

4.17 URBAN DECAY

The purpose of this section is to identify and evaluate the potential for the proposed project to result in physical blight in response to concerns raised at the public scoping meeting and to the Notice of Preparation. This section provides a detailed discussion of impacts attributable to the proposed project and the thresholds that are used in determining impact significance. The analysis is based on the *Draft Market Impact Analysis for Avalon Avenue Retail Center*,¹ which is included as Appendix O.

4.17.1 Existing Setting

The Town of Yucca Valley serves as a retail shopping destination for Yucca Valley, Joshua Tree, Morongo Valley, Landers and, to some degree, Twentynine Palms. Yucca Valley also attracts significant retail expenditures from tourists, due mostly to the Town's proximity to Joshua Tree National Park. Nonetheless, the area's existing inventory of retail facilities is not large enough to fully serve the shopping demands of these residents and tourists. Because of a lack of a full-scale shopping mall, residents and tourists travel to facilities in the Coachella Valley and elsewhere for portions of their shopping needs. Consequently, Yucca Valley and other nearby communities experience significant leakage² of resident retail demand. Current³ leakage is approximately \$52.7 million per year, an amount that could support about 226,600 square feet of additional retail space in Yucca Valley.⁴

The following discussion focuses on the existing retail vacancy rates in the Town of Yucca Valley and a special area of retail (the Old Town area). The existing grocery stores in the Town are described. In addition, because these retail areas reflect what the proposed project would bring to the Town, existing demand, actual sales, and leakage for general merchandise, apparel, furniture, and other/specialty (GAFO) goods,⁵ building materials and hardware, eating and drinking, and service stations are presented.

Existing Vacancy Rates in Yucca Valley. Table 4.17.A lists the existing shopping centers and businesses located within the Town of Yucca Valley. The total square footage at the time the survey was taken was 717,700 of retail. At the time of the survey there were four small retail vacancies in Yucca Valley (ranging from 1,200 to 2,200 square feet each for a total of 7,400 square feet), resulting in an overall retail vacancy rate in Yucca Valley of 1.0 percent. This vacancy rate is an extremely low rate by retail industry standards, as a rate less than 5 percent is generally considered reflective of a tight market. Yucca Valley's remarkably low vacancy level has one major exception that has not been discussed: Kmart.

¹ The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June 2, 2005.

² Leakage occurs when trade area residents purchase retail goods at stores outside the local trade area. The money is "leaking" from the local area.

³ 2004 is used as the current year, because it is the latest full year for which taxable sales data are available from the State Board of Equalization.

⁴ It is assumed that Yucca Valley will always have some degree of leakage, because the trade area is not large enough to support a major regional shopping center. Thus, it would be unrealistic to assume that Yucca Valley could capture 100 percent of its potential market. The estimated demand for 226,600 square feet of additional retail space reflects some degree of ongoing leakage.

⁵ General Merchandise, Apparel, Furniture, and Other/Specialty (GAFO) sales categories correspond to the merchandise mix of a discount department store such as Wal-Mart.

Table 4.17.A – Town of Yucca Valley Shopping Centers and Businesses

Shopping Center/ Business Name	Address on Twentynine Palms Highway	Type of Business	Square Feet
Yucca Valley Square			
Stater Bros.	58060	Supermarket	40,000
JC Penney	58000	General Merchandise	25,000
Fashion Bug	57990	Women's Clothing	8,900
Payless Shoes	57990	Shoes	4,000
Eyeglasses Plus	57990	Eyeglasses	2,500
Wal-Mart 1915	57980	General Merchandise	110,000
Hollywood Video	58132	Videos	7,200
Pizza Hut	58012	Restaurant (Pad)	3,000
Jack in the Box	57930	Restaurant (Pad)	2,500
Yucca Valley Square Subtotal:			203,100 square feet
			Vacancy Rate: 0.0%
Joshua Village			
Meltdown	57570	Skating Wear	1,300
PJ's Lounge	57564	Cocktail Lounge	2,800
Little Caesars	57554	Pizza	1,300
Spa Guy	57552	Spas	1,400
Palladin Video	57576	Videos	2,100
Your High Desert Paint Store	57578	Paint	1,000
Aarons Furniture & Electronics	57580	Furniture, Electronics, Appliances	9,300
Valley Vacuum	57558	Vacuum Cleaners	2,100
Big O Tires	57672	Tires	6,100
Rite Aid	57646	Drug Store	21,000
Vons	56590	Supermarket	40,000
Vacant	57618	Vacant	2,000
Vacant	57608	Vacant	2,000
Joshua Village Subtotal:			92,400 square feet
			Vacancy Rate: 4.33%
Desert Hills Plaza			
Glidden Enterprises	57230	Jewelry, Gifts	1,000
RAC Rent-a-Center	57224	Rental Center	6,500
Kelly's Future	57220	Furniture	17,700
Toda Moda	57240	Women's Clothing	6,000
Rita's Hallmark Shop	57248	Cards and Gifts	2,500
Plaza Art and Frame	57246	Art and Frames	1,800
Mikes Bike Shop	57234	Bicycles	1,200

