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Hilda Blanco, University of Southern California

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**16. Abstract**
California, like most of the country, was facing a transformation in retail before the COVID-19 epidemic. Increasing Internet shopping have ushered the closing of anchor stores, such as Macy's, Sears, as well as the closure of many regional shopping malls, which have sizable footprints, ranging from 40-100+ acres. The epidemic has accelerated these trends. This offers opportunities for the redevelopment of failing malls to address pressing needs in California, the need for housing, , and for efficient transit provision for such redevelopments. This research is focused on how mall conversions can be planned and implemented in a sustainable way. The research uses a national commercial database, and available literature, to first identify a set of distressed shopping malls (10) in the four largest metropolitan areas in the state as potential sites for redevelopment, some with current plans for redevelopment and others without such plans. It then develops profiles of the 10 malls that include: size, land uses permitted, history; relevant characteristics of the city (e.g., percentage of owner-occupied housing; median income, affordable housing needs), as well as brief descriptions of the mall owner, transit access, and environmental vulnerabilities. From a review of the relevant literature on sustainable redevelopment, and taking into account the California context, the project developed sustainability criteria for assessing shopping mall redevelopment plans in the state, and applied the criteria to four cases with active redevelopment plans. A major finding is the potential that mall redevelopment plans have to meet the major social sustainability criterion—the construction of affordable housing. Comparing the affordable housing target for the city to the number of housing units planned, the study estimates the percentage of the city's affordable housing target the city can reach with different mixes of affordable vs. market-rate housing units in the project.

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## Disclaimer



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NCST

# Failing Malls: Optimizing Opportunities for Housing

A National Center for Sustainable Transportation Research Report

June 2021

**Hilda Blanco,** Ph.D., METRANS Transportation Consortium, University of Southern California

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# Failing Malls: Optimizing Opportunities for Housing

## EXECUTIVE SUMMARY

California, like most of the country, was facing a transformation in retail before the COVID-19 epidemic (Blanco and Wikstrom 2018). Increasing e-commerce, especially the growth of Amazon, and the increase in same day delivery, have ushered the closing of anchor stores, such as Macy's, Sears, JC Penney's, as well as the closure of many regional shopping malls, which have sizable footprints, ranging from 40-100+ acres. The epidemic has accelerated these trends. However, these trends also offer opportunities for the redevelopment of failing malls to address pressing needs in California, the need for housing, particularly, affordable housing, and efficient transit provision for such redevelopments. The housing shortage has reached a crisis stage in California, with a housing deficit estimated at 3.5 million housing units (Woetzel et al. 2016).

To gauge the potential for transforming malls into mixed-use centers with housing, especially affordable housing, this research followed these steps:

1. It used a national commercial database and available literature to identify a set of distressed shopping malls ten in the four largest metropolitan areas in the state as potential sites for redevelopment. Among these, it selected some sites that have redevelopment potential and some sites that already have redevelopment plans initiated by the owners (Chapter 2);
2. It developed case studies of the malls selected to include the following:
    a. Location and aerial footprint;
    b. Land uses, zoning, specific plans, surrounding uses;
    c. History;
    d. Plans for redevelopment;
    e. Mall owner;
    f. Selected demographic information for the locality;
    g. Housing needs in the locality determined by state-required Regional Housing Needs Assessment (RHNA) and the extent to which the locality has met its latest allocation of affordable housing;
    h. Affordable housing incentives provided by the locality;
    i. Brief redevelopment calculations to identify potential housing units;
    j. Existing transit serving the site;
    k. CalEnviroScreen results for the census tract in which the mall is located;
    l. Several photographs of the shopping mall. (Chapter 3-12)
3. The study briefly discusses several issues related to the sustainability of such redevelopment projects recurring in the case studies, including:
    a. Potential of mall redevelopments to address affordable housing shortages;

b. Environmental issues raised by the proximity to major highways of most major malls;
c. Community involvement processes in the redevelopment of malls;
d. Changes in transportation demand from the sizable addition of residential and office populations. (Chapter 13)

4. The study conducted a selective review of literature on sustainability criteria focused on redevelopment, and more directly on the redevelopment of shopping malls, to guide in the identification of a set of sustainability criteria to identify key issues in the redevelopment of shopping malls in the California context of a crisis in affordable housing. Given California's affordable housing crisis, the primary sustainability criterion in evaluating such redevelopment projects is social sustainability. Two social factors for evaluating the sustainability of such redevelopments are proposed: the amount of affordable housing that the redevelopment will generate compared to the local government's affordable housing targets set under RHNA; and the extent and quality of local participation in the redevelopment process. Economic sustainability factors include the costs to local government of extending residential serving infrastructure, such as water or sewers and the means available for local governments to finance such extensions (primarily through impact fees). Environmental sustainability factors include addressing air pollution and other environmental indicators that CalEnviroScreen identifies, as well as ensuring adequate transit to serve the new residential population in redeveloped malls. The criteria selected are discussed and applied to the case studies with active redevelopment plans. (Chapter 14)
5. The study includes a chapter briefly describing several recent and proposed programs and changes in legislation that can be used to incentivize residential use on commercially zoned land. Recent state legislation and legislation proposed during the current legislative session (2020-2021) with this aim, in effect, proposes to permit "as of right" residential uses in commercially zoned land, as well as to remove the requirement of the environmental review for such redevelopments. (Chapter 15)
6. The conclusion briefly reviews the major findings of the report. It concludes with a cautionary note that although "not in my back yardism" (NIMBYism) is a real threat to the construction of affordable housing, curtailing community participation, in the planning for redevelopment that increases the housing supply, is likely to result in more effective push-back. (Chapter 16)

# 1. Introduction

To assess the potential for the mixed-use redevelopment of distressed malls in California, this study developed ten case studies of distressed malls. Chapter 2 discusses the methods used to identify the set of distressed malls in the study, as well as the issues addressed in the case studies. Ten distressed malls are then profiled in chapters 3-12. In five of the cases, the owner has initiated a redevelopment plan, and the other cases have no current redevelopment plans. The case studies provide important insights on the issues that could hinder or facilitate such redevelopments.

The study also reviewed the literature on sustainable redevelopment, and based on the review, developed several environmental, social, and economic criteria to identify significant issues in the redevelopment of failing malls (Chapter 13). The issues raised may need to be addressed by state and local governments to ensure the successful redevelopment of failing shopping malls to meet the housing needs in the state. In Chapter 14, the study identifies several existing programs and incentives at the state level that can address some of these issues and that could be useful to local governments and shopping mall owners in their efforts to redevelop local malls that can incorporate housing developments. Chapter 15 summarizes the major findings.

Before the COVID-19 pandemic, the topic of failing shopping malls and their redevelopment opportunities had already gained national attention. It even became a topic in the presidential campaign of Andrew Yang, who pledged that, if elected, he would introduce a bill (the American Mall Act) calling for $6B to help struggling and failing malls find new uses (Yang, 2020). The COVID-19 pandemic, and its effect on shopping malls throughout the country, have made the subject of this study more relevant. Industry experts have been increasingly recognizing the economic decline of shopping malls (Ngo et al. 8/27/2020; Harmon and Zim 8/1/2020).

There is also increasing interest and research on the potential conversion of shopping malls to address housing shortages, especially in California, where estimates of housing shortages range from 2.5 to 3.5 million (Woetzel et al. 2016; Sisson 2021). In particular, Garcia and Romem (2020) at the Terner Center for Housing Innovation, UC Berkeley recently published their research on “Residential Redevelopment of Commercially Zoned Land in California”, which maps and estimates the opportunities for housing redevelopment of commercial strips in more urban areas, former big box stores, and vacant land in ex-urban landscapes reserved for future development. Of direct relevance to the California case, during this current legislative session, is a trio of bills have been introduced focusing on the potential for underutilized or abandoned commercial property to address the state’s housing needs. One of the bills focuses on incentives for vacant big box stores to convert to workforce housing (Portantino, AB 15). The other two, Senate Bill (SB) 6-Caballero: The Neighborhood Homes Act and AB 115-Bloom, the accompanying bill to SB 6 in the Legislature would change the Government Code to allow residential uses in commercial zones. These proposed legislations aim at and make explicit the inclusion of affordable housing units in the redevelopment of shopping malls.

## 2. Identifying Distressed Malls in California's Four Largest Metro Areas

The research team used the Directory of Major Shopping Centers database (2020), as well as newspaper and real estate information sources available on the web to identify distressed malls in the four largest metropolitan areas in California.

We used several criteria to identify malls for case studies. The criteria used in the research included the following:

1. ***Size of malls***, focused on Regional and Super-Regional Malls, as classified by the International Council of Shopping Centers, either regional (40-100 acres) or super-regional malls (60-120 acres);
2. Location in ***four major* metropolitan areas** in California: Los Angeles-Long Beach-Anaheim; San Jose-San Francisco-Oakland; San Diego-Chula Vista-Carlsbad; Sacramento-Roseville-Folsom.
3. ***B or C quality malls***. In 2019, in A quality mall (Wathen 2020), non-anchor stores averaged over $500 in sales per square foot; in B quality malls, non-anchor stores average between $300 and $500 in sales per square foot; and in C quality malls non-anchor stores average below $300 per square foot. According to industry experts, B and C quality malls will likely shrink or close, especially class C malls. Experts, such as Credit Suisse (2018) and Cushman and Wakefield (2018), indicate that some mall locations provide opportunities for alternative uses, including mixed-use projects (See also, Blanco and Wickstrom 2018).

We reviewed information in the Directory of Major Malls on the 137 regional or super-regional malls in the four metropolitan areas identified above. Although not all malls reported information on non-anchor sales per square feet (excluding anchors), only 12/137 or 8.8 % reported non-anchor sales over $500, which classifies them as A malls. 37/137 or 27% reported non-anchor sales between $300-500 per square foot and can be classified as B malls. The rest (88 of 137 malls) or 64% of the malls either reported sales below $300 per square foot (only 5 malls reported actual sales below $300) or did not report on this (83 malls), and thus, we assumed their sales were below $300. However, since this assumption may be wrong and given the sensitive nature of this information, we have not included these lists in the report.

We ruled out A quality malls, which narrowed the number of malls to 125. We focused on B and C malls, mostly C malls.

4. ***Vacant anchor stores*** or ***2 vulnerable anchor stores***, that is anchor stores such as Sears, J.C. Penney, Macy's, that were undergoing bankruptcies or restructuring during the course of the study and closing many branches. We identified several malls with either closed anchor stores or with vulnerable anchors in the four metropolitan areas with potential for redevelopment. We searched the web for information, especially from local newspapers, on malls in the four metropolitan areas.

## Identifying Distressed Malls

Based on the criteria above and the research conducted, we identified several distressed malls with redevelopment potential in the four major metropolitan areas in the state, as well as cases where the owner/developer has initiated redevelopment, and prepared case studies.

### *Distressed Malls with Redevelopment Potential*

*This study focuses on two types of distressed malls with redevelopment potential—where owners have initiated redevelopment, and malls where no action by owners has taken place, but with potential for redevelopment.*

A major goal of this research is to find out the redevelopment potential for housing in failing malls. The main way to approach this is by identifying failing malls and through some credible calculation identify a range of feasible housing redevelopment in such properties. Such calculations can be more, or less, simplistic, taking into account primarily the total acreage of the mall, the amount of land in that acreage that would need to be dedicated to streets and open space, and applying multipliers for different housing configurations to yield housing units generated by such redevelopment. This is the process used in this study, developed by Bob Bengford (2017), and discussed in a section below, to assess the potential for housing redevelopment in failing shopping malls that have initiated a redevelopment process, as well as for those shopping malls that have not initiated such a process thus far.

