

## N. URBAN DECAY

This section assesses the potential for the proposed project to result in urban decay or deterioration. Consideration of this topic in environmental documents prepared under CEQA has increased recently in direct response to the California Court of Appeals decision in *Bakersfield Citizens for Local Control v. City of Bakersfield* (December 2004). In that decision, the Court determined that the *CEQA Guidelines* (Section 15064) require urban decay research and analysis: “when the economic or social effects of a project cause a physical change, this change is to be regarded as a significant effect in the same manner as any other physical change resulting from the project.”

In the *Bakersfield* case, two shopping centers, both including a Wal-Mart Supercenter (i.e., with grocery store) were proposed. Emphasizing existing case law beginning with *Citizens Assn. for Sensible Development of Bishop Area v. County of Inyo* (1985) where the Court stated, “the lead agency must consider whether the proposed shopping center will take business away from the downtown shopping area and thereby cause business closures and eventual physical deterioration of downtown Bishop,” the *Bakersfield* Court held that “when there is evidence suggesting that the economic and social effects caused by the proposed shopping center ultimately could result in urban decay or deterioration, then the lead agency is obligated to assess this indirect impact.”

In order to compile the appropriate background data with which to evaluate these potential environmental impacts, as well as to provide other information with which to consider the merits of the proposed project, the City of Benicia and the project sponsor engaged Applied Development Economics (ADE) to study the proposed project. That separate report to the City, addressing a number of other economic conditions as well as specific effects related to fiscal impacts from the project, is entitled *Economic Impact Analysis of the Proposed Benicia Business Park*, and is available at the City of Benicia Community Development Department for review.<sup>1</sup> The methods used, data presented, and conclusions set forth in that report are drawn upon in this section on urban decay impacts.

### 1. Setting

This setting section describes the background and terminology related to urban decay, the methods of analysis used in the ADE report, and demand for retail goods in Benicia.

**a. Background and Terminology.** Urban decay is a compounding phenomenon that can result from extended vacancy, deferred maintenance, and abandonment of commercial buildings. A study by the Bay Area Economic Forum describes the process of urban decay as follows:

“Vacant buildings, along with their large parking lots, can attract litter, graffiti, and vandalism, as well as loiterers and homeless populations. A decaying building both worsens its own prospects for refurbishment and weakens the vitality of the buildings around it.”<sup>2</sup>

The initial impetus for urban decay often originates from financial conditions faced by individual property owners; if a landlord is no longer collecting rent on a vacant property and does not believe that it can be re-leased, the incentive to maintain the property may diminish. The effect of mainte-

<sup>1</sup> Applied Development Economics, Inc. (ADE). *Economic Impact Analysis of the Proposed Benicia Business Park*. August.

<sup>2</sup> Bay Area Economic Forum, 2004. *Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends, and Impact*, page 70, January.

nance neglect can spread to adjacent properties, thereby further worsening as customers begin to avoid an area, and other property owners or tenants perceive the area as no longer economically vital. Urban decay can be reinforced by a reduction in the fiscal resources of local governing entities because of declining sales and property tax revenue.

A new shopping center located outside of a city's downtown can have an urban decay effect by redirecting local and regional spending dollars away from downtown retail establishments. A net loss of revenue at downtown retail businesses may result in the loss of existing businesses, increased vacancy rates, and subsequent blight as a retail neighborhood center loses its customer base and vitality. The potential for urban decay in this situation increases if the new shopping center meets the same – or similar – market demand as existing businesses.

Urban decay can also result from an abandoned big box building in a declining regional-serving mall, if vacant retail spaces are hard to re-lease. Because big box buildings and associated parcels are typically large, they are generally more difficult to quickly release or reuse compared to smaller infill sites. Further, because the large size of these facilities makes them much more visually prominent and significant than smaller sites, their abandoned and neglected status provide an imminent signal of decay and negative business climate. In contrast, a number of smaller parcels with varied building types often have a better chance of being adapted and reused simply because they can host a greater number of potential tenants.<sup>3</sup>

**b. Methods.** Generally, a weak retail sector will be more susceptible to urban decay. Conversely, a competing, new retail project is less likely to precipitate urban decay if the existing market conditions are relatively strong. In addition, the type, location, and parcel configuration of affected properties will also play a role in the susceptibility of existing retail districts and uses to urban decay.

