

---

## 4.10 - Urban Decay

---

### 4.10.1 - Introduction

This section evaluates the potential economic impacts of the proposed Walmart store in the City of Wasco. In particular, the section evaluates the extent to which the proposed Walmart would have competitive impacts on existing retail facilities in the trade area and consequently have the potential to result in urban decay. In addition to addressing the potential impacts of the proposed Walmart itself, the section also considers cumulative impacts, taking into account the impacts from other planned/proposed retail projects in the trade area. The analysis concludes that there are no mitigation measures required because the proposed Walmart will not result in any significant project-specific impacts or contribute to significant cumulative urban decay impacts.

The Walmart store that is the subject of this analysis is a proposed 170,000 sq ft store including 34,253 sq ft of grocery sales and grocery support space, a 5,762 sq ft outdoor garden center, a drive-through pharmacy, and a tire and lube facility. The Walmart store will operate 24 hours per day. The tire and lube facility will have limited hours of operation.

The Walmart store is a single component of the larger Wasco Center approved for development (but not yet built) in the City of Wasco on the north side of State Route (SR) 46 between Magnolia Avenue on the west and Palm Avenue on the east. Upon full buildout, the Wasco Center – including the Walmart – will total approximately 423,750 sq ft of retail space, including approximately 285,000 sq ft of large box retail uses, 105,000 sq ft of shopping center space, a 75,000 sq ft movie theater, a 100 room hotel, 67,500 sq ft of restaurant/office space (For the purpose of this analysis, it is assumed that half of the restaurant/office space will be restaurant [i.e., retail] space), and 123 multi-family residential units with 11,900 sq ft of attendant recreation buildings.

In December 2008, City of Wasco granted a number of entitlement approvals for the Wasco Center. At that time, the project parcel was planned as a 158,000 sq ft big box retailer, with no specific brand or operator identified. The applicant now proposes to increase the building shell from 158,000 sq ft to 170,000 sq ft to develop a Walmart store on the project parcel.

Based on information provided by the project applicant, this analysis assumes that the Walmart would open in 2013 and that the larger Wasco Center project will be built out some time after 2015. For purposes of evaluating potential maximum competitive impacts, this analysis hypothetically assumes that the non-Walmart portions of the Wasco Center would be developed in 2015. In all likelihood, buildout of the remaining portion of the Wasco Center would occur well after this date, given that there are no committed tenants at this time, and that the growth in retail demand would not be sufficient to support the entire square feet of planned space by 2015 (refer to Impact Analysis and Mitigation Measures). Thus, the pace of the development of the remaining part of the center would likely follow the growth in market demand.

The economic impact analysis addresses four key issues:

1. The potential for the proposed grocery component of the Walmart store to negatively impact the existing supermarkets in the relevant trade area (as defined below);
2. The potential for the proposed Walmart tire and lube facility to negatively impact existing automotive-service related establishments in the trade area;
3. The potential for the proposed Walmart general merchandise and building supply space to negatively impact existing retail stores in the trade area; and
4. The cumulative impacts associated with the proposed Walmart when its economic impacts are considered together with the economic impacts of all major retail projects currently planned for development in the trade area.

The following is a list of information in Appendix L that has been used in the preparation of this section.

- Urban Decay Study for Proposed Wasco Walmart, March 2011. Natelson Dale Group, Inc.

#### **4.10.2 - Environmental Setting**

##### **Methodology**

The analysis projects total resident purchasing power within the relevant trade area, and uses this projection of total demand as the basis for determining the extent to which the proposed Walmart could be supported in the market area without negatively impacting existing businesses.

The study methodology includes the following major steps:

1. Estimate the current potential demand for retail sales in the trade area, based on existing demographics;
2. Estimate the portion of total trade area demand that could realistically be “captured” by retail facilities in the trade area, based on an evaluation of the amounts and locations of competitive retail facilities both within and outside of the evaluated trade area;
3. Forecast future growth in the amount of supportable retail sales, based on projected increases in the trade area’s resident population;
4. Compare this “potential” demand to the estimated volume of retail sales in the trade area, based on taxable sales data from the California State Board of Equalization (SBOE) and estimates from The Natelson Dale Group, Inc. (TNDG);
5. Estimate the volumes of additional general merchandise, apparel, furniture, specialty, grocery, restaurant, building materials, and auto parts sales that the trade area could support

- in future years (through 2030), based on the difference between potentially supportable sales and existing sales volumes; and
6. Translate potential new retail sales (determined in step 5) into supportable square feet of new retail space, based on standard sales per square foot factors by individual retail category.

For the non-grocery retail categories, the potential impacts are expressed in terms of the square feet of existing businesses that could potentially be displaced by the proposed Walmart. For the grocery category, in addition to evaluating the potential square footage displacement, the report evaluates direct potential sales impacts (in terms of dollars per square foot) to existing supermarkets in the trade area. This additional level of analysis for supermarkets is possible because the universe of supermarkets in the trade area is small (there are only six supermarkets in the trade area). Thus, it is possible to estimate the existing aggregate and average sales of these supermarkets, based on data from the SBOE.

### **Description of Trade Area**

For the purposes of this study, the trade area for the proposed Walmart has been defined as a customized polygon based on existing transportation corridors and concentrations of population and commercial development. The trade area includes the incorporated cities of Wasco, Shafter, and McFarland, in addition to neighboring unincorporated portions of the County. The boundaries of the trade area polygon are Elmo Highway to the north, SR-65/Porterville Highway to the east, Burbank Street to the south, and U.S. Interstate Highway 5 to the west. Exhibit 4.10-1 shows the trade area boundaries.

The trade area is carefully designated to account for likely shopping patterns of local residents, taking into account the location of competitive retail facilities – especially planned and existing Walmart stores—in the Bakersfield metropolitan area to the south and the Delano area to the north.

### **Overview of Existing Commercial Retail Market in Trade Area**

As part of the analysis, TNDG completed a comprehensive inventory of all existing retail tenants and vacancies in the trade area. The detailed inventory is provided in the Urban Decay Study, Appendix L.

