



CITY OF LODI  
COUNCIL COMMUNICATION

AGENDA TITLE: Report on impacts of Large-Scale Retail Initiative  
MEETING DATE: July 21, 2004  
PREPARED BY: Community Development Director, Finance Director & Public Works Director

RECOMMENDED ACTION: That the City Council receive the report for information.

BACKGROUND INFORMATION: On June 2, 2004, the City Council requested that a report on the impacts of the Large-Scale Retail Initiative be prepared pursuant to Section 9212 of the California Elections Code. This report allows for the Council to receive information on a variety of topics. For this report, staff has focused on the seven areas outlined in the referenced code.

ASSUMPTIONS: In order to adequately assess the impacts of the initiative to the various topic areas, we chose to base the report on the following set of assumptions:

- The initiative affects retail structures over 125,000 square feet including "outside retail areas."
- The initiative includes automobile dealers.
- The initiative does not prohibit such structures, but rather requires specific environmental review and approval by a public vote.
- No General Plan Land Use designations are amended by the Initiative.
- No Zoning Ordinance designations are changed by the Initiative.

ANALYSIS:

1. Fiscal Impact

For the fiscal impact section, the following assumptions were used:

- A Wal Mart Super Center Development would occur.
- References taken from the following studies:

"Wal Mart Supercenters: What's in store for Southern California?" written by Gregory Freeman of the Los Angeles Economic Development Corporation.

APPROVED:   
H. Dixon Flynn, City Manager

"SUPERCENTERS AND THE TRANSFORMATION OF THE BAY AREA GROCERY INDUSTRY: Issues, Trends, and Impacts" by the Bay Area Economic Forum.

Finance staff concluded that the long term fiscal impact for the location of a large scale retail outlet in the City of Lodi will be negligible. However, more important is the potential for a negative fiscal impact to the City of Lodi if a large scale retail outlet (Wal Mart superstore) were to locate in another neighboring community instead of Lodi. The potential for a positive fiscal impact would be as follows: 1) sales tax revenues (the average Wal Mart superstore generates sales of \$140 million) to the City of Lodi of about \$1 million; 2) business license tax revenues of \$140,000; 3) property tax revenues of approximately \$14,000 per year.

The sales that Wal Mart gains in Lodi will most likely come at the expense of competitors in the grocery retailers in the immediate area. There will be some derivative effects from the increase in discretionary income that will result from lower prices in general; but this would be somewhat offset by the reduction in wages that would result from downward pressure by Wal Mart employment practices. The property taxes and business licenses revenues would most likely be permanent revenue to the City of Lodi. Although it is probable that the addition of a Wal Mart Super Center will cause an increase in government costs (City of Lodi costs) it is also likely that other developments that would occur in the same place if the Wal Mart Super Store development does not occur, would also cause government costs to rise as a result of development. Therefore, the costs of services to be provided by the City of Lodi will be approximately the same regardless of the type of retail establishment that is developed; and the cost of providing government services should not be included in this analysis. The offsetting factor to be considered in the case of sales tax revenues is that the downward pressure on prices amongst the Wal Mart Super Store competitors will reduce sales taxes from those retailers; and as Wal Mart reaches its strongest competitive point the sales that it generates will come at the expense of those it competes with. Thus sales tax revenues will not necessarily increase in total as the effect of this decrease in sales dollars occurs. However, most of the decrease in the sales will be grocery which is non-taxable.

As cited from the sources mentioned above, there will be a derivative effect from the spending choices that would inure to Lodi citizens as a result of the drop in costs for groceries should a Wal Mart be located in this area. This will occur if the store is located in Lodi or in one of the neighboring communities such as Stockton. The savings from this after tax income could be as much as \$524 per year per household over the course of Wal Mart's gaining desired market share in this area. This equates to about 125 jobs (6,500 potential jobs gained in Los Angeles with a population of 1.28 million households equates to 125 jobs gained in Lodi) gained from this source of discretionary income. This would be true regardless of whether the Wal Mart Super Store locates in Lodi or whether this occurs in another neighboring community. Therefore, the conclusion is that this derivative effect will occur so long as the development of the super store takes place somewhere in the market areas of the citizens of Lodi.

