

### 3.3 ECONOMIC IMPACTS

This section evaluates whether the designated development of new commercial (retail and office) and industrial space permitted under the proposed plan will exceed the absorptive capacity (demand) in Humboldt County, potentially causing blight. For purposes of this analysis, “blight” is defined as a combination of physical and economic conditions that result in at least several of the following conditions: unsafe buildings, incompatible uses, absence of utilities, a lack of proper maintenance, high commercial/industrial vacancy rates, low lease rates, the presence of vacant/underutilized parcels, a lack of parking, and an increase in crime.

This section is based, in part, on economic information and analysis contained in the Fortuna General Plan Background Report, Section 2.3 (Planwest Partners, 2007). The Background Report is included in its entirety as Appendix G of this PEIR, bound separately.

The analysis uses the University of Wisconsin’s CED Rural Communities Model to calculate commercial retail space demand, and the standard approach of estimating space per forecasted new employee for commercial and industrial space demand. Some assumptions in the latter analysis were drawn from the Humboldt County *Building Communities Report* (2002).

#### Environmental Setting

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##### Current Retail Trade Area

The City of Fortuna is located approximately 15 miles south of the Eureka, a city that has for many years served as a commercial center for Humboldt County. According to the State Board of Equalization, in 2005 the Eureka garnered 50% of Humboldt County’s total taxable retail sales. During the same period, Fortuna’s share was 7.6 percent. Fortuna's 1991 *Commercial Market Analysis* states that Fortuna’s primary retail trade area encompasses the Highway 36 corridor to Bridgeville, the Highway 101 corridor from Fernbridge to Myer's Flat, the Eel River bottom communities of Loleta, Ferndale, and rural areas to the coast. The broader regional trade area can be considered all of Humboldt County. Although some retail trade flows into and out of Humboldt County as a result of travel, internet/catalog sales, and big-ticket purchases, the geographic distance from the nearest trade centers (Redding and Ukiah) makes Humboldt County a distinct regional trading area.

##### Current Commercial and Industrial Space

As indicated in Table 3.1-1 of this PEIR, the Fortuna Planning Area contains an estimated 285,000 square feet of commercial (retail and office) space and 191,900 square feet of industrial space. The Planning Area also currently contains an estimated 4,918 residential units, 11,489 residents, and 3,342 employees.

## Current Demand for Commercial and Industrial Space

The current “demand” for commercial and industrial space in Fortuna refers to the current needs of existing commercial (retail and office) and industrial businesses and organizations for space in the City. Background Report Section 2.3, provides a detailed description of the analysis underlying the estimate of current (circa 2004) demand for commercial (retail and office) and industrial space in Fortuna discussed below.

Based on actual commercial space-consuming employment data, 2004 demand for retail space in Fortuna totaled 283,605 square feet. Based on estimated per-capita retail spending in the Fortuna trade area and actual 2004 taxable transactions data for Fortuna retail sales provided in the Background Report, current demand for office space in Fortuna totaled 476,520 square feet. The sum of these estimates is 760,125 gross square feet of commercial space (retail plus office) demand.

Based on data and analysis provided by the Employment Development Department (EDD), an estimated 335 industrial workers were employed in Fortuna in 2005, a figure that represents approximately 10% of overall employment in the City. The more recent 2005 data takes into account the loss of nearly 200 timber-based industrial jobs resulting from the closure of Palco’s Fortuna Mill. These job losses were somewhat offset by gains in food-based industrial employment within the Planning Area. Applying the methodology used in Section 2.3 of the Background Report, it is estimated that current (circa 2005) demand for industrial floor space totals 197,000 square feet.

Estimated current demand for commercial and industrial space in Fortuna is summarized in Table 3.3-1 below. The table also identifies Fortuna’s current space demand expressed as a percentage of Humboldt County’s estimated current space demand. Note that Humboldt County’s estimated space demand was derived using the same methodology as was used for Fortuna.

