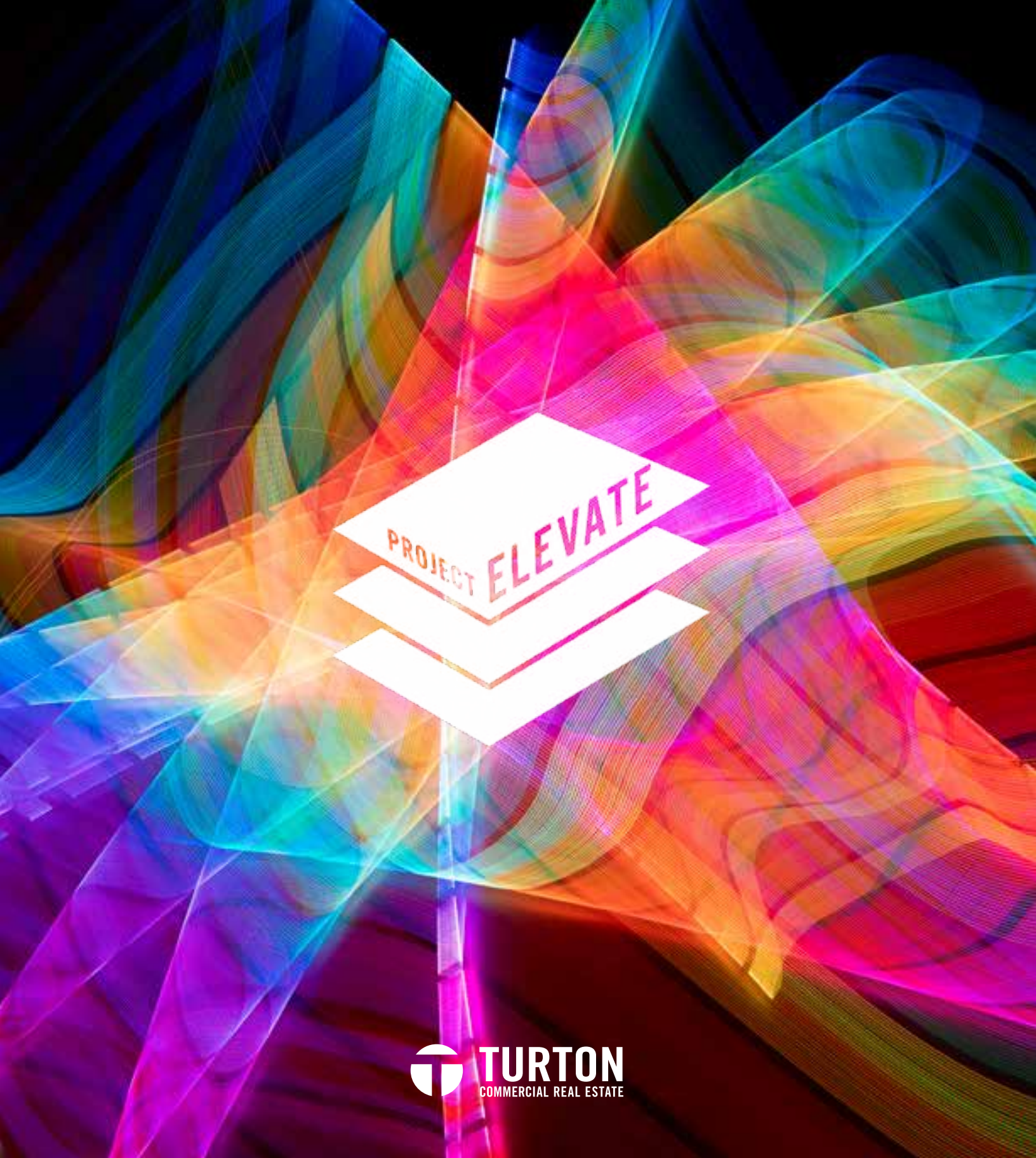
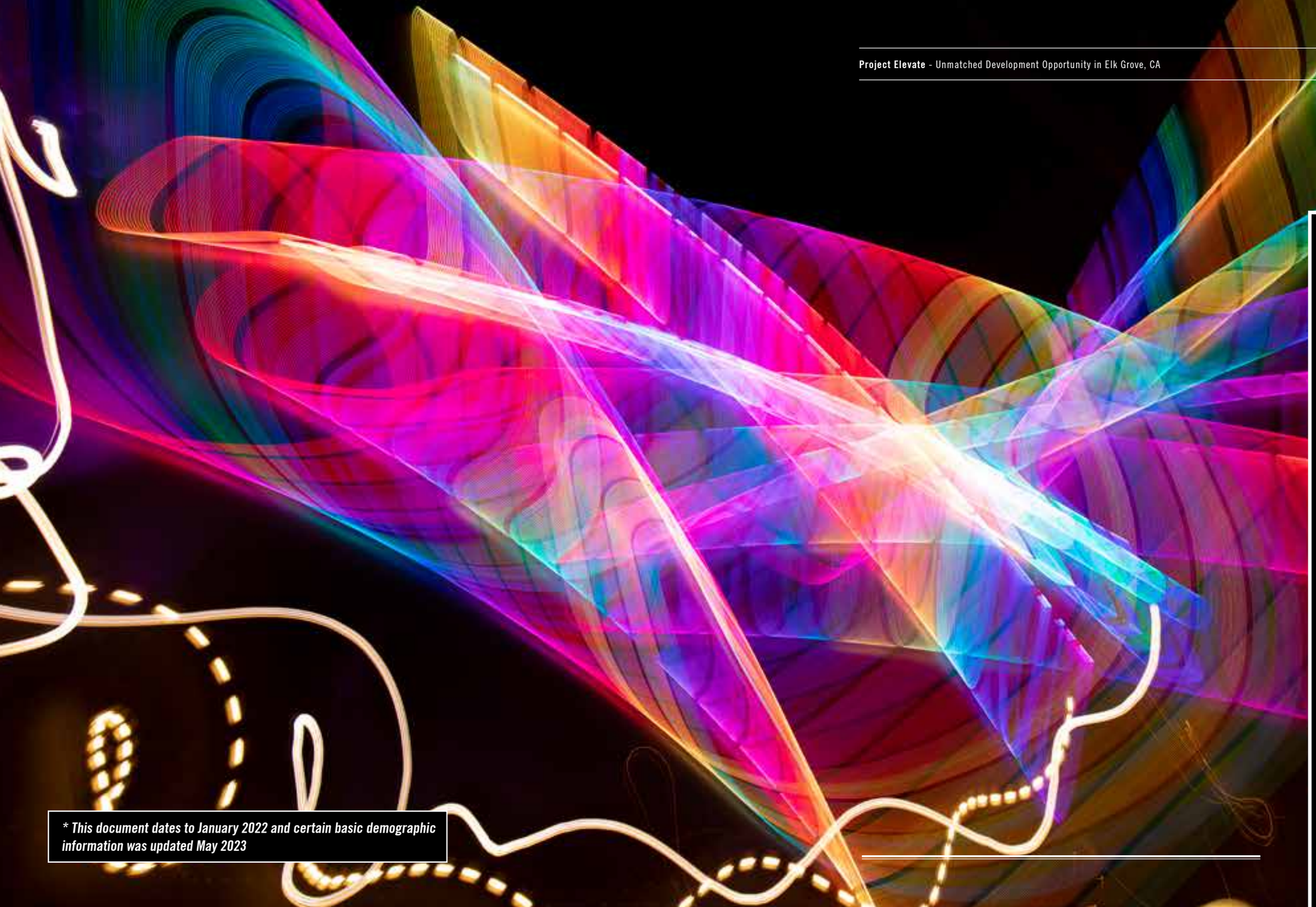

