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## 3.18 - Urban Decay

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### 3.18.1 - Introduction

This section describes the existing urban decay setting and potential effects from Project implementation on the site and its surrounding area. Section 15125 of the State CEQA Guidelines requires EIRs to include a description of the physical environmental conditions in the area of a project that exist at the time that the Notice of Preparation (NOP) is circulated. These environmental conditions normally constitute the baseline physical conditions relative to which the CEQA lead agency evaluates the change in conditions that would result from project implementation. The NOP for this Draft EIR was issued on February 27, 2009. Therefore, environmental conditions as of February 2009 represent the baseline for CEQA purposes. To evaluate the footprint impacts of the Proposed Action (e.g., effects on urban decay), the conditions in 2009 are considered to be the baseline. Buildout of the Project is then added to existing conditions in order to determine whether Project implementation would substantially remove or impact the resources, thereby resulting in a significant impact on the environment. Data used to determine the baseline for urban decay were derived from information contained in the Urban Decay Analysis prepared on April 12, 2011 by The Natelson Dale Group, Inc. (TNDG), included in this EIR as Appendix J. In order to comprehensively evaluate potentially significant adverse Project-level and cumulative impacts, each of the following aspects of the overall Project was evaluated.

1. Potential urban decay impacts of the Walmart's grocery component on existing supermarkets within the market area.
2. Potential urban decay impacts associated with the introduction of Walmart general merchandise space and non-Walmart specialty merchandise space on existing general and specialty merchandise retailers in the trade area.
3. Potential urban decay impacts associated with proposed fast food and restaurant space on such existing uses in the trade area.
4. Potential urban decay impacts associated with the proposed fuel facility on such existing businesses in the trade area.
5. The degree to which there will be market demand to support reuse or redevelopment of the existing Redlands Walmart store once it is vacated.
6. The cumulative impacts associated with the Project when its economic impacts are considered together with the economic impacts of all major retail Projects currently planned for development in the trade area.

Each of these aspects are addressed individually under Section 3.18.5, Project Impacts and Mitigation. Therefore, data used to derive baseline conditions is based on existing conditions at the time of NOP issuance (February 27, 2009 through March 31, 2009) and are appropriate to use within the following analysis.

### 3.18.2 - Environmental Setting

#### Overview of Urban Decay

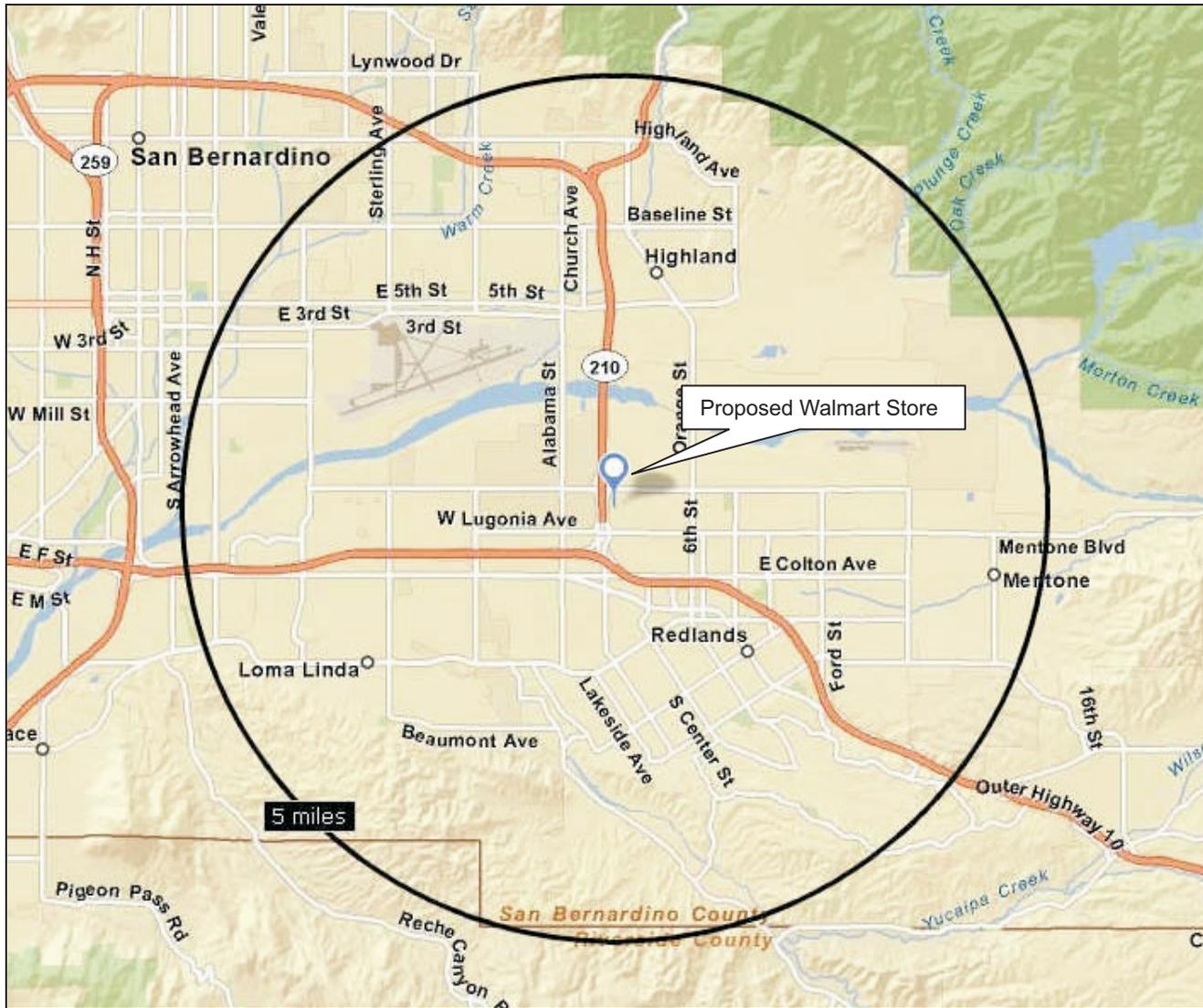
California Environmental Quality Act (CEQA) requires consideration of potential economic impacts of a retail development Project if such impacts have the potential to indirectly result in adverse physical changes to the environment. Adverse physical changes to the environment from economic effects generally manifest themselves in the form of urban decay. Although the term “urban decay” has not been defined by either State statute or judicial decision, it is generally defined as, among other characteristics, visible symptoms of physical deterioration that invites vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long-term vacancies. The outward manifestation of urban decay includes, but is not limited to, boarded doors and windows, dumping of refuse, deferred maintenance of structures, unauthorized use of buildings and parking lots, littering, and dead or overgrown vegetation. Recent California court decisions (*Bakersfield Citizens for Local Control v. City of Bakersfield*; *Panama 99 Properties, LLC, and Castle & Cooke Commercial-CA, Inc.*, and *Anderson First Coalition, et al. v. City of Anderson, et al. and FHK Companies, et al.*) have made clear that, for large retail developments, CEQA review must include an assessment of the possibility of urban decay and deterioration and indirect physical impacts on the environment resulting from the economic impacts of the Project. Although the physical deterioration conditions resulting from urban decay are similar to the State of California definition of “blight” physical conditions (See section 3.18.3) for definition) within the context of CEQA “urban decay” differs from blight in that it is caused by economic conditions and deteriorated physical conditions, whereas blight may include either or both deteriorating economic and physical conditions.

#### Trade Areas

For purposes of analyses, the TNDG Report defined the geographical market areas or “trade areas” that were used to define Project impacts. A separate trade area was defined just for the supermarket/grocery component of the Project, and a trade area (with defined subareas) for the non-grocery component of the Project was also defined. These trade areas described below and are referenced frequently in the balance of this Section of the Draft EIR document.

