115%	115%	115%
Pent up Demand for Space	243,000	150,200	393,200

Source: Applied Development Economics. Data Consistent with Table 20

6.2 PROJECTED DEMAND FOR NEW BUSINESS SPACE

Data in Table 32 projects the amount of business space by land use category that Grass Valley's community leaders should plan to absorb by 2020. The data estimates that Grass Valley should plan to absorb 3,817 new jobs within the City Limits during the next 17 years. Of course, absorption will require that the City continue to encourage the infill development of available commercial lands, and strategically annex lands within the Sphere of Influence in order to accommodate the projected growth.[11] If the City cannot expand services to the Sphere of Influence, then new employers attracted to the area may locate in the County unincorporated areas, or they may leave the Western Nevada County region.

[11] Business space includes retail, office, business park, industrial, and other types of commercial space.

TABLE 32
Projected Demand for New Business Space in Grass Valley
2003 – 2020

Land Use	Employment 2003 (1)	Employment 2020 (2)	Employment Growth 2003 – 2020 (3)	Building SF per Employee (4)	New Demand for Business Space in Grass Valley 2003 – 2020 (5)	Annual Demand for New Business Space in Grass Valley (6)
Retail & Other Commercial						
Retail [a]	2,213	2,518	395	500	197,600	11,600
Commercial Service Establishments [b]	1,401	2,470	1,069	500	534,500	31,400
Business Park Space						
Office/Research & Development [c]	2,236	3,772	1,536	430	660,700	38,900
Light Industrial/Distribution [d]	1,382	1,728	346	430	148,600	8,700
Institutional Uses [e]	2,501	2,972	471	180	84,800	5,000
Totals	**9,643**	**13,460**	**3,817**		**1,626,100**	**95,700**

Source: Applied Development Economics.

Notes: Estimates of establishments and employment by land use have been calculated by ADE, using the latest research published by the Southern California Association of Governments. The land use categories are consistent with the Anderson land use category Occupied acres supplied by the City of Grass Valley and is within city limits; employment by land use category calculated from estimates derived by the Natelson Company, 2001; Other land use categories include schools, open space, government, hospitals.

If the City of Grass Valley is indeed going to absorb 3,817 new jobs, then there will be a need to allow the development of approximately 1.63 million SF of new space by 2020. The projected demand for space by land use category is described below in more detail.

RETAIL AND OTHER COMMERCIAL SPACE

It is estimated that there will be a need to add 197,600 SF of new retail commercial space to accommodate an additional 395 new employees by 2020. The analysis of future demand for retail space is based on the projected population growth rates of Western Nevada County and neighboring Sierra County. The baseline analysis shows that Grass Valley retailers serve the region. Thus, there will be a need to expand retail to accommodate the rate of regional growth.

The analysis of demand for retail space throughout the City is consistent with the market study incorporated into the 2003 Downtown Strategic Plan. This study indicated there would be a demand for 77,000 S.F. of new space for retail, restaurant, and entertainment uses by 2020 within the downtown district.[12]

Personal and other service establishments that normally locate within retail centers will need another 534,500 S.F. of space. Of course, the projections for new retail space to accommodate 1,069 additional employees. It is projected that the market demand will

[12] See City of Grass Valley Downtown Strategic Plan. Page 23, Table 11. Adopted August 26, 2003 by Resolution #03-44

support the development of 11,600 S.F. of new retail space, and 31,400 S.F. of other commercial space for service establishments each year.

BUSINESS PARK SPACE

It is estimated that there will be sufficient demand to develop 660,700 S.F. of new office/research and development space within the Grass Valley City Limits by 2020,which will accommodate an additional 1,536 employees. There will also be a demand for an additional 148,600 S.F. of light industrial/distribution space, which will accommodate the projected growth of 471 employees. Both of these uses can be located within a business park type of development. It is projected that the market demand will support the development of 47,600 S.F. of new business park space in Grass Valley each year.

7. GRASS VALLEY'S CAPACITY TO ABSORB PROJECTED RESIDENTIAL AND BUSINESS GROWTH

The capacity of Grass Valley to absorb the projected residential and business growth within its current City Limits is summarized below.

7.1 CAPACITY TO ABSORB PROJECTED DEMAND FOR NEW HOUSING WITHIN THE EXISTING CITY LIMITS

Data in Table 33 estimates that there will be a demand for Grass Valley to absorb 3,365 new housing units by 2020. Total demand equals the existing pent up demand for 475 new housing units priced at the current market rate or higher, plus the projected demand for an additional 2,890 new housing units by 2020. The projected demographic growth indicates that there will be an annual need for 170 new housing units for the next 17 years.

The City's Housing Element estimates that there are 116 acres of land within the City limits that is reserved for residential development. The Housing Element also projects that the City can accommodate a total of 1,191 units within the current City limits. Approximately 840 units can be absorbed on existing residentially designated properties. Another 351 housing units can be developed with a mix of commercial and residential units.

Thus, there is still a demand for 2,525 new housing units, which will, in all probability, not be absorbed within the current City Limits. The additional housing demand that cannot be absorbed by infill properties can potentially be absorbed by annexing land within the Sphere of Influence. If the City's leadership decides not to expand the City limits and provide services for the Sphere of Influence, then the projected residential growth will be absorbed within the County unincorporated areas in the form of lower density residential subdivisions.

TABLE 33
Grass Valley's Capacity to Absorb New Housing Within the City Limits

1. Pent up Demand for Housing, 2003	475
2. Projected Demand for Housing Units 2003 – 2020	2,890
3. Total Demand for Housing by 2020	**3,365**
4. Projected Average Annual Growth of Housing Units	170
5.# Housing Units Which can be Absorbed on Residential Land Within City Limits/3	840
6. # Housing Units Which Cannot be Absorbed on Residential Land Within City Limits	2,525

Source: Applied Development Economics

Notes: Row 1) Consistent with pent up demand data described in Table 26
Row 2) Consistent with the projected growth of households as described in Table 27
Row 3) Row #1 plus Row #2
Row 4) Row #2 divided by 17 years
Row 5) Data provided by the City consistent with the Housing Element
Row 6) Row #1 minus row #3
The City's Housing Element will also allow 351 housing units to be developed on mixed use properties within the current City Limits.

7.2 CAPACITY TO ABSORB PROJECTED DEMAND FOR NEW BUSINESS SPACE WITHIN THE EXISTING CITY LIMITS

Data in Table 34 compares the demand for commercial space with the supply of infill properties that can absorb a portion of the future demand for new business space. The analysis is summarized below.

- Data in Column (1) indicates that there is a pent up demand for 393,000 S.F. of new office and light industrial space.
- Data in Column (2) indicates that there is a demand for 1.54 million SF of new business space within the Grass Valley City limits during the next 17 years. The total demand combines the current pent up demand with the future demand for business space that will be needed to accommodate the projected employment growth.[13]
- Data in Column (3) translates the demand for new business space into the demand for land, assuming a .15 F.A.R. as estimated in Table 20.
- Data in Column (4) shows that the City of Grass Valley still has 298 acres of vacant infill properties that can accommodate the development of new business space. [14] There are many factors why the available commercial infill properties remain undeveloped such as traffic congestion, the lack of adequate density to make the development economically feasible, site constraints such as topography, toxic soils, neighborhood conflicts, and the basic cost of development. Each infill project that does occur hand picks the most

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[13] Pent up demand for commercial space is displayed in Table 31, and projected growth is displayed in Table 32.

[14] Data provided by the City.

economical and practical sites from the infill inventory, leaving the more difficult and less practical sites undeveloped, which affects the rate of absorption of existing infill sites.

- Data in Column (5) utilizes the results from a commercial infill properties survey conducted in 2005, which identified 132 acres of buildable infill land.

VACANT LAND SURVEY

- The commercial vacant land survey evaluated 162 sites based on six criteria relating to the development potential of the property. These criteria included indicators such as parcel size, slope, flood hazard, presence of wetlands and accessibility of infrastructure. Each site was visually inspected. This survey determined that 40% of the parcels are in fact buildable, either separately or when combined with adjacent parcels.
- Data in Column (6) estimates that Grass Valley's total supply of infill properties has the capacity to absorb 862,488 S.F. of new commercial space.[15]

Of course, the potential to develop infill properties can only be realized if the available properties are well located with available infrastructure services, and have owners that are actively trying to market their properties, with a realistic pricing expectation.

TABLE 34
Grass Valley's Capacity to Absorb New Business Space, 2003 - 2020

	Pent Up Demand for Business Park Space (1)	Demand for New Business Space in Grass Valley 2003 – 2020 (2)	Demand for Business Acreage in Grass Valley 2003-2020 (3)	Vacant Infill Acres Planned for Business Uses (4)	Buildable Commercial Infill Acres Within Grass Valley City Limits (5)	Buildable Commercial Infill S.F. Within Grass Valley City Limits (6)
Retail & Other Commercial						
Retail & Commercial	N/A	732,100	112	85	34	222,156
Business Park Space						
Office/Research & Development [c]	243,000	660,700	138	172	78	509,652
Light Industrial/Distribution [d]	150,200	148,600	46	41	20	130,680
Totals	**393,000**	**1,541,400**	**296**	**298**	**132**	**862,488**

Source: Applied Development Economics
Notes: Data in Column (1) us consistent with Table 31
Data in Column (2) equals the projected growth estimated in Table 32, plus the pent up demand estimated in Table 31
Data in Column (3) assumes that the City's existing .15 F.A.R will be continued for new development
Data in Column (4) provided by the City
Data in Column (5) relies on the finding that 70 percent of the vacant commercial land is buildable
Data in Column (6) assumes .15 FAR

15 The amount of new commercial space that can be developed on infill properties assumes a.15 FAR for all commercial land uses.