PROJECT ELEVATE
TURTON
COMMERCIAL REAL ESTATE



** This document dates to January 2022 and certain basic demographic information was updated May 2023*

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THE OPPORTUNITY

20	±680	±100,000	±120,000
ACRE SITE (17 NET)	RESIDENTIAL UNITS	SF OF RETAIL	SF OF OFFICE

Turton Commercial Real Estate, as exclusive advisor, is pleased to present the opportunity to acquire the 100% fee simple interest in one 20-acre gross (17-acre net) land parcel zoned for mixed-use residential/retail/office/hospitality development located in the evolving economic epicenter of the City of Elk Grove (the "Property").

The Property is currently owned by the City of Elk Grove and is recognized by many to be one of the most desirable properties in the Sacramento region. Its importance to the City cannot be overstated. Elk Grove has spent years carefully considering and envisioning the brand, direction, and development of the project, commonly referred to as Project Elevate directly adjacent to the City's 56 acre *District56* community, recreation, senior center, and veterans hall.

Elk Grove is a significantly underserved retail and multifamily market relative to its impressive demographics. This is particularly true of the local and regionally operated retail, restaurants and entertainment residents crave.

OFFERING DETAILS

In addition to being directly adjacent to Elk Grove's District56, Project Elevate is surrounded by an array of Elk Grove's best retail amenities including:

- Costco
- Nugget Market
- Trader Joe's
- BAD Bakers
- Starbucks
- Pete's Coffee
- The Ridge (retail center)
- Whole Foods

As previously noted, the major amenity located directly across the street is *District56*, a 56-acre regional park / community complex that includes:

- **Aquatics:** Olympic Class pool, training pool, recreational pool with water slide.
- **The Center:** 32,000 SF event center for special events and large gatherings.
- **Avenue of the Arts:** Concourse between the Events Center and the Aquatic Center where special outdoor markets are common.
- **Café:** On-site restaurant.
- **Senior Center of Elk Grove:** A modern space for adults 50+.
- **Veteran's Hall:** Elk Grove's first dedicated Veterans Hall which serves an estimated 9,000 veterans.
- **The Preserve:** 30 acres of trails, fitness center and playground.
- **Library and Performing Arts Center:** Future home of a 60,000 square foot library and 500-seat performing arts center.

Together, these amenities provide the foundation for what the City of Elk Grove envisions to be the ultimate live/work destination. They want Project Elevate to provide an experience that attracts visitors from all over the region including Lodi, Galt, the City of Sacramento and even Roseville and Folsom. It will be the epicenter of this economic and recreational hub and will provide an experience that redefines the city's brand.

Interested buyers will find within this Offering Memorandum basic renderings and site plans that provide guidance as to the architectural design standards and branding the City seeks. The goal is to create a high-density residential environment where residents will be surrounded by regional, organically grown retail and office businesses that are easily walkable. Residents will also enjoy the benefits of District56 and the surrounding national grade retail along the Elk Grove Boulevard corridor. The buyer will be selected based on a combination of variables, including:

- **Vision for Project Elevate**
  - Residential, Retail, Office and Hospitality Mix
  - Retail/entertainment vision/deliverability
  - Architectural character and quality
- **Resume**
  - Who are the team members and what are their credentials?
  - Completed projects by all team members
- **Offer Price**
  - Include whatever site contributions may be expected or desired from the Seller
- **Funding**
  - Capital stack plan
- **Timing**
  - Planning and construction timeline

MAKE YOUR MARK

This is a rare opportunity to build a city-defining development.

PROPERTY LOCATION + MAJOR COMPLIMENTARY RETAIL

AERIAL VIEW 1

PROPERTY LOCATION + MAJOR COMPLIMENTARY RETAIL

AERIAL VIEW 2

PROPERTY LOCATION + MAJOR COMPLIMENTARY RETAIL

AERIAL VIEW 3

PROPERTY DETAILS

PROPERTY INFO

APN:	132-2110-004-0000
Gross Parcel Area:	20 acres
Net Parcel Area:	17 Acres
Zoning:	Village Center Mixed-Use
Density:	Up to 800 units by right
Floor-to-area Ratio:	2.0 max; residential is not counted in City's FAR calculation - see City for calculation procedure
Max height:	75 feet by right; allowed to go higher with design review approval
Flood zone:	Not within a flood zone
Environmental Reports:	Environmental Reports: Initial programmatic review was completed with the General Plan update in 2019 for density / intensity; site disturbance was completed in 2004 for the underlying Laguna Ridge Specific Plan. Ultimate project may require further CEQA review; no final decision has been made by the City.
Parking Requirement:	See Chapter 23.58 PARKING of the Elk Grove Municipal Code (codepublishing.com) - Retail: 4/1,000 - Restaurant: 1/3 fixed seats or 1/60 sf dining area (note, up to 10% restaurant use allowed at retail ratio) - Office: 4/1,000 - City allows for reductions with shared parking and access to transit and other alternative modes - City may allow for special standards with Special Parking Permit approval

PROPERTY LOCATION

Orientation:	Single parcel located at the southeast corner of Elk Grove Boulevard and Big Horn Road
County:	County of Sacramento
Submarket:	Elk Grove
Specific Plan:	Laguna Ridge

UTILITY SERVICES

Electricity:	Sacramento Municipal Utilities District (SMUD)	**Storm Drain:**	City of Elk Grove
Gas:	Pacific Gas and Electric (PG&E)		
Water / Sewer:	County of Sacramento		
Trash & Recycling:	Republic Services		

THE VISION

The City of Elk Grove's vision for Project Elevate is to create an elevated retail, dining, entertainment and architectural experience for the entire city, and an incredible live/work experience for the residents of the development itself. Ideally the development proposal will include design elements that facilitate a healthy lifestyle and highly walkable, pedestrian friendly environment.

The development proposal should include the following commercial components:

Multi-Family Residential:	± 680 units.
Retail:	Up to 100,000 SF of restaurants, retail, and entertainment.
Office:	Up to 120,000 SF of office with opportunities for more.
Hospitality:	One hotel.

RAD NEW CITY

This won't be your run-of-the-mill development project. This will be Elk Grove's "urban core."

CONCEPT PLAN / PROPOSED DESIGNS

A conceptual design package was created to provide guidance to prospective developers. These concepts are not mandatory but provide a guideline of the city's expectations. Developers are encouraged to modify these site plans as they deem appropriate and provide functional and economic reasoning to support their proposed plans.