One way to identify the *potential* for urban decay in a community is to estimate the amount of existing and projected retail “leakage.” Leakage represents the gap between spending by local households and visitors, and retail sales by local retail establishments. A large volume of leakage for certain types of goods indicates that there may be a high potential for new retail establishments selling these goods to be absorbed into the local market.

In the ADE economic analysis upon which this evaluation is based, spending by Benicia households is combined with spending by Benicia in-commuters<sup>4</sup> and visitors<sup>5</sup> to estimate the gap between retail sales and total retail demand in the City. As noted above, this leakage represents the market potential not currently being captured by existing City businesses. To estimate the potential market demand available for new and expanding Benicia businesses, the ADE analysis estimates current retail demand and leakage, and also makes projections for the future.

Next, the revenue potential of the retail establishments anticipated as part of the proposed business park is calculated. This revenue potential is broken down into different retail types (e.g., family clothing, sporting goods). This revenue potential is then compared to estimated retail leakage in

---

<sup>3</sup> Ibid.

<sup>4</sup> In-commuters are those persons working in the City of Benicia, but not residing in Benicia.

<sup>5</sup> A visitor is a person traveling to or through Benicia provided that person is neither a commuter nor other routine traveler going to or through Benicia.

Benicia for the various retail types. If expected revenue numbers for retail business types proposed as part of the project do not exceed existing or projected leakage estimates for those business types, it is assumed that there is at least the potential for proposed retail establishments to be absorbed into the local market without substantially diminishing the revenue of existing businesses.

Finally, the potential for urban decay (as opposed to loss of existing businesses which may not, in and of itself, result in urban decay) is evaluated by considering other factors, including the character and location of businesses in Downtown Benicia compared to those proposed as part of the project. The economic analysis conducted by ADE also accounts for the project's potential impacts to hotels/inns in Downtown Benicia and on retail establishments outside of Downtown Benicia but still within the local market area.

**c. Retail Demand.** As noted in Chapter III, Project Description, no specific retail tenants have been identified by the project sponsor for the proposed business park. Therefore, the economic analysis prepared by ADE is based on an anticipated retail mix at the project site. This retail mix is based on the stated objectives of the project sponsor, proposed land uses, and the location of the project site (including the site's proximity to regional freeways). For the purposes of the analysis, the proposed commercial uses have been assumed to include two hotels, and a variety of retail and commercial services uses, as well as research and development and other office space. No big box retail establishments are anticipated. The commercial uses at the business park are assumed to be primarily local-serving. The project sponsor anticipates that the commercial and lodging portions of the project could be developed within an eight year time span, while the industrial uses would require at least 25 years to fully develop.

The following discussion summarizes the "setting" data in the ADE analysis.

**(1) Local Household Spending.** Aggregate retail spending demand generated by Benicia households in 2005 was approximately \$236 million. The largest portion of that demand (34 percent) was for products in the automotive group. Within this group, new cars (including recreational vehicles) and gasoline service stations represent nearly all (91 percent) of the total with 66 percent and 25 percent of automotive group demand respectively. Demand for products in the food, eating, and drinking group represents the second largest portion of household spending, at 25 percent of the total.

Over the 25-year construction period for this project, retail demand from this segment of the market is expected to increase by 152 percent. Overall, household retail spending by Benicia households is projected to reach \$638.9 million by 2031 (approximate buildout of the proposed project), a 171 percent expansion over 2005 levels.

**(2) Commuter Spending.** Based on data from the 2000 Census, approximately 72 percent of persons working in Benicia commute from other places. In total, an estimated 11,092 Benicia jobs are held by non-residents. Retail demand from employees who both live and work in Benicia is assumed to be captured in the household retail demand discussed in the previous section. In 2005, commuters to Benicia generated an estimated \$29.1 million in retail demand. It is estimated that approximately \$2,626 in retail demand is generated annually per commuter to Benicia.<sup>6</sup> Almost 50 percent of this

---

<sup>6</sup> A recent survey and retail market analysis ADE conducted in the City of Milpitas (Santa Clara County), indicates that each commuter there generates about \$3,482 in retail demand annually. Using this figure and applying a cost of living

demand is estimated to be for products from the food, eating, and drinking group. Another 12 percent each goes for products in the general merchandise and building materials/home furnishings groups. In 2007, commuters are expected to add an additional \$2.1 million worth of retail market demand. By 2015, commuter retail demand is expected to increase another \$10.8 million over 2007 levels. By 2031, it is expected to result in nearly a \$65 million expansion in the local market for commuter retail spending.