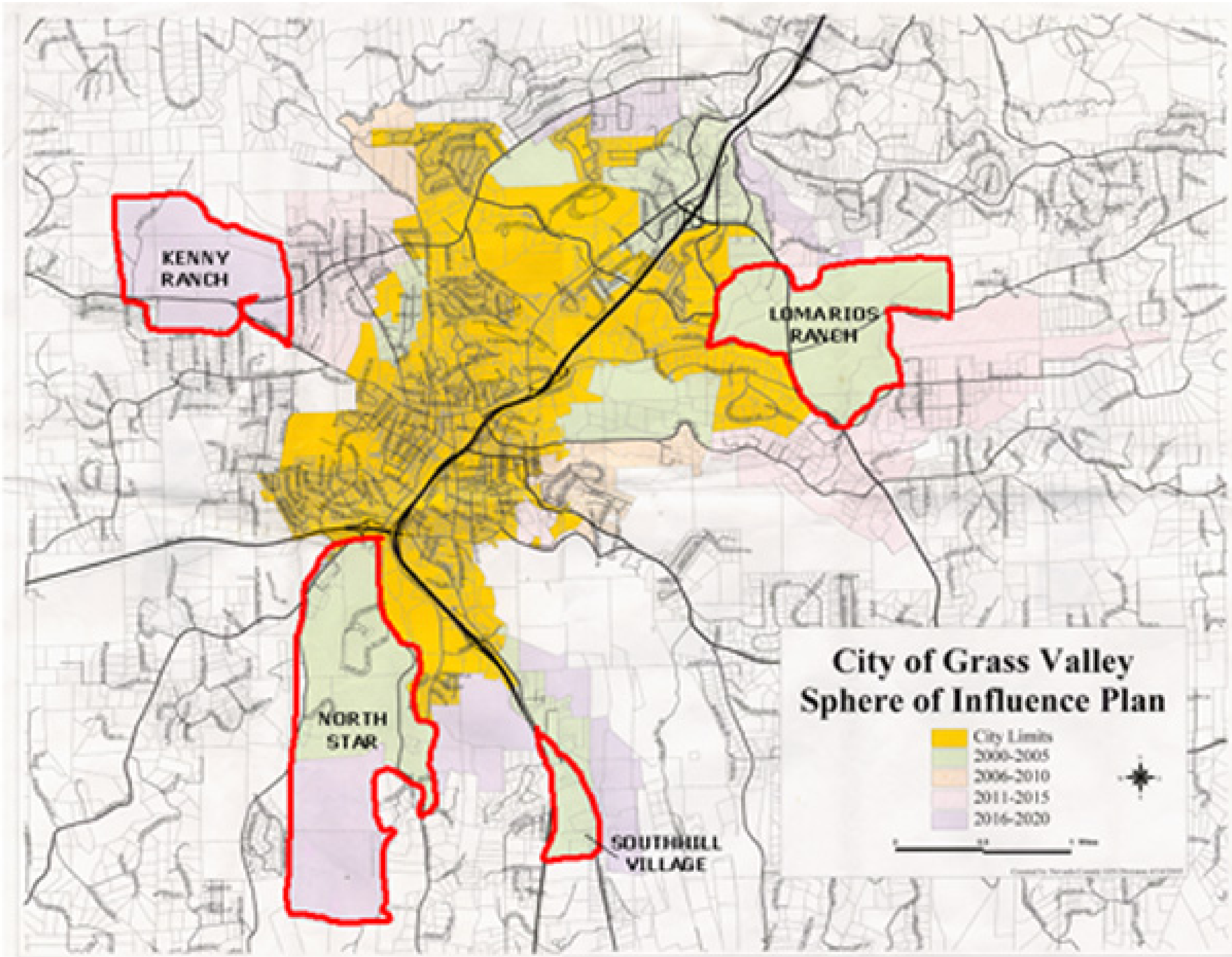
8. DESCRIPTION OF THE LAND USE CHANGES PROPOSED TO THE SDA PROJECT AREAS

Grass Valley's four Special Development Areas (SDAs) are located within the Sphere of Influence, and with the exception of Southhill Village, their current land uses are controlled by the City's General Plan. The SDAs will apply to be annexed into the City in order to gain access to services. The current schedule for annexation is guided by the City's Sphere of Influence Plan, a document approved in 1999 as part of the City's 2020 General Plan.[16] The annexation horizon or schedule that shows that Loma Rica Ranch, Southhill Village, and the northernly portion of Northstar could apply for, and be annexed into the City by 2005 as shown in Figure 3.

However, the southernly portion of Northstar and Kenny Ranch are not contiguous to City Limits, and would prompt the annexation of intervening properties in order to be approved. Any alteration or adjustment of the timing of annexation, as depicted in the Sphere of Influence Plan, would require an amendment to the 2020 General Plan, and approval by the City and the Nevada County LAFCO. The current policies require these areas to wait until 2016 or longer for annexation, which will provide the areas with access to City services.

[16] It should be noted that the 2020 General Plan was not based on current market data or fiscal analysis. However, the General Plan is city policy, which defines the land uses allowed n each SDA.

FIGURE 3
Map of Grass Valley City Limits and Proposed SDA Annexations



8.1 SDA LAND USES ALLOWED BY 2020 GENERAL PLAN

The Grass Valley's 2020 General Plan established a fixed amount of acres that the Loma Rica, Northstar, and Kenny Ranch SDAs are required to reserve for commercial retail, business park, and residential land uses. However, there is no required land use mix for the Southhill Village project area, which needs an approved Master or Specific Plan prior to development.

Accordingly, data in Table 35 summarizes the land uses that the 2020 General Plan would allow the property owners to develop on 1,636 acres of property included in the four SDAs. In total, the 2020 General Plan requires the SDAs to reserve 50 acres for commercial retail development, which can support 326,700 S.F. of new commercial retail space. The General Plan also requires the SDAs to reserve 443 acres for business park and industrial uses, which can support approximately 2.9 million S.F. of space. Finally, the 2020 General Plan will allow the SDAs to develop 648 new residential units as described below.

2020 General Plan Allowed Uses at Loma Rica Ranch

The 2020 General Plan allocates 115 acres for business park and industrial uses and allows 185 residential units to be developed at Loma Rica Ranch. It is estimated that Loma Rica could develop 751,410. S.F. of business park and industrial space as guided by the 2020 General Plan.

2020 General Plan Allowed Uses at Southhill Village

Figure 3-4 of the 2020 General Plan shows the location, configuration and general land use mix of the four SDAs, including the Bear River Mill site, now known as Southhill Village. Figure 3-4 does not show a specific land use mix for the Southhill Village SDA as it does for the three other SDAs. The land use mix for Southhill Village is viewed as predominantly commercial and/or business park in nature as the 2020 General Plan and Environmental Impact Report (EIR) identified the site as a "Planned Employment Center." A Master Plan has been submitted for City review, which has strived to incorporate the general land use density and intensity assumptions for this property as included in the City's 2020 General Plan and EIR documents.

2020 General Plan Allowed Uses at Northstar

The 2020 General Plan allocates 28 acres for commercial or retail services, 240 acres for business park and industrial uses, and 363 residential units within the Northstar SDA. Thus, approximately 182,952 S.F. of commercial space, and 1.57 million S.F. of business park space could be developed at Northstar as guided by the 2020 General Plan. The northern half of Northstar SDA has 47 parcels, which accounts for 410 acres that could be annexed 2006. The southern half of the Northstar SDA has 3 parcels, which contain 318 acres, which must wait until 2016 or later for Annexation to the City.

2020 GENERAL PLAN ALLOWED USES AT KENNY RANCH

The 2020 General Plan reserves 22 acres for commercial or retail services, 88 acres for business park uses, and allows 100 residential units to be developed at Kenny Ranch. Thus, Kenny Ranch can support 143,748 S.F. of new commercial retail space, and 574,992 S.F. of new business park and industrial space as guided by the 2020 General Plan. In addition, the Sphere of Influence Plan delays the annexation of Kenny Ranch until 2016. Since, the project area is not contiguous with the City limits, then the annexation process is more complex, because it requires the participation of a large number of property owners.

TABLE 35
Land Uses Allowed by the Current Grass Valley General Plan

		Commercial & Retail		Business Park & Industrial		Residential
Project Area	**Acreage**	**Allocated Acreage**	**Allocated S.F.**	**Allocated Acreage**	**Allocated S.F.**	**# Units**
Loma Rica	452	0	0	115	751,410	185
Southhill Village	66	0	0	0	0	0
Northstar	762	28	182,952	240	1,568,160	363
Kenny Ranch	356	22	143,748	88	574,992	100
Totals	**1,636**	**50**	**326,700**	**443**	**2,894,562**	**648**

Source: Applied Development Economics based on data provided by the City of Grass Valley

Note: (1) Data on available acreage and number of allowed residential units provided by the City.
(2) The Grass Valley 2020 General Plan does not allocate and land uses at the Southhill Village "Special Development Area."
(3) Allowed S.F. estimates assume a 20% Floor Area Ratio.

8.2 DESCRIPTION OF PROPOSED PROJECTS

The SDA property owners have prepared draft Master Plans, and three of four SDA applicants have filed their plans for City review and approval. However, the processing of the SDA applications will be deferred until further direction is received by the City Council pending the results of this study. It is anticipated that three SDAs will request the City of Grass Valley to change the General Plan land uses and re-zone the properties for more intensive development. Of course, Southhill Village will not request a change in the General Plan, since it was originally evaluated for commercial uses. In addition, two SDAs will request to speed up the annexation schedule, rather than being forced to wait until 2016 before they can gain access to City services. Accordingly, data in Table 36 quantifies the four proposed projects and annexations, which are described below in more detail.[17]

[17] It is important to note that each of the SDAs have provided ADE with a copy of a draft Master Plan, from which proposed land uses can be evaluated.

