5.6 LAND USE (URBAN DECAY)

5.6.1 INTRODUCTION

As described in **Section 5.0,** land use impacts as defined by Appendix G of the *California Environmental Quality Act (CEQA) Guidelines,*[1] are less than significant. However, this section describes the existing urban decay setting and the potential effects from project implementation on the site and its surrounding area. The analysis and descriptions in this section are based on information contained in the urban decay study[2] included in this environmental impact report (EIR) as **Appendix 5.6**.

5.6.2 ENVIRONMENTAL SETTING

Overview of Urban Decay

The California Environmental Quality Act (CEQA)[3] 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. The term "urban decay" is generally defined as, among other characteristics, visible symptoms of physical deterioration that invite 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.[4] 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.

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1 California Public Resources Code, Title 14, Division 6, Chapter 3, *State CEQA Guidelines*, Section 15123.

2 The Natelson Dale Group, Inc., *Retail Market Impact Analysis for Porterville Walmart Supercenter*, 2010.

3 California Public Resources Code, Title 14, Division 6, Chapter 3, *California Environmental Quality Act Guidelines*, Section 15123.

4 The Natelson Dale Group, Inc., 2010.

Market Area Boundaries

A stand-alone supermarket typically has a primary trade area of 3 miles or less.[5]The proposed project, however, would combine a general merchandise store with a full-scale supermarket and would therefore be expected to draw consumers from a larger trade area (consistent with the typical trade area for a community-scale facility).[6] Reflecting this "dual" characteristic of a Walmart store, the market area boundaries have been defined as shown in **Figure 5.6-1, Porterville Retail Trade Area**. Within this analysis, the trade area is referred to as the Porterville Retail Trade Area (PRTA).

The urban decay study[7] defined the PRTA based on the anticipated shopping patterns of residents, taking into account the location of competitive shopping facilities, especially existing and planned Walmart Stores. As shown on the map, the trade area polygon is defined by the following census tracts: 25.00, 26.01, 26.02, 27.00, 28.00, 33.00, 34.00, 35.00, 36.01, 36.02, 37.00, 38.01, 38.02, 39.01, 39.02, 40.00, 41.01, 41.02, and 45.00. The trade area is constructed of census tracts because of the availability of existing household estimates and household projections at the census tract geography level from the Tulare County Association of Governments (TCAG). As shown on **Figure 5.6-1**, the PRTA extends to the County Line Avenue to the south, including the communities of Terra Bella, Ducor, Fountain Springs, Pine Flat, White River, Posey, Fairview and California Hot Springs; to the east and northeast it includes the unincorporated mountain communities of Milo, Springville, Camp Nelson, Sequoia Crest, Cedar Slope, Ponderosa, and Johnsondale; to the north it includes the communities of Strathmore and Plainview and the City of Lindsay; to the west the PRTA extends between 5 and 12 miles from Porterville, including a portion of the community of Cotton Center.

As shown on **Figure 5.6-1**, the PRTA includes a relatively large geographic area, especially to the east and the south. For example, the boundaries extend approximately 50 miles to the east. However, only approximately 6 percent of the trade area's households are beyond a 10-mile radius to the east. In addition, virtually all of this 6 percent of trade area households are within 20 miles of the proposed project site. Although this is a significant distance, Porterville would still represent the nearest shopping center destination for these residents. Similarly, the trade area extends approximately 18 miles to the south. However, less than 6 percent of the trade area's residents are in the area that is more than 5 miles to the south from the proposed project site. In any event, Porterville would still represent the closest and most convenient shopping center destination for residents in the communities in the southern portion of the trade area listed above.

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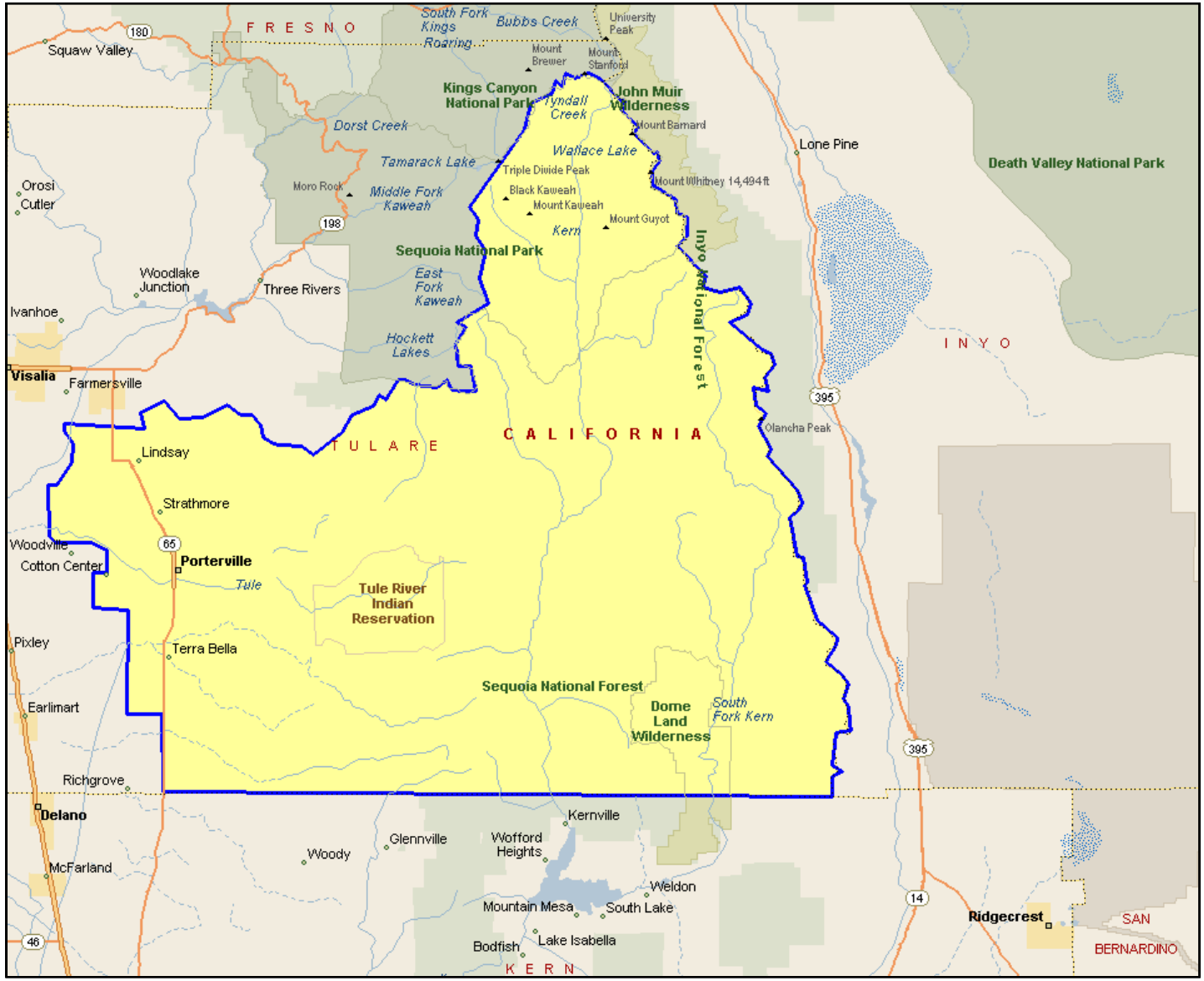
5 The Natelson Dale Group, Inc., 2010.

6 The Natelson Dale Group, Inc., 2010.

7 The Natelson Dale Group, Inc., 2010.



SOURCE: Natelson Dale Group, Inc. - August 2009

FIGURE **5.6-1**

Porterville Retail Trade Area

550-003•09/10

Demographics

Population Estimate

The projected population in the PRTA is summarized in **Table 5.6-1.** The current year (2010) estimate of population (110,821 persons) was obtained from ESRI, a national demographic research services firm. The 2007 population was estimated based on ESRI data for the period between 2000 and 2010. For the future year projections, The Natelson Dale Group, Inc., (TNDG) applied an annual growth rate of 1.5 percent to ESRI's 2010 estimate. The basis for the 1.5 percent growth rate is documented in detail in the urban decay study **(Appendix 5.6).**

Table 5.6-1
Population Projections by Year Porterville Retail Trade Area

Estimated 2007 Population	Estimated 2010 Population	Projected 2012 Population	Projected 2013 Population	Projected 2015 Population	Projected 2017 Population	Projected 2020 Population
106,324	110,821	114,171	115,883	119,386	122,994	128,612

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter*, 2010.*

Per Capita Income Estimate

The 2007 per capita income level in the PRTA is $22,362. The estimate of per capita income was obtained from ESRI and increased 63 percent. The reason for this increase factor is that these income estimates are based on "money income" definition of income utilized by the U.S. Census Bureau. This measure of income is narrower than the "personal income" definition used by the U.S. Department of Commerce, Bureau of Economic Analysis. The broader definition includes additional income sources such as fringe benefits (health insurance, retirement funding), imputed income (interest, rent), and direct payments to medical providers by governments. Personal income therefore represents a more complete gauge of a household's economic status. According to the Center for the Continuing Study of the California Economy (CCSCE), personal income is the preferred measure for purposes of projecting a household's purchasing power (i.e., retail demand).