**(3) Visitor Spending.** The third group that contributes to retail demand in the City of Benicia is visitors. In general, visitors are persons traveling to or through Benicia who are neither Benicia residents nor commuters. Visitors include persons who stay overnight either in local lodging establishments or private homes, as well as day-trippers. This analysis incorporates estimates of both overnight and single day visitors. In 2004, visitors to Solano County spent a projected \$495.8 million dollars at their destinations. Since 1994, visitor destination spending has increased by approximately 3.68 percent annually. The two largest spending categories for visitors in the County are food and beverage services and shopping, with \$118.6 million and \$113.6 million respectively per year. In 2005, visitor retail spending in Benicia is expected to be approximately \$24.7 million and is expected to increase to \$77.5 million by 2031.

**(4) Existing Retail Sales.** ADE conducted an analysis of existing retail sales in order to ascertain the level of demand, or market, available for new or expanding business. When actual retail sales are subtracted from spending demand, the difference is referred to as “leakage,” which can be positive or negative. A positive retail leakage indicates demand that is being met by businesses outside the City. Negative leakage indicates a retail category that is capturing all of the local demand, as well as attracting spending from outside the City. For the purposes of this analysis, retail leakage represents the potential market demand available for new expanding businesses. Table IV.N-1 shows the existing retail sales and estimated leakage in Benicia. As depicted in the table, substantial

**Table IV.N-1 Existing Retail Sales and Leakage (2005)**

Retail Group	Existing Sales	Leakage
<b>Total</b>	<b>\$261,721,510</b>	<b>\$28,128,334</b>
<b>Apparel and General Merchandise Stores*</b>	<b>\$11,254,849</b>	<b>\$58,821,284</b>
<b>Specialty Retail Group</b>	<b>\$37,880,285</b>	<b>\$-18,512,096</b>
Gifts & Novelties	\$883,688	\$552,904
Sporting Goods	\$856,056	\$1,597,137
Jewelry	\$356,156	\$1,309,153
Misc. Specialty Retail*	\$35,784,385	\$-21,971,290
<b>Food, Eating and Drinking Group</b>	<b>\$62,352,347</b>	<b>\$21,526,001</b>
Grocery Stores	\$19,370,700	\$22,453,857
Specialty Food and Liquor Stores*	\$9,252,425	\$-5,821,266
Eating Places	\$33,729,222	\$4,893,410
<b>Building Materials And Home Furnishings Group</b>	<b>\$98,044,175</b>	<b>\$-71,530,986</b>
Furniture & Home Furnishings*	\$13,511,834	\$736,196
Used Merchandise	\$348,800	\$333,854
Home Centers and Hardware Stores*	\$84,183,541	\$-72,601,037
<b>Automotive Group</b>	<b>\$52,189,854</b>	<b>\$37,824,132</b>
Dealers & Stores (excl. parts & accessories)*	\$2,780,100	\$57,468,409
Gasoline Service Stations	\$46,087,554	\$-17,803,149
Auto Parts & Accessories	\$3,322,200	\$-1,841,128

Source: ADE, Inc. 2006. Retail model developed from 1997 US Retail Census and 2002 Bureau of Labor Statistics Household Expenditure Surveys.

\* Retail categories marked with asterisks (\*) are aggregated categories due to confidentiality requirements.

adjustment factor of -0.25 (obtained from Salary.com), ADE estimates that commuters to Benicia generate \$2,626 in retail demand annually.

retail leakage occurs in Benicia, particularly for apparel and general merchandise, food/drinking/eating, and automotive supplies and services.

(5) **Hotel Demand.** In preparing the analysis of hotel demand, ADE reviewed the Downtown Market Study, which was prepared for the City of Benicia in 2002.<sup>7</sup> That study projected a new demand of 380 rooms in the market area by 2010. Within the time frame of the Benicia Business Park project, the demand would expand to 480-500 rooms. The Market Study projects a capture rate of 5-10 percent of the market for a Downtown hotel. Although the existing Downtown hotels capture business travel, the Downtown itself is not particularly well situated for this market.