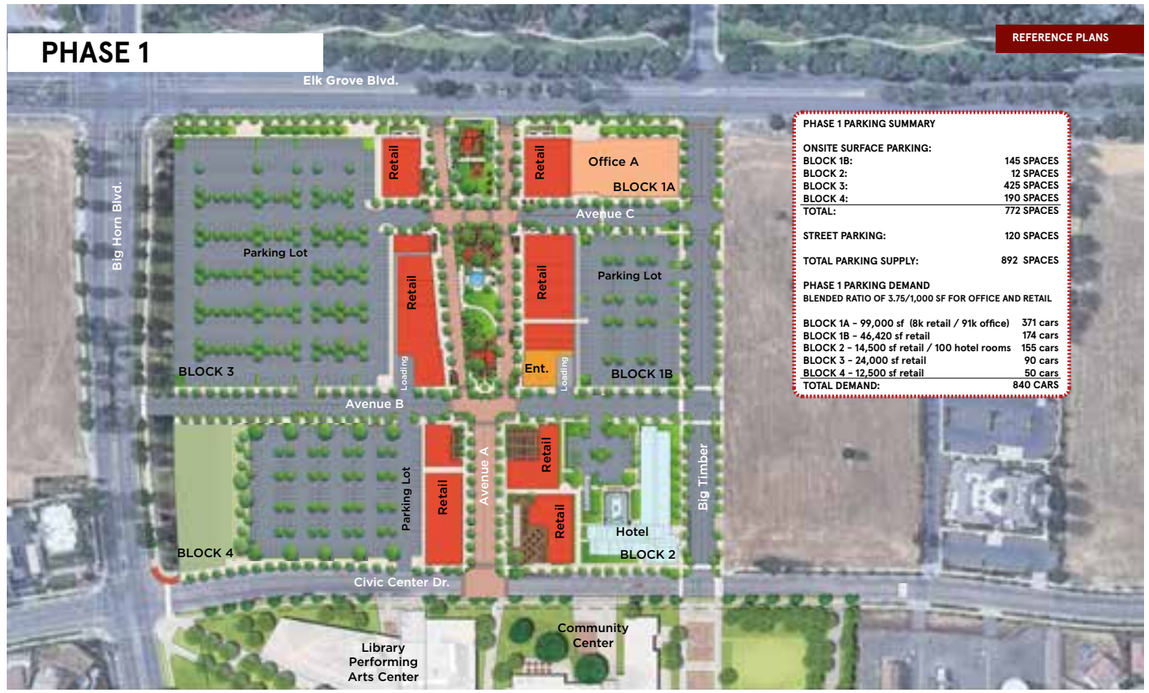
Key features of the concept plan and proposed designs should include:

- Development is oriented along an urban street grid pattern.
  - Buildings are developed close to the street with wide sidewalks between the curb and building.
  - This facilitates strong pedestrian movement and allows for outdoor dining.
- Big Timber Drive is completed from Elk Grove Boulevard to Civic Center Drive.
  - A new signal will be completed at Elk Grove Boulevard, providing left access into and out of the site.
- Avenue A is the primary street through the middle of the Project, connecting Elk Grove Boulevard to District56.
  - Because of spacing issues between signals on Elk Grove Boulevard, access at the north end is limited to right-in, right-out movements.
- Avenue B connects Big Horn Boulevard to Big Timber.
  - Left-in access would be provided but exits would be limited to right turn movements.
  - This is similar to the access to The Ridge on Bruceville Road.
- Avenue C provides access across the site and completes the street grid pattern.
- A central plaza allows for public gathering and mixed-use activities that features extensive landscaping, water features, day and night components, and formal and informal seating. It also includes several smaller retail shop buildings with outdoor food and beverage opportunities.
- On-site parking is provided by both "on-street" parking and two parking structures. This provides more land area for active uses and open space. The hotel, however, can be supported by surface parking or integrated into one of the structures.
- Architecture for the site should be urban and integrate extensive glass, utilizing steel construction, and incorporate other high-quality building materials.
  - This differs from traditional retail and office development in the City, which tends to use more stucco and concrete "tilt-up" construction materials.
  - This higher quality architecture is the visual expression of the Elevate concept.
- The density and intensity of the design is more urban than elsewhere in the City and building heights would be between one and five stories. Additional height could be considered.

SAMPLE BLOCK KEY

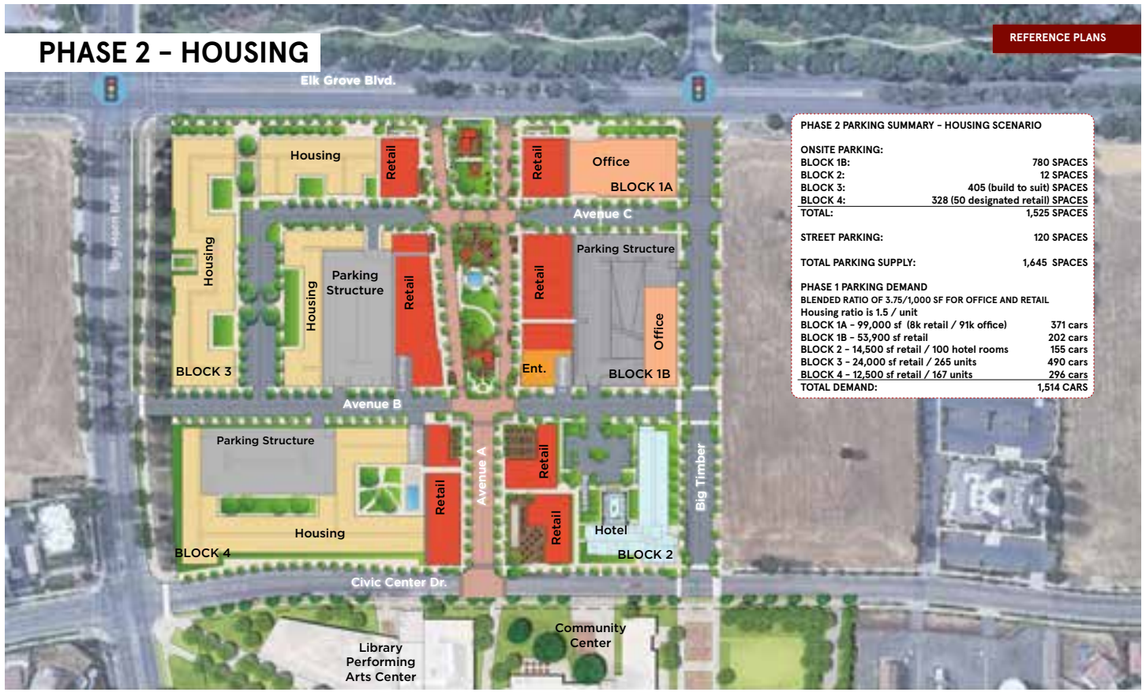
Notes:

SAMPLE WHOLE SITE - PHASE 1 PLAN - SURFACE PARKING



Notes:

SAMPLE WHOLE SITE - PHASE 2 PLAN - HOUSING SCENARIO



PHASE 2 PARKING SUMMARY - HOUSING SCENARIO

ONSITE PARKING:	
BLOCK 1B:	780 SPACES
BLOCK 2:	12 SPACES
BLOCK 3:	405 (build to suit) SPACES
BLOCK 4:	328 (50 designated retail) SPACES
TOTAL:	1,525 SPACES
STREET PARKING:	120 SPACES
TOTAL PARKING SUPPLY:	1,645 SPACES

