

This section of the Draft Environmental Impact Report (Draft EIR) for the proposed Mitchell Ranch Center project considers whether the proposed project would result in significant adverse physical deterioration of properties or structures (i.e., blight or urban decay) as a result of economic impacts on existing businesses. The focus of the issue is to what extent might the proposed project cause businesses (specifically, household product and grocery retailers in the area and businesses in downtown Ceres) to close and remain in long-term vacancy to the point that the structures and neighborhoods would substantially deteriorate. In this analysis, the terms "blight" and "urban decay" are applied to the process of physical deterioration of structures and property. An individual building and the property around it may be considered to have conditions of "blight" if the building exhibits significant signs of deterioration or vandalism, and if the property is unsightly due to a substantial accumulation of weeds and litter. A neighborhood may be considered "blighted" as a condition that results from the process of "urban decay" when multiple properties exhibit indications of poor maintenance and deterioration. Property does not need to be vacant to exhibit signs of blight, but certainly vacancy contributes to neglect of property and resulting deterioration.

The analysis in this section is based on a report prepared by Bay Area Economics (BAE) entitled *Economic Impact Analysis for Mitchell Ranch* (August 2008), as well as on a subsequent memorandum from BAE dated June 19, 2009, which further considered changes in the economic conditions in the City of Ceres following the publication of the aforementioned report dated August 2008. Both the August 2008 Economic Impact Analysis Report and the subsequent memorandum have been incorporated into this Draft EIR as **Appendix 4.5-1**. While economic conditions and factors are dynamic and could continually be revisited and updated, this EIR considers that CEQA only requires that the lead agency look at the project's impacts compared to the baseline which, in this case, is established in the BAE analysis. This baseline, with the reasonable update in the subsequent memorandum, is considered adequate for the analysis in this EIR.

Following publication of the Notice of Preparation/Initial Study (NOP/IS) for the proposed project, a comment letter was received from James Vinyard related to economics and blight.

### 4.5.1 ENVIRONMENTAL SETTING

#### REGIONAL AND LOCAL SETTING

The project site is located in the City of Ceres in central Stanislaus County about 75 miles south of Sacramento and 75 miles east of San Francisco. The site is located at the northwest corner of the intersection of Mitchell Road and Service Road and consists of five parcels (APNs 053-012-068 and 053-013-016 through -019) totaling 26.3 acres.

#### ECONOMIC SETTING (TRADE AREA)

A trade area is the geographic region that encompasses most of a retail outlet's customers. For the proposed project, the primary trade area has been defined as the City of Ceres. A secondary trade area has been defined as the primary trade area plus the remainder of Stanislaus County (see **Figures 1a** and **Figured1b** in **Appendix 4.5-1**), which includes, Modesto, Oakdale, Turlock, and other cities and unincorporated communities in the county. Additionally, for the purposes of the economic analysis, an area defined as the Ceres periphery has also been identified within the secondary trade area. The "Periphery" consists of an area just south of the Tuolumne River, but not in Ceres, that includes a patchwork of unincorporated areas and portions of Modesto, as well as the Keyes area to the south of Ceres but near the project site. The trade area definitions acknowledge that the majority of shoppers will be drawn from Ceres

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but that, because of the lack of stores of similar scale in nearby communities, the project is likely to draw a substantial number of shoppers from beyond Ceres itself. The primary and secondary trade areas for the project have been defined by taking into account several factors, as discussed below.

First, it is recognized that there is an existing Walmart in Ceres which, based on statements made by the project applicant, is slated for closure when the proposed project, which includes a new and larger Walmart store, opens. The existing store, because of its location, is likely attracting shoppers from Modesto who might not be as drawn to the proposed project because of its greater distance relative to the existing Ceres Walmart and a Walmart store in Modesto. Thus, the trade area for the new Walmart store will not necessarily be the same as that of the existing Walmart in Ceres.

Second, the boundary between Ceres and Modesto is very irregular, and the area directly south of the Tuolumne River consists of a patchwork of unincorporated areas and incorporated portions of Ceres and Modesto. In fact, some of the competing retail outlets within the City of Ceres have Modesto mailing addresses. To the west of State Route 99, there is a sizeable retail strip along Crow's Landing Road that is in both Modesto and unincorporated Stanislaus County and likely attracts shoppers from Ceres, especially the portion of Ceres west of State Route 99, which does not have a significant number of retail shopping opportunities. While the entire area south of the Tuolumne River could reasonably be included in the primary trade area, the availability of reliable retail sales data only at the citywide level has led BAE to limit that area solely to the City of Ceres to make the analysis more transparent. However, it is acknowledged that the delimitation between the primary and the secondary trade area represents a compromise based on the realistic limitations of the data available and must take into account the reality that these area definitions are imperfect. As a result, the demographic analysis and the consideration of capture from the secondary trade area will look more closely at the areas near but not part of Ceres in light of the potential of their residents to be strongly attracted by the proposed Walmart store and other retail offerings of the proposed project.

A third factor in defining affected trade areas is that the proposed project is located at the southern end of Ceres and is easily accessible from unincorporated Keyes and the City of Turlock. Neither of these locales has a superstore. "Superstore"-sized stores are prohibited by ordinance in Turlock. Thus, the proposed Mitchell Ranch Center project is likely to attract shoppers from the south that wish to shop in a superstore-type environment.

In Modesto, a new Walmart store located in a 100,000 square foot space at the north end of the city has recently opened, offering a mix of groceries and general merchandise. In addition, there has been a long-existing Walmart (non-supercenter) near the Briggsmore/SR 99 interchange. Beyond Modesto and Ceres, the closest Walmart stores, existing or planned, are to the north in Stockton (with an existing Walmart store) and Tracy (where an expansion of an existing Walmart store to a store having both groceries and general merchandise is currently in process). To the south in Atwater, an expanded Target store has recently opened. To the east and west of Ceres, there are no nearby locales with the population necessary to support such a store.

### RETAIL SALES ANALYSIS

This section examines retail trends in Ceres (as the primary trade area), and in Stanislaus County less Ceres (as the secondary trade area). For comparative purposes, data from California are also presented, along with data from Modesto and Turlock, the major retail nodes to the north and south of Ceres. To the extent possible with extremely limited data, retail sales in the Ceres

periphery are also considered. The analysis presents an overview of retail sales in Ceres and then focuses on the major retail categories with special attention to the key categories of food and general merchandise competitive with the proposed Walmart store. A leakage analysis was undertaken to identify the relative strength of major retail sectors in the primary trade area, in comparison to each other and to the state overall. Major individual competitors in the primary trade area are identified in the key categories of supermarkets and general merchandise stores.

### **Overall Retail Sales**

Over the last decade, total estimated annual retail sales in Ceres have grown considerably, from approximately \$310 million in 1996 to \$485 million as reported in the reporting period from 4<sup>th</sup> Quarter 2005 through 3<sup>rd</sup> Quarter 2006. This 56 percent inflation-adjusted growth is greater than the 31 percent growth in population during the same period. Growth was also strong in Stanislaus County overall, with total retail sales increasing 52 percent from approximately \$4.2 billion to \$6.4 billion over the same time period as population only increased 23 percent. By comparison, statewide total retail sales increased by 38 percent as population increased only 17 percent from 1996 through the most recently reported annual period<sup>1</sup>. Relatively speaking, Modesto showed slower growth over the same period, with retail sales increasing only 27 percent as population increased 17 percent, but Turlock showed a 105 percent increase in retail sales while its population increased by only 34 percent.