#### Supermarket Component Trade Area

According to the International Council of Shopping Centers (ICSC) – the premier trade association of the shopping center industry – a stand-alone supermarket would typically have a primary trade area of three miles or less. However, the Project, being a Walmart store that combines a general merchandise store with a full-scale supermarket, would be expected to draw consumers from a larger trade area. Reflecting the unique market characteristics of this type of Walmart store, the trade area for the supermarket component of the Project has been defined in terms of a 5-mile radius centered on the Project site. This trade area corresponds to the trade area for a typical community-scale shopping center. A map of the trade area is shown on Exhibit 3.18-1. Hereinafter, this trade area is referred to as the Community Retail Trade Area (CRTA).



Source: The Natelson Dale Group, Inc., February 2011.



Michael Brandman Associates

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## Exhibit 3.18-1 Community Retail Trade Area Boundaries

REDLANDS CROSSING CENTER  
ENVIRONMENTAL IMPACT REPORT



### **Non-Grocery Component Trade Area**

The Project will be part of a major regional retail shopping area, based on the concentration of existing and planned regional-serving retail adjacent to the Project site. It is therefore appropriate to consider a relatively large trade area for the non-grocery components of the Project. For purposes of this analysis, the regional trade area is defined by the following three sub-areas:

1. Primary Market Area (PMA): The incorporated boundaries of the City of Redlands.
2. Secondary Market Area – East (SMA-E): An irregular-shaped polygon defined by Traffic Analysis Zones (TAZs) primarily to the east of the City. The southern boundary extends to the Live Oak Canyon Road/County Line Road, approximately 4 miles from the Project site; the western boundary extends primarily to Mountain View Avenue/Sterling Avenue, approximately 4 miles from the Project site; and the northern and eastern boundaries extend to approximately 12 miles from the Project site.
3. Secondary Market Area – West (SMA-W): An irregular-shaped polygon defined by TAZs to the west of the City. The southern boundary extends to Main Street, approximately 6 miles from the Project site; the eastern boundary extends primarily to Mountain View Avenue/Sterling Avenue, approximately 4 miles from the Project site; and the northern and western boundaries extend to approximately 12 miles from the Project site.

A map of the regional trade area is shown on Exhibit 3.18-2. Hereinafter, this trade area is referred to as the Regional Retail Trade Area (RRTA).

### **Overview of Existing Retail Market in Redlands**

#### **Community Retail Trade Area**

Table 3.18-1 provides the square footage and vacancy rates of all supermarket-anchored shopping centers in the CRTA.<sup>1</sup> As shown in the table, there is approximately 1.28 million square feet of supermarket-anchored shopping center space in the CRTA, including approximately 91,600 square feet of vacant space, resulting in an overall vacancy rate of 7.2 percent. Based on this information, there does not appear to be major indications of economic or physical decline of supermarket-anchored shopping centers in the CRTA. Although there are a couple of centers with relatively high vacancy rates, the overall estimated vacancy rate indicates the market is relatively healthy; vacancy rates in relatively healthy retail markets typically range from 5 percent to 10 percent.

#### **Regional Retail Trade Area**

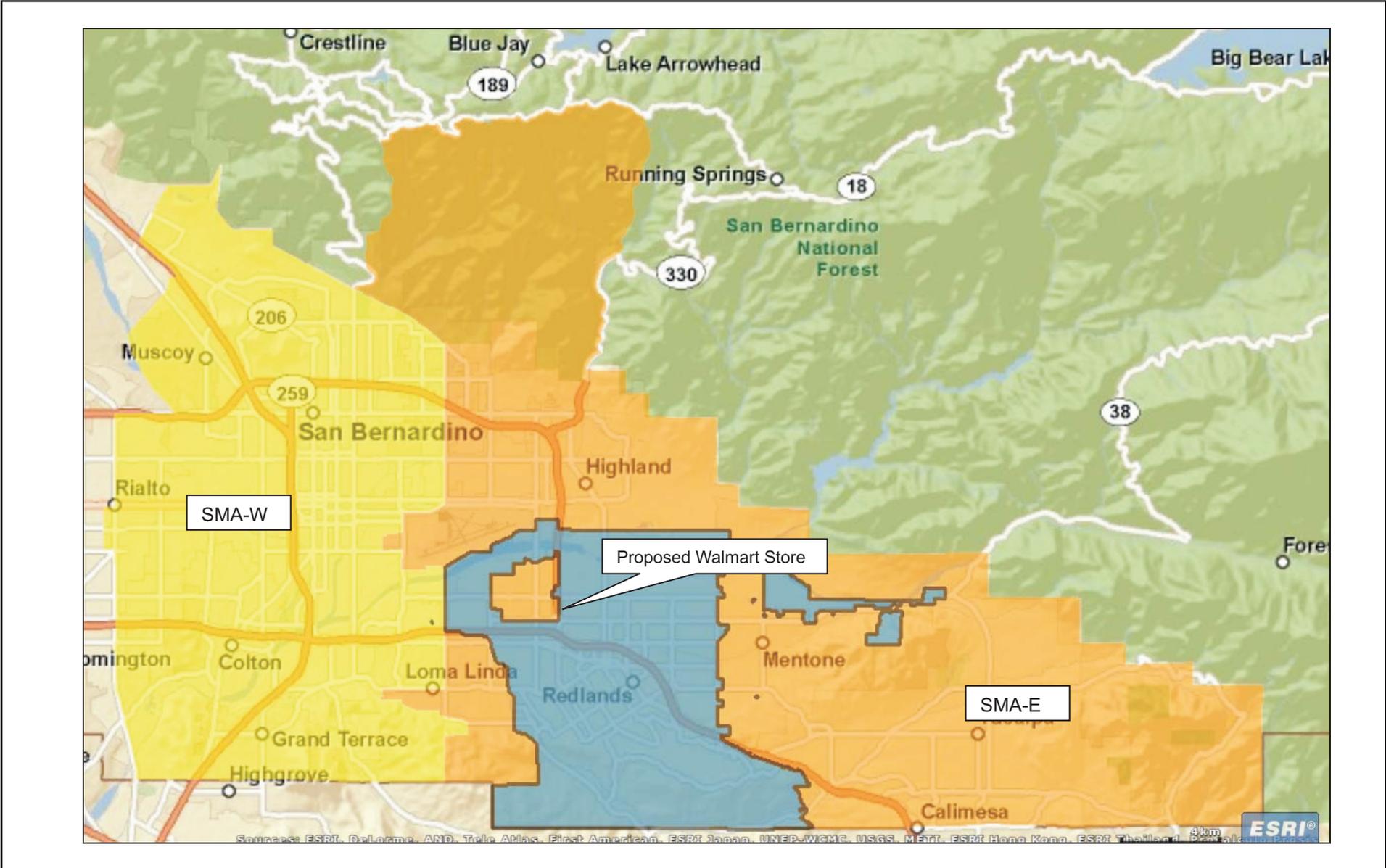
TNDG inventoried all retail space (including shopping centers and freestanding) in the City of Redlands, which represents the primary market area for the RRTA. A summary of the inventory, broken down by retail type and area, is provided in Table 3.18-2. A detailed inventory of the individual tenants is provided in Appendix E of the TNDG Report located in Appendix J of this

<sup>1</sup> A complete inventory of these shopping centers, including all tenants, is provided in Appendix E of the TNDG report, which is located in Appendix J of this document.

document.<sup>2</sup> Overall, there does not appear to be major indications of economic or physical decline in the City of Redlands. TNDG estimates that retail space in the City totals approximately 3.41 million square feet, which is approximately 90.4 percent occupied. As discussed above, although at the high of the range this vacancy rate is indicative of a relatively healthy retail market. In addition, the estimated vacancy rate may be slightly overstated since all storefront vacant space in the downtown has been counted as retail space. Given the significant presence of office space in the downtown, it is possible that some of the vacant space will ultimately be marketed for office uses (in which case it would be excluded from the retail vacancy rate calculations, resulting in a lower overall vacancy rate).

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<sup>2</sup> It should be noted that listed retail space in CRTA and RRTA is not mutually exclusive. That is, the grocery-anchored centers in the CRTA that are located in the City of Redlands are also included in list of the RRTA neighborhood centers.



Source: The Natelson Dale Group, Inc., February 2011.