PHASE 1 PARKING DEMAND
BLENDED RATIO OF 3.75/1,000 SF FOR OFFICE AND RETAIL
Housing ratio is 1.5 / unit

BLOCK 1A - 99,000 sf (8k retail / 91k office)	371 cars
BLOCK 1B - 53,900 sf retail	202 cars
BLOCK 2 - 14,500 sf retail / 100 hotel rooms	155 cars
BLOCK 3 - 24,000 sf retail / 265 units	490 cars
BLOCK 4 - 12,500 sf retail / 167 units	296 cars
TOTAL DEMAND:	1,514 CARS

Notes:

SAMPLE BLOCK 1 - PHASE 1

AREAS

PHASE 1

BLOCK 1 Retail, Surface Parking and Office Concept

Office Building A – 4 Levels: Type 2 Steel Construction

· Grade Level Retail	8,000 sf
· Grade Level Office	16,000 sf
· Typ. upper Office Floor (extends over retail)	(x3) 25,000 sf
Total Area	**99,000 sf**

Retail Building C – Type 2 Steel Construction 20' floor to floor + 8' parapet

· Grade Level Shops	16,100 sf
· Grade Level Entertainment Anchor lobby	4,100 sf
· Second Level Entertainment Anchor	24,500 sf
· Paseo to partking area	700 sf
· Loading dock and service corridor	3,500 sf
Total Area	**50,000 sf**

Notes:

SAMPLE BLOCK 1 - PHASE 2

AREAS

PHASE 2

BLOCK 1 Retail, Parking Garage and Office Concept

Office Building A – 4 Levels: Type 2 Steel Construction

· Grade Level Retail	8,000 sf
· Grade Level Office	16,000 sf
· Typ. upper Office Floor (extends over retail)	(x3) 25,000 sf
Total Area	**99,000 sf**

Parking Structure Building B – Grade + Four Type 1 – Cast Concrete Construction

· Big Timber Shops	9,200 sf
· Parking Levels 1&2	(x2) 40,000 sf
· Parking Levels 3,4,5: 650 cars	(x4) 50,000 sf
Total Area	**289,200 sf**

Retail Building C – Type 2 Steel Construction 20' floor to floor + 8' parapet

· Grade Level Shops	16,100 sf
· Grade Level Entertainment Anchor lobby	4,100 sf
· Second Level Entertainment Anchor	24,500 sf
· Paseo to partking area	700 sf
· Loading dock and service corridor	3,500 sf
Total Area	**48,900 sf**

Notes:

SAMPLE BLOCK 2 - PHASE 1

AREAS

PHASE 1

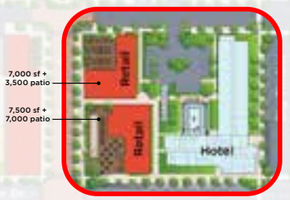
BLOCK 2 Hotel Concept:

Hyatt Place or similar – Type 5 – Fully Sprinklered

· Hotel Room Count	100 rooms
· Number of stories	Four Stories
· Grade Level Hotel	21,500 sf
· Level 2–4	(17,500 *3) = 52,500 sf
• **Total Area**	**74,000 sf**

Retail Buildings - Type 2 Steel - 20' Top of Structure with 8' Parapet

· Grade Level Retail Pads (2)	(7,000 + 7,500) = 14,500 sf
Total Area (does not include 10,500 sf in patios)	**14,500 sf**



Notes:

SAMPLE BLOCK 3 - PHASE 1

PHASE 1

AREAS

BLOCK 3 – Phase 1 – Retail Surface Parked

Retail Building E – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

· Grade Level	17,000 sf
Total Area	**17,000 sf**

Retail Building F – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

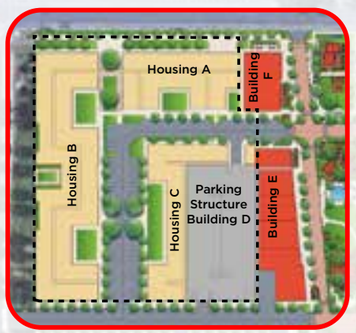
· Grade Level	7,000 sf
Total Area	**7,000 sf**

Notes:

SAMPLE BLOCK 3 - PHASE 2 - HOUSING SCENARIO

PHASE 2 – HOUSING CONCEPT

AREAS



BLOCK 3 – Housing Concept
Type 5 four story housing

Housing

· Building A	(x4) 18,000 sf
· Building B	(x4) 41,000 sf
· Building C – Garage Liner	(X4) 18,000 sf
Total Area	**308,000 sf**

Total Units @ 82% efficiency average, average 950 sf: **265 units**

ONSITE RESIDENTIAL PARKING STRUCTURE: **120,800 sf**

Residential Parking Ratio: 1.5 per unit = 400 spaces

- 124′x244′ Garage footprint = 30,200 sf/level
- Approx. 85 cars per level = 340 spaces
- grade + 3 levels of parking
- 65 surface spaces

Retail Building E – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

· Grade Level	17,000 sf
Total Area	**17,000 sf**

Retail Building F – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

· Grade Level	7,000 sf
Total Area	**7,000 sf**

Notes:

SAMPLE BLOCK 4 - PHASE 1

PHASE 1

AREAS

BLOCK 4 – Phase 1 – Retail Surface Parked

Retail Building C – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

• Grade Level	9,000 sf
Total Area	**9,000 sf**

Retail Building D – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

• Grade Level	3,500 sf
Total Area	**3,500 sf**

Notes:

SAMPLE BLOCK 4 - PHASE 2

PHASE 2

AREAS

BLOCK 4 – Housing Concept Building A
Type 5 for 4 story housing

Housing

• Building A	(x4) 51,000 sf
Total Area	**204,000 sf**

Total Units @ 78% efficiency, average 950 sf: **167 units**

ONSITE PARKING STRUCTURE: **115,200 sf**

Residential Parking Ratio: 1.5 per unit = 250 spaces
Retail Parking Ratio: 3.5/1000 sf = 49 spaces

- 120′x240′ Garage footprint = 28,800 sf/level
- Approx. 82 cars per level = 328 spaces
- grade + 3 levels of parking

Retail Building C – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

• Grade Level	9,000 sf
Total Area	**9,000 sf**

Retail Building D – Type 2 Steel – 20′ Top of Structure with 8′ Parapet

• Grade Level	3,500 sf
Total Area	**3,500 sf**

Notes:

ELK GROVE

178,997	$106,797	14.2%	3.6%
RESIDENTS	AVERAGE HOUSEHOLD INCOME	RESIDENTIAL RENT GROWTH	OFFICE VACANCY RATE

Renowned for an award winning school district, a great quality of life, a burgeoning historical district, and first-rate parks, Elk Grove has a prosperous business community that boasts a diversity of shops, services, and promising careers. Currently, Elk Grove is home to 6,000 businesses and nearly 61,000 employees contribute to the service and economical growth of the Elk Grove Community.

There are an estimated 53,618 households within the city limits. The average household income is $106,797. By end of 2023 it is estimated there will be 181,050 people living in Elk Grove.