The case studies for both types of cases include:

A) Brief descriptions of the mall uses and acreage, as well as land-use regulations covering the site, including brief accounts of any changes in ownership, or regulations; as well as any current redevelopment plans, and their status;

B) Mall ownership;

C) Selected demographics for the surrounding area;

D) Local Housing Needs Allocation Assessments. California, since 1969, requires local governments to plan adequately for the housing needs in their communities through the housing elements of their general plans. The housing planning process in the state is complex, involving the state's planning office (California Office of Planning and Research, OPR), the California Department of Housing and Community Development (HCD), and regional Councils of Government (COGs). Local jurisdictions update their housing elements every five years, and submit their draft housing plans to both OPR and HCD for review and approval. HCD, in consultation with each COG, determines the regional housing needs assessment (RHNA) by four income levels, i.e., very low-income, low-income, moderate-income, and above-moderate income for each region's COG. Regional COGs then allocate the housing needs for their region among all the jurisdictions within their region through their Regional Housing Needs Allocation Plan (RHNA). Through this process, each local government is assigned a proportionate share of the region's housing needs. Each local jurisdiction is required to prepare an annual progress report (APR) on their status and progress in implementing its housing element to CA HCD and OPR by April of each year. HCD provides access to these local progress reports through an open data dashboard (CA HCD 2021);

E) Redevelopment Sketches to generate potentials for new housing units under two mixed-use redevelopment scenarios for the site, with two different density assumptions;

F) Current transit access to the sites;

G) Brief environmental profiles of the census tract in which the mall is located are based on CalEnviroScreen scores. CalEnviroScreen is a tool that the state of California's Office of Environmental and Health Hazard Assessment (OEHHA) in California's Environmental Protection Agency (CalEPA) developed (2017). The tool ranks each California census tract (about 8,000 tracts) in terms of overall vulnerability to specific environmental harms as well as characteristics of the populations living in the census tracts that are associated with heightened vulnerability to such environmental harms, such as the percentage of people with asthma, or cardiovascular disease, as well as socio-economic indicators, such as poverty. Each of these indicators is calculated for each of the census tracts. These two major categories, environmental harms and socio-economic indicators associated with greater susceptibility to such environmental harms are then aggregated into overall scores for pollution burden and population characteristics. These two scores, in turn, are combined to provide an overall score for each census tract in the state.

Aerials of the shopping malls, as well as photos, retrieved from Google Earth, are also included in the case studies.

**Table 2.1. List of Case Study Malls, by Region, and Status of Redevelopment**

| | |
|---|---|
| ***Los Angeles Metro Region*** | |
| MainPlace Mall | Redevelopment Plan Underway, Owner-Initiated |
| Village at Laguna Hills | Redevelopment Plan Underway, Owner-Initiated |
| ***San Diego Metro Region*** | |
| Parkway Plaza | No Plans for Redevelopment |
| Shoppes at Carlsbad | Past Efforts (Owner-Initiated), No Current Plans |
| Chula Vista Center | No Plans for Redevelopment |
| ***Bay Area Metro Region*** | |
| Southland Mall | No Plans for Redevelopment |
| Northgate Mall | Announced Plans for Redevelopment (3/2021) but no documents available at time of publication |
| Vallco Mall | Owner-Initiated, Current Redevelopment with Community Opposition |
| ***Sacramento Metro Region*** | |
| Sunrise Mall | Owners and City Partnership |
| Arden Fair Mall | No Plans for Redevelopment |

## Redevelopment Scenarios

To develop rough redevelopment scenarios for the case study malls, we used a methodology outlined by Bob Bengford (2017), which provides guidelines for calculating housing units per net or gross density. We used net density calculations at 50% of a mall's acreage, thus, providing for rights of way and open spaces. For example, according to Bengford's guidelines, a shopping mall with an 80-acre footprint could be redeveloped, reserving 40 acres for rights-of-way and open spaces, from 59 dwelling units per acre in a blend of 4 story buildings with ground-level retail, townhomes, and surface parking to yield 2,360 dwelling units. The same 40 acres can be redeveloped with 6-story mixed-used buildings over retail, and with underground parking to yield 6,480 dwelling units.

These are rough development calculations, given that the owner/developer is likely to retain some commercial activities/buildings already on the site and to prefer surface parking, while Bengford scenarios are based on the total redevelopment of a site (although the 4-story building scenario incorporates surface parking). However, by calculating net densities, assuming 50% of the site is set aside for rights of way and open spaces, the scenarios provide a guide to the potential redevelopment of a site.

# 3. Case Study in the Los Angeles Metro Region: MainPlace Mall

## MainPlace Mall (Santa Ana) – Current/recent case, owner-initiated redevelopment

2800 N. Main St, Santa Ana, CA 92705

**Owner:** Centennial Real Estate

**Characteristics (Land Use, Size, Current Status or Plans):**

- General commercial (C-2)
- Surrounding Zoning: North: single family & office uses; South: Corner & professional office zoning (SD-65); East: mixed-use zoning (SD-59), commercial & multifamily uses, West: single family
- General Plan Designation: District Center (DC).

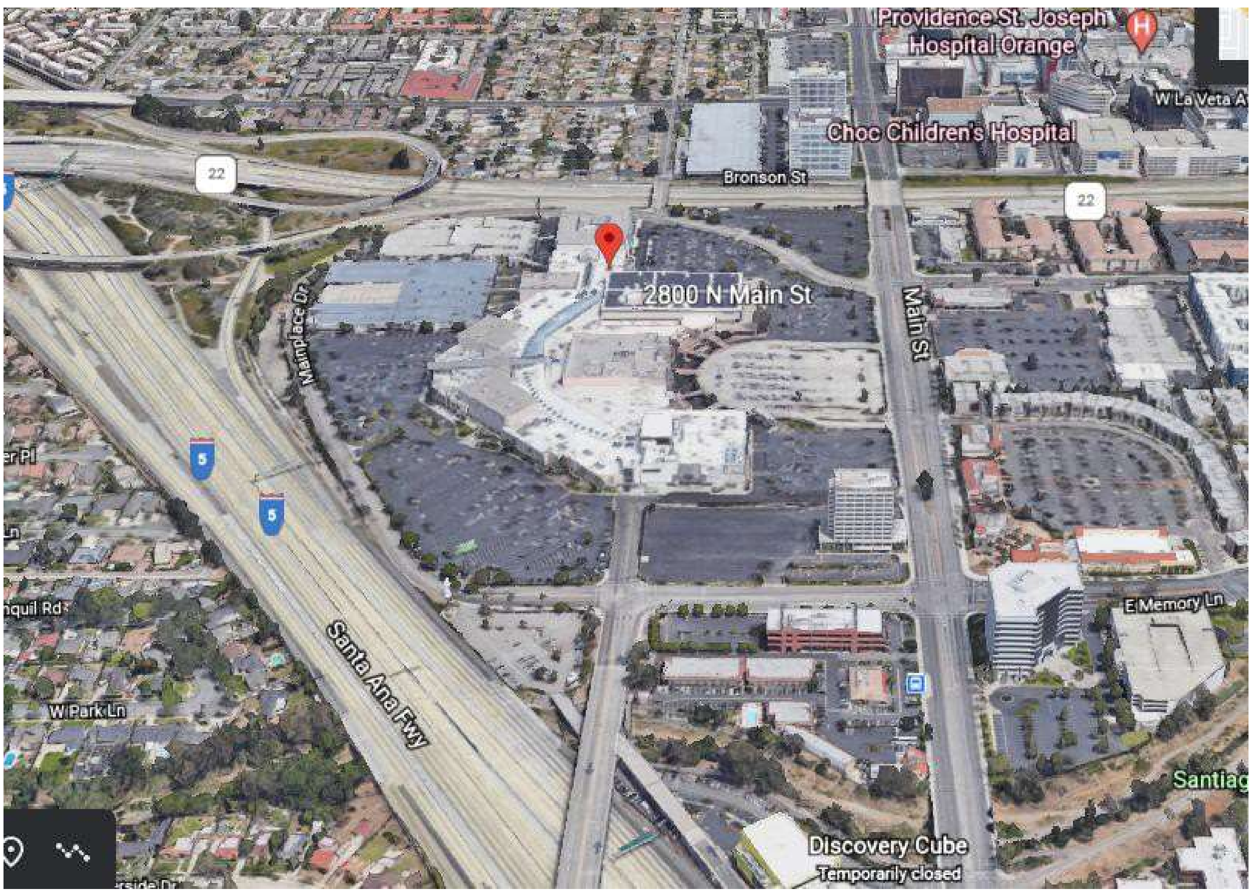


**Figure 3.1. Aerial of Main Place Mall Facing North (Google Earth, 3/16/2021)**

The MainPlace Mall is a 49-acre property located in Santa Ana, California. Approximately 20 acres of the lot are dedicated to parking. As can be seen from the aerial in Figure 3.1, the mall is surrounded by suburban developments, several institutional uses, and some office developments. MainPlace Mall has evolved over several decades since it first opened in 1987, from the original open-air Fashion Square shopping center to the present enclosed mall of approximately 1,130,000 square feet of commercial uses (Kimley-Horn, 2019). See Figure 3.2.

In January of 2019, Centennial Real Estate initiated a redevelopment plan for the mall. The Plan was approved by the City Council in June 2019. This plan will modify the entitlements to allow more flexibility in the further development of the site, reducing the allowed office and retail uses and add up to 1,900 residential units. Future development plans focus on Centennial's vision to transform MainPlace into an economic and social hub reflective of its community. The expected construction was to start in 2020.

Some of the major features of this plan include turning the front parking plaza and vacant Nordstrom store into an emporium and building a Kidzania—a privately held international chain of indoor family entertainment centers. The former Nordstrom was opened in 1987 and closed in March 2017 (Sterken, 2017).