These data indicate increased consumer buying power throughout the county and a very competitive regional retail market. As the largest city, Modesto has the most mature region-serving retail mix, but its share of countywide retail sales declined from 54 percent in 1996 to 45 percent in the most recent four quarters, more in line with its population share of 41 percent. Ceres' share of county retail sales was relatively unchanged over the period at between 7 and 8 percent, slightly below its population share of approximately 8 percent.

### **Overall Per Capita Taxable Retail Sales**

Per capita retail sales are an indicator of the relative strength of a locale as a retail destination; other factors being equal, higher per capita sales relative to a larger benchmark area point toward attraction of shoppers from outside the area, and lower per capita sales indicate that local shoppers are going elsewhere to make their purchases. As shown in **Table 4.5-1**, the City of Ceres has annual per capita retail sales slightly below the county and the state. For Ceres in the most recent annual data period, per capita sales are estimated at \$11,550 compared to \$12,438 for Stanislaus County and \$12,231 for California. Neighboring Modesto and Turlock both outperform the county, with per capita annual sales of \$13,839 and \$15,553, respectively. All geographies show rising per capita sales since 1996, but much of the increase was in the late 1990s, with declines in the most recent years. Trends for Ceres mirror those for the county and the state, while Modesto has shown less growth and Turlock has shown substantial gains in per capita sales. Turlock's gain in sales is likely a reflection of the number of major retailers that have opened outlets in Turlock in recent years; because of its location at the south end of Stanislaus County, Turlock may be capturing substantial sales from Merced County to the south.

Considered in combination with the overall sales data, the per capita data indicate that Ceres is "holding its own" within the Stanislaus County retail market, as long-term retail sales have

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<sup>1</sup> 4th Quarter 2005 through 3rd Quarter 2006 was the most recent data available at the time of BAE's analysis.

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trended upward due to a combination of population growth and increases in per capita expenditures. While Modesto has slipped somewhat as a regional destination and Turlock has gained strength, trends for Ceres seem to mirror the county overall. Based on per capita sales alone, Ceres still lags behind the county and the two larger cities, indicating that Ceres may be losing sales to these larger neighbors as its residents seek shopping opportunities not found in Ceres itself. For example, shoppers wishing to frequent a membership warehouse would have to travel to either Modesto or Turlock, and those wishing to shop at a traditional regional mall would have to go to Modesto. The lower per capita sales levels in Ceres may also be a reflection of lower per capita incomes in the city and its periphery.

**TABLE 4.5-1  
COMPARATIVE TOTAL RETAIL SALES, 4TH QUARTER 2005 TO 3RD QUARTER 2006**

	Ceres	Modesto	Turlock	Stanislaus County	California
<b>Sales in 2006 (\$,000) <sup>1</sup></b>					
Apparel Stores	\$4,489	\$165,661	\$34,653	\$220,866	\$19,444,226
General Merchandise Stores <sup>2</sup>	\$135,252	\$742,106	\$312,546	\$1,327,273	\$78,024,129
Food Stores <sup>2</sup>	\$103,863	\$508,175	\$154,943	\$1,055,133	\$69,397,546
Eating and Drinking Places	\$39,857	\$276,434	\$92,735	\$502,798	\$48,524,509
Home Furnishings and Appliances	\$1,825	\$128,671	\$27,134	\$200,570	\$17,550,306
Building Materials and Farm Implements	\$75,162	\$221,027	\$122,532	\$701,519	\$40,608,455
Auto Dealers and Auto Supplies	\$39,551	\$220,291	\$140,329	\$1,011,947	\$71,589,663
Service Stations	\$53,672	\$173,359	\$90,191	\$546,035	\$43,571,754
Other Retail Stores	\$31,391	\$459,085	\$78,745	\$820,204	\$66,206,342
<b>Retail Stores Total</b>	<b>\$485,062</b>	<b>\$2,894,809</b>	<b>\$1,053,807</b>	<b>\$6,386,345</b>	<b>\$454,916,929</b>
Key Other Retail Categories <sup>3</sup>	\$112,867	\$974,444	\$263,064	\$1,943,159	\$143,809,329
<b>Sales Per Capita in 2006<sup>5</sup></b>					
Apparel Stores	\$107	\$792	\$511	\$430	\$523
General Merchandise Stores <sup>2</sup>	\$3,221	\$3,548	\$4,613	\$2,585	\$2,098
Food Stores <sup>3</sup>	\$2,473	\$2,429	\$2,287	\$2,055	\$1,866
Eating and Drinking Places	\$949	\$1,322	\$1,369	\$979	\$1,305
Home Furnishings and Appliances	\$43	\$615	\$400	\$391	\$472
Building Materials and Farm Implements	\$1,790	\$1,057	\$1,808	\$1,366	\$1,092
Auto Dealers and Auto Supplies	\$942	\$1,053	\$2,071	\$1,971	\$1,925
Service Stations	\$1,278	\$829	\$1,331	\$1,063	\$1,171
Other Retail Stores	\$747	\$2,195	\$1,162	\$1,597	\$1,780
<b>Retail Stores Total</b>	<b>\$11,550</b>	<b>\$13,839</b>	<b>\$15,553</b>	<b>\$12,438</b>	<b>\$12,231</b>
Key Other Retail Categories <sup>3</sup>	\$2,688	\$4,659	\$3,882	\$3,785	\$3,866
Population <sup>5</sup>	41,997	209,174	67,757	513,441	37,195,240

Sources: BAE, 2008. Table 7 - Economic Impact Analysis for Mitchell Ranch In Ceres, CA.

<sup>1</sup> Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

- 2 *General merchandise sales and food store sales have been adjusted from taxable sales to take into account nontaxable sales. For detail on adjustments, see Appendix 4.5-1.*
- 3 *Includes additional categories unspecified in the site plan that might include outlets suitable for the proposed project. Includes apparel, home furnishings and appliances, building materials and farm implements, and other retail stores.*
- 4 *Per capita sales calculated based on State Board of Equalization reported sales and annual Department of Finance population estimates benchmarked to the decennial Census.*
- 5 *Population from DOF Report E-5 for 2007. Uses January 1, 2006 number.*

### Food Stores

The proposed project's square footage would include the equivalent of a full-service supermarket, which would be directly competitive with food stores now serving the primary trade area. As shown in **Table 4.5-1** above, Ceres has recently had total estimated food store sales of \$103.9 million and estimated annual per capita food store sales of \$2,473, much higher than the statewide figure of \$1,866. With estimated annual per capita sales of \$2,055, Stanislaus County shoppers are also spending more in food stores on a per capita basis than statewide; Ceres, Modesto, and Turlock also have levels above the state and the county, indicating all three cities may be attracting shoppers from unincorporated areas or other areas within and outside Stanislaus County but near to each of the cities. Ceres in particular may be attracting shoppers from the periphery, which has limited retail outlets. Because food stores are primarily convenience-oriented, they are probably not attracting large numbers of shoppers from other population nodes farther away.

