SUPPORTS ITEM NO. 1
SPECIAL COUNCIL AGENDA
JULY 22, 2002

POLICY REPORT
URBAN STRUCTURE

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RTS No.	02834
CC File No.	5306
Special Council:	July 22, 2002

TO: Vancouver City Council

FROM: Director of City Plans

SUBJECT: Retail Impact Study - Proposed Wal-Mart and Ancillary Space
86 S.E. Marine Drive/101 E. 69th Avenue

RECOMMENDATIONS

A. THAT the application by Brook Development Planning, to rezone 86 S.E. Marine Drive and 101 E. 69th Avenue (Lots 1 & 2, Block 13, DL 322, Plan 12653) from I-2 to CD-1, to permit highway oriented retail uses, continue to be processed in the normal manner.

B. THAT Council instruct staff to report back as part of the rezoning referral report on a mitigation package for the Fraser Street Neighbourhood Shopping Area generally as described in this report.

C. THAT the Highway Oriented Retail Rezoning Policies and Guidelines: Marine Drive Industrial Area be amended as set out in Appendix A to remove the sale of food (i.e., grocery store) as a possible retail use.

D. THAT Council instruct staff to report back following a decision on the Wal-Mart rezoning application, on whether general merchandise stores should continue to be considered as a possible retail use in rezoning applications in the Marine Drive and Grandview/Boundary Highway Oriented Retail areas.

CONSIDERATION

> E. *THAT the application by Brook Development Planning, to rezone 86 S.E. Marine Drive and 101 E. 69th Avenue (Lots 1 & 2, Block 13, DL 322, Plan 12653) from I-2 to CD-1, to permit highway oriented retail uses, be REFUSED.*

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of A through D. Item E is submitted for CONSIDERATION should Council, on hearing from the public, including business owners, conclude that the proposed Wal-Mart will cause serious impacts to neighbourhood shopping areas.

COUNCIL POLICY

- *In March 1995, Council adopted the Industrial Lands Policies, intended to retain most of the City's existing industrial land for industrial and city-serving activities. Council requested staff to investigate mixed retail/industrial zones along limited areas of Grandview Highway and Marine Drive.*

- *In June 1995, Council adopted CityPlan which provides for the development and reinforcing of neighbourhood centres, a diverse economy, and jobs close to home.*

- *In July 1998 and September 1998, Council adopted the Kensington Cedar Cottage (KCC) and Dunbar Community Visions which call for no additional big box stores in KCC or Dunbar, or close enough to threaten the economic health of local shopping areas.*

- *In July 1999, Council adopted Highway Oriented Retail (HOR) Interim Rezoning Policies and Guidelines: Grandview/Boundary Industrial Area. In May 2001, Council adopted Highway Oriented Retail (HOR) Rezoning Policies and Guidelines: Marine Drive Industrial Area. In both areas, rezoning applications proposing the sale of food or clothing are required to submit a retail impact study to assess potential impacts on neighbourhood shopping areas.*

- *In January 2002, Council adopted the Sunset and Victoria-Fraserview/Killarney (VFK) Community Visions which specify that "big box" stores selling groceries,*

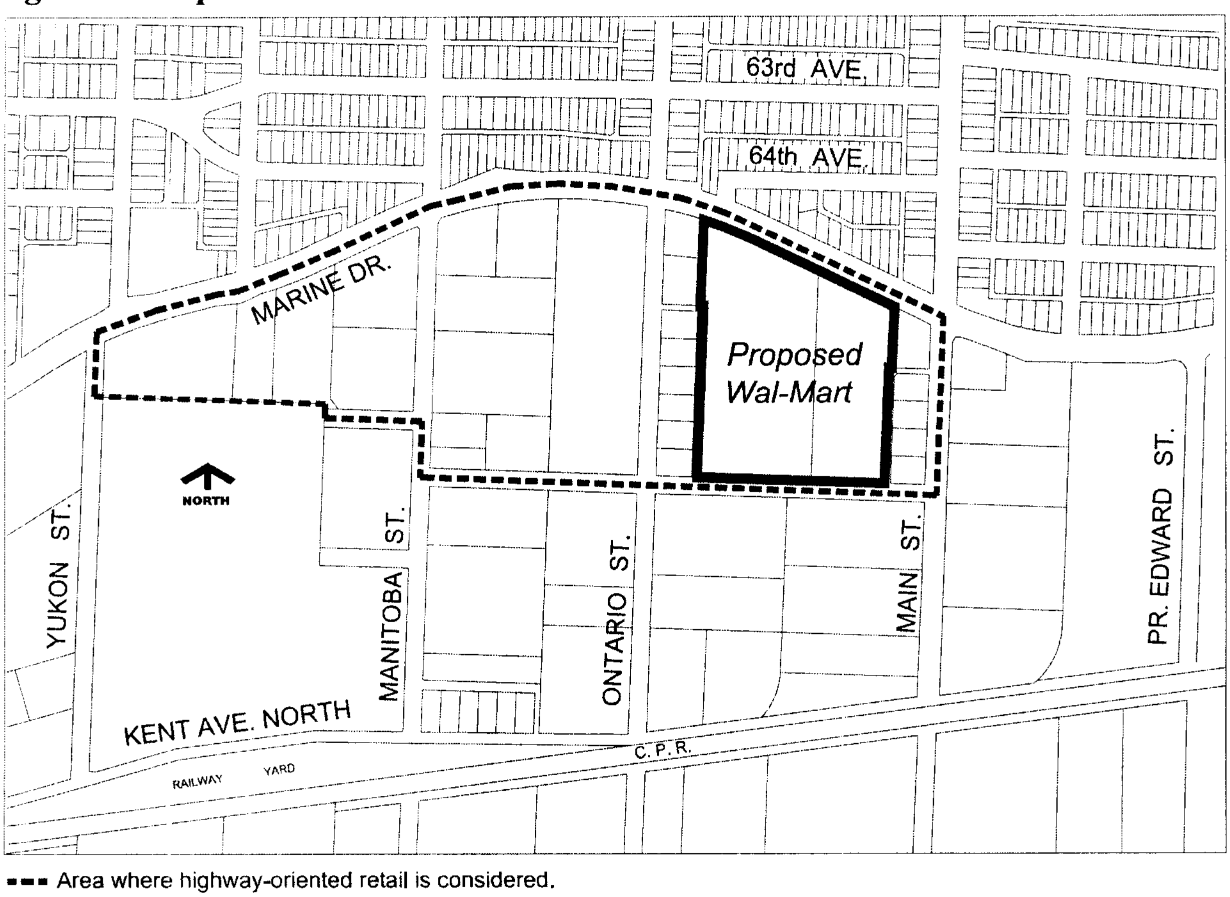
clothing and other daily needs should not be located where they will harm the economic health of local shopping areas.

PURPOSE AND SUMMARY

This report presents the results of the first phase of review of the rezoning application at 86 S.E. Marine Drive and 101 E. 69th Avenue for a Wal-Mart discount department store and ancillary retail space. This phase has focussed on assessing the retail impacts of the proposed development. Council's direction is sought regarding further processing of the application. If Council decides to proceed, the next stage will see staff evaluate traffic and parking, building design, streetscape, site servicing requirements and environmental considerations. This review will lead to a rezoning report early next year.