Elk Grove is a family-oriented, diverse community with one of the largest growth markets in the country due to its affordable, superior quality of life and strong employment base. Major corporations like Kubota, Apple, Amazon, AllData, and the State of California call Elk Grove home. Other major employers located in Elk Grove include Dignity Health, Sutter Health, Kaiser Permanente, and the Elk Grove Unified School District. The City of Elk Grove continues to be one of the strongest submarkets in the Greater Sacramento Region.

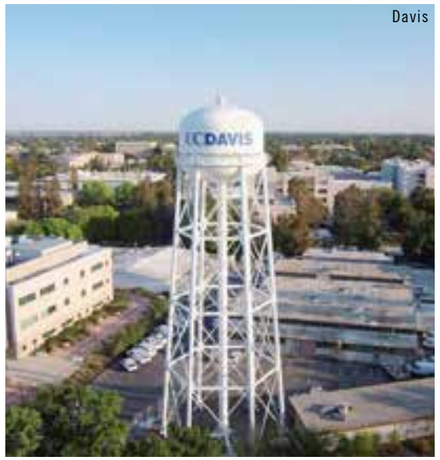
Elk Grove Boulevard is one of the trade area's primary east-west traffic corridors. Project Elevate is visible to over 140,000 cars per day. The adjacent South Laguna area, south of Elk Grove Boulevard, is one of the largest new area of residential development in Sacramento County.

ELK GROVE'S CENTRALIZED LOCATION

Elk Grove is located in Sacramento County roughly 10 miles south of the California State Capital and about halfway between San Francisco Bay Area and Lake Tahoe.

The city is only a 15 mile drive from Downtown Sacramento; the average commute time for this distance is roughly 24 minutes. Other nearby major cities include Davis, Folsom, Rancho Cordova, Roseville. These cities form a constellation of significant economic centers - of which Elk Grove is a part - across the Sacramento Valley.

Known as a comfortable place to live, Elk Grove is the second largest city in the Sacramento region with a population of more than 178,124 over 42 square miles and has become one of the fastest growing cities in the United States. This growth has resulted in a flourishing community that maintains its small town roots while focusing on increased amenities to enhance the live / work experience of its residents.



ELK GROVE DATA/DEMOGRAPHICS

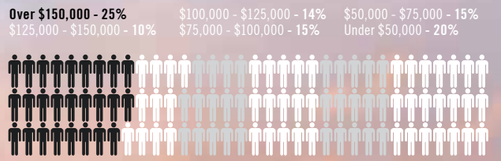
Home to an entrepreneurial spirit and superior quality of life, Elk Grove is a family-oriented community where opportunity is around every corner. The City offers everything from starter homes to ranch estates, and provides a safe, youthful environment where families put down roots. Its population of nearly 180,000 residents is diverse in ethnicity, age and income levels. There are approximately 52,000 households in Elk Grove with a median income of $106,797. Elk Grove's location provides easy access to two major freeways, the Sacramento International Airport, rail lines and two ports. The City of Elk Grove is known for an award winning school district, a variety of outstanding restaurants, a historical district, first-rate parks, and much more.

Named the first city to incorporate in California during the 21st century (July 2000), Elk Grove has blossomed with new businesses, residents, and employment opportunities, City services include an outstanding police department, animal care services unit and a first-rate public transportation system managed by Sacramento Regional Transit. Elk Grove is a city with small town roots that boasts a proud heritage and bright future.

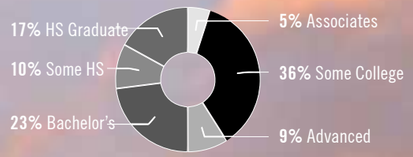
ELK GROVE CITY RANKINGS:

- **#1** Sacramento Suburb for Young Couples
- **#1** Fastest Growing City in California
- **#2** in USA "Where Millennials are Buying Homes"
- **#2** Best City for Homeownership in CA
- **#7** Cleanest City in the U.S.
- **#7** Most Ethnically and Racially Diverse
- **#10** Best Cities for Women in the Workforce
- **#11** Fastest Growing City in the U.S.
- **#17** Safest Cities in America

2020 HOUSEHOLD INCOME - 3 MILE RADIUS OF PROPERTY:



EDUCATION ATTAINMENT WITHIN A 3 MILE RADIUS:

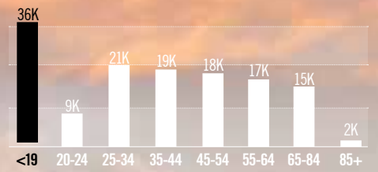


Apartment Vacancy
2.2%

12 Mo Rent Growth
14%

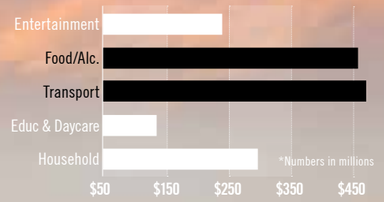
Rent vs Own
25%

POPULATION BY AGE WITHIN A 3 MILE RADIUS OF PROPERTY



*Based on data from Costar 2021

ANNUAL CONSUMER SPENDING - 3 MILE RADIUS:

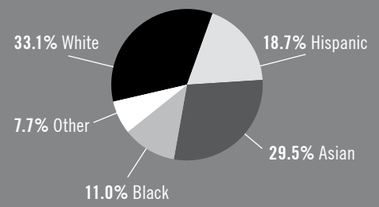


2023 MEDIAN HOME SALE PRICE IN CITY OF ELK GROVE:

$614,760

2021 RETAIL VACANCY RATE IN ELK GROVE: 2.2%

ELK GROVE RACIAL DIVERSITY:



2.2%
Apartment vacancy

70%
Of housing units built in the last 2 decades

65%
Of units rent for over $2,000/mo

THE MULTIFAMILY MARKET IN ELK GROVE

One of the premier suburbs for families, multi-family vacancies in Elk Grove are well below the tight metro average. The area's rapidly increasing population and rising home prices paved the way for apartment construction in 2016 and 2017, but only a select few projects have broken ground in the years since. Empty units have been hard to come by since supply-driven pressure abated in 2018, and vacancies have inched lower during the coronavirus pandemic.

Thanks to an abundance of upper-tier product and a heavy mix of two and three-bedroom units, rents in Elk Grove are among the loftiest in Sacramento. Due to it's strong amenity package and design features, Project Elevate rents could be as much as 10% higher than high-end market rents for the submarket.

Similar to the wider metro, the average rent declined at the start of the pandemic, but growth quickly returned. And in 2021, annual gains have soared to a double-digit percentage. Not only has that marked an all-time submarket high and one of the highest figures in Sacramento, but among submarkets with at least 3,000 units, annual rent growth is trending among the strongest in the nation.

Sale pricing is also very attractive. Elk Grove is an illiquid submarket due to its small footprint. In most years, less than a handful of trades occur, and it appears that no local properties were sold in 21Q1.

Apartment vacancies in Elk Grove sit at 2.2%, compared to the Sacramento average of 3.5%. Since the onslaught of the coronavirus pandemic, some of Sacramento's strongest demand has come from outlying submarkets, and that trend has certainly played out here. Approximately 70% of all units are two-bedrooms or larger, a dynamic that has worked in the area's favor with people working from home seeking out more space. The exodus of residents from the Bay Area has also likely played a part in the area's increased demand, as Elk Grove is one of the metro's southernmost areas.

