

4.15 SOCIO-ECONOMIC CONDITIONS

This section evaluates market demand impacts that may be caused by operation of the proposed project and the issue of urban decay in relation to the potential for business closures associated with operation of the proposed Wal-Mart Supercenter. The discussion below is based in part on an Economic Impact Analysis (EIA) dated August 2005 and a Vacancy Analysis (VA) dated December 2006 prepared by Keyser-Marston Associates. The report findings are summarized below and the complete reports are provided in Appendix J of this EIR.

4.15.1 *Environmental Setting*

On-Site Socio-economic Conditions

The project site is developed with two vacant commercial buildings that were previously occupied by a Target department store, a Toys R Us toy store, and a Ralph's/Food 4 Less grocery store. Target and Food 4 Less shared the building at the western section of the site and Toys R Us occupied a freestanding building at the southeastern section of the site. After these former uses closed, the unoccupied structures at the site were subject to vandalism and illegal entry and the buildings have since been boarded up and chainlink fencing with green tarp erected around the building and site perimeters. Employment at these unused buildings is limited to an on-site security guard.

A Hollywood Video store is operating on a 1.06-acre area at the northeastern corner of the site. The video store employs 13 persons (Robin Friscia and Curtis Preston, pers. comm. 2/28/2007). Near the video store is an abandoned kiosk (formerly Jack's Key Service). The rest of the site is primarily a paved parking lot.

Section 33031 of the California Health and Safety Code defines blight as the physical and economic conditions that lead to the deterioration of a site or area. These physical conditions include the presence of unsafe buildings (due to dilapidation and deterioration caused by long-term neglect, hazardous construction, and inadequate water and sewer utilities); buildings of substandard, defective, or obsolete design or construction; nearby incompatible land uses; and lots with irregular shapes and inadequate sizes that cannot be readily developed. The economic conditions include depreciated or stagnant property values; impaired property values due to hazardous wastes; abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings; lack of necessary commercial facilities; serious residential overcrowding; excess of bars, liquor stores, or adult-oriented businesses; and a high crime rate.

The vacancy of the commercial buildings and kiosk at the site, deterioration of the vacant buildings, vandalism, and underutilization of the 16.29-acre lot have contributed to the presence of blighted conditions on-site.

Urban Decay

Urban decay refers to the physical and social degradation of urbanized areas due to the spread of blight, resulting in decreases in population and underutilization of buildings and infrastructure associated with vacancy and/or lack of use. The cause of urban decay can be attributed, in part, to increased competition and/or other economic factors that lead to business closures. Over time, unused buildings deteriorate, which can adversely affect the visual and aesthetic characteristics of the surrounding area.

The project site is proposed for redevelopment under the Amendment No. 1 to the Ontario Redevelopment Project No. 2, in part to remove blighted conditions at the project site. Amendment No. 1 also acknowledges the presence of blighted conditions in adjacent areas along Mountain Avenue and Holt Boulevard within the Added Area (EIR for Amendment No. 1, 1994 p. 2-3 and Exhibit 2-10).

The redevelopment of the Added Area and Ontario Redevelopment Agency investments in infrastructure and housing are expected to revitalize businesses in the area and prevent the continuing deterioration that may ultimately lead to urban decay (EIR for Amendment No. 1, 1994 pp. 1-1 and 2-5).

To determine changes in market conditions that may create urban decay, market area characteristics are discussed below.

Market Area Characteristics

The Immediate Market Area (which includes the cities of Ontario, Chino, Pomona, Montclair, Claremont, Upland, and Rancho Cucamonga), is defined by a one-mile radius (*r*) around the site, where approximately 22,900 residents are present within 7,400 households. Within the three-mile (*r*) market area, the resident population is approximately 199,800 persons (within 58,200 households) and within the five-mile (*r*) market area, there are 454,900 residents (within 133,300 households) (EIA, 2005 p. 4). Within the ten-mile (*r*) market area, there are approximately 923,600 residents in 269,600 households (EIA, 2005 Table 2).

