

## Memorandum

**To:** Cindy Norris, City of Woodland  
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**From:** Matt Kowta, MCP, Principal

**Date:** September 30, 2013

**Re:** Woodland General Plan Update – Retail Growth Opportunities

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The purpose of this memo is to provide a brief summary of retail development opportunities as they relate to the development and evaluation of land use alternatives for the Woodland General Plan Update.

Key findings from the Economic Background report included:

- Population growth through 2035 in line with SACOG's MTP/SCS projections would be likely to generate additional local retail demand equal to about 400,000 square feet of additional retail space.
- There was approximately 300,000 square feet of vacant retail space in Woodland as of Spring 2013.
- Gateway I still has approximately 100,000 square feet of retail space remaining to be built
- Gateway II will accommodate approximately 340,000 square feet of additional retail development.
- Other locations within Woodland could likely accommodate additional retail space through infill and redevelopment.

In addition to the capacity in specific projects mentioned above, the Economic Background Report suggested that Woodland may want to plan for additional opportunistic destination retail development, to attract more shoppers from its larger regional trade area, primarily from rural areas located to the north and west; focusing on sites in the vicinity of East Main/I-5/County Road 102 in the near term, with land at County Road 25A and Highway 113, and land near I-5 and East Street being potential locations for highway commercial uses as well.

City Council and Planning Commission feedback received on the Economic Background report included questions comments highlighting the following issues:

- More detail on inventory and demand and where the two align and don't align

This comment was alluding to the fact that although Woodland has more retail space than can be supported by current demand (i.e., large amount of vacant retail space), it is possible that there may still be some retail categories where the market is under-served and Woodland

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might have an opportunity to recruit new retailers to fill those gaps. To better evaluate this, Woodland staff provided a retail leakage analysis prepared by MuniFinancial Services, the City's retail sales tax consultant. The analysis compares actual sales tax revenues in Woodland with an estimate of the sales that could be expected in a community like Woodland if it was fully capturing available retail demand. Because it provides a fine-grained breakout of current sales tax revenue collections within Woodland, the leakage analysis contains confidential data that cannot be disclosed in a public document; thus, it cannot be attached to this memo. However, the general results can be summarized here.

Overall Woodland performs quite well and captures a bit of excess retail expenditures relative to the population size, on an overall basis. Retail sales are 107% of expected levels for consumer-driven categories in aggregate. There are certain categories where the local capture is below 100%, but much of the identified gap is likely being captured by other store types offering similar goods. Still, a case can be made that there are a real gaps in a few categories, where local residents need to go elsewhere to shop for certain types of goods. In order to assess the magnitude of the potential opportunity to capture sales in retail categories that are currently under-represented in Woodland, I reviewed the categories with leakage (i.e., sales tax revenues were less than expected), converted the sales tax gap figure to taxable sales, and then converted that into square feet of store space, assuming \$300 per square foot in retail sales. What this exercise revealed is that if the City were able to capture 100% of the gap in the identified categories, there might be demand for about 130,000 square feet of retail space, plus a few new and used auto dealers.

In reality, it is not likely that Woodland will be able to capture 100% of the identified opportunities, because Woodland does not have a sufficiently large and dense trade area population to attract all types of retail and, therefore, Woodland residents will inevitably travel outside of the City to shop for certain items. However, even if the City were able to capture 100% of the existing leakage, this would only fill a fraction of the existing vacant, under-utilized, and yet-to-be developed space on available sites, leaving more than adequate capacity to accommodate the projected growth in local demand, plus the the possibility that Woodland could capture an increased share of the regional retail market.

- More detail on local vs. community vs. regional retail development opportunities and over supply of particular types within Woodland to help guide where to promote replacement versus reuse of vacant or underutilized retail space and protection for downtown in light of these interests and opportunities

**Types of Retail Demand.** The 400,000 square feet of retail demand projected as a result of growth in the local population is likely to be primarily for neighborhood and community retail shopping facilities, such as those found in the City's existing shopping centers. A portion, perhaps 25 to 30 percent, of that demand might be for regional shopping oriented goods (i.e., big ticket items and like autos, electronics, furniture and appliances, fashion-oriented clothing, etc.) which could be accommodated in destination oriented shopping centers like Gateway, boutique stores in the downtown, or in a different type of "lifestyle" shopping center that might be developed elsewhere in the city.

Among the retail categories with existing leakage, furniture sales would probably work well in a shopping center setting, and auto dealers would work in a highway oriented commercial location. The rest of the existing leakage, including restaurants and other retail categories are

more specialty/lifestyle oriented. These types of retail might work in the downtown and/or a type of retail environment that is different from what is offered at the Main/102/I-5 area.