**Table 3.3-1  
Existing Commercial and Industrial Space Demand in Fortuna**

Land Use	Fortuna’s Existing Demand (sq. ft.)	Fortuna’s Demand as a Percentage of Total Humboldt County Demand
Commercial (retail + office)	760,125	7.1
Industrial	197,000	3.2
<i>Source: Steve Hackett, Economic Specialist, Planwest Partners. November 11, 2009.</i>		

## Applicable Plans, Policies, Codes and Regulations

CEQA Guidelines call for evaluating impacts by tracing the chain of economic cause and effect to determine whether the proposed development has the potential to harm existing businesses to such an extent that it will cause business closures and blight in existing commercial and industrial areas. This is done by comparing the supply of new commercial and industrial space in Fortuna with estimates for new commercial and industrial space demand in Humboldt County as a whole. Significant impacts could occur if the supply of new space in Fortuna exceeds estimated new county-wide space demand creating a significant over-supply that can result in empty and deteriorating commercial or industrial space (e.g., blight).

Within the context of a programmatic EIR, CEQA is not a “fair competition” statutory scheme; the redistributive economic and social effects of proposed projects (or plans) are normally outside CEQA’s purview. Nevertheless, if forecast economic or social effects of a proposed project will directly or indirectly lead to adverse physical changes in the environment, CEQA requires disclosure and analysis of these resulting physical impacts. CEQA Guidelines §15131(a) provides that “An EIR may trace a chain of cause and effect from a proposed decision on a project through anticipated economic or social changes resulting from the project to physical changes in turn caused by the economic or social changes. The intermediate economic or social changes need not be analyzed in any detail greater than necessary to trace the chain of cause and effect. The focus of the analysis shall be on the physical changes.”

California case law has established that CEQA may require urban decay or deterioration (e.g., blight) to be considered as an indirect environmental effect of a proposed project. In *Citizens Assn. for Sensible Development of Bishop Area v. County of Inyo* (1985) 172 Cal.App.3d 151 (Bishop), the appellate court found that on remand “the lead agency must consider whether a proposed shopping center would take business away from the downtown shopping area and thereby cause business closures and eventual physical deterioration of downtown Bishop” (*Id.* at p. 169.) In reference to CEQA Guidelines §15064, the court found that the lead agency must consider whether the new shopping center would start an economic chain reaction that would lead to physical deterioration (“blight”) of the downtown area.

## Methodology

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### Policy Background

The following policy background is used to assess the economic impacts of the proposed plan:

- Buildout under the proposed plan will occur by 2030;
- New non-residential development in Fortuna will generate increased competition for some existing businesses in Fortuna and in Humboldt County;
- New development in Fortuna’s redevelopment district is likely to raise district tax revenues, which would then be reinvested in Fortuna, benefiting existing businesses;
- New retail development in Fortuna will bring new shoppers to Fortuna, which will benefit existing businesses;
- New commercial retail space demand will be generated by population growth in the City of Fortuna, other cities, and in unincorporated areas of Humboldt County;
- Other factors driving new commercial space demand, such as changes in tourism, disposable incomes, transportation costs, internet/catalog shopping patterns, and retail space required to support a given inflation-adjusted dollar of sales, will be held constant;
- New commercial retail space demand estimated for Humboldt County will utilize the same methodology as employed in the Background Report, and will utilize the 0.8 percent annual average County population growth rate observed since 1980;

- New commercial office space demand will be generated by growth in office space-consuming employment in a variety of service industries, including government;
- Other factors driving new commercial office space demand, such as possible future changes in space requirements of office workers, or changes in the productivity of labor, will be held constant;
- New commercial office space demand estimated for Humboldt County will utilize the same methodology as employed in Chapter two of the Background Report, and will utilize the North Coast regional employment growth forecasts produced by the State Employment Development Department;
- New industrial space demand will be generated by expansion of industrial activity;
- New industrial space demand estimated for Humboldt County will utilize the same methodology as employed in Chapter two of the Background Report, and will utilize the North Coast regional employment growth forecasts produced by the State Employment Development Department; and
- Other factors driving new industrial space demand, such as changes in the productivity of industrial labor, or the space required to support a given amount of industrial activity, will be held constant.

### **Thresholds of Significance**

Proposed General Plan implementation would have a significant economic impact if it:

- Results in the development of new commercial (retail and office) or industrial space which exceeds the absorptive capacity for those uses in Humboldt County, potentially resulting in blight conditions.

The rationale for the significant impact threshold above is as follows. If the supply of new commercial or industrial space in Fortuna exceeds the estimated new County-wide demand for such space, then there would be excess space supply. In this case, the estimated excess supply could reasonably be expected to result in idle, unused commercial, office or industrial space which could potentially lead to blight.