The site is located in the Marine Drive Highway Oriented Retail (HOR) area (see Figure 1). Council policy requires a retail impact study be undertaken for HOR proposals that include the sale of food or clothing to assess potential impacts on neighbourhood shopping areas.

Figure 1. Proposed Wal-Mart



Early this year, the City retained a consultant team to assess the retail impacts of the Wal-Mart proposal. They found that sales impacts on neighbourhood shopping areas south of 16th Avenue would be minimal except for Fraser Street where moderate impacts are expected. The consultants also found that:

- a deficit of general merchandise retail space currently exists in the trade area (Vancouver - south of Broadway) relative to demand. There is less department store floor space now than in the 1970's;
- a large number of trade area residents shop outside the trade area; and
- half of Wal-Mart's sales would come from repatriating some of this outflow and from inflow (new sales from drive-by customers from outside the trade area).

The consultant's executive summary is attached as Appendix B. The full impact study is on the City website and on file in the Planning Department.

Based on the consultants' conclusions there are no policy reasons to not continue processing the application. Therefore, staff recommend that the Wal-Mart rezoning application continue to be processed in the normal manner. However, the study did note that impacts on the nearby Fraser Street shopping area would be moderate with some possible store closures. Consequently, staff also recommend a report back on a mitigation package for the Fraser Street neighbourhood shopping area (Recommendation B).

The consultants found that the proposed Wal-Mart's food sales make up a small portion of its expected sales and that impacts on neighbourhood grocery stores would be minimal. However, they concluded from the inventory of neighbourhood shopping areas that food retail constitutes an important local anchor. Therefore, any additional large grocery stores in the Marine Drive HOR area could harm the vitality of nearby shopping areas. To avoid future impacts on neighbourhood grocery stores, staff recommend the removal of food retail (i.e., grocery store) as a possible use in future rezoning applications in the Marine Drive HOR area (Recommendation C).

The consultants conclude that Wal-Mart could fill more than half of the excess demand for general merchandise space in the trade area and that impacts to neighbourhood shopping areas could result from further draws on this surplus demand. Consequently, it may be appropriate to consider removing general merchandise stores as a possible retail use in the HOR areas. Staff recommend a report back on this matter following a decision on the current rezoning application (Recommendation D).

Council may hear from individual businesses that their revenues are less than estimated by the consultants and that they expect impacts to be greater. After hearing from business owners and the public, if Council is concerned about the risk to the neighbourhood shopping areas, the option of refusing the rezoning application is put forward as Consideration E.

DISCUSSION

Policy Context: The Industrial Lands Strategy calls for stabilizing the City's remaining industrial lands through measures such as limiting HOR to defined areas along Grandview Highway and Marine Drive. These areas provide opportunities in the city for large format retail uses, such as furniture, appliances, building supplies and automotive sales. The HOR areas were identified because of their suitability for uses which require large sites for bulky items or large display areas, serve large catchment areas, have traffic and parking needs that could impact residential neighbourhoods if located in local shopping areas, and do not sell goods that are or can be conveniently available in neighbourhood centres or other commercial areas.

In May 2001, Council approved policies and guidelines for HOR rezonings along the south side of Marine Drive between Yukon and Main Streets. The policies specifically reference potential impacts on neighbourhood shopping areas and require a retail impact study for proposals that include the sale of food or clothing.

The approved Community Visions for Dunbar and Kensington-Cedar Cottage (KCC) include directions on big box stores. The Dunbar Vision states that "there should not be any big box stores or internal shopping malls allowed in Dunbar or close enough to threaten the economic health of the local shopping areas". The KCC Vision states that "new big box stores should not threaten the economic health of local shopping areas". Both Visions were endorsed prior to Council adoption of the Marine Drive HOR policy.

Since the approval of the Marine Drive HOR policy, Council has endorsed Community Visions for Victoria-Fraserview/Killarney (VFK) and Sunset. The VFK Vision states that "additional major shopping malls, and big box stores which sell groceries, clothing or other daily needs, should not be permitted to locate where they will harm the economic health of the Victoria or Kingsway shopping areas or Champlain Mall".

The Sunset Vision states that "big box stores not be permitted to locate where they will harm the economic health of the Fraser and Main shopping areas". Both Visions support some smaller specialty "big box" outlets (e.g. electronic, toys, pets) if they locate in existing commercial areas where they might act as positive anchors or attractions.

A retail impact study required by the HOR policies and guidelines focusses on assessing whether a proposal poses a threat to the neighbourhood shopping areas as noted in the Community Visions.

Site, Surrounding Zoning and Development: The 5.0 h (12.37 acre) site is comprised of two parcels which extend from Marine Drive to 69th Avenue and has a frontage of 231.42 m (759.24 ft.) along Marine Drive and 206.81 m (678.5 ft.) along 69th Avenue. The west parcel is the former site of the Dueck auto dealership and the east parcel is occupied by seven wholesale and manufacturing businesses and a printing business.

Immediately east and west of the site are smaller industrial properties facing Main Street to the east and Ontario Street to the west. Further east is the Real Canadian Superstore and further west is a site with a large vacant industrial building and a development application for a casino. South of the site, across 69th Avenue, are large industrial properties which include wholesaling, manufacturing and recycling. All of these properties are zoned I-2. North of the site, across Marine Drive is zoned RS-1S and developed with older one family dwellings and some secondary suites. The northeast and northwest corners of Main Street and Marine Drive are zoned C-1 and developed with small commercial businesses. The southeast corner is also zoned C-1 and the I-2 property to the south contains a car dealership. The southwest corner of the intersection has recently been redeveloped with a gas station and restaurant facilities.

Proposal: This is the first rezoning application under the Marine Drive HOR policies and guidelines. Proposed are a 12 212 m² (131,400 sq. ft.) Wal-Mart and 4 647 m² (50,000 sq. ft.) of other large format retail space and service use (i.e., restaurant) at a total density of 0.33 floor space ratio (FSR). Tenants for the 50,000 sq. ft. of other retail space have not been identified, although each retail unit is required to be at least 929 m² (10,000 sq. ft.) in size. About one-third of the proposed Wal-Mart's retail floor area is allocated to clothing sales. Less than 555 m² (6,000 sq. ft.) is allocated to convenience food items.

There are four Wal-Marts in Greater Vancouver (Burnaby, North Vancouver, Surrey and Langley). In addition to this proposal, Wal-Mart is seeking locations elsewhere in the region, including Richmond, Coquitlam and in downtown Vancouver at International Village. Rezoning for a Wal-Mart in New Westminster was approved in May.

Process: Considering the scale of the Wal Mart proposal, its focus on clothing sales, concerns about potential impacts on neighbourhood shopping areas and implications for Community Vision Directions on big box stores, a two phase process for reviewing the rezoning application was developed.

The first phase has addressed the retail impact issue. Staff also mounted a public process to provide information on the Wal-Mart proposal and seek input. The intent was to minimize applicant cost and staff time to prepare and review a full rezoning submission should the retail study conclude that the proposal should not be supported. As well, the public could focus on the retail policy issue.