Existing Conditions – Downtown Areas

The downtown areas of Porterville and Lindsay include clusters of downtown dining establishments and an established community of independent, small retail stores offering a variety of goods such as apparel, furniture, jewelry and service retail. Based on findings from this field survey, the current vacancy rate in

Downtown Lindsay is estimated at approximately 24 percent, considerably higher than overall trade area rate. However, to address some of the Downtown's existing challenges, the City of Lindsay is currently making a significant effort to improve the physical appearance and function of the downtown area. As part of a $3.4 million downtown improvement effort, the City is currently putting in new curbs, gutters, extended sidewalks, landscaping, lighting, along with improving existing streets.[8]

In Porterville, the downtown's[9] current retail vacancy rate is approximately 15.9 percent. The downtown has been a long-term area of focus for the City of Porterville, with City investments and revitalization efforts extending back at least three decades. City staff reports that the area gradually improved during the 1990s and consistently attracted new businesses until the onset of the current recession (i.e., in 2007). Due to the recession, the area has regressed to some degree and vacancy rates have increased. However, there are a number of positive indicators that suggest that the area is well positioned for continued revitalization once the general economy improves. These positive signs include the following:

- The owner of a vacant storefront at 83 N. Main Street is currently working on plans to retrofit the space as a professional (chiropractic) office. This ground floor space (estimated at approximately 6,250 square feet) was formerly occupied by Gardel's Furniture store; the second floor is an owner-occupied residential unit. City staff estimates that the ground floor office space will be complete in approximately six months.

- Vacant space at 122-126 N. Main Street (estimated at approximately 3,025 square feet) is currently being remodeled to accommodate new office (50 percent) and retail (50 percent) uses. The building owner recently obtained a conditional use permit and is currently completing the building renovations. City staff estimates that the project will be complete within the next six months.

- Remodeling is underway (but stalled) on three contiguous vacant storefronts at 228-234 N. Main Street (all three are under common ownership). Each of the three spaces is estimated at approximately 2,250 square feet. Two of the three facades have been renovated. According to City staff, the building owner encountered financing problems before being able to complete the third storefront and the remodeling project is currently inactive. Nevertheless, the two renovated storefronts are indicative of new investment that will position the downtown to continue attracting new businesses once the general economy improves.

- The City has taken steps to ensure that a vacant commercial lot at 53 N. Main Street does not fall into a state of physical deterioration. The site was previously developed with an older J.C. Penney store that burned down approximately 10 years ago. After the fire, J.C. Penney decided not to re-enter the downtown market and the site began to physically deteriorate (the burned building foundation remained on the site for a number of years). The site has now been fully cleared and the City has required the owner to install a protective fence around the property. Based on this cleaned-up

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8 Based on information provided by Bill Zigler, City Planner, City of Lindsay.

9 Based on direction from City staff, downtown Porterville has been defined for purposes of this analysis as the area bounded by Olive Avenue on the south, Morton Avenue on the north, D Street on the west, and 2nd Street on the east, with the segment of Main Street between Olive and Morton representing the core of the traditional downtown.

condition, the site is much more suitable for reuse. Although a long-vacant site represents an economically underutilized asset, it is important to note that this site does not exhibit indications of urban decay. As noted in the introduction to this report, urban decay represents an advanced state of physical deterioration characterized by such conditions as abandoned buildings and commercial sites, boarded doors and windows, long-term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery, extensive litter, uncontrolled weed growth, and homeless encampments. None of these conditions is in evidence at this site.

- The City is currently in the process of acquiring the long-vacant Porterville Hotel building located on the northeast corner of Olive Avenue and Main Street. This building, which was unsuccessfully reused as an affordable housing project in the early 1980s, has been in a state of disrepair for many years and was condemned. The City intends to have the building demolished and to make the site available for new development. Although no specific project has been proposed for the site, City staff anticipates strong interest based on its prime location and its proximity to the new Superior Court complex (see next point below).

- A new Superior Court building is planned at the northwest corner of Olive Avenue and Plano (approximately 0.5 mile from the Main Street corridor in downtown) at the former fairground site. This project will involve relocating the existing court complex and expanding it from three to nine courtrooms. The new court building is expected to be operational by 2012 or 2013. City staff expects that this project will enhance demand for office space and service-oriented retail (e.g., restaurants) in the downtown area.

There are two relatively large existing vacancies in the downtown area that should be noted:

- The former Longs Drugs building located at 56 North D Street. This is a new building that became vacant approximately two years after the store opened (Longs closed this store because the entire chain was acquired by CVS). The building has been maintained in excellent condition, is being actively marketed for re-tenanting, and shows no signs of urban decay. It should be noted that this building is part of a neighborhood shopping center (anchored by a Save Mart supermarket) located on D Street (i.e., one block west of Main Street). As such, its setting is both physically separate and functionally distinct from the core downtown area (i.e., the Main Street corridor).

- The former Porter Theater located at 36 Mill Avenue. According to City staff, this building has been vacant for approximately 10 years and the City has expressed a potential interest in acquiring the site. Since this is a "purpose built" building (i.e., designed specifically as a theater, its reuse potentials will not be directly affected by the proposed project (which will absorb *retail* demand). Nevertheless, it is important to note that, although it is an older building, it has been relatively well maintained, is being actively marketed for reuse, and does not exhibit signs of urban decay.

Retail Sales Demand

The portion of total income spent on retail purchases varies by the income level of the individual household and also varies depending on the strength of the overall economy. In general, the percentage of income spent on retail goods decreases as income levels rise (more affluent households spend more on retail goods in *absolute* dollar terms, but less as a *percentage* of their total income).

In order to forecast the ratio of total trade area income likely to be spent on retail purchases, County level data for the period 1999 through 2008 was evaluated (the latest 10-year period for which official income data are available from the Bureau of Economic Analysis (BEA). In particular, the ratio of total retail sales (based on data from the State Board of Equalization)[10] to aggregate income (per the BEA) was calculated. **Table 5.6-2, Total Retail Sales as a Percentage of Aggregate Personal Income, Tulare County,** shows the ratio of retail sales to total income is estimated for each year of the evaluation period at the Countywide level.

Table 5.6-2
Total Retail Sales as a Percentage of Aggregate Personal Income, Tulare County

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	10-Year Average
35%	37%	35%	35%	35%	36%	38%	40%	35%	31%	36%

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. Based on income data from BEA and retail sales data from State Board of Equalization.

Whereas the above data area based on Countywide income levels, data from the National Consumer Expenditure Survey (CES) allow for evaluation of the variation in retail expenditures by household income level. Since income levels in the PRTA are lower than the Countywide average, it is expected that retail expenditures as a percentage of income are somewhat higher in the PRTA. Based on an evaluation of the CES data for households with income levels comparable to those in the PRTA and in the County as a whole, TNDG estimates that the PRTA retail-to-income ratio is approximately 1 percentage point higher in the PRTA compared to the Countywide averages estimate in the table above. Estimates of the retail-to-income ratio for the PRTA are shown in **Table 5.6-3, Total Retail Sales as a Percentage of Aggregate Personal Income, Porterville Retail Trade Area.**

10 The Board of Equalization provides data on *taxable* retail sales. In order to estimate total retail sales, the urban decay study multiplied *taxable* sales in the Food category by a factor of 3.2. As noted previously, this factor has been derived based on 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) and selected supermarket chains.

Table 5.6-3
Total Retail Sales as a Percentage of Aggregate Personal Income
Porterville Retail Trade Area

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	10-Year Average
36%	38%	36%	36%	36%	37%	39%	41%	36%	32%	37%

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. Based on BEA, SBOE, and CES data.

The above data clearly show the effects of a strong economy in 2005 and 2006 and the severe recession beginning in 2007. In order to remain analytically conservative, the analysis assumes that the retail expenditure ratio for the trade area will remain at the recession-depressed level of 32 percent through 2011, recover to 34 percent in 2012, and then will return to the long-term average level of 37 percent for the remainder of the forecast period. It is important to note that analysis projects that the ratio will remain well below the 2006 peak of 41 percent. **Table 5.6-4, Income and Retail Demand, Porterville Retail Trade Area,** shows the total retail demand for the PRTA up to the year 2020.

Table 5.6-4
Income and Retail Demand
Porterville Retail Trade Area

Market Area	2007	2010	2012	2013	2015	2017	2020
Total Income	$2,377,667	$2,478,231	$2,553,136	$2,591,433	$2,669,759	$2,750,453	$2,876,089
Percent of Income Spent on Retail Goods	37%	32%	34%	37%	37%	37%	37%
Total Retail Demand	$879,737	$793,034	$868,066	$958,830	$987,811	$1,017,667	$1,064,153

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.

Distribution of Retail Expenditures

Projected retail demand from market area residents is disaggregated into various retail categories based upon retail expenditure patterns observed in Tulare County. The basic distribution of retail sales by retail category is projected as shown in **Table 5.6-5, Distribution of Retail Sales by Category, Porterville Retail Trade Area**.