The total inventory of retail space in the trade area is estimated at approximately 778,100 sq ft, 98.8 percent of which is located within the city boundaries of the cities of Wasco, McFarland, and Shafter. Of this total, approximately 437,800 sq ft (57 percent of the overall inventory) is located in the City of Wasco, 245,700 sq ft (31 percent) in the City of Shafter, and 94,600 sq ft (12 percent) in the City of McFarland.

The inventory of existing retailers provides no indication of current urban decay in the trade area. The overall retail vacancy in the trade area is estimated at 7 percent, suggesting that the retail market

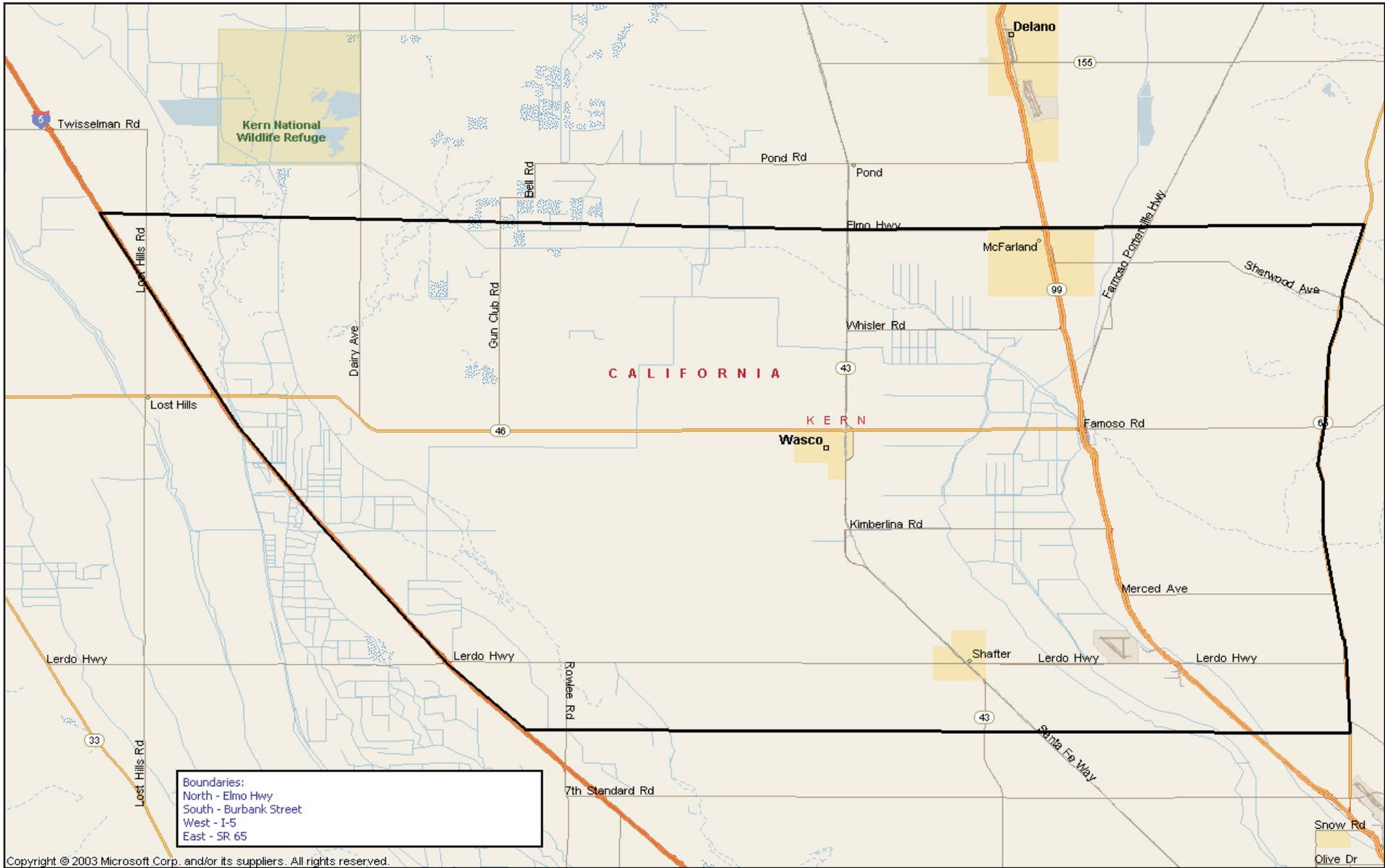
is relatively strong (a vacancy rate in the range of 5 percent to 10 percent is generally considered to be reflective of a healthy retail market).

There have been no significant retail developments in the trade area in recent years. Other than the larger Wasco Center project, which includes the Walmart that is the subject of this analysis, there are no planned and/or pending retail developments in the cities or unincorporated portions of the County within the trade area.

Table 4.10-1, on the following page, provides a breakdown of the existing retail inventory by category.

**Table 4.10-1: Summary Table of Existing Inventory  
Wasco Retail Trade Area**

<b>Tenant Category</b>	<b>Total Square Feet</b>	<b>Percent of Total</b>
Apparel	33,496	4.3
General Merchandise	197,171	25.3
Food Stores (supermarkets, etc.)	188,039	24.2
Restaurants	144,068	18.5
Home Furnishings and Appliances	19,129	2.5
Hardware & Building Materials	11,216	1.4
Automobiles & Parts	26,083	3.4
Service Stations	19,112	2.5
Specialty/Other	35,664	4.6
Services in Retail Space	47,337	6.1
<i>Subtotal, Occupied Space</i>	<i>721,315</i>	<i>92.7</i>
Vacant Space	56,823	7.3
<b>Grand Total</b>	<b>778,138</b>	<b>100.0%</b>
Source: TNDG, 2010.		