TABLE 36
Proposed SDA Land Uses (High Range)

	Loma Rica	Southhill Village	Northstar	Kenny Ranch	Total
Retail & Other Commercial					
Retail & Commercial	178,000	143,900	45,000	70,000	436,900
Business Park Space					
Office/Reaserch & Development	186,900	41,900	265,000	60,000	553,800
Light Industrial/Distribution	112,500		220,000	60,000	392,500
Total Commercial Space	**477,400**	**185,800**	**530,000**	**190,000**	**1,383,200**
Residential (Units)	1,229	279	2,140	463	4,111
Total Acres	**452**	**66**	**762**	**356**	**1,636**

Source: Applied Development Economics based on data collected from the following documents:
Loma Rica Ranch Specific Plan: Internal Draft 1-21-04
Southhill Village Master Plan, November 2003
Northstar Specific Plan, October 2003
Village at Kenny Ranch Project Description Provided by Bisnett Design Studios
Note: Data does not include proposed uses such as banquet halls, health clubs, golf courses, parks and other uses that are not developed for business park tenants.

LOMA RICA RANCH MASTER PLAN PROPOSED LAND USES

The Loma Rica Ranch Specific Plan proposes constructing six unique neighborhoods, which will include a maximum of 1,229 residential units, 178,000 square feet of retail and commercial space, and 299,400 S.F. of office, research & development, or light industrial space on 452 acres of property. For purposes of this analysis we have assumed that there will be 186,900 S.F. of office or R&D space, and 112,500 S.F. of light industrial space.

Olympia Creek and the Ranch Center – the two most developed neighborhoods in Loma Rica Ranch – are surrounded by Grass Valley on three sides. The Sutton Industrial Park is just to the west, the Whispering Pines business park is just to the south, and the Glenbrook Basin is to the north. These neighborhoods comprise an estimated 61 percent of the residential development, and 81 percent of the proposed commercial space that will be developed for a variety of business uses that will be proposed for Loma Rica Ranch.

The proposed project will be developed based on smart growth planning principles, which is a distinguishing feature of Loma Rica Ranch. This means some proposed residential uses will be mixed with retail uses, there will be a mix of housing types and prices within the same neighborhood, and there will be business space developed that can employ local residents. The remaining neighborhoods will also follow the smart growth design principles such as narrow streets, mixed uses, and residential density. Finally, the proposed development at Loma Rica Ranch will cover only 30 percent of the site and is concentrated close to existing urban development, leaving the rest preserved as open space or parkland within the neighborhoods. Development in proposed fringe areas is very low intensity, and is designed to have a limited impact on the surrounding natural environment.

SOUTHHILL VILLAGE MASTER PLAN PROPOSED LAND USES

The Southhill Village Master Plan proposes to develop a maximum of 279 residential units, 143,900 S.F. of retail and commercial space, and 41,900 S.F. of office, research & development space on 66 acres of property. The Master Plan will request the City to zone 16.3 acres of land for commercial uses (C2), 3.3 acres for Community Business Park (CBP), 22.3 acres for single family residential (R1), and 7 acres for multi-family residential, which will allow the following uses to be developed.

- The Master Plan proposes to develop a 143,900 S.F. retail-shopping center, which will be anchored by a new supermarket. Additional tenants may include a drug store, retail clothing, and restaurants. In addition, live-work lofts would be integrated into the shopping complex.
- A 41,900 S.F. business park is proposed, which will consist of three separate buildings used by office and professional service establishments. There would also be residential studio lofts integrated into the business park space.
- The Master Plan also proposes to develop 150-units of attached two-story housing, 72-units of cottage/workforce housing that would range in size between 1,000 and 1,500 S.F., and 57 residential lots that could be used for custom homes. The 150-units of two-story housing, and the 72-units of cottage/workforce housing would be developed for both rental and purchase of starter homes. The residential lots would be for sale.

NORTHSTAR SPECIFIC PLAN PROPOSED LAND USES

The Northstar Specific Plan covers 762 acres, which amounts to 60 percent of the 1,277 acres that comprises all four SDA projects. The Specific Plan proposes to develop 2,140 dwelling units, which include 180 affordable homes, 667 workforce homes, 981 community and professional homes, 146 senior homes, 60 condominiums, and 106 golf villas. The proposed project will also include a golf course, transportation center, school, community center, amphitheater, parks and recreational facility, swim and tennis center, hospice, and other uses.

In terms of non-residential uses, the Specific Plan proposes to reserve 44 acres as a mixed-use area, which could accommodate 440,000 S.F. of space for light industrial or business park uses. For purposes of analysis, we assume that 220,000 S.F. will be developed for office or research and development space. Another 220,000 S.F. will be developed for light industrial space.

The Specific Plan also proposes to develop a Neighborhood Community Center on 9-acres of land within the center of the project area, which will support 90,000 S.F. of new commercial space. The permitted uses within the neighborhood community center include a grocery store, dry cleaner, beauty salon, coffee shop, restaurants, and offices for professional services and non-profit organizations. For purposes of analysis, we have assumed that the commercial space developed within the Neighborhood Community Center will include 45,000 S.F. of retail space and 45,000 S.F. of office space.

Finally, the project sponsor intends to seek annexation of all 762 acres in 2006. Of course, actual development will be controlled by project phasing.

KENNY RANCH SPECIFIC PLAN PROPOSED LAND USES

The Kenny Ranch Specific Plan proposes constructing seven neighborhoods, which will include a maximum of 463 residential units, 70,000 square feet of retail and commercial space, and 120,000 S.F. of business park space on 356 acres of property. For purposes of this analysis we assume that the project sponsor will develop 60,000 S.F. of office or R&D space, and 60,000 S.F. of light industrial space.

Four neighborhoods known as Deer Creek Meadows, Creekside Condominiums, Slate Creek Condominiums, and Deer Creek Pines include only housing. The proposed project also includes a hospice and assisted living center with 60 assisted living units.

Kenny Ranch Village will include 70,000 S.F. of commercial space anchored by a small market. The mixed use retail plaza will include 12 second story 2-bedroom apartments.

The Kenny Ranch business park includes 120,000 S.F. of space. The development could attract a mix of business tenants that require light industrial, office, and research and development type of space. There will also be 17 apartments mixed with the business park uses.

The current annexation schedule requires Kenny Ranch to wait until at least 2016 before the project can be annexed. The project sponsor proposes to speed up the annexation schedule to an earlier date.

9. IMPACTS OF THE SDA LAND USE ALTERNATIVES

The data in this section of the report analyzes the jobs/housing balance and fiscal impacts of two alternative General Plan land use alternatives for the SDA project areas. The first alternative measures the impacts of retaining the 2020 General Plan land use designations for the SDA's. The second alternative measures the impacts of changing the General Plan to match the SDA Master and Specific plans. The impacts are described below in more detail.

9.1 MARKET DEMAND TO ABSORB THE PROPOSED SDA MASTER AND SPECIFIC PLANS

Data in Table 37, Columns 1 to 3 estimate the amount of space that market forces will allow the SDAs to capture by 2020, absent any General Plan regulations that limit the supply and type of space that can be developed, as described below.

- Data in Column (1) indicates that market forces will seek to develop 1.93 million S.F. of business space, and 3,365 new housing units within the Grass Valley City limits by 2020.[18]
- Data in Column (2) indicates that the existing infill properties have the capacity to absorb 862,488 S.F. of business space, and 840 new housing units.[19]
- Data in Column (3) estimates that the SDA project areas can capture 1.07 million S.F. of new business space and 2,525 residential units.[20] This estimate assumes that the infill properties will be fully absorbed by 2020, and the SDA's will capture the remainder of the growth.

Thus, Grass Valley's civic leaders should anticipate that market forces are not strong enough to build out the proposed SDA projects until after 2020. However, we anticipate that the SDA's will be very successful at competing with other land owners for a share of the growth. That is, the SDA property owners and developers are most likely to have the financial capacity to fund the infrastructure improvements, which are a critical component of land development. Property owners elsewhere in the Sphere of Influence may also want to develop their properties, but may lack the proper land planning and financing capacity to successfully compete with the SDA project areas for a share of the regional growth.

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[18] Future demand based on growth is combined with the existing pent up demand.

[19] Information is consistent with data in Table 34.

[20] The amount of commercial and residential development that can be captured by the four SDA project areas represent the total market demand (Column (1)) less the amount of growth that should be captured by the infill properties (Column (3)).

TABLE 37
Impacts of General Plan Land Use Options on the Amount of New Business Space and Residential Units To be Captured by the SDAs, 2003 - 2020

Market Absorption Data				Land Use ALTERNATIVE #1: Retain Current Land Uses Allowed for SDAs		Land Use ALTERNATIVE #2: Change General Plan to Match SDA Master and Specific Plans	
	Market Demand (1)	Buildable Commercial Infill Within City Limits (2)	New Space That Can Be Captured By The SDAs (3)	GP Allowed (4)	New Space Captured by SDAs (5)	Development Proposed By SDA Master and Specific Plans (7)	New Space Captured by SDA (8)
Retail & Other Commercial (S.F.)							
Retail & Commercial	732,100	222,156	509,944	326,427	326,427	436,900	436,900
Business Park Space (S.F.)							
Office/Research & Development	903,700	509,652	394,048	2,277,098	394,048	553,800	394,048
Light Industrial/Distribution	298,800	130,680	168,120	617,464	168,120	392,500	168,120
Total Commercial Space	**1,934,600**	**862,488**	**1,072,112**	**3,221,262**	**888,595**	**1,383,200**	**999,068**
Residential (Units)	3,365	840	2,525	648	648	4,111	2,525

Source: Applied Development Economics
Columns (1) consistent with data in Table 34
Column (2) quantifies the amount of buildable infill space, consistent with data in Table 34
Column (3) equals Column (1) minus Column (2). Assumes that infill properties will be built out
Column (4) data consistent with Table 32
Column (5) equals Column (3) if Column (3) is less than Column (4)
equals Column (4) if Column (4) is less than Column (3)
Column (6) consistent with data in Table 33
Column (7) equals Column (4) if Column (4) is less than Column (6)
Column (8) equals Column (6) if Column (6) is less than Column (4)

9.2 MARKET CAPTURE ESTIMATES FOR LAND USE ALTERNATIVE #1: RETAIN CURRENT GENERAL PLAN REQUIREMENTS FOR THE SDAS

Data in Columns (4) and (5) estimate the amount of business and residential space that the SDA's can capture by 2020 if the current General Plan land use designations are retained. That is, ADE estimates that the 2020 General Plan will allow for the development of 3.2 million S.F. of commercial, retail, industrial, and business park space as shown in Column (4).