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Shopping Center/ Business Name	Address on Twentynine Palms Highway	Type of Business	Square Feet
Papa Johns	57274	Pizza	2,600
Smoke Brothers	57268	Tobacco	1,200
Kragen Auto Parts	57258	Auto Parts	6,200
Desert Pets	57272	Pet Supplies	2,800
Food 4 Less	57200	Supermarket	50,000
Vacant	57250	Vacant	2,200
Vacant	57252	Vacant	1,200
Chevron Food Mart	57266	Convenience Market	2,000
Carl's Jr.	57222	Restaurant (Pad)	3,000
Manny's Family Restaurant	N/A	Restaurant (Pad)	3,000
Desert Hills Plaza Subtotal:			110,900 square feet
			Vacancy Rate: 3.1%
Village Center			
Southwest Fetish	56809	Gifts	4,800
Radio Shack	56825	Electronics	3,500
Vista Music	56835	CDs, Music	1,800
Yellow Mart	56841	Discount Store	23,500
Big Lots	56865	Discount Store	32,000
Echadas Mexican Food	56805	Restaurant	4,400
Denny's	56895	Restaurant (Pad)	4,500
Village Center Subtotal:			74,500 square feet
			Vacancy Rate: 0.0%
Old Town, Yucca Valley			
Jackrabbit Flats Trading Post	56155	Antiques, Miscellaneous	3,400
Byms Bargain Store	55854	General Merchandise	3,100
Water Canyon Coffee Co.	55844	Coffee Shop	3,500
New Age Concepts	55836	Gift Shop	3,500
April Farms	55838	Foods and Gifts	2,200
Joyce Austin Ladies Clothes	55878	Women's Clothing	2,300
Pioneer Crossing Antiques	55866	Antiques	900
Chet's Appliance Center	55987	Appliances	3,500
Rte. 62 Arts and Antiques	55635	Arts and Antiques	6,500
Old Town Antiques	55735	Antiques	3,900
The Old Town Mercantile	55727	Art, Antiques, Home Furnishings	6,400
Donna's Country Store	55879	Fabrics, Quilts	2,700

Table 4.17.A – Town of Yucca Valley Shopping Centers and Businesses

Shopping Center/ Business Name	Address on Twentynine Palms Highway	Type of Business	Square Feet
Dads Oak Furniture	55814	Furniture	4,500
Tumblewood Antiques	55435	Antiques, Furniture	2,600
Past Time Antiques	55833	Antiques	1,600
Hi-Tech Computer Systems	55843	Computer Sales/Repair	1,200
Yucca Valley Liquor	55958	Food/Convenience	2,000
Super 1 Food Store	55899	Food/Convenience	1,500
Shawn's Market	55555	Food/Convenience	1,500
7 Eleven	55277	Food/Convenience	2,500
Old Town Subtotal:			59,300 square feet
			Vacancy Rate: 0.0%
Other Freestanding Retail Space			
Jody's Plant Shop	56636	Plants	1,300
Cactus Flower Florist and Farms	57434	Florist	3,700
Barr Lumber	7054 Old Woman Spr. Rd.	Building Supplies	25,100
Steve's Office Supply	56925 Yucca Trail	Office Supplies	8,200
Geodes and Gems	56925 Yucca Trail, Ste. A	Gift Shop	2,500
Stater Bros.	57075	Supermarket	40,000
Superstar Video	57085	Video Store	5,200
Avalon Pharmacy	58471	Pharmacy	1,100
Big 5 Sporting Goods	58111	Sporting Goods	12,800
Walgreens	58133	Drug Store	15,200
Super 99 Cent Store	57840	Discount Store	12,100
Cowboy Corral	56592	Feed, Clothing, Horse Supplies	1,700
Yucca Valley Florist	56170	Flowers	2,200
Sears	56425-C	Appliances, Lawn&Garden, etc.	9,800
Car Quest	56315	Auto Parts	8,500
Auto Zone	56505	Auto Parts	9,600
Mojave Liquors	282 Highway 247	Liquor	1,500
AP/PM	57858	Food/Convenience	2,000
Star Market/Liquor	57387	Food/Convenience	2,500
Circle K	6940 Old Woman Spr. Rd.	Food/Convenience	2,500
Sue's Health Foods	56840	Food/Convenience	3,500
Bill's Gas Mini Mart	7216 Palm Avenue	Food/Convenience	1,500

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Shopping Center/ Business Name	Address on Twentynine Palms Highway	Type of Business	Square Feet
Town Market/Liquor	56316	Food/Convenience	1,500
Valero Food Shop	55716	Food/Convenience	1,500
Chevron Food Mart	56284	Food/Convenience	2,000
Freestanding Retail Subtotal:			177,500 square feet
			Vacancy Rate: 0.0%
TOWN OF YUCCA VALLEY TOTAL RETAIL:			717,700 SQUARE FEET
TOWN OF YUCCA VALLEY TOTAL RETAIL VACANCY RATE:			(7,400 SQUARE FEET) 1.0%

Source: The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June 2, 2006.