Michael Brandman Associates

26190011 • 11/2010 | 4.10-1\_trade\_area.cdr

## Exhibit 4.10-1 Trade Area Boundaries

WASCO CENTER WALMART • CITY OF WASCO



## Population Growth

The trade area population is projected as follows:

**Table 4.10-2: Population Projections by Year Wasco Retail Trade Area**

Market Area	2008	2010	2013	2015	2020	2030
WRTA	48,066	49,654	51,853	53,372	56,870	69,246
Source: Kern Council of Governments, 2009; TNDG, 2010.						

The projections in Table 4.10-2 are based on the following average annual growth rates:

- 2010 - 2015: 1.45 percent
- 2015 - 2020: 1.28 percent
- 2020 - 2025: 1.93 percent
- 2025 - 2030: 2.04 percent

The population projections are from the most recent forecasts developed by the Kern Council of Government’s (Kern COG) at the Traffic Analysis Zone (TAZ) level of geography (Kern COG 2009).

### 4.10.3 - Regulatory Setting

To reduce the potential for urban decay, the City of Wasco enforces various zoning ordinances related to property maintenance and nuisances (Wasco Municipal Code 2010). The City mainly relies on Municipal Code Chapter 17.79 (Property Maintenance, Code Enforcement, and Abatement Procedures), which “establish[es] procedures for the prosecution and abatement of public nuisance conditions to eliminate visual blight, protect the value of adjacent properties, and to protect the health, safety and general welfare of the community as a whole.” That Code section contains a comprehensive list of undesirable property conditions that are considered a nuisance and prohibited for developed, undeveloped, and vacant properties. Among others, these include:

- “All structures, equipment, walls, and fencing on the property shall be maintained free of graffiti (Section 17.79.060-F)”;
- “All landscaping on the property shall be maintained pursuant to Chapter 17.51 of this title and all landscaping visible from a public street shall be maintained in a healthy condition free of dying, dead, diseased, decayed, discarded and/or overgrown vegetation (Section 17.79.060-G)”;

- “A building shall be permitted to be boarded up for no longer than six months. If a demo permit or building permit are not issued within six months, the city shall initiate abatement proceedings (Section 17.79.070-B-2).

Owners of properties declared to be public nuisances are subject to abatement orders requiring rehabilitation, demolition, removal or repair of the condition (Section 17.79.090). If the property owner does not take action within a specified time, the Code includes provisions for the City to undertake the abatement action and charge the owner for the cost of doing so (Section 17.79.090-E).

In addition, Municipal Code Section 8 (Health and Safety) declares “all garbage, rubbish, or refuse” to be a public nuisance and includes similar procedures for abatement and removal on public, private, and vacant property.

#### 4.10.4 - Thresholds of Significance

According to the CEQA Guidelines, the effects of the proposed Walmart have been evaluated to determine if the proposed Walmart will result in a significant adverse impact on the environment. The following question is analyzed and evaluated to determine if the proposed Walmart will result in a significant urban decay impact. Would the project:

- a) Result in Urban Decay within the retail market served by the proposed Walmart?

#### 4.10.5 - Impact Analysis and Mitigation Measures

##### Project-Level Urban Decay

---

**Impact UD-1:**            **The proposed Walmart will not result in Urban Decay within the retail market served by the proposed Walmart.**

---

##### ***Project Specific Impact Analysis***

Impact of Walmart Grocery Component

A supermarket component of the proposed Walmart could potentially cause one of the existing supermarkets in the trade area to close. The analysis supporting this conclusion is summarized below.

**Project Component Description:** For purposes of this analysis, it is assumed that grocery component of the proposed Walmart would total 34,253 sq ft (24,955 sq ft of grocery sales area plus 9,298 sq ft of grocery support space). It is projected that the Walmart grocery space would generate sales levels equivalent to the national average for grocery sales in Walmart stores of approximately \$624 per sq ft (gross area), or total grocery sales of approximately \$21.4 million, based on data from Progressive Grocer’s 2010 Super 50 publication, the national average sales volumes for Walmart grocery space is approximately \$857 per sq ft of sales area. Based on the floor area configuration for the grocery component of the proposed Walmart, the grocery sales area is equal to approximately 72.8 percent of the grocery component’s gross building space. Thus, the sales volume for the gross building area of the store’s grocery component is estimated at \$624 per sq ft (\$857 x 72.8 percent).

**Evaluation of Existing Grocery Market:** There are six existing supermarkets in the trade area – three in Wasco (Save-Mart, National Market, and Fresh and Easy), two in Shafter (Shafter Apple Market and La Hacienda Food Mart), and one in McFarland (Palace Market). These six stores account for approximately 110,722 sq ft of supermarket space. The demand analysis indicates that there is currently (year 2010) sufficient demand to support average supermarket sales volumes in the trade area of \$430 per square foot. Since the State Board of Equalization reports only taxable sales (and a large portion of sales in supermarkets are nontaxable), it is necessary to estimate the total sales of the existing supermarkets. The following assumptions are used for this calculation: (1) taxable supermarket sales account for 57 percent of taxable sales in the overall Food category (in 2010) and (2) total sales are estimated by multiplying taxable sales by a factor of 3.2. These factors have been derived based on numerous analyses of supermarket supply and demand in comparable communities throughout California, and based on data we have reviewed from the State Board of Equalization (BOE), Claritas, and selected supermarket chains. The industry median for supermarkets is approximately \$473 per square foot nationally and \$418 in the Western United States, according to the 2008 edition of the Urban Land Institute’s (ULI) Dollars & Cents of Shopping Centers, based on ULI’s sample of supermarkets in neighborhood shopping centers. It is estimated that, on average, supermarkets in the trade area currently have sales volumes that are between the Western regional and national medians.

**Projected Growth in Grocery Demand:** Total demand for supermarket sales in the trade area is projected to increase from approximately \$47.6 million in 2010 to approximately \$57.7 million in 2013 (the assumed opening date of the proposed Walmart). By 2025, total demand for supermarket sales in the trade area is projected to reach \$73.6 million (all projections are given in 2010 constant dollars). Given the relatively modest growth in grocery demand over the next several years, only a small portion of Walmart’s grocery sales would be supported by incremental demand. The vast majority of the Wasco Walmart’s grocery sales would be diverted from existing supermarkets in the trade area. Table 4.10-3, on the following page, evaluates this impact in terms of the potential reduction in the sales per square foot volume at the six existing supermarkets.

