

4.13 Economic and Social Effects

SUMMARY

The extensive growth planned for the south Sacramento County area would be capable of supporting the proposed project. While the proposed project may have some potential to compete with existing shopping centers to the north in the near term (including Downtown Plaza and Arden Fair Mall), diversion of sales from these centers is not likely to be significant in terms of their continuing economic viability.

EXISTING CONDITIONS

An Economic Impact Analysis for the proposed project was prepared by Bay Area Economics (BAE) in July 1998, and updated in June 1999 and October 2000 (the "BAE analysis"). The 2000 BAE analysis summary addressed the potential market overlap between the proposed project and existing retail areas as well as the potential loss of sales to existing retail areas as a result of the project. According to the BAE analysis, and based upon data provided by the National Research Bureau (NRB), there is currently approximately 20 to 21 million square feet of gross leasable area in organized shopping centers in Sacramento County. Based upon a 2000 regional population of approximately 1.2 million, this amounts to approximately 17 square feet of shopping center space per capita. In comparison, the report titled *Regional Retail Demand Attraction and Development by the City of Sacramento, California*, prepared for the City of Sacramento by Economics Research Associates in March 2000 indicates that NRB data for Sacramento and nine other similarly sized metropolitan areas shows the average is approximately 20 square feet per capita.

Sacramento County

Sacramento County functions as a retail shopping destination for people residing outside of the County in surrounding areas that are not large enough to offer the same range of retail opportunities. Because of this fact, as well as the fact that Sacramento County's per capita ratio of retail space is less than average, the BAE analysis concluded that Sacramento County is currently under-served by three to four million square feet of retail shopping center space.

The market area radius for a regional mall is considered to be approximately 10 to 12 miles in an urbanized area. With respect to the proposed project, the primary trade area influence would cover most of south Sacramento County, extending from the Sacramento/San Joaquin County line in the south, to approximately Fruitridge Road on the north. In addition, the BAE analysis anticipated that the proposed

project would draw shoppers from beyond this primary trade area because of the lack of other comparable shopping opportunities in areas further to the east and south of the primary trade area. The Lent Ranch Marketplace's primary trade area largely encompasses the trade area served by the Florin Mall. In addition, the primary trade areas for the Downtown Plaza Mall and Arden Fair Mall partially overlap with the Lent Ranch Marketplace trade area. Because of its distance from the proposed project and the presence of other competitive malls in between, the trade area for the Sunrise Mall does not overlap significantly with the Lent Ranch Marketplace trade area.

The BAE analysis addressed the potential for the proposed project to result in a loss of sales to four existing retail areas: (1) Old Elk Grove, (2) the Florin Mall, (3) Downtown Plaza, and (4) the Arden Fair Mall. In addition, the BAE analysis addressed potential impacts from competition to existing neighborhood and community retail developments in the City of Elk Grove. The analysis was focused on the near-term economic (i.e., between 2000 and 2005) of the project to substantially impact the operation of the above mentioned retail uses. Beyond 2005, planned development of the City and the Sacramento region is expected to result in the project contributing to the ultimate balance of retail supply and demand.

Old Elk Grove

The BAE analysis concluded that although the proposed project would create a large amount of retail space on the side of the freeway opposite Old Elk Grove, the proposed project would not necessarily be in competition with the historic commercial area. The different types of retailers who would choose to locate in one area versus the other are fairly distinct, and it is not anticipated that the proposed project would attract a significant number of businesses of the type who otherwise would have chosen to locate in Old Elk Grove. As an example, while Old Sacramento and the Downtown Plaza Mall both occupy the same trade area, the two shopping areas occupy different retail market niches. As a result, the BAE analysis concluded that demand will continue to exist for a successful historic commercial district oriented towards unique, locally owned businesses as well as a modern shopping center featuring national brand name tenants, as each would meet different shopping needs and preferences.

Florin Mall

The BAE analysis notes that while the Lent Ranch Marketplace would attract shoppers from the same area from which the Florin Mall draws the majority of its customers, the two developments would be more complementary than competitive. The Florin Mall has been re-positioning itself as a more value-oriented shopping center in recent years, while the proposed project is a fashion-oriented mall that would

target a different market niche. For this reason, the BAE analysis concludes that the proposed project and the Florin Mall would not directly compete for the same anchor tenants. In addition to the differentiation between mall anchors, the BAE analysis notes that the “in-line” mall shops in the proposed project would be substantially different than those found in the Florin Mall, in keeping with the two malls’ different market positioning strategies. In other words, trade area residents would be attracted to the Florin Mall for one type of shopping and to the proposed project for another type of shopping. In terms of big-box and other stand-alone retailers who might consider locating in both the Florin Road area and the Elk Grove area, the BAE analysis concludes that there is an adequate population base in the South County area to support stores at both locations. Typical big-box stores require market support from a population base of 50,000 to 100,000 people. With a south Sacramento County population of approximately 400,000, the area can comfortably support duplicates of the same store in more than one location.