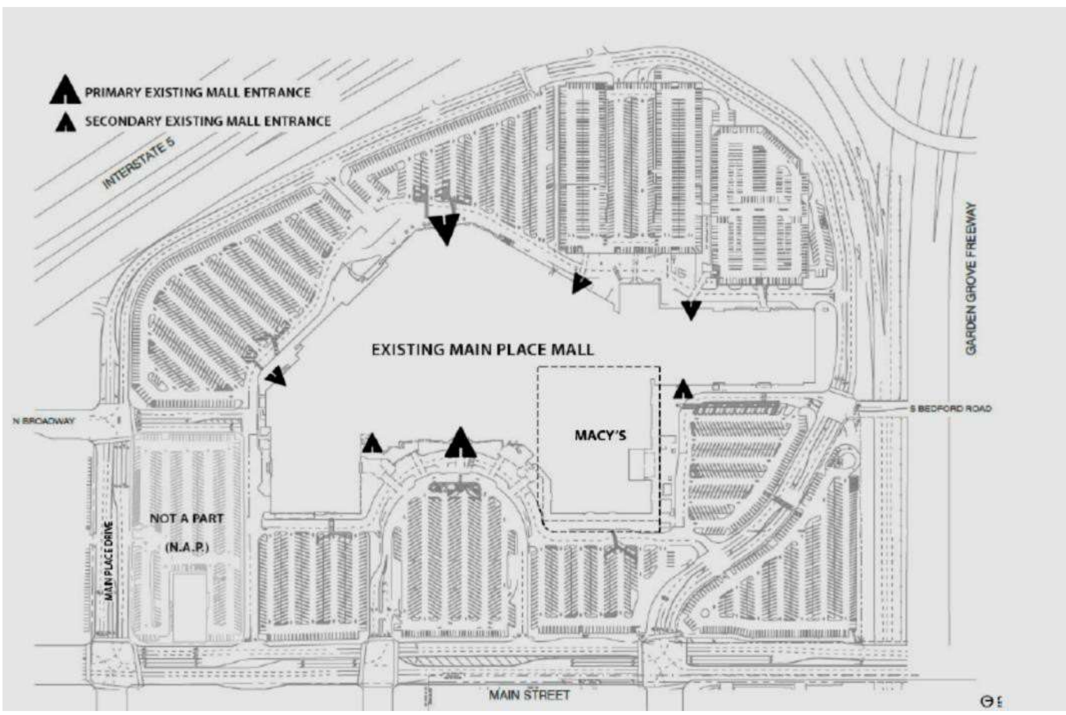


**Figure 3.2. Existing Mall, Uses and Parking (Kimley-Horn (2019, 1-4)**

According to the Specific Plan, the land use program will create a mixed-use project with a modern look and feel, depicted in Figure 3.3 below. Some of the main components of the plan include 1,900 apartments, 750,000 square feet of office space, up to 400 hotel rooms and a village green designed to accommodate a variety of open space and programming uses, as well as an expansion of the retail uses (The Real Deal, 2019). The site plan retains a commercial core (deeper color in Land Use Plan below) and the lighter parcels are designated as Urban Village—residential and mixed uses.

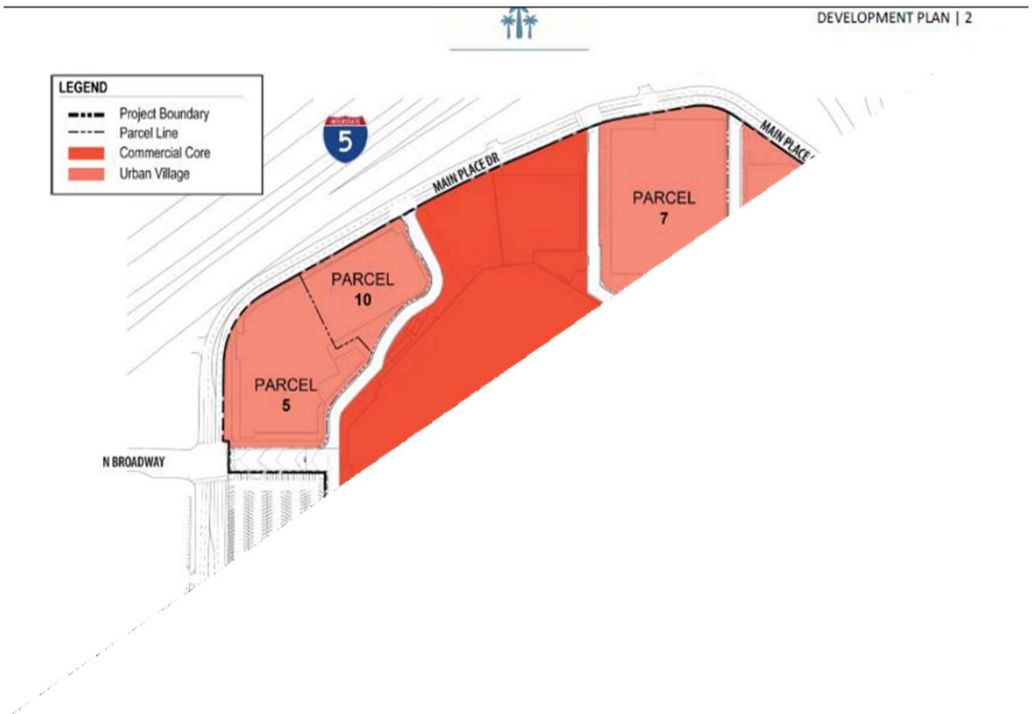


**Figure 3.3. Land Use Plan for the Redevelopment of MainPlace Mall (Kimley-Horn, 2-11**

## Property Owner

Centennial Real Estate was established in 1997 by Steven Levin. According to the company's website, the company's initial focus was "investment, development, and management of neighborhood centers". This mission has grown after the company began acquiring enclosed malls in the early 2000s, and they now transform regional shopping centers (Heritage - Centennial Real Estate). The company is headquartered in Dallas, Texas and currently lists 10 shopping malls in its portfolio.

MainPlace mall is Centennial's only enclosed mall in California. Centennial has introduced a sustainability program called "SEE" – Sustainability, Efficiency, Environment. According to their website, on a case-by-case basis, Centennial forms strategic partnerships, optimizes the use of building maintenance systems, uses non-toxic materials, and promotes environmentally-friendly transportation options. The initiative undertaken at MainPlace Mall centers on composting. Food waste from select restaurants is collected and turned into biofuel. The biofuel powers a waste management facility in Carson. Seventeen tons of food waste were composted in 2017 (See Centennial website).

## Selected Demographics for Santa Ana, California

According to the U.S. Census Bureau (2021), during the period 2015-2019, Santa Ana had an owner-occupied housing rate of 46.1%; a median annual household income of $66,145, and a per capita annual income of $20,867. Its poverty rate was 15.70%. This can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021) Compared to the state of California's average owner-occupied housing rate, Santa Ana's rate was 8.7% lower; its average household income was $9,090 lower, and its per capita annual income was over $16,000 lower. Its poverty rate was almost 4% higher than the state's overall rate.

## Housing Needs in Santa Ana

Santa Ana was one of the few cities in California that exceeded its housing permit goals under the fifth cycle of the state's Regional Housing Numbers Assessment (RHNA) in every category (Johnson 2021). According to the California Department of Housing and Community Development's report on the progress of local governments to meet their affordable housing assessments (12/9/2020), Santa Ana's targets and actual permits were the following, six years into the 8-year cycle Fifth Assessment period:

- Above Moderate Income Housing Target: 90 Actual Permits: 2103
- Moderate Income Housing Target: 37 Actual Permits: 49
- Low Income Housing Target: 32 Actual Permits: 523
- Very Low Income Housing Target: 45 Actual Permits: 321

In effect, Santa Ana, even before the end of the 5$^{th}$ assessment cycle had permitted 14.7 times its affordable housing target.

According to the draft of the Southern California Association Governments' (SCAG) sixth cycle RHNA (which, for SCAG cities covers from October of 2021 through October 2029) Santa Ana will be responsible for 3,087 units, approximately 52 percent of which are for above moderate-income households:

- Above moderate income: 1,621 units
- Moderate income: 522 units
- Low income: 360 units
- Very low income: 583 units

### *City's Actions on Housing*

The city of Santa Ana has established a Housing Opportunity Ordinance (HOO) to encourage the development of housing that is affordable to a range of households with varying income levels. The Ordinance is applicable to new residential projects within the City that meet certain criteria (Kimley-Horn, 2). As implementing projects in the Specific Area Plan for MainPlace Mall are submitted to the City for review, they are to comply with the City's HOO, as applicable. The project will result in a District-wide floor area ratio (FAR) of 2.08 and a density of 39 dwelling units/acre, allowed in the General Plan (Kimley-Horn, 1).

## Potential Redevelopment Options for the Site

This 49-acre site, assuming the multipliers provided by Bengford, discussed in Chapter 2, for net density, and setting aside half of the site for roads and open space and/or other uses, can be redeveloped at 59 dwelling unit (du)/net acre in a blend of 4-story buildings with ground-level retail, townhouses, and surface parking to yield 1,445 dwelling units. With development at 162 du/net acre, the site can yield 3,969 dwelling units, with ground-level neighborhood commercial. This can be compared to the city of Santa Ana's approved site plan for the area that will permit 1,900 apartments as well as the use of the core of the existing mall for commercial uses, including a hotel, office space and other commercial uses.

## Transportation Information

Conveniently located in the heart of Orange County, California, MainPlace Mall is just minutes from John Wayne Airport, Disneyland Resort, and the Anaheim Convention Center. The mall is located on a site bordered by I-5 to the west, State Route (SR) 22 to the north, as well as Santa Ana's Main Street to the East (See Figure 3.1 above). The mall's access to public transit includes, Orange County Transportation Authority's 3 bus lines on Main Street, including local routes 53, 53x, and 83, and Metrolink Station link Route 453 (Orange Transportation Center-St. Joseph's Hospital). The new specific plan will also include pick-up & drop-off zones to incorporate wide use of Lyft, and other ride-hailing companies.

## Environmental Profile through CalEnviroScreen

The Census Tract in which the mall is located rates an overall 55-60% score among all the census tracts in the state in environmental burden. According to CalEnviroScreen 3.0, the mall sits in a census tract in the 84th percentile for pollution burden in the state. Its location along Interstate 5 is a major reason for its high pollution burden, as well as proximity to some older toxic sites. The population burden is in the 39th percentile. Population characteristics include indicators of sensitive population characteristics, e.g., asthma and cardio-vascular disease, and socioeconomic factors, such as poverty, or unemployment.


**Figure 3.4. MainPlace Mall overlooking JCPenney from on empty parking lot (Google Earth, 3/23/2021)**


**Figure 3.5. Entrance to MainPlace Mall looking towards JCPenney (Google Earth, 3/23/2021)**

# 4. Case Study in the Los Angeles Metro Region: The Village of Laguna Hills

## Village of Laguna Hills – Owner-Initiated Redevelopment

24155 Laguna Hills Mall, Laguna Hills, CA 92653

**Owner:** Merlone Geier Partners

**Characteristics (Land Use, Size, Current Status or Plans):**

- ***Zoning:*** Village Commercial (VC). The intent and purpose of the village commercial district is to develop an ***urban core*** in which a variety of public, regional commercial, recreational, and ***high-density residential uses*** work in concert to create an urban village. Redevelopment requires an urban village-specific plan (City of Laguna Hills, 2019).

The Laguna Hills Mall is a 68-acre property first opened in April 1973. The first major renovation took place in 1994. The mall's food court was closed in 2011 due to declining visitor traffic. Merlone Geier Partners acquired the property in 2013. In 2016, Laguna Hills approved plans for the redevelopment of the closed mall, with a project then dubbed "Five Lagunas". The 2016 project aimed to develop the mall into a mixed-use, pedestrian-oriented, open-air mall connected to surrounding commercial and 988 new residential units (Geiser and Merlone Geier Partners, 2019). Since 2016, however, the plan was amended twice in 2019. Merlone-Geier Partners proposed a new name for the development: The Village at Laguna Hills. Amendments to the plan increase housing and office space and reduce retail space (Chapman, 2019; City of Laguna Hills 2019).