Population growth predictions in the market area range from 5.9 percent within the one-mile radius, 6.8 percent within a three-mile radius, 7.5 percent within a five-mile radius, 9.6 percent in the ten-mile radius, and up to 11 percent in the San Bernardino County area (EIA, 2005 p. 5).

Per capita and average household incomes in the project vicinity are moderate. The per capita income is estimated at \$17,300 in the immediate market area, \$16,000 within a three-mile market area, \$18,600 within the five-mile market area and \$21,900 within a ten-mile radius. The average household income in the immediate market area is \$52,200, with \$53,500 within the three-mile market area, \$52,300 within the five-mile market area and \$73,400 within the ten-mile market area. The average household income in the City of Ontario is \$56,500 and in San Bernardino County is \$60,300 (EIA, 2005 p. 5 and Table 2).

The age distribution of residents in the one-, three-, five and ten-mile market areas range from 32.66 to 35.25 percent under the age of 20, with 20.90 to 22.94 percent aged 21 to 34, and 26.24 to 29.10 percent aged 35 to 54, another 7.26 to 8.31 percent are aged 55 to 64, and 7.72 to 9.95 percent are over 65 years of age (EIA, 2005 Table 2).

The City of Ontario has the highest number of residents that did not complete high school (38 percent), when compared to the immediate market area (25 percent) and the County (26 percent). The City also has the highest percentage of residents employed in the production (manufacturing), labor, and service-oriented industries, and the lowest percentage in the professional and sales-related categories, when compared to the market area and the County (EIA, 2005 p. 6).

Overall, the market area is characterized as moderately populated, with a rapidly expanding population base, moderate income levels, and moderate education levels (EIA, 2005 p. 6).

Existing Retail Stores

There are several neighborhood, community, regional, and super-regional shopping centers in the surrounding area¹. These include the Ontario Mills Mall (I-10 and I-15 freeways), the Marketplace at Ontario Center (Milliken Avenue and Fourth Street) and the Ontario Gateway Center (I-10 Freeway and Milliken Avenue) located at the northeastern section of the City of Ontario. These commercial centers combined have almost two million square feet of total floor area. In addition, the Montclair Plaza in Montclair and the Colonies Crossroads in Upland are sub-regional shopping centers (malls) in the area. Regional shopping centers include the Terra Vista Town Center (Rancho Cucamonga), Chino Town Square, Village at Indian Hill (Pomona), Terra Vista Promenade (Rancho Cucamonga), Phillip Village Center (Pomona), and the Foothill Crossing (Rancho Cucamonga). Several community and neighborhood shopping centers are also located in Upland, Ontario, La Verne, Rancho Cucamonga, Chino, Pomona, and Claremont (EIA, 2005 Table 1).

In addition, several retail centers are proposed or have recently been constructed in the City. These include the Colony Court (Milliken and Edison Avenues), Vineyard Pavilion (SR-60 Freeway and Vineyard Avenue), The Gateway at Mountain Village (Sixth Street and Mountain Avenue), Mountain Village Entertainment Center (Sixth Street and Mountain Avenue), and the Auto Center Plaza (I-15 Freeway and Jurupa Avenue) (EIA, 2005 p. 3). Retail space is leasing at healthy rents; vacancy rates are low; and significant new construction is occurring in the City and within the market area (EIA, 2005 p. 10).

Market Area Performance

A comparison of existing retail uses and per capita sales within individual cities in the market area, the entire market area, the County, and the State shows that per capita retail sales in the City of Montclair are the highest. This is most likely a result of the City of Montclair's small population base coupled with the presence of a large regional mall, Montclair Plaza. The City of Ontario has the next highest per capita retail sales, followed by the City of Chino.