## 2. Impacts and Mitigation Measures

This section begins with a description of the criteria utilized to determine whether significant urban decay or deterioration would result from implementation of the proposed project, followed by a discussion of potential impacts and a recommended mitigation measure. Cumulative impacts related to urban decay are described in Chapter VI, CEQA-Required Assessments and Conclusions.

a. **Criteria of Significance.** Implementation of the proposed project would have a significant urban decay impact if it would induce the creation of abandoned buildings, abnormally high business vacancies, or buildings that are unsafe or unhealthy for occupancy. The project would not have a significant urban decay impact if it would displace existing businesses without resulting in actual *physical* decay.

(1) **Less-than-Significant Impacts.** The following discussion describes the less-than-significant impacts of the project on urban decay. This discussion is organized into local impacts; regional impacts; and other fiscal impacts.

b. **Local Impacts.** The type of commercial center proposed for the Benicia Business Park project is substantially different than any existing retail centers in Benicia and is particularly distinct from the entertainment and shopping environment found in Downtown Benicia. Whereas Downtown Benicia businesses are typified by bed and breakfast hotels, small restaurants, and boutique-style shops, the commercial center in the proposed project is intended to be a business-oriented development, with a conference hotel, business and highway commercial services, and a retail mix that serve the local business community. However, with appropriate promotion by the City, the business park (particularly the hotel) would be expected to increase visitation to Downtown Benicia.

Similarly, the recommended retail mix for the proposed project would not overlap with other retail centers in Benicia, including Southampton and Solano Square. ADE determined that the proposed project “has a strong potential to enhance commercial businesses throughout the City,” including those in Downtown Benicia. Based on the analysis summarized in the setting section, the retail establishments developed as part of the project would be absorbed by projected market demand in Benicia (see Table IV.N-2) without substantially reducing revenue from existing businesses. Therefore, the project would not be expected to cause urban decay in Benicia, including through impacts to existing businesses or due to vacancies in the business park itself.

<sup>7</sup> Bay Area Economics, 2002. *DRAFT Benicia Downtown Market Study*. October. pp. 42-54.

**Table IV.N-2 Supportable Square Feet of Retail Development**

Store Type	2007	2010	2015	2025	2031
Family Clothing	29,110	30,097	32,826	36,216	38,681
Drug & Proprietary Stores	11,797	12,623	14,918	17,852	19,649
Office Supplies/Computer Equipment	8,179	8,484	9,329	10,416	11,106
Sporting Goods	6,759	7,097	8,032	9,206	10,044
Music/Electronic Media	4,423	4,576	4,999	5,530	5,901
Household Appliances & Electronics	10,955	11,379	12,614	14,363	15,733
<b>Total</b>	<b>71,223</b>	<b>74,255</b>	<b>82,718</b>	<b>93,582</b>	<b>101,114</b>

Source: ADE Inc., 2006.

In addition, retail is a highly competitive and adaptable sector that is affected by a variety of evolving trends, including consumer preferences, demographics, travel patterns, technology and innovation (e.g., on-line shopping), as well as commodity production and distribution markets. Individual tenants, property owners, or sub-markets will continue to respond to these trends with varying degrees of success, depending on their entrepreneurial skills, local planning and business development efforts, public assistance, and other factors. These factors, although intangible and difficult to predict, can improve the performance of Benicia’s retail sector beyond what might be expected based on projections of retail demand.

The 380 rooms proposed in the business park project are intended to capture the regional market for business-oriented lodging. This entails capture of new demand from business growth throughout the County, which would not affect the business of existing hotels in Downtown Benicia. Therefore, the proposed project would not compromise the vitality of bed and breakfasts or similar hotels in Downtown Benicia.

**c. Regional Impacts.** As noted in the setting section, the retail component of the project is anticipated to be local-serving in nature, rather than regional-serving (e.g., a discount center or other larger-scale retail center). The retail competitiveness analysis in the ADE report was therefore primarily focused on the Benicia market. However, given the proximity of the project to Interstate 680 (I-680) and the large number of jobs in Benicia that may be held by commuters who are not Benicia residents, there may be some potential for the project to divert regional sales. ADE reviewed current retail sales in neighboring cities to provide a context for judging whether a significant competitive impact is likely outside of Benicia.