The former Kmart building is located at 57725 Twentynine Palms Highway. Approximately three years ago, this store closed as part of Kmart’s chain-wide restructuring. The building is currently being reconfigured for multiple retail and office tenants and is expected to be completed sometime in the fall of 2006. Given that this building is currently in transition, it is appropriate to exclude it from the calculations when estimating Yucca Valley’s retail vacancy rates.

Old Town. The Yucca Valley Old Town area is occupied by a range of mostly smaller retail uses, including specialty gift and apparel stores, convenience markets, and a concentration of antique/home furnishings stores (Table 4.17.A). It is estimated that the Old Town area¹ totals approximately 60,000 square feet of retail space, which is fully occupied at this time.

Grocery Stores. The four existing supermarkets in Yucca Valley (two Stater Bros., one Food 4 Less, and one Vons) provide an estimated 148,561 square feet of grocery retail space in the Town of Yucca Valley. Demand for supermarket space, however, is 193,112, or an additional 44,551 square feet.

Sales volumes in 2004 were in the range of \$71.5 to 95.3 million, resulting in an average of \$481 to \$642 per square foot.² According to the 2004 edition of *Dollars & Cents of Shopping Centers* (Urban Land Institute), the 2002 median³ sales volume for supermarkets in the western United States was \$408 per square foot. The national median in 2002 was \$354 per square foot. Based on existing sales data, Yucca Valley grocery stores are operating above the industry norm, in terms of sales per square foot of space.

¹ Although not clearly delineated or marked, for the purpose of this study, Old Town is defined as the address range from 55277 to 56155 Twentynine Palms Highway.

² Dividing the sales volumes of \$71.5 million and \$95.3 million by 148,561 square feet resulted in an average of \$481 to \$642. The difference in the range of per square foot sales is based on the factor used to convert taxable sales into total sales (the state BOE only reports taxable sales), which can vary depending on the particular store merchandise mix and the market area. Generally, a factor of 3.0 to 4.0 is applied, implying that total sales are estimated at 3 to 4 times a community’s taxable sales.

³ The median is the midpoint in a series of numbers; half the data values are above the median, and half are below. Compare this to the average (or mean), which is the result of dividing the sum of two or more quantities by the number of quantities.

Existing Demand and Actual Sales. Within the trade area,¹ there is existing (2004)² market support for \$117.9 million in GAFO retail sales (Table 4.17.B). Existing GAFO retail sales are estimated at \$94.1 million, suggesting that the trade area is experiencing significant retail leakage. In other words, trade area residents are purchasing retail goods in GAFO categories at stores outside the trade area in the amount of approximately \$23.8 million.

Table 4.17.B – 2004¹ Demand and Sales (non-grocery categories) within Trade Area² (\$ million)

Retail Category	2004 Demand	2004 Sales	Leakage
General Merchandise/Specialty (Other)	\$98.9	\$87.7	\$11.2
Apparel	\$7.6	\$2.9	\$4.7
Furniture/Appliances	\$11.4	\$3.5	\$7.9
GAFO³ Subtotal	\$117.9	\$94.1	\$23.8
Building Materials/Hardware	\$38.1	\$12.5	\$25.6
Eating and Drinking	\$23.9	\$22.5	\$1.4
Service Stations	\$31.7	\$29.7	\$2.0
Subtotal	\$93.7	\$64.7	\$29.0
TOTAL⁴	\$211.6	\$158.8	\$52.8

Source: The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June, 2006.

- ¹ 2004 is used as a proxy for the current year, because it is the latest full year for which taxable sales data are available from the State Board of Equalization.
- ² Given the size and location of the proposed project and the limited existing supply of regional-scale shopping facilities in the Morongo Basin, it is assumed that the project would draw customers from a relatively large trade area: the Town of Yucca Valley, the communities of Joshua Tree, Landers and Morongo Valley, the City of Twentynine Palms, and the Twentynine Palms Marine Corps Air Ground Combat Center.
- ³ General Merchandise, Apparel, Furniture, and Other/Specialty (GAFO) sales categories correspond to the merchandise mix of a discount department store such as Wal-Mart.
- ⁴ The retail space square footages on this table exclude supermarket demand, which is evaluated separately later in this document.

In the eating and drinking (restaurant) category, demand for retail sales in 2004 was \$23.9 million, and existing restaurant sales in Yucca Valley were \$22.5 million. The resulting leakage was \$1.4 million. In the service station (gasoline sales) category, demand for retail sales in 2004 was \$31.7 million, and existing service station sales in Yucca Valley were estimated at \$27.9 million. A leakage of \$2.0 million occurred. Total leakage for 2004 was approximately \$52.7 million, an amount that could support about 226,600 square feet of additional retail space in Yucca Valley.³

- ¹ Given the size and location of the proposed project and the limited existing supply of regional-scale shopping facilities in the Morongo Basin, it is assumed that the project would draw customers from a relatively large trade area: the Town of Yucca Valley, the communities of Joshua Tree, Landers and Morongo Valley, the City of Twentynine Palms, and the Twentynine Palms Marine Corps Air Ground Combat Center.
- ² 2004 is used as the current year, because it is the latest full year for which taxable sales data are available from the State Board of Equalization.
- ³ It is assumed that Yucca Valley will always have some degree of leakage, because the trade area is not large enough to support a major regional shopping center. Thus, it would be unrealistic to assume that Yucca Valley could capture 100 percent of its potential market. The estimated demand for 226,600 square feet of additional retail space reflects some degree of ongoing leakage.

