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CITY COUNCIL
Chris Vierra, Mayor
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MEMORANDUM

TO: City Council

FROM: Tom Westbrook, Planning, Building and Housing Division Manager

RE: Mitchell Ranch Center Reuse Strategic Plan

DATE: September 6, 2011

At the meeting of August 22, 2011 the City Council continued consideration of the appeal to the Planning Commission's decision approving the Mitchell Ranch Center to September 12, 2011. This continuance was for the purpose of further discussion between the City's team and the applicant regarding the proposed Reuse Strategic Plan.

The conditions of approval provided with the Planning Commission action regarding the Mitchell Ranch Center provide that prior to development of the center, a plan for the sale and reuse of the existing Walmart store on Hatch Road must be submitted and approved by the Council. The City Team consisting of Vice Mayor Lane and staff requested modifications to the proposed Reuse Strategic Plan. In response, the applicant has provided a modified proposal. The modified Reuse Strategic Plan is attached for consideration in connection with Council's consideration of the appeal regarding this project. The applicant requests, and the staff recommends that the Council approve the attached Plan in lieu of requiring future consideration and approval of such a plan.

The current proposal modifies the previous version to accomplish three purposes:

- 1) Make explicit the mitigation requirement that the supplemental maintenance agreement will apply to any subsequent owners of the existing 1670 Mitchell Road Walmart property. This modification will also be reflected in a minor modification to CUP condition B. 17 (see below).
- 2) Provide more definition to the types of businesses that Walmart might restrict from use of the existing 1670 Mitchell Road Walmart property
- 3) Provide, as a goal, that the City and Walmart will seek an anchor tenant as a part of future reuse of the site.

The proposed amendment to condition B.17 is as follows:

17. The project Developer and any subsequent owner will be subject to the Vacant Building Monitoring Fee (Ceres Municipal Code Section 9.40) once the existing WalMart building at 1670 Mitchell Road has been vacated. Prior to the earlier of the issuance of a building permit or within thirty (30) days of the existing Walmart building at 1670 Mitchell Road being vacated, the Developer shall enter into a supplemental maintenance agreement with the City regarding the existing WalMart site at 1670 Mitchell Road to ensure property maintenance until the site is reoccupied, providing that the Developer will maintain said site free of visual indications of blight and that the City will be compensated for abatement of visual indications of blight on the property if and when the Developer fails to adequately maintain the property in good condition and abate elements of deterioration pursuant to receiving notice from the City, including:
- Removal of graffiti and all signage from the building and site
 - Repair broken windows and exterior structural elements
 - Maintenance of existing landscaping.
 - Frequent clean up of litter on the property
 - The supplemental maintenance agreement will include provisions securing performance and shall be accompanied by security in a form acceptable to the City Attorney in the amount of \$25,000.

The project Developer shall provide in any transfer or sale of property that the buyer will assume the supplemental maintenance agreement, which shall run with the land.

Staff notes that this proposal addresses what staff understands to be the concerns of Council and recommends denial of the appeal, thereby approving the project, with approval of the Strategic Reuse Plan. As previously noted, this would include revision of CUP condition B.18 to include the Reuse Strategic Plan as submitted, as follows:

18. The applicant shall implement the Reuse Strategic Plan dated September 12, 2011, attached hereto as Exhibit "A."

Attachment: Proposed Reuse Strategic Plan dated September 12, 2011



**WAL-MART STORE #1983
CERES, CALIFORNIA**

REUSE STRATEGIC PLAN

September 12, 2011

Walmart Store #1983

REUSE STRATEGIC PLAN OVERVIEW

The Wal-Mart Store #1983 Reuse Strategic Plan, to be adopted by the City of Ceres City Council, is the plan for the sale and/or re-tenanting, and maintenance of Wal-Mart Store #1983 in Ceres pursuant to construction and opening of a new Wal-Mart store in the Mitchell Ranch shopping center. The following is a description of the purpose, components, and timeline related to the plan.

The Reuse Strategic Plan has three main purposes. First, the plan defines the mission and strategic goal. Second, the plan details the objectives to be achieved. Third, the plan serves as the common tool for managing achievement of the strategic goal and objectives.

The components of the Reuse Strategic Plan are defined below:

- **Mission**
What the Reuse Plan is striving to do.
- **Strategic Goal**
Overall purpose to be accomplished by the Reuse Plan.
- **Objectives**
Specific purposes to be achieved in furtherance of the strategic goal.
- **Action Plans**
Specific actions that must be completed to achieve the specific objectives.