Over the last decade, inflation-adjusted food store sales in Ceres have been relatively constant, with some fluctuations from year to year, but there is no discernable trend (see **Appendix 4.5-1** for details). This is also true of Modesto and the county, while Turlock has increased per capita food store sales gradually toward the levels of Ceres and Modesto. This increase has happened despite the fact that the proportion of taxable items sold in food stores is declining in Turlock as other types of retail outlets have increased their presence in the city.

### General Merchandise Stores

Taking into account nontaxable items, BAE estimates that sales in this category for the most recent published annual period are approximately \$135 million. The existing Walmart store is the largest store in this category in Ceres, with extremely strong sales indicated by site visits and available data. For the county as a whole, annual sales for the same period are estimated at \$1.3 billion, with slightly more than half of that number being in Modesto. On a per capita basis, Ceres has annual general merchandise store sales of \$3,221, higher than the county at \$2,585 but lower than Modesto (\$3,548) or Turlock (\$4,613). In comparison, statewide annual per capita sales in this category are \$2,098. Turlock's high level of per capita sales may be due to the presence of several large general merchandise retailers including Target, Costco, and Walmart, which attract shoppers from beyond Stanislaus County or from other areas of southern Stanislaus County itself.

### Eating and Drinking Places

Another major retail type specifically called out in the site plan is restaurants, with two pad sites designated for fast-food restaurants and a third pad site and spaces suitable for sit-down restaurants. Ceres' most recently reported annual sales in this category are slightly below \$40 million. On an annual per capita basis, Ceres, with sales of \$949, lags behind Modesto (\$1,322) and Turlock (\$1,369) and behind the county overall (\$979). Statewide annual per capita sales are \$1,305.

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### Other Key Retail Categories

The proposed project includes 109,590 square feet (Majors, Shops and 1 Pad space plus 3 percent square footage buffer) of unspecified retail/service space. For the combined other retail categories that might occupy this space (see **Table 4.5-1**), the primary trade area shows per capita sales well below Modesto, Turlock, and Stanislaus County, indicating a lack of shopping opportunities in these store categories and the likelihood that Ceres residents are venturing to Modesto, Turlock, and other places to shop in these types of stores, which include apparel, home furnishings and appliances, building materials, and specialty retail outlets. Per capita annual retail store sales for the combined various retail categories are \$2,688; well below the \$4,659 for Modesto, \$3,882 for Turlock, and \$3,785 for Stanislaus County. Total annual retail sales in this combined set of categories are slightly less than \$113 million, only about 12 percent of Modesto's sales based on about one-fifth of the population.

### Retail Sales in the Ceres Periphery

As noted in the discussion defining the trade areas, the incorporated City of Ceres is surrounded by additional urbanized areas. To the north and west of Ceres but south of the Tuolumne River is a patchwork of areas, some parts being in incorporated Modesto and some being unincorporated. To the south is the unincorporated community of Keyes, which is closer to the proposed project than much of Ceres itself. These areas represent an additional source of potential shoppers not included in the primary trade area (the City of Ceres); there are nearly 38,000 residents in the periphery, compared to approximately 42,000 in Ceres itself. However, these areas also include additional retail outlets, so the periphery does not merely represent additional demand for retail but also supply. Unfortunately, published taxable sales data from government sources (the State Board of Equalization and the U.S. Census of Retail Trade) do not provide retail sales data for the periphery.

While the sales in this peripheral area are probably somewhat limited, there is a retail strip along Crow's Landing Road, between Whitmore Avenue on the south and State Route 99 on the north, which includes a number of scattered strip centers with outlets catering largely to a Latino clientele. There are two relatively small supermarkets, La Perla Tapatia and Mi Pueblo Market, and one small pharmacy, along with a variety of other stores. While the periphery has been excluded from the primary trade area for analytical reasons, these retail concentrations must be taken into account in considering the impacts of the proposed Mitchell Ranch Center project.

As noted above, measuring retail sales in this area accurately is extremely problematic. While various sources estimate retail employees and/or sales specific to the periphery, these estimates are suspect for a variety of reasons, especially with respect to whether workers or businesses are being placed properly within or outside Ceres. Perhaps the most serious problem is that much of the retail on East Hatch Road and in the City of Ceres (e.g., Kmart, Home Depot) has a Modesto zip code and address. The estimates obtained using employment and sales totals would indicate retail sales of upwards of \$150 million to \$200 million, or one-third to one-half of those in the City of Ceres. An area tour indicates a far lower level of sales based on the limited number of stores found. BAE obtained store-by-store data for food stores and drugstores for the entire county, and for the periphery annual sales in these two store types appear to be between \$25 million to \$30 million. The area tour indicated that food stores are probably the most prevalent store type in the periphery and represent some of the largest outlets. Thus the estimates of total annual retail sales in the periphery of \$150 million or more are almost certainly overstated.

### **Inventory of Competitive Retail**

The proposed project's known retail components include the Walmart store, shops (majors 2, 3 and 4 and shops 1-4) and three pad sites. The Walmart store component includes space equivalent in function and layout to a supermarket, so this store will be directly competitive with other full-service supermarkets. The Walmart store's general merchandise component will be most directly competitive with the other similar general merchandise stores. The restaurant space will be competitive with other eating and drinking places. The tenant mix for the remainder of the center is unknown at this time.

The area of potential significant impact is largely assumed to be Ceres itself, along with major competitors in the periphery. While a Walmart store with grocery and general merchandise components in particular is likely to attract some customers from beyond these areas because of the lack of similar superstores in the adjacent cities, the impacts will be diffused among a large number of outlets in those cities, and it is unlikely that the stores in the proposed Mitchell Ranch Center would lead to the closure or urban decay of existing stores in the surrounding cities.

To determine sales for the directly competitive general merchandise and food stores in order to assess current performance, BAE contacted store representatives. With one exception, none of the stores contacted was willing to share sales figures, which are usually considered proprietary, although some shared impressions of their general sales strength. Alternatively, BAE relied on site visits to get a sense of overall traffic and data from Trade Dimensions, a vendor of store-by-store retail sales data acquired through various means including industry insiders, and published retail sales data for the food store category. Taxable sales data as well as the 2002 Census of Retail Trade provided a sense of the overall sales levels. Due to nondisclosure agreements, BAE cannot publish the individual store sales estimates from Trade Dimensions.

### General Merchandise Stores

There are two large-scale general merchandise stores in Ceres, the existing Walmart and the Kmart, totaling slightly over 200,000 square feet. Based on site visits and available sales data, the combined sales for these two stores are approximately \$95 to \$100 million annually. The Walmart store performs considerably better than the Kmart and well above Walmart national averages. Because of its location, the Walmart is well situated to draw shoppers from the southwestern portion of nearby Modesto, being closer to much of this area than the Modesto Walmart and other region-serving retail concentrated along State Route 99. The Kmart is directly adjacent to and very accessible to much of the Ceres periphery to the west and north of Ceres itself. Combined, these two stores likely account for most of the injections of general merchandise store sales into Ceres.

Ceres has several other stores in the general merchandise store category, in two subcategories: drugstores and miscellaneous variety stores.

Many drugstores function in large part as small general merchandise stores, with a broad range of items, but are more focused on convenience shopping than the existing large-format discount stores or the proposed store. Stores in this niche in Ceres include Walgreen's, Rite-Aid, and CVS (formerly Longs). The Ceres Drugstore in downtown Ceres carries a few everyday items, but the focus of its non-pharmacy sales is more toward gifts and miscellaneous novelty items, and in any case this store's sales are well below those of the chain drugstores. While these stores may be impacted by the proposed Walmart store, their convenience orientation makes them

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less directly competitive with the proposed store, even though that store will include a pharmacy (as does the existing Walmart).