4.17.2 Existing Policies and Regulations

This subsection discusses the California State Health Code, the California Environmental Quality Act (CEQA), and the *CEQA Guidelines*.

California Environmental Quality Act

The California Environmental Quality Act (CEQA),¹ is a set of required procedures intended to, among other things, assist public agencies in systematically identifying significant effects on the environment of proposed projects (§ 21002). The term “significant effect on the environment” is defined in § 21068 of CEQA as meaning “a substantial or potentially substantial adverse change in the environment,” which implies that physical changes are the focus of environmental analysis. In defining what a project is, § 21065 defines it as “an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.” This spotlight on physical changes is further reinforced by other sections in CEQA (e.g., §§ 21100 and 21151).

With CEQA’s emphasis on direct physical changes in the environment, is blight considered to be a physical change within the environment and appropriate for CEQA analysis? Despite the implication of the above-mentioned CEQA sections, CEQA does not focus exclusively on physical changes, and it is not exclusively physical in concern. For example, in § 21083(c), CEQA requires an agency to determine that a project may have a significant effect on the environment if it will cause substantial adverse effects on human beings, either directly or indirectly. The *CEQA Guidelines* provides further clarification of this issue by separating direct physical changes into those that are direct and those that are indirect.

CEQA Guidelines. The *CEQA Guidelines*,² which implement CEQA, discuss the determination of significance of environmental effects caused by a project with respect to physical changes in the environment (§ 15064[d]):

In evaluating the significance of the environmental effect of a project, the Lead Agency [the Town of Yucca Valley] 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 [underlines added].

A direct physical change in the environment is defined in § 15064(d)(1) as “a physical change in the environment which is caused by and immediately related to the project. Examples of direct physical changes in the environment are the dust, noise, and traffic of heavy equipment that would result from construction of a sewage treatment plant and possible odors from operation of the plant.”

¹ *California Environmental Quality Act*, as amended January 1, 2005, §§21000 to 21178, State of California Public Resources Code.

² The State of California *Guidelines for California Environmental Quality Act*, as amended December 1, 2004, §§15000 to 15387, California Code of Regulations, Title 14, Chapter 3.

The definition of physical changes in the environment is straightforward. It is less obvious with indirect physical changes. An indirect physical change in the environment is defined in § 15064(d)(2) as “a physical change in the environment which is not immediately related to the project, but which is caused indirectly by the project. If a direct physical change in the environment in turn causes another change in the environment, then the other change is an indirect physical change in the environment. For example, the construction of a new sewage treatment plant may facilitate population growth in the service area due to the increase in sewage treatment capacity and may lead to an increase in air pollution.”

Although applicable statutes and regulations do not provide a definition of a significant urban decay impact, recent case law has provided some guidance. The Fifth District Court of Appeals in *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, indicated that a significant urban decay impact could exist if the proposed project indirectly leads to “a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake.” Indications of urban decay include visible symptoms of physical deterioration that invite vandalism, loitering and graffiti. These visible symptoms include, but are not limited to, boarded doors and windows, existence of dumping or refuse on-site, lack of maintenance of parking areas and landscaping, long-term use of site for parking or storage of vehicles or other machinery, and unsightly and dilapidated fencing. Accordingly, urban decay is characterized by not only vacant retail buildings and centers, but by outward manifestations of disrepair of those vacant buildings.

As with any impact, according to § 15002(g), a significant effect on the environment is defined as a “substantial adverse change in the physical conditions which exist in the area affected by the proposed project.” Given this statement, *temporary* sales impacts to competitive supermarkets or major retail stores in the market area (i.e., revenue losses that are not deemed to be severe enough to result in closure of the competitors’ stores) would not be a substantial adverse change in the physical conditions and, therefore, would not be considered to be a significant impact.

4.17.3 Thresholds of Significance

For the purpose of analyzing physical blight, the proposed project would result in a significant impact if it would do any of the following:

- Divert sales from existing retail facilities severely enough to result in business closures; and/or
- Directly force business closures significant enough in scale (i.e., in terms of the total square footage affected and/or the loss of key anchor tenants)¹ to affect the viability of existing shopping centers or districts that are either in a blighted condition or would be considered blighted with the business closure.

¹ An anchor tenant is a shopping center key tenant, usually the largest or one of the largest tenants located within the shopping center, which serves to attract customers to the center through its size, product line, name, and reputation. The term anchor tenant is interchangeable with the term major tenant.

4.17.4 Impacts and Mitigation

Less Than Significant Impacts

The following impacts were determined to be less than significant. In each of the following issues, either no impact or a less than significant impact would occur (and, therefore, no mitigation would be required) or adherence to established regulations, standards, and policies would reduce potential impacts to a less than significant level.