Phase one results are the subject of this report. If Council instructs staff to proceed, the next phase will assess traffic, access and parking, building design and landscaping, public realm and streetscape, site servicing and environmental considerations. A traffic and parking study will be required and evaluated by Engineering staff. This information will be made available for public review. Following completion of the second phase, staff will report back recommending referral to Public Hearing or refusal of the application.

Retail Impact Study: In accordance with the HOR rezoning policies, the applicant paid for a retail impact study which was directed and managed by City staff. In January 2002, the City hired a consultant team to undertake the study based on terms of reference developed by staff (see Appendix C). The consultant team consisted of Richard Wozny (Royal Lepage Advisors), Peter Hume (Hume Consulting) and Lewis Silberberg (Commercial Marketing).

Before commencing their research, the consultants met with the applicant and representatives of community groups and local commercial areas (i.e., business improvement associations [BIAs]) to describe the study and clarify the methodology. When their report was released, the executive summary was sent to these individuals and others who had participated in the public consultation. Appendix D contains a list of groups who have been notified and invited to participate. The full study and appendices were put on the City's web site and paper copies were provided to people who could not access an electronic copy.

(a) Methodology

The consultants' methodology utilized both quantitative and qualitative analyses to assess potential impacts on neighbourhood shopping areas. Due to the many variables involved, there is no definitive methodology which can precisely measure the level of sales transference from neighbourhood shopping areas to the proposed development. Consequently, to improve the reliability of the study's results, their research included:

- license plate and consumer research surveys to estimate trade area[1], measure retail inflow and outflow and provide a general idea of existing retail market shares;
- quantitative analyses of retail supply and demand for general merchandise store types (such as department stores, Zellers, Fields and London Drugs);
- a full inventory of all stores in neighbourhood shopping areas in the trade area; and
- a qualitative assessment of the potential risk and impact on each neighbourhood shopping area from the proposed development.

(b) Analysis

A license plate survey was conducted at the nearby Real Canadian Superstore at Main and Marine, Zellers at Lansdowne Mall in Richmond, Sears at Richmond Centre and Wal-Mart at Lougheed Mall in Burnaby to determine the potential trade area of the proposed Wal-Mart and the current outflow of expenditures to other municipalities. The results indicated the trade area for the proposed Wal-Mart would be large in both size and population and revealed significant retail outflow of sales from the trade area to department stores in Richmond and Burnaby. As well, because of its Marine Drive location, approximately 25% of Superstore's sales are inflow from customers who live outside the city. The consultants conclude that given its proximity to the Superstore, the proposed Wal-Mart would capture a similar portion of its sales from inflow.

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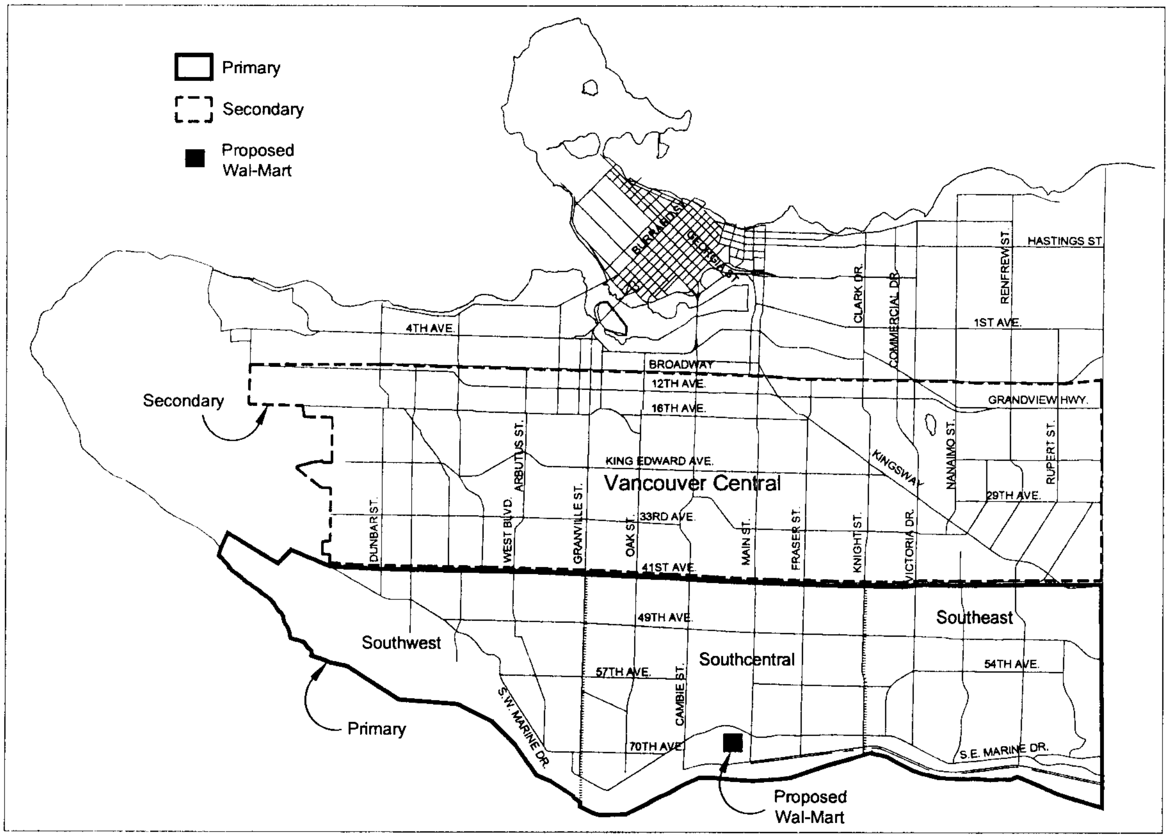
[1]A retail **trade area** is that geographic area from which the majority of customers originate and is defined based on access, similar competition and barriers to travel.

Figure 2: Primary and Secondary Trade Areas



Primary and Secondary Trade Areas - Proposed Wal-Mart Development

The consumer research survey asked approximately 600 residents in 3 sub-areas of the primary trade area (see Figure 2) about their shopping habits. The survey focussed on their current shopping patterns, especially in neighbourhood shopping areas, and changes that could result from a new Wal-Mart. The most significant findings were the extensive outflow of spending from the trade area (particularly from the east side of the city) and that neighbourhood shopping areas generally provide a convenience and service role and do not serve residents' department store merchandise needs.

The consultants conclude that Wal-Mart's major competitors are other large chain stores that sell general merchandise, such as Zellers, Fields, London Drugs, and Canadian Tire. They found that trade area residents' spending in these general merchandise stores warrants, or creates demand for about 84 725 m² (912,000 sq. ft.) of this retail space.

The trade area itself has about 52 210 m^2 (562,000 sq. ft.), so the balance of spending potential, about $189 million annually, is supporting 32 515 m^2 (350,000 sq. ft.) of general merchandise space outside the trade area. Adding the 16 722 m^2 (180,000 sq. ft.) of the Wal-Mart and its ancillary space into the trade area still leaves an excess of retail demand for general merchandise. This surplus retail demand retains the opportunity for growth in neighbourhood shopping areas.