This estimate does not include business space that may be developed at Southhill Village, which was evaluated as a commercial site by the General Plan EIR. Thus, the supply of space that could be developed support for employment generating uses would expand beyond 3.2 million S.F. if Southhill Village was designated for commercial development by the General Plan.

Whether or not Southhill Village is included in the analysis, the supply of land dedicated for business uses is significantly greater than the estimated market capture for new business space. Thus, if the City retains the current General Plan land use policies, then the SDAs will be able to absorb their full market potential for 888,595 S.F. of new business space by 2020 as shown in Column (5).

However, SDA property owners may decide not to invest if they cannot get the returns needed to fund the infrastructure investments that may range between $70 million and $80 million.[21]

Most importantly, the retention of the 2020 General Plan land use requirements allows the SDAs to develop only 648 housing units. This means that the SDAs will not be able to capture the full market potential of 2,525 new residential units by 2020.

9.3 MARKET CAPTURE ESTIMATES FOR LAND USE ALTERNATIVE # 2: CHANGE THE GENERAL PLAN TO MATCH THE SDA MASTER AND SPECIFIC PLANS

Data in Columns (6) and (7) estimate the amount of commercial and residential space that the SDA's can capture by 2020 if the current General Plan land use designations are changed to match the SDA Master and Specific Plans. Data in Column (6) indicates that the SDA Master Plans propose to develop 1.38 million S.F. of business space, and 4,111 new housing units. Therefore, the SDAs will not be able to absorb all their planned space by 2020, which is consistent with the long-term vision presented by each property owner.

Data in Column (7) indicates that the SDA project areas will be able to develop 999,068 S.F. of business space by 2020 if the General Plan is changed to match the SDA Master Plans. Thus, the remaining business space proposed by the SDAs will be absorbed after 2020.

However, if the City changes the General Plan, the SDAs will be able to capture the full market potential of 2,525 new residential units within the City by 2020. The remainder of the housing included in the SDA Master and Specific Plans would be developed after 2020.

[21] The Northstar Specific Plan estimates their infrastructure costs to be $44 million. Since Northstar accounts for 60 percent of the land area, then it can be extrapolated that the infrastructure costs for all four SDAs amount to $73 million.

9.4 JOBS/HOUSING BALANCE IMPACTS OF THE SDA LAND USE ALTERNATIVES

The jobs/housing balance impacts are a measure of Grass Valley's socially healthy environment. If the City's jobs/housing balance starts trending lower than the current rate of 1.7, then there will be more commuting to employment centers located outside the City. Conversely, if the City's jobs/housing balance trends higher than the current rate of 1.7, then local job creation is robust, and the City is attracting a larger share of the region's employment. Essentially, the City's jobs/housing balance ratio should be viewed by City planners and community leaders as an indicator of the City's ability to attract jobs, and the need for residents to commute to work out of the area. It is clear that Grass Valley's vision as described in the City's 2020 General Plan does not want the City to transform into a bedroom or retirement community.

JOBS/HOUSING BALANCE IMPACTS OF LAND USE ALTERNATIVE #1: RETAIN THE CURRENT SDA LAND USES

Data in Table 38 quantifies the jobs/housing balance impacts of two General Plan land use alternatives for the SDAs. If the current land use regulations are retained, then the City should anticipate that the SDAs will absorb 888,595 S.F. of new business space, and 648 residential units by 2020 as displayed in Column (1). The new business space that should be absorbed by the SDAs will accommodate 1,752 workers. Thus, the supply of commercial and residential space that is allowed by the current General Plan will result in a 2.7 jobs/housing balance ratio for the SDAs by 2020.[22] This means that if it is economically feasible for the SDAs to build the land use mix allowed by the current General Plan, then the retention of the City's current General Plan land use requirements will strengthen Grass Valley's role as a regional job center.

JOBS/HOUSING BALANCE IMPACTS OF LAND USE ALTERNATIVE #2: CHANGE GENERAL PLAN TO MATCH SDA MASTER AND SPECIFIC PLANS

In contrast, Columns (4) and (5) quantify the jobs/housing balance impacts of changing the 2020 General Plan to match the SDA project area Master and Specific Plans. It is estimated that the SDAs will absorb 999,068 S.F. of new business space by 2020 if the General Plan is changed to match the SDA Master and Specific Plans as displayed in Column (4). Thus, the supply of new business space that the SDA's could absorb will accommodate 1,936 workers.

However, if the General Plan for the areas within the City's SOI is changed to match the SDA Master and Specific Plans, then the SDAs will absorb 2,525 new residential units by 2020, rather than the 648 housing units that are allowed by the current General Plan. Thus, changing the General Plan to match the SDA Master and Specific Plans will achieve a 0.8

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[22] The 2.7 jobs/housing balance ratio is computed by dividing the number of jobs by the number of housing units at full build out.

jobs/housing balance for the combined SDAs by 2020. This means that changing the General Plan to match the SDA Master and Specific Plans will weaken Grass Valley's role as a regional job center. However, the jobs/housing balance ratio of the combined projects will be almost the same as Western Nevada County's 0.7 jobs/housing balance ratio.

TABLE 38
Jobs/Housing Balance Impacts of The SDA Land Use Alternatives: 2003 - 2020

	Land Use ALTERNATIVE 1: Retain General Plan Land Use Designations for the SDAs			Land Use ALTERNATIVE 2: Change General Plan to match SDA Master Plans	
	New Space Developed by 2020 (1)	Building S.F. per Employee (2)	2020 Jobs/Housing Balance for SDAs (3)	New Space Developed by 2020 (4)	2020 Jobs/Housing Balance for SDAs (5)
Retail & Other Commercial					
Retail & Commercial	326,427	600	544	436,900	728
Business Park Space					
Office/Research & Development	394,048	500	788	394,048	788
Light Industrial/Distribution	168,120	400	420	168,120	420
Total Business Space/ Jobs	**888,595**		**1,752**	**999,068**	**1,936**
Residential (Units)	**648**		**648**	**2,525**	**2,525**
Jobs/Housing Balance			2.7		0.8

Source: Applied Development Economics
Columns (1) and (4) consistent with data in Table 34
Column (2) consistent with data in Table 29
Columns (3) and (5) translate the market demand for commercial space into jobs

9.5 FISCAL IMPACTS OF THE SDA LAND USE ALTERNATIVES

The analysis in Table 39 measures the impacts that the City's General Plan land use policies for the SDAs will have on the City's fiscal health. In order to provide an adequate level of services and quality of life in its residential neighborhoods, it is important to maintain a vibrant commercial sector and a strong job base. As the City annexes new lands, the challenge will be to maintain a positive balance of residential, commercial and employment-generating land uses. Often, cities see a preponderance of residential development as peripheral areas develop. It is critical to grow the job base along with future residential development.[23]

The fiscal impact analysis measures whether or not a proposed land use mix for the combined SDA projects will create a net gain in City revenue, or if the land use mix will cost more for services than it will generate for City revenues. The analysis indicates that the development of fewer residential units will yield more positive net fiscal benefits for the City.

[23] See Appendix E for detailed discussion of methodologies used to analyze the fiscal impacts.

This analysis does not measure the fiscal impacts of the individual SDA projects, which should be completed at a later date.

An important component of the fiscal impacts includes an analysis of developing the existing infill properties, which will be slowly built out regardless of the General Plan land use policies toward the SDAs. This study assumes that the SDAs will be developed at the same pace that existing infill properties are absorbed. So, the fiscal impact analysis of the General Plan land use options that guide the development of the SDAs incorporates the impacts of infill and the development of newly annexed lands.

Accordingly, data in Column (1) quantifies the fiscal impacts of developing the existing infill properties. The projections indicate that the existing infill properties can capture 862,488 S.F. of commercial space, and 840 housing units by 2020. Accordingly, the development of the infill properties will generate an additional $1.45 million in General Fund revenues, and will cost the City only $.77 million for services. The low costs are due to the fact that infill development is relatively inexpensive to serve compared to new growth, which often requires new infrastructure. Thus, the development of the existing infill properties will generate a net gain of slightly less than $700,000 per year to the City's General Fund.

FISCAL IMPACTS OF ALTERNATIVE #1: RETAIN CURRENT SDA LAND USES

The data in Column (2) indicates that the theoretical build out of the SDA project areas as guided by the 2020 General Plan will generate an annual net positive fiscal impact of $1.53 million once the full market demand of 888,595 S.F. of commercial space and 648 residential units have been absorbed. The analysis incorporates the positive net fiscal returns that the City will receive from developing the infill properties.

The build out of the SDA project areas as guided by the 2020 General Plan will generate $3.66 million of annual revenues for the General Fund. Property tax revenues are projected to earn $1.71 million, which will form the largest component of fiscal revenues by the project build out as guided by the 2020 General Plan.[24] Annual sales tax revenues are estimated to be $1.34 million, which forms the second largest component of positive fiscal returns.

A portion of the revenues will be offset by an estimated $2.11 million of additional City services starting when the SDA market share of commercial and residential development has been captured. The cost of police and fire service will account for slightly less than $1 million of the total annual costs. Streets and engineering will also incur just under $600,000 of additional annual costs.