The project as currently proposed includes a total of approximately 233,000 square feet of building area as follows:

- 229,000-square foot supercenter and six-pump gas service station; and
- 4,000-square foot fast-food restaurant with drive-through.

For the purpose of demand and sales analysis, it is assumed that the proposed project would contain 169,000 square feet dedicated to GAFO goods and 60,000 square feet to grocery space.

Business Closures

Threshold	Would the proposed project divert sales from existing retail facilities severe enough to result in business closures?
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This section discusses the potential for the proposed project to divert sales from existing businesses, with respect to the following issues:

- GAFO sales;
- Fast-food restaurant sales;
- Service station sales;
- Reuse or redevelopment of the existing Wal-Mart store;
- Old Town area; and
- Grocery sales.

General Merchandise, Apparel, Furniture, and Other/Specialty Sales. As seen in Table 4.17.C, demand for new GAFO retail space within the trade area is projected to grow to around 106,000 square feet by 2007¹ and to 130,800 square feet by 2011. Although the proposed project's general merchandise (or GAFO) space would total 169,000 square feet, a full 110,000 square feet of this amount would just be a replacement of the existing Yucca Valley Wal-Mart store (57980 Twentynine Palms Highway). Thus, the proposed project would result in a net increase of 59,000 square feet of retail space devoted to GAFO sales. This 59,000 square feet is less than 60 percent (55.7%) of the 2007 retail demand for new GAFO space.

¹ 2007 is the assumed opening date for the purpose of this analysis.

Table 4.17.C – Demand for New Retail (non-grocery) Space in the Town of Yucca Valley (square feet)¹

Retail Category	2007 ²	2009	2010	2011
General Merchandise/Specialty	20,084	21,004	21,472	21,948
Apparel	52,157	62,097	67,170	72,320
Furniture/Appliances	33,692	35,072	35,776	36,488
GAFO³ Subtotal	105,933	118,173	124,418	130,756
Building/Hardware/Garden	10,632	13,884	15,548	17,240
Eating and Drinking	109,220	113,708	115,996	118,320
Services Space	22,579	24,577	25,596	26,632
Subtotal	142,431	152,169	157,140	162,192
Occupied Space Subtotal	248,364	270,342	281,558	292,948
Standard Vacancy @5%	13,072	14,229	14,819	15,418
Total	261,436	284,570	296,377	308,366

Source: The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June, 2006.

Note: ¹ The retail space square footages on this table exclude supermarket demand, which is evaluated separately later in this document. In addition, although the demand figures consider a larger trade area covering the Morongo Basin (see Appendix O), the square footages indicated on this table are just Yucca Valley's projected shares of trade area demand.

² 2007 is the assumed opening date for the purpose of this analysis.

³ General Merchandise, Apparel, Furniture, and Other/Specialty.

Table 4.17.D indicates that the projected incremental or unmet demand for GAFO sales will be \$29.1 million in 2007, the opening date for the proposed project, and increase to \$36.3 million in 2011. The proposed project is projected to generate incremental GAFO sales of 17.7 million. Thus it would only absorb about 61% of the incremental demand for GAFO sales at project opening (2007).

Table 4.17.D – Net Supportable Retail Sales (non-grocery categories) within the Trade Area¹ (2007–2011)

	2007	2008	2009	2010	2011
General Merchandise/Specialty (Other)	\$5,021	\$5,135	\$5,251	\$5,368	\$5,487
Apparel	\$15,647	\$17,125	\$18,629	\$20,151	\$21,696
Furniture/Appliances	\$8,423	\$8,594	\$8,768	\$8,944	\$9,122
GAFO³ Subtotal	\$29,091	\$30,854	\$32,648	\$34,463	\$36,305
Building Materials/Hardware	\$27,305	\$27,861	\$28,427	\$28,999	\$29,580
Eating and Drinking	\$2,658	\$3,061	\$3,471	\$3,887	\$4,310
Service Stations	\$3,466	\$3,957	\$4,458	\$4,964	\$5,478
Subtotal	\$33,429	\$34,879	\$36,356	\$37,850	\$39,368
TOTAL	\$62,520	\$65,733	\$69,004	\$72,313	\$75,673

Source: The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June 2006.

Note: ¹ The trade area is the Town of Yucca Valley, the communities of Joshua Tree, Landers and Morongo Valley, the City of Twentynine Palms, and the Twentynine Palms Marine Corps Air Ground Combat Center.

² 2006 is assumed to be the opening date for the purpose of this analysis.

³ General Merchandise, Apparel, Furniture, and Other/Specialty.

Based on the above, there appears to be sufficient demand to support the new Wal-Mart general merchandise space without negatively affecting the long-term market shares of existing general merchandise (department) and specialty stores in the trade area. GAFO sales of the proposed project will not cause existing retailers to close their businesses in the trade area.