The miscellaneous variety stores are stores such as Dollar Tree, 99 Cent Only, and Big Lots that focus on deeply discounted or surplus merchandise and thus are not directly competitive with the proposed Walmart store.

While Ceres shows capture of general merchandise store sales from outside the city, it does not have two major subcategories of general merchandise stores: traditional department stores (e.g., Sears) and warehouse club stores (e.g., Costco). Ceres residents wishing to shop at these kinds of stores or other general merchandise outlets not found in Ceres (e.g., Target) must go to neighboring communities. These kinds of stores can be found in Modesto to the north and Turlock to the south.

### Food Stores

Ceres is currently served by five large supermarkets and three smaller stores that are not as directly competitive but still offer a wide range of grocery items (see **Table 4.5-2**). The five larger stores, in descending order of size, are Raley's, Cost Less Market, Food 4 Less, Save Mart, and Richland Market. Together, these stores total slightly less than 250,000 square feet of space. The three smaller stores are La Sequoia Super Market, Country Market, and La Perla Tapatia, totaling slightly less than 20,000 square feet. Based on available estimates, these 8 stores combined have approximately \$75 to \$85 million in annual sales, representing approximately three-quarters of total estimated annual food store sales in the City of Ceres.

Other smaller food stores such as very small ethnic markets and convenience stores and other outlets are assumed to have a level of sales that already accounts for supermarket-type competition. An additional large supermarket equivalent is assumed to be unlikely to draw a substantial number of shoppers away from these small stores, which survive by focusing on a different market niche than major supermarkets, such as convenience or specialty goods. Furthermore, these stores are not usually anchors of shopping centers and closures would be part of the normal cycle of vacancy found in any retail real estate market.

**TABLE 4.5-2  
COMPETITIVE SUPERMARKETS IN CERES AND PERIPHERY**

Supermarket	Estimated Total Square Feet	Distance from Project Site (miles)
<b>Ceres</b>		
Raley's 1611 E. Hatch Road Ceres (Modesto mailing address)	63,284	3.61
Cost Less Market 1610 E. Hatch Road Ceres (Modesto mailing address)	62,233	3.61
Food 4 Less 1561 Mitchell Road Ceres	59,808	1.92
Save Mart 2916 E. Whitmore Avenue Ceres	29,750	1.09
Richland Market 2531 E. Whitmore Avenue	30,800	1.58

Supermarket	Estimated Total Square Feet	Distance from Project Site (miles)
Ceres		
La Sequoia Super Market 2000 Central Avenue Ceres	9,280	2.28
Country Market 2147 Pine Street Ceres	5,000	1.77
La Perla Tapatia 1460 Mitchell Road Ceres	5,000	2.02
	<b>265,155</b>	
<b>Periphery</b>		
La Perla Tapatia 2031 Crows Landing Road Modesto	22,343	4.37
Mi Pueblo Food Center 1612 Crows Landing Road Modesto	22,000	4.82
Keyes Supermarket 5471 7 <sup>th</sup> Street Keyes	11,000	2.20
	<b>55,343</b>	

Source: BAE, 2008. Economic Impact Analysis for Mitchell Ranch In Ceres, CA – Table 10.

Fitting with predominant demographic in Ceres of low- to moderate-income households, two of the major supermarkets, Cost Less Market and Food 4 Less, are warehouse-style stores catering to price-conscious shoppers. Raley's and Save Mart are conventional supermarket outlets of regional chains, and Richland Market is part of a small locally-based chain. La Sequoia and La Perla Tapatia are Latino-oriented stores, with La Sequoia being an independent outlet and La Perla Tapatia being part of a small chain based in Turlock.

Based on estimated sales of \$80 million annually, at approximately \$300 per square foot these stores as a group are performing under national benchmarks, such as Urban Land Institute / International Council of Shopping Centers (ULI/ICSC's) median for community/super community shopping centers of \$397 per square foot. Site visits and the available sales data indicate that none of the major stores have sales performance at high levels or at extremely low levels. Based upon the information available, it appears that Richland Market has the worst performance among these stores, and Cost Less Market has the best performance. While available data for the smaller stores is more limited, site visits indicate that La Sequoia Supermarket and Country Market are functioning largely as neighborhood convenience stores with limited sales.

Outside the primary trade area, there are three additional supermarkets in the periphery, as shown above in **Table 4.5-2**. To the west of Ceres on Crow's Landing Road are another La Perla Tapatia and Mi Pueblo, both stores catering to the Latino population. These two supermarkets are larger than their smaller counterparts in Ceres, and while having an ethnic flavor they offer a broader selection more closely resembling the larger supermarkets in Ceres. The Keyes Supermarket is a smaller supermarket in the unincorporated community of Keyes to the south of Ceres. While not in the primary trade area, this supermarket is relatively close to the proposed

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project site at the south end of Ceres. This supermarket is noteworthy for its run-down appearance even though it is a functioning store.

Outside the primary trade area and the periphery, both Modesto and Turlock have a broad range of supermarkets of various types and sizes. Perhaps the region-serving store most competitive with the proposed Supercenter is the WinCo in Modesto, an extremely large-format store (91,000 square feet) with an emphasis on low prices. Because of its format and location adjacent to State Route 99, this store functions as more of a regional draw than would a typical supermarket.

### Other Retail Outlets

Ceres is served by a wide mix of other retail outlets and restaurants. Retail in the city is concentrated along Mitchell and Hatch roads, with other outlets scattered throughout the city, the largest additional node being the Richland Center at Whitmore Avenue and Moffett Road. Downtown Ceres currently has extremely limited retail, and because the area has already had to adjust to the competitive pressures of region-serving retail in Ceres and other nearby cities, the existing outlets are not directly competitive with region-serving uses such as the Walmart and other outlets likely to locate at the proposed Mitchell Ranch Center. As indicated by the leakage analysis, Ceres has weak sales in more specialized retail (such as apparel stores, home furnishings/appliances, and specialty retail) as well as the automotive sector, with room for growth. The presence of additional outlets in the city in these sectors would serve to bring local shoppers back to Ceres).

Modesto and Turlock both have ample region-serving retail, especially more populous Modesto, which is the location of the only traditional regional mall in Stanislaus County. Each of these cities has a conventional Walmart and Modesto has a “mini-Supercenter.”

### 4.5.2 REGULATORY FRAMEWORK

#### STATE

#### **California Environmental Quality Act**

The California Environmental Quality Act (CEQA) provides that “[i]n evaluating the significance of the environmental effect of a project, the lead agency shall consider direct physical changes in the environment which may be caused by the project and *reasonably foreseeable* indirect physical changes in the environment which may be caused by the project” (CEQA Guidelines Section 15064(d); emphasis added). “A change which is speculative or unlikely to occur is not reasonably foreseeable” (CEQA Guidelines Section 15064(d)(3)).

The CEQA Guidelines further provide that “[e]conomic and social changes resulting from a project shall not be treated as significant effects on the environment” (CEQA Guidelines Section 15064(e)). However, “[a]n 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 in turn caused by the economic or social changes. (CEQA Guidelines Section 15131(a)).