**Table 4.10-3: Potential Sales Impacts to Existing Supermarkets Grocery Component of Proposed Walmart Wasco Retail Trade Area (in thousands of constant dollars)**

Description	2010	2013	2015	2020	2025	2030
Total Food Sales Demand	\$83,521	\$96,164	\$98,982	\$105,469	\$116,076	\$128,421
Estimated Supermarket Share	57.0%	60.0%	60.6%	61.8%	63.5%	65.0%
Total Potential Sales	\$47,607	\$57,721	\$59,976	\$65,165	\$73,651	\$83,527
Less Demand Absorbed by New Facilities:						
—Walmart store <sup>1</sup>	\$0	(\$21,386)	(\$21,386)	(\$21,386)	(\$21,386)	(\$21,386)

**Table 4.10-3 (cont.): Potential Sales Impacts to Existing Supermarkets Grocery Component of Proposed Walmart Wasco Retail Trade Area**

Description	2010	2013	2015	2020	2025	2030
Net Demand Available to Support Existing Supermarkets	\$47,607	\$36,335	\$38,589	\$43,779	\$52,265	\$62,141
Existing Supermarket sq ft	110,772	110,772	110,772	110,772	110,772	110,772
<i>Sales per Square Foot Existing Supermarkets</i>	<i>\$430</i>	<i>\$328</i>	<i>\$348</i>	<i>\$395</i>	<i>\$472</i>	<i>\$561</i>
Notes: Sales per square foot (gross area) assumptions for Walmart: \$624 Source: TNDG, 2010; Progressive Grocer 2010.						

**Conclusion:** The above analysis suggest that the development of the proposed Walmart could potentially cause one of the existing supermarkets in the trade area to close, given that the combined sales volumes of the six existing supermarkets would fall 24 percent from the existing level with the entry of the Walmart store in 2013. Based on this projected sales impact and an assumed sales-per-square foot support requirement of \$430, the trade area would be overbuilt by approximately 26,300 sq ft of supermarket space in 2013. By 2020, sales volumes (\$395 per square foot) at the existing stores would recover to 95 percent of the \$418 Western regional benchmark.

It should be noted that the previously cited national and western median regional sales per square foot figures of \$473 and \$418, respectively, do not necessarily reflect break-even thresholds for all supermarkets. Since the \$473 and \$418 per square foot factors reflect median sales figures, by definition half of all supermarkets are operating below these levels. Some supermarkets operate at substantially lower sales levels than the median. This fact indicates that the estimated 26,300 sq ft of overbuilt grocery space—and the related conclusion that one of the existing supermarkets would potentially close as a result of the proposed Walmart—represents a relatively aggressive (i.e., worst case) calculation.

To evaluate the “typical” sales volumes of California supermarkets in more detail, a proprietary database of chain-specific supermarket sales estimates was used which was provided by Trade Dimensions International, Inc., a market research firm of The Nielsen Company. The database, based on data from more than 3,100 individual stores, includes sales estimates for 49 supermarket chains operating in California along with aggregate sales estimates for independent supermarkets. Trade Dimensions defines a “chain” as 11 or more stores; for supermarkets with fewer than 11 stores in California, the estimates have been aggregated and treated as a single group. According to this database, average sales per square foot by chain ranges from \$212 to \$801 per square foot. For all chains combined, the median and average sales per square foot measures are \$385 and \$412, respectively, with a standard deviation of \$133 per square foot. As indicated in the sales per square foot estimates above, there is significant variability in sales volumes at individual supermarkets, and

evidence indicating that a number of stores (and entire chains) are operating at well below the \$473 national threshold previously identified in this analysis. In fact, of the 50 grocery chains represented in the database (including the aggregated independent category), 35, or 70 percent of the total, generate average sales volumes below \$473 per square foot. Further, more than half (54 percent) of the chains operate at sales volumes below \$400 per square foot, while 20 percent operate below \$300 per square foot.

It should be noted that the data provided by Trade Dimensions are sales estimates and not the supermarkets' actual sales volumes. However, similar sales estimates have been evaluated from Trade Dimensions in the form of their Retail Performance Reports, which provide store-level sales estimates for individual trade areas. For trade areas that have been evaluated, the sales estimates in these reports are generally consistent with actual sales data available from the California State Board of Equalization, suggesting that the Trade Dimensions' sales estimates are reasonably accurate.

#### Impact of Proposed Project's General Merchandise, Apparel, Furniture/Appliances and Other/Specialty (GAFO) and Building Materials Sales

The proposed Walmart's GAFO and Building Materials components would not have substantial economic effects on existing GAFO and Building Materials establishments. The analysis supporting this conclusion is summarized below.

**Project Component Description:** The proposed Walmart would include 131,017 sq ft of space devoted to tenants in the GAFO and Building Materials retail categories. Technically, Walmart is classified (for sales tax reporting purposes) as a General Merchandise store. As practical matter, however, Walmart's merchandise mix extends well beyond the general merchandise (or department store) category to include much of the "GAFO" and Building Materials categories. In addition, the taxable sales in the trade area data are not disclosed for some of the individual retail categories in the GAFO categories and Building Materials, thus requiring the grouping of these retail categories. The square footage indicated above excludes the Walmart's planned grocery and tire and lube sections and includes the indoor and outdoor garden center.

