

5 ECONOMIC IMPACT AND URBAN DECAY ANALYSIS

5.1 INTRODUCTION

This section incorporates the information contained in the *Draft Rocklin Crossings Economic Impact Analysis, Rocklin, California* (Economic Impact Analysis) prepared for the proposed project by CBRE Consulting in December 2006. The complete analysis is included as appendix B in this EIR.

5.1.1 CONSIDERATION OF SOCIOECONOMIC IMPACTS

The State CEQA Guidelines define the parameters under which the consideration of socioeconomic impacts is included in an environmental evaluation. State CEQA Guidelines Section 15131 states that “[e]conomic or social information may be included in an EIR or may be presented in whatever form the agency desires.” Further, Section 15131(a) of the Guidelines states that “[e]conomic or social effects of a project shall not be treated as significant effects on the environment. An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to *physical changes* caused in turn by the economic or social changes [emphasis added]. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.” State CEQA Guidelines Section 15131(b) also provides that “[e]conomic or social effects of a project may be used to determine the significance of physical changes caused by the project.” For example, the level of significance of a physical division of a community from the installation of rail lines could be measured by the social effect on the community.

In the case of the proposed project, concern has been expressed that the location of a major new retail establishment could, through its economic effects, result in secondary environmental impacts. The term commonly used to describe the physical effects that can result when new retail uses cause existing business closures and physical deterioration of the areas in which such businesses are located is urban decay.

In recent years, the California Courts have identified the term “urban decay” as the physical manifestation of a project’s potential socioeconomic impacts and have specifically identified the need to address the potential for urban decay in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the term “urban decay,” as opposed to the term “blight.” The court quoted “experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause “physical deterioration of [a] downtown area” or “a general deterioration of [a] downtown area.” (Id. at pp. 1206, 1207). The *Bakersfield* court also described the circumstances in which the duty to address urban decay issues arise.

Accordingly, there are two pertinent questions to be asked with regard to the effects of the proposed project in terms of this economic impact and urban decay analysis: 1) would the proposed new retail use result in sales losses that are sufficiently large at existing retail establishments to force some to close; and 2) would the affected closed stores stay idle long enough to create physical changes that could be defined as urban decay? The potential environmental impacts of shifts in retail sales from existing retail establishments to the proposed project may be deemed to be significant if the project:

- ▶ Is projected to result in economic or social changes from the project that would cause substantial and adverse physical changes; or
- ▶ Would cause urban decay.

Unless these criteria are met, impacts such as potential store closures and the potential shift of retail jobs, would not be deemed to be significant. While the City may determine that the effects of the proposed project on existing projects need to be taken into consideration in evaluating the merits of the proposed project, this Draft EIR does not identify a significant impact unless the aforementioned criteria are met.

5.2 STUDY CONCLUSIONS

5.2.1 STUDY METHODOLOGY

The purpose of the Economic Impact Analysis was to assess the economic impact of the proposed project on existing primary market area retailers, especially those offering goods similar to those expected to be sold at the project site. The Economic Impact Analysis also estimated the extent to which the project may or may not contribute to urban decay in the primary market area, as described below.

Several steps were performed in developing the Economic Impact Analysis in order to assess the project's economic impacts. In brief, these steps included the following:

- ▶ define the primary and secondary market areas;
- ▶ identify major competitive retailers in the market area;
- ▶ conduct fieldwork to evaluate existing market conditions;
- ▶ estimate the planned project's sales;
- ▶ collect and analyze market area taxable retail sales;
- ▶ conduct retail sales leakage analysis for the primary market area and the secondary market area;
- ▶ estimate the share of the project's sales to be generated by the primary and secondary market areas versus tertiary demand;
- ▶ estimate the maximum project impacts on existing primary market area retailers;
- ▶ estimate the share of the project's sales likely to be new to the primary market area;
- ▶ assess the competitiveness of existing primary market area stores and likely project impacts;
- ▶ identify planned retail projects in the primary market area;
- ▶ assess the cumulative impacts of planned retail projects in the primary market area; and
- ▶ assess the extent to which opening of the project may or may not contribute to urban decay in the primary market area.