Still, population growth has been the norm here for many years: In the past decade, Elk Grove was one of Sacramento's fastest-growing cities. An affluent suburban town, this area is a desirable place for families to call home. The school system is one of the metro's highest-rated, plus there is an abundance of parks and recreation activities and plenty of retail options. This attracts families and young couples looking to put down roots, as nearly half of all households are families with children.

Historically, apartment demand has been modest. Renters make up only about 30% of Elk Grove households, due in part to the area's strong incomes: The median household income tops $90,000, among the highest in the metro. But for renting families who are priced out of the area's steep home prices and want access to Elk Grove's school system, multifamily product represents a nice alternative. More than half of all stock is 4 & 5 Star, and nearly 70% of inventory has been built in the past two decades.

Elk Grove's largest employer is Apple. The Cupertino-based tech giant has maintained a presence here since 1992, and Apple was recently joined by another of the world's most valuable companies. In 2020, Amazon opened a new 111,500-SF distribution center on Union Park Way.

The number of local jobs should soon increase thanks to the newly signed Kubota deal and Wilton Rancheria Indian tribe. Kubota Tractor Corporation purchased approximately 45 acres of city-owned property to construct a 630,000 SF building, that will be their Western Distribution Center. This $60 million project will generate more than 125 permanent jobs and will kick-start the development of roughly millions of square feet of construction in the city's newly annexed 380-acre industrial park south of Grant Line and Waterman Roads.

No supply-driven pressure is on the horizon, but unemployment remains elevated because of the pandemic. Still, the area's demographics indicate most residents here work in job sectors that have not seen heavy losses, which could buttress occupancy. And with housing of all types in short supply, CoStar is forecasting that occupancy in Elk Grove should remain stable for at least the near-term.

17.3%
Year-over-year rent growth in 2021
(that's a lot!)

One of Sacramento's priciest areas for housing, the average apartment unit in Elk Grove currently rents for $2,060/month, compared to the metro average of $1,690/month. The hefty rents are owed to this area's abundance of newer, upper-tier product and larger units. As previously noted, more than half of all units are 4 & 5 Star, and about 70% of inventory consists of two- and three-bedrooms.

Annual rent growth this year has soared to 17.3%, an all-time submarket high. Rent increases in Sacramento, by comparison, have peaked at a still strong 12.5% over the past 12 months. Nonetheless, consistent demand for one of the metro's finest areas coupled with the housing crunch in greater Sacramento has propelled above-average rent growth here for many years. Over the past five years, trailing 12-month gains have averaged 7.2%.

For many households, Elk Grove's high rents are affordable. Assuming a household wants to spend no more than 25% of gross pay on rent in Elk Grove, this would require an income of around $90,000, similar to the submarket average. However, the monthly mortgage payment for a median priced home, based on a 30-year term at an interest rate of 3% and a 20% down payment, is less than the average rent. But factor in taxes and insurance, and homeownership is a much more expensive proposition.

We are forecasting that gains will continue to easily outpace Elk Grove's 3.6% annual historical average.

Market rate construction has been surprisingly limited in the submarket. Elk Grove's newest apartment community delivered in 2017, and aside from a few affordable housing developments, and a small handful of multifamily developments in the pipeline, there will likely be demand for units that far exceeds the available supply.

The most recent inventory addition was the 4 Star, 324-unit Vasari. Located at 8117 Sheldon Road, the majority of units are one- and two-bedrooms, while less than 10% of units are three-bedrooms. Developed by Carlsbad-based Guardian Capital Realty, the gated complex features modern amenities, including a clubhouse with free Wi-Fi, a heated pool, a yoga studio, and a dog park. The average rent at the time of delivery was nearly $1,800/month, a premium of roughly 15% to the submarket average. Vasari achieved lease up in 19Q1, after the final phase delivered in 18Q3.

THE RETAIL MARKET IN ELK GROVE

Elk Grove is a suburban area that ranks as one of the region's most affluent submarkets. Incomes notably outpace the metro median, and the submarket populace has increased by a double digit percentage since 2010. The abundant spending power and fast-growing population allowed for positive retail demand in virtually every year this past cycle, and despite the coronavirus pandemic and its outsized impact on the retail environment, demand was again positive in 2020. This dynamic helped propel vacancies to an all-time submarket low at the start of 2021. But as restaurants and retailers continue to bear the brunt of the virus mitigation efforts, it seems likely that vacancies will soon expand.

Retail inventory gains reflect the area's growth. While few projects were underway at the start of the new year, supply growth this past decade notably outpaced that of the wider metro. Retail demand in Elk Grove has been buoyed by strong demographics, including outsized population gains. While metro population growth roughly doubled the national norm this past cycle, gains in Elk Grove were even more robust: Since 2010, the City of Elk Grove's populace has increased by about 13%. Much of this has resulted from natural population growth, as nearly half of all households here are families with children. Elk Grove is also characterized by high education levels and lofty incomes. Approximately 35% of residents possess at least a bachelor's degree, and the median household income is around $90,000, or roughly 20% higher than the metro median. More than 40% of households earn $100,000 or more annually, and around 75% of households are homeowners. This has made Elk Grove especially attractive to retailers who prefer locations near affluent population centers. With vacancies sitting below 3% at the start of 2021, the figure has almost nowhere to go but up. Currently, year-over-year rent growth is 3.6%. Retail space in Elk Grove is among the priciest in Sacramento. As of 21Q1, the average asking rent outpaced the metro average by approximately 15%. Compared to nearby submarkets, rents are about 30% higher than those of South Sacramento. Among retail categories, power centers command the highest asking rents. While category vacancies as of late were almost double the retail average, power center rents top the metro norm by approximately 10%.

One of the few retail projects underway in the early days of 2021 was Capital Reserve Commercial Center. Located on Elk Grove Boulevard between Highway 99 and Laguna Springs Drive, the project consists of two buildings totaling roughly 13,300 SF. Construction is underway and both Building A and Building B, totaling about 13,000 square feet of space, are fully leased. Only about 20,000 SF of new product delivered here in 2020, and that was a product of The Ridge. The Ridge is a 382,000 SF newly developed Costco-anchored power center, on the southeast corner of Elk Grove Blvd and Bruceville Road. The shopping center is nearly fully leased

and features an excellent tenant mix of soft goods retail, fitness, casual dining restaurants, QSR, and beauty services. Demonstrative of Elk Grove's robust retail trade area, LA Fitness, Fleet Feet, a national sporting goods retailer, a bank branch, and a national grocery store (to be announced) have recently filled out The Ridge. They join the open shops and food and beverage concepts including: Sephora, European Wax, Mayweather Boxing, Stanton Optical, Zothex Flooring, Olive Garden, Buffalo Wild Wings, Nick the Greek, Curry Up Now, SomiSomi, In-N-Out, Peiology, Jollibee, West Coast Sourdough, Starbucks, Aspen Dental, Great Clips, and AT&T.

Adjacent to Project Elevate to the west, the Village is an exciting planned lifestyle center of 111,3000 SF, on the southwest corner of Elk Grove Blvd and Big Horn Blvd. Pre-leasing of the Village is well underway, including QSR and a grocery store. Also notably, across the intersection are Trader Joe's, Kohl's, and Nugget Market.