## Exhibit 3.18-2 Regional Retail Trade Area Boundaries



**Table 3.18-1: Grocery-anchored Shopping Centers Community Retail Trade Area**

Shopping Center	Location	Supermarket 1/	Total Square Feet	Vacant Square Feet	Vacancy Rate
University Plaza	800 E Lugonia Ave., Redlands, CA	Redlands Ranch Market	79,087	0	0.0%
Stater Bros. Center	11 E Colton Ave., Redlands, CA	Stater Bros.	25,610	0	0.0%
Orange Street Plaza	410-552 Orange St., Redlands, CA	Vons / Trader Joes	156,592	10,074	6.4%
Citrus Village Plaza	450 E Cypress Ave., Redlands, CA	Albertsons	153,276	10,752	7.0%
Gerrard's Market	705 W Cypress Ave., Redlands, CA	Gerrard's	22,540	0	0.0%
Brookside Plaza	1536-1578 Barton Rd., Redlands, CA	Stater Bros.	89,662	6,031	6.7%
Smart & Final	1720 W Redlands Blvd., Redlands, CA	Smart & Final	14,800	0	0.0%
Village at East Highlands	28930 Greenspot Rd., Highland, CA	Stater Bros.	55,247	0	0.0%
Lugonia Plaza	1748 E Lugonia Ave., Redlands, CA	Stater Bros.	68,111	4,570	4.1%
Mountain View Plaza	11235 Mountain View Ave, Redlands, CA	Clarks	45,936	0	0.0%
Loma Linda Plaza	25538 Barton Rd., Loma Linda, CA	Stater Bros.	116,733	19,631	20.5%
Highland Village Plaza	7197 Boulder Ave., Highland, CA	Albertsons	134,050	7,790	7.0%
Stater Bros. Center	3605 Highland Ave., Highland, CA	Stater Bros.	61,557	8,183	9.0%
Food 4 Less Center	26529 Highland Ave., Highland, CA	Food 4 Less	81,500	0	0.0%
Loma Linda Market	11161 Anderson St., Loma Linda, CA	Loma Linda Market	19,250	0	0.0%
Rio Ranch Shopping Center (1)	26500 9th St., Highland, CA	Rio Ranch Market	21,748	0	0.0%
Rio Ranch Shopping Center (2)	25745 Base Line St., San Bernardino, CA	Rio Ranch Market	44,360	0	0.0%

**Table 3.18-1 (cont.): Grocery-anchored Shopping Centers Community Retail Trade Area**

Shopping Center	Location	Supermarket 1/	Total Square Feet	Vacant Square Feet	Vacancy Rate
Seley Plaza	2028 E Highland Ave., San Bernardino, CA	Rio Ranch Market	88,588	24,618	19.2%
<b>TOTAL – CRTA</b>			<b>1,278,647</b>	<b>91,649</b>	<b>7.2%</b>

Source: TNDG, CoStar Group.

1/ Although some of the supermarkets on this table (e.g., Gerrard's, Clarks, Trader Joes, Smart & Final, and Loma Linda Market) are more specialty-type grocers and would not be considered direct competitors of Walmart, these stores would capture some of the supermarket demand in the CRTA (see Appendix B of the TNDG report for additional detail).

**Table 3.18-2: Summary of Retail Space by Type Regional Retail Trade Area – PMA (City of Redlands)**

Shopping Center Type/Area	Total Square Feet	Vacant Square Feet	Vacancy Rate
Community / Regional Centers	1,968,215	230,305	11.7%
Neighborhood Centers (grocery-anchored)	609,678	31,427	5.2%
Neighborhood Centers (non-grocery) & Freestanding	566,337	42,920	7.6%
Downtown Area	256,313	21,135	8.2%
<b>TOTAL</b>	<b>3,400,543</b>	<b>325,787</b>	<b>9.6%</b>

Source: TNDG; Costar Group

\*See Appendix E of the TNDG report (appendix J) for a detailed inventory of the shopping centers and retail tenants.

### 3.18.3 - Regulatory Framework

#### State

#### **California State Health and Safety Code**

California State Health and Safety Code Sections 33031(a) and 33031(b) define economic and physical conditions that constitute blight.

Economic conditions that constitute blight include:

- Depreciated or stagnant property values or impaired investments, including as a result of hazardous wastes.

- Abnormally high business vacancies, abnormally low lease rates, high turnover rates, abandoned buildings, or excessive vacant lots within an area developed for urban uses and served by utilities.
- A lack of necessary commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores, banks, and other lending institutions.
- Residential overcrowding or an excess of bars, liquor stores, or other businesses that cater exclusively to adults, which has led to problems of public safety and welfare.
- A high crime rate that constitutes a serious threat to the public safety and welfare.

Physical conditions that constitute blight include:

- Buildings in which it is unsafe or unhealthy for persons to live or work. These conditions can be caused by serious building code violations, dilapidation and deterioration, defective design or physical construction, faulty or inadequate utilities, or other similar factors.
- Factors that prevent or substantially hinder the economically viable use or capacity of buildings or lots. This condition can be caused by a substandard design, inadequate size given present standards and market conditions, lack of parking, or other similar factors.
- Adjacent or nearby uses that are incompatible with each other and which prevent the economic development of those parcels or other portions of the Project area.
- The existence of subdivided lots of irregular form and shape and inadequate size for proper usefulness and development that are in multiple ownership.

### **California Environmental Quality Act**

CEQA requires that significant effects on the environment be analyzed, disclosed, and mitigated, if feasible, prior to the approval of discretionary land use approvals. The CEQA Guidelines require that both direct and reasonably foreseeable indirect physical changes be evaluated during the environmental review process. A direct physical change is caused by—and is immediately related to—the Project. Examples of direct physical changes are construction-related dust, noise, and traffic. An indirect physical change is not immediately related to the Project but is caused indirectly by the Project. An example of an indirect physical change would be the construction of a new sewage treatment plant that provides additional wastewater treatment capacity that may facilitate population growth and may lead to an increase in air pollution.

In the context of CEQA, urban decay is considered an indirect physical impact. The development of new commercial retail space in a retail market has the potential to result in the closure of competing business, which may, in turn, result in vacant storefronts that meet the definition of urban decay.

## Methodology

In general terms, the methodology of the TNDG report (and this section of the DEIR) forecasts the total retail “purchasing power” for residents within the trade area, and uses this Projection of total demand as the basis for determining the extent to which the Project could be supported in the market areas without negatively impacting existing businesses to such an extent that urban decay could potentially be caused. Two separate but closely related analyses are provided: one which evaluates the potential impacts of the Project’s supermarket component and one which evaluates potential impacts related to the other (i.e., non-grocery) components of the Project. For the reasons previously described under section 3.18-2, the study considers different trade areas for the two separate analyses. In-depth technical descriptions with respect to the Demand Analysis Methodologies used are provided in Sections III and IV of the TNDG report, which can be found in Appendix J of this document.

## NOP Comment Letters

A Notice of Preparation (NOP) comment letter was provided by the County of San Bernardino Land Use Services Department on September 10, 2007. The Land Use Services Department stated that the potential physical impacts caused by blighted conditions arising from an over concentration of Walmart stores within five miles (of this proposed new site). This assessment should consider the potential to close the existing Walmart on Redlands Blvd. in Redlands, and the Walmart on Highland Avenue, near SR-330 in San Bernardino as well as the new site proposed on 5th Street, in Highland. The assessment should also evaluate the fiscal effects on other retail businesses in the vicinity that could be adversely impacted, which in turn could result in businesses closing, with effects leading to blighted conditions.

### 3.18.4 - Thresholds of Significance

Implementation of the Project would result in significant urban decay impacts if it would:

- Create long-term store vacancies or result in the abandonment of buildings within the retail market served by the Project; or
- Result in the physical deterioration of properties or structures that impairs the proper utilization of the properties or structures, or health, safety, and welfare of the surrounding community.

### 3.18.5 - Project Impacts and Mitigation Measures

This section discusses potential impacts associated with the development of the Project and provides mitigation measures where appropriate.

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## Urban Decay

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**Impact UD-1: Create long-term store vacancies or result in the abandonment of buildings within the retail market served by the Project?**

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### ***Impact Analysis***

This impact area assesses the Project's potential affects on urban decay with respect to competing retailers within the defined trade areas. Each of the various components of the Project is addressed individually below.