**Comparison of Existing Supply and Demand:** The demand analysis indicates potential market support for \$126.2 million in GAFO and Building Materials retail sales in the Wasco Retail Trade Area, in the 2008 base year used in this analysis (hereinafter referred to as "existing"). Existing (2008) sales in these retail categories in the trade area are estimated at \$86.6 million, suggesting that approximately 31.4 percent of potential GAFO and Building Materials sales in the trade area are being lost to other jurisdictions with more substantial retail development (e.g., Bakersfield). In other words, there is currently an estimated \$39.6 million (\$126.2 million - \$86.6 million) in unrealized GAFO and Building Materials demand in the area – demand "leakage" which could be recaptured with the development of additional retail facilities. The \$39.6 million in unrealized demand or leakage translates into approximately 146,000 sq ft of additional GAFO and Building Materials space that could be supported in the trade area.

**Projected Growth in Demand:** Within the Wasco Retail Trade Area, potential demand for new retail space in the GAFO and Building Materials retail categories is projected to increase to approximately 211,800 sq ft by 2013 (the assumed opening date for the proposed Walmart), 226,500 sq ft by 2015 and 379,700 sq ft by 2030. Table 4.10-4 gives a projection of supportable square feet within the GAFO and Building Materials retail categories from 2010 to 2030.

**Table 4.10-4: Potential Demand for NEW GAFO and Building Materials Retail Space  
Wasco Retail Trade Area In Square Feet  
(all numbers are cumulative)**

Retail Category	2010	2013	2015	2020	2025	2030
Demand for New GAFO & Building Materials Space	146,021	211,825	226,491	260,251	315,455	379,711
Source: TNDG, 2010.						

**Conclusion:** As indicated above, the proposed Walmart would result in a net increase of 131,017 sq ft of GAFO and Building Materials retail space. Residual market support for GAFO and Building Materials space in 2013 (the proposed Walmart's planned completion date) is projected to be approximately 211,800 sq ft, indicating the demand for new GAFO/Building Materials space would be more than sufficient to support the space associated with the proposed Walmart. Based on these findings, it is unlikely that the GAFO/Building Materials retail components of the proposed Walmart would result in economic impacts to existing stores in the trade area, and that it is therefore unlikely that any existing GAFO/Building Materials stores will be forced to close due to the proposed Walmart.

#### Impact of Proposed Tire and Lube Facility

The proposed Walmart's tire and lube facility (TLF) would not have substantial economic effects on existing automotive establishments. The analysis supporting this conclusion is summarized as follows:

**Project Component Description:** For purposes of this analysis, it is assumed that the Walmart would include a 4,730- sq ft tire and lube facility. Based on the project description, we have assumed that the facility would be primarily focused on motor oil changes, the sale and installation of automotive tires, and other miscellaneous automotive repairs. Unlike the other expansion area components, data are unavailable from the State Board of Equalization to compare potential demand and existing sales for these types of facilities (since they are classified as service rather than retail activities). In terms of potential competitive impacts, types of services and goods that would be provided at the TLF service center are also provided in car dealerships and tire dealers (classified as Motor Vehicle and Parts), gas/service stations (classified as Service Stations), and dedicated motor oil changing businesses/auto repair facilities (service-based businesses not classified by the BOE).

To evaluate potential impacts resulting from the TLF service center area, sales data in Kern County from the most recent (2007) Economic Census was analyzed for the following four industries:

- NAICS (North American Industry Classification System) 44132 - Tire dealers.
- NAICS 811191 - Automotive oil change and lubrication shops.
- NAICS 811111 - General automotive repair.
- NAICS 811198 - All other automotive repair and maintenance.

The Economic Census is conducted in five-year intervals, with the most recent available data from 2007. The county level of geography is the smallest level of geography for which detailed industry data are available.

According to the data, the average sales volume per facility in these four industries combined is approximately \$721,489 per year. Based on the population in Kern County in 2007, total annual expenditures in these industries equate to approximately \$257 per person. At this level of expenditures per household, the new population required to support a TLF service center-type facility would equal approximately 2,813.

**Projected Growth in Demand:** The trade area is projected to add approximately 2,199 residents between 2010 and 2013 (the proposed TLF service center's first full year of operations) and more than 2,900 by 2014 (Table 4.10-2). Thus, the growth in the market would be sufficient to support the TLF service center's sales in less than one year after its first full year of operations.

**Conclusion:** As indicated above, any potential sales impacts to existing automotive repair-related facilities would be temporary, due to continued growth in the market. The potential demand estimated for the TLF service centers is based solely on the growth in demand; it does not consider any existing under-supply of these services that may lead to current "leakage" of automotive repair expenditures to outside of the trade area. That is, the development of the TLF service center could lead to a re-capture of existing automotive repair service and sales expenditures. This is likely given the estimated retail sales leakage in the GAFO retail categories as discussed above. Thus, the proposed TLF service center is not expected to result in significant economic impacts to existing automotive repair-related facilities in the trade area, and is therefore unlikely that any existing automotive repair-related facilities would be forced to close.

#### Potential for Urban Decay

##### *Overall Potential for Urban Decay*

This section evaluates the potential for urban decay to occur based on the possible future closure of one of the trade area's existing supermarkets as a result of sales capture by the Walmart grocery component. Although the potential closure and resulting vacancy would clearly be undesirable from the standpoint of property's owner, it is not likely to result in urban decay. Urban decay is a potential consequence of a downward spiral of store closures and long-term vacancies, as cited in the

Bakersfield Citizens for Local Control v. City of Bakersfield (2004) 124 Cal. App 4<sup>th</sup> 1184, p 2. While the phenomenon of urban decay is not defined under CEQA, it is assumed to be indicated by significant deterioration of structures and/or their surroundings. Such deterioration occurs when property owners reduce property maintenance activities below that required to keep their properties in good condition. Property-owners are likely to make reductions in maintenance under conditions where they see little likelihood of future positive returns. Store closures and vacancies, in and of themselves, do not meet the above criteria.

While the closure of a business is clearly a severe impact to its owners and employees, within the context of CEQA it is only significant if it results in sustained vacancies, which in turn results in deterioration of the physical condition of the vacant building(s). For the reasons discussed below, property owners would have sufficient economic incentives to maintain properties based on the potential for some type of retail re-use.