Table 5.6-5
Distribution of Retail Sales by Category
Porterville Retail Trade Area

Retail Category	Distribution
Shopper Goods:	
Apparel	4.0%
General Merchandise	18.0%
Furniture/Appliances	3.0%
Specialty	12.0%
Subtotal	*37.0%*
Convenience Goods:	
Food/Liquor	24.0%
Eating and Drinking	9.5%
Subtotal	*33.5%*
Heavy Commercial Goods:	
Building Materials/Hardware	6.5%
Auto Dealers	12.0%
Service Stations	11.0%
Subtotal	*29.5%*
Total	**100.0%**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. State Board of Equalization.

Capture Rate Analysis

The PRTA's capture rates of resident demand are projected to be relatively high due to the tendency of residents to shop relatively close to their homes, especially for convenience goods. Generally, it is reasonable to expect that residents will make the vast majority of their retail purchases locally, provided that a competitive mix of retail stores reflective of consumer needs is available. This is consistent with one of the findings from standard urban land use theory, which indicates, all else equal, the relative attractiveness of retail outlets decreases as travel time increases for the consumer[11] **Table 5.6-6, Potential**

11 See, for example, Blair, John. *Urban & Regional Economics.* Irwin, 1991. Hoover, Edgar M. *An Introduction to Regional Economics.* Alfred A. Knopf, 1975. McCann, Phillip. *Urban and Regional Economics.* Oxford University Press, 2001.

Capture Rates of Trade Area Demand, Porterville Retail Trade Area, shows the projected capture rates of PRTA demand for each retail category.

Generally, this type of analysis would treat the area as a "closed system"; in other words, it would assume that given an adequate supply of retail stores, residents of the market area will make all of their retail purchases somewhere in the PRTA. However, in this case, the capture rates have been adjusted downward to account for the fact that the PRTA does not have a full-scale regional shopping center; therefore, it is assumed that the area will always experience some level of retail "leakage" to other areas of Tulare County (e.g., Visalia) that have a larger array of retail facilities. Based on an analysis of a proprietary database of shopping centers in a major metropolitan area, approximately 20 percent of retail space is in regional or super-regional centers (defined here as centers with 400,000 square feet or more of gross leasable area) while the remaining 80 percent of the space is in community- and neighborhood-scale centers. Based on this data, it is assumed that PRTA, in the absence of such a regional or super-regional center, could be expected to realistically "capture" up to 80 percent of retail demand in the shopper goods categories. That is, based on the existing mix and supply of retail space, along with the planned and pending commercial-retail projects, the trade area could potentially capture up to 80 percent of retail demand in the shopper goods categories. For the General Merchandise category, the capture rate has been estimated at 90 percent, reflecting the fact that a number of major general merchandise retailers are located in the trade area, including Walmart, Target, and Kohl's. The base year sales data indicate that the trade area is already capturing at least 90 percent of total resident demand in the General Merchandise category.

The PRTA is projected to potentially capture 95 percent of its residents' demand in the Food (grocery store) and Eating and Drinking categories, along with 100 percent in the Auto Dealers and Parts, Building Materials/Hardware and Service Station categories, because of the strong propensity of consumers to purchase goods in these categories as close as possible to their residences.

It should be emphasized that the above percentages represent the trade area's potential capture rates of retail demand given the availability of sufficient retail facilities to retain resident purchasing power; the trade area's actual existing capture rates are, in most categories, significantly lower than the indicated percentages.

Table 5.6-6
Potential Capture Rates of Trade Area Demand
Porterville Retail Trade Area

Retail Category	Capture Rate
Shopper Goods:	
Apparel	80.0%
General Merchandise	90.0%
Furniture/Appliances	80.0%
Specialty	80.0%
Convenience Goods:	
Food	95.0%
Eating and Drinking	95.0%
Heavy Commercial Goods:	
Building Materials/Hardware	100.0%
Auto Dealers and Parts	100.0%
Service Stations	100.0%

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.

Potential Retail Sales Volumes

Based on the capture rates shown above, **Table 5.6-7, Potential Capture of Sales from Porterville Retail Trade Area**, projects the potential market area demand in the PRTA for each retail category. As shown on the table, incremental demand through 2020 for retail sales in the PRTA is projected to grow in proportion to increases in the population.

Table 5.6-7
Potential Capture of Sales from Porterville Retail Trade Area
(thousands of constant dollars)

Retail Category	2007	2010	2012	2013	2015	2017	2020
Shopper Goods:							
Apparel	$28,152	$25,377	$27,778	$30,683	$31,610	$32,565	$34,053
General Merchandise	$142,517	$128,472	$140,627	$155,330	$160,025	$164,862	$172,393
Furniture/Appliances	$21,114	$19,033	$20,834	$23,012	$23,707	$24,424	$25,540
Specialty	$84,455	$76,131	$83,334	$92,048	$94,830	$97,696	$102,159
Subtotal	*$276,237*	*$249,013*	*$272,573*	*$301,073*	*$310,173*	*$319,548*	*$334,144*

Retail Category	2007	2010	2012	2013	2015	2017	2020
Convenience Goods:							
Food	$200,580	$180,812	$197,919	$218,613	$225,221	$232,028	$242,627
Eating and Drinking	$79,396	$71,571	$78,343	$86,534	$89,150	$91,844	$96,040
Subtotal	*$279,976*	*$252,383*	*$276,262*	*$305,148*	*$314,371*	*$323,873*	*$338,667*
Heavy Commercial Goods:							
Bldg. Materials/Hardware	$57,183	$51,547	$56,424	$62,324	$64,208	$66,148	$69,170
Auto Dealers and Parts	$105,568	$95,164	$104,168	$115,060	$118,537	$122,120	$127,698
Service Stations	$96,771	$87,234	$95,487	$105,471	$108,659	$111,943	$117,057
Subtotal	*$259,522*	*$233,945*	*$256,080*	*$282,855*	*$291,404*	*$300,212*	*$313,925*
Total	**$815,736**	**$735,341**	**$804,914**	**$889,075**	**$915,948**	**$943,632**	**$986,736**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.

Table 5.6-8, Estimate of Existing Trade Area Sales, Porterville Retail Trade Area, below, provides 2007 retail sales for the City of Porterville, as reported by the State Board of Equalization. To estimate total sales for the PRTA,[12] Porterville's share of retail space (in terms of square feet) by category in the entire trade area was calculated. Then the Porterville sales in each category was divided by the percentage factor shown in **Table 5.6-8,** which provides an estimate of the sales by category in the PRTA.

Table 5.6-8
Estimate of Existing Trade Area Sales Porterville Retail Trade Area
(thousands of constant dollars)

Retail Category	2007 Sales (Porterville)	Porterville's Share of Trade Area[1]	Estimated Sales (Total Trade Area)
Shopper Goods:			
Apparel	$8,287	77.0%	$10,762
General Merchandise	$122,757	88.0%	$139,497
Furniture/Appliances	$41,058	89.0%	$46,133
Specialty	$29,180	84.0%	$34,738
Subtotal	*$201,282*	*87.1%*	*$231,130*

12 The State Board of Equalization (BOE) provides sales data for incorporated cities in California, not for unincorporated areas. The trade area evaluated in this analysis includes two incorporated cities – Porterville and Lindsay – and unincorporated area in Tulare County. However, for confidentiality reasons, the BOE does not disclose retail sales for a number of categories in the city of Lindsay, in addition to not providing the sales in the unincorporated portion of the trade area. Thus, to calculate retail sales in the trade area, the procedure describe above in the text was used.

Retail Category	2007 Sales (Porterville)	Porterville's Share of Trade Area[1]	Estimated Sales (Total Trade Area)
Convenience Goods:			
Food	$131,386	65.0%	$202,132
Eating and Drinking	$49,577	67.0%	$73,996
Subtotal	*$180,963*	*65.5%*	*$276,127*
Heavy Commercial Goods:			
Building Materials/Hardware	$41,629	95.0%	$43,820
Auto Dealers and Parts	$84,647	77.0%	$109,931
Service Stations	N/A	N/A	N/A
Subtotal	*$126,276*	*82.1%*	*$153,751*
Total	**$508,521**	**76.9%**	**$661,008**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010; State Board of Equalization
Notes:
[1] *Based on square-footages from TNDG's field survey.*

Based on the demand estimates shown in **Table 5.6-7**, and the sales estimates provided in **Table 5.6-8**, **Table 5.6-9, Comparison of Potential Demand with Estimated Sales, Porterville Retail Trade Area,** provides a comparison of total market area demand with actual sales in each retail category.

Table 5.6-9
Comparison of Potential Demand with Estimated Sales Porterville Retail Trade Area
(thousands of dollars)

Retail Category	2007 Demand	2007 Estimated Sales	Expected Less Actual	Percent Actual/ Expected
GAFO[1]	$276,237	$231,130	$45,108	83.7%
Food	$200,580	$202,132	$0	100.8%
Eating and Drinking	$79,396	$73,996	$5,401	93.2%
Building Materials/Hardware	$57,183	$43,820	$13,363	76.6%
Auto Dealers and Parts	$105,568	$109,931	$0	104.1%
Total	**$718,965**	**$661,008**	**$63,871**	**91.9%**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010; State Board of Equalization.
Notes:
[1] *GAFO includes General Merchandise, Apparel, Furniture, and Other (Specialty).*

In subsequent years, incremental demand in the PRTA is projected to grow in proportion to population increases. **Table 5.6-10, Total Potential Capture of Demand for New Retail Sales, Non-Grocery Retail Categories**, shows the projected changes in incremental retail demand in the PRTA over the next few years.