### ***Impact of Walmart Grocery Component***

The proposed Walmart store is estimated to include up to 43,373 square feet of grocery space. Based on the size and configuration of the proposed store, TNDG projected that the grocery component of the store would generate sales of approximately \$614 per square foot of building space, or approximately \$26.6 million<sup>3</sup> in annual grocery sales.

By evaluating the trade area demographic characteristics and the typical portion of household income spent on supermarket goods, TNDG estimated that the year 2010 sales potential for existing supermarkets within the CRTA was \$480 per square foot. In comparison, the median sales performance measures for supermarkets in the U.S. and the Western U.S. are approximately \$473 and \$418 per square foot, respectively.<sup>4</sup>

Total demand for supermarket sales in the trade area is projected to increase from approximately \$324.2 million in 2010 to approximately \$337.0 million in 2013, the assumed opening date of the Project. By 2020, total demand for supermarket sales in the trade area is projected to reach approximately \$369.0 million (all projections are given in 2010 constant dollars). Table 3.18-3 evaluates the impact of the Walmart's grocery sales in terms of the potential reduction in the sales per square foot volume at the 18 existing supermarkets.

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<sup>3</sup> Based on data from Progressive Grocer's 2010 *Super 50* publication, the national average sales volumes for Walmart grocery space is \$857 per square foot of sales area. Based on the floor area configuration for the grocery component of the proposed Walmart store, the grocery sales area is equal to approximately 72% 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 \$614 per square foot ( $\$856.94 \times 71.7\%$ ).

<sup>4</sup> Based on data for neighborhood centers in the 2008 edition of the Urban Land Institute's (ULI) *Dollars & Cents of Shopping Centers*.

**Table 3.18-3: Potential Sales Impacts to Existing Supermarkets  
Community Retail Trade Area In thousands of Constant Dollars**

Description	2010	2013	2014	2016	2018	2020
Total Potential Demand for Supermarket Sales (000s)	\$324,179	\$337,016	\$341,407	\$350,361	\$359,550	\$368,980
Estimated Walmart Store Grocery Sales (000s)		\$26,631	\$26,631	\$26,631	\$26,631	\$26,631
Net Demand for Supermarket Sales (000s)	\$324,179	\$310,385	\$314,776	\$323,730	\$332,919	\$342,349
Existing Supermarket Square Feet	675,818	675,818	675,818	675,818	675,818	675,818
Sales Per Square Foot – Existing Supermarkets	\$480	\$459	\$466	\$479	\$493	\$507
Source: TNDG.						

As discussed above, the current potential sales volumes of the existing stores is estimated to be slightly above the industry median (for supermarkets in the U.S.) of about \$473, suggesting that the existing stores are – on average – performing in line with the typical sales volumes of supermarkets nationwide. Thus, it is likely that the supermarket component of the Project would result in reduced sales volumes at the existing stores. Assuming the supermarket component of the Walmart store opens in 2013, a significant portion of its initial sales would be derived from sales diversions from existing stores in the CRTA. TNDG Projects that, with the opening of the Project in 2013, the potential sales volumes at the existing supermarkets in the CRTA would decrease to an average of \$459 per square foot, representing a reduction of 4.3 percent from the existing sales per square foot average of \$480 (see Table 3.18-3 above). However, projected growth in trade area demand would be sufficient for the sales volumes at the existing supermarkets to recover to approximately 97 percent of existing levels by 2014 (i.e., one year after the Project's first full year of operation).

The development of the Walmart supermarket component is unlikely to cause any existing supermarkets in the trade area to close, given that average sales volumes at the existing supermarkets in the trade area would never drop below 95 percent of the 2010 level. Moreover, sales volumes are projected to recover to 97 percent of existing levels within one year of the Project's first full year of operations, and to 100 percent in 2016 (i.e., within three years of the Project's first full year of operation). Since the estimated short term, (pre 2016) reduction in sales for the existing stores is not expected to result in store closure over either the short or long term; potential adverse impacts for the grocery component of the Project with respect to urban decay would be less than significant.

**Impact of Project on General Merchandise and Other Retail Sales**

The Project would result in a net increase of 74,327 square feet of retail space devoted to GAFO<sup>5</sup> (General Merchandise, Apparel, Furniture/Appliances and Other/Specialty). Although the proposed Walmart’s general merchandise space would total approximately 171,627 square feet, a full 126,000 square feet of this amount would just be a replacement of the existing Walmart on 2050 West Redlands Boulevard. In addition, the Project would include 28,700 square feet of Other/Specialty space (separate from Walmart).

TNDG provided an analysis of GAFO existing supply and demand which indicated a year 2009 market support for \$478.4 million in GAFO retail sales in the City of Redlands. Existing sales in these retail categories in the City are estimated at \$429.8 million, suggesting that approximately 10 percent of potential GAFO sales in the City are currently being lost to other jurisdictions. In other words, there is currently an estimated \$48.6 million (\$478.4 million – \$429.8 million) in unrealized GAFO demand in the City – demand that could be recaptured with the development of additional retail facilities. The \$48.6 million in unrealized demand translates into approximately 137,100 square feet of additional GAFO retail space that could be currently supported in the City.

TNDG also estimated projected growth in demand within the Primary Market Area (the corporate boundaries of Redlands) indicating that potential demand for new retail space in the GAFO retail categories is projected to grow to approximately 413,900 square feet by 2013 (the Project’s assumed opening date). Net demand for new GAFO space is projected to grow to approximately 484,900 square feet by 2016. See Table 3.18-4 below, for a breakdown of supportable square feet within the GAFO retail categories from 2013 to 2025.

**Table 3.18-4: Potential Demand for NEW Retail Space  
Regional Retail Trade Area – PMAGAFO Retail Categories**

<b>Retail Category</b>	<b>2013</b>	<b>2014</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>	<b>2022</b>
Apparel	62,780	65,566	71,233	77,030	89,959	88,577
General Merchandise	112,830	120,910	137,344	154,155	171,350	187,642
Furnishings/Appliances	75,324	76,494	78,874	81,309	83,799	86,159
Other/Specialty	121,595	130,621	148,983	167,764	186,976	205,178
Services Space @ 10% of Retail	41,392	43,732	48,493	53,362	58,343	63,062
<b>GAFO Total</b>	<b>413,921</b>	<b>437,323</b>	<b>484,927</b>	<b>533,620</b>	<b>583,427</b>	<b>630,618</b>
Source: TNDG.						

<sup>5</sup> “GAFO” is a retail industry acronym for the General Merchandise, Apparel, Furniture, and Other/Specialty sales categories. These categories correspond to the typical merchandise mix of a discount department store such as Walmart.

The Project will result in a net increase of 74,327 square feet of GAFO retail space, which will absorb approximately 18 percent of the residual market support for GAFO space in the trade area in 2013 (the Project's assumed opening date). Since this represents a relatively small portion of the residual market support, TNDG indicated that it is unlikely that the GAFO retail components of the Project will result in severe economic impacts to existing stores in the trade area. Therefore, it is unlikely that any existing retail stores will be forced to close due to the Project. Since the affects of the Project are not expected to result in store closures, which could, in turn if occurring over the long term, cause urban decay, the impact of the GAFO retail components of the Project would be less than significant.

#### ***Impact of Proposed Restaurant Space***

The Project would include 31,800 square feet of fast food and sit-down restaurant space. TNDG's demand analysis indicates existing (year 2009) potential market support for approximately \$125.6 million in restaurant sales in the PMA. Existing restaurant sales in the PMA are estimated at \$117.4 million, suggesting that there is currently \$8.2 million (\$125.6 million – \$117.4 million) in unrealized restaurant demand in the PMA. This translates into approximately 20,500 square feet of additional restaurant space that could currently be supported in the PMA.

Potential demand for new restaurant space in the PMA is projected to grow to approximately 66,700 square feet by 2013 (the Project's planned opening date). Net demand for new restaurant space is projected to reach approximately 78,000 square feet by 2016.