The estimates do not account for the sales generated by the new Victoria Gardens shopping center in Rancho Cucamonga, which would likely increase the estimated per capita retail sales in the market area. This mall opened on October 28, 2004 with 75 merchants (Vido Bello, pers. comm. 3/15/2007). Thus, retail sales data for this center was not included in the California State Board of Equalization (SBE) data set used for the Economic Impact Analysis because the sales data from Victoria Gardens were not available when the NOP was published. Further, the proposed Wal-Mart Supercenter and Victoria Gardens have different target markets; and thus, are not expected to compete for market share.

Sales in apparel stores, specialty stores, food stores, eating and drinking places, home furnishing and appliances; building materials and farm equipment; and 'other' retail stores are shown to be higher in the City of Ontario than in the market area, the County, and the State. Almost one-third of the grocery stores in the market area are located in the northwest portion of Ontario. Restaurants in the City provide a share of the restaurant sales in the market area and the County. Sales in general merchandise stores are lower in the City than in the market area, the County, and the State. This may result in part from the presence of several retail stores in Chino, Montclair, and Rancho Cucamonga and the Montclair Plaza shopping center (EIA, 2005 p. 7).

¹ Shopping Center classification system is based on Gross Leasable Area (in square feet) ranging from 30,000 to 150,000 square feet for a neighborhood shopping center; 100,000 to 350,000 square feet for a community shopping center; 400,000 to 800,000 square feet for a regional shopping center and more than 800,000 square feet for a super-regional shopping center (ICSC Shopping Center Definitions, 2004).

A review of total operating permits and taxable sales is valuable to assess whether there is an over or under supply of stores in a region. The available data show the taxable sales per permit are higher in Ontario than in the market area, the County, and the State, except for general merchandise stores. The store-to-resident ratio in the City is higher than in the County but comparable to those in the market area and the State (EIA, 2005 p. 8).

Based on the analysis of market area performance, it can be inferred that the City of Ontario is attracting apparel store sales from the greater region. In addition, there are higher sales at eating and drinking businesses and specialty stores, more home furnishing and appliance stores and stores selling building materials and farm implements in the City. Sales per permit figures indicate that general merchandise stores in the City are typically smaller than those in the market area and the State (EIA, 2005 p. 9). This could account for the lower taxable sales number for general merchandise.

Commercial retail space in the market area rents for \$2.25 to 3.50 per square foot in smaller establishments and \$1.25 to 1.67 per square foot in larger buildings. Shopping centers are typically fully leased before they are built. Approximately 4.5 million square feet of retail space is newly available or under construction in the cities of Chino Hills, Chino, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland (EIA, 2005 p. 10). The project site is located in an older area of the City, which is largely built out. No large commercial retail projects are proposed near the project site (Development Activity Report, January 2007).

Market Demand

Approximately 30 percent of the gross income of residents in the western section of the County (which includes the City of Ontario and the market area) is spent on retail goods and services found in neighborhood, community, regional, and super-regional shopping centers. This compares to 37 percent in the entire County. Estimates of retail sales surplus/leakage in the City indicate that the City is capturing its fair share of retail sales in all categories, except for general merchandise stores (EIA, 2005 p. 11).

Approximately \$54 million of retail sales occur outside the City and is considered “leakage” (EIA, 2005 p. 12). Leakage is defined as a loss of commercial sales to other market areas as a result of inadequate or unavailable capacity in one or more retail categories. Leakage can distribute a disproportionate development burden on the surrounding region if a sufficient area of a particular land use class, in this case commercial (retail), remains undeveloped in a particular market area. Based on typical productivity levels (\$350 per square foot), the City could support approximately 154,000 square feet of additional general merchandise stores to capture this leakage. Further, the City is also leaking sales of approximately \$3.7 million from household appliance dealers and could support additional retailers for these products (EIA, 2005 p. 12).

Projected increases in resident population and income levels in the City of Ontario ‘sphere of influence’ indicate the development of 213,700 square feet of retail stores would be required to meet the forecast demand in the City by the Year 2010. Extrapolated market area demand by 2010 indicates leakage in general merchandise sales requiring 143,500 square feet of new floor space within the market area (EIA, 2005 p. 12).