The Laguna Hills Mall is located within an area known as the Urban Village (City of Laguna Hills 2019a), which encompasses approximately 240 acres and includes the Civic Center area, Saddleback Hospital (MemorialCare) and adjoining office buildings, Oakbrook Village, and the Villa Valencia senior assisted living facility. The new plan aims to develop a "village-like" "high residential density" downtown district that serves community needs (City of Laguna Hills, 11/4/2019 and 2019b; see also City of Laguna Hills, n.d.). The owner has applied to the City to incorporate the proposed redevelopment plan under the city's Urban Village Specific Plan, which was included in the City's 2009 General Plan Update (City of Laguna Hills 11/4/2019). The redevelopment plan's first phase is to demolish the central portion of the Central Mall, including Nordstrom, formerly an anchor store. The Village of Laguna Hills is to include 1) a new boutique hotel with 125 rooms; 2) new housing structures, including 1,200-1,500 multi-family housing units: 6% studio + 53% one-bedroom + 40% two-bedroom + 1% three-bedroom; 3) 390,000-520,000 sq. ft. of new office spaces (Merlone Geier Partners, 2020). Parking will take up approximately 23 acres of the property. The owner/developer's application is due for a public hearing by the city in April of 2021.

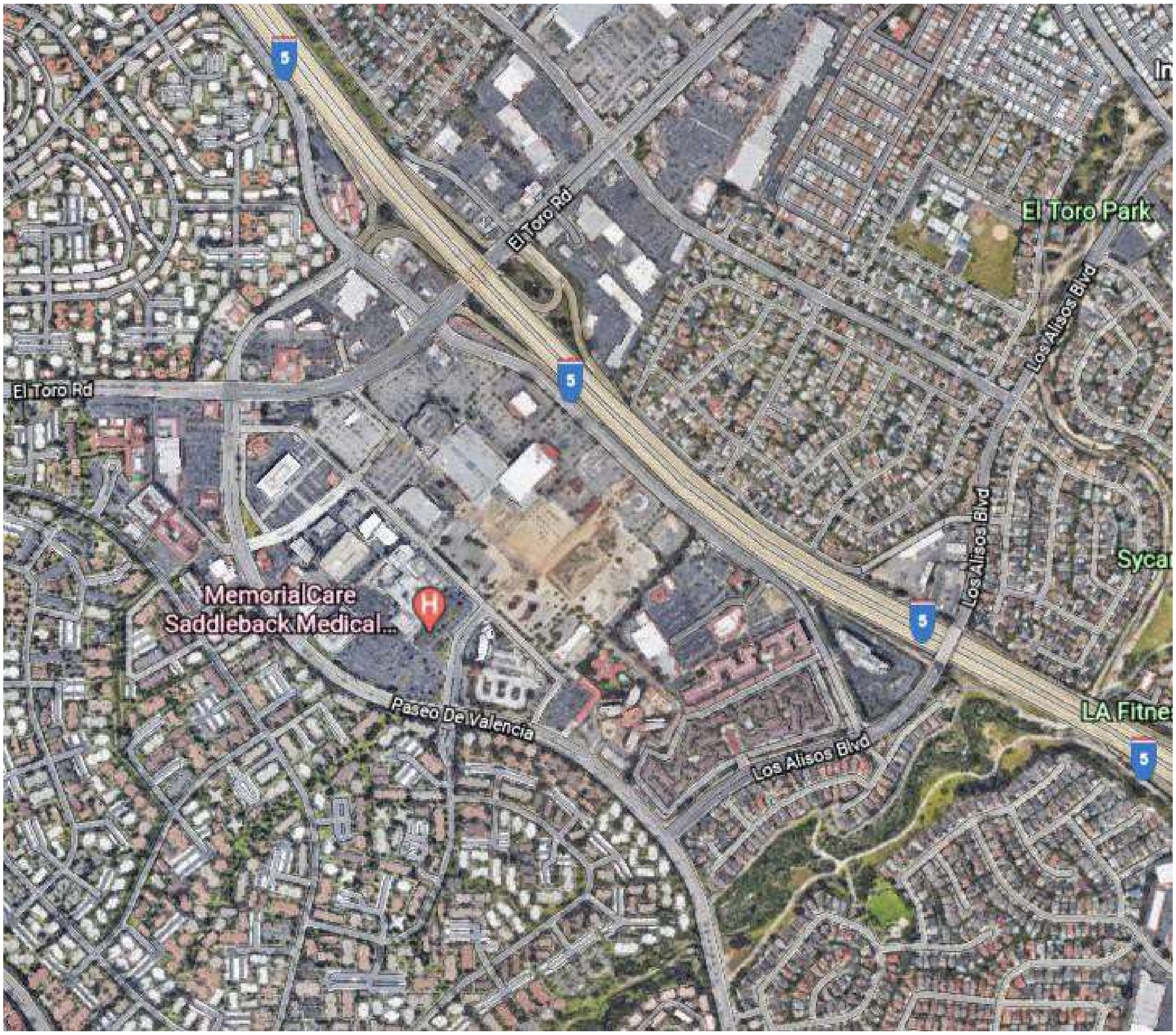


**Figure 4.1. Aerial of Laguna Hills Mall in Laguna Hills, Facing North (Google Earth Maps, 2/21/2021)**


Note: The Site Plan depicts office buildings in deep blue, retail in yellow, residential in light blue, structured parking in grey, and hotel in pink.

**Figure 4.2. Site plan for the Village of Laguna Hills Redevelopment (Source: https://leasevillagelh.com/site-plan/)**

## Property Owner Information

Merlone Geier Partners acquires, develops, and manages neighborhood shopping centers on the West Coast. To date, they have acquired 172 West Coast retail properties. The company has raised $4.3 B in capital and manages 28.4 M square feet of space (Merlone Geier, About Us). A recent map on the company's webpage showed the location of 67 properties in California. (Merlone Geier 2021)

Under their investment criteria, the company states that, "Our acquisition targets are neighborhood and community shopping centers with anchor retailers in in-fill, primary markets. We also acquire surplus real estate from retailers and functionally obsolete regional malls in need of repositioning." (Merlone Geier, Investment Criteria, 2021).

## Selected Demographics for Laguna Hills

According to the Census Bureau (2021), during the period 2015-2019, the city of Laguna Hills had an owner-occupied housing rate of 72.5%, a median household income of $100,985, and a per capita annual income of $52,125, Its poverty rate was 8.30%. This can be compared to the California's overall rates for this period: 54.8% owner-occupied housing rate; medium household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US

Census Bureau, 2021). Compared to the California's average owner-occupied housing rate, Laguna Hill's rate was 17.7% higher; its average household income was $25,750 higher, and its per capita annual income was $15,170 higher than the state average. Its poverty rate was 3.5% lower than the state's overall rate.

## Housing Needs in Laguna Hills

According to the Southern California Association of Governments (SCAG), the city of Laguna Hills will be responsible for the development of 1,979 units between 2021 and 2029 to fulfill their Regional Housing Needs Assessment allocation:

- Above moderate income: 709 units
- Moderate income: 353 units
- Low income: 352 units
- Very low income: 565 units

The addition of 1,200-1,500 housing units by the redevelopment of the Village at Laguna Hills could provide a good percentage of the City's total affordable housing target.

## Potential Redevelopment Options for the Site

This 68-acre property, assuming the multipliers provided by Bengford for net density, and setting aside half of the site for roads and open space or other uses, can be redeveloped at 59 du/net acre in a blend of 4-story buildings with ground-level retail, townhouses, and surface parking to yield 2,006 dwelling units. With development at 162 du/net acre, the site can yield 5,508 dwelling units with ground-level neighborhood commercial. This can be compared to the redevelopment plan, which projects 1,200-1,500 multi-family housing units.

## Transportation Information

The current mall's northeast border is the Interstate (I)-5, with Orange County Transportation Authority (OCTA)'s Laguna Hills Transportation Center near the mall (about 1/10$^{th}$ of a mile). The mall can be accessed by I-5 & El Toro Road. There is bikeway access via existing Class II bikeways along the Urban Village Specific Plan boundary. OCTA bus routes serving the mall include routes 83, 89, and 177.

## Environmental Profile through CalEnviroScreen

The census tract in which the mall is located falls in 50-55% of all tracts in the state for overall environmental burden/sensitivity. The northeast edge of the Village at Laguna Hills runs along I-5, generating air pollution from vehicular traffic at the property. Toxic releases also contribute to the site's CalEnviroscreen's overall pollution rating in the 60th percentile. The population burden percentile falls into the 41st percentile.


**Figure 4.3. Internal View of Laguna Hills Mall parking lot with JCPenney store in the background (Google Earth, 2/2/2021)**


**Figure 4.4. View of Laguna Hills Mall from El Toro Road (Google Earth, 3/4/2021)**

# 5. Case Study in the San Diego Metro Region: Parkway Plaza

## Parkway Plaza (El Cajon) – Failing Mall without Redevelopment Plan

415 Parkway Plaza, El Cajon, CA 92020

**Owner**: Starwood Retail Partners

**Characteristics (Land Use, Zoning, Size, Current Status or Plans):**

- Regional Commercial (C-R)
- Mixed Use Overlay Zone (MU)

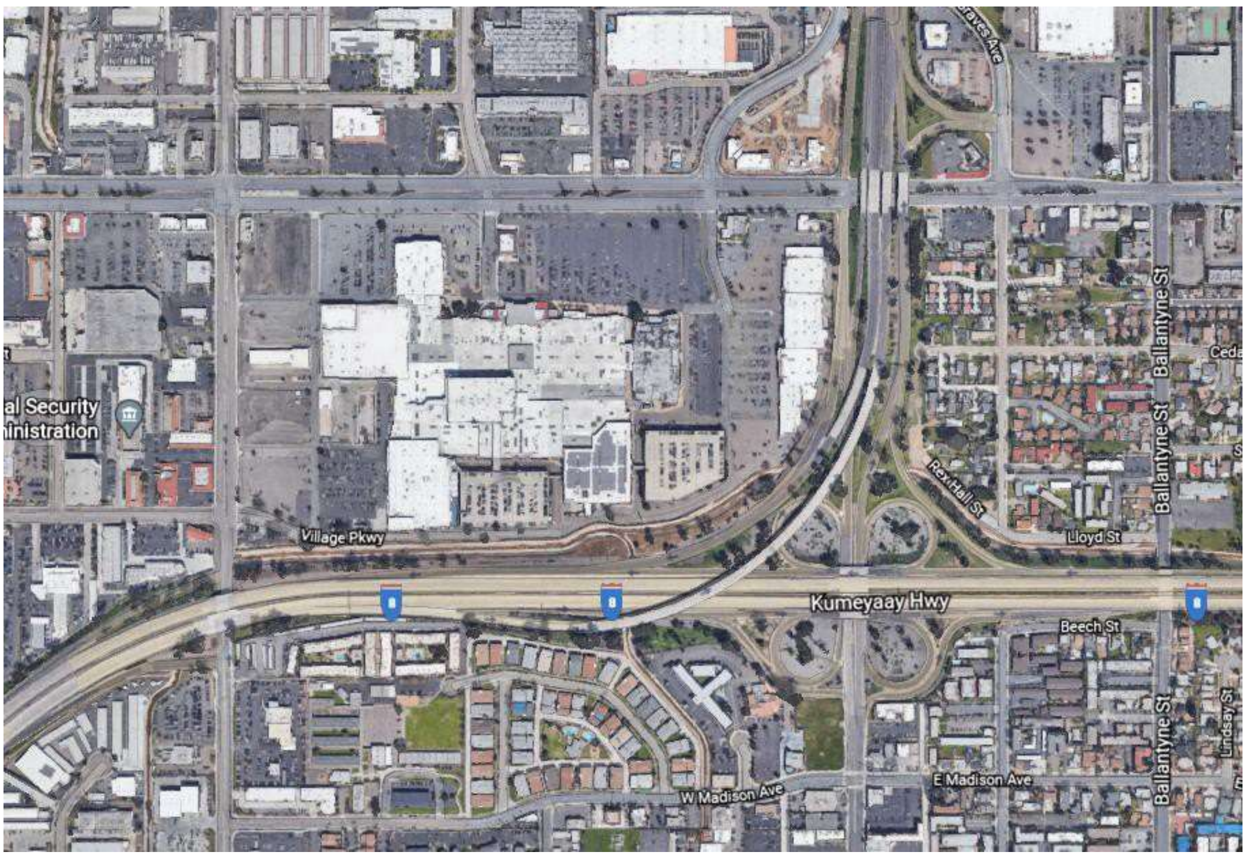


**Figure 5.1. Aerial of Parkway Plaza Mall facing North (Google Earth, 3/16/2021)**

Parkway Plaza was opened in 1972 by Westfield as the second indoor mall in San Diego County. Initially named Westfield Parkway, the property remained part of Westfield until 2013 when the mall was acquired by Starwood Retail Partners and renamed Parkway Plaza (Starwood Retail Partners). The mall sits on an 80-acre plot.