The Project will result in a net increase of 31,800 square feet of restaurant space. Given that residual market support for restaurant space in 2013 (the Project's planned completion date) is more than the twice the amount of planned square fee, the TNDG report indicates that it is unlikely that the restaurant component of the Project will result in severe economic impacts to existing restaurants in the trade area. Therefore, it is unlikely that any existing restaurants will be forced to close due to the Project. Since closure of existing restaurants in the PMA is not expected to be caused by the Project's introduction of new restaurant space, the potential for the Project to result in urban decay related to restaurants would be less than significant.

#### ***Impacts of Proposed Fuel Facility***

TNDG concluded in their study that the proposed fuel facility with convenience store and single user self-serve carwash would not have significant impacts on existing businesses. It is estimated that the service/gas station within the Project would generate sales of approximately \$4.2 million per year<sup>6</sup>. TNDG's analysis indicates existing market support for \$78.0 million in annual service station sales in 2009. Service station sales in 2009 were \$74.2 million, suggesting that the supply and demand for gasoline sales in the market is roughly in equilibrium, even if the service station proposed by the Project were in operation today. Due to growth in the market, residual demand for service station

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<sup>6</sup> The approximate average sales volume for all service stations in San Bernardino County in 2009 was approximately \$4.2 million.

sales in 2013 would equal approximately \$9.9 million, which is more than sufficient to support the projected service station sales at the Project. Thus, potential sales impacts to existing service stations are not expected to be significant with respect to urban decay, given that the Project’s service station sales would fit within the available “envelop” of residual or unmet demand.

**Potential for Reuse of Existing Walmart Site**

Given that the Project will result in the relocation of the existing Walmart store located at 2050 West Redlands Boulevard, it is necessary to evaluate the potential for the existing Walmart building to remain vacant for an extended period of time and thus becoming subject to physical blighting. The Project will add approximately 232,100 square feet of non-grocery retail space that will be need to be absorbed in the PMA. This total includes the following:

- The existing Walmart building – 126,000 square feet;
- The net increase in GAFO space proposed for the new Walmart – 45,627 square feet;
- The Project’s specialty merchandise space – 28,700 square feet; and
- The Project’s fast food and restaurant space – 31,800 square feet.

Table 3.18-5 Projects potential demand for absorption of this available space.

**Table 3.18-5: Potential Demand for NEW Retail Space (Expressed in Square Feet)  
Redlands Regional Trade Area - PMA**

Retail Category	2013	2014	2016	2018	2020	2022
Apparel	62,780	65,566	71,233	77,030	82,959	88,577
General Merchandise	112,830	120,910	137,344	154,155	171,350	187,642
Furnishings/Appliances	75,324	76,494	78,874	81,309	83,799	86,159
Other/Specialty	121,595	130,621	148,983	167,764	186,976	205,178
<b>GAFO Total</b>	<b>372,529</b>	<b>393,590</b>	<b>436,434</b>	<b>480,258</b>	<b>525,084</b>	<b>567,566</b>
Food (Convenience/Specialty)	20,884	21,606	23,070	24,563	26,085	27,664
Eating/Drinking Establish.	66,687	70,423	78,013	85,766	93,684	101,490
Building Materials/Hardware	78,238	82,318	90,616	99,100	107,773	116,153
Auto Parts	19,364	20,932	24,121	27,384	30,721	33,909
Services Space@ 10% of Retail	59,815	63,104	69,793	76,632	83,625	90,318
<b>Grand Total</b>	<b>598,153</b>	<b>631,041</b>	<b>697,926</b>	<b>766,318</b>	<b>836,252</b>	<b>903,182</b>

Based on the above numbers, as shown on Table 3.18-5, TNDG Projects that demand would be more than sufficient by 2013 (i.e., the assumed opening date of the Project) to fully absorb all the retail (non-supermarket) space added by the Project and the existing Walmart. The total available retail space created by the Project, combining the new space from the Project (approximately 106,127

square feet) with the space in the existing Walmart building (126,000 square feet) sums to approximately 232,127 square feet, while the projected demand (GAFO subtotal) is 372,529 square feet.

### **Potential Impacts to Redlands Downtown Area**

According to the TNDG report, impacts of big box retailers on small, independent merchants throughout southern and central California may vary widely depending on the context. Clearly, there are examples of small businesses that have been unable to compete with big box stores. There are also prominent examples of traditional downtown areas that have been able to carve out specialized “niches” and continue to thrive despite the entry of big box competitors. Generally, the difference in results can be explained by three factors:

1. The amount of resident demand for retail sales in the market area (i.e., whether the big box stores derive their sales from residual demand or “leakage” versus diverting sales from existing local merchants);
2. The degree to which trends in the traditional downtown areas were on a positive or negative path prior to the entry of the big box competitors (i.e., if an established trend of decline is already in evidence, disinvestment from an area is likely to occur with or without new competition);
3. The degree to which tenants in a downtown are selling goods directly comparable to those available at competitor big box stores.

In their analysis of the impacts of the Project and the specific conditions of the Redlands Downtown area, which is approximately one mile to the southeast of the Project site, TNDG concluded that, by itself, the Project will not have a significant impact on the Redlands Downtown area based on the following factors:

- Residual demand is anticipated to be sufficient to support the Project without diverting sales from existing GAFO stores or restaurants.
- Small merchants in the downtown already face big box competition from the Citrus Plaza shopping center and Redlands Town Center, and the Project, in and of itself, will not significantly increase the market draw of these established centers as it relates to Downtown businesses.
- The downtown’s existing vacancy rate at 8.2 percent is within the “normal vacancy” rate for relatively healthy retail markets (usually 5 percent-10 percent), and there are no visible indications of urban decay (i.e., dilapidated buildings or marginal uses).
- The downtown has a strong representation of boutique retail, eating and drinking establishments, and service-based businesses that offer a mix of merchandise and services that

are not directly comparable to the type of goods available at the type of big box stores that would locate at the Project or, for that matter big box stores in the Citrus Plaza and Redlands Town Center shopping centers.

Although the new store will be larger than the existing store (primarily due to the supermarket component) and include some new specialty merchandise and restaurant space, the Project is largely a relocation of the existing Walmart store. Since the downtown area already faces competition from the existing Walmart, the potential net impact of the Project is much less than the development of a brand new Walmart store.

**Level of Significance Before Mitigation**

Less than significant impact.

**Mitigation Measures**

No mitigation is necessary.

**Level of Significance After Mitigation**

Less than significant impact.

**Cumulative Urban Decay Impacts**

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<b>Impact UD-2:</b>	<b>Result in the physical deterioration of properties or structures that impairs the proper utilization of the properties or structures, or health, safety, and welfare of the surrounding community?</b>
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**Impact Analysis**

The purpose of this section is to analyze the potential for the Project to result in a cumulatively significant urban decay impact when considered in light of the development of other competitive retail developments within the trade areas of the Project. Consistent with the analyses provided above under Impact UD-1, this analysis evaluates the cumulative effects of the Project using the Community Retail Trade Area (CRTA) to evaluate impacts to the grocery (supermarket) market and the RRTA for the non-grocery market. The analysis takes into account other planned and pending grocery and non-grocery developments within the two respective trade areas. The first subsection below (Cumulative Setting and Market Impacts) assesses the impacts of these developments, combined with the Project, to assess the current and future balance (or imbalances) of supply and demand and the potential implications with respect to market pressures for the two respective market areas. The second subsection below (Cumulative Urban Decay Analysis) evaluates the implications of the market impacts discussed under the first section with respect to potential urban decay.

## Cumulative Setting and Market Impacts

### Community Retail Trade Area

There are four known planned and/or pending supermarket Projects in the CRTA (including the supermarket component of the Project evaluated in this analysis). Table 3.18-6 provides the name, location, square feet, and status of each Project.

**Table 3.18-6: Planned and Pending Supermarket Projects**

Project	Location	Square Feet	Status
Walmart Store	W San Bernardino Ave & Tennessee St Redlands CA	43,373	Proposed
Walmart Store	Highland Ave & Boulder Ave San Bernardino CA	36,391	Approved
Specialty Market (Fresh & Easy)	Redlands Blvd & Mountain View Ave Loma Linda CA	13,928	Developed (not open)
Specialty Market	Eureka St and I-10 Freeway Redlands CA	20,000	Approved (development by 2030)

Source: Cities of Redlands, San Bernardino and Loma Linda.