The food store sales in Ontario are greater than the sales generated by the resident population alone. Thus, the City is capturing food store sales from areas outside the City. No leakage is occurring in this category. Existing demand for food stores in the larger market area is estimated at approximately 378,500 square feet (\$400 per square foot). Projected 2010 demand in the market area would require 830,800 square feet of additional food stores (EIA, 2005 p. 13).

Existing demand for ‘other’ retail stores in the market area is estimated at approximately 92,200 square feet of farm and garden supply stores, second hand merchandise stores, fuel and ice dealers, and trailer and

camper stores. Projected 2010 demand in the market area would require 223,600 square feet of 'other' retail stores (EIA, 2005 pp. 12 and 13).

4.15.2 Threshold of Significance

CEQA and the CEQA Guidelines do not specifically require the analysis of the social or economic impacts of a project, unless they contribute to or cause physical impacts on the environment. Thus, a social or economic impact that causes, leads, or contributes to a significant adverse impact on the environment (such as blight or urban decay) is considered to be significant and adverse.

4.15.3 Environmental Impacts

The proposed project would remove blighted conditions at the site and would lead to the increase in employment and commercial activity at the site and in nearby areas. Roadway and utility improvements would upgrade infrastructure systems and remove potential contributions to blight in the area.

Changes in Socio-economic Conditions at the Site (*Would the project lead to a social or economic impact that causes, leads, or contributes to a significant adverse impact on the environment?*)

The site has experienced an overall deterioration since the closure of Target, Food 4 Less, Toys R Us, and Jack's Key Service. These store closures contributed to job losses within the City, under-utilization of the site, and a loss of sales tax revenue and tax increment. Redevelopment and reuse would improve socio-economic conditions at the site and the surrounding area. Additionally, the replacement of the existing buildings would improve aesthetic conditions on the site. Approximately 450 jobs would be directly generated by the project (Glenn Chung, pers. comm. 3/23/2006). Indirectly, the project would also create jobs for suppliers, contractors, and other vendors. Improvements in the socio-economic conditions at the site would occur with the project.

Urban Decay (*Would the project contribute to or cause urban decay?*)

The development of the site for the proposed project would eliminate blighted conditions and avoid the potential for urban decay. At the same time, market competition that would be created by the project could lead to the reduction in sales at other competitive businesses and/or a potential business closures. Changes in market area characteristics are discussed below, as they may indirectly relate to urban decay in the surrounding area.

Change in Market Area Characteristics

Redevelopment of the site with retail (general merchandise and 'other') and grocery store uses would increase the number and total floor area of retail and grocery stores in the City and the market area. The project would create 190,803 square feet of new commercial space within the City, of which 95,924 square feet would be devoted to general merchandise, 32,553 square feet for grocery use, and 12,317 square feet for 'other' retail space (outdoor garden center). The remaining floor area would comprise storage, office, service areas, employee areas, and rest rooms (Chuck Mercier, pers. comm. 2/9/2007). When proportionally allocated, service and support areas would increase the total area for general merchandise and grocery uses to approximately 128,962 square feet and 49,524 square feet, respectively.

With the project providing additional choices for consumers in the market area, a decrease in sales at other general merchandise and food stores would likely occur in the near term.

Market Demand

The increase in general merchandise floor area would capture both demand for retail goods currently leaking from the City to other areas and projected increases in demand resulting from forecasted population and income growth in the City. The proposed project would address the current shortage for general merchandise space in the City by providing approximately 128,962 square feet of this retail class. Based on EIA estimates of future demand, the proposed project would reduce projected market demand within the City in 2010, which is estimated at 213,700 square feet. Thus, the project would meet the existing and projected shortage in general merchandise stores in the City. However, a temporary oversupply of general merchandise retail space in the market area may occur through 2010, at which time, population and income growth would likely generate sufficient demand to support the general merchandise portion of the project (EIA, 2005 p. 14). Thus, the oversupply in the market area (but not the City) would be short-term and is not expected to lead to store closures. Impacts related to market demand for general merchandise stores would be less than significant.