The determination of “significant” impacts in this analysis is based on Humboldt County as a whole since the regional commercial center is outside the City of Fortuna (e.g., the City of Eureka). As indicated in the policy background information above, new development in Fortuna would have a mixture of positive and negative economic impacts on existing businesses in Fortuna. For example, while new development would bring additional competition to existing Fortuna businesses, it would also bring additional shoppers from outside the City which would benefit existing Fortuna retailers. Additional development in the City’s redevelopment area would also provide a fiscal stimulus to the area that would benefit existing Fortuna businesses. At the County level, however, more commercial, office or industrial space in Fortuna could potentially result in fewer sales and employment in these sectors in other jurisdictions unless there was sufficient overall growth in the commercial, office or industrial sectors. This could create the potential for blight impacts in those other jurisdictions.

## Implications of the Proposed Land Use Diagram

The economic analysis includes: (1) estimating the amount of new commercial and industrial development under the proposed plan; (2) estimating the new commercial and industrial space demand in Humboldt County through 2030 (the time horizon of the proposed plan); and (3) determining whether this new space would exceed the County-wide space demand (e.g., absorptive capacity) for this space.

### Development Under the Proposed Plan

Estimates of a net increase in development and population in the Planning Area under the proposed plan are provided in Table 3.3-2. As indicated, buildout under the proposed plan will result in an estimated net increase of 5,725 residential units, 973,460 square feet of commercial (retail and office) space, 400,000 square feet of industrial space, 13,415 residents, and 9,625 employees.

**Table 3.3-2  
Net Increase in Development and Population Under the Proposed General Plan**

Land Use/ Population	Existing Conditions (2009) <sup>1</sup>	Proposed General Plan Buildout (2030) <sup>2</sup>	Net Increase	Percent Increase
Residential (units)	4,918	10,643	5,725	216%
Commercial (sq. ft.)	285,000	1,258,460	973,460	442%
Industrial (sq. ft.)	191,900	591,900	400,000	308%
Residents	11,489	24,904	13,415	217%
Employees	3,342	12,967	9,625	388%

<sup>1</sup> Based on Table 3.1-1 in Section 3.1 of this PEIR.  
<sup>2</sup> Based on Table 3.1-6 in Section 3.1 of this PEIR.  
Source: Planwest Partners, 2009.

It is noted that the proposed Land Use Diagram will permit the construction of more commercial and industrial space than is required to meet projected need (see Table 3.3-3 above). However, the proposed General Plan Policy Document includes Policies LU-6.6 and -7.4, and Programs LU-8 and LU-9 that define commercial and industrial development permitted in the City under the proposed plan. These ceilings are represented in the buildout numbers in Table 3.3-3. See the “General Plan Policy Response” subsection below for the complete text of these policies and programs.

### Estimates of New County-wide Commercial and Industrial Space Demand

New commercial and industrial space demand in Humboldt County in 2030 is estimated in Table 3.3-3 using the same methodology used to establish existing demand as described in the Background Report. As indicated, the estimated 2030 County-wide demand for new commercial and industrial space is 3,646,720 and 1,333,736 square feet, respectively.

**Table 3.3-3  
Commercial and Industrial Space Demand in Humboldt County by 2030**

Land Use	Humboldt County's Demand (sq. ft.)	Percentage Increase in Demand from Current Time to 2030
Commercial (Retail + Office)	3,646,720	34.1
Industrial	1,333,736	21.4

*Source: Planwest Partners, 2009.*

## General Plan Policy Response

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The proposed General Plan includes the following policies and programs relevant to economic development:

**Policy LU-1.5 Land Use Balance.** The City shall promote the development of a healthy balance of residential, commercial, open space, institutional, and industrial businesses within the city.

**Policy LU-2.1 blighted or Underutilized Areas.** The City shall continue to support the efforts of its Redevelopment Agency in promoting the economic development of blighted or underutilized areas of the City.

**Policy LU-3.2 Growth Coordination.** The City shall coordinate growth with surrounding jurisdictions, LAFCo, transit providers, and the County as appropriate to promote common goals.

**Policy LU-6.2 Reinforce Vitality of Existing Commercial Centers.** The City shall discourage isolated and sprawling commercial activities along major roadways and instead reinforce the vitality of existing commercial centers such as Downtown, Fortuna Boulevard, and the Riverwalk District.