Table 5.6-10
Total Potential Capture of Demand for New Retail Sales Non-Grocery Retail Categories

Retail Category	2007	2010	2012	2013	2015	2017	2020
GAFO[1]	$45,108	$17,883	$41,443	$69,943	$79,043	$88,418	$103,014
Eating and Drinking	$5,401	$0	$4,347	$12,539	$15,154	$17,849	$22,044
Building Materials	$13,363	$7,727	$12,604	$18,504	$20,388	$22,328	$25,350
Auto Dealers and Parts	$0	$0	$0	$5,128	$8,606	$12,189	$17,767
Total	**$63,871**	**$25,610**	**$58,395**	**$106,114**	**$123,191**	**$140,784**	**$168,176**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.
Notes:
[1] GAFO includes General Merchandise, Apparel, Furniture, and Other (Specialty).

Supportable Retail Space (Non-Grocery Categories)

Sales per Square Foot Standards

Projected sales volume requirements per square foot of retail space by retail category are derived from typical sales standards from the Urban Land Institute's (ULI's) *Dollars & Cents* publication (2008 issue) and from typical sales-per-square-foot data from representative stores in each retail category (as reported in the July 2009 issue of *Retail MAXIM*).

Table 5.6-11
Sales per Square Foot Standards for Retail Space Porterville Retail Trade Area

Retail Category	Sales/Square Foot
GAFO[1]	$300
Eating/Drinking Establish.	$375
Building Materials/Hardware	$265
Automotive Parts	$175

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. Based on data published by ULI and Retail Maxim.
Notes:
[1] GAFO includes General Merchandise, Apparel, Furniture, and Other (Specialty).

Demand for Retail Space

The sales-per-square-foot standards are applied to the net demand numbers for each relevant retail category, as shown in **Table 5.6-12, Demand for Retail Space (Non-Grocery), Porterville Retail Trade Area.** In this table, potential sales volumes are converted to supportable square feet of new retail space. Supportable development levels will increase in the future by virtue of anticipated growth of the population in the PRTA (see **Table 5.6-1**). Based on analysis of proprietary database of shopping centers in a major metropolitan area, services space (e.g., dry cleaners, hair salons, banks, etc.) accounts for 10 percent to 25 percent of total shopping center space, depending on type of retail development (i.e., regional, community, neighborhood, etc.). To be analytically conservative, this analysis assumes that, on average, services space accounts for 10 percent of total space in typical shopping center settings.

Demand for Grocery Sales and Supportable Grocery Space

Since the proposed project would include a supermarket[13] component, this section evaluates the demand for grocery sales and supportable grocery space in the PRTA. **Table 5.6-13, Demand for Supermarket Sales and Estimate of Sales per Square Foot, Porterville Retail Trade Area**, on the following page, forecasts total demand in the Food category from 2010 to 2020, and provides projections of the potential average sales per square foot for major supermarkets in the trade area.

Based on analysis of available sales tax data, the eight existing supermarkets[14] in PRTA currently capture approximately 56 percent of the overall Food category sales. The balance of sales in the overall Food category accrues to smaller convenience and specialty markets. For purposes of projecting future demand, it was assumed that supermarkets will capture increasing shares of Food demand, reaching 61 percent by 2020.[15]

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13 For purposes of this analysis, it is assumed that the supermarket component of the Walmart Supercenter would be 43,374 square feet.

14 For purposes of this analysis, "supermarkets" have been defined as food stores larger than 13,000 square feet.

15 In fully developed urban markets, supermarket sales typically account for 80% to 90% of sales in the overall Food category. This factor has been derived based on numerous analyses of supermarket supply and demand in urban communities throughout California. Thus, based on data from other markets, we would expect supermarkets to capture approximately to 90% of the *incremental growth* in Food sales. That is, the increase in the supermarkets' share of *total* Food demand from 55% to 61% corresponds to capturing 75% of new or *incremental* Food demand between 2010 and 2020. Given that the shift in Food sales would relate to incremental demand, it would not affect the sales volumes of existing non-supermarket Food stores.

Table 5.6-12
Demand for Retail Space (Non-Grocery) – Porterville Retail Trade Area

Retail Category	2007	2010	2012	2013	2015	2017	2020
GAFO[1]	150,359	59,610	138,144	233,144	263,477	294,727	343,381
Eating and Drinking	14,402	0	11,593	33,437	40,412	47,597	58,785
Building Materials/Hardware	50,426	29,159	47,563	69,826	76,935	84,258	95,660
Auto Parts[2]	0	0	0	2,344	3,934	5,572	8,122
GAFO Adjustments							
--Target Expansion[3]		(38,000)	(38,000)	(38,000)	(38,000)	(38,000)	(38,000)
--Mervyns Closure[4]		77,000	77,000	77,000	77,000	77,000	77,000
Adjusted Category Totals							
GAFO	150,359	98,610	177,144	272,144	302,477	333,727	382,381
Eating and Drinking	14,402	0	11,593	33,437	40,412	47,597	58,785
Building Materials/Hardware[5]	50,426	0	0	0	0	0	0
Auto Parts	0	0	0	2,344	3,934	5,572	8,122
Services space @ 10% of retail	23,910	10,957	20,971	34,214	38,536	42,988	49,921
Total	**239,097**	**109,567**	**209,708**	**342,139**	**385,359**	**429,884**	**499,209**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.
Notes:
[1] *GAFO includes General Merchandise, Apparel, Furniture, and Other (Specialty).*
[2] *Assumes that automotive parts stores account for 8% of sales in overall Automotive group category (based on statewide average in 2007).*
[3] *Existing Target store expanded by approximately 38,000 square feet in 2008. Thus, this new square feet added subsequent to base year 2007 is subtracted from potential new GAFO demand.*
[4] *Mervyns store closed in 2008. Thus, the square feet of this store is added to potential new GAFO demand, as it closed after the base year 2007.*
[5] *All residual demand in the Building Materials/Hardware category through 2020 is assumed to be absorbed by the Lowe's Home Improvement store, which opened in February, 2008.)*

The table also provides an estimate of the PRTA supermarkets' average sales volumes, in terms of sales per square foot, by dividing the estimate of supermarket demand (in dollars) by the square feet of existing supermarket space. Projections of future average sales volumes are net of the demand that would be absorbed by the proposed grocery component of the Walmart Supercenter.

Table 5.6-13
Demand for Supermarket Sales and Estimate of Sales per Square Foot Porterville Retail Trade Area
(thousands of constant dollars)

Description	2010	2012	2013	2015	2017	2020
Total Food Sales Demand	$180,812	$197,919	$218,613	$225,221	$232,028	$242,627
Estimated Supermarket Share	56%	58%	59%	60%	60%	61%
Total Potential Sales	$101,255	$114,085	$129,606	$134,561	$139,667	$147,616
Less Demand Absorbed by New Facilities:						
Walmart Supercenter 1/	$0	($21,408)	($21,408)	($21,408)	($21,408)	($21,408)
Net Demand Available to Support Existing Supermarkets	$101,255	$92,677	$108,198	$113,153	$118,259	$126,208
Existing Supermarket Square Feet	265,487	265,487	265,487	265,487	265,487	265,487
Sales per Square Foot						
Existing Supermarkets	***$381***	***$349***	***$408***	***$426***	***$445***	***$475***

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.
Progressive Grocer, The Super 50, May 2010.
[1] *Sales per square foot (gross area) assumptions:*
Walmart: $625

5.6.3 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; and
- 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 that prevent the economic development of those parcels or other portions of the project area; and
- 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, if feasible, mitigated prior to the approval of discretionary land use approvals. The *State 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.[16] 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 and urban decay.

Local

The City of Porterville actively pursues economic development strategies to attract and retain business in the City. Planning efforts and marketing strategies, infrastructure improvement projects, tax and other kinds of incentives to business owners to locate (and stay) in the downtown business district are all strategies utilized by the City. Existing economic development programs operating within the City that would be available to attract new business or relocation of existing business are described below.

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16 California Public Resources Code, Title 14, Division 6, Chapter 3, *California Environmental Quality Act Guidelines*, Section 15123.

City of Porterville 2030 General Plan

The Economic Development Element of the 2030 General Plan[17] provides policy direction and concrete actions for improving the business climate in the City. The guiding policies of the Economic Development Element include the following:

ED-G-1	Recruit targeted community serving retail, neighborhood serving commercial and basic industrial activities that meets the needs of our residents.
ED-G-2	Retain, improve, and promote existing businesses in Porterville and foster local start-up businesses.
ED-G-3	Maintain an adequate supply of land for economic development and be able to process development applications expeditiously.
ED-G-4	Recruit appropriate basic economic activities.
ED-G-5	Retain existing local businesses and foster local start-ups.
ED-G-6	Support and contribute to a clean, attractive, safe, pedestrian friendly, well-maintained downtown and provide neighborhood commercial centers to meet everyday convenience shopping needs.
ED-G-7	Create an image for Porterville that will attract and retain economic activity.