Both studies conclude that there will be a savings on groceries as a result of the capturing of market share by a Wal Mart Super Store. And; both studies indicate that there will be a loss in market share to Wal Mart. The employees who would be displaced as a result of lost market share by Lodi retailers could be employed by Wal Mart. Thus there would not be a loss of jobs; but instead there would be a potential loss of wages or foregone wages as these workers move to Wal Mart. The first study concludes that Wal Mart will gain a market share of up to 20 percent; and the second study concludes that Wal Mart's market share would range somewhere between 6 and 18 percent. Both studies indicate that there will be foregone wages for unionized employees as a result of the employment practices of Wal Mart. The studies show varying effects from foregone wages. The effect could be equivalent to losing 48 jobs as cited by the first report (wages foregone in Los Angeles equate to the loss of 2,500 jobs with a household population of 1.28 million; and would equal 48 jobs in a community like Lodi, which has approximately 25,000 households). Since these wages would also be foregone if the Wal Mart opens in a neighboring community, it is not considered to be a relevant factor in this discussion.

The net effect of not allowing further auto dealerships in the City of Lodi is significant. The information that is available related to this is confidential in nature and can not be released for public purview. It has been shown that dealerships in town experience an increase in sales volume as a result of expansion. If this type of establishment is not allowed to expand its business by virtue of expanding the size of its footprint, the fiscal impact on the City of Lodi will be significant.

2. Effect on the internal consistency of the City's General and Specific Plans, including housing element, the consistency between planning and zoning and the limitations on city actions under Section 65008 of the Government Code and Chapters 4.2 and 4.3 of Division 1 of Title 7 of the Government Code.

The Code sections referenced have to do with discrimination and housing project approvals. As this Initiative relates only to size of retail structures, it is our opinion that there would be no impact on these sections.

With regard to consistency with the City's General Plan, the Initiative specifically amends the Lodi General Plan by adding a Policy 7 to Goal A to read as follows:

"The City shall promote preservation of Lodi's small-town and rural qualities by ensuring that retail structures in excess of 125,000 square feet in gross floor area in any land use designation are approved by the City Council and a public vote in the next general election."

The General Plan is further amended by adding Policy 6 to Goal D to read as follows:

"The City shall promote and support Lodi's downtown development by ensuring that retail structures in excess of 125,000 square feet in gross floor area in any land use designation are approved by the City Council and a public vote in the next general election."

The General Plan is further amended by adding Policy 7 to Goal E to read as follows:

"The City shall support commercial use development to provide goods and services to Lodi residents and market area by ensuring that retail structures in excess of 125,000 square feet in gross floor area in any land use designation are approved by the City Council and a public vote in the next general election."

Finally, the General Plan is further amended by adding implementing Policy 17 to read as follows:

"The City shall prepare and implement the requirement for City Council and public voter approval of retail structures in excess of 125,000 square feet in gross floor area in any district established by Lodi's General Plan and Zoning Ordinance."

With the above amendments, the Initiative is consistent with the General Plan. Further, as the Initiative only pertains to the size of retail structures, it is staff's opinion that it would have no impact on the existing or Draft Housing Element.

3. Effect on use of land, the impact on the availability and location of housing and the ability of the City to meet its regional housing needs.

The Initiative affects the maximum size of retail buildings within Lodi. It is staff's opinion the Initiative will not change the anticipated use of land with perhaps one exception, which will be described at the end of this section.

As with the previous section, the initiative is not anticipated to have any impact on housing development. The existing General Plan and Zoning designation for land within the City are not changing as a result of the Initiative. Therefore, no effect on the use of land is expected.