#### *Market Demand for Reuse of Specific Vacancies*

This section evaluates the potential for urban decay to occur based on the closure that could result from development of the proposed Walmart. As indicated in the demand analysis, the grocery component of the proposed Walmart under worst-case conditions could potentially lead to the closing of one of the trade area's six existing supermarkets shown on Table 4.10-5 below.

**Table 4.10-5: Existing Supermarkets Wasco Retail Trade Area**

Retail Category	Square Feet (sq ft)	Total Shopping Center SF	Vacant sq ft	Number of Other Tenants	Co-Anchors	Distance from Project
Save Mart 2425 Highway 46, Wasco	29,160	92,746	17,485	10 (plus 3 vacancies)	Rite Aid	0.80 miles
National Market 1101 Highway 46, Wasco	18,271	27,396	5,237	2 (plus 1 vacancy)	Napa Auto Parts	1.60 miles
Fresh & Easy 1304 Highway 46, Wasco	13,969	16,880	0	2	NA	1.60 miles
Shafter Apple Market 111 N. Central Valley Hwy, Shafter	22,920	31,088	1,500	7 (plus 1 vacancy)	NA	9.90 miles
La Hacienda Food Mart 315 James St, Shafter	7,702	15,198	0	4	NA	8.0 miles
Palace Market 400 W. Perkins Ave, McFarland	18,750	21,585	0	4	NA	7.5 miles
Source: TNDG, 2010.						

Since specific data on individual store performance and break-even thresholds are closely held and not available for this study, it is not possible to predict with any degree of accuracy which particular

supermarket would be most vulnerable to closure. However, if any store were to close in the trade area, there are viable reuse options for each of the store buildings in the trade area, indicating that regardless of which specific stores potentially close, the vacated space would not be likely to remain permanently vacant.

Table 4.10-6 projects the demand for new non-grocery retail space (i.e., over and above the existing amount of retail space) in the trade area from 2010 to 2030. As shown on the table, demand for new non-grocery retail space is expected to reach approximately 297,800 sq ft by 2013.

**Table 4.10-6: Net Supportable Retail Space After Opening of Proposed Walmart Wasco Retail Trade Area**

Description	2010	2013	2015	2020	2025	2030
<b>Demand<sup>1</sup></b>						
GAFO & Building Materials	146,021	211,825	226,491	260,251	315,455	379,711
Eating and Drinking	35,478	48,582	51,502	58,225	69,217	82,012
Automotive Parts	4,650	7,592	8,248	9,758	12,227	15,100
Services @ 10% of Total Space	20,683	29,778	31,805	36,470	44,100	52,980
<i>Total</i>	<i>206,833</i>	<i>297,777</i>	<i>318,047</i>	<i>364,705</i>	<i>440,998</i>	<i>529,803</i>
<i>Square Feet Absorbed by Project:</i>						
--GAFO & Building Materials		(131,017)	(131,017)	(131,017)	(131,017)	(131,017)
<b>Net Demand</b>						
GAFO & Building Materials	146,021	80,808	95,474	129,234	184,438	248,694
Eating and Drinking	35,478	48,582	51,502	58,225	69,217	82,012
Automotive Parts	4,650	7,592	8,248	9,758	12,227	15,100
Services	20,683	29,778	31,805	36,470	44,100	52,980
<b>NET TOTAL</b>	<b>206,833</b>	<b>166,760</b>	<b>187,030</b>	<b>233,688</b>	<b>309,981</b>	<b>398,786</b>
Notes: Appendix G, Table III-12. Source: TNDG, 2010.						

As shown above in Table 4.10-6, the demand analysis indicates there would be more than sufficient market demand support to a retail reuse of a potentially vacant supermarket in the trade area. In 2013, even after development of the proposed Walmart, there would still be support for an additional 166,760 sq ft of new retail space. This is well over the potential amount of vacant space that would result from the potential store closing discussed above. Just within the GAFO categories, there are a number of retailers in the Other/Specialty and Apparel categories that would be potential candidates to reoccupy a potential vacant supermarket. In the Other/Specialty category, this could include an office supply store (e.g., Staples), a pets specialty store (e.g., PetSmart), a sporting goods store (e.g. Big 5 Sporting Goods), or an arts/crafts supply store (e.g., Michaels), among others. Along with the Other/Specialty type tenants, in the Apparel category, an off-price apparel retailer—such as a Ross

Dress for Less, T.J. Mix, Marshals, etc.—would be a candidate to reoccupy a potentially vacant supermarket site. In addition, Dollar / 99 Cent stores have also been in a significant expansion mode nationally and are generally considered to be ideal reuse candidates for vacated supermarkets based on information provided in “Don’t Ask. You Can Afford It: Seizing the Moment, Dollar Stores Expand,” New York Times, May 3, 2009. These are just examples of national retail chains that potentially could reoccupy the vacant space. There is no specific knowledge of any of these particular chains’ interest in the Wasco market. It is also possible that local independent retailers in the GAFO categories would reoccupy the potential vacant space. For example, in addition to single-tenant retail reuse options, many of the existing supermarket sites could potentially be subdivided for multiple smaller tenants in the GAFO categories. Although TNDG has not specifically evaluated the architectural suitability of the individual buildings for sub-division, this type of reconfiguration is fairly common practice in the retail development industry.

There a number of examples of vacated big box stores and/or vacated supermarkets in neighboring Tulare and Kings counties that have been reoccupied with some type of non-supermarket retail reuse. Two examples include the following:

- A closed Monte Mart (2006) grocery store located on Henderson Avenue in Porterville was adapted for multi-tenant (3) retail users in 2008. Approximately 20,000 square feet of the store’s original building space was demolished to accommodate an expanded Target store. Of the remaining building, Maurice’s, a women’s apparel store, occupied approximately 4,300 square feet in 2008. To date (March 2011), the remaining approximately 30,300 square feet of building space remains unoccupied. However, according to City staff, the property owner was previously in negotiations with Ross for Dress for Less to reoccupy this remaining space. However, the status of those negotiations is unknown at this time. The smaller of the two uses was occupied in 2008 by Maurice’s, a women’s apparel store.
- A closed Monte Mart Grocery store in Hanford that was reoccupied by a 99 Cent Only discount store (August, 2008).

