

4.11 POPULATION, HOUSING, AND URBAN DECAY

This section discusses the existing population, housing conditions and urban decay in the project area as well as the associated impacts that could result from implementation of the East Washington Place project.

This EIR uses the best available information to assess the project's economic impacts and then establish whether these economic impacts might result in a negative effect on the physical environment of Petaluma as caused by urban decay and physical deterioration of existing retail centers. An urban decay study was prepared by Bay Area Economics for this EIR. A copy of the full report is included in Appendix D.

A. Regulatory Framework

This section provides a general description of the current regulations addressing population, housing and urban decay within Petaluma.

1. Petaluma General Plan

The goals, policies and programs in the Petaluma General Plan Housing Element reflect the City's commitment to provide safe, sanitary and decent housing stock for a broad spectrum of residents. Housing Element policies and programs are intended to allow the City to provide a wide selection of housing types for all income levels, while promoting a sense of community. The City of Petaluma revised its Housing Element in October 2002. The Housing Element contains policies that encourage the City to minimize urban sprawl and increase the efficiency of urban development.

Along with the Housing Element, Petaluma's General Plan contains policies and goals within the Land Use, Growth Management, and the Built Environment Element and the Community Design, Character, and Green Building Element that are relevant to the project. These are listed in Table 4.11-1.

B. Existing Conditions

This section describes the current conditions with regard to population, housing and urban decay in the City of Petaluma.

TABLE 4.11-1 **PETALUMA GENERAL PLAN POLICIES AND PROGRAMS—POPULATION, HOUSING AND URBAN DECAY**

Policy/Program	
Number	Policy/Program
<i>Land Use, Growth Management, & the Built Environment Element</i>	
Policy 1-P-47:	Ensure that the pace of growth does not create spikes that unduly strain City services.
Policy 2-P-1:	As depicted on the Land Use Map, allow for urban development at defined densities and intensities to prevent the need to extend outward beyond the Urban Growth Boundary.
<i>Community Design, Character, and Green Building Element</i>	
Goal 2-G-4 (Washington Corridor)	Encourage the evolution of land uses to create a corridor of mixed-use development.

Source: City of Petaluma General Plan 2025.

1. Population

a. State Regulations

CEQA case law¹ requires that (for large retail developments) an economic impact analysis should be undertaken to assess the possibility of the project resulting in urban decay and “physical deterioration” as indirect physical impacts on the environment.² To fully satisfy the requirements of an EIR, the economic analysis must start by addressing potential economic impacts, but also follow the causal chain to assess the likelihood that new retail space will cause existing retail space to become vacant and, depending on the outcome, determine the potential for urban decay and physical deterioration of existing retail centers and nodes.

b. Sonoma County

Sonoma County is the fourth smallest county in the nine-county Bay Area region, with a 2000 population of 458,614. The county’s population grew by 18.1 percent from 1990 to 2000, tied with Contra Costa County for the fastest growth rate region-wide. A lower rate of growth is projected for the county over the next decade, with population projected to increase by about 9 percent from

¹ *Bakersfield Citizens for Local Control v. City of Bakersfield*, 2004.

² Physical deterioration includes, but is not limited to, abnormally high business vacancies, abandoned buildings and industrial sites, boarded doors and windows, parked trucks and long term unauthorized use of properties and parking lots, offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery, and uncontrolled weed growth or homeless encampments. Economic impacts are a strong indicator for physical deterioration and therefore correlate with the potential for urban decay.

2005 to 2015.³ The majority of the county's population, 68 percent, lives within the urbanized areas.⁴

c. City of Petaluma

The City of Petaluma is one of nine incorporated cities within Sonoma County, accounting for about 12 percent of the county-wide population. The city grew 26 percent between 1990 and 2000,⁵ with an estimated population in 2005 of 56,500 persons.⁶ The Association of Bay Area Governments (ABAG) expects the city of Petaluma's population to grow by 11 percent between 2005 and 2015, to a total of 62,800 persons.⁷ By 2025, ABAG expects Petaluma's population to reach 66,200,⁸ differing from Petaluma's own expectations of reaching a population of 72,707.⁹

2. Housing

a. Housing Stock and Costs

According to the 2000 Census, the City of Petaluma had a total of 19,932 occupied housing units out of a total of 20,304 housing units, or an occupancy rate of 98 percent. The majority of the total housing within Petaluma (72.6 percent) was comprised of single-family detached units, followed by single-family attached units (8.1 percent). Mobile homes made up the next biggest group of housing stock at 4.6 percent. The rest of the city's housing stock was comprised of buildings of 5 to 19 units (4.3 percent), buildings of 20 units and larger (4.5 percent), tri- and quad-plexes (3 percent), and duplexes (2.9 percent). The 2000 Census reported that 70.1 percent of housing units in Petaluma were owner-occupied, and 29.9 percent renter-occupied.