The one exception that may occur as a result of the Initiative relates to the planned use of property along Beckman Road, north of Kettleman Lane. This area is owned by the Geweke family. Based on one of the assumptions outlined, staff believes that it would be unlikely that this property will be developed as previously envisioned by the Geweke family as automobile dealerships. Should that be the case, the initiative would affect the use of that land.

4. Impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks, and open space. The report may also discuss whether the measure would likely result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.

Public infrastructure – water, wastewater, drainage, transportation and other governmental facilities-is planned in incremental steps. These “steps” are typically at the “Master Plan” or conceptual level, then at a “budget” or preliminary project level, and then finally, at final design level.

Using the example of the transportation system, the City adopted a street master plan as part of the General Plan update in 1991. The plan identifies major streets and the number of lanes necessary to serve the land uses described in the General Plan, along the general location of these facilities. Major cost factors such as the number and location of traffic signals are included at this level. Portions (and costs) of the improvements attributable to new development are included in the development impact mitigation fee program (mainly extra width and traffic signals). Other streets necessary to serve lands being subdivided and typical frontage improvement are the responsibility of the developer. These improvements and their cost is based on the various and use designations and their relative weighting as compared to a single family residential development. Implicit in these calculations are various development standards such as “floor/area ratio (FAR)” which limits the square footage of building for a given parcel size. (Note, the initiative does not change these standards.) At the master plan level, a 36-acre commercial parcel would be analyzed as if it had 470,000 SF of structures (a FAR of 0.30; the maximum permitted is 0.40). There would be no distinction between the number and size of individual buildings. In the absence of project specific information, average commercial vehicle trip generation rated would be used.

5. Impact on the Community's ability to attract and retain business and employment.

As with fiscal impact, this topic will be debated as to the benefit or not of the Initiative proposed. Staff believes that the procedural requirements the Initiative outlines may well have an impact in attracting and retaining businesses that exceed the 125,000 square foot threshold. The cost, timing and risk may prove to be more than that business type would be willing to expend. This would include business expansions as well.

That said, Lodi is not a retail island. As such, these businesses will locate within our market. Therefore, it would be difficult to argue that the anticipated benefit to smaller businesses might outweigh the loss of the larger. Staff does not believe that Lodi will attract more businesses if the larger (over 125,000 square foot) retail establishments did not exist.

6. Impact on uses of vacant parcels of land.

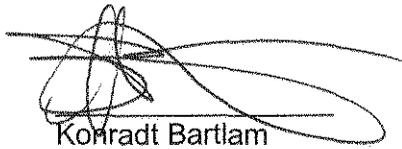
The Initiative will most likely have impact on the size of the structures on some vacant land, but not the use itself. As an example, the square footage that could be developed on a given commercial site would not be different with or without the Initiative. As described in the assumptions and with item 4 dealing with infrastructure, development will still occur at the same ratio of building to land area.

7. Impact on agricultural lands, open space, traffic congestion, and existing business districts developed areas designated for revitalization.

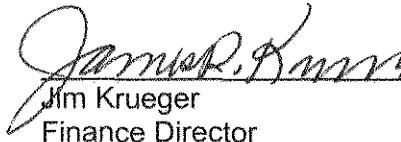
The Initiative will not have any impact to agricultural lands, open space or traffic congestion based on the assumption that there is no change in General Plan or Zoning land use proposed or anticipated. The vacant parcels that may be used for agriculture or open space today will be used for some urban uses pursuant to the plan. Likewise, traffic congestion or the lack of congestion, is a factor of building intensity, not simply the size of the structure.

With regard to impacts on existing business districts, and areas designated for revitalization, no significant impact is anticipated either positive or negative. As the City Council is aware, the City has required every major development project since 1997 to analyze fiscal affects on the downtown. In each instance, the impact was shown to be negligible, and in fact, has proven to be the case in reality.

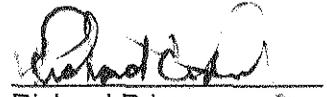
**FUNDING:**                      *None Required*



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