In addition to potential commercial reuse options, many of the supermarkets would also be candidates for some type of adaptive reuse, including uses ranging from a recreational facility (e.g., bowling alley, ice rink, fitness center) to institutional uses (e.g., government office facility, library, church, private school) to office/service type uses (e.g., call centers). There are numerous examples of vacant supermarkets and vacant “big box” stores being converted for these types of uses. In nearby Porterville, at the Eastridge Plaza center, a former Rite Aid store was converted into the Porterville Health Care Center in 2006. In addition, a Kmart store that was closed in 1995 and located on Henderson Avenue in Porterville was remodeled and reoccupied for a South County government complex in 2001, providing Health and Human Services, Probation, Workforce Investment Department, Employment Development Department, and private, non-profit training providers within

71,000± square feet of space. Two additional examples in Tulare County include two former Fairway Market stores in the City of Visalia. A former Fairway Market supermarket in northeast Visalia on the southeast corner of East Houston and North Cain was converted into a Tulare County Department of Education adult training facility in 1999. After the County vacated the property in early 2008, the property was reoccupied by a military academy. A second former Fairway Market, located on 1845 North Dinuba Boulevard in Visalia, is currently in the process of being converted to a Tulare County government complex.

For the reasons discussed above, a closed supermarket is unlikely to be subject to extended vacancy. If a vacancy were to occur, the property owner would have a strong economic incentive to maintain the vacant building in a condition suitable for re-tenanting. Few national retailers are expanding in the current challenging economic climate, in response to a significant drop in private household consumption. However, most experts expect the economy to fully recover by 2013. As the economy recovers, and job growth becomes positive once again, consumer demand is expected to increase. In response, national retailers will likely begin to add new stores to match the increase in demand.

#### *Effects of Potential Extended Vacancies*

Whereas TNDG believes, for the reasons described above, that a vacated supermarket space would ultimately be suitable for reuse with other retail tenants, it is acknowledged that a potential supermarket vacancy could possibly endure for as long as three or four years from the time the proposed Walmart opens. (As a practical matter, an impacted competitor store would not likely close immediately upon the opening of the proposed Walmart; thus the actual period of vacancy would likely be somewhat shorter than the indicated three to four years). It is therefore appropriate to consider the extent to which a closed supermarket could remain vacant for that period of time and not fall into physical disrepair.

Even in the worst-case scenario of any of the potentially vulnerable supermarkets being vacant for an extended period of time, TNDG believes that, due to their strong re-tenanting potential (based on the projected net demand for new retail space shown on Table 4.10-6), the owners of these buildings would not allow them to fall into disrepair. The example of the closed Save Mart store in the Eastridge Plaza Center in the City of Porterville illustrates the potential for re-tenanting closed supermarkets, even if they remain vacant for extended periods of time. This store remained vacant for approximately 15 years before Vallarta reoccupied the building in late 2009. Another example is the closed Safeway store just northwest of downtown in the City of Tulare. In the early 1980s, the Safeway store (located on 351 North K Street) closed, and it remained vacant until sometime in the mid 1990s when it was subdivided for multiple retail tenants – more than 10 years after the store closed. In 2002, the Tulare Joint Union High School District purchased the site and converted it into an adult school.

### Summary Conclusion Regarding Potential for Urban Decay

The proposed Walmart will potentially have substantial economic effects on existing retail businesses in the trade area. In this context, it is important to note that the terms “economic impact” and “economic effect” refer to loss of sales, or at most, closure of a business. Under CEQA, such purely economic impacts are not in themselves considered significant. In order to meet the definition of a “significant impact” under CEQA, there must be a substantial physical effect. For example, the competitive effects of a new project could result in a substantial economic impact to an existing business, leading to its closure and result in the vacancy of that space. If that space remained vacant for an extended period without regular maintenance such that it was subject to physical deterioration, then urban decay conditions could ultimately ensue. It is the ultimate physical effect of urban decay that would be considered a significant impact under CEQA, but not the substantial economic effect and ensuing chain of events that caused it.

Key conclusions regarding the proposed Walmart’s potential economic effects are summarized as follows:

- The Walmart grocery component could potentially cause one of the existing supermarkets in the Walmart’s trade area to close;
- There is sufficient “residual demand” (i.e., local purchasing power that currently “leaks” to retail facilities in larger cities) to support the non-grocery components of the proposed Walmart—including the space allocated to general merchandise, outdoor garden center, drive-through pharmacy and tire and lube facility sales—without negatively impacting existing retailers in these categories.

**Urban Decay Conclusion.** Whereas the potential closure of one of the trade area’s existing supermarkets is clearly a substantial economic impact, it is not likely to ultimately result in urban decay. There is sufficient residual demand to support the reuse of any vacated space with other (non-grocery) retail tenants. Thus, the proposed Walmart is not likely to result in urban decay. This conclusion also applies to the cumulative projects analysis as discussed below.

### **Cumulative Impact Analysis**

Whereas the above section examines potential impacts strictly related to the proposed Walmart, this section evaluates the cumulative impacts to the market based on all known planned and pending retail development projects (including the proposed Walmart evaluated in this analysis) in the retail trade area. The balance of the Wasco Center—the components in addition to the Walmart store—is the only known planned and or pending retail development in the trade area. The Wasco Center is approved for development of approximately 253,750 sq ft of retail space exclusive of the Walmart store. This retail square footage is comprised of approximately 115,000 sq ft of large box retail uses, a 105,000 sq ft shopping center, and 33,750 sq ft of restaurant space. The current Wasco Center project plan calls for 67,500 sq ft of “restaurant/office” space. For the purpose of this analysis, it is

assumed that half of the restaurant/office space will be restaurant (i.e., retail) space. There are no known tenants at this time, and the Wasco Center project is not expected to be completed until some time after 2015.