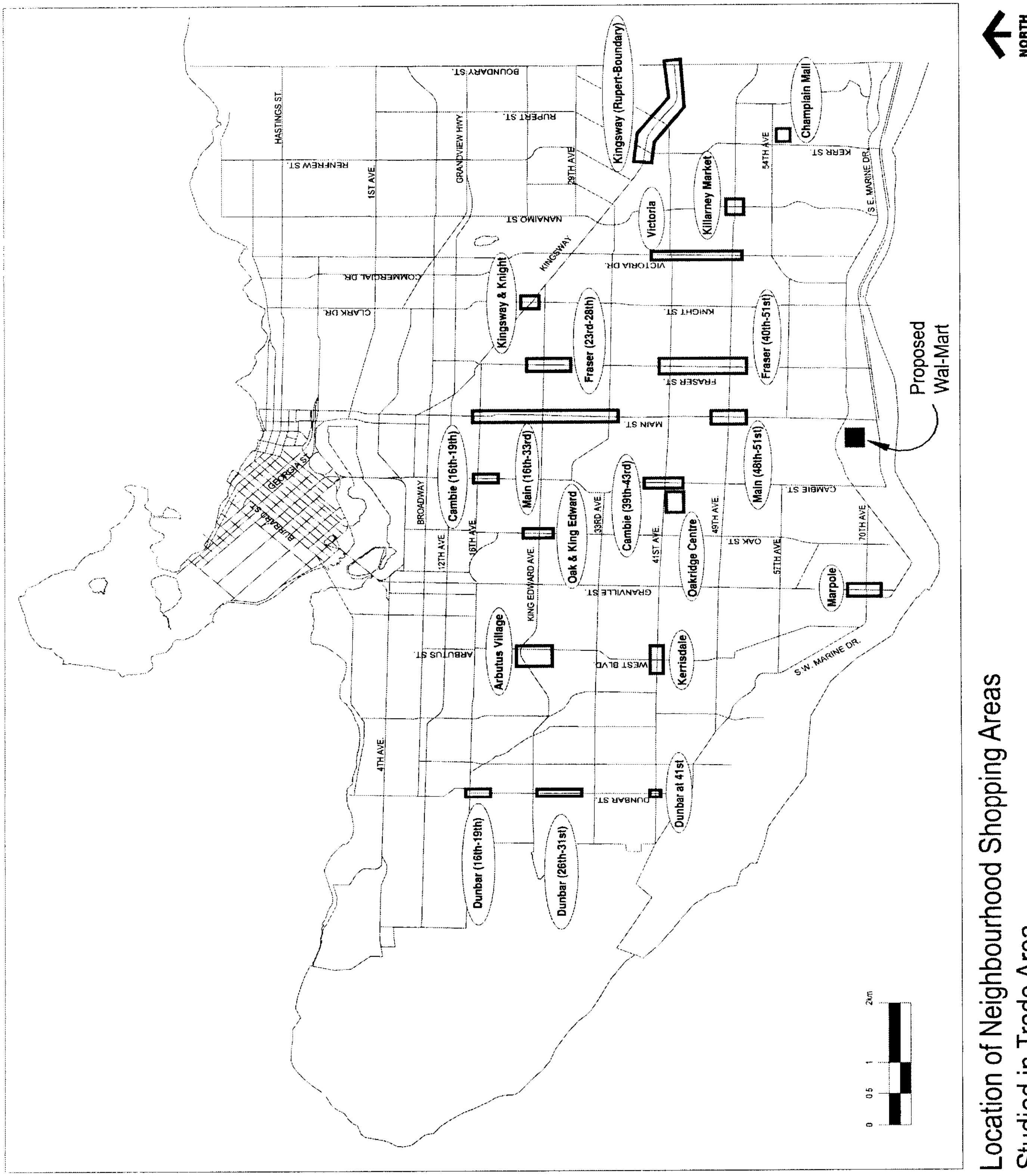
The proposed Wal-Mart and its ancillary space is expected to capture a 6.4% market share of the retail expenditure potential in the trade area. This is about $60 million in annual sales. Half of this market share is expected to be inflow (i.e., drive-by customers from outside the trade area [25%]), and repatriated outflow from beyond the trade area [25%].

The remaining sources of sales transfer to a new Wal-Mart store will come from Oakridge Centre (between 10% and 12.5%), and between 10% and 17.5% from larger stores in the trade area but not in neighbourhood shopping areas (e.g. other London Drugs, Canadian Tires, Superstore etc.). This leaves 20% to 30% of sales that could come from neighbourhood shopping areas including shopping area anchor stores[2] and small stores.

The inventory of neighbourhood shopping areas categorized 2,200 stores in 15 streetfront shopping areas (along Dunbar Street, Main Street, Fraser Street, etc.) and 4 mall-type shopping centres (Arbutus Village, King Edward Mall, Killarney Market and Champlain Mall). (See Figure 3) The inventory shows that neighbourhood shopping areas primarily serve a convenience and service function. About 65% of businesses are food retail, food service or other services which do not compete with Wal-Mart merchandise. Approximately 18% of local stores sell competitive goods, but only 8% sell apparel, which is the largest merchandise category in a Wal-Mart.

[2] An **anchor store** acts as a traffic generator drawing customers to a shopping area. Typical anchor stores include: grocery, pharmacy, hardware, liquor and small department stores.

Figure 3: Neighbourhood Shopping Area



Location of Neighbourhood Shopping Areas
Studied in Trade Area

Each neighbourhood shopping area was assessed on the following criteria:

- proximity to the proposed Wal-Mart;
- economic health as indicated by vacancy and rental rates;
- number and strength of anchor and destination stores (e.g. grocery stores, drugstores, hardware, liquor stores, banks, libraries, popular specialty stores);
- number of anchors and smaller stores competing with Wal-Mart; and
- established role or specialization.

From this assessment, the consultants observed that:

- Most neighbourhood shopping areas are healthy and vibrant with a mix of merchandise and services;

- Service and office uses (e.g. hair salon, travel agency, restaurant, bank, doctor, lawyer) are the major components and perform a key role in neighbourhood shopping areas. They are generally unaffected by Wal-Mart;

- Of the stores in neighbourhood shopping areas that directly compete with Wal-Mart, many sell goods that differ in quality, price or other specialization. Only Fraser Street, Victoria Drive, and Kerrisdale, had enough competitive stores to calculate a measurable retail market share of department store type merchandise;

- Most of the neighbourhood shopping areas have developed special strengths that create a unique and complementary shopping experience, for example ethnic specialties, dining and entertainment, antiques, etc.;

- No anchor stores other than Fields on Fraser Street, are considered to be at risk of closure due to sales impacts. Most anchor tenants are well established in terms of a convenient location, a strong store concept and merchandising, competitive prices, and strong advertising and promotions. Supermarkets are not threatened by a Wal-Mart; and

- Only Fraser Street could be subject to moderate impact, focussed on Fields and other retailers which directly duplicate Wal-Mart's merchandise. Fields could close due to Wal-Mart. There will be some sales transference from other neighbourhood shopping areas but this should not threaten their overall role, function or viability.