Fast-Food Restaurant Sales. For the eating and drinking (restaurant) category for, demand for new retail space in Yucca Valley would be an additional 10,632 square feet in 2007, growing to 17,240 square feet in 2011 (Table 4.17.C). In dollar terms, the unmet demand for restaurant sales in the Yucca Valley is projected at \$2.7 million in 2007, growing to \$4.3 million in 2011 (Table 4.17.D). The \$2.7 million leakage is nearly three times the forecast restaurant sales of \$1.0 million from the proposed project.¹ Thus, it is likely that the trade area would be able to readily absorb the project's fast-food sales, and there would be sufficient demand to support the 4,000-square-foot fast-food restaurant without negatively affecting the long-term market shares of existing businesses in the trade area. The proposed project's restaurant sales will not trigger existing restaurants in the area to close their businesses.

Service Station Sales. In 2007, the amount of leakage or unmet demand for service station sales in Yucca Valley is projected at 3.5 million. The six-pump gas station within the proposed project would generate sales of approximately \$3.6 million per year.² Thus, by 2007 (when the proposed project is assumed to open) Yucca Valley could support \$3.5 million in additional gasoline sales, or about 96 percent of the projected gasoline sales volume of the proposed project. The proposed project's gasoline sales would be fully supportable (110%) without any impacts to existing service stations by 2008 when the leakage is expected to increase to \$4.0 million. By 2011, residual demand for gasoline sales is projected to be \$5.5 million. There would be sufficient demand to support the six-pump gas station without negatively affecting the long-term market shares of existing businesses in the trade area. The proposed gas station will not cause other service stations in the area to close.

Reuse or Redevelopment of the Existing Wal-Mart Store. The proposed project will result in the relocation of the existing Wal-Mart store located at 57980 Twentynine Palms Highway to the project site. There is a potential for the existing Wal-Mart building to remain vacant for an extended period of time and, consequently, become subject to physical blight. The proposed project and the existing Wal-Mart would add approximately 173,000 square feet of non-grocery retail space that would need to be absorbed in Yucca Valley. This retail space is composed of:

- The existing Wal-Mart building (110,000 square feet);
- The additional GAFO space proposed for the new Wal-Mart (59,000 square feet);³ and

¹ Restaurant sales have been estimated by multiplying the 4,000 square feet of the fast-food restaurant by a sales factor of \$250 per square foot. This results in \$1.0 million in sales.

² \$3.6 million is the approximate average sales volume for all service stations in California during 2004. In the Town of Yucca Valley, the average sales volume per station in 2004 was approximately \$2.7 million. For the purpose of depicting the likely maximum impact to competing gas stations, it is assumed that the proposed project will generate sales volumes comparable to the higher (statewide) average.

³ This is the net increase in GAFO space at the proposed project, after accounting for the 110,000 square feet that would just be a replacement of the existing Wal-Mart store.

- The fast-food restaurant of the proposed project (4,000 square feet).

Table 4.17.C summarizes projections of future demand for new retail space within the Town of Yucca Valley. The total demand of 261,436 square feet of new retail space would be more than sufficient by 2006 to fully absorb the 173,000 square feet of retail space added by the combination of the proposed project and the existing Wal-Mart. Some 88,436 square feet of retail space would still be required to fully meet projected demand in the area.

In addition, as the existing Wal-Mart building is under contract for sale, pending approval and development of the proposed project, real estate investors/brokers are optimistic about its reuse potentials. The purchaser plans to redevelop the store for multiple retail tenants, and the sale would close 90 days after the proposed project opens, providing a strong indication of confidence in the retail market of the Town of Yucca Valley.¹ This confidence of real estate investors in the Yucca Valley retail market is consistent with the Town's low vacancy rate (approximately 1.0%, excluding the Kmart building). Moreover, the potential for reuse of these spaces with small-sized to mid-sized tenants would seem viable given that the Morongo Basin is currently significantly underserved with the types of national retail chains that would normally be found in community shopping centers.

Demand for retail space is greater than the supply, the existing Wal-Mart is under contract for sale, and the Town of Yucca Valley is underserved by national retail chains that will replace the existing Wal-Mart. Therefore, there is market demand to support reuse or redevelopment of the existing Wal-Mart store once it is vacated. The potential of the existing Wal-Mart building to remain vacant for an extended period of time and becoming subject to long-term physical blight is extremely low

Old Town Area. In some communities, some small businesses have been unable to compete with supercenters. There are also prominent examples of traditional downtown areas that have been able to carve out specialized niches and continue to thrive despite the entry of superstore competitors. Generally speaking, the difference in results can be explained by the following factors:

- The amount of leakage for retail sales in the market area;
- The degree to which trends in the traditional downtown areas were on a positive or negative path prior to the entry of the supercenter competitors;
- The degree to which tenants in a downtown are selling goods directly comparable to those available at competitor supercenter stores.

Leakage of retail sales in the Yucca Valley market area is anticipated to be sufficient to support the proposed project without diverting sales from existing stores. In other words, a greater portion of shoppers who currently go outside the local area to shop would remain in the local area. As discussed later in the document, the proposed project may cause temporary and small sales declines at existing supermarkets; however, the Old Town area would not be affected, as it does not include any supermarkets.