Based on the known planned and pending tenants in the Food category, Table 3.18-7 provides an analysis of cumulative impacts of all known planned and pending supermarket Projects that would be developed by 2020<sup>7</sup>. This cumulative analysis follows the same process described under Impact UD-1 above which address direct impacts, differing only in that it includes planned and pending Projects in addition to the proposed Redlands Walmart store supermarket component. As shown in this table, the combined sales impacts of the recently developed, approved, and proposed Projects would result in average supermarket sales volumes of \$413 per square foot in the CRTA in 2013. Thus, using the benchmark median U.S. sales figure of \$473 per square foot, the market would technically be overbuilt by approximately 87,100 square feet of space. This suggests that up to two supermarkets could potentially close under cumulative conditions. However, the closing of two supermarkets represents worst-case conditions and is unlikely to occur. The following four key factors would mitigate against the potential closure of two supermarket stores.

1. It is recognized that the median U.S. sales figure of \$473 per square foot does not necessarily reflect a break-even threshold for all supermarkets. Since the \$473 per square foot figure reflects the median sales figure, by definition half of all supermarkets are operating below this level, and it is known that some supermarket chains, nationally, operate at substantially lower sales levels than the median. In addition, the median regional (for the Western U.S.)

<sup>7</sup> As indicated in Table 3.18-6, the specialty market proposed for development at the planned retail center located at Eureka Street and the I-10 is projected to be developed by 2030. Since this analysis evaluates Supermarket impacts over a time frame of 2013 to 2020, this potential store is not included for purposes of evaluating cumulative sales impacts to existing supermarkets.

sales figure is \$418 per square foot. Based on this benchmark factor, the market would technically be overbuilt by approximately 7,700 square feet, with sales volumes fully recovering to the Western U.S. median figure in 2014 (i.e., one year after the Projects' first full year of operations). These facts indicate that it is unlikely for two supermarkets to close as a result of cumulative impacts.

To evaluate the "typical" sales volumes of California supermarkets, the TNDG report utilized a proprietary database of chain-specific supermarket sales estimates provided by Trade Dimensions International, Inc., a market research firm of The Nielsen Company. The database, based on data for more than 3,100 individual stores, includes sales estimates for 50 supermarket chains operating in California along with aggregate sales estimates for independent supermarkets<sup>8</sup>. 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 threshold evaluated 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. These data further suggest that the median U.S. sales figure is a relatively aggressive benchmark for estimating potential store closures<sup>9</sup>.

2. Considering the limited size (13,928 square feet) of the Loma Linda store<sup>10</sup>, in many respects this store will likely not be a direct competitor with full-scale supermarkets, which are often 50,000 or more square feet and carry a wider range of grocery items. Markets of this size often focus on a specific product niche – e.g., convenience goods, specialty produce, vitamins and natural supplements, etc. – to differentiate themselves from full-scale supermarkets. Thus, potential impacts to the supermarket category may have been overestimated by including a potential more convenience- and specialty-oriented grocer in the cumulative analysis.

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<sup>8</sup> 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.

<sup>9</sup> It should be noted that the data provided by Trade Dimensions are sales *estimates* and not the supermarkets' *actual* sales volumes. However, TNDG has also evaluated similar sales estimates from Trade Dimensions in the form of their Retail Performance Reports, which provide store-level sales estimates for individual trade areas. For trade areas which TNDG has evaluated, the sales estimates in these reports are generally consistent with actual sales data available from the California State Board of Equalization (BOE), suggesting that the Trade Dimensions' sales estimates are reasonably accurate.

<sup>10</sup> The store was developed as a Fresh & Easy store, which has not yet opened for operations. According to City staff, there is no known opening date store. However, we have included the developed store as a specialty market in the cumulative analysis, assuming it will open as a grocery store either operated by Fresh & Easy or some other operator.

3. The cumulative analysis implicitly assumes that the planned grocery markets' trade areas will be identical to the Project evaluated in this analysis simply because the planned Projects are located in the CRTA. More realistically, each planned grocery market will have its own unique trade area, which will only partially overlap with the CRTA. For instance, the planned San Bernardino Walmart expansion is located near the northern portion of the CRTA. According to the economic impact analysis prepared as part of the Draft EIR for that Project, the proposed expanded store's primary trade area would only partially overlap with the CRTA evaluated in this analysis. The San Bernardino's store trade area would include areas well outside the CRTA to the west, east, and north. Thus, assuming all of the planned grocery Projects in the CRTA would be equally competitive likely overstates cumulative impacts.

**Table 3.18-7: Potential Cumulative Sales Impacts to Existing Supermarkets Based on Opening of Planned and Pending Supermarkets Community Retail Trade Area**

Market Area	2010 (\$)	2013 (\$)	2014 (\$)	2016 (\$)	2018 (\$)	2020 (\$)
<b>Potential Supermarket Sales (\$000s)</b>						
CRTA	324,179	337,016	341,407	350,361	359,550	368,980
<b>Sales Absorbed by Market Area (\$000s)</b>						
Community Retail Trade Area						
Walmart Sales (Redlands)		26,631	26,631	26,631	26,631	26,631
Walmart Sales (San Bernardino)		25,292	25,292	25,292	25,292	25,292
<b>Remaining Sales (\$000s), post Walmart Projects</b>						
CRTA	324,179	285,093	289,484	298,438	307,627	317,057
<b>Other Planned/Pending Supermarkets (Square Feet)</b>						
Specialty Grocer (Loma Linda)		13,969	13,969	13,969	13,969	13,969
<b>Existing + Planned Supermarket Space (Square Feet)</b>						
CRTA	675,818	689,787	689,787	689,787	689,787	689,787
<b>Post Walmart Sales per Square Foot, Existing Stores</b>						
CRTA	480	413	420	433	446	460
<b>Overbuilt Square Feet</b>						
@ \$473 per square foot	N/A	87,054	77,770	58,840	39,412	19,476
@ \$418 per square foot	N/A	7,747	0	0	0	0

1/ Sales per square foot (gross area) assumptions:

Walmart (Redlands): \$614

Walmart (San Bernardino): \$695

Both Walmart stores' supermarket sales are projected at \$857 per square foot of grocery sales area. The higher sales per square foot figure in the San Bernardino store results from a higher ratio of grocery sales area to gross grocery floor area. See footnote 6 on page 13.

Source: TNDG; Progressive Grocer, The Super 50, May 2010; Urban Land Institute (ULI), Dollar & Cents of Shopping Centers, 2008

### 3.18.6 - Regional Retail Trade Area

This subsection evaluates the cumulative impacts to the market based on all known pending, non-grocery, retail-development/reuse Projects (including the Project evaluated in this analysis) in the PMA of the RRТА (City of Redlands). Table 3.18-8 shows the total square feet of new retail space (non-grocery) that could potentially be developed in the PMA over the next five to ten years.

The square feet of planned/pending Projects in the SMA-E and SMA-W is not included in the table since this analysis evaluates demand for new space in the City of Redlands. However, the planned/pending Projects were taken into account for purposes of estimating capture rates of the SMA's resident retail demand. Appendix F, Table F-1, of the TNDG report (located in Appendix J of this document) provides a supplemental list of the planned/pending retail Projects in the SMA-E and SMA-W.