Based on this research, the consultants conclude that the impacts of the proposed Wal-Mart development on neighbourhood shopping areas will be minimal, except for Fraser Street where moderate impacts are expected. Their underlying reasons are:

- Large scale chain stores compete primarily with like stores, not small local speciality stores. Stores which would compete directly with the proposed Wal-Mart include Zellers, Real Canadian Superstore, London Drugs, Fields, Canadian Tire, Costco and some basic apparel retailers. They can compete because they are well established in terms of convenient location, a strong store concept and merchandising, competitive prices and strong advertising and promotions;

- There are few general merchandise retailers in south Vancouver, and to a degree the proposed Wal-Mart will act to replace the recently-closed Zellers at Champlain Mall. Neighbourhood shopping areas have a different focus and relatively few tenants which sell the same merchandise as Wal-Mart. In many instances, the small stores serve a specialized market and customer base;

- Neighbourhood shopping areas are convenient and they are often able to offer unique, attractive and competitive retail venues. They are well positioned to serve both families and the fastest growing demographic group, older consumers living in small households, who want convenience, quality and small quantities; and

- The high rate of retail outflow from Vancouver is evident. Wal-Mart would provide local consumers the option of shopping within their own community, rather than driving to Richmond or Burnaby. In addition, the Marine Drive location would allow the development to capture sales from drive-by traffic from beyond the trade area boundaries.

Staff Conclusions/Comments on Retail Study

Application Processing: The retail impact study concludes that the proposed Wal-Mart and ancillary space would have insufficient impact on neighbourhood shopping areas to undermine their primarily service and convenience role by drawing customers away from local stores. The consultants believe that the proposal would not reduce competition or lead to store closures in the trade area except possibly for Fields on Fraser Street. They also conclude that Oakridge Centre would be able to withstand competition because it enjoys strong sales due to the shortage of general merchandise in the trade area. Based on the consultants' conclusions there are no policy reasons to not continue processing the application. Therefore, staff recommend that the Wal-Mart rezoning application continue to be processed in the normal manner.

Fraser Street Mitigation: The Fraser Street south precinct is expected to be moderately impacted by the proposed development, while for all other neighbourhood shopping areas the impact will be minimal. Mitigation measures such as street beautification and a retail strategy for Fraser Street could help off-set the impacts. If Council wants more details about mitigation measures, a recommendation is included which instructs staff to report back as part of the rezoning referral report on a mitigation package for the Fraser Street shopping area. The report back should also identify the extent of mitigation and funding for any proposed measures.

Food Retail. Although the study did not focus on food retail, the consultants found that it plays a very important role in neighbourhood shopping areas and is key to their vitality. Many areas are anchored by grocery stores - there are ten supermarkets in the trade area. Other food retailing such as produce, bakery, deli, and butchers are also important components of neighbourhood shopping areas. While less than 10% of the stores in neighbourhood shopping areas are in food retail, the amount of floor area in supermarkets and other retailers, such as produce stores, far outweigh actual store numbers. Supermarkets in particular are essential to sustain neighbourhood shopping areas because they draw consistent, repeat customer traffic.

The Wal-Mart proposal includes an area for a limited range of food sales (e.g., snack-type convenience food) which the consultants conclude will not impact existing food stores. There are other Wal-Mart stores with large grocery departments and it is conceivable that the proposed Wal-Mart could seek to increase the store's grocery area in the future. Or, other large format grocery stores may consider locating in this area. A grocery store with a full range of products would have a greater impact on the neighbourhood shopping areas. Therefore, staff conclude that food retail is a category of neighbourhood shopping that should be protected and recommend an amendment to the Marine Drive HOR Policies to remove food retail (i.e., grocery store) as a potential retail use. This amendment would not affect the food sales in the proposed Wal-Mart which could be accommodated by limiting the floor area to the area proposed.

General Merchandise Space. The consultants conclude that about 15 793 m^2 (170,000 sq. ft.) of general merchandise demand will remain unmet in the trade area if the Wal-Mart proposal proceeds. They also note that impacts from sales transference will increase as the retail supply increases to meet this demand. Another development at the scale of a Wal-Mart would use up this residual demand and could create impacts. They advise that having demand slightly higher than the supply of retail space will enhance the vitality of neighbourhood shopping areas through higher occupancies and rents, and greater customer traffic.

The consultants' findings raise important questions about limiting competition to retain this surplus as a buffer to protect neighbourhood shopping areas and maintain opportunities for their growth. Staff recommend that following the processing and a decision on the Wal-Mart rezoning application they report back on whether general merchandise should continue to be considered as a possible retail use in rezoning applications in the Marine Drive HOR area. As the Grandview/Boundary HOR area falls within the trade area, staff recommend that the report back include a similar review of this area as well.

Analysis Assumptions: The consultants acknowledge that assumptions must be made in market analysis, that their assumptions are standards in the retail field and that their primary concern has been not to under-estimate potential impacts on neighbourhood shopping areas. They caution that the actual results of the introduction of a Wal-Mart into Vancouver may differ based on future market and competitive factors that are currently unknown. The consultants were unable to see actual financial statements for any local stores, therefore neighbourhood store revenues may be less than estimated. If so, the impacts could be greater. The retail study has been made available to the public, including business owners who will have personal experience that may suggest a different outcome to the study's conclusions. For example, the study estimates business viability based on store income averages. If stores, especially small ones, are more marginal than estimated (earning less than $200/sq. ft.), they may be more at risk. The consultants note that few stores with such low sales volumes sell the same merchandise as Wal-Mart and that retail businesses open and close regularly. However, if Council hears many businesses expressing concern about the assumptions, the option of refusing the application is submitted for Council's consideration.

Public Process: Four public open houses were held in November 2001, where over 400 members of the public spoke with staff and the applicant, viewed presentation material, and provided written comments. Material was available in English, Chinese and Punjabi and staff with Chinese and Punjabi language skill were present. About half completed a survey which showed that over 39% supported the proposal and nearly 53% did not support it.

Principal reasons for support were the convenient location which would allow residents to shop in the city instead of travelling to other municipalities (42%), and affordable shopping (38%). The principal reason for non-support was concern about the impacts on small, local-serving businesses (70%).

About 25% of respondents were concerned about negative impacts on community identity and vitality. Between 5 and 10% felt that there was enough retail so no additional "big box" development was necessary (5%) and the proposal was contrary to CityPlan and Community Visions (10%).

Council members and staff have received additional comments (letters, emails and phone calls) from over 185 members of the public. These comments show 72 % in favour and 28% opposed to the Wal-Mart proposal. Sixty-eight percent supported the proposal because the location would be convenient for city residents and 32% supported the affordable shopping option. The main reason for non-support was concern about the impact on neighbourhood shopping areas (13%).

Results of the full public review will be reported at the conclusion of the second phase, if Council instructs staff to continue processing the application.

CONCLUSION

The first phase of the review of the Wal-Mart rezoning application which included a retail impact study and public consultation has been completed. The study indicates that neighbourhood shopping areas will not be harmed and on that basis, staff recommend that processing of the rezoning application continue. The Fraser Street shopping area would experience moderate impacts, so mitigation measures should be considered.