The average household size for owner-occupied units in 2000 was 2.75 persons, while the average household size for renter-occupied units was 2.59 persons, with an overall average of 2.70 persons per household.¹⁰ Average household size is projected to be approximately 2.67 persons per household over the next decade.¹¹

³ Association of Bay Area Governments (ABAG), *Projections 2007*.

⁴ Sonoma County website. http://www.sonoma-county.org/cao/citizens_guide/sonoma_county_population.htm, accessed on March 20, 2006.

⁵ U.S. Census Bureau: State & County QuickFacts website. <http://quickfacts.census.gov/qfd/states/06/0656784.html>, accessed on March 20, 2006.

⁶ Association of Bay Area Governments (ABAG), *Projections 2007*.

⁷ Association of Bay Area Governments (ABAG), *Projections 2007*.

⁸ Association of Bay Area Governments (ABAG), *Projections 2007*.

⁹ City of Petaluma 2025 General Plan, page 2-10.

¹⁰ Census 2000.

¹¹ Association of Bay Area Governments (ABAG), *Projections 2007*.

b. Housing Needs

State law requires all cities in California to accommodate their respective “fair share” of the affordable and market-rate housing needs in the region. ABAG determines the fair-share allocation for each of the nine Bay Area counties.

According to ABAG’s 2007-2014 Regional Housing Needs Plan, the regional fair-share allocation for the city is 1,945 units for the seven year period, of which 522 are for very-low income households, 352 for low income, 370 for moderate income and 701 for above moderate income residents.¹²

c. General Plan Housing Projections

The City of Petaluma General Plan forecasts the construction of approximately 6,000 additional housing units within the city by 2025.¹³

3. Economic Conditions and Urban Decay¹⁴

For the purposes of the urban decay study, the commercial aspect of the project was analyzed.

a. Definition of the Trade Area

Generally speaking, a trade area is the geographical area from which 60 to 80 percent of a shopping center's sales originate. The proposed project’s Trade Area has been defined based on the area from which the proposed Target anchor tenant is likely to draw most of its customers. The Trade Area consists of Petaluma and surrounding areas, extending east through the City of Sonoma, south to the border with Marin County, and to a very limited distance to the north and west due to the location of other Target stores nearby in Rohnert Park and Santa Rosa. This Trade Area is used for all the proposed retail uses in the project; because of nearby retail nodes in Novato, Rohnert Park and Santa Rosa, this is the area that would be served by most region-serving retailers based in Petaluma.

b. Demographic and Economic Overview

The Trade Area, which includes the cities of Petaluma and Sonoma and surrounding unincorporated areas, is undergoing gradual population and household growth. It is estimated that the Trade Area will have 103,305 persons and 40,041 households by 2011. Long-term growth is expected to slow, with the Trade Area projected to have a population of 111,279 in 2030. The Trade Area ex-

¹² ABAG, June 2008, *San Francisco Bay Area Housing Needs Plan 2007-2014*, <http://www.abag.ca.gov/planning/pdfs/SFHousingNeedsPlan.pdf>, page 50, accessed on February 18, 2009.

¹³ City of Petaluma 2025 General Plan, page 1-9.

¹⁴ Bay Area Economics, 2008, *Administrative Draft: Retail Market Impact Analysis for Proposed East Washington Place Shopping Center in Petaluma, CA*, pages i to v.

hibits a 2008 mean household income of \$93,366 (all income in constant 2005 dollars), with modest growth to \$95,257 by 2011.

Long-term trends show that Sonoma County had an overall increase in the number of employed residents from 2000 to 2007, with a slight decline to 2003 and subsequent rise in the years following. Meanwhile, the unemployment rate in Sonoma County between 2000 and 2007 peaked in 2003 at 5.5 percent and declined slightly to 4.4 percent by 2007. Petaluma's unemployment rate tracked at slightly lower rates. The most recent data as of the time of this analysis shows a rise in the unemployment rate alongside a tightening economy. However, the estimated size of the employed labor force continues to grow.