The site was most recently home to nine anchor stores – Best Buy, Dick's Sporting Goods, Forever 21, JCPenney, Macy's, Office Depot, Regal 18 Cinemas, Sears, and Walmart (Directory of Major Malls, 2020). However, Sears closed in 2018. Although Forever 21 was scheduled to close by the end of 2019, the chain was acquired by three companies (including the Simon Property Group and Brookfield Property Partners) in early 2020 (Thomas, 2019; Kennedy 2020). Given the notable struggles of retailers like JCPenney and Macy's, however, it is likely that Parkway Plaza will see more anchor store closures in the coming year. Also, with the retail losses from COVID-19 expected to be high, it is increasingly likely that Parkway Plaza may become open to several types of new development. Approximately 34 acres of the property is occupied by parking.

In 2013, the city of El Cajon adopted an updated housing element to accommodate the 5,805 residential units that had been allocated to it for housing growth (City of El Cajon, 2013). To accomplish this, the City decided to apply mixed-use overlay zones to properties within four areas of the City, with one of them being Parkway Plaza (City of El Cajon, 2013). The goal of the zone is to provide "flexibility for commercial properties to redevelop with residential uses, commercial uses consistent with the underlying zone, or a mix of both uses," (City of El Cajon, 2013). In the proposed map from 2017, Parkway Plaza did not include any zones where a residential component would be required (City of El Cajon, 2017). However, given the location's placement in the mixed-use overlay zone, it is feasible that the development of housing in the area would be attractive.

## Property Owner Information

Founded in 2012, Starwood Retail Partners is a relatively new company with aims to "invest [their] creativity and funds to reinvent the retail experience for a new generation" (Starwood Retail Partners - About Us). With their mission to redevelop malls more into "lifestyle centers" as well as their position as the fifth largest manager of regional malls, this owner may be uniquely open to the idea of residential development within their retail space (Starwood Retail Partners - About Us).

## Demographic Profile of El Cajon

According to the U.S. Census (2021), the city of El Cajon had a total population of 102,699 in 2019. The median household income in the City was $55,309 in 2019, and the per capita average income was $25,135. The owner-occupied housing rate was 39.8%, and the percentage of persons in poverty was 19.3%. This can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021) Compared to the state of California's average owner-occupied housing rate, El Cajon's rate was 15% lower; its average household income was $19,926 lower, and its per capita annual income was $11,820 lower. Its poverty rate was 7.5% higher than the state's overall rate.

## Housing Needs in El Cajon

During the 5th Regional Housing Assessment Needs Assessment for the period 1/1/2013 to 12/31/2020, El Cajon had a total housing needs assessment of 5,805 units. These included the following targets:

- Above moderate income: 2,237 units
- Moderate income: 1,019 units
- Low income: 1,101 units
- Very low income: 1,448

San Diego Association of Governments (SANDAG) in November of 2019 reported information on the achievements of cities in its region to meet RHNA targets for the 5th Cycle. The publication makes clear that El Cajon experienced very little housing development activity during this period, except for about 300 housing units for households of above moderate-income, with less than 100 new units for low income, and fewer yet for moderate or very low income.

According to the SANDAG, the city of El Cajon will be responsible for the development of 3,280 units between 2021 and 2028 to fulfill their RHNA allocation:

- Above moderate income: 1,867 units
- Moderate income: 518 units
- Low income: 414 units
- Very low income: 481 units

## Redevelopment Potential of the Site

At 80 acres, this mall could be redeveloped to maximize housing, and yet retain significant ground-level retail. Using Bengford's guidelines, and reserving 40 acres for rights-of-way and open spaces, the mall could be redeveloped, at 59 dwelling units per acre in a blend of 4 story buildings with ground-level retail, townhomes, and surface parking to yield 2,360 dwelling units. The same 40 acres can be redeveloped with 6-story mixed-used buildings over retail, and with underground parking to yield 6,480 dwelling units. The site could be redeveloped at 59 du/net acre as described above and provide 2/3rds of the of the RHNA allocation.

## Transportation Information

Parkway Plaza has I-8 as its southern border, and State Route (SR) 67 as its eastern border. Parkway Plaza is accessible through three different bus lines of the San Diego Metropolitan Transit System (MTS): 115, 874, and 894. It is also served by the Orange Line and Green Line trolleys at the nearby Parkway Transit Center (Moovit, 2020).

## Environmental Profile through CalEnviroScreen

Parkway Plaza is heavily pollution-burdened, rating an 87% in pollution burden, and 75% in vulnerable population characteristics, and, as a result, it rates in the 85-90% of all the census tracts in the state for overall environmental sensitivity. The highest threat levels are the result of proximity to cleanups, groundwater contamination, and to hazardous waste. The hazardous waste and groundwater threat are likely caused by years of dumping by aerospace company Ametek or its predecessors in the nearby area (Pearlman, 2015). Sensitive population characteristics, such as asthma and cardiovascular disease also have high rates.


**Figure 5.2. View of Macy's store from nearly empty parking lot at ParkPlace Mall (Google Earth, 10/15/2020)**


**Figure 5.3. View of nearly empty parking lot in ParkPlace Mall with Walmart in the background (Google Earth, 10/15/2020)**

# 6. Case Study in the San Diego Region: The Shoppes at Carlsbad

## The Shoppes at Carlsbad (Carlsbad) – Failing Mall with No Current Redevelopment Plan

2525 El Camino Real, Carlsbad, CA 92008

**Owner**: Brookfield Properties Retail Group

**Characteristics (Land Use, Size, Current Status or Plans):**

- C-2, General Neighborhood Commercial (Zoning Map)
- R - Regional Commercial (Land Use Plan)

The Shoppes at Carlsbad was first opened in 1969 under the name Plaza Camino Real. In recent years, this 90-acre shopping mall has seen several closures of its anchor stores. In 2006, Robinsons-May closed, with a Steve and Barry store coming in to replace it the same year (Earnest and Vincent, 2005; Wright, 2006). That Steve and Barry storeclosed in late 2008. More recently, the Sears anchor store closed its doors in December 2019 (San Diego County News, 2019). Although 24 Hour Fitness, JCPenney, and Macy's remain open as anchor stores, the latter two have seen several of their stores close nationwide in recent years (The Shoppes at Carlsbad, 2020). With the COVID-19 outbreak causing closures of most malls and public retail spaces, the status of those anchor stores may change during the coming year. Parking occupies approximately 59 acres of the property, and the mall offers 1,287,494 square feet of gross leasable area (Loopnet, 2020).

In the City's zoning code, The Shoppes at Carlsbad is zoned as General Neighborhood Commercial, which does permit mixed-use developments with residential uses. Within the Regional Commercial zone, residential dwellings are allowed as a secondary use, provided they have a minimum density of 15 units per acre (Carlsbad Municipal Code). In the Land Use Plan, the area is zoned as R for Regional Commercial (Carlsbad General Plan, Land Use and Community Design Element).


**Figure 6.1. Aerial of The Shoppes at Carlsbad, facing North (Google Earth, 3/16/2021)**

In 2017, Rouse Properties attempted to redevelop The Shoppes at Carlsbad with a mixed-use housing component. This would have included 321 residential units, 25,000 additional square feet of retail space, and 214 hotel rooms. However, this plan was denied by the city of Carlsbad for several reasons. Given the multiple property owners on the site, namely Rouse, the City (which owned the parking), and several department stores, Carlsbad was unsure of the viability of the plan. (Puterski, 2017).

Although this plan was ultimately denied, the city of Carlsbad did express their support for more housing. The reason the Rouse proposal was denied was that the project's housing plan would not have met the 20 units/acre requirement of the SANDAG'S Smart Growth Opportunity Area (Puterski, 2017).

## Property Owner Information

The Shoppes at Carlsbad was initially developed by May Centers, Inc., but have seen several owners in recent years. Within the last five years, the property has been owned by three prominent retail companies. The first, Westfield Properties, acquired the property in 1994 and owned it until 2015 when the mall was purchased by Rouse Properties (Showley, 2015). Rouse Properties completed Westfield's planned redevelopment of the mall into an open-air space and initiated plans with the city of Carlsbad to create a mixed-use housing complex on the property as discussed above (Carlsbad Food Tours, 2017). However, Rouse was forced to sell The Shoppes at Carlsbad in November 2016 (Hirsh, 2016). Since 2016, the property has been owned and managed by Brookfield Properties Retail Group, a Chicago-based organization that owns over 170 regional shopping centers across the country (Brookfield Properties).

Brookfield Properties Retail is a subsidiary of the global real estate company Brookfield Property Partners. Their U.S. headquarters are located in New York. Brookfield Properties Retail makes up one sector of Brookfield Property Partners' work, along with office, multifamily, hospitality, and logistics. Brookfield Property Partners is a subsidiary of Brookfield Asset Management, and split off in 2013 to be publicly traded. Brookfield Properties largely serves as a property manager for Brookfield Property Partners' developments. Brookfield Properties manages more than 600 properties, has 30 active developments, and lays claim to more than 170 "premium retail destinations," (Brookfield Properties, About Us, 2020).

Brookfield Properties acquires, develops, and manages neighborhood shopping centers on the West Coast. To date, they have acquired 165 properties. Under their investment criteria, the company emphasizes their interest in "non-dominant and/or functionally obsolete regional malls in need of repositioning".

Brookfield's 2018 acquisition of General Growth Properties is also notable because of the addition of 162 shopping malls to their portfolio. This greatly grew their presence in California (Brookfield Property Partners, 2018). Brookfield Properties is now the second-largest operator of shopping malls in the U.S., second only to the Simon Property Group. Since 2018, Brookfield executives have been referring to the company's plan to turn mall properties into mixed-used developments, integrating stores with restaurants, hotels, offices, and entertainment. (Small, 2020).

It is very likely that Brookfield was planning a major redevelopment of the mall to include housing before COVID-19, as a website announcement on the mall's website indicates (Shoppes at Carlsbad, n.d.), but no plans have been submitted to the City thus far.