Because food retail is an important feature of neighbourhood shopping areas that should be protected, staff recommend that this use not be permitted in the Marine Drive HOR area. Staff also recommend a report back on whether restrictions on general merchandise type stores should also be considered.

As the comments and experiences of local businesses may indicate greater impacts than predicted by the retail study, the option of refusing the application is put forward for Council's consideration.

If Council directs staff to continue processing the Wal-Mart rezoning application, the next steps will include analysis of traffic and parking, building design, streetscape, site servicing requirements and environmental considerations. The results of this analysis will be reported to Council for referral to a Public Hearing or refusal of the application.

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DRAFT AMENDMENTS TO HIGHWAY ORIENTED RETAIL REZONING POLICIES AND GUIDELINES: MARINE DRIVE INDUSTRIAL AREA (Recommendation C)

Rezoning Criteria

Amend Section 1.1 to remove retail uses that include the sale of food as a permitted retail use and to require a retail impact study only for retail uses that include the sale of clothing.

RETAIL IMPACT STUDY - PROPOSED WAL-MART AND ANCILLARY SPACE: 86 S.E. MARINE DRIVE, VANCOUVER, BC

(Prepared by Royal Lepage Advisers Inc.)
[Note: Full study available on www.city.vancouver.bc.ca]

EXECUTIVE SUMMARY

Study Purpose

This study assesses the economic impact of a proposed Wal-Mart, of 131,400 sq. ft. and 50,000 sq. ft. of ancillary retail space on a 12.5 acre site at 86 S.E. Marine Drive, near Main Street in Vancouver, BC The study describes the proposed development and the Wal-Mart chain, projects retail demand based on trade area population and average retail spending, details retail supply and competition and determines whether the economic impact of this new retail facility will affect the viability of neighbourhood shopping areas or alter their role and function within the community.

The proposed Wal-Mart's sales, excluding seasonal and unallocated merchandise are projected to be $400 per sq. ft. overall ($500 per sq. ft. of net selling area), or just under $45 million annually. Based on share of floor area, the largest merchandise category is apparel, accounting for approximately one third of total store sales. The 50,000 sq. ft. of ancillary retail is assumed to have the same merchandise mix as Wal-Mart excluding apparel, and sales of $400 per sq. ft. of net floor area, or $16 million annually. The first full year of operation is expected to be 2004, if the rezoning application is approved.

Trade Area Size

The Primary Trade Area includes Vancouver south of 41st Avenue and the Secondary Trade Area includes Vancouver between Broadway and 41st Avenue. Population in 2004 is expected to be 143,735 persons in the primary trade area and 209,383 persons in the secondary trade area for a total of 353,118. This is a large trade area in both size and population.

A License Plate Survey was conducted for the nearby Real Canadian Superstore, selected competitive department stores in Richmond and a Wal-Mart in Burnaby. The findings help verify the size of the trade area and revealed a significant outflow of Vancouver residents' spending to department stores and regional malls in Richmond and Burnaby. As well, because of its Marine Drive location, approximately 25% of Superstore's sales are inflow from customers who live outside Vancouver.

A Consumer Research Survey confirmed the extensive retail outflow from Vancouver and found that in general, neighbourhood shopping areas do not serve residents' department store type merchandise needs.

Neighbourhood Shopping Area Inventory and Assessment

A detailed inventory of neighbourhood shopping areas south of 16th Avenue identified and categorized 2,200 stores in 15 street-oriented commercial districts and 4 neighbourhood shopping centres. In terms of their merchandise mix and role, neighbourhood shopping areas have evolved to be different from malls and the proposed Wal-Mart. The inventory found that 65% of the businesses in neighbourhood shopping areas are food retail, food service and various services which do not compete with the merchandise in a Wal-Mart. About 386 (18%) of the 2,200 stores overlap Wal-Mart merchandise categories. Some of these will compete directly with the proposed Wal-Mart while others are non-competitive because they differ from Wal-Mart in price, ethnic market or other specialization.

Department stores and neighbourhood shopping areas are generally quite distinct, in part due to years of competition which has reduced the number and type of overlapping businesses. Apparel accounts for about one third of Wal-Mart's expected sales but only 8% of all neighbourhood shopping area stores sell apparel. Apart from Oakridge Centre, there are few large format retailers in south Vancouver, particularly in the apparel business. As well, with the recent closure of the 86,000 sq. ft. Zellers department store at Champlain Mall, there is currently less department store floor space in the trade area than in the 1970's.

General Merchandise Supply and Demand

Wal-Mart's primary competitors are other large chain stores that sell general merchandise. Currently, at least 20% of the trade area residents' general merchandise spending is going outside Vancouver and the proposed Wal-Mart would recapture some of this.

Based on established spending patterns in British Columbia, the demand for general merchandise floor space in the trade area exceeds supply. Trade area residents spending in general merchandise stores (department stores, especially Zellers, Fields, London Drugs, and Canadian Tire) warrants, or creates demand for, about 912,000 sq. ft. of general merchandise store floor space. The trade area itself has 562,000 sq. ft. Hence, the balance of spending potential is supporting 350,000 sq. ft. of floor space outside the trade area. Adding the 180,000 sq. ft. of the Wal-Mart and ancillary space into the trade area still leaves an excess of retail demand over supply. This surplus demand should tend to moderate the proposed Wal-Mart's impact on competitive stores as a large share of its sales are expected to come from reduced retail expenditure outflow.

For neighbourhood shopping area small stores that sell merchandise similar to Wal-Mart, the analysis shows there is significant remaining market share in the trade area beyond what these small stores now take. Small stores' share of trade area residents' spending on this type of merchandise is nearly 25% (averaged across all commodities), with the remaining 75% going to Oakridge, large format stores, high-priced or specialty stores and stores outside the trade area. Theoretically if Wal-Mart's market share comes from this residual, small stores won't be impacted. However, if some comes from the small stores' share, there will be impact.

Sources of Wal-Mart's Sales

The proposed Wal-Mart and its ancillary space are expected to capture a 6.4% market share of the general merchandise retail expenditure potential within the trade area. This is about $60 million in annual sales that will be obtained from several sources. Half will come from inflow (i.e., drive-by customers from outside the trade area), and repatriated outflow from beyond the trade area. Based on the license plate survey for the Superstore, inflow sales are expected to account for about 25% of Wal-Mart's sales. Based on the large scale of retail outflow from Vancouver repatriated outflow is also expected to account for approximately 25%.

Low and High impact scenarios were constructed to assess the remaining sources of the sales transference. The scenarios indicate that between 10% and 12.5% will come from Oakridge Centre, and between 10% and 17.5% from larger stores in the trade area but not in neighbourhood shopping areas (e.g. other London Drugs, Canadian Tires, Superstore etc.). This leaves 20% to 30% of the proposed Wal-Mart's sales that could come from neighbourhood shopping areas. Included in this group are shopping area anchors (London Drugs, major chain stores) and small stores. This estimate is intended to ensure that the potential impact is not under-represented.

Sales Impact

In terms of overall impact, most neighbourhood shopping areas, and stores in them that sell merchandise similar to the proposed Wal-Mart, are seen as being minimally affected because: the overlapping stores are, on closer examination, specialized in price, ethnic appeal etc., so as not to directly compete with Wal-Mart; or, the area is distant from the Wal-Mart site; or both. Only Fraser Street between 40th and 51st Avenues would experience a moderate impact because it is close to the proposed Wal-Mart site and has a number of stores selling merchandise similar to Wal-Mart.