There is no visible indication of economic distress (e.g., vacant stores or marginal uses) in the Old Town area; in fact, economic trends in the Old Town area have been on a positive path. Small

¹ Wal-Mart real estate manager, November 2004.

merchants in the trade area already face superstore competition from the existing Wal-Mart store in Yucca Valley and from other major retail facilities in the Coachella Valley (where many of the local shoppers go). It is likely that businesses most vulnerable to impacts from this type of competition have already absorbed this impact. Adding an expanded supercenter (an additional 59,000 square feet of general merchandise space) to a market area that already has supercenter facilities would not necessarily make consumers less likely to patronize independent merchants. In all likelihood, consumers who are inclined to shop at supercenters are already doing so.

Tenants in the Old Town area have a unique concentration of antique stores and other specialty stores that offer a mix of merchandise that is not directly comparable to the types of goods available at Wal-Mart. Table 4.17.A lists the shops in Old Town. Along with the small-town ambiance, there are also art galleries and museums.

Demand for retail sales is sufficient in Old Town, consumers are likely to continue to patronize the Old Town area, and the Old Town area offers unique merchandise that cannot be duplicated at Wal-Mart; therefore, the proposed project will not have a significant impact on the Yucca Valley Old Town area with respect to business closures.

Grocery Sales in the Trade Area. The four existing supermarkets in Yucca Valley provide an estimated 148,561 square feet of grocery retail space in the Town of Yucca Valley. By 2007, new demand for supermarket space is projected to reach 65,400 square feet (Table 4.17.E). The grocery component of the proposed project is assumed to total 60,000 square feet. Thus, incremental demand for new supermarket space would be sufficient to fully support the proposed project by 2007, the project's assumed opening date

Table 4.17.E – Supportable Supermarket Space in the Town of Yucca Valley

Factor	2007	2009	2010	2011
Demand for Supermarket Space	213,948	221,084	224,734	228,448
Supermarket Space above Existing Inventory*	65,387	72,523	76,173	79,887

Source: The Natelson Dale Group, Inc., *Draft Market Impact Analysis for Avalon Avenue Retail Center*, June , 2006.

Note: * Existing inventory is 148,561 square feet.

Table 4.17.F provides estimates of the per-square-foot sales volumes of existing grocery stores after the opening of the proposed project. The typical sales volume for supermarkets in the western United States is estimated at \$400 per square foot.¹ At 60,000 square feet, the proposed project is expected to generate approximately \$24.0 million in annual grocery sales. The proposed project could cause the sales volumes of Yucca Valley's existing supermarkets to initially decrease from their estimate current average of \$520 per square foot to an average of \$415 per square foot. Over time, the existing stores' volumes could recover as the area's population grows and creates new demand for grocery sales. By 2011, sales potentials for the existing stores would reach \$454 per square foot.

¹ The factor of \$400 per square foot was derived from the 2004 edition of Dollars & Cents of Shopping Centers published by the Urban Land Institute. According to this publication, the median sales volume for supermarkets in the Western United States in 2002 was \$408 per square foot. The national median in 2002 was \$354 per square foot. Yucca Valley stores are operating at or above the industry norm. In terms of sales per square foot of space, it is estimated that existing Yucca Valley supermarkets are generating total sales in the range of \$397 to \$528 per square foot.

Table 4.17.F – Potential Sales Impacts to Existing Supermarkets

Factor	2007	2009	2010	2011
Potential Demand for Supermarket Sales (\$million)	85.6	88.4	89.9	91.4
Less Proposed Project Projected Grocery Sales (\$million)	(\$24.0)	(\$24.0)	(\$24.0)	(\$24.0)
Net Demand Available to Existing Supermarkets (\$million)	\$61.6	\$64.4	\$65.9	\$67.4
Sales Per Square Foot of Existing Stores (148,561 square feet)	\$415	\$434	\$444	\$454

Note: The figures in this table are presented in constant dollars, which are dollar amounts adjusted for inflation, based on buying power in a certain base year (in this case, 2004).

According to data published by the Urban Land Institute, the national median sales volume for supermarkets in 2002 was \$354 per square foot. The median sales volume for supermarkets in the western United States was \$408 per square foot. Thus, although the proposed project would likely cause the sales volumes in Yucca Valley’s existing supermarkets to fall below current levels, they would still be above the median for the western United States. Although the grocery component of the proposed project could result in sales diversions from existing food stores in the trade area, the proposed project is unlikely to result in the closure of existing stores, because the sales per square foot levels of the existing stores would still be above the regional median for supermarkets. The fact that sales levels of the existing supermarkets will remain above regional median sales levels for supermarkets after development of the proposed project is a strong indicator that the existing supermarkets are likely to be able to withstand a temporary sales diversion. Moreover, the existing stores’ sales levels would recover over time as population growth in the trade area creates new demand for grocery sales.

Although some existing grocery stores may have a temporary reduction in sales, the long-term closure of existing grocery stores is unlikely, given that sales volumes at existing supermarkets would average \$415 per square foot – a level which is over the regional industry norm of \$400 per square foot. Because the sales levels of existing stores are expected to recover as population growth in the trade area creates new demand for grocery sales, business closures are not expected to occur. Accordingly, the proposed project will not result in closure of existing supplements. Impacts in this regard are considered less than significant.

