

DATE ISSUED: July 16, 2003

REPORT NO. 03-151

ATTENTION: Committee on Land Use and Housing  
Agenda of July 23, 2003

SUBJECT: Regulating Large Retail Development

REFERENCE: Manager's Report 01-126  
Manager's Report 00-205  
Planning Report P-96-180  
Planning Report P-96-080

#### SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

#### BACKGROUND

At the request of Councilmember Peters, the Planning Department, with assistance from the Development Services and Community and Economic Development Departments, has investigated options available to regulate large retail establishments.

What constitutes large retail, or big-box, development varies depending on the level of urbanization and population size. For purposes of this discussion, "large retail establishment" or "big box" is defined as a single retail establishment over 100,000 sq. ft. in total gross floor area in which the majority of the gross floor area is devoted to retail sales use, the sale or rental of new or used goods to the general public, or to services incidental to the sale or rental of such goods.

The issues related to big box development have been discussed for some time. In 1996, the Planning Commission held two workshops on the topic (Planning Reports P-96-080 and P-96-180). Their initial concern was related to design: that the size and automobile orientation of big box centers did not fit into many neighborhoods and ran counter to efforts to promote transit-oriented development. The workshops led to the inclusion of new commercial development standards in the Land Development Code regulating parking lot orientation. The Planning Commission also reviewed the impacts that big box centers have on both smaller retailers and the transportation system. However, no specific policy direction regulating big box development was provided, nor was the issue brought before the City Council or Council committees at that time.

In 2000, the Committee on Land Use and Housing discussed a possible ordinance to place a limit of 7.5 percent on the amount of retail floor space which a big box retail development (at the time defined as structures greater than 150,000 sq. ft. in size) can devote to the sale of non-taxable items. The Land Use and Housing Committee held an informational workshop to discuss limiting non-taxable items sold at big box retail outlets. No action was taken.

The most recent Land Use and Housing Committee direction was on June 13, 2001. At that time, it was recommended that the City work with the retail industry, community planning groups, and other interested parties to develop draft development guidelines regarding large retail establishments. The Committee indicated that the issues addressed should include the potential impact of big box on the City of Villages concept, impacts on surrounding land uses, traffic patterns, and transportation services, affordable housing, Transit Oriented Development (TOD) guidelines analysis, and the development of specific design criteria.

## DISCUSSION

The City Council-adopted Strategic Framework Element and City of Villages Strategy recommends a walkable, transit-oriented and neighborhood-serving infill development strategy. The following discussion provides an overview of the potential community impacts of continued big box development relative to the adopted Strategy.

### **Big Box Development Trends**

Analysis from the Community and Economic Development Department indicates that the San Diego big box market is not currently over-saturated, particularly as big boxes move into existing traditional retail formats. Big box development has not been limited to community commercial centers. Shopping malls have been developed with big boxes. For example, Mission Valley Center and College Grove Center were traditional large shopping centers which have been partially redeveloped with large retail establishments. Although nationwide, “supercenters” (larger than 200,000 sq. ft. single-tenant) are now the main push for big box retailers, this has not occurred in San Diego to date. Big box retailers are now developing neighborhood center stores (20,000 to 40,000 sq. ft.) in other areas of the country closer in size and function to community grocery stores.

For the most part, big boxes and “power centers” (defined as two or more big box stores totaling 300,000 sq. ft. or more) have located on vacant sites in suburban locations. In San Diego, big box development has also utilized employment land in order to locate large stores in strategic market locations. There is also evidence nationally that big box stores are pursuing more urban locations by retrofitting older buildings for a large scale retail use.

### **Potential Community Impacts of Large Retail Establishments**

Big Box development poses several possible community impacts relating primarily to economic effects, community character and design, and mobility. Big boxes have the potential to attract business away from smaller, less efficient outlets in their trade area which could result in failing smaller retail stores. A negative community impact could occur when an increased vacancy rate for other commercial properties results in physical blight. These vacancies can take many years to refill. Due to the economies of large retail development, there is also a higher possibility of overbuilding big boxes which could result in the potential for empty big boxes. Nationally, ten

percent of all big box stores are vacated in favor of even larger stores elsewhere. In addition to the convenience of smaller retail stores locating in neighborhoods and communities, smaller stores tend to reinvest more back to the communities, creating stable, distinctive and cohesive neighborhoods.