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[24] The property tax share is based on the City/County tax sharing agreement, to the extent that could be approximated. The agreement provides that 40% of the county base share shall transfer to the City upon annexation, and that 90% of the new tax increment over time shall also transfer to the City. Since this study is concerned solely with the incremental impact of new development, the 90% share was used (reduced by 3% to reflect the ERAF shift). This resulting in an estimated city tax share of 24% for both infill development and development in the SDA areas.

Of course, if the 2020 General Plan limitations fail to attract investors and developers, then the SDA project areas may remain undeveloped until 2020. There are no positive or negative fiscal impacts associated with the undeveloped land.

FISCAL IMPACTS OF ALTERNATIVE #2: ALLOW LAND USES TO MATCH SDA MASTER AND SPECIFIC PLANS

The data in Column (3) indicates that the development of 999,068 S.F. of commercial space and 2,525 residential units within the SDA project areas will also generate an annual net positive fiscal impact of more than $350,000 by 2020. Essentially, if the City changes the General Plan to match the SDA Master and Specific Plans, then the shift of land uses away from jobs and toward additional housing for the SDAs will be fiscally neutral. This is due to the fact that the negative fiscal impacts of the SDA buildout scenarios by 2020 will be offset by the positive fiscal impacts of continued infill development. Thus, the proposed shift of allowed land uses for the SDAs would result in fiscally neutral impacts.

The data indicates that revenues from the development allowed by the proposed land use change will generate $5.70 million of annual revenues for the General Fund. Basically, the City will earn a lot in fees and taxes to service the additional housing.

The costs of servicing 2,525 rather than 648 new homes will be substantially higher. Essentially, the projected amount of commercial and residential space that the SDAs can capture by 2020 if the General Plan is changed should cost $5.34 million for additional services. The additional cost of services are partially due to the fact that the City will require a new fire station to serve new residential development placed within the southern portion of Northstar SDA.

TABLE 39
Fiscal Impact Analysis of SDA Related General Plan Policy Alternatives

	Development of Infill Properties (1)	Alternative #1 Retain General Plan Land Use (2)	Alternative #2 Change General Plan to Match SDA Plans (3)
REVENUES			
Property Tax (Sec & Unsec)	$638,912	$1,713,802	$3,169,986
General Sales Tax	$568,048	$1,340,527	$1,454,105
Hotel-Motel Trans Tax	$0	$0	$0
PG&E Franchise Tax	$12,798	$32,142	$41,680
Solid Waste Franchise	$5,511	$13,842	$17,949
Cable TV Franchise	$12,832	$32,111	$53,728
Business License Tax	$23,583	$59,353	$64,381
Motor Vehicle Lic Fees	$83,527	$207,828	$469,648
Fire Services Fees	$2,909	$7,318	$8,242
Eng./ PW Fees	$967	$2,417	$4,286
Animal Shelter Fees	$1,164	$2,897	$6,546
Police Fees	$9,744	$24,359	$43,196
Parks Fees	$1,512	$3,762	$8,502
Misc Revenue	$10,354	$25,884	$45,899
Water Fund	$14,774	$36,935	$65,496
Sewer Fund	$19,484	$48,750	$82,163
Interest Earnings	$42,468	$107,265	$167,170
General Fund Subtotal	$1,448,587	$3,659,192	$5,702,979
Gas Tax (to Gen. Fund)	$5,992	$462	$1,800
SUBTOTAL	**$1,454,579**	**$3,659,654**	**$5,704,779**
EXPENSES			
General Government	$92,131	$203,832	$355,846
Police (incl Training)	$297,476	$656,410	$1,198,676
Animal Control	$17,668	$38,468	$86,062
Fire	$140,519	$297,096	$1,098,959
Community Development	$50,824	$112,444	$196,302
Streets	$63,589	$308,841	$973,832
Engineering	$24,628	$265,619	$929,237
Other Public Works	$44,040	$76,023	$117,344
Parks & Rec (excl Maintenance)	$3,725	$52,999	$115,667
Parks Maintenance	$34,853	$101,221	$275,269
SUBTOTAL	**$769,452**	**$2,112,952**	**$5,347,195**
NET (COST)/REVENUE	**$685,126**	**$1,546,702**	**$357,584**

Source: Applied Development Economics
Notes: Column (1) measures the fiscal impacts of developing infill properties
Column (2) measures the fiscal impacts of developing 862,595 S.F. of commercial space, and 648 residential units.
Column (3) measures the fiscal impacts of developing 862,595 S.F. of commercial space and 2,525 residential units

See Appendix E for more detailed description of fiscal methodology.

9.6 POTENTIAL STRATEGIES TO MITIGATE FISCAL IMPACTS OF RESIDENTIAL USES

There are a number of ways to mitigate the fiscal impact of residential uses in addition to changing the land use mix. For example it is a fact that higher value residential units are more fiscally beneficial than lower value units. Clearly, the City cannot just develop high value housing units as there is a need to provide a range of housing types and prices to serve it local workforce, many of whom are employed in lower-paying retail and visitor-serving businesses. Ensuring a mix of housing units at all market levels will help provide a strong tax revenue flow.

In addition, well designed residential development can reduce the service capacity needed to serve outlying developments. All four proposed SDA projects incorporate aspects of good design and smart growth principals. The concept of smart growth and new urbanism plans for the efficient use of land and infrastructure to reduce the operating costs of public services and lower the construction costs of public facilities. More compact forms of development have been shown to reduce average costs for police, fire, street maintenance and other costs that are affected by response distances or the quantity of pavement or facilities to be maintained. Thus, the fiscal impact analysis of the SDA project areas represent a worst case scenario, then smart growth may reduce costs and improve the fiscal benefits of shifting the proposed land uses away from jobs, and towards housing.

In cases where service costs cannot be mitigated by other means, the City can require the establishment of special service districts, either as Community Facilities Districts capable of imposing special taxes, or in terms of assessment or Landscape and Lighting districts that can fund either the construction or maintenance of certain public infrastructure or common facilities. As the proposed annexation areas are evaluated, the City may wish to consider these sorts of financing mechanisms to augment the public revenues otherwise generated by the new developments.

9.7 FISCAL BENEFITS OF SMART GROWTH AND NEW URBANISM DESIGNS FOR PLANNED COMMUNITIES

Evidence of the fiscal benefits of planned growth, characterized by compact development patterns emanating from existing urban centers, over leapfrog, or sprawl, development patterns dates back more than a quarter of a century. In 1975, a RAND study funded by the National Science Foundation projected that the capital costs for scattered development would be more than five times higher than the costs to serve the same amount of growth in a compact land use pattern (Burchell and Listokin, 1996). Research of this kind led to the establishment of the Local Agency Formation Commission (LAFCo) process in California to regulate the efficient provision of services and avoid leapfrog development patterns.

More recently, groups as diverse as the National Association of Home Builders (NAHB), the California Building Industry Association, the Sierra Club, and the American Farmland Trust have promulgated planning principals intended to achieve "Smart Growth" forms of development that would reduce housing prices, reduce the fiscal impact of housing, reduce land consumption, reduce the waste of natural resources including energy and water as well as reduce the impacts of development on air and water quality. As presented by the NAHB, Smart Growth means efficient land use techniques, "An important part of Smart Growth is using land more efficiently and preserving environmentally-sensitive land. These goals can be achieved through more compact development. Building more compactly also helps reduce infrastructure costs, provides more opportunities for pedestrian access, allows for densities that can be served efficiently by mass transit, and provides more affordable housing." (See NAHB.)

Studies documenting the fiscal benefits of compact development forms have addressed the issue in all parts of the country from Florida to New Jersey to Illinois and California. In Florida, a large-scale study encompassed detailed case studies of the actual costs (and revenues) incurred by several completed residential and non-residential projects throughout the state. The projects were chosen as being representative of five different development patterns ranging from "scattered" to "compact." The study determined that infrastructure costs for single family detached units were 30 percent lower for compact developments compared to those that were scattered, linear, or satellite developments (Burchell and Listokin, 1996).

A statewide study in New Jersey determined that compact development patterns would save 24 percent in road costs, nearly 8 percent savings in water and sewer costs, and more than 3 percent savings in the cost of schools. On a statewide level, these savings would amount to $699 million in road costs, $561 million in utility costs, and $173 million in the cost for schools. These savings extend also to the annual operating and maintenance costs for municipal services and schools, saving about $400 million per year statewide over more scattered forms of development. In addition, the New Jersey study estimated the compact growth approach would reduce average housing costs by about six percent (Duncan).

These results are even more dramatic for rural residential densities. A study by James Frank for the Urban Land Institute in Washington D.C., reviewed the national literature conducted over roughly a four-decade period. Frank determined that, in equivalent dollar terms, infrastructure costs for developments at 1 du per 4 acres are twice as high as those for developments at 1 du per 1 acre, and they are 70 percent higher than those for housing on one-third acre lots (Frank).

A more recent study in the Chicago area measured police and fire response times in carefully controlled comparisons of existing compact and sprawling development in proximity to each other. The fire department took an average of almost three times longer to reach new sprawling development as it did to reach development closer to existing communities. The difference in response times for most police calls were even more pronounced, as much as six times longer for sprawling developments in some cases (Esseks, Harvey and Kimberly, 1999).

10. IMPACTS OF A BALANCED LAND USE MIX FOR THE SDAS

This section of the report identifies an SDA land use mix that matches the City's current 1.7 jobs/housing balance, and generates positive fiscal impacts, which means that the City can afford to service the new growth. The existing jobs/housing balance for both the City and Western Nevada County should be considered a benchmark for measuring change.

Data in Table 40, Column (1) presents an employment and housing mix that achieves a 1.7 jobs/housing balance by 2020 for the combined SDA areas. It is estimated that the SDAs can only capture 1,936 new jobs by 2020 because of the limited amount of employment growth projected for Western Nevada County. Thus, the mix of jobs and housing units developed by the SDAs would match the City's current 1.7 jobs/housing balance ratio if 1,138 housing units are developed within the combined SDA project areas.