5.2.2 SALES PROJECTIONS

As shown in Appendix B, the Economic Impact Analysis estimated that stabilized retail sales from the proposed project would total approximately \$230.5 million in 2009 dollars, comprised of:

- ▶ \$55.3 million in home furnishings and appliances;
- ▶ \$37.6 million in building materials;

- ▶ \$32.9 million in food store sales;
- ▶ \$30.9 million in general merchandise sales;
- ▶ \$14.2 million in apparel sales;
- ▶ \$5.1 million in eating and drinking places;
- ▶ \$54.5 million in “other retail stores” sales (including office supplies, gardening, or other specialty retail offerings).

Of these sales, approximately 95 percent, or \$219.0 million, is estimated to be generated by primary (Rocklin and Loomis) and secondary market area (Auburn and portions of unincorporated Placer County) residents. The remaining 5 percent of sales generated at the project site are expected to comprise tertiary demand, originating from unspecified locations outside the primary and secondary market area. Stabilized sales are not expected to occur the first year of facility operations, but rather the second or third year, which is typical of new retail operations. In order to be conservative, the analysis assumed stabilized sales are achieved in 2009. Accordingly, all dollar figures unless otherwise noted are presented in 2009 dollars.

5.2.3 IMPACTS ON EXISTING PRIMARY MARKET AREA RETAILERS

For the purposes of this analysis, the City of Rocklin and the Town of Loomis were identified as the project’s primary market area. A secondary market area was defined as the City of Auburn, and unincorporated parts of Placer County along the Interstate 80 corridor and in the neighborhood of Granite Bay. The City of Roseville was excluded from the market area because it is already served by two Wal-Mart stores (one of which is a Supercenter), two Home Depots, and a Lowe’s store. Therefore, it is unlikely that residents of Roseville would travel to the project site when they have the same or similar stores nearby.

Assuming that the new primary and secondary market area sales of the proposed project occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of \$33.9 million in sales upon stabilization of the proposed project in 2009 dollars. Table 5-1 details the potential sales diversion, which includes \$26.9 million in home furnishings and appliances sales and \$7.0 million in “other retail stores” sales. Because there is currently significant leakage in the apparel, general merchandise, food stores, eating and drinking places, and building materials categories, (i.e., residents of the primary market area spend money in those categories outside of Rocklin and Loomis), those categories would have no diverted sales. The total diverted impact, 5.0 percent of total sales, supportable square feet, and number of years for new retail demand to mitigate the diverted sales are broken down by retail category in Table 5-1 as follows:

Table 5-1 Summary of Impacts on Primary Market Area Retailers				
Retail Category	Diverted Sales (Mil)	Percent of Total Market Area Sales	Supportable Square Feet	Years to Mitigate
Apparel	\$0.0	0.0%	0	N/A
General Merchandise	\$0.0	0.0%	0	N/A
Food Stores	\$0.0	0.0%	0	N/A
Eating and Drinking Places	\$0.0	0.0%	0	N/A
Home Furnishings and Appliances	\$26.9	52.0%	97,700	20+ years
Building Materials	\$0.0	0.0%	0	N/A
“Other Retail Stores”	\$7.0	4.4%	19,500	1 to 2 years
Total	\$33.9	5.0%*	117,200	

Source: CBRE Consulting
 * This percentage represents the total diverted sales divided by the total market area sales.

For “other retail stores” there is 19,500 square feet of retail space at risk of long-term sales diversion. However, some future demand for retail is likely to come from population growth. In fact, population growth is estimated to compensate for lost sales at “other retail stores” sales within two years after the project is built.

The Economic Impact Analysis concludes that the only retail sector at risk of long-term sales diversion, and potential store closure, is home furnishings and appliances. For home furnishings and appliances, the amount of retail space at risk is 97,700 square feet. Theoretically, it could take more than 20 years for population growth to compensate for sales impacts on home furnishing and appliance stores. One reason why the Home Furnishings and Appliances category shows this amount of diversion is because of the new RC Willey store. However, given RC Willey’s location along the Highway 65 corridor, the primary market area for that store likely extends past Rocklin and Loomis to Roseville and Lincoln. A significant proportion of RC Willey’s sales are likely to originate with persons living outside of Rocklin and Loomis. Therefore, sales diversions are likely to be shared with Roseville and Lincoln.