Foreign Trade Zone

The City of Porterville is part of the Central San Joaquin Valley Region Foreign Trade Zone (FTZ), a seven-county area. The FTZ benefits are as such:

- Merchandise imported into a FTZ and later re-exported from the Zone is never assessed any Customs duties.
- Imported merchandise admitted into a Zone and then rejected, scrapped, or consumed in the Zone is not assessed any Customs duties.
- Merchandise imported into a FTZ and then shipped to another Zone can be shipped duty-free to the receiving Zone.
- When components are imported into a FTZ and manufactured into a new product for re-export or sale in the US, the importer may elect to apply the finished product duty rate, or the component duty rate, whichever is lower.

17 City of Porterville, *2030 General Plan*, "Economic Development Element," 50–51.

- Importers located in a FTZ are only required to submit one Merchandise Processing Fee (MPF) per week, thus reducing MPF costs to importers who otherwise would file multiple entries.

Business Incentive Zone (the Biz)

City of Porterville is part of the Tulare County Business Incentive Zone. Benefits to qualifying companies include the following:

- Permit Fast Tracking
- Interest Free 5-Year Fee Payment Plan
- Equipment Tax Credits
- Hiring Tax Credits
- Employer Hiring Assistance
- Business Expense Deductions
- Net Operating Loss (NOL) Carryover
- Participating Businesses: Zone advantages are available to new and existing businesses in these Standard Industrial Codes:
  - 2000–2099, Food Processing
  - 2200–3999, Certain Other Manufacturing
  - 4200–4299, Motor Freight Transportation, and Warehousing
  - 4500–4599, Transportation by Air
  - 4700–5199, Transportation Service & Wholesale Trade

Hub Zone (Historically Underutilized Business Zone)

The Historically Underutilized Business Zone (HUB Zone) program[18] seeks to encourage economic development in historically underutilized business zones through establishment of preferences for award of federal contracts to small businesses located in such areas. The program falls under the auspices of the U.S. Small Business Administration. The goal of the program is to channel at least 1 percent of overall federal procurement to HUB Zone small businesses. To participate in the program, the following qualifications must be met:

- A small business' principal office must be located in a HUB Zone
- 35 percent of a participating firm's workforce must reside within a HUB

18 City of Porterville, *2030 General Plan*, "Economic Development Element," 55.

- Zone location
- The qualified company must be owned and operated by U.S. citizens

Business Improvement Area

The Business Improvement Area (BIA) was established in 1987 to establish a mechanism for the assessment of fees and administration of funds for the purpose of general promotion of business activities in the BIA, the promotion of public events that are to take place on or in public places in the BIA, and the decoration of any public place in the BIA. The BIA fees have been established as equal to the amount paid for a business license and are collected by the City. The BIA's boundaries are roughly Morton Avenue to Olive Avenue, from Second Street to D Street.

5.6.4 METHODOLOGY

The basis of the evaluation is detailed in the urban decay study,[19] which is included in this EIR as **Appendix 5.6.** For purposes of estimating impacts in the relevant retail categories, this analysis considers a trade area that includes the cities of Porterville and Lindsay along with the surrounding portions of unincorporated Tulare County (including the communities of Cotton Center, Woodville, Springville, and Terra Bella). The analysis projects total resident purchasing power within this trade area, and uses this projection of total demand as the basis for determining the extent to which the proposed project could be supported in the market area without negatively impacting existing businesses.

The study methodology includes the following major steps:

- Estimate the current potential demand for retail sales in the trade area, based on existing demographics.
- 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 outside of the evaluated trade area.
- Forecast future (14-year) growth in the amount of supportable retail sales, based on projected increases in the trade area's resident population.
- 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 urban decay study.
- Estimate the volumes of additional general merchandise, apparel, furniture, specialty, grocery, and restaurant sales that the trade area could support in future years (through 2020), based on the difference between potentially supportable sales and the existing sales volumes.

19 The Natelson Dale Group, Inc., 2010.

- 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 project. 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 City. This additional level of analysis for supermarkets is possible because the universe of supermarkets in the trade area is small (there are only eight 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.

The City of Porterville actively pursues economic development strategies to attract and retain business in the City. Planning efforts and marketing strategies, infrastructure improvement projects, tax and other kinds of incentives to business owners to locate (and stay) in the downtown business district are all strategies used by the City. Existing economic development programs operating within the City would be available to attract new business or relocation of existing business.

5.6.5 SIGNIFICANCE THRESHOLD CRITERIA

The *State CEQA Guidelines*[20] provides guidance on consideration of social and economic effects:

> *Economic 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. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect.*

For the purposes of this analysis, the urban decay study[21] has established the following criteria to determine if the project's market impacts would be great enough to create a lasting physical change in the market area.

- Any diversion of sales from existing retail facilities would have to be severe enough to result in business closings.

- The business closures would have to be significant enough in scale (i.e., in terms of the total square footage affected and/or the loss of key "anchor" tenants) that they would be presumed to lead to significant physical deterioration. Physical deterioration includes, but is not limited to, abandoned buildings and commercial sites, boarded doors and windows, long-term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of

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20 California Public Resources Code, Title 14, Division 6, Chapter 3, *California Environmental Quality Act Guidelines*, Section 15131(b).

21 The Natelson Dale Group, Inc., 2010.

refuse or overturned dumpsters on properties, dead trees or shrubbery, extensive litter, uncontrolled weed growth, and homeless encampments.

5.6.6 IMPACT ANALYSIS

Impact 5.6-1 **The project would potentially create the closure of one grocery store; however, closures would not be of sufficient scale or duration to cause urban decay.** ***This impact is considered to be less than significant.***

Walmart Grocery Component

The trade area currently has eight supermarkets (five in Porterville, and two in Lindsay) totaling an estimated 251,400 square feet. TNDG's demand analysis indicates that there is currently (year 2010) sufficient demand to support average supermarket sales volumes in the trade area of $381 per square foot at all eight supermarkets.[22] In comparison, the industry median for supermarkets are approximately $473 per square foot nationally and $418 in the Western United States.[23] Thus, TNDG estimates that, on average, supermarkets in the trade area currently have sales volumes that are lower than 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 $101.3 million in 2010 to approximately $114.1 million in 2012, the assumed opening date of the proposed project. By 2020, total demand for supermarket sales in the trade area is projected to reach approximately $147.6 million (all projections are given in 2010 constant dollars). **Table 5.6-14, Potential Sales Impacts to Existing Supermarkets Grocery Component of Proposed Walmart, Porterville Retail Trade Area**, evaluates the impact of the Walmart's grocery sales in terms of the potential reduction in the sales per square foot volume at the eight existing supermarkets.

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22 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. TNDG has utilized the following assumptions for this calculation: (1) taxable supermarket sales account for 55% of taxable sales in the overall Food category and (2) total sales are estimated by multiplying taxable sales by a factor of 3.2. These factors have been derived by TNDG 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.

23 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.

Table 5.6-14
Potential Sales Impacts to Existing Supermarkets Grocery Component of Proposed Walmart Porterville Retail Trade Area

Description	2010	2012	2013	2015	2017	2020
Total Food Sales Demand	$180,812	$197,919	$218,613	$225,221	$232,028	$242,627
Estimated Supermarket Share	56%	56%	59%	60%	60%	61%
Total Potential Sales	$101,255	$114,085	$129,606	$134,561	$139,667	$147,616
Less Demand Absorbed by New Facilities:						
Walmart Supercenter[1]	$0	($21,408)	($21,408)	($21,408)	($21,408)	($21,408)
Net Demand Available to Support Existing Supermarkets	$101,255	$92,677	$108,198	$113,153	$118,259	$126,208
Existing Supermarket Square Feet	265,487	265,487	265,487	265,487	265,487	265,487
Sales per Square Foot						
Existing Supermarkets	***$381***	***$349***	***$408***	***$426***	***$445***	***$475***

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.

[1] *Sales per square foot (gross area) assumptions: $625. Typically, new retail stores operate below average sales volumes in the first few years after opening, and then reach stabilized sales volume levels after being open for a few years. However, in order to remain analytically conservative (i.e., to depict the maximum potential impact), we have assumed that store would reach its full sales potential (based on the chain-wide average) in year 1.*

Conclusion

The above analysis suggests that development of the proposed project could potentially cause one supermarket in the trade area to close, given that the combined sales volumes of the eight existing supermarkets would fall 8.5 percent from the existing level with the expansion of the Walmart store in 2012. Based on this projected sales impact and an assumed sales-per-square foot support requirement of $418, the trade area would be overbuilt by approximately 43,800 square feet of supermarket space in 2012. By 2020, the City would be able to support average sales volumes of $475, well above the $381 estimate in 2010, and on par with the national median.

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 43,800 square feet of overbuilt

grocery space – and the related conclusion that one existing supermarket would potentially close as a result of the proposed project – represents a relatively aggressive (i.e., worst case) calculation.

To further evaluate the "typical" sales volumes of California supermarkets, the urban decay study 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 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.[24] 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, 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 that The Natelson Dale Group 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.