Data in Column (4) converts a balanced land use mix into the commercial acreage and the number of residential units that should be allowed if the City is to maintain a 1.7 jobs/housing balance. Thus, the City could achieve a balanced land use mix if the General Plan is changed to allow the SDAs to develop 1,138 residential units, and make no changes to the amount of land designated for business uses.

TABLE 40
Land Use Mix That Matches SDA Jobs/Housing Balance With City's Current Jobs/Housing Balance

	Employment Mix that Achieves Jobs/Housing Balance Goal	Building S.F. per Employee	Land Use Mix That Achieves Jobs/Housing Balance Goal (S.F.)	Land Use Mix That Achieves Jobs/Housing Balance Goal (Acres)
Retail & Other Commercial				
Retail & Commercial	728	600	436,900	67
Business Park Space				
Office/Research & Development	788	500	394,048	326
Light Industrial/Distribution	420	400	168,120	139
Total Commercial	**1,936**		**999,068**	**532**
Residential (Units)	1,138		1,138	1,138
Jobs/Housing Balance (Grass Valley)	1.7			
Jobs/Housing Balance (Western Nevada County)	0.7			

Source: Applied Development Economics

In addition, the City should partner with the SDAs to achieve a smart growth design for the new development, which may reduce the costs of services and enhance Grass Valley's high quality of life. If not, future development may be sprawled throughout the unincorporated areas of the County, which will generate additional costs for infrastructure services, more traffic, and will negatively impact the quality of life for the residents of Grass Valley.

FISCAL IMPACTS OF BALANCED LAND USE MIX

The data in Table 41 indicates that the development of 999,068 S.F. of commercial space and 1,130 residential units within the SDAs will generate an annual net positive fiscal return for the City. The analysis incorporates the positive fiscal impacts of continued infill developments.

The development of a balanced land use mix by the SDAs could generate $4.32 million of annual revenues for the General Fund, and will cost the City $3.68 million to service the new growth. This means that a balance land use mix will generate a net positive fiscal impact of $640,425 once the market potential has been achieved.[25]

[25] The fiscal impacts of developing a balanced land use mix also incorporates the positive fiscal impacts that will accrue to the City from the development the available infill properties.

TABLE 41
Fiscal Impacts of Land Use Alternative #3

	Development of Infill Properties (1)	Balanced Jobs/Housing Land Use Mix (2)
REVENUES		
Property Tax (Sec & Unsec)	$638,912	$2,037,452
General Sales Tax	$568,048	$1,518,523
Hotel-Motel Trans Tax	$0	$0
PG&E Franchise Tax	$12,798	$37,705
Solid Waste Franchise	$5,511	$16,237
Cable TV Franchise	$12,832	$39,965
Business License Tax	$23,583	$67,234
Motor Vehicle Lic Fees	$83,527	$281,827
Fire Services Fees	$2,909	$8,347
Eng./ PW Fees	$967	$3,054
Animal Shelter Fees	$1,164	$3,928
Police Fees	$9,744	$30,780
Parks Fees	$1,512	$5,102
Misc Revenue	$10,354	$32,707
Water Fund	$14,774	$46,671
Sewer Fund	$19,484	$60,787
Interest Earnings	$42,468	$126,543
General Fund Subtotal	$1,448,587	$4,316,863
Gas Tax (to Gen. Fund)	$5,992	$1,236
SUBTOTAL	**$1,454,579**	**$4,318,099**
EXPENSES		
General Government	$92,131	$263,275
Police (incl Training)	$297,476	$858,505
Animal Control	$17,668	$53,511
Fire	$140,519	$1,132,478
Community Development	$50,824	$145,235
Streets	$63,589	$478,681
Engineering	$24,628	$429,098
Other Public Works	$44,040	$95,083
Parks & Rec (excl Maintenance)	$3,725	$73,137
Parks Maintenance	$34,853	$148,673
SUBTOTAL	**$769,452**	**$3,677,675**
NET (COST)/REVENUE	**$685,126**	**$640,425**

Source: ADE

11. RECOMMENDATIONS FOR PROJECT SPECIFIC IMPACT ANALYSIS

The City has requested ADE to recommend any project specific impact studies that the SDA property owners should submit along with the Master or Specific Plan. The recommendations could apply to any property owners that require changes to the General Plan, and are summarized below.

RECOMMENDATION #1:
PROJECT APPLICANTS SEEKING A GENERAL PLAN CHANGE SHOULD BE REQUIRED TO SUBMIT A JOBS/HOUSING BALANCE AND FISCAL IMPACT REPORT

Each SDA property owner should be required to prepare a report that would inform City Staff and Council about the jobs/housing balance and fiscal impacts of their proposed Master or Specific Plan. The report should document how the proposed project will impact the City's existing jobs/housing balance and fiscal base. The final land use mix in each SDA should be determined after the completion of each individual economic and fiscal impact study, and EIR.

RECOMMENDATION #2:
NEW COMMERCIAL SHOPPING CENTER PROPOSALS THAT REQUIRE A GENERAL PLAN CHANGE SHOULD SUBMIT A DOWNTOWN IMPACT REPORT

Property owners seeking to develop commercial retail space should also analyze the economic impacts on the existing downtown district, and other existing City retail centers. Owners of undeveloped commercial properties within the existing City limits, who seek to develop their properties consistent with the 2020 General Plan should not be required to prepare an impact report.

GUIDING PRINCIPLES BEHIND THE RECOMMENDATIONS

The additional impact analysis should be based on four principles.

PRINCIPLE #1:
THE CITY SHOULD ACKNOWLEDGE THE EXISTING 1.7 JOBS/HOUSING BALANCE WITHIN THE ZIP CODES AND CENSUS TRACTS THAT INCLUDES THE CITY LIMITS AND THE SURROUNDING AREA. THE CITY SHOULD ALSO ACKNOWLEDGE THAT WESTERN NEVADA COUNTY HAS A 0.7 JOBS/HOUSING BALANCE. THESE RATIOS SHOULD BE USED AS A BENCHMARKS FOR EVALUATING FUTURE LAND DEVELOPMENT PROPOSALS

The City's current jobs/housing balance of 1.7 could change over time, and the City should have an annual accounting of its jobs/housing balance in order to measure and monitor change. The 2020 General Plan has a stated desire to maintain a strong jobs/housing balance, so the City should encourage land development projects to generally create more jobs than housing units. Accordingly, the City should require prospective applicants to submit a report that measures the jobs/housing impacts of any changes to the 2020 General Plan that their project will cause. This information will help the City to evaluate whether or not to approve a change in the General Plan.

PRINCIPLE #2

THE CITY OF GRASS VALLEY SHOULD MAINTAIN A FISCALLY HEALTHY BUDGET

The City must balance its budget each year, and must be aware of how proposed land use changes may affect the General Fund budget. Accordingly, the City should require property owners to submit a report that measures the fiscal impacts of any proposed changes to the 2020 General Plan. This information will help the City to evaluate whether or not to approve a change in the General Plan. The fiscal and jobs/housing balance impact should be incorporated into a single report.

PRINCIPLE #3:

THE CITY OF GRASS VALLEY SHOULD RETAIN AN ECONOMICALLY HEALTHY DOWNTOWN DISTRICT

Grass Valley has a unique downtown that is an essential component of the community's quality of life. Accordingly, the City should require property owners to submit a report that measures the economic impacts of any proposed commercial retail projects that require an annexation, or a change to the 2020 General Plan. This information will help the City to evaluate whether or not to approve a commercial annexation, or to change the General Plan, which will allow new retail space to be developed outside the downtown district. A comprehensive impact analysis could be incorporated into a single report.

PRINCIPLE #4:

THE CITY'S REQUIREMENTS FOR ECONOMIC ANALYSIS SHOULD UTILIZE SUCCESSFUL MODELS FROM OTHER LOCAL GOVERNMENTS

Fiscal impact analysis is very standard type of analysis, which is required by many communities prior to a project approval. Jobs/housing balance analysis is currently required by Nevada County prior to approving any General Plan changes. Requirements to analyze the economic impacts of downtown are not as common, but there are Cities that do require impact analysis prior to the approval of any proposed retail project. For example, the City of Lodi requires a downtown economic impact analysis report prior to the approval of any proposed commercial expansion project.

PRINCIPLE #5

THE SDAS AND OTHER ANNEXATION AREAS SHOULD BE PLANNED TO MEET THE LONG TERM COMMUNITY NEEDS OF THE CITY OF GRASS VALLEY AND WESTERN NEVADA COUNTY WELL INTO THE FUTURE, BEYOND THE LIFETIME OF THE 2020 GENERAL PLAN

It is a fact that the SDA Master and Specific Plans will take a long period of time to build out. Thus, the City Council and Staff should recognize that the planning horizon for these projects extends beyond 2020. In fact, it may take until 2060 to absorb all the SDA land dedicated for business space by the current General Plan.

PRINCIPLE #6:

THE CITY OF GRASS VALLEY SHOULD ENCOURAGE THE ATTRACTION AND RETENTION OF JOBS IN ORDER TO ACHIEVE THE DESIRED JOBS/HOUSING BALANCE

In order to protect Grass Valley from becoming a bedroom community, the City needs to partner with the SDA property owners in their efforts to attract jobs, build out their planned commercial space. The City should also seek assistance from the Economic Resource Council to market the commercial lands within the SDA project areas.

APPENDICES

APPENDIX A: METHODOLOGY

APPENDIX B: Employer Needs Assessment And Employee Housing Study

APPENDIX C: Employer Survey Questionnaire

APPENDIX D: Employee Survey Questionnaire

APPENDIX E: Fiscal Analysis Methodology And Background Materials

APPENDIX F: Vacant Land Survey

APPENDIX A: METHODOLOGY

The methodologies and data sources incorporated into the impact analysis report are summarized below.