Questions regarding the Reuse Strategic Plan should be directed to the City of Ceres Planning Manager.

Wal-Mart Store #1983

Reuse Strategic Plan

Wal-Mart Store #1983 is located at the intersection of Mitchell Road and Hatch Road in the City of Ceres.

Ceres is home to approximately 45,000 people¹ and is the third largest city in Stanislaus County. The population of Ceres is currently growing at an annual rate of about 3% and is expected to grow at a steady pace over the next 20 years.² Over the past decade, Ceres has experienced an approximately 56% inflation-adjusted increase in annual retail sales.³ These data indicate increased consumer buying power and a very competitive regional retail market.

Currently, however, Ceres is lagging behind the County and nearby cities of Modesto and Turlock when it comes to per capita sales, indicating that Ceres may be losing sales to these larger neighbors as its residents seek shopping opportunities not found in Ceres itself. The reuse of Wal-Mart Store #1983, once relocated, will help recapture some of these lost revenues.

The approximately 130,000 square foot building would provide an excellent opportunity for a big-box user. Alternatively, the building could be subdivided to create smaller spaces. The Mitchell Corridor Specific Plan allows a wide range of office and commercial uses as of right, such as department stores, furniture stores, hardware stores, sporting good stores, banks, medical clinics, and restaurants. Recreational uses such as a bowling alley or movie theater are also permitted through the Conditional Use Permit process. The versatility of the building and the wide range of uses that are permitted make this a very attractive site for potential buyers/tenants.

Further, the Mitchell Road and Hatch Road intersection is a particularly attractive location in the City for potential buyers/tenants. This is one of the City's major intersections, with Mitchell Road and Hatch Road experiencing a high number of average daily trips.⁴ There are retail and/or restaurant uses on all corners of the

¹ "Ceres continues to lack in services," Jeff Benziger, Ceres Courier, July 21, 2011.

² Bay Are Economics, Economic Impact Analysis for Mitchell Ranch in Ceres, CA (August 2008), p. 7.

³ Id. at p. 12.

⁴ Per the City's Goods Movement Report (prepared by Fehr & Peers in 2009), Mitchell Road south of Hatch Road carries 33,600 average daily trips ("ADT"); Mitchell Road north of Hatch (footnote continued)

intersection and there are residential uses adjacent to the site to the east and across Mitchell Road to the west. The site will draw customers from passing traffic, the other retail/restaurant uses, and the nearby residences. Furthermore, Mitchell Road serves as a major arterial for residents in the south east portion of nearby Modesto. This roadway also connects to State Route 99, about two miles south of the site. Hatch Road is the major thoroughfare that serves residents of Hughson, which is east of the site.

In addition, the property will be particularly attractive to major retailers who recognize the economic benefits of re-tenanting a large retail building rather than undergoing the entitlement process for a ground up project. This trend is already evident in the region as former Mervyns, Gottschalks and Circuit City stores in nearby Modesto have been or are in the process of being re-tenanting with quality tenants.

Therefore, the City and property owner are well-positioned to attract new uses to occupy Wal-Mart Store #1983. In addition, the economic situation is anticipated to improve by the time the store is ready for reuse, compared to today.

Consequently, by the time Wal-Mart Store #1983 is relocated, the potential for various uses to occupy the building, combined with the attractive location and population growth in the area, as well as improved economy, will provide increased demand for retail goods that will help ensure the reuse of the building.

Road carries 44,700 ADT; Hatch Road west of Mitchell Road carries 14,900 ADT; and Hatch Road east of Mitchell Road carries 7,700 ADT.

Mission Statement

Walmart will provide a well-maintained property that will allow it and a local broker to sell or re-tenant the existing Walmart store in a timely fashion.

Strategic Goal

Walmart will take a multi-pronged approach to marketing in order to sell or re-tenant the existing building as quickly as possible. In marketing the site, Walmart will give emphasis to including an anchor tenant for the site, but Walmart shall not be required to sell or lease the site to an anchor tenant. Walmart will also implement mechanisms to ensure the building and site are well-maintained during the time that the building remains vacant.

Objectives

Walmart has prepared this Reuse Strategy Plan to achieve the following objectives:

1. Sell or re-tenant the Ceres Walmart Store #1983 within eighteen (18) months of the time that the store is relocated.
2. Maintain the store and site in good condition during the time that it remains vacant.