According to the financial advising site Seeking Alpha, Brookfield Properties' stock is not performing well in the COVID-19 crisis. The massive acquisition they underwent in 2018 has been called into question strategically as the global economy faces panic from the virus. In addition, at the end of 2020, Simon Property Group and Brookfield bought JCPenney to keep the stores from bankruptcy, and from further eroding their mall properties (Richter 11/17/2020).

## Demographic Profile for Carlsbad

According to the Census Bureau (2021), during the period 2015-2019, Carlsbad had an owner-occupied housing rate of 64.7%; a median annual household income of $110,478, and a per capita annual income of $58,440. Its poverty rate was 5.8%. This can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium-household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021). Compared to the state of California's average owner-occupied housing rate, Santa Ana's rate was almost 10% higher; its average household income was $35,243 higher, and its per capita annual income was over $21,445 higher. Its poverty rate was almost 6% lower than the state's overall rate.

## Housing Need in Carlsbad

During the fifth Regional Housing Assessment Needs Assessment for the period 1/1/2013 to 12/31/2020, Carlsbad had a total housing needs assessment of 4,999 units. These included the following targets:

- Above moderate income: 2,332 units
- Moderate income: 1,062 units
- Low income: 693 units
- Very low income: 912

SANDAG in November of 2019 reported information on the achievements of cities in its region to meet RHNA targets for the 5th Cycle. The publication makes clear that Carlsbad overshot its above moderate housing allocation by 500 units, but underperformed in all other categories, especially, in housing for the very low income.

According to the SANDAG, the city of Carlsbad will be responsible for the development of 3,873 units between 2021 and 2028 to fulfill their RHNA allocation for their 6th Cycle. The numbers are distributed somewhat evenly by household income designation:

- Above moderate income: 1,029 units
- Moderate income: 749 units
- Low income: 784 units
- Very low income: 1,311 units

## Housing Redevelopment Potential

Using Bengford's guidelines, 45 acres of this 90 acre mall could be redeveloped from 59 dwelling units per acre in a blend of 4-story buildings with ground-level retail, townhomes, and surface parking to yield 2,655 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 7,292 dwelling units. Even the lower density development scenario of 59 du/net acre can yield slightly more than 2/3rds of the City's RHNA allocation for this coming cycle.

## Transportation Information

SR 78 or the Ronald Packard Parkway is the northern edge of The Shoppes at Carlsbad. The mall is accessible by several bus lines, including the North County Transit District's bus routes 302, 309, 315, and 325. There is also a North County Transportation Station located in the mall, near Sears, that provides access to bus lines and to the Sprinter (rail line).

## Environmental Profile through CalEnviroScreen

The census tract in which the mall is located rates in the 5-10% of the tracts in the state for environmental vulnerability. The tract rates 30% for pollution burden, due primarily to its proximity to the I-78 freeway, placing it near high volumes of vehicle emissions. It rates in the 7th percentile for population burden.


**Figure 6.2. View of Sears at the Shoppes at Carlsbad from a nearly empty parking lot. (Google Earth, 2/12/2021)**


**Figure 6.3. Entrance to the Shoppes at Carlsbad (Google Earth, 2/12/2021)**

# 7. San Diego Region: Chula Vista Center

## Chula Vista Center – Failing Mall Without Redevelopment Plan

555 Broadway, Suite 1019, Chula Vista, CA 91910

**Owner**: Brookfield Properties Retail Group

**Characteristics (Land Use, Zoning, Size, Current Status or Plans)**

- Zoning: UC-7 (Chula Vista Center)
- Urban Core District 7
- Currently most residential dwelling types are not permitted
- Conditional Use Permits available for residential care facilities and senior housing developments

Chula Vista Center opened in 1962 as an outdoor mall. Sears opened as the first anchor store at the new development. Chula Vista Center changed hands in 1986 after being purchased by Homart Development. Homart began Chula Vista Center's first redevelopment and expansion. Another expansion occurred in 1990 to include a movie theater. The mall underwent one more ownership change in 1995 before being purchased by Brookfield Properties in 2016.

Approximately 40 percent of the 55-acre site is currently covered in surface parking. The major anchors include Macy's Backstage, JCPenney, and Burlington Coat Factory. The multi-level Sears was the largest anchor at the mall, but it closed in February 2020 as part of the Sears company-wide decision to close 96 stores around the United States.


**Figure 7.1. Aerial of Chula Vista Center in Chula Vista Facing North (Google Maps, 3/2/2021)**

## Property Owner Information

Brookfield Properties Retail is a subsidiary of the global real estate company Brookfield Property Partners. See Chapter 6 for a profile of Brookfield Properties.

## Demographic Profile of Chula Vista

According to the Census Bureau (2021), during the period 2015-2019, Chula Vista had an owner-occupied housing rate of 59.1%; a median annual household income of $81,272, and a per capita annual income of $31,076. Its poverty rate was 9.60%. This can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium-household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021) Compared to the state of California's average owner-occupied housing rate, Chula Vista's rate was 4.3% higher; its average household income was $6,037 higher, but its per capita annual income was close to $6,000 lower. Its poverty rate was 2.2% lower than the state's overall rate.

## Housing Need

During the 5th Regional Housing Assessment Needs Assessment for the period 1/1/2013 to 12/31/2020, Chula Vista had a total housing needs assessment of 12,861 (SANDAG 2010). These included the following targets:

- Above moderate income: 4,956 units
- Moderate income: 2,257 units
- Low income: 2,439 units
- Very low income: 3,209

SANDAG (2019a) reports that Chula Vista overshot its above moderate income housing unit production by over 2,000 units and underperformed in all the other categories, especially in housing for the very low-income, with less than 100 units constructed.

According to the SANDAG Regional Housing Needs Assessment published in 2020, during the period 2021-28, Chula Vista will be responsible for the production of 11,105 units of housing as allocated below.

- 2,750 very low-income units
- 1,777 low-income units
- 1,911 moderate-income units
- 4,667 above moderate-income units

### *City's Actions on Housing*

In addition to following the state's density bonus law, the City has a Balanced Community Affordable Housing Policy that requires that 10% of all new residential developments of 50 units or more be affordable to low and moderate-income households. (City of Chula Vista, 2021)

## Potential Redevelopment Options for the Site

Using Bengford's guidelines, 27.5 acres of this 55-acre mall could be redeveloped from 59 dwelling units per acre in a blend of 4 story buildings with ground-level retail, townhomes, and surface parking to yield 1,622 dwelling units, to 162 dwelling units to the acre, with 6-story mixed used buildings over retail, and with underground parking to yield 4,455 dwelling units.

## Transportation Information

Chula Vista Center is located in downtown Chula Vista less than a mile to the east of the I-5 Freeway. The UC San Diego Trolley System Blue Line (H Street Station) serves the Center. Ten bus stops surround Chula Vista Center offering bus service by the San Diego Metropolitan Transit System. The bus stops provide service for the following routes:

- 932 Iris Transit Center - 8th St. Transit Center
- 701 H St Transit Center - Palomar St. Transit Center via Hilltop Dr.
- 709 H St Transit Center - Otay Ranch Town Center

## Environmental Profile through CalEnviroScreen

The greatest environmental burdens for the census tract in which the Chula Vista Center is located are groundwater pollution and hazardous waste, but overall, the pollution burden percentile is below 50%. Rates of asthma, low birth weight, as well as poverty, housing burden, and other social indicators are rated in the 85%, which places the census tract in the 70-75 percentile of all tracts in the state.

**Figure 7.2. Internal view of Chula Vista Center from the nearly empty second floor. (Google Earth, 10/12/2020)**

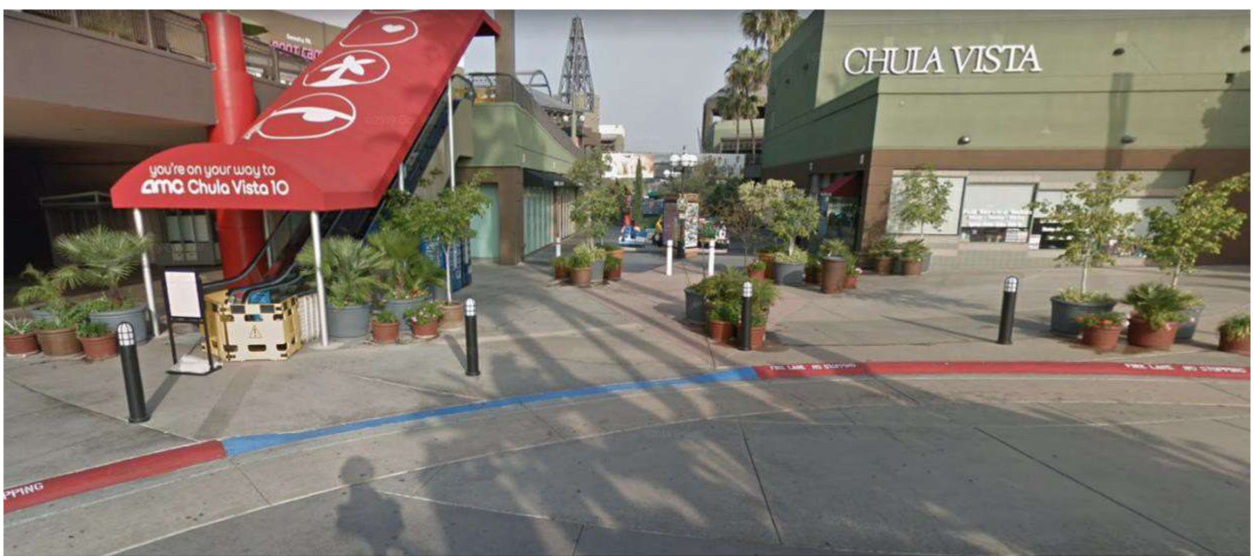


**Figure 7.3. An empty front entrance to Chula Vista Center main concourse. (Google Earth, 10/12/2020)**

# 8. Bay Area Region: Southland Mall

## Southland Mall – No Plan for Redevelopment

One Southland Mall, Hayward, CA 94545

**Owner**: Brookfield Properties

**Characteristics (Land Use, Zoning, Size, Current Status or Plans):**

- CBB20: Central Business - Min. Lot Size - 20,000 Sq Ft
- Surrounding Zoning: RS (Single family residential)


**Figure 8.1. Aerial of Southland Mall Facing North (Google Maps, 3/2/2021)**

Southland Mall sits on an 82-acre property in Hayward, CA, approximately 70 percent of the site is covered by parking. The mall, which opened in 1964, is single-story, with subterranean space under the current Planet Fitness location (Mall Hall of Fame). Southland Mall has been struggling for the better part of the 21$^{st}$ Century. Brookfield Properties acquired Southland Mall after purchasing General Growth Properties, the owner at the time, in 2018.

In 2005, the East Bay Times reported that then property owners General Growth Properties planned to tear down the movie theatre that had been vacant for six years. Additionally, they were interested in developing a more pedestrian-friendly streetscape. The local news outlet shared a similar sentiment as recently as 2017 in a story written by Angela Hill:

> Southland Mall in Hayward has been struggling, judging from a recent visit. Its white-tiled concourse still boasts a Sears, a JCPenney's and Macy's. Dick's Sporting Goods recently filled a vacant spot. A walled-off section has a big sign, "New Century Theatres, coming 2017." But just across from that are a handful of empty stores. Mid-day, mid-week there were only about 10 people in the food court and several kiosk workers told me it's rarely busy most days. Despite appearances, however, Southland spokesman Matthew Chudoba says, "Sales are at an all-time high and there is a slate of new retailers opening over the coming months including H&M." He also says Victoria's Secret and Bath & Body Works are upgrading and remodeling their shops. So, let's hope for the best.