Therefore, “[t]he focus of the analysis shall be on the physical changes” (CEQA Guidelines Section 15131(a)). “[S]ocial, economic and business competition concerns are not relevant to CEQA analysis unless it is demonstrated that those concerns will have a significant effect on the

physical environment" (*Maintain Our Desert Environment v. Town of Apple Valley* (2004) 120 Cal.App.4th 396, 422).

The relevant inquiry concerns whether substantial evidence demonstrates that it is reasonably likely that economic impacts will indirectly cause significant, sustained physical impacts (*Friends of Davis v. City of Davis* (2000) 83 Cal.App.4th 104, 1022).

For purposes of this analysis, a condition of neighborhood blight and urban decay would be a condition resulting from a negative economic impact resulting in multiple store closures when those store buildings, rather than being reused within a reasonable time, would remain vacant in the long term, deteriorate, and lead to the decline of the associated or nearby real estate. In other words, there would be a significant adverse physical deterioration of existing property or structures, or urban decay, as a consequence of economic competition. If no or minimal negative impact is found, then urban decay would not be a logical result. Isolated, short-term store closures would not be enough to cause urban decay because such closures could provide an opportunity for new retailers or other tenants to occupy the vacated space or property owners could be motivated to engage in economic development efforts to improve properties. For a negative impact to occur, there would need to be closures resulting in long-term vacancies that would eventually result in an adverse physical change in the environment to result in urban decay impacts.

LOCAL

**City of Ceres General Plan**

The City of Ceres General Plan was adopted in February 1997 and serves as the overall guiding policy document for land use, development, and environmental quality for the City. The Land Use and Community Design Element provide goals, policies, and implementation programs to guide future development. **Table 4.5-3** analyzes the project's consistency with applicable City of Ceres General Plan Land Use and Community Design Element policies. While this Draft EIR analyzes the consistency of the proposed Mitchell Ranch Center project with the City of Ceres General Plan pursuant to CEQA Guidelines Section 15125(d), the City of Ceres will ultimately make the determination of the project's consistency with the General Plan. Environmental impacts associated with inconsistency with General Plan goals and policies are addressed under the appropriate impact discussion sections of this Draft EIR.

**TABLE 4.5-3  
PROJECT CONSISTENCY WITH CITY OF CERES GENERAL PLAN POLICIES: ECONOMICS AND BLIGHT**

General Plan Policy	Consistency with General Plan	Analysis
<b>Policy 1.B.2.</b> The City shall promote and support the development of a healthy balance of residential, commercial, and industrial businesses within the city.	Yes	The City of Ceres currently has a limited amount of commercial development, resulting in residents traveling to other areas for shopping needs. Implementation of the proposed project would provide additional retail and a greater balance of uses in the city.
<b>Policy 1.I.1.</b> The City shall encourage the retention and expansion of existing industries and businesses in Ceres.	Yes	Implementation of the proposed project will expand upon the existing retail industry in Ceres and will enhance the city's efforts to retain existing retail businesses through the provision of

## 4.5 ECONOMICS AND BLIGHT

General Plan Policy	Consistency with General Plan	Analysis
		new and enhanced retail site options.
<b>Policy 1.1.2.</b> The City shall support the development of primary wage-earner job opportunities to provide Ceres residents an alternative to commuting outside Ceres.	Yes	The proposed project includes multiple retail stores, which will provide employment opportunities to the residents of Ceres.
<b>Policy 1.1.4.</b> The City shall focus economic development efforts on projects that will maximize long-term net revenues to the City.	Yes	The proposed project includes a regional retail center which is projected to generate significant revenues to the City.

### Mitchell Road Corridor Specific Plan

The Mitchell Road Corridor Specific Plan, adopted by the City of Ceres in September 1995, establishes comprehensive guidance and regulations for the development of approximately 450 acres located along a portion of Mitchell Road between State Route 99 and the Tuolumne River, including the project site. The specific plan serves to focus the General Plan as it relates to land use and the City's intent for enhancement of the planning area. **Table 4.5-4** analyzes the project's consistency with applicable Mitchell Road Corridor Specific Plan policies. While this Draft EIR analyzes the proposed project's consistency with the Specific Plan pursuant to CEQA Section 15125(d), the City of Ceres will ultimately make the determination of the project's consistency with the Specific Plan. Environmental impacts associated with inconsistency with Specific Plan goals, objectives, or policies are addressed under the appropriate impact discussion sections of this Draft EIR.

**TABLE 4.5-4  
PROJECT CONSISTENCY WITH MITCHELL ROAD CORRIDOR SPECIFIC PLAN POLICIES: ECONOMICS AND BLIGHT**

Specific Plan Policy	Consistency with Specific Plan	Analysis
<b>Policy P18.</b> Maximize southern portion of the corridor for uses that have a regional market attraction such as theaters, department store, membership/wholesale stores, etc.	Yes	The proposed project is a regional retail center consistent with the Specific Plan's land use designation for the project site.

### 4.5.3. PROJECT IMPACT ANALYSIS

#### STANDARDS OF SIGNIFICANCE

In the context of this section of the Draft EIR, implementation of the proposed project would result in a significant impact only if all of the following occurred:

- The project may result in an economic impact so severe that stores might close as a result.

- Buildings and/or properties, rather than reused within a reasonable time, would remain vacant for an extended period.
- Such vacancies would cause the buildings and/or properties to deteriorate and lead to the decline of the associated or nearby real estate.

### METHODOLOGY

This economic impact analysis is based on the report prepared by Bay Area Economics (BAE) entitled *Economic Impact Analysis for Mitchell Ranch in Ceres, CA*, included as **Appendix 4.5-1** to this Draft EIR. In their analysis, BAE analyzed the project's potential to result in an urban decay impact by following the causal chain to assess the likelihood of new retail space causing long-term vacancies in existing retail space, ultimately leading to blight, urban decay and physical deterioration of existing retail centers and nodes.

### IMPACTS AND MITIGATION MEASURES

#### Urban Decay

**Impact 4.5.1** Development of the proposed Mitchell Ranch Center project may result in closure of competing businesses. These closures may increase the inability of property owners to lease vacant buildings, potentially resulting in physical deterioration and urban decay. This impact is **potentially significant**.

BAE has made a baseline estimate of the expected performance of the proposed project in coming years, if and when the project becomes operational. (In the August 2008 BAE analysis, it was originally expected that the shopping center might be operational by 2009. Revised timelines recognize that the project would be operational no sooner than 2011.) The BAE estimates assume stabilized performance and a full year of operations. As shown in **Table 4.5-5**, the proposed project is estimated to achieve total annual sales of approximately \$156 million. Sales in the general merchandise component of the proposed Walmart are estimated at \$90.9 million, and sales in the supermarket-equivalent component are estimated at \$32.2 million. While the existing Walmart is performing at higher levels on a per-square-foot basis, the new larger store, because of its greater distance from Modesto, will likely lose some of the existing store's customer base to the existing and proposed Walmarts in Modesto. This leakage will limit the potential of the proposed store to perform at the per-square-foot levels currently achieved by the existing Walmart in Ceres. Restaurant sales in the proposed shopping center are based on the assumption that most of the pad space will be occupied by either fast-food or sit-down restaurants, and annual sales are estimated at \$4.9 million. For the remainder of the project, where the retail mix is unknown, retail sales are estimated at \$28.0 million annually.