**Table 3.18-8: Planned and Pending Retail Projects – Non-Supermarket  
Regional Retail Trade Area – PMA**

Shopping Center / Location	Square Feet 1/
REDLANDS CROSSING 2/	106,127
SEC San Bernardino Ave & Tennessee St	
REUSE - EXISTING WAL-MART	126,000
2050 W Redlands Blvd	
REDLANDS CENTER LLC	51,101
I-10 & California St	
UNNAMED - BARRY WICKMAN	8,048
SWC Tennessee St & Lugonia Ave	
UNNAMED	18,200
Pearl Ave, between Eureka & Third	
UNNAMED	6,750
SEC Lugonia Ave & Orange St	
UNNAMED	3,243
1135 Orange St	
MOUNTAIN GROVE	595,000
San Bernardino Ave & Alabama St	
STONE CREEK	26,500
NWC Almond & Alabama St	
REDLANDS COMMERCE CENTER	60,800
Lugonia Ave, between Alabama & Nevada	

**Table 3.18-8 (cont.): Planned and Pending Retail Projects – Non-Supermarket  
 Regional Retail Trade Area – PMA**

Shopping Center / Location	Square Feet 1/
<b>TOTAL</b>	<b>1,001,769</b>
REDLANDS PROMENADE 3/	110,000
Eureka St & I-10	
Notes: 1/ Retail (non-grocery) portion of Projects. 2/ Net increase of new space. 3/ Project is not included in total because buildout is projected by 2030 (according to City staff), which is beyond the time frame evaluated in this analysis. Square feet does not include the Project's grocery or office components. Source: Redlands Crossing Traffic Impact Analysis, Urban Crossroads; City of Redlands, Planning Department; TNDG.	

As shown on Table 3.18-8, there could potentially be approximately 1.0 million square feet of new retail (non-supermarket) space developed in the PMA sometime over the next five to ten years. Within the evaluated trade area, net demand for new retail space is projected to grow to approximately 903,200 square feet by 2022. Table 3.18-9 provides a breakdown of supportable square feet by retail category from 2013 to 2022.

**Table 3.18-9: Potential Demand for New Retail Space by Retail Category (non-supermarket)**

Retail Category	2013	2014	2016	2018	2020	2022
Apparel	62,780	65,566	71,233	77,030	82,959	88,577
General Merchandise	112,830	120,910	137,344	154,155	171,350	187,642
Furnishings/Appliances	75,324	76,494	78,874	81,309	83,799	86,159
Other/Specialty	121,595	130,621	148,983	167,764	186,976	205,178
Food (Convenience/Specialty)	20,884	21,606	23,070	24,563	26,085	27,664
Eating/Drinking Establish.	66,687	70,423	78,013	85,766	93,684	101,490
Building Materials/Hardware	78,238	82,318	90,616	99,100	107,773	116,153
Auto Parts	19,364	20,932	24,121	27,384	30,721	33,909
Services Space@ 10% of Retail	59,815	63,104	69,793	76,632	83,625	90,318
<b>Grand Total</b>	<b>598,153</b>	<b>631,041</b>	<b>697,926</b>	<b>766,318</b>	<b>836,252</b>	<b>903,182</b>

Based on the potential demand for new non-grocery retail space shown on Table 3.18-9, the total square feet of planned retail Projects in the RRTA would absorb all of the projected growth in retail demand through 2022. In addition, the market would likely be able to support the full 1.0 million square feet of planned and pending retail space by 2025.

Tables 3.18-10 and 3.18-11 provide a range of the projected citywide vacancy rates assuming all of the pending Projects are developed by 2013. The “High Scenario” provided in Table 3.18-10, is based on the assumption that two supermarkets would become vacant, under “worst-case” conditions. The “Low Scenario” shown in Table 3.18-11, is based on the assumption that no supermarkets would become vacant, as shown on Table 3.18-11. The “High” scenario likely overestimates the amount of new vacant space as a result of potential supermarket closures. The worst-case scenario in which up to two supermarkets potentially close would not necessarily increase the amount of vacant supermarket square feet in the City of Redlands – as implicitly assumed on Table 3.18-10 because only 10 of the 20 total supermarkets in CRTA are located in the City. Thus, it is possible that potential supermarket closures in the CRTA, under the worst-case conditions, would be outside of the City of Redlands.

In both scenarios, the vacancy rate would be over the “standard” acceptable vacancy rate range for retail commercial space of 5.0 percent to 10.0 percent if all of the pending Projects were developed in the next 12 years<sup>11</sup>. These projected worst-case impacts, however, are not expected to result in Urban Decay, for the following reasons.

- In both scenarios, the vacancy rate estimates are artificially inflated given the status of the Redlands Mall. The existing retail inventory includes the Redlands Mall, which has been shut down as a result of General Growth Properties (the mall’s previous owner) recent bankruptcy filing. The mall is now controlled by the Howard Hughes Corp. – a new company formed as part of the bankruptcy process that has taken over the company’s portfolio of master-planned communities along with potential redevelopment properties. Although General Growth Properties intended to redevelop the mall into a mixed-use urban village - combining multi-family residential, office, and retail development – when it purchased the property in 2004, the Howard Hughes Corp. is currently evaluating the property to determine its “true potential”<sup>12</sup>. In any event, the mall is a functionally obsolete, aging ,1970s era development which is not suitable for contemporary retail uses. Given that retail reuse of the existing mall is probably not viable, and that it has been shut down by its current owner, a case can be made that the mall’s space should be excluded from the retail inventory. Excluding the mall’s space from the inventory, the projected 2022 vacancy rate under cumulative conditions would range from 9.6 percent (low scenario) to 11.6 percent (high scenario).
- The potential planned and pending competitive space includes the 595,000-square foot Mountain Grove shopping center, the second phase of the Citrus Plaza shopping center. Majestic Realty, the Project’s developer, has postponed the Project indefinitely due to current market conditions and limited interest from potential tenants<sup>13</sup>. Given that there are no current plans to develop this retail space, it somewhat speculative to include this Project in the new

<sup>11</sup> The projected vacancy rates would reach 10% in 2027 and 2024 under the “High” and “Low” scenarios, respectively.

<sup>12</sup> “Changes Set for Inland Shopping Malls,” The Press-Enterprise, November 9, 2010.

<sup>13</sup> See “Majestic VP talks Sports”, Redlands Daily Facts, March 4, 2010.

planned and pending competitive space. Removing this Project from the planned and pending competitive supply, the highest projected vacancy rate would range from 6.8 percent (low scenario) to 9.0 percent (high scenario) in 2013, and would steadily decrease for the remainder of the study period. In addition, if the Mountain Grove shopping center is ultimately developed, the combined center (along with the Citrus Plaza) would function as a super-regional shopping center with over 1 million square feet of regional retail space. This type of center would likely draw shoppers from beyond the trade area boundaries evaluated in this analysis, in addition to capturing a larger share of retail demand from the SMA-E and SMA-W sub-areas of the RRTA (see Section 3.18-2). Thus, the additional market support for this Project – which is not projected within this analysis – indicates that the vacancy rates projected in Tables 3.18-10 and 3.18-11 are relatively aggressive, even with the potential development of the Mountain Grove shopping center Project.

**Table 3.18-10: Projected Vacancy Rate - HIGH SCENARIO Regional Retail Trade Area - City of Redlands  
Based on Planned and Pending Projects**

	2010	2013	2014	2016	2018	2020	2022
Projected Occupied Space							
Existing Occupied Space	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756
Adjustments for Potential Future Vacancies:							
--Existing Wal-Mart Building	N/A	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)
--Potential Supermarket Closures 1/	N/A	(87,000)	(87,000)	(87,000)	(87,000)	(87,000)	(87,000)
Net Demand for New Occupancies 2/	N/A	641,526	674,414	741,299	809,691	879,625	946,555
Total Potential Occupied Space	3,074,756	3,503,282	3,536,170	3,603,055	3,671,447	3,741,381	3,808,311
Projected Total Supply							
Total Existing Space	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543
Planned/Pending Competitive Space 3/	N/A	1,045,142	1,045,142	1,045,142	1,045,142	1,045,142	1,045,142
Total Potential Supply	3,400,543	4,445,685	4,445,685	4,445,685	4,445,685	4,445,685	4,445,685
Estimated Vacancy Rate	9.6%	21.2%	20.5%	19.0%	17.4%	15.8%	14.3%
Overbuilt Square Feet @ 10.0% Vacancy Rate	N/A	497,834	464,946	398,062	329,670	259,735	192,806

## TNDG

1/ Potential closures under cumulative conditions based on benchmark factor of \$473 per square foot.

3/ Total is different from that shown on Table 8 because it includes the Project's 43,373 square foot supermarket component. Table provides an estimate of the non-supermarket planned/pending retail space in the trade area.