The City currently has a surplus of food stores. The project's increase in grocery store floor area would increase the surplus of food stores in the City. However, there is an existing deficit of 378,500 square feet of food stores in the wider market area. The project would meet 49,524 square feet of the market area demand. It would also meet a portion of the projected 2010 demand (830,800 square feet) for food stores in the market area. It is expected that the surplus in food store space in the City would continue to serve residents in surrounding cities (EIA, 2005 p. 14). One-third of the grocery stores in the market area are located in the northwestern section of the City of Ontario and there are more large grocery stores in Ontario than the region or the State (EIA, 2005 pp. 8-9). Thus, the proposed project would lead to stiffer competition among grocery stores and a reasonably foreseeable potential for the closure of other food stores in the surrounding area.

The City also has a surplus of 'other' retail stores. The proposed 12,317-square-foot garden center would increase the retail surplus in the City but would meet a portion of existing demand (92,200 square feet) in the wider market area. The project would also meet a portion of the predicted 2010 demand (223,600 square feet) in the market area for 'other' retail stores. The surplus in this retail class would occur in the City but not in the combined Market Area. Consequently, new market competition created by the project could lead to reduced patronage at other outdoor garden centers. However, this limited pressure on local retailers would be offset by servicing the existing demand in the larger market area (EIA, 2005 pp. 12-13). The oversupply in the City (but not in the market area) would be short-term and is not expected to lead to store closures. Impacts related to market demand for other retail stores (specifically, outdoor garden centers) would be less than significant.

Vacancy Analysis

The closure of commercial retail stores or grocery stores by itself is not expected to lead to significant adverse socio-economic impacts, especially if the floor space is re-occupied or reused soon after by other businesses. However, long-term closure of commercial floor space could lead to blight that would result in physical changes to the environment.

A vacancy analysis was performed to identify vacant retail floor space within one mile of the site. The study provides information useful in determining the duration of potential store closures should one or more occur as a result of project operation. At the time the vacancy analysis was performed, vacancy rates at 16 shopping centers within one mile of the site ranged from 8 to 100 percent. These centers have a total of 1.1 million square feet of retail space, with 80,500 square feet (7 percent) vacant. The vacancy rate is slightly higher than the total vacancy rate in the cities of Chino Hills, Chino, Fontana, Montclair,

Ontario, Rancho Cucamonga, and Upland (estimated at 5.3 percent). Most of the vacancies are located in older commercial strips, retail centers transitioning to other uses and consist mainly of stores less than 5,000 square feet in size. No vacancies are over 25,000 square feet (VA, 2006 pp. 2-3).

A survey of food stores that have closed in the recent past showed that some stores were reoccupied within months and most stores were leased within two to three years. Others took five to seven years to be reoccupied; however, in some cases, the original market operator kept the lease, which delayed reuse of the space. One food store has remained vacant (Ralphs). Many closed food stores were re-occupied by other food stores, such as ethnic markets and specialty food retailers (VA, 2006 p. 5). Should nearby food stores close as a result of the proposed project, it is expected that vacant retail space would be reused as owners find replacement tenants to maintain cash flow (VA, 2006 p. 2). Increased market demand over time is also expected to lead to the reuse of vacant stores that may occur in the area as a result of the project (EIA, 2005 p. 14).

Potential replacement tenants for vacant food stores include athletic clubs, clothing stores, entertainment-related, fabric and novelty stores, furniture and home furnishings, institutional uses, pet stores, pharmacies, sporting goods stores, and other retail stores. A pharmacy, clothing store, movie theater, furniture store, and two fabric/novelty stores are located within one mile of the site. A sporting goods store, athletic club, institutional use, and pet store are located within 1.1 to 1.2 miles of the site. Replacement tenants for food stores in the area have included athletic clubs, clothing store, furniture store, supermarkets, institutional use, and other retail stores (VA, 2006 p. 5).