Regarding individual stores, the sales transference analysis indicates that the Fields store on Fraser Street may close, but that other neighbourhood shopping area anchors (London Drugs, Shoppers Drug Mart) should withstand the impact. For small stores that overlap Wal-Mart merchandise categories, estimated annual sales transfers per store could range from \$3,660 up to \$133,400 under the high impact scenario. This averages about \$23,500 per store and represents a 4% transference based on assumed sales of \$300 per sq. ft., and 6% if sales are \$200 per sq. ft. The stores with above average transfers are likely to be in the categories of apparel, accessories, shoes, toys and games, automotive parts and accessories, and housewares and small appliances. In some instances, such as apparel there are not a large number of directly competitive small stores and the sales transference would be less than shown.

The proposed Wal-Mart includes a small grocery component and will have annual sales of \$2.4 million compared to the \$729 million in total annual food expenditures by trade area residents. Wal-Mart will not impact food retailers in neighbourhood shopping areas.

Although the high impact scenario could result in some limited closures, particularly the Field's store and those stores which compete directly with Wal-Mart's apparel retail focus, it is highly unlikely that the scale of sales transference would be sufficient to cause any neighbourhood shopping area to operate in a significantly different way, nor would it render an area non-viable.

Future Implications

In terms of the future of neighbourhood shopping areas, the consultant team concludes that the impact attributable to the proposed Wal-Mart would be minimal. Neighbourhood shopping areas will not have a significant role in mainstream, lower priced apparel, accessories and shoes (Wal-Marts main categories), due to the structure of that part of the retail industry. Established neighbourhood shopping areas on arterials have a strong probability for continued success in a complementary role to malls and large format retail.

Conclusions

This study concludes that the impacts of the proposed Wal-Mart on Marine Drive near Main Street on neighbourhood shopping areas will be minimal except for Fraser Street where moderate impacts are expected. The primary reasons are:

1. Large scale chain stores compete primarily with like stores, not small local speciality stores. Store which would compete directly with the proposed Wal-Mart include Zellers, Real Canadian Superstore, London Drugs, Fields, Canadian Tire, Costco and some basic apparel retailers.

2. There are few general merchandise retailers in south Vancouver, and to a degree the proposed Wal-Mart will act to replace the recently-closed Zellers at Champlain Mall. Neighbourhood areas have a different business focus and relatively few tenants which sell the same merchandise as Wal-Mart. In many instances, the small stores serve a specialized market and customer base.

3. Neighbourhood shopping areas are convenient and readily accessible and they are often able to offer unique, attractive and competitive retail venues. They are well positioned to serve both families and the fastest growing demographic group, older consumers living in small households, who want shopping convenience, quality and small quantities.

4. The high rate of retail outflow from Vancouver is evident. A new store like Wal-Mart would provide local consumers the option of shopping within their own community, rather than driving to Richmond or Burnaby. In addition, the busy Marine Drive location would allow the development to capture significant drive-by sales to traffic originating from beyond the trade area boundaries.

The analysis was done in a pragmatic and conservative manner to ensure that the potential impact of the proposed Wal-Mart was not under-represented. Assumptions and figures could be changed by a significant margin and the findings of a low to moderate impact would still stand. The most surprising finding is that retail demand has grown steadily in this urban market place yet there has been little new retail supply, particularly in the apparel categories. With the closure of the Zellers store at Champlain Mall there is now less department store space in the trade area (and Vancouver itself) than in the 1970's.

The consultant team cautions that their conclusions regarding the continuation of past population trends and consumption patterns cover the short to medium term. In the longer term, it is important to understand that the market could be directly influenced by changes to the population profile and its consumption behaviour.

RETAIL IMPACT STUDY - PROPOSAL SUBMISSION REQUIREMENTS AND TERMS OF REFERENCE

HIGHWAY ORIENTED RETAIL - RETAIL IMPACT ANALYSIS PROPOSAL SUBMISSION REQUIREMENTS

1. CONFIRMATION OF THE PROJECT TEAM AND CONSULTANT EXPERTISE

Expertise in retail impact analysis and the Vancouver market is required. The submission should include names of individuals and firms who will make up the consultant team with resumes and related experience. The submission should indicate who will be responsible for each part of the project and the amount of their time allocation.

2. PROPOSAL CONTENTS

The consultant is to undertake a retail impact study for the proposed HOR use at 86 S.E. Marine Drive as described in the attached Terms of Reference. The proposal should describe how the work will be done and include estimated timelines and hourly chargeout rates for team members, and estimated total fee. The total fee will be one factor in assessment of proposals, but not the deciding one. Both fees and time lines may be adjusted in consultation with the selected team.

3. QUESTIONS

Any questions for clarification of the Terms of Reference should be directed to Pat Wotherspoon, Assistant Director of City Plans, or Branca Verde, Planning Analyst, by 4:00 p.m., Friday, November 16, 2001. Answers will be distributed by FAX on Wednesday, November 21, 2001 to all firms who receive this proposal call.

4. PROPOSAL SUBMISSION DEADLINE

Proposals must be submitted in triplicate by 4:00 p.m. on Friday, November 23, 2001, to:

Branca Verde, Planning Analyst,
East Wing, 2675 Yukon Street
Vancouver, BC V5Y 3P9

5. PROPOSAL REVIEW AND SELECTION

Proposals will be reviewed by staff and a shortlist of consultants will be selected for interview. Once the selection has been made, staff will meet with the consultant to determine the project timeline and fee, refine the Terms of Reference and finalize the consultant contract.

6. GENERAL INFORMATION

The City reserves the right to reject any and all proposals at any time without further explanation. The successful team will need to meet the standard requirements for consultants hired by the City. The City will not be responsible for any costs incurred by firms or individuals as a result of submitting a proposal.

TERMS OF REFERENCE FOR RETAIL IMPACT ANALYSIS

PURPOSE

The purpose of the study is to analyse and assess the impact of a proposed development containing a Wal-Mart and other retail space at 86 S. E. Marine Drive on existing and future retailing in neighbourhood on-street shopping areas and shopping centres. The study will determine whether the existing neighbourhood retail areas will remain economically viable and fulfill their role in their communities.

BACKGROUND

Rezoning Policy in Marine Drive HOR Area

In May, 2001, City Council adopted policies and guidelines to guide rezonings for HOR along Marine Drive between Yukon and Main Streets. Council directed that any application including food or clothing retail have a retail impact analysis.

Policy Background: Retail in Vancouver

Since the early 1970's, Vancouver's zoning, guidelines and policies have favoured street-oriented retail and service in both the Downtown and outlying neighbourhoods. In the early 1970's Vancouver had relatively few shopping centres (Oakridge, Arbutus Village, Pacific

Centre, Champlain Mall), and Council's subsequent decisions have permitted few new ones (mainly downtown) and limited expansion of existing ones.