The gradual growth in population, number of households and household incomes all indicate that retail sales are likely to be stable or grow over the long term (despite the current downturn), with likely increases in purchasing power in Petaluma, the Trade Area and Sonoma County upon recovery of the economy. Despite a tightening economy (as shown by most recent employment data), employment trends in Petaluma, the Trade Area and Sonoma County are moving toward an increasing number of residents and employed persons in the labor force.

c. Retail Sales Trends

Over the last decade, Petaluma's taxable retail sales have grown at a higher rate than that of the population. On an inflation-adjusted basis, sales reached a peak of \$794 million in 2005, but as of 2007 have declined to \$760 million.

However, while overall Petaluma is showing strong retail sales, 45 percent of its growth from 1997 through 2007 has been in the automotive sector, where Petaluma shows extremely strong sales. Limiting the analysis to the major categories suitable for tenancy at East Washington Place, by excluding the automotive and building materials sectors, presents a different comparative picture. For such sectors, Petaluma shows 2007 sales of only \$356 million, compared to \$408 million in Novato and \$430 million in Rohnert Park.

Per capita retail sales are an indicator of the relative strength of a city as a retail destination; other factors being equal, higher per capita sales relative to the region or other cities point toward attraction of shoppers from outside the city. Petaluma's per capita sales in the key retail categories likely to be tenants in East Washington Place are another indicator of the city's weakness as a destination for non-automotive retail shopping, with key category per capita sales in recent years at or below countywide levels, while surrounding cities outperform the county and Petaluma. This is especially the case for Rohnert Park, which has had a sharp increase in per capita sales, which indicates increasing capture from outside the city and enlarges its share of regional sales, although sales have slightly declined during the recent past.

Petaluma's relative weakness as a retail destination compared to neighboring cities shows up in several store categories proposed for or suitable for East Washington Place. Petaluma lags behind Rohnert Park and Novato in overall and per capita sales in general merchandise and other selected, smaller retail store categories.

For eating and drinking establishments, food stores and apparel stores, Petaluma has stronger sales than Rohnert Park and Novato. Apparel store sales are likely enhanced by the outlet mall and Kohl's. In addition, Petaluma's vibrant downtown may act as a dining and entertainment destination for tourists and others from outside the Trade Area.

C. Standards of Significance

The proposed project would have a significant impact with regard to population, housing and urban decay if it would:

1. Induce substantial unexpected population growth or growth for which inadequate planning has occurred, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure).
2. Displace substantial numbers of existing housing units, necessitating the construction of replacement housing elsewhere.
3. Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere.
4. Contribute to urban decay. For the purposes of this report, a finding of urban decay is based upon a finding of a negative economic impact so severe that potentially competing stores might close as a result, that those buildings and/or properties, rather than being reused within a reasonable time, would remain vacant and deteriorate, and that this would lead to the decline of associated or nearby real estate. If no or minimal negative economic impact is found, then urban decay would not be a logical result. Store closures alone are not sufficient to cause urban decay as such closures could provide an opportunity for new retailers or other tenants to occupy the vacated space or for property owners to engage in economic development efforts to improve properties.

D. Impact Discussion

For the following analysis, the 2025 General Plan was reviewed.

1. Project Impacts

The proposed project would result in the construction of approximately 362,000 square feet of retail and 16,000 square feet of office space over the course of three years.

1. Induce substantial unexpected population growth or growth for which inadequate planning has occurred, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure).

The 2025 General Plan land use designation calls for mixed-use development on the project site. The “Mixed Use” designation allows up to a maximum of 30 dwelling units per acre (DUA). The permissible Floor Area Ratio (FAR) in the “Mixed Use” designation is 2.5. The FAR is calculated by dividing total floor area of proposed uses by the total area of the site. Under the proposed project, 380,000 square feet of development is proposed. The total area of the site is 1,437,480 square feet (approximately 33 acres). Therefore, the FAR for the project is 0.18, which is well within the permissible FAR for the “Mixed Use” designation.¹⁵

The commercial development would not be growth-inducing because there is existing demand from the surrounding community, and because the project would be developed on an infill site. Furthermore, the General Plan encourages focusing development within infill and urbanized areas. As a result, the project is consistent with General Plan policies and would not cause unforeseen growth in either Petaluma or in neighboring cities. A *less-than-significant* impact would occur.

2. Displace substantial numbers of existing housing units, necessitating the construction of replacement housing elsewhere.

Since the project site has historically been used as a public institution (i.e., a junior high school) and contains no housing, development on the site would not displace any housing. Thus, *no impact* would occur.

3. Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere.