Thus, if the project leads to the closure of food stores in the area, there are viable tenants that can reuse the vacant space. Furniture stores, athletic clubs, and consignment or discount stores are the most likely tenants (VA, 2006 p. 6). Estimated vacancy length may range from two months to seven years, as has occurred at other vacant grocery stores in the area, although the majority (19 out of 26) were occupied within two years (VA, 2006 p. 6 and Table 3). Thus, long-term vacancy is not anticipated and impacts would be less than significant.

The decrease in income and jobs that would occur due to the closure of food stores in the area would be temporary. While a two- to three-year closure could result in the neglect of maintenance and some deterioration in the building and infrastructure, subsequent reuse would likely involve interior and exterior renovation, followed by regular maintenance during reuse, which would represent a reversal of deterioration or blight. Thus, potential urban decay effects associated with building vacancy would not be significant.

4.15.4 Previous Analysis

To the extent applicable, this Subsequent EIR tiers off previous environmental documents relating to the development of the project site. As outlined in Section 1.2.1, *Previous Environmental Review*, previous analyses include a Supplemental EIR considering the environmental impacts associated with future development within the Mountain Village Specific Plan area (which included the project site) and the EIR analyzing the environmental impacts of new development and redevelopment within the Added Area, which was part of Amendment No. 1 to the Ontario Redevelopment Project No. 2.

While baseline conditions in this Subsequent EIR reflect the present situation, the linkages between the three documents remain pertinent to the environmental review of the Wal-Mart Supercenter proposal. The following discussion summarizes the salient points of similarity/difference between the previous documents and the Subsequent EIR and, where similar impacts are present, applicable policies, standard

conditions or mitigation measures in the previous documents are identified for incorporation or implementation by the current project, where appropriate.

Supplemental EIR for Mountain Village Specific Plan

The Supplemental EIR for the Mountain Village Specific Plan did not analyze the socio-economic impacts associated with future development under the proposed Specific Plan. The Specific Plan was created to promote redevelopment within the Specific Plan area, by creating a vibrant commercial area and pedestrian-friendly environment.

The proposed project would redevelop commercial buildings that are no longer in use and provide for the creation of a pedestrian-friendly commercial corridor between the site and the theaters to the north.

EIR for Amendment No. 1

The EIR for Amendment No. 1 did not analyze the socio-economic impacts associated with redevelopment of the Added Area or redevelopment projects. The goal of the redevelopment plan was to remove blighted conditions and improve the economic vitality of the project area. Amendment No. 1 was developed specifically to create beneficial socio-economic impacts and to generate tax increment to finance various projects and improvements in the Added Area. The project site was part of the Added Area and was identified as one of the blighted parcels expected to redevelop in the future. The reversal of blight aims to create jobs, rehabilitate property, and add to the community's supply of affordable housing stock, and to promote participation and investment by citizens who would otherwise not be involved.

The proposed project implements the Redevelopment Plan for Project No. 2 through the redevelopment of the vacant commercial structures on the site.

The project's impacts on socio-economic conditions were not analyzed in the previous EIRs. However, the Amendment of the Redevelopment Plan and the Mountain Village Specific Plan sought to improve the visual and economic characteristics of the Added Area and Specific Plan area.

4.15.5 Standard Conditions and Mitigation Measures

No significant adverse impact on socio-economic conditions is expected; thus, no standard conditions or mitigation measures are recommended. Further, no standard conditions or mitigation measures are provided in the Supplemental EIR for the MVSP or the EIR for Amendment No. 1 that related to socio-economic impacts. However, the City may impose project-specific conditions as part of project approval.

4.15.6 Unavoidable Significant Adverse Impacts

Changes in the socio-economic conditions in the project area would occur with the proposed Wal-Mart Supercenter. These include redevelopment of the commercial property and employment generation. The project would also result in a short-term surplus of general merchandise, food stores, and 'other' retail stores but is not expected to have a significant adverse impact over the long-term. No unavoidable significant adverse impact is expected.