The proposed project is projected to result in retail sales of about \$63 million by 2015. Overall, the project would add less than 1 percent to regional retail sales. Among the cities that would be affected by project retail businesses, the project represents a significant share of sales only in Benicia and Martinez. The market analysis indicates that impacts within Benicia are unlikely due to the store-type mix in the project. If all the sales in the project were to be diverted from Martinez, which is unlikely, there could be some potential for localized impacts there. However, Martinez shoppers have substantially more shopping opportunities in Concord and Walnut Creek, and would likely shop in Benicia only if they work there or are traveling through the City to other destinations. Therefore, the project is not expected to result in a substantial economic or urban decay impact to cities outside Benicia, including Martinez.

**d. Other Fiscal Impacts.** According to ADE, the tax revenues created by the proposed project would not only pay the direct cost of services required for the project, but would also generate more than \$40 million in surplus revenues for the City over a twenty-five year period (after paying all expenses for City services for the project). These funds would be available to help sustain community services and the quality of life for residents of Benicia. The project would be expected to pay more than \$23 million (2005 dollars) in development impact fees, which could be used by the City to improve infrastructure and public facilities in the community.

The project is also expected to have a substantial benefit for the local and County-wide economy; it is expected to provide nearly 7,700 jobs on-site and 6,500 additional jobs throughout Solano County in support businesses and services. These jobs would result from ongoing business activity at the proposed Benicia Business Park, and would add \$2.2 billion per year in total economic activity once the project is fully developed. In addition to these effects, the construction activity associated with the project is expected to sustain more than 700 jobs over the first eight years and about 400 jobs over the remaining 18-year development period. According to ADE, this economic activity would increase incomes for Benicia residents and citizens throughout the County, and improve the fiscal finances of the local and County governments. Therefore, the project would not be expected to cause urban decay due to loss of tax revenue or other indirect effects on the economy.

**e. Significant Urban Decay Impacts.** As described in this economic impact analysis, construction and operation of the Benicia Business Park would not be expected to result in significant urban decay impacts in and of itself. However, if the tenant mix changes (specifically if big box tenants are incorporated into the project), the project could result in urban decay in Downtown Benicia and other local retail-serving districts and centers.

Implementation of the following mitigation measure would reduce this impact to a less-than-significant level:

**Impact DECAY-1: If the land uses tenant mix of the project changes, the project could result in urban decay. (S)**

Mitigation Measure DECAY-1: The land uses proposed for the Benicia Business Park and analyzed in this EIR include a maximum of 100,000 square feet of retail uses. This limitation on commercial development would preclude the establishment of big box retail uses on the project site without additional evaluation. As identified in the EIR, a substantial increase in the amount of retail uses could increase the potential for urban decay in Benicia or other local commercial centers. Prior to issuance of an occupancy permit for the proposed project, the City shall review the anticipated tenant mix of the Business Park and determine whether the mix has substantially changed from the tenant mix analyzed in this EIR. A substantial change in tenant mix would be a change that increases the potential for urban decay in Downtown Benicia or other local commercial centers, and could include (but would not be limited to) the addition of a big box retail tenant. If the project sponsor proposes to increase the amount of retail uses beyond 100,000 square feet, City determines that the new tenant mix has substantially changed, the project sponsor shall provide the City with an updated the economic analysis prepared for the project, or provide a letter prepared by an economic analyst that discusses changes to the previous analysis. The adequacy of the economic analysis shall be subject to review and approval by the City's Director of Community

Development, who may require revisions and additional analysis if he or she deems it appropriate. If the Director finds, based upon the economic analysis, that the additional retail uses ~~If the economic analysis shows that the new tenant mix could contribute to urban decay, the City and project sponsor shall develop a mitigation measure to reduce this impact to a less-than-significant level. Following implementation of this mitigation measure, an occupancy permit could be issued. If the economic analysis shows that the new tenant mix would not result in significant urban decay impacts, the occupancy permit could be issued without further analysis or mitigation.~~

If no effective and feasible mitigation measures are identified to reduce the potential urban decay impacts to a less-than-significant level, the City shall conduct environmental review for the project changes that would allow for the adoption of a statement of overriding considerations and appropriate findings (e.g., a supplemental or subsequent EIR).

A revised economic analysis shall be similarly completed in conjunction with subsequent CEQA review of any changes to the project, if deemed necessary by the City.