**Strategies for Retail “Deployment.”** The City will face policy tension in determining how best to position its retail development to balance the dual objectives of increasing capture of taxable sales and helping to revitalize the downtown area. Most of the retail interest that Woodland planners and developers are likely to field will be from people interested in shopping center locations. It is quite likely that such projects will be the path of least resistance in terms of increasing Woodland’s retail capture rate. However, continued expansion of retail activity in areas such as I-5/Road 102/East Main Street will tend to draw tenants and shoppers away from downtown. Thus, the City may need to make a decision about which types of uses should be targeted for downtown and should therefore be restricted or limited from locating in areas outside of downtown. Based on prevailing trends in downtown revitalization, downtown should be targeted for arts, entertainment, dining, and boutique or specialty retail uses. Together, these types can create synergies and help to make downtown Woodland a compelling destination for Woodland residents, but also visitors from out of town. As discussed in the Economic Background Report, over time, a downtown with a vibrant mix of these types of uses can also make downtown an attractive location for boutique hotel uses.

Similarly, with the current focus of the City’s residential growth being in the southeastern part of the City, there will be a natural tendency on the part of neighborhood and community-oriented retailers to want to gravitate to that part of the City as well; however, this shifting of retail activity has weakened demand for retail space in the commercial properties and shopping centers to the west of downtown in addition to drawing activity away from the downtown itself. In planning for retail development the City should consider the importance of retaining an appropriate amount of basic retail and services (i.e., neighborhood retail) on the west side of the City, so that residents of neighborhoods on that side of the City can conveniently access basic retail and services, even if they prefer to go to the east side of the City occasionally when their shopping needs are better served by the large big-box stores. This can help not only from a neighborhood vitality standpoint, but also in reducing for cross-town traffic related to shopping trips.

Beyond ensuring there are sites for an appropriate number of strategically placed neighborhood retail nodes, the City may also need to take steps to ensure that it does not permit an excessive amount of neighborhood retail in particular in the eastern part of the City, in order to try to balance the distribution of basic convenience retail facilities so they can conveniently serve all the City’s neighborhoods. After identifying where the City’s future residential development will occur, the City should conduct an analysis of how well existing and future neighborhoods are served by neighborhood shopping centers and try to optimize the locations of new centers to serve any neighborhoods that are currently under-served, as well as looking for locations that can effectively serve new neighborhoods. This can include targeting existing commercial facilities for revitalization.

At the same time, it should be recognized that there is an excess of commercial building space in the western part of the City, because of the evolution of the retail industry and the relocation certain retail functions to the east side of the City. This suggests a strategy of consolidating the west side retail into a limited number of the strongest locations that should be targeted to retail revitalization, including downtown, and then identifying and incentivizing appropriate replacement uses for remaining underutilized commercial space. Outside of the downtown,

the strongest locations will be those that have an anchor tenant, such as a supermarket or drugstore, have good visibility and access via both north-south and east-west streets, and are located such that they can draw from surrounding residential and commercial areas.

- Opportunities to capture demand from outside of Woodland

The City of Woodland could also try to capture additional retail sales in the form of demand for regional shopping from shoppers from outside the City; however, it should be acknowledged that the regional retail market is very competitive, and Woodland is already capturing some retail sales from shoppers from outside of the City (e.g., shoppers from Davis, eastern Yolo County, southern Colusa County are the most likely sources of regional shopper demand). Thus, there is not likely a large amount of retail sales that Woodland could be capturing that it is not already, with the exception of sales in retail categories that are not well-represented in Woodland at this time, of which there are few, other than higher-end luxury oriented or specialty goods. Due to limitations related to the low population density and limited trade area population that Woodland has relative to locations closer to Sacramento or Vacaville/Fairfield, most such retailers will tend to gravitate towards sites in those areas, with their larger potential markets. Nevertheless, the City of Woodland should set aside at least a limited number of sites suitable for regional retail development in order to address the possibility that a unique retail development would seek a location in Woodland to serve the larger market area. This could include users such as traveler-oriented outlet shopping centers, themed retailers like Bass Pro or Cabelas, or others that have not been identified. Thus, in addition to capacity for approximately 530,000 square feet of retail space to address current leakage and projected local growth, the City should set aside additional land for opportunistic regional retail development. Depending on the locations and configurations of the sites, 20-50 acres should be adequate for this purpose. Because of the size requirements, the heavy traffic generation, and the need for regional access and visibility, the City will need to focus on its freeway oriented sites as opportunities for regional retail development.