## 4.5 ECONOMICS AND BLIGHT

**TABLE 4.5-5  
ESTIMATED SALES IN PROJECT AT OPENING**

Type of Store	Square Feet <sup>1</sup>	Sales per Square Foot	Estimated Sales of Proposed Project
Supercenter			
General Merchandise Store Equivalent	158,139	\$575 <sup>2</sup>	\$90,900,000
Food Store Equivalent	56,000	\$575 <sup>3</sup>	\$32,200,000
Restaurant/Fast Food	11,120	\$445 <sup>4</sup>	\$4,900,000
Unclassified Retail	101,970	\$275 <sup>5</sup>	\$28,000,000
<b>Total</b>	<b>327,229<sup>6</sup></b>		<b>\$156,000,000</b>

Source: BAE, 2008 - Economic Impact Analysis for Mitchell Ranch in Ceres, CA, August 2008 – Table 11

Note: All sales estimates in 2006 dollars. Total sales rounded to nearest hundred thousand.

1 Derived from site plan.

2 Based on an evaluation of sales at existing store and adjusting to account for differences in the potential market area (e.g., some Modesto shoppers will go to existing and new stores in Modesto due to greater distance to new Ceres store). Sales from existing store were adjusted and estimated on a per-square-foot basis. However, the new store is larger and would not necessarily see the same per-square-foot performance levels. Thus this estimate is used as an “upper bound” on potential sales. The midpoint between these estimates is used here for the estimated sales per square foot for the new store square footage dedicated to non-grocery items.

3 Sales estimates based on information from the Walmart 2007 Annual Report to Shareholders. Since this sector is currently more competitive in Ceres than for general merchandise, it is reasonable to assume that supermarket sales might not achieve the same level as general merchandise.

4 Based on midpoint of range for estimated sales per square foot of a mix of restaurant types, as compiled by HdL.

5 Based on the median sales per square foot of super community/community shopping centers from Dollars and Cents of Shopping Centers/the SCORE 2006, published by ULI/ICSC.

6 Consistent with the conservative analysis used elsewhere in this EIR, the economic analysis used the square footage of the Project as originally proposed. As noted elsewhere in this EIR, the currently proposed square footage is less than this total.

BAE estimated the capture from existing outlets by major store category necessary to achieve benchmark levels of sales performance at the proposed project. The total capture from existing outlets when the proposed project becomes operational is estimated at \$112.7 million annually, with \$81.8 million of this coming from existing general merchandise stores, \$21.6 million from existing food stores, \$3.7 million from existing restaurants, and the remainder coming from other types of retail outlets. As the population of Ceres and surrounding areas grows according to projections, the level of sales captured from existing outlets necessary to reach benchmark levels is estimated to decline slightly to \$111.7 million in 2012.

Overall, when the proposed project is operational, there will be an estimated decline of \$93.0 million, or 24 percent of the baseline total, for the retail store categories assumed to be represented in the proposed project (this excludes automotive retail and service stations). Most of the decline will be in the general merchandise category, where sales declines are estimated at \$75.0 million, or 55 percent of the estimated baseline figure. However, for the most part, this total represents sales that are going to the existing Ceres Walmart, which is slated for closure; thus, losses at remaining general merchandise outlets (e.g., Kmart) would only constitute a small portion of overall lost sales.

By 2012, population growth in the primary trade area should provide increased expenditures such that overall losses from baseline levels in existing outlets decline to \$60.5 million, or 15 percent. If general merchandise stores are excluded, overall retail sales in existing outlets are estimated to recover to slightly above 2007 baseline levels. The food store category still shows a loss of \$8.0 million, or 8 percent of baseline sales, while existing eating and drinking places and

mixed retail/service are estimated to have sales exceeding baseline levels even with the proposed project in place and performing at benchmark levels.

### General Merchandise Stores

Because the existing Walmart store in Ceres is slated for closure when the proposed store opens, the estimated sales captured in this category by the proposed project will largely be sales currently going to the existing Walmart, with a small amount of capture from other stores in Ceres and some capture from outside the primary trade area. The other directly competitive store in Ceres is the existing Kmart. As discussed above, site visits and available data indicate that the existing Walmart is performing at levels well above Walmart national averages and well above the Kmart. The analysis contained in the economic impact study prepared for the project (see **Appendix 4.5-1**) estimates that, of approximately \$90.0 million in projected sales for this category in 2009, nearly \$75.0 million would be captured from 2007 baseline sales of retail outlets in Ceres. While Kmart's sales levels are much lower and it could be perceived as being at risk, national data from Kmart show that Kmart stores on average have sales per square foot of approximately one-third of Walmart's average. Interviews with local store representatives indicated their perception is that a certain segment of the population chooses not to shop at Walmart and will continue to shop at Kmart or other stores as long as those options are available. Within the primary trade area, the new Supercenter may also attract some limited sales from other general merchandise stores, particularly the chain drugstores. These stores, however, are more convenience-oriented and have proven competitive with the existing Walmart with its pharmacy. Local representatives for the Rite-Aid store (also the chain pharmacy closest to the proposed project) believe that their overall business would not be impacted substantially by the proposed store.

Since the proposed project is assumed to capture shoppers from outside the city, there may be impacts on general merchandise stores beyond Ceres' city limits. The two such outlets most likely to lose sales are the existing Walmart's in Modesto and Turlock, as some shoppers currently going to those two stores may prefer the new center. In some cases, the drive time to the new store will be similar to driving to either of those locations (e.g., for residents of Keyes or Modesto south of the Tuolumne River). Like the Walmart in Ceres, these two stores both appear to have sales well above Walmart's national average, as indicated by reports from store representatives and Trade Dimensions data. The estimated capture from outside the primary trade area is approximately \$9.1 million, a level of sales loss either of these stores could sustain even individually. For other outlets, the impacts are likely to be diffused among a wide range of outlets due to distance and differences in product mix and market positioning, such that impacts on other individual outlets are not likely to be substantial.

In summary, while the capture is great in this category, most of it will take the form of a shifting of sales from the existing Ceres Walmart to the proposed project. Furthermore, as population continues to grow in the primary and secondary trade areas, sales at existing stores should rebound to higher levels.

### Food Stores

It is estimated that, when the proposed Walmart store's grocery component becomes operational, it would capture approximately \$16.3 million of estimated baseline food store sales, or approximately 16 percent of baseline sales in Ceres. While some stores could sustain a 16 percent loss, the impacts may be concentrated on those competitors that are closest and in a similar market niche. The stores most like the proposed supermarket-equivalent space are the five existing major supermarkets in Ceres. The major store closest to the project site is the Save

## 4.5 ECONOMICS AND BLIGHT

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Mart, slightly more than a mile away; Richland Market is slightly more than 1.5 miles away. None of the local competitors are far away in terms of drive time, indicating a similar level of shopping convenience in terms of store access. Factors such as service, price, or quality may play a more important role in shopper choice for Ceres supermarket customers. In the short term, if sales losses are focused on particular stores, there is some risk of closure for an existing supermarket in Ceres. Based on proximity and current performance, the store most at risk is Richland Market. However, because of a variety of factors, including different "break-even" and profit thresholds for different operators, as well as different levels of sales currently, it is not possible to state with a great degree of certainty which of these stores is most likely to be impacted to the point of closure by the proposed project. If any store does close, that store's sales would then be distributed among the remaining competitors, making additional closures less likely. Such transitions will be affected by how a particular store building is or is not re-tenanted after closure. If a closed store is re-tenanted with a new retail use that can be more competitive, that place of business could, in effect, recover what would otherwise be lost sales. Understandably, however, the nature of the commercial use may change with a new tenant.