Especially now with the uncertainty of retail health during the COVID-19 crisis, there is a clear need for a new strategy at the site. But even before the pandemic, real estate experts questioned the viability of the mall. According to John McNellis, a real estate developer in Northern California who was interviewed by the *San Francisco Business Times* (Burke 2018*)*:

> There's a lot of competition along the freeway and just down the road. I don't think you can fill all of that when you have all those dead tenants walking," McNellis said of the J.C. Penney, Claire's, and several Sears outposts on Southland's tenant roster. "It's a great, strong location that would be perfect for something like housing, office or maybe a hotel. Right now, it just needs to limit the retail.

## Property Owner Information

Brookfield Properties Retail is a subsidiary of the global real estate company Brookfield Property Partners. Their U.S. headquarters is located in New York. The firm also owns the Chula Vista Center. See Chapter 6 for a description of the firm.

## Demographic Profile for Hayward

According to the Census Bureau (2021), during the period 2015-2019, Hayward had an owner-occupied housing rate of 52.8%; a median annual household income of $86,744, and a per capita annual income of $33,748. Its poverty rate was 8.40%. These rates can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium-household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021). Compared to California's average owner-occupied housing rate, Hayward's rate was 2% lower; its average household income was $11,509 higher, but its per capita annual income was $3,207 lower. Its poverty rate was 3.4% lower than the state's overall rate.

## Housing Needs in Hayward

According to the Association of Bay Area Governments(ABAG), the regional government that sets Regional Housing Needs Allocations (RHNA) for Bay Area cities, Hayward, during the

2015-2023 cycle had the following new affordable housing targets:

- 851 units for very low income households;
- 480 units for low income households;
- 608 units for moderate income households;
- 1,981 units for above moderate income households

Altogether, the total target for new affordable housing units for the city of Hayward by the end of 2023 is the construction of 3,920 housing units. According to the state's Department of Housing and Community Development (2020), as of the end of 2019 (5 years into its 8-year plan), the city of Hayward had only permitted/or built 1,076 units, most of them for above moderate-income (1,029 units), 27 units for moderate-income, and 20 units for low-income.

## Housing Redevelopment Potential

Using Bengford's guidelines, 41 acres of this 82-acre mall could be redeveloped from 59 dwelling units per acre in a blend of 4 story buildings with ground-level retail, townhomes, and surface parking to yield 2,419 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 6,642 dwelling units.

## Transportation Information

Southland Mall is located 2.5 miles from the Hayward BART (Bay Area Rapid Transit) station, with I-880 just to the east of the site, and SR-92 less than ½ mile south from the mall. The mall is also serviced by several bus stops along Hesparian Blvd. According to Transit.wiki, an open-source trip planner and public transit information guide, Southland Mall is served by the following AC Transit bus lines:

- S: Hayward (Hesperian & Winton) - San Francisco
- 60: Chabot College - Hayward BART – California State University (CSU) East Bay
- 86: Hayward BART - South Hayward
- 97: Hesperian: Union City Station - Bay Fair Station

## Environmental Profile through CalEnviroScreen

The eastern edge of the Southland Mall borders the I-880 Freeway. According to CalEnviroScreen, the pollution burden of the area is in the 32nd percentile, primarily due to high ratings in diesel and traffic pollution but the population burden is in the 83rd percentile with high rates of asthma, cardiovascular disease, and low birth weight. This places the census tract overall in the 60-65% of all census tracts in the state in terms of environmental burdens.

**Figure 8.2. Entrance to the Southland Mall, with an overview of buildings and nearly empty parking lot. (Google Earth, 2/12/2021)**

**Figure 8.3. Southland Mall, view of Sears in the background from parking lot (Google Earth, 3/21/21).**

# 9. Bay Area Region: Vallco Mall

## Vallco Mall – Developer-Initiated Redevelopment with Housing

10123 N Wolfe Road, Cupertino, CA

**Owner:** Sand Hill Property Co

**Characteristics (Land Use, Zoning, Size, Current Status or Plans):**

- CG (general commercial)
- Surrounding Zoning: R1 (residential), P (planned residential and general commercial)

Vallco Mall is a 58-acre site located one mile from the Apple Corporate Headquarters in Cupertino. The mall opened as Vallco Fashion Park in 1976 as one of the largest malls in the region at the time. Within 10 years, newer malls entered the region, creating competition. Vallco Mall began to lose tenants and sales. The ownership invested heavily in an update, adding a second floor and 50 additional stores (Residents for a United Cupertino, 2017). This did not bring success for very long, and occupancy sunk to 24 percent by 2005 (Dinh, 2017).

The mall changed ownership in 2006. The new ownership attempted to introduce a condominium project, which was shut down by the City Council. The project was renamed Cupertino Square, and multiple buyers came together to share ownership of the mall. Son Son Co. purchased the property in 2009 after the previous owner went bankrupt and renamed the site Vallco Shopping Mall (Conrad, 2009). Sand Hill Properties stepped in 2014 to assume ownership of some anchor stores before purchasing the property outright later the same year. Vallco Mall lost all of its anchors in 2015 when Sears, JCPenney, and Macy's all closed at the location. Remaining anchors at the mall in 2019 included an AMC Theatres and a bowling alley. After Sand Hill closed off commercial sections of the mall, they came back in 2018 with a proposal for 2,400 residential units (50 percent affordable) with an application through California's SB 35, which fast tracks projects that include affordable housing. (See Chapters 13 and 15 for more discussion of the law.) The entire development would be privately funded by Sand Hill and their equity partner Abu Dhabi Investment Authority, the sovereign wealth fund.


**Figure 9.1. Aerial of Vallco Mall, facing North (Google Earth, 2/21/2021)**

## Property Owner Information

Sand Hill Property Company, based in Palo Alto, was founded in 1988 by Peter Pau and Susanna Pau. Their investments and projects are focused in Silicon Valley, and their available services include acquisition/disposition, financing, planning/government entitlement, design, construction, leasing, and property management. According to Sand Hill's website, since they opened in 1988, they have developed over 40 projects, amounting to 14 million square feet of property. Sand Hill Properties develops shopping centers, office complexes, hotels, and mixed-use communities. There are currently 13 stabilized properties in their portfolio and 6 active projects. In 2018, Sand Hill Property hired the former head of a non-profit group in the area as Sand Hill's managing director and chief housing officer, signaling the company's intent to develop more "mixed-use, standalone housing, and even some 100% affordable housing developments," (Levitsky, 2018).

## Relationship Between City and Owner/Developer

Between 2014 and 2016, Sand Hill attempted to secure a development agreement for a $3 billion mixed-use town center with 800 housing units, 2 million square feet of office space, retail, community benefits including a new elementary school, and the world's largest rooftop park in Cupertino's Vallco Mall (Gila, 2019). Sand Hill and a community organization called Friends for a Better Cupertino (FBC), who opposed the project, battled via competing ballot measures in the 2016 local election. Sand Hill's measure would approve the Vallco project, while FBC's would approve a specific plan that banned housing and office space on the site. Both measures failed (Li, 2018).

After the passage of SB 35 in 2017, which provides for a streamlined, ministerial process for developments that include affordable housing units, Sand Hill seized the opportunity to propose a larger project on the site: a 2,402 unit project (50 percent affordable units) with 1.8 million square feet of office space and 400 thousand square feet of retail space. They argued that the large office space use covered the costs of the affordable units (Kendall, 2019).

In September 2018, two key events occurred. First, the City Manager issued approval of Sand Hill's SB 35 application in a letter detailing additional requests for information. Second, the same week as the SB 35 proposal was approved by Cupertino's City Manager, the City Council adopted a Vallco Town Center Specific Plan with two options, one including a version ofVallco's SB 35 application. According to the 2015-2040 Cupertino General Plan requirements for housing development, housing can only be developed on a site following the approval of a specific plan. Technically, this did not affect Sand Hill's SB 35 application because the existing general plan land designation for the property – Commercial/Office/Residential – allowed for multi-family projects (Office of Communications, 2019). However, if the SB 35 approved plan were to fall through, the specific plan would be applied instead.

In November of 2018, a new City Council was elected. Two of the new members, had high-level affiliations with Friends of a Better Cupertino (FBC) according to the organization's website, as did the Mayor at the time. Around this same time, Sand Hill had secured demolition permits and began demolition of the first parking garage. At that point, FBC came forward and sued the city of Cupertino for what they considered an inappropriate approval under SB 35 guidelines. They provided several arguments: a) that the project did not meet the law's two-thirds housing requirement because the housing square footage calculation included residential parking spaces, b) that it would be located near a hazardous waste site, and c) that it would not provide enough green space under the law (Kendall, 2019). The City Council publicly removed their support for the SB 35 proposal in January 2019 and, in March 2019, repealed the specific plan that had been approved in September 2018 in response to ballot referendums that FBC had put forward in the community.

In the summer of 2019, the City Council passed a General Plan amendment, which eliminated all office space allowances and limited building height to 60 feet. In the event that a judge ruled in favor of FBC, in the SB35 lawsuit, this extremely restrictive specific plan would have been the active code for the property (Vo, 2020). In response to the restrictive General Plan amendment, Sand Hill sued the city of Cupertino in September of 2019 for their "stop at nothing" approach to preventing the project.

According to local news reports (Vo 2019), the Vallco project was primarily criticized by the Council and community members for the amount of traffic that it would generate. The City

Council also claimed that the amount of office space being proposed would generate a greater need for housing in the area than the project addressed. However, as local press reported, this concern had not stopped Apple's large office development across the street from theproposed development, which had not included any housing (Li, 2018).

The state of California responded negatively to the City's behavior. In August 2019, the California Department of Housing and Community Development wrote a letter to the City of Cupertino threatening to sue the city if the housing was not built (Li, 2019). Demolition permits continued to be executed on the property. In April of 2020, Sand Hill completed parking garage demolition and successfully removed the pedestrian bridge over N. Wolfe Blvd (Cupertino Today, 2020). On May 6, 2020, the judge hearing the case brought by FBC decided that the city of Cupertino followed the regulations of the state of California when they approved Sand Hill's SB 35 application, and that development under SB 35 could continue (Moss, 2020).

## Demographic Profile for Cupertino

Cupertino in 2019 had a population of 59,276. According to the Census Bureau (2021), during the period 2015-2019, Cupertino had an owner-occupied housing rate of 60.2%; a median annual household income of $171,917, and a per capita annual income of $72,507. Its poverty rate was 6.0%. This can be compared to California's overall rates for this period: 54.8% owner-occupied housing rate; medium-household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021). Compared to California's average owner-occupied housing rate, Cupertino's rate was 5.4 % higher; its average household income was $96,682 higher—more than twice as high as the state's average, and its per capita annual income was almost twice as high as the state's average. Its poverty rate was almost half of the state's overall rate.

## Cupertino Housing Needs Information

According to the Association of Bay Area Governments (ABAG), the regional government that sets Regional Housing Needs Allocations (RHNA) for Bay Area cities, Cupertino, during the 2015-2023 period had the following new housing targets:

- 356 units for very low-Income households;
- 207 units for low-Income households;
- 231 units for moderate income households;
- 270 units for above moderate income households.

