

P. Urban Decay

Environmental Setting

Urban Decay

Urban decay is physical deterioration that is so prevalent and substantial it impairs the proper use of affected real estate, or the health, safety, and welfare of the surrounding community (CBRE, 2006). Physical deterioration can include abnormally high business vacancies, abandoned buildings and industrial sites, boarded doors and windows, long term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of waste or overturned dumpsters on property, dead trees or shrubbery, uncontrolled weed growth, and homeless encampments.

Recent findings by the State of California's Appellate Court (*Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1884) have interpreted the requirements of the California Environmental Quality Act (CEQA) as requiring disclosure of the possibility for "urban decay" when considering projects that include a large-format retailer, such as the proposed Home Depot store. It is important to recognize that, like most CEQA requirements, this standard is focused on impacts to the physical environment and as such it requires the consideration of conditions of disinvestment that could result in the decay of real property as a result of the defined project. These conditions are distinct from conditions of blight which are defined by the California Health and Safety Code (sections 33030-33039) which set the standards for the adoption of redevelopment project areas. The urban decay disclosure requirement is relatively new, and as a result the standards and practices related to compliance are still somewhat unsettled and evolving.

CBRE Consulting conducted a *Retail Development Economic Impact and Urban Decay Analysis* (appendices) for the Eureka Balloon Track to determine whether the project could lead to the closure or vacancy of retail stores in the primary market area of Humboldt County that might lead to the physical deterioration. The study found that the project site is currently in a state of urban decay (CBRE, 2006). At the time that the study was prepared, the site had uncontrolled plant growth, old pieces of railroad machinery, homeless encampments, and high levels of crime and drug use, requiring the police department to devote extra resources to the area (CBRE, 2006). In its current condition, the site negatively influences its surrounding neighborhood which includes Historic Old Town.

To determine the probability of urban decay resulting from the proposed project, CBRE analyzed the potential for stores in the primary market area to close as a result of the project being developed and how long it would take to re-tenant such stores.

In addition to the CBRE 2006 report, in 2007 the City of Eureka had a peer review of the 2006 CBRE report conducted by ERA (Economic Research Associates), and CBRE prepared a response to the peer review in 2007. Due to recent economic events and several retail store closings and openings in the retail trade area, CBRE was once again commissioned to perform a

Current Economic Conditions Summary Analysis in October 2008 to provide current research on key economic and demographic indicators relevant to the CBRE 2006 report analysis and to make an assessment of the relevancy of the study's findings in light of these indicators.

Environmental Analysis

Significance Criteria

For the purposes of this EIR, implementation of the proposed project would have a significant effect on urban decay if it would:

1. Result in urban decay in the greater Eureka area.

Regulatory Framework

There are no standards or regulations that govern urban decay. Notwithstanding, the following would be the means by which impacts are measured.

General Plan and Local Coastal Program

The City of Eureka's adopted General Plan and adopted Local Coastal Program together formalize a long-term vision for the physical evolution of Eureka and they outline the policies, standards, and programs that guide day-to-day decisions concerning Eureka's development in the coastal zone. The Policy Consistency Analysis found in Section IV.I, *Land Use and Planning*, provides an evaluation of the Marina Center project's conformity with the policies of the adopted General Plan and Land Use Plan portion of the adopted Local Coastal Program.

Project Impacts

Impact P-1: Would the Marina Center project result in urban decay in the Retail Trade area?

Generally, the economic and social effects of a proposed project are not considered by CEQA. (CEQA Guidelines Section 15131 (a)). Where economic or social effects of a proposed project will directly or indirectly lead to an adverse physical change in the environment, then CEQA requires disclosure of the resulting physical impacts (CEQA Guidelines Section 15064(e)). Economic or social changes need not be analyzed in any detail greater than necessary to ascertain what physical changes may occur as a result of economic or social changes (CEQA Guidelines Section 15131 (a)). Here, the potential impact of vacancy leading to urban decay would be a physical change that would need to be addressed. Urban decay is physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community (CBRE, 2006). Urban decay can be caused when the competitive effects of a commercial development project are so severe that other stores can be expected to close as a result of the proposed development and that the buildings containing

those stores anticipated to close will not be re-tenanted or reused within a reasonable time but will remain vacant and lead to the decline of other real estate.

The CBRE Consulting analysis determined that the site is currently in a state of urban decay and negatively impacts the surrounding neighborhood, including the Historic Old Town district that borders the project site at C Street. The proposed project would be beneficial to the project site and prevent it from going into further decay. Cleaning up and redeveloping the land would be an improvement over its current state.