Area incomes are strong; the median house- hold income within a one mile radius of The Ridge is nearly $100,000. Healthy supply growth was the norm in Elk Grove this past cycle. Since 2010, inventory has increased by approximately 10%, and new product delivered in nearly every year. A few significant projects have been built recently, supply increased by about 3% in 2018, which marked the strongest year of the past decade for new construction. Elk Grove's population growth, high incomes, and limited vacancies indicate a long runway exists for new retail developments.

The local sales market saw little activity in 2020. Only six properties changed hands, a 70% decline compared to what was typical from 2015–19. And with rents increasing and vacancies

300K
Residents within a 5-mile radius of Project Elevate

35%
Elk Grove residents with a bachelor's degree

falling, perhaps significantly, transaction volume is likely to pick up as the retail market rebounds. Due to the lack of trades, sales volume was similarly tepid last year, coming in at less than half of the $35 million annual historical average. The majority of the year's investment volume stemmed from one trade. Last November, Save Mart Supermarkets sold a 53-property portfolio of Central Valley and Northern California stores to Chicago-based Oak Street Real Estate Capital for $635 million. Included in the transaction was 9160 Elk Grove Florin Road, a 96,600-SF free-standing supermarket that is part of the Camden Park Shopping Center. The estimated value of the local property, which is 100% occupied by Save Mart Supermarket, was $9.87 million ($102/SF).

Another deal was for a Blue Wave Express Car Wash site. Last September, San Francisco-based Bay West Group acquired the 2,880-SF property for $2.3 million ($800/SF) at a reported cap rate of 6.5%. Located at 9610 E Stockton Blvd., the car wash is part of The Grove strip center. Investment volume was further stunted in 2020 by pricing. The average transactional price was less than $200/SF for the first time since 2014, and moreover, trailed the 2017 cyclical peak by almost 65%.

Additionally, construction is underway on the $500 million dollar Sky River Casino on the south side of town. The additional employees and tourism the casino will attract is expected to have an exponential impact on retail revenues throughout the city. The facilities will include a 110,260 square-foot gaming floor, 2,000 slot machines, and a 12-story hotel with more than 300 guest rooms. The casino is expected to open in 2022.

THE HOSPITALITY MARKET IN ELK GROVE

The Greater Sacramento market comprises 351 hotel properties, which contain around 28,000 total rooms. The typical hotel in the Sacramento area is a bit smaller than the norm. The average building has around 80 rooms, compared to 90 rooms per building nationally. The Elk Grove submarket comprises 7 hotel properties providing 671 total rooms, average of 96 rooms per building.

When compared to the average U.S. hotel market, the inventory in Sacramento skews slightly towards the higher end, but by and large isn't too dissimilar from the typical U.S. market.

The US hospitality sector endured an unprecedented shock at the onset of the COVID-19 pandemic, and occupancies in the Sacramento market itself bottomed out at 34.5% in April 2020. But the market has demonstrated steady improvement since. Around 570,000 rooms were sold in the month of September, a considerable 10.8% increase compared to the same month the prior year.

Twelve-month RevPAR was recently climbing at an exceptionally strong rate: As of September, 12-month average RevPAR in the Sacramento hotel market was up 8.8%, in line with the national average. **In Elk Grove, RevPAR is up 13% over 2022 levels. Similary impressive, ADR in Elk Grove grew 10.% compared to 2022 numbers.**

The 1,000 rooms currently underway in the Greater Sacramento market represent a significant expansion relative to size of the market. This extends a stretch of new development in the market, which saw 16 projects containing around 1,800 rooms deliver in the past three years. That development was partially offset by a number of demolitions, which took around 860 rooms off line over the same timeframe.

Sacramento houses an active market for hotel investment, and recorded about 23 hotel trades over the past year—consistent with the number of trades that typically close in a given year.

Nonfarm payrolls in the market were recently increasing at solid clip of 4.4%, or a gain of about 42,000 jobs. That's a welcome performance, especially given that employment posted a decrease of 5.6% year over year at one point during the past 12 months.

	Rooms	Occupancy	12 Month ADR	12 Month RevPAR	12 Month Supply	12 Month Demand	12 Month Delivered
Greater Sac	28,167	60.8%	$116.61	$70.93	10M	6.1M	803
Elk Grove	671	79.8%	$151.48	$120.84	245k	195k	0

THE OFFICE MARKET IN ELK GROVE

The Elk Grove Submarket in Sacramento is a midsized submarket that contains around 2.4 million SF of office space. The vacancy rate has fallen somewhat over the past year, and at 2.8%, the rate was substantially below the 10-year average as of 2021Q3. Net absorption over the past year clocked in at about 45,000 SF, moderately above the five-year average of 30,000 SF. Rents grew by 1.5% over the past year, a solid increase, though somewhat below the 10-year average. The 3,300 SF currently underway in Elk Grove represents only a fractional increase to the inventory. This represents a continuation of new development in the submarket, which had already seen 7,700 SF deliver over the past three years. Office properties traded with regularity last year, consistent with the generally high level of activity over the past three years. With the widespread distribution of vaccines, workers are beginning to return to the office. But it will likely take time before many companies bring 100% of their employees back, and that could make for a less linear office recovery

The Elk Grove Submarket is a regular target among market participants searching for office investment opportunities in Sacramento. Transaction volume in the past year has been about on par with what has been representative here. Annual sales volume has averaged $16.0 million over the past five years, and the 12-month high in investment volume hit $28.3 million over that stretch. In the past 12 months specifically, $21.1 million worth of assets were sold. Market pricing, derived from the estimated price movement of all office properties in the submarket, sat at $234/SF during the third quarter of 2021. That figure is up from this time last year, and the level is above the average for the Sacramento metro. Market cap rates have contracted over the past year to 7.0%, and they're close to the metro's average.

SACRAMENTO

15.3 MILLION
ANNUAL REGIONAL VISITORS

71,335
DAYTIME EMPLOYEES

215+
BARS / RESTAURANTS

Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north of California's expansive Central Valley and has an estimated population of 513,625, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.5 million residents, making it the largest MSA in the Central Valley and the fifth largest in California behind greater Los Angeles, the San Francisco Bay Area, the Inland Empire and San Diego.

As the capital of California, a large portion of Sacramento's employment has historically been dominated by the State government and other public sector employers. Today, State government accounts for 12% of all non-farm employment, while government as a whole employs just over a quarter of the region's labor pool. However, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in a number of private sector industries such as professional services, healthcare, education and trade, transportation and utilities, with education and health services sectors seeing the strongest growth.

Sacramento is also home to two highly respected public universities: The University of California, Davis and California State University, Sacramento. The Sacramento region features a highly skilled and educated workforce with 34% of the population holding a bachelor's degree or higher. Thanks to the relative affordability and excellent quality of life, the region has also been attracting the millennial workforce, **making Sacramento the #3 location in the country, and #1 in California, for net millennial migration.**

The strength of the regions' labor force, competitive cost of living and ease of access to the San Francisco Bay Area and other major employment hubs, creates significant value for employers. The top private employers in the region include Kaiser Permanente, Sutter Health, Dignity Health, Intel, Hewlett Packard, Apple, Centene, VSP Global, Health Net, Blue Shield of California, Franklin Templeton, Aerojet, and Delta Dental.