Proposed Project's General Merchandise, Apparel, Furniture/Appliances and Other/Specialty Retail Space

The demand analysis indicates base year (year 2007) market support for $276.2 million in GAFO retail sales in the trade area. Base year (2007) estimated sales in the trade area are estimated at $231.1 million, suggesting that approximately 16.3 percent of potential GAFO sales are being lost to other jurisdictions outside of the trade area. In other words, as of 2007 there was an estimated $45.1 ($276.2 million–$231.1 million) in unrealized GAFO demand in the trade area—demand "leakage" which could be captured development of additional retail facilities. However, as illustrated in **Table 5.6-3**, the recent

[24] 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.

economic downturn has led to a smaller share of personal income being allocated to retail purchases. Thus, as of 2010 this estimate of demand leakage has been reduced to approximately $17.9 million. This existing 2010 estimate of demand leakage translates into approximately 59,600 square feet of additional GAFO space that could be supported in the trade area.[25] After accounting for the expansion of the Target store and the closure of the Mervyns store, both in Porterville in 2008, the trade would be able to support approximately 98,600 square feet of additional GAFO space in 2010.[26] Thus, the trade area could currently support approximately 243,400 square feet of additional GAFO space over and above the existing inventory.

Within the trade area, potential demand for new GAFO space is projected to grow to approximately 177,144 square feet by 2012, 272,144 square feet by 2013, and to 382,381 square feet by 2020. As discussed under Environmental Setting, the significant increase in supportable square feet between 2010 and 2013 is in part driven by the fact that trade area residents' share of income spent on retail purchases is projected to return to the long-term historical average rate in 2013, as opposed to the depressed share in 2010 resulting from the economic downturn. These demand projections are based on the detailed analysis and data provided in **Tables 5.6-1** through **5.6-13**.

Conclusion

As indicated above, the proposed project would result in a net increase of 152,434 square feet of GAFO retail space. Residual market support for GAFO retail space in the trade area in 2012 (the proposed project's planned completion date) is projected to be approximately 177,144 square feet, indicating that demand for new GAFO space between 2010 in 2012 would be more than sufficient to absorb the space associated with the proposed project. Based on these findings, TNDG believes that it is unlikely that the GAFO retail components of the project would result in economic impacts to existing stores in the trade area, and that it is therefore unlikely that any existing retail stores will be forced to close due to the project.

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25 The inventory includes the existing Walmart store in the Porterville Crossroads shopping center, located at the northwest corner of Prospect Street and Henderson Street. The applicant has not indicated the existing Walmart store will close after the opening of the proposed Supercenter. However, if this store were to close, this would create demand for an additional 100,000 square feet (the approximate size of the existing store) of GAFO space in the trade area, since this store would no longer be generating sales. In this case, the trade area would be able to support approximately 159,600 (59,600 + 100,000) square feet of additional GAFO space over and the existing inventory.

26 After the base year 2007, the Target store added approximately 38,000 square feet while the 77,000 square foot Mervyns store closed. The Target expansion square feet (representing new inventory in the trade area) was subtracted from the GAFO demand total while the square feet of the Mervyn's store (which was no longer generating sales after 2008) was added back to the GAFO demand. See **Error! Reference source not found.** on page 3.

Proposed Project's Restaurant Space

The demand analysis indicates base year (year 2007) potential market support for approximately $79.4 million in restaurant sales in the trade area. Base year (2007) restaurant sales in the trade area are estimated at $74.0 million, suggesting that there is currently $5.4 million ($79.4 million–$74.0 million) in unrealized restaurant demand in the trade area. However, as illustrated in **Table 5.6-3**, the recent economic downturn has led to a smaller share of individuals' income being allocated to retail and restaurant expenditures. Thus, as of 2010 the supply and demand for restaurant sales are roughly in equilibrium in the trade area.

Within the trade area, potential demand for new restaurant space is projected to grow to approximately 11,600 square feet by 2012, 40,400 square feet by 2015 and to 58,800 square feet by 2020. These demand projections are based on the detailed analysis and data provided in **Tables 5.6-1** through **5.6-13**.

Conclusion

The proposed project will potentially result in a net increase of 16,167 square feet of restaurant space. Given the residual market support for 11,600 square feet of restaurant space in 2012, the trade area would theoretically be overbuilt by approximately 4,600 square feet in the restaurant category, indicating the potential for some restaurant closures.

These projections of the effect of overbuilt space in the restaurant category should be considered unlikely, however. The proposed project space in the restaurant category would be fully supportable in 2013, just one year after the projected opening date. Given the temporary nature of the projected sales impacts, it is less likely that there would be restaurant closures, as incremental demand in just one year would fully support the project restaurant components. Moreover, the maximum amount of potentially impacted restaurant space (4,600 square feet) represents less than 2 percent of existing restaurant space in the trade area. Even in the unlikely event of some restaurant closures, growth in incremental demand in the restaurant category by 2013 would be more than sufficient to provide for restaurant reuse opportunities of these potential vacancies. Given the above, it is it is not reasonably foreseeable that any closed restaurants would remain vacant for extended periods of time. Thus there is no potential for urban decay conditions to result.

Impacts to Porterville Downtown Area

The impacts of big-box retailers (such as the proposed Walmart) on small, independent merchants throughout southern and central California vary widely. While 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 speaking, the difference in results can be explained by four factors:

- 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)
- 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)
- The degree to which tenants in a downtown are selling goods directly comparable to those available at competitor big box stores
- The degree to which the local government has made a sustained commitment to promoting economic development in its downtown area

Conclusion

Although the analysis concludes that the proposed project would potentially have substantial economic effects on existing businesses, these effects would be limited to the potential supermarket closure discussed above. As such, the downtown areas of Porterville and Lindsay would not be specifically vulnerable to urban decay conditions. This conclusion is based on the following:

- Residual demand is anticipated to be sufficient to support the project without substantially diverting sales from existing GAFO stores or restaurants.
- Small merchants in the downtown areas already face big box competition from the Porterville Crossroads, Porterville Marketplace, Jaye Street Crossing and Riverwalk Marketplace shopping centers, and the proposed project, in and of itself, will not significantly increase the market draw of these established centers away from the downtown. The proposed Walmart is more likely to divert sales from the existing Porterville Walmart than it is to divert sales from the downtown.
- The downtown areas have a strong representation of boutique retail, eating and drinking establishments, and service-based businesses, all of which offer a mix of merchandise and services that are not directly comparable to the type of goods that would be available at the proposed Walmart.
- As discussed above, although the estimated 24.0 percent vacancy rate in Downtown Lindsay is well above the acceptable vacancy range in a healthy retail market, the City is proactively addressing through significant improvements to the physical appearance and function of the downtown area.
- In Downtown Porterville, the current retail vacancy rate is estimated at approximately 15.9 percent. Although the downtown's vacancy rate has increased recently due to the recession, there are nevertheless continued signs of tenant interest in the downtown. There are currently two vacant spaces in the downtown that are being remodeled to accommodate new office and retail uses.

Moreover, there are no visible indications of urban decay in the downtown area. The City of Porterville has demonstrated a longstanding commitment to maintaining the physical appearance and improving the economic vitality of its downtown, as has been recently evidenced by its pending purchase of the Porterville Hotel building and its efforts to ensure that the former site of the J.C. Penney building does not physically deteriorate.

- The construction of the new Superior Court complex approximately 0.5 mile from the downtown Main Street corridor is expected to stimulate renewed interest in commercial investments in the downtown. The timing of the Court project (2012–2013) will coincide well with the expected recovery of the economy as well as the City's planned offering of the Porterville Hotel site as a new development opportunity. Based on these simultaneous events, the downtown area will be well positioned over the next two to three years to resume its long-term revitalization process.

- The largest existing vacant buildings in the downtown area—the former Longs Drugs store and the former Porter Theater—are being actively marketed for reuse. This is a strong indication that the owners of these properties consider the downtown a viable market and that these properties are not likely to become subject to abandonment (a necessary condition for urban decay to ensue).

- The analysis concludes that the only major retail vacancy that would potentially occur as a result of the proposed project would be the possible closure of one supermarket. Given that the existing sales volumes or break-even thresholds of individual supermarkets in the trade area are not available, it is not possible to reliably predict which supermarket, if any, would be most vulnerable to closure. Substantial new demand for retail space in the trade area within two to three years of the proposed project's opening, which would provide strong incentive for the ownership of any vacated building(s) to maintain them in clean, leasable condition during a period of repositioning.

- It is also important to note that the possible closure of one store would not result in a chain reaction that would cause further increases in vacancies along the Main Street corridor. Contemporary revitalization of historic downtown areas is usually most successful when it focuses on market niches and tenant types different from the typical tenant mix of neighborhood and community shopping centers. The absence of major retail chains along Main Street in Porterville is reflective of contemporary market trends whereby major retail anchor tenants largely favor shopping center locations. As such, successful downtowns typically do not depend on major "anchor" tenants (e.g., supermarkets) to the same degree that shopping centers do.

With very few exceptions (and these mostly in very urban areas such as Pasadena and Santa Monica), national retail anchor tenants do not locate in older downtown areas. Successfully revitalized downtowns are almost entirely tenanted by independent specialty stores and restaurants, and local service businesses.