Based on longer-term population growth, the demand for food stores should recover somewhat within a few years. For example, by 2012 the estimated decline in sales at existing food stores from current levels is estimated at 8 percent. This would indicate that the risk of closure is largely short term, but changes in the housing market and general economy since the time of the NOP and BAE's research show that growth may be slower than projected over the next few years, leading to an inability to re-tenant retail space and the potential for longer-term closure of a supermarket. This issue is discussed in more detail below in the subsection related to the potential for physical deterioration and urban decay.

Outside the primary trade area, the food stores most likely to be affected by the proposed project are those in the periphery, particularly the Keyes Supermarket, which is only 2.2 miles from the project site. This independent store has a deteriorated appearance and, based on site visits by BAE and available data, has low sales levels, appearing to function primarily as a convenience-oriented store for nearby residents. Based on county assessor records, the store is managed and owned by the same family that owns the property. The primary rent generator on the property may be an on-site communications tower (most likely sited due to its proximity to State Route 99). Thus the supermarket may not require the level of return otherwise required to support a rent or mortgage payment. In any case, this supermarket's primary asset is convenience to local residents of Keyes; it is extremely unlikely that shoppers from other locales are frequenting this store. While the proposed store is slightly closer to Keyes than the Safeway in Turlock, Keyes residents seeking a larger store, higher quality, or better prices already have a number of nearby options. The Keyes Supermarket will still have its primary advantage, convenience, and while it may continue to underperform industry norms, it cannot be assumed that the proposed project will lead to closure of this store.

The other supermarkets in the periphery are the two Latino-oriented markets on Crow's Landing Road west of State Route 99. These stores are distant enough and specialized enough that the impacts of the proposed center should be minimal. Beyond Ceres and the periphery, impacts are likely to be more diffused, with impacts on individual stores at levels where closure cannot be an assumed outcome. The WinCo in Modesto is probably the store in the secondary market area most like the proposed center's grocery section in terms of being a region-serving store. While the sales levels for this store are unknown (the store was extremely busy at the time of BAE's site visit), WinCo stores typically have very strong sales and compete successfully with Walmart stores having grocery components and other superstores in other markets (e.g., Stockton). Company representatives contacted for this analysis indicated that they expect that

a Walmart store in Ceres having a grocery component would have some impact on their sales but did not indicate that closure was likely.

### Eating and Drinking Places

The proposed project has two pad spaces with the potential to accommodate a fast-food restaurant and one other pad suitable for a sit-down restaurant or general retail use. Overall, eating and drinking places showed a net estimated decline in sales of 4 percent from current sales levels if the proposed project is built. In just a couple of years after becoming operational, however, population growth is projected to generate enough additional demand that existing outlets should recover to above current levels.

BAE did not inventory restaurants in Ceres. The sales impacts here are limited and are likely to be distributed broadly among a large number of outlets, so no particular restaurant could be determined to be at risk of closure as a result of the proposed project. In any case, growth in the market should lead to recovery within a few years of project opening, so any impacts would be very short term. Impacts outside the primary trade area would be diffused and negligible for any specific outlet.

### Other Store Types

Losses of sales from baseline levels in this category are expected to be minimal, due in part to the limited sales among the other outlet types and the resulting capture of substantial leakage. In just a couple of years after the project is expected to be operational, demand in this catch-all category would allow sales at existing outlets to recover to above current levels.

While it is possible that there could be outlets at the proposed Mitchell Ranch Center project that would compete directly with existing outlets in a given specialty store subcategory, there are no additional known tenants for the proposed center beyond the Walmart at this time. Assessing any possible impacts due to more specific types of retailers would thus be speculative. Overall, due to the minimal overall losses for a short period of time among other store types, impacts are assumed to be negligible and no particular outlets either inside or outside the primary market area can be presumed to be at risk of closure as a result of the proposed project.

### Downtown Ceres

Downtown Ceres at this time has a limited number of retail outlets. The retailers currently downtown are generally small local merchants likely taking advantage of lower rents, who have survived by maintaining a different market focus not directly competitive with the types of retailers in the larger and newer retail centers found throughout Stanislaus County. As a result, the existing retail outlets in the downtown are not expected to face closure as a result of the addition of the proposed Mitchell Ranch Center project to the retail inventory, since it is similar to the existing newer centers in its market positioning. It should be noted, however, that the City of Ceres and its Redevelopment Agency are currently undertaking a Downtown Revitalization Plan in an effort to upgrade the area; this effort is proposed to include the development of a Specific Plan for Downtown Ceres. This planning effort is not complete, and the analysis here can only consider impacts on existing conditions, not future plans.

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### Potential for Physical Deterioration and Urban Decay

In any retail market, existing retail space may be vacated due to functional obsolescence or the general cycle of retail closures and openings over time. For instance, a significant trend in the supermarket industry has been toward larger stores and consolidation (notwithstanding the success of specialty food stores such as Trader Joes), with older stores reused by "second tier" tenants such as dollar stores, furniture outlets, and even non-retail uses such as fitness centers. Thus any retail market is likely to have a certain amount of vacant space due to normal turnover and changes in retailing, and vacancies alone do not necessarily indicate urban decay or physical deterioration.

Outside the primary trade area, the overall retail sector in neighboring cities is so large that impacts are likely to be diffused across the broad range of stores there. In fact, the closure of the existing Ceres Walmart may lead to increased sales at similar outlets in Modesto, as some Modesto residents will find that stores in Modesto would then be more conveniently located than the proposed store in Ceres.

Within the primary trade area, the proposed project has the potential to lead to the closure of an existing supermarket in Ceres, resulting in a possible vacant retail space. At the time of BAE's area tour (summer 2007), Ceres appeared to have a fairly stable retail market with few vacant built spaces. There are vacant parcels suitable for retail/commercial uses in the city, but none of these parcels noted by BAE exhibited signs of decay, they were simply vacant and awaiting future use.

The largest and possibly only vacant space that can be expected to be created by the proposed project will be due to the closure of the existing Walmart. Closure of this store represents a substantial increase in the amount of vacant retail inventory, and the space may prove difficult to re-tenant, especially in the short term. This property presents the potential for urban decay, depending on the property owner's ability to find a new tenant and the City's willingness and ability to enforce ordinances regarding upkeep of the physical property (a vacant property is not by definition subject to urban decay, but only at risk of that condition).

Chapter 9.40 of the Ceres Municipal Code, Property Maintenance and Public Nuisances, contains numerous restrictions and standards for the maintenance of vacant buildings to avoid public nuisances such as blight, and to protect surrounding property values. These restrictions and standards require the proper maintenance of building exteriors and landscaping, regular removal of trash, and pest control. These regulations rely on costly and labor-intensive monitoring and enforcement by the City on a continuous basis. As such, Chapter 9.40 of the Municipal Code also requires owners of vacant buildings to pay a vacant building monitoring fee for buildings that are vacant for more than 120 days.

While Chapter 9.40 provides for monitoring and enforcement, due to the size and nature of the building that will be vacated as a result of the project, these existing regulations may not sufficiently minimize the potential for blight and urban decay. Therefore, this impact is **potentially significant**.