Given that the project site contains no residences, development on the site would not displace any people that would necessitate the construction of replacement housing elsewhere. Thus, *no impact* would occur.

¹⁵ 380,000/1,623,916=0.18.

4. Contribute to urban decay.¹⁶

As mentioned previously, this EIR analyzes the economic impacts of the project to determine its potential to contribute to urban decay and physical deterioration of existing retail centers and nodes. The analysis is required to assess whether a new retail development “could cause a ripple of store closures and consequent long-term vacancies that would eventually result in general deterioration and decay within and outside the market area” of the proposed development. Furthermore, “these effects include, but are not limited to, physical decay and deterioration resulting from store closures in the same market area or in established areas of the community (i.e. the ‘traditional downtown area’) due to competitive pressures, followed by an inability to easily release the vacated premises.” One concern is that large retailers that dominate sales in their merchandise lines “will displace older, smaller retail stores and shopping centers, leaving long-term vacancies that deteriorate and encourage graffiti and other unsightly conditions.” The EIR “must analyze the cumulative impacts resulting from construction and operation of the proposed shopping center in conjunction with all other past, present or reasonably foreseeable retail projects that are or will be located within the proposed project’s market area” and determine the likelihood that a project “individually and/or cumulatively, indirectly could trigger the downward spiral of retail closures and consequent long-term vacancies that ultimately result in decay.”

Key components of the demand for new retail space in the Trade Area are the capture of sales to Trade Area residents that are currently occurring elsewhere (leakage), and population and income growth.¹⁷ This analysis has conservatively assumed no increase in sales from income growth,¹⁸ so the estimates here for retail sales potential are based on leakage and population growth only.

2. Economic Impacts

At stabilized performance levels, it is estimated that the proposed project will achieve total annual sales of approximately \$119 million. Sales in the general merchandise component of the project constitute the largest share, and are estimated at \$44.0 million, followed by the other retail stores category at \$40.6 million, and home furnishings/appliance stores at \$21.2 million in sales. The remaining sales are distributed among apparel and food stores and eating and drinking places.

¹⁶ Bay Area Economics, November 2008, *Administrative Draft: Retail Market Impact Analysis for Proposed East Washington Place Shopping Center in Petaluma, CA*, page 42. Sections in quotes are from *Bakersfield Citizens for Local Control v. City of Bakersfield*, 2004.

¹⁷ Thomas Consultants, Inc. completed the *Petaluma Leakage & Sustainable Retail Strategy Study* in June 2004 to identify the key components missing from Petaluma’s retail base that were causing sales leakage.

¹⁸ Apart from providing a competitive analysis, another reason to assume no increase from income growth is that the precise impacts of income growth on retail demand are sometimes difficult to quantify, since the relationship is non-linear (i.e., a certain percent increase in incomes does not necessarily equate to the same proportionate increase in retail sales). Additionally, another reason to be conservative relative to income effects is the current unsettled economic climate, where income growth is less than assured.

The Trade Area is estimated to be leaking sales in several major store categories, including general merchandise, food, home furnishings/appliances, building materials, and other retail. East Washington Place could capture a substantial portion of that leakage in the categories for which the project will have retail outlets. As a competitive center in Petaluma, it could also capture sales from existing outlets, as well as from persons living outside the Trade Area, such as commuters or other travelers on Highway 101. However, the presence of similar retail nodes in Rohnert Park, Santa Rosa and Novato limits attraction. To the east, shoppers in the City of Sonoma and nearby areas could go to the Target stores in Napa. Out of a total of \$119.2 million in estimated sales in the proposed project, only \$7.0 million is assumed to be captured from outside the Trade Area.

With respect to capture from existing outlets in the Trade Area, it is expected that in 2011 there could be an estimated decline of \$8.7 million, or 1 percent of the baseline 2008 total, for overall retail sales. By category, the declines are more pronounced for most of the major categories assumed to be present in the project; sales captures are assumed from existing outlets in the apparel, general merchandise, home furnishings/appliances, and other retail category. The total estimated capture of sales from existing outlets ranges from \$2.4 million for home furnishings/appliance stores to \$15.7 million for the other retail stores category, with the percentage capture ranging from 4 percent for general merchandise to 13 percent for other retail outlets. By 2016, increases in overall retail demand due to population growth are projected to decrease the potential capture from existing outlets, with some categories which in 2011 showed losses from baseline levels in 2011 now showing gains in sales.