In summary, it is recognized that Downtown Porterville has been a longstanding area of focus for the City and the community. The future vitality of the downtown will largely be a function of several factors unrelated to the proposed Walmart project. These include the City's continued commitment to proactively improving the area (via strategic land acquisition and code enforcement); the positive impacts from the planned Superior Court complex; and projected areawide growth in retail demand as the national economy recovers and substantial residential growth resumes in the trade area.

Urban Decay Analysis

As discussed above, potentially significant economic impacts are projected under the project-specific analysis for the supermarket category. Based on the data provided in **Table 5.6-14**, the project-specific impact could result, under worst-case conditions, in the closure of one existing supermarket given that the market could technically be overbuilt by approximately 47,900 square feet in 2012 under cumulative conditions. Again, as noted previously, the projection of overbuilt supermarket space is conservatively based on the median regional sales figure of $418 per square foot, which does not necessarily reflect a break-even threshold for supermarkets. Thus, this is a relatively high or aggressive estimate of the amount of overbuilt space based on the worst-case assumption of supermarkets' break-even sales volumes of $418 per square foot.

Although a potential supermarket vacancy would clearly be undesirable from the standpoint of a commercial property owner, it is not reasonably foreseeable that urban decay conditions would result. Urban decay is a potential consequence of a downward spiral of store closures and long-term vacancies.[27] While urban decay is not defined under CEQA, it is assumed to be indicated by significant deterioration of structures and/or their surroundings. Such deterioration can occur 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.

In areas where higher than desirable vacancy rates are expected to be temporary, property owners are more likely to see the prospect of keeping properties leased at favorable rents. Where vacancy rates are persistently high, property owners are more likely to have a pessimistic view of the future and be prone to reducing property maintenance as a way to reduce costs. Very high area-wide vacancy rates (over 25 percent) that persist for long periods of time are more likely to lead to reduced maintenance expenditures and in turn to physical deterioration.

Store closures and vacancies, in and of themselves, do not meet the above criteria for urban decay. 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, which in turn result in deterioration of the physical condition of the vacant building(s) and neighborhoods. With the consolidation in the supermarket industry over the past several years, 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

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27 As cited in Bakersfield Citizens for Local Control v. City of Bakersfield (2004) 124 Cal. App 4th 1184, p 2.

reconfigured the space for non-retail uses (examples of successful re-tenanting and reuse of vacated supermarkets are provided below under the heading "Reuse Potentials of Existing Supermarket Buildings." Thus, the closing of a supermarket anchor tenant does not necessarily indicate that the shopping center will experience a downward spiral of store closures and long-term vacancies. For example, the former Porterville Save Mart store in the Eastridge Plaza Center remained vacant for 15 years before Vallarta decided to renovate and reoccupy this store (in November of 2009).

Table 5.6-15, Supply and Demand for Retail Building Space Based on Development of Planned and Pending Projects, Porterville Retail Trade Area, provides a summary of the demand for new retail space. Based on this data, and accounting for the potential vacancies, the table provides an overall estimate of the trade area vacancy rate between 2010 and 2020. As shown on **Table 5.6-15**, the overall retail vacancy rate in the trade area would temporarily increase to 15.0 percent in 2012, based on the worst-case assumption that all planned and pending projects are built by 2012. In subsequent years incremental growth in retail demand will drive the projected vacancy rate to decline to levels that are generally considered reflective of a very healthy retail market (typically between 5 and 10 percent). The projected low vacancy rate over the long term indicates strong re-tenanting potential for any supermarket buildings that may be closed. These market conditions would provide strong incentives for owners to maintain vacated properties in good condition and suitable for releasing even if there is some amount of lag time in the reuse process. This applies to existing vacant retail space as well as retail space that may be vacated under project-specific or cumulative conditions. This in turn indicates that the potential for urban decay is low, taking into account both existing vacant space and potentially vacated spaces, under project-specific and cumulative conditions.

Table 5.6-15
Supply and Demand for Retail Building Space
Based on Development of Planned and Pending Projects
Porterville Retail Trade Area

	2010	2012	2013	2015	2017	2020
DEMAND						
Existing Occupied Square Feet (SF)[1]	2,632,876	2,632,876	2,632,876	2,632,876	2,632,876	2,632,876
Adjustments for Potential Future Vacancies[2]						
-- Supermarkets		(47,925)	(47,925)	(47,925)	(47,925)	(47,925)
Net Occupancy, Existing Space	2,632,876	2,584,951	2,584,951	2,584,951	2,584,951	2,584,951
Demand for New Occupancies (non-grocery)[3]		209,708	342,139	385,359	429,884	499,209
New Occupied Supermarket Space[4]		38,172	38,172	38,172	38,172	38,172
Net Demand for New Occupancies		247,880	380,311	423,531	468,056	537,381
Potential Occupied Square Feet	*2,632,876*	*2,832,831*	*2,965,262*	*3,008,481*	*3,053,007*	*3,122,332*
SUPPLY						
Total Existing Square Feet[5]	2,939,097	2,939,097	2,939,097	2,939,097	2,939,097	2,939,097
Potential Supply Increases						
-- Proposed Project		202,854	202,854	202,854	202,854	202,854
-- Other New Projects		93,469	93,469	93,469	93,469	93,469
-- Reuse of Existing Vacant Space[6]		97,216	97,216	97,216	97,216	97,216
Total Supply	*2,939,097*	*3,332,636*	*3,332,636*	*3,332,636*	*3,332,636*	*3,332,636*
Vacant Space	306,221	499,805	367,374	324,155	279,629	210,304
Vacancy Rate	10.4%	15.0%	11.0%	9.7%	8.4%	6.3%

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.
Notes:
[1] *Includes existing occupied retail and services space in the City.*
[2] *Vacancy resulting from overbuilt square feet in Supermarket category. Purely for purposes of a worst-case vacancy calculation, we have assumed a worst-case scenario in which the overbuilt square footage in this retail category becomes vacant.*
[3] *Net demand for new retail space.*
[4] *Square feet of all planned and pending supermarkets in trade area.*
[5] *Includes existing occupied and vacant retail and services space in the trade area.*
[6] *Includes reuse of existing vacant space – Monte Mart and Mervyns.*

It should be emphasized that the potential peak vacancy rate of 15.0 percent in 2012 represents worst-case conditions and is likely to significantly overstate the potential cumulative impacts, for two reasons. First, purely for the purposes of a worst-case calculation, this vacancy rate assumes that the project would

immediately result in the closure of one supermarket (totaling approximately 47,900 square feet). As previously discussed, the projection of overbuilt square feet in the supermarket category is based on the benchmark sales per square foot factor of $418, which is above the estimated existing level of sales for the trade area's supermarkets (and is also well above the operating level of many supermarket chains in California). Second, two of the cumulative projects totaling approximately 90,000 square feet have unknown development dates and may be developed well after 2012.

Reuse Potentials of Existing Supermarket Buildings

As discussed above, one supermarket in the trade area could potentially close due to project-specific impacts. 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 supermarkets would be most vulnerable to closure. However, there are viable reuse options for each of the existing seven supermarkets in the trade area, indicating that regardless of which specific store would potentially close, the vacated space would not be likely to remain permanently vacant. Even after accounting for planned and pending projects (see Cumulative Impacts below); there is sufficient residual demand to support some type of retail use at any potential vacant supermarket in the trade area.[28] Thus, the possible closing of one existing supermarket would not lead to urban decay. That potential reuse opportunities will likely fall into one of the following three categories.

Supermarket Reuse

Although the analysis indicates that the retail market would initially be overbuilt to a degree that could cause one existing supermarket to close, projected population growth in the trade area would rapidly result in new demand to support additional grocery sales. By 2015 (i.e., within three years of the proposed project's opening date), projected grocery demand would be sufficient to support the proposed new projects (i.e., the Walmart and the Target expansion) and to re-tenant any vacated supermarket with a new grocery tenant. The very fact that this level of demand would be achieved within three years provides evidence that the proposed project would not necessarily cause another supermarket to close, since it suggests that a competitor store would have reasonable expectation that any initial sales impact would be mitigated within several years.

Non-Supermarket Retail Reuse

Given the significant projected growth in residual demand in the non-grocery categories (see Cumulative Analysis below); many of the existing supermarkets would be suitable for some type of non-supermarket

28 As shown on the table, by 2016, just five years after the opening of the project, there will be support for approximately 147,100 square feet of new (non-grocery) retail space.

retail reuse, such as a discount store, an apparel store, or a furniture store. For example, 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.[29] 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.[30] Four examples in Tulare and Fresno Counties include the following:

- A closed (1995) Kmart store 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.

- 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 (August 2010), 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 Vons store located at 3170 West Shaw Avenue in Fresno was reoccupied by a Furniture 101 store (August, 2005); and

- A closed Monte Mart Grocery store in Hanford that was reoccupied by a 99 Cent Only discount store (August, 2008).

Adaptive Reuse

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) 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 Porterville, at the Eastridge Plaza center, a former Rite Aid store was converted into the Porterville Health Care Center in 2006. Two additional nearby examples include two former Fairway Market stores in 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

29 See *Don't Ask. You Can Afford It: Seizing the Moment, Dollar Stores Expand*, New York Times, May 3, 2009.

30 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.