Downtown Plaza Mall

The BAE analysis indicates that the proposed Lent Ranch Marketplace would likely divert some existing sales away from the Downtown Plaza Mall. A survey of south Sacramento County residents that BAE conducted as part of the *Florin Road Corridor Market Analysis and Alternative Use Strategy Phase I Report (June 1997)* indicated that only about seven percent of those residents surveyed most frequently shopped in downtown Sacramento for comparison shopping goods (i.e., the types of goods most typically found in regional retail shopping centers). As a result, the BAE analysis indicates that downtown Sacramento is not a major shopping destination for residents of south Sacramento County. The Downtown Plaza Mall is a shopping center that draws substantial market support from the large number of daytime office workers in its vicinity as well as downtown visitors and tourists, in addition to people living in surrounding residential areas. Consequently, the BAE analysis concludes that, based upon the available information, the proposed project will have relatively little impact on the sales levels at the Downtown Plaza Mall.

Arden Fair Mall

The *Florin Road Corridor Market Analysis and Alternative Use Strategy Phase I Report* indicates that Arden Fair Mall area is a significant shopping destination for residents of south Sacramento County, because of the full range of department stores and other surrounding retail that is available in the area. Twenty-three percent of south Sacramento County survey respondents indicated that the Arden Fair Mall area was their most frequent destination for comparison shopping activities. Many of these shoppers could potentially divert to the proposed project. However, according to the *Regional Retail Demand Attraction and Development by the City of Sacramento, California*, prepared for the City of Sacramento by Economics

Research Associates in March 2000, the Arden Fair Mall does very well in terms of sales performance. Based on the existing strength of Arden Fair Mall, the BAE analysis concludes that it is not likely that a loss of sales to a proposed mall in Elk Grove would significantly impact the viability of the Arden Fair Mall.

Existing Neighborhood and Commercial Retail Development in the City of Elk Grove

The proposed project would provide opportunities for neighborhood and community retail development that could compete with other existing and planned neighborhood and community retail facilities in the immediate Elk Grove area; however, the existing facilities are generally recently constructed and well-located in relation to the convenience-oriented shoppers that they were designed to attract from surrounding residential areas. As a result, the BAE analysis concludes that existing neighborhood and commercial retail development is well-situated to compete with the proposed project. Moreover, the proposed project would partially remedy the existing undersupply of commercial land in the Elk Grove area.

PROJECT IMPACTS

Thresholds of Significance

As a general rule, CEQA only requires an analysis of the environmental impacts of a project, and economic and social effects of a project are not treated as significant effects on the environment. *CEQA Guidelines*, §15131(a). Impacts analyzed in an EIR must be “related to a physical change” in the environment. *CEQA Guidelines*, §15358(b). Nevertheless, physical changes to the environment caused by a project’s economic or social effects are secondary impacts that must be included in an EIR’s impact analysis if those physical changes are significant. *CEQA Guidelines*, §15064(e). In situations where a project could conceivably result in business closures that in turn result in a significant physical deterioration in existing business centers, an EIR should analyze the potential for this effect.

For the purposes of CEQA, the proposed project would be deemed to have a significant impact on the environment if the economic impacts of the project translate into significant physical changes in the environment.

Analysis

According to the BAE analysis, the Sacramento County retail sector is currently quite healthy, with strong demand and low vacancy rates in existing space. In addition, there is a present and growing demand for the construction of a substantial amount of additional retail space while maintaining Sacramento County's overall retail shopping center inventory at a level that is comparable to other similarly-sized metro areas.

The existing population and extensive growth planned for the south Sacramento County area would be capable of supporting the proposed project in the near term (2000 to 2005). While the proposed project may have some potential to compete with existing shopping centers to the north (including Downtown Plaza and Arden Fair Mall), diversion of sales from these centers is not likely to be significant in terms of their continuing economic viability. Other centers located within south Sacramento County should be sufficiently differentiated from the proposed project so as to be able to co-exist in the same trade area. For this reason, it is considered unlikely that economic competition from the proposed project would result in business closures in existing retail and commercial centers such that a physical deterioration in the environment would occur. Based on the above analysis, the proposed project is anticipated to have a less than significant impact on the physical deterioration of existing commercial uses in the area.

PROJECT MITIGATION MEASURES

No mitigation measures are required.

CUMULATIVE IMPACTS

Economic and social effects are addressed on a project-by-project basis. This is primarily due to the fact that the location of another proposed regional mall within the Sacramento area could be placed at any location where future growth is or will be occurring that would support such a use. In other words to guess where these locations may be and the effect that they would have on the project or other existing mall areas would be purely speculative. The courts have stated that no purpose can be served by requiring an EIR to engage in sheer speculation as to future environmental consequences. In addition, the BAE's analysis indicates that anticipated growth beyond 2005 in the region would be adequate to support the project and other regional retail and that it would contribute to balancing the retail demand and supply.

CUMULATIVE MITIGATION MEASURES

No mitigation measures are required.

UNAVOIDABLE SIGNIFICANT IMPACTS

No unavoidable significant impacts would result from the implementation of the proposed project.