Table 4.10-7 provides a summary of the demand for new retail space (see Table 4.10-6) along with projected supply increases in the market. As shown in the table, the analysis accounts for vacant space resulting from the potential closure of a supermarket. Since specific data on individual store performance and break-even thresholds are closely held and not available for this study, it is not possible to predict with any degree of accuracy which particular supermarket would be most vulnerable to closure. However, for purposes of calculating worst-case impacts, this analysis assumes that the largest existing supermarket (approximately 29,160 sq ft) in the trade area would potentially close due to competitive impacts from the proposed Walmart.

As shown in Table 4.10-7, the development of the proposed Walmart along with the balance of the Wasco Center would result in a retail vacancy rate of 13.0 percent in the trade area in 2015. This rate is slightly above the 5 percent to 10 percent that is considered normal for a healthy, balanced retail market. Growth in demand is projected to return the market's retail vacancy to a more acceptable level by 2020 and to a level below 5.0 percent by 2025. Theoretically, the growth in demand would be sufficient to absorb all but 2.8 percent of the vacant space in the trade area by that time. However, it is likely that there will remain a "structural vacancy rate" of at least 5 percent to accommodate normal turnover of retail tenants.

**Table 4.10-7: Supply and Demand for Retail Building Space  
Based on Development of Planned and Pending Projects  
Wasco Retail Trade Area**

Demand/ Supply Variable	2010	2015	2020	2025
<b>DEMAND</b>				
Existing Occupied sq ft <sup>1</sup>	729,512	729,512	729,512	729,512
Adjustments for Potential Future Vacancies -- Existing Supermarket <sup>2</sup>		(29,160)	(29,160)	(29,160)
Net Occupancy, Existing Space	729,512	700,352	700,352	700,352
Potential Demand for New Occupancies (Non-Grocery) <sup>3</sup>		318,047	364,705	440,998
<b>New Occupied Supermarket sq ft<sup>4</sup></b>		<b>34,253</b>	<b>34,253</b>	<b>34,253</b>
Net Demand for New Occupancies		1,052,652	1,099,310	1,175,603
<b>Potential Occupied Square Feet</b>	<b>729,512</b>	<b>1,052,652</b>	<b>1,099,310</b>	<b>1,175,603</b>
<b>SUPPLY</b>				
Total Existing sq ft <sup>5</sup>	786,335	786,335	786,335	786,335

**Table 4.10-7 (cont.): Supply and Demand for Retail Building Space  
Based on Development of Planned and Pending Projects  
Wasco Retail Trade Area**

Demand/ Supply Variable	2010	2015	2020	2025
Supply Increases:				
--Proposed Walmart		170,000	170,000	170,000
--Wasco Center		253,750	253,750	253,750
<b>Total Supply</b>	<b>786,335</b>	<b>1,210,085</b>	<b>1,210,085</b>	<b>1,210,085</b>
Vacant Space	56,823	157,433	110,775	34,482
Vacancy Rate	7.2%	13.0%	9.2%	2.8%
Notes:				
<sup>1</sup> Includes existing occupied retail and services space in the trade area (see Appendix G).				
<sup>2</sup> For purposes of worst-case scenario calculations, largest supermarket in trade area is projected to close.				
<sup>3</sup> Net demand for new retail space. See Appendix G (Table III-12) for retail category detail.				
<sup>4</sup> Square feet of all planned and pending supermarkets in the trade area.				
<sup>5</sup> Includes existing occupied and vacant retail and services space in the trade area (See Appendix G).				
Source: TNDG, 2010.				

In the event that the Walmart and the larger Wasco Center were built out by 2015, the trade area would be moderately oversupplied with retail space, based on a projected vacancy rate of 13.0 percent. For purposes of a CEQA analysis, we have assumed the absolute worst-case scenario regarding potential cumulative impacts. That is, the projected amounts of new retail space (and the corresponding estimate of oversupply of space) are relatively aggressive, being based on the assumption that both planned projects are completed by 2015. However, it is more likely that the Wasco Center will be built in phases based at least in part on commitments of retail tenants to occupy new space and on growth in retail demand from future population growth. Without commitments from key anchor tenants, the Center's developers will be unable to fill inline and other non-anchor space in the project. Moreover, without pre-leasing commitments from retailers, the developer of the Wasco Center will have difficulty obtaining development financing for the project.

In the event the Wasco Center (including the Walmart) were fully developed by 2015 (which is unlikely based on market conditions), it is possible that the trade area could become moderately overbuilt with retail space, as discussed above. If an overbuilt retail environment does develop, there could be a potential for business failures with resulting closures of retail facilities in the trade area. However, this projected degree to which the market would be overbuilt would not lead to significant cumulative impacts, as the worst-case projected vacancy rate would only be 13.0 percent. This projected worst-case vacancy rate is only slightly above the range for a healthy, balanced retail market (approximately 5 percent to 10 percent). Further, the slightly elevated vacancy rate would only be temporary; due to continued growth in the market, the projected vacancy rate would fall back to 9.2 percent by 2020 (see Table 4.10-7 above).

Along with the fact that the projected worst-case vacancy rate under cumulative conditions would not lead to urban decay, none of the future tenants of Wasco Center, beside Walmart, has been identified. As such, it is currently not possible to identify which retail categories might become overbuilt, or to identify existing businesses in those categories that might be forced to close. Therefore, any attempt to identify specific vacancies, which might result, or to determine the potential for physical deterioration or urban decay, would be speculative in this context. For purposes of evaluating CEQA impacts, it is not required or valid to engage in speculative analysis. Rather, we assume that the Wasco Center will likely be developed in phases only if and when future demand dictates and as retail tenants are identified over time, which assumptions are consistent with existing industry customs and practice.

Summarizing the above, there would be no significant cumulative impacts to existing or reasonably foreseeable retail facilities in the trade area.

***Mitigation Measures***

Project Specific

No mitigation measures are required.

Cumulative

No mitigation measures are required.

***Level of Significance After Mitigation***

Project Specific

Less than significant.

Cumulative

Less than significant.