Big box development further advances suburban auto-dominated development patterns at a time when most mature metropolitan areas such as San Diego are experiencing infill development which needs to respect the existing community character. Even in the suburbs, big boxes can be out of scale with existing development in that they are architecturally uniform and not pedestrian oriented, thereby creating a homogeneous landscape. In addition, large retail establishments tend to be destination points which draw the majority of their customers from an expanded radius beyond the average retail market draw. The result is often the addition of traffic on already congested streets throughout the community.

Attachments 1 and 2 contain a further discussion regarding the economic and fiscal impacts of large retail establishments prepared by the Community and Economic Development Department.

### **Big Box Development Policies in Existing Plans and Zoning Codes**

#### The Strategic Framework Element

The Strategic Framework Element provides a strategy, the City of Villages, for guiding future development. The Element does not directly address big-box development, but includes several policies that would not support auto-oriented large scale development that is not sensitively integrated into existing communities. The following policies potentially relate to big-box development:

#### *Village Design and Development*

- “The strategy seeks to target growth in village areas. Conceptually, the City of Villages reinforces and enhances the existing patterns of development found in the City’s communities. The strategy defines a village as the heart of the community, where residential, commercial, employment, and civic uses are integrated. Villages are to be pedestrian friendly and have inviting public spaces for community events. No two villages will be alike-each will be unique to the community in which it is located.” (pg. 14)
- “Villages will be linked citywide by an excellent transit service integrated into the regional transit system. Villages often have pedestrian-scaled and accessible centers with diverse shops serving local daily needs.” (pg. 31)
- “Design village centers, public facilities, and other new developments to be integrated into existing neighborhoods through more pedestrian friendly site grading, building orientation and design, and the provision of multiple pedestrian access points, while respecting the existing community character.” (pg. 33)

#### *Other Infill Development*

- “Design and locate neighborhood and community commercial uses to be accessible and convenient by foot, bicycle, and transit, as well as by car.” (pg. 36)
- “Develop and apply building design guidelines and regulations that create diversity rather than homogeneity, and improve the quality of infill development.” (pg. 33)
- “Preserve distinctive neighborhood character to ensure that building and landscapes reflect the endemic natural environment of each community.” (pg. 32)

#### *Maintaining the Economic Base*

- “Retain and attract businesses that diversify the economic base and offer high quality employment opportunities.” (pg. 16)
- The strategy proposes to retain and expand local businesses, which provide the overwhelming majority of jobs in the region. These same businesses also account for a majority of the local wealth creation, and, directly or indirectly, most of the tax revenues that pay for public investments and services.” (pg. 26)

#### Community Plans

A number of Community Plans include guidance on design and encourage commercial development on a scale that is appropriate to the neighborhood. Very few plans actually place size limits on commercial establishment development. However, 40 percent of the plans provide no direction on architecture, size, or design of big box development. The table located in Attachment 3, Big-Box Development Policies by Community Planning Area, summarizes the type of recommendations included in each community plan. It is possible that any new regulations for big boxes could require some added policy language to some community plans.

#### The Land Development Code

The San Diego Land Development Code delineates five separate commercial zones. The language of three of the zones discourages large-scale retail development. However, the Commercial-Regional and some subtypes of the Community Commercial zones permit auto-oriented, big-box development. Although the zones contain design, pedestrian, and parking regulations, none of the commercial zones limit the size of buildings or establishments. See Attachment 4 for additional zoning information.

#### **Options**

Nationwide, many cities have enacted ordinances which have placed size caps on retail development or established standards regulating the architectural and site design of large retail establishments. Physical size caps are utilized in certain neighborhoods of Kansas City and San Francisco. Areawide, they are used in Cococino County, Arizona; Santa Fe, New Mexico; and Bozeman, Montana. The following are some options which could be applied to the City of San Diego.