1.PROJECT SETTING: DEMOGRAPHIC AND EMPLOYMENT TRENDS

This section of the report summarizes the facts that comprise the project setting. In general, readily available data has been used. A few tables rely on data estimates, rather than actual recorded facts. A description of the methodologies and data sources used for the project setting tables is provided below.

Tables 3. Population Growth in Nevada County Compared to the Region and California: 1990 – 2003

1990 and 2000 data is from the U.S. Census. 2003 estimates have been collected from the California Department of Finance web site.

Table 4. Household Growth in Nevada County Compared to the Region and California: 1990 – 2003

1990 and 2000 data is from the U.S. Census. 2003 household estimates are made by ADE using the California Department of Finance population estimates, adjusted for household size trends.

Table 5. Western Nevada County Population and Households by Zip Code: 2000

The U.S. Census provided population and household counts by Census Tract block group. ADE then translated the census tract block group data into zip code based data, using GIS software. The zip code based data was then consolidated into the identified sub areas of Western Nevada County.

Table 6. Population Growth Trends Within Nevada County: 1990 – 2003

1990 and 2000 data is based on U.S. Census. The 2003 sub-area data is an estimate calculated by ADE. The estimate uses the published California Department of Finance data on Nevada County's 2003 population, and assumes that the geographic distribution of population by zip code in 2003 is the same as the distribution that existed in 2000.

Table 7. Trends in Household Size Within Nevada County: 1990 – 2003

Household size data in 1990 and 2000 was collected from the U.S. Census. 2003 household size data was derived by ADE from the population and housing unit data posted on the California Department of Finance web site.

Table 8. Population by Age Trends in Grass Valley, Western Nevada County, and California: 1990 and 2000

1990 and 2000 data is from the U.S. Census. Zip code based was used by ADE to derive the population by age trends in Western Nevada County.

Table 9. Household Growth Trends Within Nevada County: 1990 – 2003

1990 and 2000 data is based on U.S. Census. The 2003 sub-area data is an estimate calculated by ADE. The estimate uses the published California Department of Finance data on the number of Nevada County households in 2003, and assumes that the geographic distribution of population by zip code in 2003 is the same as the distribution that existed in 2000.

Table 10. Growth of Housing Units Within Nevada County: 1990 – 2003

1990 and 2000 data is based on U.S. Census. The 2003 sub-area data is an estimate calculated by ADE. The estimate uses the published California Department of Finance data on the number of Nevada County 2003 housing units, and assumes that the geographic distribution of population by zip code in 2003 is the same as the distribution that existed in 2000.

Table 11. Home Ownership and Rentals Within Western Nevada County: 2000

The U.S. Census provided housing and home ownership counts by Census Tract block group. ADE then translated the census tract block group data into zip code based data, using GIS software. The zip code based data was then consolidated into the identified sub-areas of Western Nevada County.

Table 12. Home Ownership and Rentals in Grass Valley and Neighboring Communities: 2000

Data collected directly from U.S. Census

Table 13. Type of Housing Developed in Grass Valley Compared to California: 1990 – 2000

Data collected directly from U.S. Census

Table 14. Change in Median Household Incomes - Grass Valley and Surrounding Areas: 1990 – 2000

Data collected directly from U.S. Census

Table 15. Household Income Distribution in Grass Valley and Western Nevada County: 2000

Data collected directly from U.S. Census. Block group data was used to calculate income distribution within Western Nevada County.

Table 16. Employment by Industry in Grass Valley and Region: 2003

ADE utilized the employment data for Nevada County and the SACOG County region, which is published by the California Employment Development Department, LMID. Total employment estimates for Western Nevada County and the City of Grass Valley are based on the zip code based employment numbers published by the U.S County Business Patterns. The employment by industry distribution within Western Nevada County and the City of Grass Valley is based on the County Business Pattern employment ratios controlled for the total employment numbers as published by LMID.

Table 17. Employment Growth Trends in Western Nevada County and the Surrounding Commute Sheds: 1997 – 2003.

County based employment data is consistent with the data published by the California Employment Development Department, LMID. Total employment estimates for Western Nevada County utilize zip code based employment numbers published by the U.S County Business Patterns, benchmarked to the total LMID employment data.

Table 18. Employment Growth Trends Within Western Nevada County: 1997 - 2003

Total employment estimates for the Western Nevada County sub-areas adjust the county benchmarks to the zip code based employment numbers published by the U.S County Business Patterns.

Table 19. Jobs-Housing Balance Data in Grass Valley and Surrounding Region: 2003

Total jobs data is consistent with data in Table 16. Data for Western Nevada County and comparative cities utilizes information published by the California Employment Development Department, LMID, adjusted by U.S. County Business Patterns at the zip code level. Housing unit data collected from the California Department of Finance.

Table 20. Commuting to Work Patterns in Grass Valley, SACOG Region, and California: 1990 and 2000

Data collected directly from U.S. Census

Table 21. Housing Affordability Indicators In Grass Valley and Its Commute Shed: 2003

Calculations of housing affordability are measured as follows. Column (1) measures total jobs, which utilizes county data provided by the California Employment Development Department, and benchmarks the data to zip code based sub-areas based on data colleted from the U.S County Business Patterns. Column (2) measures the average wages paid in each County and within Western Nevada County, which utilizes data collected from the Minnesota IMPLAN Group. Column (3) measures the number of housing units within each jurisdiction, which relies on data that is published by the California Department of Finance. Column (4) measures the value of home prices, which was published by DataQuick. Column (5) measures the amount of income required to purchase a home within each jurisdiction, using methods are consistent with the methods used by the National Association of Realtors. Column (6) estimates the number of wage earners needed to purchase a home within a jurisdiction utilizing the Housing Affordability Index methods, except that housing affordability is calculated based on earned wages rather than household incomes.

2. CURRENT LAND USE PATTERNS.

This section of the report matches the existing General Plan data provided by the City with the current employment estimates prepared by ADE. The employment estimates are translated into land use categories for comparative purposes. A description of the methodologies and data sources used is provided below.

Table 22. Existing Land Use Development Patterns in Grass Valley (City), 2003

This table rearranges the employment by industry data into employment by land use data. The rows organize the data by land use as described below. Row [a] estimates the employment, and existing space occupied for businesses located in shopping centers and other types of retail space. Row [b] estimates the amount of commercial space occupied by personal service establishments. This type of space is often mixed in with traditional retail space. Row [c] combines office, research and development, and flex space into one business park category. This type of space is often found in business parks, but can also be developed as stand alone facilities that attract professional, business, and health service establishments, as well as high technology firms engaged in research and development. Row [d] combines light industrial and distribution space into a second business park land use category. Light industrial and distribution facilities are also developed as stand alone facilities, which can accommodate light manufacturing, wholesale trade, and transportation firms. Row [e] combines a variety of land uses into a single institutional use such as schools, utilities, hospitals, churches, non-profit organizations, open space, golf courses, commercial storage, paid parking facilities, religious facilities, jails, and other institutions.

- Data in Columns (1&2) translates the establishment and employment by industry information (as displayed in Table 13) into each land use row using the Anderson Land Use categories based on the latest employment by industry and land use surveys completed by the Southern California Association of Governments.
- Data in Column (3) was provided by the City of Grass Valley, using their available General Plan data. It was assumed that 75 percent of the land designated for commercial space is used for retail, and 25 percent is used for other commercial services.
- Data in Column (4) equals Column (2) /Column (3).
- Data in Column (5) is collected from the County Assessor's office.
- Column (6) equals Column (5)/ Column (2).
- Column (7) equals Column (5)/ Column (3).
- Column (8) equals Column (7)/ 43,560 S.F., which is the equivalent of 1 acre of land.

3. DEMOGRAPHIC AND EMPLOYMENT PROJECTIONS

This section of the report projects the amount of employment and the number of households that will seek to live in Grass Valley by 2020. The projections depend on a continuation of Grass Valley's willingness to absorb its share of the region's future growth. A description of the methodologies and data sources used is provided below.

Table 23. Projected Population Growth in Nevada County and Surrounding Region: 2003 - 2020

Population projections for the State, region, and individual counties utilize the demographic projection models developed by the California Department of Finance. Population projections within Nevada County are benchmarked to the Nevada County projection data, but assume a continuation of past trends for the geographic areas within Nevada County. The California Department of Finance projects Nevada County's population to expand more rapidly between 2003 and 2020 than it expanded between 1990 and 2003. ADE projects that the population growth within Western Nevada County will continue to be slower than Nevada County's population growth. Future projections for each sub-area also reflect past trends, which are benchmarked to the Department of Finance demographic projections for Nevada County.

Table 24. Projections of Employment Growth Within Western Nevada County and the Region: 2003 – 2020

Employment projections for the State, regions, and Nevada County are benchmarked the 2003 employment data published by the California Employment Development Department LIMD Group. The 2003 benchmarks are then projected to 2020 using the County based employment projections published by Woods & Poole Economics, which utilizes the U.S. Bureau of Economic Analysis data. ADE has applied the Woods & Poole annual rates of projected employment growth to the EDD County benchmarks, to project employment growth numbers that are consistent with the current EDD estimates.

Table 25. Projected of Employment Growth by Industry in Grass Valley, 2003 – 2020

Employment projections within Nevada County are benchmarked to the Nevada County projection data, but assume a continuation of past trends for the geographic areas within Nevada County. Essentially, Woods & Poole projects that Nevada County will experience slower rates of employment growth than in the past, and employment growth within Western Nevada County will continue to be slower than job growth throughout Nevada County. The employment projections for each sub-area also reflect past trends, which are benchmarked to the total Nevada County projections.

4. HOUSING MARKET ANALYSIS

This section of the report projects the future demand for housing that Grass Valley should plan to absorb by 2020. In addition, the business and employee survey results are incorporated into this section as a measure of the current pent up demand for housing. Future and pent up demand for housing has been combined to estimate the total market demand that Grass Valley could potentially absorb. A description of the methodologies and data sources used is provided below.