**Table 3.18-11: Projected Vacancy Rate - LOW SCENARIO Regional Retail Trade Area - City of Redlands Based on Planned and Pending Projects**

	2010	2013	2014	2016	2018	2020	2022
<b>Projected Occupied Space</b>							
Existing Occupied Space	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756	3,074,756
<i>Adjustments for Potential Future Vacancies:</i>							
--Existing Wal-Mart Building	N/A	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)	(126,000)
--Potential Supermarket Closures 1/	N/A	0	0	0	0	0	0
Net Demand for New Occupancies 2/	N/A	641,526	674,414	741,299	809,691	879,625	946,555
Total Potential Occupied Space	3,074,756	3,590,282	3,623,170	3,690,055	3,758,447	3,828,381	3,895,311
<b>Projected Total Supply</b>							
Total Existing Space	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543	3,400,543
Planned/Pending Competitive Space 3/	N/A	1,045,142	1,045,142	1,045,142	1,045,142	1,045,142	1,045,142
Total Potential Supply	3,400,543	4,445,685	4,445,685	4,445,685	4,445,685	4,445,685	4,445,685
Estimated Vacancy Rate	9.6%	19.2%	18.5%	17.0%	15.5%	13.9%	12.4%
Overbuilt Square Feet @ 10.0% Vacancy Rate	N/A	410,834	377,946	311,062	242,670	172,735	105,806

### 3.18.7 - Cumulative Urban Decay Analysis

#### **Community Retail Trade Area**

As discussed above, cumulative impacts resulting from planned and pending supermarket Projects could result, under a worst-case condition, in the closing of up to two supermarkets in the CRTA. However, this does not mean that the impacts would necessarily result in urban decay in the CRTA. 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. A store closure, in and of itself, does not meet the above criteria. While the closure of a business is clearly a severe impact to the owners and employees of the firm, within the context of CEQA it is only significant if it results in sustained vacancies and related deterioration of the physical condition of the vacant building(s).

With the recent consolidation in the supermarket industry, there are many examples of neighborhood shopping centers that have lost supermarket anchor tenants and have not suffered a significant deterioration of structures and/or their surroundings. Many of these centers have either attracted new (non-supermarket) anchor tenants, sub-divided the space for multiple retail users, or reconfigured the space for non-retail uses. Thus, losing a supermarket anchor tenant does not necessarily indicate that the shopping center will experience a downward spiral of store closures and long-term vacancies.

#### **Regional Retail Trade Area**

With respect to the RRTA, it is possible – as described above – that the market could become overbuilt during the period from 2013 through 2022 if all of the aggregate retail development planned by the proponents comes on line during that period. If an overbuilt retail environment does develop, there would be a potential for business failures with resulting closures of retail facilities in the trade area. However, most of the future tenants of the planned retail Projects have not yet 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, which 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.

A more likely cumulative scenario is that retail market conditions would result in a more gradual buildout of planned retail development, such that the pace of retail development would more closely follow the growth in retail demand. Under this scenario, there is less potential for overbuilt conditions to occur, and consequently a reduced potential for building vacancies and urban decay to follow. In fact, this finding is consistent with the developer's plans for the planned Mountain Grove Project, which has been put on hold indefinitely due to current market conditions and limited interest from potential tenants. But again, any attempt to identify businesses which might be affected under this scenario, if any, and whose closure might ultimately result in urban decay would be speculative, and therefore would not be required under CEQA.

**Retail Reuse of Existing Walmart Store**

Although the Project-specific analysis indicates there would be sufficient demand to support some type of retail reuse of the existing Walmart store, the cumulative analysis, as discussed above, indicates that the retail market has the potential to become slightly overbuilt if all of the planned and pending Projects are built by 2013. As indicated in the cumulative analysis, the planned and pending aggregate retail development would absorb all of the residual demand through 2022, which could delay the reuse of the existing Walmart store.

Based on TNDG’s knowledge, the relative success in reusing closed Walmart stores for other retail uses represents a “mixed bag” of sorts, with some successfully reconfigured for other retail stores while others have remained vacant now for two to three years. Specifically, TNDG has prepared urban decay studies in the following California cities, identified in Table 3.18-12, that involved the simultaneous closing of an existing Walmart store and the development of a Walmart store combining general merchandise and grocery sales.

**Table 3.18-12: Reuse Status for Closed Walmart Stores**

City	Reuse Status
La Quinta	Reused as Kohl’s
Palmdale	Reused as Burlington Coat Factory and Factory 2U
Palm Springs	Cathedral City Walmart closed; building was recently reoccupied by a 99 Cents Only store; remaining portion of store is still vacant.
Hanford	Still vacant; purchased by two different real estate investment firms; was considered by Lowe’s for a store site; currently being marketed for retail reuse.
San Jacinto*	Hemet Walmart closed; purchased by Latham Management and Counseling Service in November 2008; preliminary plans call for a medical plaza featuring a cardiac care center and outpatient facilities.
Notes: * Hemet store closed when San Jacinto store opened. Source: TNDG; Information from City staff members	

However, even if the property owners of an existing shopping center are unable to attract replacement tenant(s) for the Walmart store, the closure of the Walmart store would not necessarily result in long-term physical impacts to the shopping center. Without Walmart, the shopping center would function as a well-tenanted<sup>14</sup> neighborhood shopping center with the existing Food 4 Less as a strong anchor tenant. For example, In Hanford, CA the similar-size Centennial Plaza experienced the closure of a Walmart store in 2006, but has remained viable without the re-tenanting of that store. Although vacancies have slightly increased, the center is still anchored by a Foods Co. Supermarket (which was remodeled in 2005, well after it was known that the existing Walmart store would be closing), Pep Boys, and a Dollar or Less store.

<sup>14</sup> TNDG’s field survey revealed that the shopping center was 100% occupied.

### 3.18.8 - Impacts to Downtown Redlands

Although in the Project-specific analysis under impact UD-1, above, did not identify potential impacts to downtown retail tenants resulting from development of the Project, the existing and planned retail development near the Interstate 10/State Route 30 (I-10 / SR-30) interchange will potentially place additional competitive pressures on downtown retailers. This potential impact is also acknowledged in the Economic Development Strategy recently prepared for the City.<sup>15</sup>

However, in terms of potential cumulative impacts, the Project is not expected to be cumulatively considerable, for two key reasons. First, although the new store will be larger than the existing store (primarily due to the supermarket component) and include some new specialty merchandise and restaurant space, the Project is largely a relocation of the existing Walmart store. Since the downtown area already faces competition from the existing Walmart, the potential net impact of the Project is much less than the development of a brand new Walmart store. Second, any potential cumulative impacts to the downtown area resulting from the planned and pending Projects would occur with or without the development of the Project. Moreover, the following factors are expected to lessen potential urban decay impacts in the downtown area.

- There is an existing assessment district formed under the 1989 Parking and Business Improvement Area law that provides resource to the City and specific the Development Services Department, which actively works to preserve and promote the downtown area, including promoting public events, decorating public places, maintenance of existing facilities, etc.
- General Growth Properties, a major real estate investment trust (REIT), was considering developing two key Projects in the downtown area – the Redlands Promenade and the redevelopment of the Redlands Mall. Due to the firm’s recent bankruptcy filing and the current slowdown in the commercial and residential real estate markets, both Projects have been on hold.<sup>16</sup> Although no application was filed with the City, General Growth Properties, which has recently been succeeded by Howard Hughes Corporation as owner of the property, extensively evaluated the potential to redevelop the Redlands Mall into a mixed-use (retail, office, and multi-family residential) development incorporating, as one component, an open-air shopping center. Thus, it is possible that a similar development proposal will emerge to redevelop the mall site once the residential and commercial real estate markets begin to recover.

#### **Level of Significance Before Mitigation**

Less than significant impact.

#### **Mitigation Measures**

No mitigation is necessary.

<sup>15</sup> Economic Development Strategy – Redlands, Economics & Politics, Inc. September 10, 2008.

<sup>16</sup> “General Growth Properties Staggers Under Debt Load,” Business Week, October 3, 2008.

***Level of Significance After Mitigation***

Less than significant impact.