***Option 1: A ban on new construction or additions to single-tenant retail establishments over 100,000 sq. ft. in community areas accessible to transit as shown on an overlay map.***

Some initial research indicates that the most likely locations for future mixed-use village development are also the most likely locations for big box development (see Attachment 6). Big box development in these areas may not be conducive to pedestrian, bicycle or transit usage because the products sold at such establishments are primarily those that require a vehicle for transporting the goods from the premises. Additionally, with major transit uses located nearby, land uses should be maximized to take advantage of the public investment in transit.

Currently, the Transit-Oriented Development Guidelines are applicable in all potential village sites and require new development to be consistent with the objectives of a Transit-Oriented Development. However, these guidelines would not preclude big box development on sites less than 40 acres. Sites more than 40 acres could contain big box development but are required to integrate mixed-use development and would require a discretionary permit.

This option could reduce competition with community- and neighborhood-oriented retail and mixed-use development in pedestrian-oriented villages in the transit-accessible sites. However, to the extent that big boxes would then seek locations outside these areas, it could still impact the economic viability of these sites.

This proposal would require a citywide ordinance that would apply in all zones.

***Option 2: A citywide ban on new construction or additions to existing single-tenant retail establishments over 100,000 sq. ft.***

Although the Strategic Framework Element recommends that growth in the form of new development locate in village areas accessible to transit, a citywide ban would also preclude new large retail development in the remainder of the city. Because big boxes compete with other businesses for a larger share of a fixed market, it could hinder the market for new retail development in village areas thereby hindering the economic viability of future potential “villages”. Therefore, this alternative has the potential to realize the most benefits to community character and economic viability for both potential future “villages” and existing community shopping centers since competition with community-serving mixed-use and pedestrian-friendly villages would be reduced.

None of the alternatives would preclude the development of large retail center or power centers containing two or more “category killer” unless they contain a store over 100,000 sq. ft. The design impacts of smaller stores are slightly fewer due to the sheer size and scale of a big box in comparison.

***Option 3: A discretionary permit requiring a community and economic impact assessment for new construction or additions to single-tenant big box retail development over 75,000 sq. ft.***

Economic impact assessments are utilized in Santa Cruz, California; Cape Cod, Maryland and the State of Vermont, although the criterion that triggers the impact assessment process varies. An economic impact assessment could analyze fiscal, job creation, wage level and community impacts of a new development. Criteria for acceptable ranges of impact would need to be established. Although most big box development already

requires a discretionary permit, economic and design criteria do not apply. In addition, the City of Villages Action Plan approved on October, 2002 includes a future action on page 33 to:

“Consider the economic and fiscal impacts of major development projects for use in the decision-making process.”

1. Consider wage levels and benefits of jobs created and new development impact on the viability of existing uses in the community.
2. Prepare economic impact statements for selected projects.
3. Define “major development project” and identify what impacts should be addressed through the economic impact statements. Consider cost and time impacts to the developer.”

The number of jobs, employee characteristics, and level of benefits offered could also be included. The Community and Economic Development Department is currently developing an economic impact assessment process for companies seeking City incentives. This format could also be used to evaluate proposed big box development.

The requirement for additional discretionary permits does not meet the objective of simplifying development regulations, shortening the processing time for new development, or creating certainty for property owners in the development process.

Neither Option 1 or 2 would preclude retrofitting older buildings in urban areas for use as large retail establishments since only new construction or additions is addressed.

## **Other Options**

The following additional options could be considered in combination with the above.

***Option A: Do not apply the ban or economic impact report requirement to single-use retail establishments over 100,000 sq. ft. in areas zoned CR.***

The Commercial-Regional (CR) zone is a new zone established by the Land Development Code which has not yet been applied to any properties. A rezone to CR would most likely be appropriate on properties designated as Regional Commercial in the community plan. These areas currently include Fashion Valley Shopping Center, Mission Valley Shopping Center, University Towne Center, Torrey Highlands, College Grove Center and the large commercial area in Carmel Mountain Ranch. One of the CR zones permits residential use which offers additional opportunities to provide affordable housing. (In some centers like Mission Valley Center, College Grove Center, and Carmel Mountain Ranch, big box development has started to occur). The inclusion of this option would provide land use consistency of the size caps with community plans which contain this designation.