Action Plans/Key Activities

Walmart's in-house team of professional deal makers, appraisers, and attorneys will work together to expedite finding a tenant or buyer for the building. Walmart will create a marketing flyer with relevant data and will place this information on Walmart's website. Walmart will also engage a local or regional broker, who will prepare a separate marketing package and will place the property on its own or another website.

If the store remains vacant, Walmart and any subsequent owner will be required to comply with Ceres Municipal Code chapter 9.40 regarding property maintenance. This code provision requires proper maintenance of vacant buildings and provides a mechanism by which the City may collect a fee from the property owner to cover the cost of monitoring the vacant building to further ensure that it is maintained. In addition, a proposed condition of approval would require Walmart and any subsequent owner to enter into a supplemental maintenance agreement with the City. This supplemental maintenance agreement will provide that the property owner will abate any visual indications of blight and must compensate the City for abatement of visual indications of

blight if the property owner fails to adequately maintain the property in good condition. These measures will ensure that the property is maintained in good condition during the time that the building remains vacant.

**Wal-Mart Store #1983
REUSE STRATEGIC PLAN**

STRATEGIC GOAL: Sell or Re-tenant the Property and Ensure It Is Well-Maintained While Vacant

Market the building to sell or re-tenant the space as quickly as possible, and have mechanisms in place to ensure the building and site are well-maintained if the building remains vacant. In marketing the site, Walmart will give emphasis to including an anchor tenant for the site, but Walmart shall not be required to sell or lease the site to an anchor tenant.

1.0 OBJECTIVE: Sell or Re-Tenant the Property

Market the building to sell or re-tenant the space within eighteen (18) months from the time the building is relocated.

ACTION PLAN/KEY ACTIVITIES		Resp	Due Date	Compl ete
A1.1	Collect relevant data and create a marketing flyer. An example of a marketing flyer is attached.	WM/ Local Broker	After all City approvals are final (including final resolution of litigation)	
A1.2	Place marketing data on Walmart's website (www.walmartrealty.com).	WM	After building permit for new WM issued	
A1.3	Place marketing data on local broker's company website.	Local Broker	After building permit for new WM issued	
A1.4	Actively market the property at regional and national ICSC's.	WM	After building permit for new WM issued	
A1.5	Conduct outreach to potential buyers/tenants and other brokers.	WM/ Local Broker	After building permit for new WM issued	
A1.6	Walmart shall not restrict its marketing efforts to specific users but shall not be required to sell or lease the site to direct competitors. Direct competitors include, but are not limited to, discount stores/superstores (such as Target and Kmart), warehouse clubs, pharmacies, and grocery stores (such as Raley's, Food 4 Less, and Save Mart).	WM	After building permit for new WM issued	
A1.7	Place signs on existing store to advertise store is available for sale/lease.	WM	After construction for new WM commences	

SUMMARY OF RESULTS:

Wal-Mart Store #1983
REUSE STRATEGIC PLAN

STRATEGIC GOAL: Sell or Re-tenant the Property and Ensure It Is Well-Maintained While Vacant

Market the building to sell or re-tenant the space as quickly as possible, and have mechanisms in place to ensure the building and site are well-maintained if the building remains vacant. In marketing the site, Walmart will give emphasis to including an anchor tenant for the site, but Walmart shall not be required to sell or lease the site to an anchor tenant.

2.0 OBJECTIVE: Ensure Property Well-Maintained While Vacant

Have mechanisms in place to ensure the building and site are well-maintained if the building remains vacant.

ACTION PLAN/KEY ACTIVITIES		Resp	Due Date	Complete
A2.1	Enter into a supplemental maintenance agreement with the City, which shall be binding upon subsequent owners, whereby the property owner will be responsible for the abatement of any visual indications of blight on the property and will compensate the City for abatement of any visual indications of blight if the property owner fails to adequately maintain the property in good condition. The agreement shall include: <ul style="list-style-type: none"> • Removal of graffiti and all signage from the building and site • Repair of broken windows and exterior structural elements • Maintenance of existing landscaping • Frequent cleanup of litter on the property • Security in a form acceptable to City Attorney in amount of \$25,000 	WM	Earlier of (a) issuance of building permit for new WM store, or (b) within 30 days of existing store relocated	
A2.2	Comply with Ceres Municipal Code section 9.40.	Property Owner	After existing store relocated	
SUMMARY OF RESULTS:				