**Policy LU-6.4 Commercial Land Inventory.** The City shall strive to avoid creating an oversupply of commercially-designated land to prevent the dilution of deterioration of currently viable commercial areas, as well as efforts to improve and extend Downtown.

**Policy LU-6.6 Targeted Commercial Use levels.** To grow consistent with projected commercial absorption rates and avoid overbuilding that could result in high vacancy rates, the City shall designate commercial use development levels (square footage).

**Program LU-8.** The City shall allow new commercial development up to the following levels:

- Commercial (COM) 168,000 sq. ft.
- Office (OFF) 172,000 sq. ft.
- Central Business District (CBD) 35,000 sq. ft.
- Mill District (MD) 250,000 sq. ft.
- Fortuna Blvd (CMU) 146,000 sq. ft.
- Riverwalk District (RWD) 150,000 sq. ft.

**Policy LU-7.4 Targeted Industrial Use levels.** To growth consistent with projected industrial absorption rates and avoid overbuilding that could result in high vacancy rates, the City shall designate industrial use development levels (square footage).

**Program LU-9.** The city shall allow new industrial development up to the following levels:

- South of Main Street in City            100,000 sq. ft.
- Riverwalk District Annexation        150,000 sq. ft.
- Rohnerville Airport Annexation       150,000 sq. ft.

**Policy ED-1.11 Tax Increment Revenue.** The City shall use redevelopment tax increment revenues to remove or remedy the cause of economic or physical blight that is beyond the financial capacity of private business.

**Policy ED-4.3 Revitalization.** The City shall use public investment to spur new development in blighted or underutilized areas of the city.

**Policy RF-4.12 Adequate Land for Business Growth.** The City shall zone sufficient land for the expansion of existing businesses and attraction of new businesses.

## Impacts and Mitigation

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### Impact 3.3-1: Potential to Cause Blight Conditions

*Proposed General Plan implementation will result in the development of new commercial (retail and office) and industrial space, but this space will not exceed the absorptive capacity for such uses in Humboldt County. Therefore, the proposed plan will not result in blight conditions in the City of Eureka or in other parts of Humboldt County.*

### Discussion

As indicated in Table 3.3-2, the proposed plan could result in up to 973,460 square feet of new commercial (retail and office) space and 400,000 square feet of new industrial space in the City of Fortuna. This would represent 26.7% of the County's 2030 commercial space demand of 3,646,720 square feet, and 30% of the County's 2030 industrial space demand of 1,333,736 square feet. Therefore, the new commercial and industrial space permitted in Fortuna under the proposed plan would be within the Humboldt County 2030 county-wide commercial and industrial space demand estimates. In addition, the proposed plan includes policies and programs designed to avoid the overbuilding of commercial and industrial uses in the City:

- Policy LU-1.5 requires the City to promote the development of a healthy balance of residential, commercial, industrial and other land uses;
- Policy LU-3.2 requires the City to coordinate growth and development with surrounding jurisdictions, LAFCo, transit providers, and the County to promote common goals;

- Policy LU-6.2 requires the City to encourage commercial growth in existing commercial centers in the City rather than in isolated and sprawling outer areas;
- Policy LU-6.4 calls for the City to strive to avoid an oversupply of commercially-designated land; and
- Policies LU-6.6 and -7.4, and Programs LU-8 and LU-9 place caps on the amount of commercial and industrial development permitted in the City to ensure growth that is consistent with absorption rates and avoid overbuilding.

Therefore, although the proposed General Plan will result in the development of new commercial (retail and office) and industrial space, this space will not exceed the absorptive capacity for these uses in Humboldt County and will not result in blight conditions in the City of Eureka or in other parts of the County.

### **Determination of Level of Significance**

Less-Than-Significant

### **Mitigation Measures**

No mitigation required

### **References Cited**

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Fortuna, City of. 1991. *Commercial Market Analysis*. City of Fortuna Planning Department.

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Humboldt County Community Development Department. 2002. *Building Communities: A Discussion Paper for Community Workshops*. <http://www.planupdate.org/meetings/bldgcomm/bcreport.asp>.

Planwest Partners. 2007. City of Fortuna General Plan Background Report, Section 2.3, Economic Conditions.

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