Table 26. Pent up Demand for Housing in Grass Valley: 2004

RRC Associates completed an employer and employee survey designed to measure the demand for housing among residents that are already living in Grass Valley and the surrounding area. The detailed results of the surveys, and the methods used are summarized in Appendix B.

Table 27. Projected Household Growth Within Western Nevada County: 2003 – 2020

Household growth projections are based on the population projections described in Table 23, and adjusted for the projected change in household size.

Table 28. Household Size Projections Within Nevada County: 2003 – 2020

Household size projections within Nevada County and its sub-areas utilize the projection data provided by the California Department of Finance. The household size projections in the City of Grass Valley and the surrounding areas assuming a continuation of past trends, controlled by the County total household size projections.

Table 29: Second Home Occupancies in Grass Valley and Region: 2000

Data collected directly from U.S. Census

5. RETAIL MARKET ANALYSIS

This section of the report quantifies Grass Valley's household spending and sales leakages. The purpose of this analysis is to help policy makers better understand the extent that Grass Valley retailers serve local residents, and depend on regional spending for their sales. A description of the methodologies and data sources used is provided below.

Table 30: 2003 Grass Valley Household Spending Sales Leakages and Regional Capture

Column (1) data is based on the Bureau of Labor Statistics household spending surveys, adjusted for the number of households and average household income. Column (2) data reports Grass Valley's taxable sales that were provided by the City. Column (3) translates taxable sales into actual sales based on data collected from the Census of Retail Businesses. Column (4) measures net sales leakages for store types with consumer spending that exceeds the sales captured by local businesses. Column (5) measures net regional capture rates or retail sales among store types where sales captured by local businesses exceed consumer spending.

6. BUSINESS SPACE MARKET ANALYSIS

This section of the report projects the future demand for commercial space that Grass Valley should plan to absorb by 2020. In addition, the business and employee survey results are incorporated into this section as a measure of the current pent up demand for commercial space. A description of the methodologies and data sources used is provided below.

Table 31: Pent Up Demand for Business Park Space in Grass Valley: 2003

The establishment, employment, and existing space data is consistent with data in Table 20. Percent of firms seeking to expand, and the additional space required was data collected from the survey of business park tenants. See Appendix B for the complete survey report. The pent up demand for space is calculated as follows [# of establishments * % firms seeking to expand] * [space per establishment * % additional space required]

Table 32. Projected Demand for New Business Space in the City of Grass Valley: 2003 – 2020

The data measures the demand for new commercial space between 2003 and 2020. Column (1) repeats the employment by land use data presented in Table 20. Column (2) translates the Table 22 employment projections into Space Demand Projections using the Anderson Standard Land Use Categories, consistent with the methods used to measure current employment by land use. Column (3) equals Column (2) minus Column (1). Column (4) utilizes data in Table 20, Column (6). Data in Column (5) equals Column (3) * Column (4). Data in Column (6) equals Column (5)/17. The data is rounded off to the nearest 100 S.F.

7. GRASS VALLEY'S CAPACITY TO ABSORB PROJECTED RESIDENTIAL AND COMMERCIAL GROWTH

This section of the report compares the projected demand with capacity of the City's infill properties to absorb the projected growth. A description of the methodologies and data sources used is provided below.

Table 33: Grass Valley's Capacity to Absorb New Housing Within the City Limits:

Table combines data from other sources to measure the total demand for housing that can ultimately be captured by the SDAs. Row [1] measures the pent up demand for market rate housing as documented in Table 23. Row [2] measures the demand for housing that Grass Valley will need based on the projected growth of population through 2020. Row [3] estimates that Grass Valley will experience an average annual demand for 170 new housing units per year based on the projected growth of 2,890 housing units. The average annual demand does not account for the pent up demand for 475 units, which is immediated, and not based on future growth. Row [4] measures the number of housing units that can be absorbed on residential land within the City limits. This information is lifted directly from the City's Housing Element, and is consistent with current City policies to encourage housing growth on infill properties. Row [5] equals Rows [1+2] minus Row [4].

Table 34: <u>Grass Valley's Capacity to Absorb New Business Space, 2003-2020</u>

This table compares the demand for new business space with the supply of available infill land that can be developed. Data in Column (1) is consistent with the pent up demand for business park space that is documented in Table 28. Column (2) data is consistent with the projected growth estimated in Table 29. This means that there is sufficient market demand to support 1.93 million S.F. in Grass Valley by 2020, which does not include the demand for institutional land uses. Data in Column (3) relies upon a continuation of the City's current .15 F.A.R., and translates the demand for commercial space into a demand for 296 acres of land. Data in Column (4) identifies a supply of 298 acres of property that is available for commercial development. Data in Column (5) estimates that there are 132 acres of commercial land within the City Limits that is actually buildable, which is based on the results of vacant lands survey described in Appendix F. Data in Column (6) estimates that there is the potential to develop 862,488 S.F. of commercial space on the available 209 acres of land, assuming a .15 FAR.

Table 35: <u>Land Uses Allowed by the Current Grass Valley General Plan</u>

The data in this table quantifies the amount of commercial space and the number of residential units that could be developed at the SDA project areas as guided by the 2020 General Plan. The General Plan allocates acreage, which has been translated into supportable S.F. assuming a 20% Floor Area Ratio. The City provided the data on available acreage and number of allowed residential units. No development was allocated for Southhill Village, which was considered a "Special Development Area" as incorporated into the 2020 General Plan.

Table 36: <u>Proposed SDA Land Uses (High Range</u>)

The data in this table documents the proposed SDA projects. One project area is proposing a range of housing units and commercial space. Thus, the table incorporates the high number, so that the maximum impacts can be analyzed. The data in this table does not include many proposed uses such as banquet halls, health clubs, golf courses, parks and other uses. The data was obtained from the draft Master Plans and Specific Plans provided by each SDA, and follow up questions to clarify the proposed projects.

9. GENERAL PLAN POLICY IMPACT ANALYSIS

This section of the report analyzes the impacts of the City's General Plan policy alternatives on the amount of commercial and residential space that can be developed within the SDA Project Areas. The policy alternatives are compared to the market demand to quantify the impacts that the City's General Plan policies will have on the actual amount of land that can be developed within the SDA project areas by 2020. A description of the methodologies and data sources used is provided below.

Table 37. Impacts of General Plan Land Use Options on the Amount of New Business Space and Residential Units to be Captured by the SDAs: 2003 – 2020

The sources of data for each column of Table 34 are described below.

- Columns (1&2) is consistent with the data presented in Table 31.
- Column (3) equals Column (1), which measures the market demand minus Column (3), which measures the amount of commercial and residential space that will be absorbed by the infill properties.
- Column (4) summarizes the amount of commercial and residential space that can be developed within the 2020 General Plan regulations, which is consistent with Table 32.
- Column (5) measures the amount of commercial and residential space that the SDA Project Areas can capture if the 2020 General Plan regulations are continued through 2020.
- Column (6) is consistent with the proposed SDA Project Areas as presented in Table 33.
- Column (7) estimates the amount of business space that the SDA Project Areas can capture if the proposed General Plan land use changes are approved.

TABLE A-1
Annual Amount of Commercial Space and New Residential Units Absorbed in the City of Grass Valley: 1994 - 2003

YEAR	COMMERCIAL (S.F.)	New Housing Units Developed
2003	33,823	197
2002	53,714	126
2001	95,727	196
2000	123,192	50
1999	63,711	245
1998	80,702	40
1997	68,761	151
1996	75,776	61
1995	20,883	59
1994	14,302	53
Total Space Absorbed	**630,591**	**1,178**
Annual Absorption	63,059	118

Source: Applied Development Economics based on data provided by the City

Table 38: Jobs/Housing Balance Impacts of The SDA Land Use Alternatives: 2003 – 2020

- Column (1) quantifies the amount of commercial space and the number of housing units that the SDA Project Areas could capture if the 2020 General Plan policies are retained. Data is consistent with Table 34.

- Column (2) utilizes building S.F. per employee recently published by the Southern California Association of Governments.

- Column (3) multiplies Column (1) * Column (2) to estimate the number of jobs that will be created if the development of the SDA Project Areas is regulated by the 2020 General Plan land use policies. The 2.7 jobs/housing balance compares the total number of jobs (1,752) to the total number of housing units (648).

- Column (4) quantifies the amount of commercial space and the number of housing units that the SDA Project Areas could capture if the General Plan policies are changed as requested. Data is consistent with Table 34.

- Column (5) multiplies Column (4) * Column (2) to estimate the number of jobs that will be created if the General Plan land use policies are changed to be consistent with the Master and Specific Plans to be submitted by the SDA Project Areas . The .8 jobs/housing balance compares the total number of jobs (1,936) to the total number of housing units (2,525).

Table 39. Fiscal Impact Analysis of SDA Related General Plan Policy Options

See Appendix E for detailed explanation of fiscal impact analysis

10. LAND USE ALTERNATIVES THAT MATCHES JOBS/HOUSING BALANCE AND FISCAL IMPACT GOALS

This section of the report recommends a land use mix that achieves the jobs/housing balance goals and generates positive fiscal impacts for the City. A description of the methodologies and data sources used is provided below.

Table 40: Land Use Mix that Matches SDA Jobs/Housing Balance with City's Current Jobs/Housing Balance

This table was created by calculating the number of housing units for the SDAs that would yield a 1.7 jobs/housing balance. The market analysis indicates that the SDAs can capture 1,682 new jobs by 2020. So, the development of 990 new housing units would achieve a 1.7 jobs/housing balance.

Table 41. Fiscal Impact Analysis of land Use Mix that Matches Jobs/Housing Balance Goals

See Appendix E for detailed explanation of fiscal impact analysis