Viability of Existing Shopping Centers or Districts

Threshold	Would the proposed project directly force business closures significant enough in scale (i.e., in terms of the total square footage affected and/or the loss of key anchor tenants) to affect the viability of existing shopping centers or districts that are either in a blighted condition or would be considered blighted with the business closure?
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GAFO sales of the proposed project will not cause existing retailers to close their businesses in the trade area. There is enough demand to support the proposed project with respect to GAFO sales without negatively affecting the long-term market shares of existing GAFO stores in the trade area. The proposed project would not directly force business closures significant enough in scale to affect the viability of existing shopping centers or districts.

For the eating and drinking category, the area would be able to absorb the proposed project's fast-food sales, and there would be sufficient demand to support the 4,000-square foot fast-food restaurant without causing existing restaurants in the area to close their businesses. The proposed project would not directly force business closures significant enough in scale (i.e., in terms of the total square footage affected and/or the loss of key anchor tenants) to affect the viability of existing shopping centers or districts.

There would be sufficient demand to support the six-pump gas station without negatively affecting the long-term market shares of existing businesses in the trade area. The proposed gas station will not cause other service stations in the area to close; therefore, there would be no impact to the viability of existing service stations.

The total demand of 261,436 square feet of new retail space would be more than sufficient by 2007 to fully absorb the 173,000 square feet of retail space added by the combination of the proposed project and the existing Wal-Mart. Even after development of the proposed project and reuse of the existing Wal-Mart, there is residual demand for retail sales in the Market Area to support an additional 88,436 square feet of retail space. The proposed project would not directly force business closures significant enough in scale to affect the viability of businesses at or surrounding the existing Wal-Mart.

Demand for retail sales is sufficient in Old Town, consumers are likely to continue to patronize the Old Town area, and the Old Town area offers unique merchandise that cannot be duplicated at Wal-Mart; therefore, the proposed project will not have a significant impact on the Yucca Valley Old Town area with respect to business closures. The viability of Old Town would not be affected.

Some existing grocery stores may have a temporary reduction in sales; however, the long-term closure of existing grocery stores is unlikely. The temporary decrease in grocery sales levels at existing stores is expected to recover as population growth in the trade area creates new demand for grocery sales; therefore, significant business closures are unlikely to occur, and the proposed project would not directly force business closures significant enough in scale to affect the viability of existing grocery stores.

Potentially Significant Impacts

No potentially significant impacts related to physical blight were identified and no mitigation measures are required.

4.17.5 Cumulative Impacts

There are four main projects that could be built within the next two years and that could have a cumulative impact with respect to business closures. These projects include the following:

- Reconfiguration of the former Kmart (37,000 square feet¹);

¹ Assumed to be reconfigured for multiple retail and office tenants. The latest plans filed by the developer call for the building to be divided evenly between office and retail uses. Approximately 37,000 of the total 73,722 square feet are estimated to be occupied by retail uses.

- Home Depot Retail Center (174,893 square feet);
- Reconfiguration of existing Wal-Mart (110,000 square feet);
- Proposed project's net new space (63,000 square feet); and
- Applebee's (5,000 square feet).

The total square footage of these projects is 389,893 square feet.

For the purpose of analyzing cumulative impacts to the market, the former Kmart is assumed to be reconfigured for multiple retail and office tenants (only the estimated retail uses are accounted for in this analysis). The Home Depot Retail Center is presumed to include the Home Depot (137,283 square feet) and a specialty retail/restaurant (37,610 square feet). In addition, it is understood that the existing Wal-Mart would be reconfigured for multiple retail tenants. The proposed project's net new space of 63,000 square feet includes GAFO space and a fast-food restaurant pad. The cumulative analysis assumes that none of the cumulative project space, including the existing Wal-Mart will be used for grocery sales. This assumption is based on the fact that the proposed project will absorb all residual demand for grocery sales in the Market Area and therefore it would be unlikely that a property owner or tenant would attempt to enter the grocery market.

Based on potential demand for new retail space (Table 4.17.C) and the total square feet of future planned retail projects in the Town of Yucca Valley, in a worst-case scenario, the developed building space in the market area would exceed demand for building space by 93,516 square feet in 2010.¹ If the four projects are built at approximately the same time and if this entire 93,516 square feet of building space (the excess supply of building space based on demand numbers) remains vacant, the overall vacancy rate in Yucca Valley would reach approximately 7.9 percent. A normal vacancy rate is generally in the 5 to 10 percent range. With this worst-case scenario, the vacancy rate would be well within the range of normal vacancy levels. Considering the trade area currently exhibits a very low vacancy rate and there are no current indications of urban decay, an increase in vacancy rate to 7.9 percent will not result in a significant urban decay impact. Further, based on continued growth in households in the trade area and the resulting increased demand for retail sales, vacancies would fall back to approximately 5.9 percent in 2012, which is five years after the project's assumed 2007 opening date. Thus, the cumulative impact of the proposed project would not cause significant physical blight by directly forcing business closures significant enough to affect the viability of existing shopping centers or districts.

¹ This 93,516 square feet figure is based on the cumulative square feet of new building space planned (389,893 square feet) and existing amount of vacant space (7,400 square feet, excluding the vacant Kmart store).