

DATE: June 23, 2006

TO: Mayor and City Council Members

FROM: Community Development Department

SUBJECT: **DISCUSSION OF LARGE COMBINATION RETAIL/GROCERY STORES AND DIRECTION TO STAFF**

BACKGROUND / ISSUE

Council Member Miklos raised concerns about three vacant grocery stores, the secondary affects on small businesses in the associated commercial centers, and about maintaining a healthy business community. The purpose of this item is to address issues associated with large combination retail/grocery stores and to receive direction as to whether the City Council would like staff to further examine issues related to such stores. During the past year, the City of Folsom has had two Ralph grocery stores and one Food Source grocery store close, leaving vacant spaces in the east area, central business district and north area. Recent closures of Albertsons stores in other communities also raise concerns. Of equal concern is the negative impact to the smaller businesses that are still operating in these centers where there is an anchor tenant vacancy.

In the past week, an application for a Wal-Mart Super Center was submitted. This submittal (June 16, 2006) is for a Wal-Mart Super Center at the southeast corner of Serpa Way and Iron Point Road located within Broadstone Unit No. 3. The proposed project includes a building area of 222,121 square feet and an outdoor garden center area of 14,380 square feet for a combined total retail area of 236,501 square feet. (For comparison, Costco is 148,663 square feet).The proposed Wal-Mart Super Center includes a general retail sales floor area of 124,825 square feet and a groceries sales area of 37,035 square feet, along with a garden center and a tire and lube center. Concerns have been raised in other communities regarding potential impacts on existing grocery stores and other smaller businesses that are dependent on the synergy of healthy commercial centers when large scale retail-grocery stores are located in the community. In the case of Folsom, the question is raised whether a superstore will facilitate the closing of additional grocery stores or maintain existing vacancies at three City commercial centers. Staff will present options for the City Council if it desires, as a policy matter, to address large retail-grocery establishments.

POLICY / RULE

Staff is seeking policy direction from City Council regarding options associated with large retail stores that also sell groceries.

ANALYSIS

There are presently no Super Center type stores in the City of Folsom. These stores typically sell a wide range of products, such as toys, electronics, clothing, furniture, sporting goods and automotive supplies as well as groceries. The marketing concept of a Super Center is "one stop shopping," where customers can stop just once at their store and buy everything they need or want. Most of these stores are built on a single level. These stores are different from warehouse club stores, such as Sam's Club and Costco, which sell merchandise in large quantities. Superstores generally do not require the customer to purchase large quantities of items, but instead sell single items. Wal-Mart uses the term Super Center and other stores and jurisdictions refer to "superstores." This staff report refers to "superstores" as large combination retail and grocery stores where membership is not required.

The Folsom Municipal Code currently does not distinguish superstores as a distinctive retail use. Consequently, there are no special conditions or requirements guiding the permitting or development of a superstore.

Background on Broadstone Unit No. 3

With respect to the proposed Wal-Mart Super Center in the Broadstone Unit No. 3, there is a Specific Plan that regulates development in this area. In October 2005, the City Council rezoned three parcels (59.83-acres) in the Broadstone Unit No. 3 Specific Plan area from industrial-office park (IND-OP) to central business zone commercial (C-2.) The change of the land use designation for three parcels from industrial/office park to commercial was intended to off-set the loss of retail development resulting from the Kaiser Permanente Medical Facility project. Under the regulations for the Broadstone Unit No. 3 Specific Plan, a "supermarket, food store" use in the former IND-OP zone required a Conditional Use Permit (CUP). However, under the current C-2 zone, the "supermarket, food store" is permitted as a matter of right. Thus, a "supermarket, food store" can now be developed on these parcels with a Planned Development (PD) permit and a CUP is no longer required.

A PD permit regulates the physical design and development of the project, i.e., addresses project aesthetics, while a CUP permits the City to impose further conditions or deny a project based on health, safety, and general welfare concerns. The City could amend the Specific Plan to require a CUP for "superstores" and impose conditions or provide it with greater flexibility if it felt there were potential adverse impacts or concerns on other retailers and small businesses in the community. Absent a CUP, only a PD permit and environmental document would be required in Broadstone Unit No. 3 for the type of proposed use.

Options Regarding Superstores

Many local governments consider the following questions in regards to /super stores and how they may/may not affect their jurisdiction:

- Will the superstore offer something different? For example, considerations may be given in terms of building architecture (external and/or internal design), product line (organic, natural products, specialty items), or mixed-use development?

- Will the superstore impact the existing commercial structure of the jurisdiction, create a higher demand for public safety services or add higher road maintenance costs within the City?
- Where is the best location for this type of use (e.g., Central Business District, near other big box stores, along the Highway 50 corridor)?
- Should the floor area of sales be limited by product type in a superstore?
- Will the superstore create new sales taxes, or draw from another local source?

Regulatory Options for City Council Discussion

There are potential options to address superstores if the City Council desired, from a policy perspective. These include:

1. Amend Specific Plans and/or the Folsom Municipal Code to permit superstores only in limited districts
2. Where permitted, amend Specific Plans and/or the Folsom Municipal Code to require a CUP for superstores
3. Maintain status quo by requiring a Planned Development Permit only

The City Council may need additional information from staff to explore possible policies that relate to superstores. The information contained in this report is intended to stimulate discussion and identify a potential course of action for staff to evaluate and bring back to the City Council for consideration.

FINANCIAL IMPACT

Anticipated financial impact as a result of policy direction will be analyzed by staff and incorporated in subsequent staff reports as applicable.

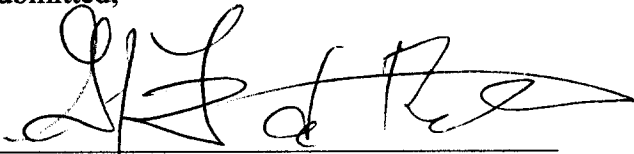
ENVIRONMENTAL REVIEW

This discussion is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to California Code of Regulation Title 14, Section 15061(b)(3) as there is no possibility that the project will have a significant effect on the environment.

RECOMMENDATION/CITY COUNCIL ACTION

Provide policy direction to Staff and/or request additional information.

Submitted,



GAIL FURNESS DE PARDO, Interim Assistant Community Development Director