INFLUX OF COOL

Sacramento is a dense, vibrant, economically thriving urban core

PRICING & PROCESS

The primary goal is to sell the property to the development team that can deliver the most desirable project while simultaneously achieving the highest possible price.

The City of Elk Grove is interested in identifying a Buyer who will build an exciting, attractive project that flourishes economically while achieving a destination live/work experience.

Click here for RFP

Or scan here for RFP

Interested buyers will be provided access to all relevant due diligence and a term sheet which will include the following:

Introduction

Turton Commercial Real Estate ("TCRE") on behalf of the City of Elk Grove ("City") is accepting proposals from qualified Developers and/or Development Teams for the purchase and development of Project Elevate (the "Project") in accordance with the included specifications, terms, and conditions shown in this request for proposals ("RFP"). Prospective respondents are advised to read this information over carefully prior to submitting a proposal.
Questions regarding this RFP are to be directed by e-mail to Scott Kingston scottkingston@turtoncom.com and/or Ken Turton kenturton@turtoncom.com. Such contact shall be for clarification purposes only. Each Developer and/or development team assumes responsibility for timely submission of its proposal. The City reserves the right to modify or extend the proposal deadline.

Withdrawal or Modifications of Proposals

Any proposal may be withdrawn or modified by a written request signed by the developer and/or development team and received by TCRE prior to the final time and date for the receipt of proposals. Once the deadline is past, Developer and/or development teams are obligated to fulfill the terms of their proposal.

Proposal Acceptance and Rejection

The City reserves the right to accept any proposal, reject any and all proposals, and to call for new proposals or dispense with the proposal process.

Proposal Evaluation and Award

Evaluation shall be made based on the criteria noted in this RFP. A contract may be awarded to the developer or development team who best meets the City's needs by demonstrating the competence, and qualifications necessary for the satisfactory performance of the required services and shall not necessarily be based on the highest priced proposal, but shall be based on a determination of which services offered serve the best interest of the City, except as otherwise provided by law, taking into consideration adherence to the included specifications. A contract may be awarded to the next responsible developer and/or development team if the successful developer and/or development team refuses or fails to execute the contract. Nothing herein shall obligate the City to award a contract to any responding developer and/or development team. Any contract awarded will be non-exclusive, and the City reserves the right to seek services from other sources, in the City's sole discretion. City Council approval is required to execute the final agreement.

Register with the California Secretary of State

Unless Developer and/or development team is a sole proprietorship, Developer and/or each member of the Development Team must be registered and in good standing with the California Secretary of State within fourteen (14) days following notification of the City's intent to award a contract to developer and/or development team and prior to execution of a final contract. Failure to timely register with the Secretary of State may result in the City awarding the contract to another developer and/or development team. Additional information regarding the registration process may be found on the Secretary of State's website at: https://businesssearch.sos.ca.gov/.

Disclosure of Submitted Materials

All information and materials provided in each submittal received is subject to disclosure through public records request pursuant to the California Public Records Act, or otherwise as may be required by law. The City, in its sole discretion, may release any submitted materials, regardless of whether such materials are marked by respondents as confidential or otherwise as protected.

Waiver of Irregularities

The City retains the right, in its sole discretion, to waive any irregularities in proposals that do not comply with the strict requirements of this RFP, and the City reserves the right to award a contract to a developer and/or development team submitting any such non-compliant proposal, all in the City's sole discretion.

Validity of Offer Price, General Development Costs and Timing

Developer and/or development teams are required to provide an offer price and general estimated line-item development costs in determining the offer price for the land. In addition, the developer and/or development team is required to provide an estimated timeline for developing the Project. Developers and/or development teams must also list any contributions or additional consideration required of Seller.

Interviews and Final Proposals

The City reserves the right to interview any and all developers or development teams as part of the selection process and may request a reduced number of developers and/or development teams to submit more detailed best and final Proposals. The City reserves the right to award a contract without conducting interviews.

Qualification/Inspection:
Proposals will only be considered from qualified developer and/or development teams with resumes of historical projects and the capital resources to complete the proposed development. By responding to this RFP, the developer and/or development team consents to the City's right to inspect the developer and/or development team's facilities, products, personnel, and organization at any time, or to take any other action necessary to determine Developer and/or development team's ability to perform. The City reserves the right to reject proposals where evidence or evaluation is determined to indicate inability to perform.

Guidelines for Proposal

The following guidelines are provided for standardizing the preparation and submission of proposals. The intent is to assist respondents in the preparation of their submissions and to assist the City by simplifying the review process by providing standards for comparison of submissions. Statements submitted in response to this RFP shall include a complete response to the requirements in this section in the order presented. Statements should be a straightforward delineation of the respondent's capability to satisfy the intent and requirements of this RFP, and should not contain redundancies and conflicting statements.

Proposals shall be printed double sided, submitted on 8-1/2" x 11" recycled paper, with easy to read font size and style. Pages shall be numbered and stapled. One signed original Proposal and one electronic copy of the proposal which must be submitted to TCRE. Each proposal shall be submitted in a sealed envelope clearly marked Project Elevate and addressed to:

TURTON COMMERCIAL REAL ESTATE
C/O Scott Kingston
2131 Capitol Avenue
Suite 100
Sacramento, CA 95816

Proposals shall contain the following information in the order listed:

1. Introductory letter

The introductory letter should be addressed to:
TURTON COMMERCIAL REAL ESTATE
The letter shall include the developer and/or development team's name submitting the proposal, their mailing address, telephone number, and contact name. The letter shall address the developer and/or development team's understanding of the project based on this RFP and any other information the Developer and/or development team has gathered. Include a statement discussing the developer and/or development team's interest and qualifications for this type of work. A principal of the firm authorized to legally bind the firm shall sign the letter.

2. Purchaser

Legal name and/or entity of the developer and/or members of the development team.

3. Seller

City of Elk Grove

4. Property

Project Elevate
APN: 132 2110 004

5. Purchase Price

State the purchase price that buyer shall pay

6. Seller Contributions or Considerations

State any additional contributions or consideration requested of Seller as part of the purchaser's proposal.

7. Initial Deposit

Propose the initial deposit amount.

8. Contingencies

State all contingencies (if any) that would need to be met prior to purchaser deposits becoming non-refundable.

9. Feasibility and Investigation Period

Propose the amount of time required to investigate the property and feasibility of the development to waive contingencies.

10. Additional Deposit Upon Completion of Feasibility and Investigation Period

Propose the amount purchaser is willing to add to the Initial Deposit (the "Additional Deposit") upon waiver of contingencies. purchaser should be aware the Additional Deposit and Initial Deposit shall be non-refundable but applied to Purchase Price at Close of Escrow.

11. Proposed Project

Attach relevant documentation including site plans, renderings, operating pro forma, development schedule, phasing plan, and project budgets.

12. Development Team

Attach curriculum vitae for each team member, including relevant completed projects.

13. Financing Capability

Provide projected capital stack, debt, and equity sources for the Project.

14. Closing Date

Provide projected closing date and/or phasing.

TURTON
COMMERCIAL REAL ESTATE