5.2.4 CUMULATIVE ECONOMIC IMPACTS

The Economic Impact Analysis identified five other major planned retail projects in the primary market area: Stanford Plaza, Blue Oaks Town Center, Rocklin Commons, the Granite Drive project and Rocklin Marketplace. Because the Rocklin Commons, the Granite Drive project and Rocklin Marketplace are still in the planning stages, the specific tenants that will ultimately locate in these developments is not currently known. However, some tenants have been preliminarily identified for the Rocklin Commons Project including Target, Kohl’s and/or Linen & Things. The Stanford Plaza shopping center is currently under construction and has a bank tenant. The remaining space has yet to be occupied. The Blue Oaks Town Center project is mostly built and operational, and has major tenants that include RC Willey, Sportsman’s Warehouse, Mervyn’s, Dress Barn, Steinmart and Shoe Pavilion. These five projects have the potential to generate retail sales totaling \$497.2 million, in addition to the \$230.5 million projected for the proposed project.

Assuming all the projects are built, including the proposed project, the maximum annual impact to primary market area retailers is estimated at \$212.0 million in diverted sales, with the apparel category representing \$38.5 million, the home furnishings and appliances representing \$68.7 million, and “other retail stores” representing \$104.9 million in diverted sales. Assuming the five cumulative projects are built, there would be a significant increase in diverted sales from primary market area retailers in the home furnishings and appliances and “other retail stores” categories. Without the cumulative projects, there are no impacts on the apparel category, but including the five projects creates a substantial effect on apparel stores sales. Because of substantial retail leakage in the general merchandise, food stores, eating and drinking places and building materials categories, there are no diverted sales impacts estimated.

Based upon analysis of the market area’s retail base, and expectations regarding sales diversions, the Economic Impact Analysis concludes that the following retail square footage in the market area is most at risk due to the cumulative projects (i.e., the proposed project and the five planned projects):

- ▶ Apparel stores totaling 151,500 square feet;
- ▶ Home furnishing and appliance stores totaling 249,700 square feet; and
- ▶ “Other retail stores” totaling 292,200 square feet.

These figures are conservative, as they do not take into account factors such as prospective market corrections or enhancements following the introduction of the cumulative projects into the marketplace or the potential increase in consumer spending pursuant to real income growth. Also, given the large amount of potential retail development that is planned for Rocklin, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city that attracts sales from non-residents, similar to the City of Roseville.

5.2.5 URBAN DECAY DETERMINATION

IMPACT 5-1 **Urban Decay.** *Implementation of the proposed project would result in some diverted sales and some closures of primary market area stores may occur. However, these diverted sales and possible closures are unlikely to result in urban decay. This would be considered a **less-than-significant** impact.*

The Economic Impact Analysis assessed the probability of urban decay ensuing from development of the proposed project and the additional planned projects, with urban decay defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. If, for example, any market area stores close due to the proposed project, the analysis considers if they are likely to remain vacant for a prolonged period of time (i.e., more than one to two years) or be leased to other retailers within a reasonable marketing period (i.e., within three months to one year).

The retail market research conducted as part of the Economic Impact Analysis indicated that the retail market in Rocklin/Loomis has been strong, with low vacancy rates. This low vacancy is an indication of the market's stable performance and the ability to re-tenant vacancies as they occur. Brokers indicate that local grocery stores are likely to experience negative sales impacts from the proposed Wal-Mart Supercenter at the project site, but none of the brokers expected that impacts would lead to store closures. Brokers also indicated that if stores close, vacancies would eventually be filled, although it might take up to a year in some cases, and the new stores may not be traditional retailers (e.g., an automotive repair/supply use replacing a former supermarket). The closest grocery stores to the project site are the Safeway in the Rocklin Square Shopping Center and the Raley's Supermarket in the Loomis Town Center. These stores are the most likely to experience some sales impacts from the proposed Wal-Mart Supercenter at the project site.

However, the opinions of brokers that no grocery store is likely to close is supported by the retail leakage analysis, which shows that two recent grocery store closures in the City of Rocklin leave more than enough demand to support the currently operating grocery stores and the projected grocery sales of a Supercenter at the project site.

The Economic Impact Analysis concluded that while it is expected that the proposed project would result in some diverted sales and that some closures of primary market area stores may occur, these events are not expected to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Therefore, although development of the proposed project may contribute to further retail vacancies in the primary market area, those vacancies are unlikely to result in urban decay. Therefore, this impact would be considered **less than significant**.

Mitigation Measure 5-1: Urban Decay.

No mitigation measures would be necessary.

Level of Significance after Mitigation

The project's urban decay impacts would be considered less than significant.