***Option B: Regulations would require site and architectural design standards for single-tenant retail establishments over 50,000 sq. ft., in community areas subject to transit, or***

***Option C: A citywide ordinance which regulates site and architectural design for single-tenant retail establishments over 50,000 sq. ft.***

Design guidelines or requirements are utilized in Kansas City, Missouri; Santa Fe, New Mexico; Bozeman, Montana; and Rockville, Maryland. At 50,000 sq. ft. or greater for a single-tenant retail use, the design regulations would regulate both the larger “category killers” and big box stores. They can focus on the use of existing regulations where possible and apply them to big box structures and sites. They could include for example:

- **Massing and Articulation:** Require vertical and horizontal offsetting planes appropriate to the scale of the buildings.
- **Transparency:** Require 50% transparency on building facades which face the street.
- **Entryways:** Require at least one entryway at the primary street frontage.
- **Street frontage requirement:** Require at a minimum of 50% of the building façade to be at the street frontage or structured parking.
- **Parking:** All parking areas not utilized for pedestrian or drive access shall be screened from view from the public rights of way.
- **Setbacks:** Require a maximum of 10 ft. setback from the edge of right of way unless specifically called out to be otherwise in the community plan, increasing to 20 ft. on a four-lane major or higher classification. Landscaping should be required in this area.
- **Architectural features:** Provide a menu consisting of canopies, trellises, a significant pedestrian amenity (such as a patio), peaked roof forms, variation in building materials, arcades, etc.
- **Pedestrian Circulation:** Require that continuous internal pedestrian walkways, no less than 5 ft. in width, be provided from the public sidewalk or right-of way to the principal customer entrance. At a minimum, walkways shall connect focal points of pedestrian activity such as, but not limited to, transit stops, street crossings, building and store entry points, and shall feature adjoining landscaped areas.

***Option D: Address big box design issues as part of the update of the Urban Design Element***

Citywide policies on big box design will be incorporated into the Urban Design Element update which is scheduled to be completed in late 2005. Subsequently, a design ordinance could be adopted (see Options 2 and 3). However, these would not prevent big box development, but merely place some limitations to the appearance of these developments.

**CONCLUSION**

The Strategic Framework Element, adopted by the City Council in 2002 is a departure from previous development policies which guided the growth of a city as it was experiencing development. The new plan emphasizes policies which link land use and transit, which would result in a more compact and efficient development pattern where new growth will take the form of infill development. This requires sensitivity to surrounding community character while preserving single-family and open space areas of the City. As such, the plan would support additional regulation of large retail establishments. If the City Council directs the City Manager and City Attorney to draft amendments to the Land Development Code (LDC) that would limit the size and/or add other development regulations for large retail establishments, appropriate public outreach with community members, retailers, and other interested parties would have to occur. Determination of the type of environmental documentation would also be required. Additionally amendments to the General Plan and community plans may be required.

The preparation of the additional analysis, outreach, and regulations would be the responsibility of both the Planning Department and the Development Services Department. As such, a reprioritization of both the LDC work program and the Planning Department work program to accommodate the proposed revisions would be required. Staff would return to Land Use and Housing with a work program for direction.

Respectfully submitted,

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Planning Director

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Approved: P. Lamont Ewell  
Assistant City Manager

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Note: Attachments 5, 6, 9 and 10 are available for review in the Office of the City Clerk.

- Attachments:
1. [Community and Economic Development Department Analysis of the Economic Impacts of Large Retail Establishments.](#)
  2. [Community and Economic Development Department Analysis of the Fiscal Impacts of Large Retail Establishments.](#)
  3. [Big Box Policies by Community Plan Area.](#)
  4. [The Land Development Code: Commercial Zones.](#)
  5. Map of Existing and Planned Commercial Land Uses for Shopping Centers with Community Areas Accessible to Transit.
  6. Map of Existing and Potential Big Box Locations with Community Areas Accessible to Transit.
  7. [Manager's Report 01-126](#)
  8. [Manager's Report 00-205](#)
  9. Planning Report P-96-180
  10. Planning Report P-96-080