Fairway Market, located on 1845 North Dinuba Boulevard in Visalia, is currently in the process of being converted to a Tulare County government complex.

Effects of Potential Extended Vacancies

For the reasons described above, a vacated supermarket space would ultimately be suitable for reuse with other retail tenants; it is acknowledged that a potential supermarket vacancy could endure for as long as five to six years from the time the proposed project opens.[31] (As a practical matter, an impacted competitor store would not likely close immediately upon the opening of the proposed project; thus the actual period of vacancy would likely be somewhat shorter than the indicated five to six 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, due to their strong re-tenanting potential (based on the projected net demand for new retail space discussed under Cumulative Impacts below), 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 includes 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.[32] In 2002, the Tulare Joint Union High School District purchased the site and converted it into an adult school.

Conclusion

As discussed above, one supermarket in the trade area could potentially close due to project-specific impacts. There are viable reuse options for each of the existing seven supermarkets in the trade area, indicating that regardless of which specific store would potentially close, the vacated space would not be likely to remain permanently vacant. Even after accounting for planned and pending projects (see Cumulative Impacts below); there is sufficient residual demand to support some type of retail use at any potential vacant supermarket in the trade area. Thus, the possible closing of one existing supermarket would not lead to urban decay. Therefore, impacts resulting from urban decay would be less than significant.

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31 This assumes the potential vacant space would be reoccupied with non-supermarket uses.

32 Information on the Tulare example obtained via email correspondence with Mark Kielty, Planning Director, City of Tulare.

Mitigation Measures

No mitigation measures required

Residual Impacts

Impacts would be less than significant.

5.6.7 CUMULATIVE IMPACTS

Impacts

This section evaluates the cumulative impacts to the market based on all known pending retail development/reuse projects (including the proposed project evaluated in this analysis) in the retail trade area. At the time of this writing, there are six known planned and/or pending commercial retail projects (including the proposed project evaluated in this analysis) in the trade area. **Table 5.6-16, Planned and Pending Retail Project, Porterville Retail Trade Area**, provides the name, location, square footage, and status of each project. As shown on the table, there is approximately 393,500 square feet[33] of retail space planned for development (or reoccupancy) within the trade area. The Walmart Supercenter grocery component will account for approximately 34,300 square feet of this total.

Table 5.6-16
Planned and Pending Retail Projects Porterville Retail Trade Area

Project	Location	Non-Grocery Square Feet	Grocery Square Feet	Total Square Feet	Status
Walmart Supercenter	SEC Indiana St./Springville Dr.	127,349	34,253	161,602	Under Review
Walmart Supercenter – outlot parcels	SEC Indiana St./Springville Dr.	41,252	0	41,252	Under Review
Jay Street Crossing	Jaye St./State Hwy 190	75,000	0	75,000	Approved
Walgreens	Jaye St./Olive Ave.	14,550	0	14,550	Approved
Target Expansion	Henderson Ave./Prospect St.	0	3,919	3,919	Approved
Subtotal		*258,151*	*38,172*	*296,323*	
Pending Reuse of Major Existing Vacancies					
Monte Mart Reuse[1]	Henderson Ave./Prospect St.	30,316	0	30,316	Approved

33 As shown on the table, 97,218 of this square footage will be reuse of existing (previously occupied) space. Although this is not technically new development of retail building space, it is equivalent in the sense that the reuses will include two *new* retail tenants in the trade area.

Project	Location	Non-Grocery Square Feet	Grocery Square Feet	Total Square Feet	Status
Mervyns Reuse[2]	Henderson Ave./Prospect St.	66,900	0	66,900	Under construction
Subtotal		*97,216*	*0*	*97,216*	
GRAND TOTAL		**355,367**	**38,172**	**393,539**	

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. City of Porterville, Planning Department.
Notes:
[1] *The property owner previously was in negotiations with Ross Dress for Less to reoccupy this space. According to City staff, the status of these negotiations is unknown at this time.*
[2] *Kohl's reoccupied the former Mervyns space in October 2010.*

Cumulative Impacts – Non-Grocery Categories

Within the evaluated trade area, demand for new non-grocery retail space is projected to reach approximately 209,700 square feet in 2012 and 499,200 square feet by 2020. See **Table 5.6-17, Potential Demand for New Retail Space by Retail Category (Non-Grocery)**, on the following page, for a breakdown of supportable square feet by retail category from 2012 to 2020.

Table 5.6-17
Potential Demand for New Retail Space
by Retail Category (Non-Grocery)

Retail Category	2012	2013	2015	2017	2020
GAFO	177,144	272,144	302,477	333,727	382,381
Eating and Drinking	11,593	33,437	40,412	47,597	58,785
Building Materials/Hardware	0	0	0	0	0
Auto Parts	0	2,344	3,934	5,572	8,122
Services Space @ 10% of Retail	20,971	34,214	38,536	42,988	49,921
Total	209,708	342,139	385,359	429,884	499,209
Square Feet Absorbed by Planned and Pending Projects[1]	355,367				
NET DEMAND	**0**	**0**	**29,992**	**74,517**	**143,842**

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010.
Notes:
[1] *Non-grocery square feet. Includes proposed project.*

Based on the potential demand for new non-grocery retail space (as shown on **Table 5.6-17** above), the total square feet of planned and approved retail projects in the trade area (as shown on **Table 5.6-16**) would absorb all of the residual retail demand through 2013. However, due to continued growth in the market, the trade area would be able to support an additional 143,800 square feet of non-grocery space by 2020. Thus, the planned and pending projects will not have significant cumulative impacts on trade area retailers in the non-grocery categories.

Cumulative Impacts – Supermarket Category

In addition to the proposed project evaluated in this analysis, there is the planned Target expansion which will add 3,919 square feet of grocery sales area. Following the same process as the project-specific analysis, **Table 5.6-18, Potential Sales Impacts to Existing Supermarkets – Cumulative Analysis of Grocery Component of Proposed Walmart, Porterville Retail Trade Area**, on the following page, provides a summary of the cumulative impacts to the supermarket category.

Table 5.6-18
Potential Sales Impacts to Existing Supermarkets – Cumulative Analysis of Grocery Component of Proposed Walmart Porterville Retail Trade Area

Description	2010	2012	2013	2015	2017	2020
Total Food Sales Demand	$180,812	$197,919	$218,613	$225,221	$232,028	$242,627
Estimated Supermarket Share	56%	56%	59%	60%	60%	61%
Total Potential Sales	$101,255	$114,085	$129,606	$134,561	$139,667	$147,616
Less Demand Absorbed by New Facilities:						
--Walmart Supercenter 1/	$0	($21,408)	($21,408)	($21,408)	($21,408)	($21,408)
--Target Expansion 2/	$0	($1,736)	($1,736)	($1,736)	($1,736)	($1,736)
Net Demand Available to Support Existing Supermarkets	$101,255	$90,941	$106,461	$111,417	$116,523	$124,472
Existing Supermarket Square Feet	265,488	265,487	265,487	265,487	265,487	265,487
Sales per Square Foot - Existing Supermarkets	***$381***	***$343***	***$401***	***$420***	***$439***	***$469***

Source: The Natelson Dale Group, Inc., Retail Market Impact Analysis for Porterville Walmart Supercenter, 2010. Progressive Grocer, The Super 50, May 2010.

[1] *Sales per square foot (gross area) assumptions: $625. Typically, new retail stores operate below average sales volumes in the first few years after opening, and then reach stabilized sales volume levels after being open for a few years. However, in order to remain analytically conservative (i.e., to depict the maximum potential impact), we have assumed that store would reach its full sales potential (based on the chain-wide average) in year 1.*

[2] *Sales per square foot (sales area) assumptions: $443.*

Given the minimal additional sales impacts under the cumulative analysis—e.g., in 2012 existing supermarket sales would approximately 98 percent of the total estimated in the project-specific analysis—there would not be any cumulative impacts to the grocery category above and beyond the project-specific impacts analyzed above. Based on an assumed sales-per-square foot support requirement of $418, the project-specific analysis estimated the trade area would be overbuilt by approximately 43,800 square feet. Using this same sales-per-square foot requirement factor, the trade would be overbuilt by approximately 47,900 square feet. Thus, the estimated additional 4,100 square feet of potentially overbuilt space (47,900-43,800) is not expected to cause additional store closures beyond the one potential supermarket closure identified in the project-specific analysis.

Cumulative Mitigation Measures

No mitigation measures are required.

Residual Impacts

Impacts would be less than significant.

5.6.8 LEVEL OF SIGNIFICANCE AFTER MITIGATION

Development of the proposed project would create a temporary surplus of grocery store area within the PRTA. This, in combination with other planned grocery stores, could cause the closure of one existing grocery store within the PRTA. Although a potential supermarket vacancy would clearly be undesirable from the standpoint of commercial property owners, it is not reasonably foreseeable that urban decay conditions would result. Urban decay is a potential consequence of a downward spiral of store closures and long-term vacancies. Therefore, as the proposed project would not cause urban decay conditions, impacts would be less than significant.