The retail node with the greatest potential for substantial impacts is Petaluma Plaza North, because of the Kmart in that center that would compete directly with Target. A large change for this center is already in the works, with Raley's currently under construction next door at Petaluma Plaza. The Raley's will act as a major anchor, attracting shoppers to both centers even if the Kmart closes, and also making the Kmart space more valuable to potential new tenants. While the approvals process could slow re-tenanting, the center could end up with a stronger tenant than Kmart. In any case, the sales data indicate that this Kmart might survive even with Target open. The other center that may see impacts is that with outlets competitive with Target, which, following the closure of Mervyn's is primarily the Redwood Gateway Center with Kohl's and Pier 1. These stores are in a somewhat different market niches than Target, however, and Kohl's will likely benefit from the closure of Mervyn's, a more direct competitor.

The existing Downtown as a whole is likely to be minimally impacted as it generally provides a different shopping experience than East Washington Place would. Petaluma Village Premium Outlets, with its array of specialized off-price and outlet stores, is not in direct competition with the proposed project, and the impacts are likely to be minimal as a result.

3. Physical Impacts

Only one anchor retail space is currently vacant in the Trade Area (Mervyn's), and a tour of the existing centers found no current evidence of physical deterioration resulting from vacancy, deferred maintenance or disinvestment. None of the existing centers could be seen as being at risk of urban decay if the proposed project is not built.

If the proposed project is built, the only center likely to have the potential for substantial vacancy is Petaluma Plaza North, where the Kmart is at some risk of closure due to the proposed tenants for East Washington Place, mainly Target. While center representatives stated that re-tenancing might be difficult and that the loss of Kmart could adversely affect the center, other brokers noted that Petaluma Plaza North functions closely with neighboring Petaluma Plaza, where a Raley's will soon open as a major tenant drawing shoppers to both centers. As discussed above, the Kmart could survive, or Kmart could also be replaced by another stronger anchor tenant. Thus, it is unlikely that the possible closure of this individual store (as an economic impact) would cause this entire retail center to enter the "downward spiral" into the physical impacts of urban decay and physical deterioration. The other centers within the Trade Area are focused on other segments of the retail market, and are not likely to face closures or other economic impacts that could potentially lead to urban decay. Centers outside of the Trade Area would be minimally impacted, since impacts would be spread across many outlets such that individual store closures would not be directly linked to loss of sales related to East Washington Place.

The actual potential for physical deterioration at Petaluma Plaza North to occur would be dependent on the commitment from the current property owners to maintain their property. Ultimately, if the market proves unable to provide a retail tenant or tenants for this space, the property owners may have to redevelop the center with some other use. This site has strong locational advantages with access to a highly traveled highway corridor, which should facilitate re-occupancy. Thus, the impacts associated with urban decay are *less than significant*.

4. Cumulative Impacts

a. Economic Cumulative Impacts from Pipeline Retail Projects

There are three substantial projects in the City of Petaluma that could potentially create cumulative impacts in combination with East Washington Place: Deer Creek Village, an expansion of the Petaluma Village Premium Outlets center and the Riverfront Project. There are currently no competitive, new retail projects under consideration in the City of Sonoma, or elsewhere in the unincorporated portions of the Trade Area. The three major projects in Petaluma and the proposed project are targeted primarily toward somewhat differing and complementary retail niches, even different geographic market areas. For example, Deer Creek Village is assumed to have as its major anchor a store in the building materials category and there are no stores in this category in East Washington

Place. This will lessen any cumulative impacts in Petaluma, the Trade Area and beyond. While individual outlets might be impacted, the overall captures of market share are limited such that the overall retail market should be able to absorb these projects without the prospect of long-term closures for existing retail outlets. As a result, no substantial cumulative economic impacts should result from the combination of these projects.

5. Other Cumulative Impacts

A list-based approach has been used for this cumulative analysis. The analysis considers the development projects listed in Appendix E (Cumulative Projects), except for the urban decay analysis, which considers regional retail development, as discussed above. The analysis also considers whether this project, in combination with the other specified projects, would have significant cumulative impacts in relation to population and housing.

The proposed project would not displace any people or housing units. Therefore, the project would not result in substantial unanticipated population or housing growth, or other adverse cumulative impacts related to population or housing. In regards to urban decay, since the economic impacts are short-term and not substantial, a *less-than-significant* cumulative impact would occur.

E. Impacts and Mitigation Measures

Since no significant impacts were identified, no mitigation measures are required.

CITY OF PETALUMA
EAST WASHINGTON PLACE EIR
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