### Mitigation Measures

**MM 4.5.1** In addition to the requirement that a vacant building monitoring fee pursuant to Ceres Municipal Code Chapter 9.40 be paid, the property owner (and any subsequent owner) shall enter into a supplemental maintenance agreement with the City to ensure property maintenance until the site is reoccupied, and

whereby the City will be compensated (via bond or otherwise) for abatement of visual indications of blight on the property if and when the property owner fails to adequately maintain the property in good condition and abate elements of deterioration, which shall include:

- Remove graffiti
- Repair broken windows and exterior structural elements
- Maintain existing landscaping.
- Frequently clean up litter on the property

*Timing/Implementation:* Mitigation shall commence once the building is vacated and shall end upon its re-tenanting or demolition.

*Enforcement/Monitoring:* City of Ceres Development Services Department – Planning Division

Implementation of mitigation measure **MM 4.5.1** would enable the City to more effectively enforce the provisions of Municipal Code Chapter 9.40 as it would apply to a vacant building and site as large as the existing Walmart, further minimizing the potential for blight and urban decay to occur as a result of Walmart vacating the structure. Implementation of this mitigation measure would reduce the impact to **less than significant**.

#### **4.5.4 CUMULATIVE SETTING, IMPACTS, AND MITIGATION MEASURES**

This section addresses cumulative economic impacts from the proposed project and other related projects in the vicinity.

##### **CUMULATIVE SETTING**

The cumulative setting area consists of the primary and secondary trade areas as defined earlier in this section of the Draft EIR. BAE conducted interviews with developers and staff for the cities of Ceres, Modesto, and Turlock, as well as Stanislaus County staff, to determine projects to be considered in this cumulative analysis in addition to the proposed project. Relevant projects in this context are commercial projects similar in nature to the proposed project that could have economic impacts which may contribute to blight and urban decay.

##### **Identified Projects**

Interviews with developers and staff for Ceres indicated two retail projects in the pipeline, both of them near the project site at the intersection of Mitchell and Service roads. These two projects consist of various small pads, together totaling up to 51,000 square feet of retail. One of the projects does include a service station, and both sites are likely to appeal to restaurants and other users interested in a location close to State Route 99 and to the proposed Mitchell Ranch Center project. Thus, much of their attraction is likely to be for highway travelers and others from outside the primary trade area. Since neither project has identified users, it would be speculative to estimate impacts in any particular sector. However, this limited amount of space, especially if it has a region- and highway-serving orientation, is not likely to lead to cumulative impacts, in combination with the proposal Mitchell Ranch Center project, such as increased vacancies over the next several years.

## 4.5 ECONOMICS AND BLIGHT

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In Modesto, city staff report 50,000 additional square feet of proposed retail space in three small centers with applications in process (2008), reportedly representing a slowdown in development activity in recent months. Given the size of Modesto's retail inventory, this development constitutes a very limited addition to the inventory that should not have a cumulative impact in combination with the proposed project. Along with these new projects, Walmart has recently opened an existing 100,000 square foot space in the North Point Landing Center on north McHenry Avenue in Modesto, with a store having both a grocery and general merchandise component. This site is at the far northern edge of Modesto; however, with the existing Ceres Walmart closing, this store will become the closest Walmart for many Modesto residents, capturing some of the sales currently going to Ceres. The analysis above already has taken this fact into account in estimating capture from Modesto following closure of the existing Ceres Walmart. Both stores are likely to capture sales going to the existing Walmart in Modesto, but as discussed above, this store has performance well above Walmart averages and should be able to sustain a loss in sales. While a Modesto mini-Supercenter might attract sales from supermarkets in Modesto, because of the distance between this store and the proposed Mitchell Ranch Center project, the overlap between this capture and that of the proposed stores should be negligible. One possible outcome is that the capture of sales from Modesto by the proposed store will be lower than estimated, but this would largely result in lower sales at the proposed project due to sales capture by the mini-Supercenter rather than by the proposed project.

Turlock shows more planned activity, with several small projects and one large region-serving retail addition of 100,000 square feet in the region-serving retail cluster on Monte Vista near State Route 99. That project includes an office supply store and a BevMo, a specialty food outlet. The other smaller projects include restaurants, a furniture store, and unspecified uses. Because of Turlock's own continued population growth, which is projected at a more rapid pace than either Ceres or Modesto, increased demand in Turlock itself should lead to absorption of this space without resulting vacancies in combination with the proposed project.

Elsewhere in the county, there is one small retail expansion of a lumberyard in Denair. As a type of use not suitable for the proposed project, this lumberyard project should have a negligible cumulative impact in combination with the proposed project.

### METHODOLOGY

This economic impact analysis concerning cumulative impacts is based on a report prepared by BAE entitled *Economic Impact Analysis for Mitchell Ranch in Ceres, CA*, included as **Appendix 4.5-1** to this Draft EIR. In that report, BAE analyzed the proposed project's potential to result in a cumulative urban decay impact by following the causal chain to assess the likelihood of new retail space causing long-term vacancies in existing retail space, ultimately leading to urban decay and physical deterioration of existing retail centers and nodes.

### CUMULATIVE IMPACTS AND MITIGATION MEASURES

#### Cumulative Urban Decay

**Impact 4.5.2** Development of the proposed Mitchell Ranch Center project with a Walmart store along with other planned retail projects in the region may result in closure of competing businesses. These closures may increase the inability of property owners to lease vacant buildings, potentially resulting in physical deterioration and urban decay. This impact is **less than cumulatively considerable**.

Based on the Economic Impact Analysis for the project, there are few other projects planned in the primary trade area that might affect the retail market. The two projects currently in the review process are much smaller and thus are not directly competitive with the proposed project. Because of their highway-oriented location near the proposed Mitchell Ranch Center, these smaller projects are likely to serve not just Ceres but others attracted by the proposed store and other region-serving retail in the proposed project, as well as travelers on State Route 99. Cumulatively with the proposed project, there is no indication that significant vacancies for existing retail space would result.

While there are additional projects in Modesto and Turlock, most of these projects are smaller and, due to distance from the project site, any impacts in combination with the proposed Mitchell Ranch Center project are unlikely to be substantial. There is a large region-serving project under way in Turlock, but the anchor tenants of this project are in sectors not directly competitive with Walmart. In Modesto, there has been reuse of an existing space by Walmart in an expanded store format having both groceries and general merchandise. The store, however, is at the far north end of Modesto, and thus the trade area for this project will have limited overlap with that of the proposed project. Although it may take some customers that would otherwise go to the new Ceres Walmart store, it will largely compete with the existing Walmart in Modesto, where sales are well above Walmart averages. Any losses incurred by the proposed store in combination with an expanded store in Modesto are not likely to lead to closure and vacancies in Modesto or elsewhere. Furthermore, both Turlock and Modesto continue to grow and are both very large retail markets relative to Ceres, able to absorb vacancies as consumer demand increases over the long term. The development of new commercial projects in the area indicates general economic growth rather than the generation of urban decay.

The lack of long-term closures projected due to these projects in combination with the proposed project and, therefore, the absence of significant urban decay as a result would have a **less than cumulatively considerable** impact.

### Mitigation Measures

None required.

## 4.5 ECONOMICS AND BLIGHT

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### REFERENCES

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