In the late 80's new retail forms such as grocery and home improvement superstores, warehouse/wholesale "clubs", and other "big box" stores began to appear in industrial areas along Grandview Highway and Marine Drive. There were also major regional mall expansions in Burnaby and Richmond. The most notable effect on Vancouver's retail structure was the closure of a number of supermarkets that anchored local shopping areas, and the remixing and redevelopment of Champlain Mall.

In general, however, while Vancouver's on-street shopping and shopping centres have seen their retail mixes and tenancies evolve, most remained economically viable and have fulfilled their role in their neighbourhoods.

CityPlan, adopted in 1995, supported focussing retail activity in neighbourhood centres, usually in existing on-street shopping areas. The four subsequent Community Visions (Dunbar, Kensington-Cedar Cottage, Sunset, and Victoria-Fraserview/Killarney) have also endorsed directions to strengthen and improve local shopping areas, and to avoid "big box" or shopping malls that would detract from their viability.

These retail policy directions, combined with the Industrial Lands Policies developed in the mid-90's, led to Council policy to limit consideration of further rezonings to defined areas of Grandview Highway and Marine Drive. Because of the desire that HOR not negatively affect the viability of neighbourhood shopping areas or shopping centres, proposals involving food and/or clothing retail require a retail impact analysis.

STUDY SCOPE

The following scope may be revised in discussion with the consultants, depending on feasibility, data availability, cost, and methodological suggestions the consultants may have.

A. General Requirements

1. The study should assess the full development proposed, i.e., Wal-Mart and other proposed retail space. For simplicity, the term Wal-Mart is used throughout these Terms of Reference.

2. The study should look at the full range of merchandise categories being proposed.

3. Appropriate sensitivity analysis should be built into all aspects of the study, to deal with the range of uncertainties about the future.

   Local shopping areas and shopping centres on which impacts should be considered include the following areas, all located south of 16th Avenue. The list may be modified, depending on merchandise mix proposed, trade areas and other factors.

   - Dunbar Street (W. 16th to W. 19th, W. 26th to W. 30th, W. 39th/W. 41st/Collingwood)
   - Kerrisdale (W. 41st Larch to Maple; West/East Blvds: W. 37th to W. 49th)
   - Marpole (Granville Street: W. 63rd to W. 71st)
   - Oak & King Edward (Oak Street: W. 21st to King Edward, and King Edward shopping centre)
   - Cambie Street (W. 16th to W. 19th)
   - Oakridge Shopping Centre (W. 41st & Cambie)
   - "Punjabi Market" (Main Street: W. 48th to 51st)
   - Fraser/King Edward (Fraser Street: E. 23rd to E. 28th)
   - Fraser "South Hill" (Fraser Street: E. 41st to E. 51st)
   - Kingsway & Knight (Kingsway: Dumfries to Perry)
   - Victoria Drive (E. 33rd to E. 43rd and E. 47th to E. 51st)
   - "Collingwood" (Kingsway: Rupert to Boundary)
   - Killarney Centre (E. 49th & Clarendon)
   - Champlain Mall (E. 54th & Kerr)

B. Research and Analysis

1. What are the trade areas, sales, and market penetration for existing comparable Wal-Marts*, and what would they likely be in this case?

   For existing Wal-Marts, estimate:

   - the trade areas (primary, secondary, tertiary) of Wal-Mart; include portions of Burnaby and Richmond as appropriate;

- the sales per sq. ft. of Wal-Mart, by merchandise category if possible;
- market penetration (% of expenditure) of Wal-Mart, by trade area; and
- competitive advantages (pricing, bulk purchasing, selection, etc.) between Wal-Mart and a typical shopping area.

**For comparable Wal-Marts, we mean compare in terms of the following:*

- overall size of retail space (approx. 130,000 sq. ft.);
- types of retail and floor space allotment (i.e., compare existing Wal-Marts that have similar merchandise categories and floor space allotted as determined in section A.1. and A.2. of the Terms of Reference);
- urban rather than rural settings;
- Canadian rather than foreign context; and
- if possible, stand alone rather than shopping mall context.

2. What are the existing and future retail expenditures of population in the trade areas, and how much floor space would this support?

   Estimate:

   - current population in the trade areas, and projected future population in 2011 and 2021;
   - current per capita expenditure by goods categories, and projected future expenditure in 2011 and 2021;
   - current expenditure in the trade areas, and amount outside ("leakage"); and present retail trends and changes and discontinuities.

3. What is the profile of the existing retail: aggregate within the trade areas, and by specific location (if possible)?

   Existing retail areas to be considered include all on-street local shopping areas and shopping centres within the trade areas. (Show them on a map).

   Estimate, by the relevant merchandise categories if possible:

   - existing floor space in relevant categories;
   - current sales (or expenditures);

- current economic health of the areas, and how this might modify how much floor space should be considered to be in effective operation; and
- additional profile types of stores, if possible.

4. Collect any available, credible post-occupancy research on retail impact of Wal-Marts constructed elsewhere.

5. Determine the proposed network of Wal-Mart stores in Vancouver and adjacent municipalities (Richmond, Burnaby and North Shore).

C. Impact Assessment

Based on the above, predict and assess the impact of the proposed Wal-Mart on the current stability of the existing neighbourhood on-street shopping areas and shopping centres to continue to fulfill their role in their neighbourhood as well as impact on their future growth and enhancement potential.

The assessment should include both quantitative and qualitative research and conclusions and should differentiate between them. For example: comparison of Wal-Mart sales with current and projected retail expenditures in trade areas and in specific shopping areas; comparison of floor space addition in proposed Wal-Mart with existing and future floor space in trade areas and specific shopping areas; comments on whether timing of introduction of Wal-Mart, relative to economic expansion/recession, could affect impacts.

Meetings

The consultant should anticipate meetings with City staff at regular intervals during the study, including startup, progress review, and at the draft report stage.

The consultant should also anticipate participation at up to 3 afternoon or evening public and/or City Council meetings. Please itemize separately your estimate of the cost per meeting should additional meetings be required (i.e., consultant charge rate).

Data

The City will provide information on existing zoning. Obtaining other needed data (existing floor space, retail expenditures etc.) will be the responsibility of the consultant.

Products

The products should be a draft retail impact report, to be reviewed in consultation with City staff, a final retail impact report containing explanatory maps and graphics (some of which may be used for public display purposes) and an executive summary report. The final report and the executive summary report should be provided in hard copy format (3 bound copies and one unbound copy suitable for reproduction - one-sided, 8½ x 11 inch format) and in electronic format. The final report should correspond to the sections described above.

GROUPS INVITED TO DISCUSS RETAIL IMPACT STUDY (JANUARY/FEBRUARY 2002)

Merchant Groups and Business Improvement Associations (BIA's)

Collingwood BIA
Dunbar Business Association
Fraser Street BIA
Kerrisdale BIA
Marpole BIA
Punjabi Market Association
Victoria Drive Business Association
Cambridge Shopping Centres (Oakridge)

Resident and Community Groups

Dunbar Residents Association
Kensington Community Association
Kensington Cedar Cottage (KCC) CityPlan Committee
Champlain Heights Community Association
Killarney Community Centre Society
Victoria Fraserview Killarney (VFK) Liaison Committee
Marpole Oakridge Area Council Society
Sunset Community Association

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