In Humboldt County in November 2007, there was a total of 5.1 million square feet of retail inventory with only 121,590 square feet vacant (CBRE, 2007), which has increased by roughly 100,000 square feet with the recent or soon to be 2008 closings of Hancock Fabrics, Gap Stores, Old Navy, and Mervyn's. McMahan's Furniture was not included in the vacancy figures as the opening of a newly constructed furniture retailer at the corner of Myrtle Avenue and Fifth Street occurred in early 2008. However, despite the increase in vacancy, the overall vacancy rate in Humboldt County remains very low at about 4 percent, which indicates a countywide tight retail market with very low vacancy rates. Brokers working in Eureka have been able to re-tenant smaller vacancies as they occur.

The Bayshore Mall, the largest shopping mall in Humboldt County, houses the majority of recently vacated retail space due to the past and pending closings of apparel retailers Old Navy, The Gap, and the primarily apparel oriented Mervyn's department store. However, due to the low vacancy rate and lack of large, adequately parked retail spaces in the county, it is not expected that these store closings will lead to long term vacancies as evidenced by past vacancies that have been quickly re-tenanted at this particular property. Therefore, sufficient retailer demand is anticipated to exist to absorb vacated space in the event that existing Humboldt County retailers close due to any negative economic impacts of the Marina Center project, and/or other identified planned projects (CBRE, 2006).

One of the primary conditions leading to urban decay, existing high vacancy rates and long re-tenanting times, is not present in Humboldt County. While the Marina Center project could result in some existing store closures, the low vacancy rates of existing shopping centers indicates stable performance and the ability to re-tenant smaller vacancies as they occur. In the event that Anchor 1 itself is vacated, it is likely that it would be re-tenanted because large format retail space in Humboldt County has been quickly re-tenanted in the past and certain large format stores have expressed interest in entering the Humboldt County market. In addition, the space for Anchor 1 has been designed so that it could be broken into three smaller spaces of 20,000 to 40,000 square feet and more easily re-tenanted. As a result, potential project vacancies would be unlikely to cause physical deterioration in the area.

Because the proposed project and its associated infrastructure improvements would not create or maintain urban decay and would instead eliminate the conditions for urban decay, the project would result in a less-than-significant impact.

Mitigation

None recommended.

Finding of Significance

The potential for the Marina Center project to result in urban decay in the greater Eureka area would be *less-than-significant*.

Cumulative Impacts

Impact P-2: Would the Marina Center project, in conjunction with other development, result in urban decay in the area?

For the purposes of evaluating the cumulative impacts of the project on urban decay, the EIR considers not just the projects in the Eureka area, but also the addition of a business park in Redway, a newly constructed retail shopping center in Fortuna with a general merchandise/drug store (Walgreen's), restaurants, financial services, and small scale service retail, and a planned large-scale regional shopping center containing a general merchandise store (Wal-Mart) and home improvement store (Lowe's) in Fortuna which would directly compete with the project's Home Depot anchor store. Humboldt County has a very low vacancy rate for commercial space. While a competing general merchandise and home improvement store in Fortuna would divert sales from Eureka, there does not appear to be any cumulative impact from the project and other proposed or approved projects that would result in physical deterioration considered prevalent and substantial in the community. In keeping with the low retail vacancies in Humboldt County, two recently closed building material and garden supply spaces in Fortuna were re-tenanted in a reasonable amount of time (CBRE, 2006). When considered cumulatively with other potential future development in Eureka and the vicinity, the proposed project would not result in significant cumulative impacts.

Mitigation

None recommended.

Finding of Significance

The potential for the Marina Center project, in conjunction with other development, to result in urban decay in the greater Eureka area would be *less-than-significant*, and the project would not make a cumulatively considerable contribution to cumulative urban decay impacts.

References – Urban Decay

- City of Eureka, *City of Eureka General Plan*, adopted February 1997, amended through April 2008.
- City of Eureka, *Eureka Redevelopment Final Program EIR*, prepared by Environmental Science Associates (ESA), January 10, 2005.
- City of Eureka, Eureka Municipal Code, adopted May 1966, amended through April 2008.
- CBRE Consulting, *Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis*, November 2006.
- CBRE Consulting, *Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis, Response to Peer Review*, December 2007.
- CBRE Consulting, *Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis - Current Economic Conditions Summary Analysis*, October 2008.
- Center for Economic Development at California State University Chico, *Humboldt County 2006 Economic and Demographic Profile*, 2006.
- Economic Research Associates (ERA), *Peer Review of the CBRE Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis of November 2006*, October 2007.
- State of California, Department of Finance, *E-5 City / County Population and Housing Estimates, 2005, Revised 2001-2004, with 2000 DRU Benchmark*, May 2005.
- State of California, Employment Development Department (EDD). *Labor Market Info*, www.labormarketinfo.edd.ca.gov, accessed June 29, 2006.