Altogether, the total target for new housing units for the city of Cupertino by 2023 is the construction of 1,064 housing units. In December of 2020, Cupertino reported to the California Housing and Community Development Dept. that it had permitted less than 1/3 of its commitment, under the following categories:

- 19 very low-income housing units;
- 0 low income housing units;
- 74 moderate income housing units;

- 215 above moderate income housing units.

## Transportation Information

I-280 is the northern border of the Vallco site. The site is serviced by three bus lines: Valley Transportation Authority (VTA) Buses 23, 56, and RAPID 523 (Moovit 2/12/2021). There are approximately five bus stops within a half-mile south of the Vallco Mall. Additionally, there are two stations approximately one mile north of the mall. All Caltrain stops are between five to ten miles east, running from Sunnyvale down to San Jose.

## Potential Redevelopment Options for the Site

Using Bengford's guidelines, 29 acres of this 58-acre site could be redeveloped from 59 dwelling units per acre in a blend of 4-story buildings with ground level-retail, townhomes, and surface parking to yield 1,711 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 4,698 dwelling units. Vallco’s SB 35 Plan for the site includes plans for a total of 2,402 housing units, with half of the units affordable. Vallco’s plans for the number of housing units on the site falls between the two redevelopment scenarios. The City’s affordable housing target for the cycle ending in 2023 was 1,064 units, which the City was not on track to meet as of the end of 2020.

## Environmental Review through CalEnviroScreen

According to data from CalEnviroScreen, the overall census tract score for site is 15-20%, with an overall pollution burden percentile rating of 66, and a population characteristics percentile rating of 9. Groundwater threats (92 percentile), nearby cleanups (96 percentile), and hazardous waste (83 percentile) rate the highest scores in environmental burdens. Although the high pollution burden in Cleanups (96 percentile), Groundwater Threats (92 percentile), and Hazardous Waste (83 percentile) might indicate hazardous sites on or adjacent to the property, the city of Cupertino in its April 2019 publication on “Frequently Asked Questions about SB 35 and Vallco Town Center Application” clarifies that no portion of the project is part of a hazardous waste site.

The northeastern edge of Vallco Mall site is located within a quarter-mile of the I-280 Freeway running north-south through Cupertino. Only a small barrier of trees separates the site from the freeway.


**Figure 9.2. Wolfe Road and Miller Avenue, Vallco site under construction (Google Earth, 3/21/2021)**

**Figure 9.3. Overlooking the Vallco site from N. Wolfe Road, Cupertino (Google Earth, 3/14/2021)**

## 10. Bay Area: Northgate Mall

### Northgate Mall – Plan for Mixed-Use Village Announced March 2021

5800 Northgate Drive, San Rafael, CA 94903

**Owner:** Merlone Geier Partners

**Characteristics (Land Use, Zoning, Size, Current Status or Plans):**

- General Commercial (GC)
- Surrounding Zoning: Public/Quasi-Public Zoning District, (P/QP), Parks/Open Space Zoning District (P/OS), Planned Development District (PD), Commercial, Single Family Residential


**Figure 10.1. Aerial of Northgate Mall Facing North (Google Earth, 3/12/21)**

This 42-acre mall opened in March 1965 as an open-air concept with anchor stores Sears and the Emporium. The mall featured world-class landscape architecture by Lawrence Halprin, the landscape architect behind the 1962 Seattle World's Fair and the Franklin Delano Roosevelt Memorial in Washington, D.C. (Marin History Museum). Macerich Company, a prominent real estate developer throughout the United States, had owned the site from 1985 until they sold it to Merlone Geier in 2017. The mall was enclosed in 1986, featuring a glass ceiling and frequent support columns. By 2008, when the design of the mall had become outdated and the only enclosed mall in San Rafael, rivaled by high-end shops at Corta Madera, owner Macerich chose to keep the glass roof and undergo an indoor remodel (Marin Retail Buzz). Approximately 40 percent of the mall's property is covered by surface parking.

According to the owner's website, the mall "draws from an affluent community with average household incomes of $158,000 within a 5-mile radius" (Merlone Geier Partners). Anchors include Macy's, Kohl's, RH Outlet, Century Theatres, H&M, and HomeGoods. In 2018 and 2019, Northgate Mall lost Sears and Forever 21, respectively, due to national closures for both companies. In mid-2019, Merlone Geier began the application to fill the Sears vacancy with a Costco, which received pushback from the surrounding neighborhoods (City of San Rafael, Planning Dept. 2021). Costco and the future of Northgate Plaza were central to the local election for Council District 4 in November 2020. The main candidates for the seat were vocal about the need to incorporate housing at the mall, particularly in the former Sears location (Pera, 2020). In early 2020, Merlone Geier paused the Costco application.

On March 11, 2021, Merlone Geir announced that they have initiated a redevelopment plan for the entire mall, which calls for 1,356 apartments, changing the shopping center into an open-air complex, and giving up on the Costco store. The developer anticipates construction will begin in 2025 after 18-24 months of city hearings and community meetings (Dineen, 2021; Pera 2021; Quackenbush 2021). However, at the end of March 2021, no plans were available to the public.

## Property Owner Information

Merlone Geier acquires, develops, and manages neighborhood shopping centers on the West Coast. To date, they have acquired 165 properties (Merlone Geier, About Us). Under their investment criteria, the company emphasizes their interest in "non-dominant and/or functionally obsolete regional malls in need of repositioning" (Merlone Geier, Investment Criteria). See Chapter 4 for more information on Merlone Geier.

## Demographics for San Rafael

According to the Census Bureau (2021), during the period 2015-2019, San Rafael had an owner-occupied housing rate of 50%; a median annual household income of $91,742, and a per capita annual income of $56,168. Its poverty rate was 12.2%. These rates can be compared to California's overall rates for this period: 54.8% owner occupied housing rate; medium household income of $75,235, a per capita income of $36,955, and a poverty rate of 11.8% (US Census Bureau, 2021). Compared to California's average owner-occupied housing rate, San Rafael's rate was almost 5% lower; its average household income was $16,507 higher than the state's average, and its per capita annual income was $19,213 higher. Its poverty rate was slightly higher than the state's overall rate.

## Housing Need in San Rafael

According to the 2014-2023 Regional Housing Needs Assessment conducted by the Association of Bay Area governments, San Rafael had a housing target of producing 1,007 units of housing, distributed by unit type as stated below:

- Very Low: 240 units
- Low: 148 units
- Moderate: 181 units
- Above Moderate: 438 units
- For a total number of units: 1,007

In 2019, the 5th year into the 8-year RHNA cycle, RHNA reported that San Rafael permitted the following:

- 5 very low-income units
- 79 low-income units
- 12 moderate-income units
- 201 above moderate income units

This resulted in a total of 297 affordable housing units permitted out of a total target of 1007.

### *City's Actions on Housing*

San Rafael currently has the following affordable housing requirements for the following types of housing development:

- For developments of 2-10 units, 10% of units must be affordable;
- For developments of 11-20 units, 15% of units must be affordable;
- For development of 20+ units, 20% of units must be affordable;
- For rental developments: 50% of affordable units for very low income and 50% of affordable units for low income; Ownership developments: 50% affordable to low income and 50% to moderate-income (City of San Rafael, 2016)

## Housing Redevelopment Potential

Using Bengford's guidelines, 20.5 acres of this 41-acre mall could be redeveloped from 59 dwelling units per acre in a blend of 4-story buildings with ground level-retail, townhomes, and surface parking to yield 1,209 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 3,321 dwelling units. The proposed redevelopment of the Northgate Mall includes plans for 1,358 housing units. The construction, however, will not be completed until the mid-2020s counting for the next RHNA cycle. The proposed number of apartments would exceed the housing units that the 59 du/acre redevelopment scenario, sketched here could produce, but well within Bengford's higher density scenario.

## Transportation Access

Northgate Mall is located directly off the US 101 freeway, north of the site. Marin Transit buses 35, 49, 145, 245, and 257 stop by North Gate mall and Las Gallinas Avenue on the perimeter of the Northgate Mall.

They serve the following routes:

- 257 San Rafael - Novato (Ignacio)
- 35 Canal - Novato
- 49 Downtown San Rafael - Novato
- 145 San Rafael (Downtown - Terra Linda High School)
- 245 San Rafael (Downtown - Smith Ranch Road)

## Environmental Review through CalEnviroScreen

In general, the area around Northgate Mall performs well in CalEnviroScreen compared to all the other census tracts in the state, rating in the 5-10% in terms of overall environmental burdens. The largest burden faced by residents of the area is traffic, which places the site in the 81st percentile of tracts.


**Figure 10.2. Northgate Mall, view of Macy's from internal road (Google Earth, 3/21/2021)**


**Figure 10.3. Northgate Mall, view of shops from parking lot (Google Earth, 3/21/2021)**

# 11. Sacramento Region: Sunrise Mall

## Sunrise Mall – Specific Plan in Progress, Includes Housing

6041 Sunrise Blvd, Citrus Heights, CA 95610

**Owner:** Namdar Realty Group and others

**Characteristics (Land Use, Zoning, Current Status or Plans):**

- SC (Shopping Center)
- Surrounding Zoning: LC (Limited Commercial), RD20 (mixed-type housing), BP (business professional), RD30 (residential multi-unit)


**Figure 11.1. Aerial of Sunrise Mall Facing North (Google Earth, 3/9/2021)**

Sunrise Mall sits on a 96-acre property in the Sacramento region, 75 percent of which serves as parking. Opened in 1970 by the Hahn Company, original anchors included Weinstock's, JCPenney, Liberty House, and Sears. In the 1980s, Macy's replaced Liberty House, and the mall became host to the US World Tennis Team (Bizjack, 2019). The team was absent from Sunrise Mall from 2000 to 2013, though it returned for three seasons before the team folded in 2016 (Kasler 2016).

Sunrise Mall had been experiencing declining sales and attendance. The Sears store closed in 2018 (Glover, 2018). Retail sales at the mall have fallen by 50% since 2006 and more than a quarter of its storefronts were empty as of last August (2020), according to the Sacramento Bee. The mall is located near two relatively strong malls and has not had a substantial update since 2007 (Bizjack, 2019).

Namdar Realty Group, based in New York, purchased the mall in December 2018. However, in mid-2019, the mall had 4 owners of 5 different parcels. In two different parcels, Namdar owned 55.5% of the land. Sunrise Mall is anchored by JCPenney and Macy's.

The city of Citrus Heights, in July of 2019, adopted an amendment to the General Plan requiring the development of a Special Plan for the Sunrise Mall property. In October of 2019, the City and its consultant (Gensler) began the process of public outreach to develop the Specific Plan. Namdar and the other owners are working with the City and Gensler (LA-based design firm) to develop the specific plan for the mall, which they hoped to have completed by 2021. Given its size, the future redevelopment will require substantial organization and vision to make the process efficient. The City sought extensive community input, including community workshop, interviews, use of a website to obtain feedback on plans, over 500 survey responses, etc. Although in 2019 housing was not explicitly named as a future use, by the end of the year, with broader input from the community, housing became incorporated into the plan (Citrus Heights Sentinel, 2019). See the proposed land uses, published in mid-2020 (City of Citrus Hill 2020), for the site that was developed through the community involvement process with Namdar, the other owners, the City and facilitated by Gensler.

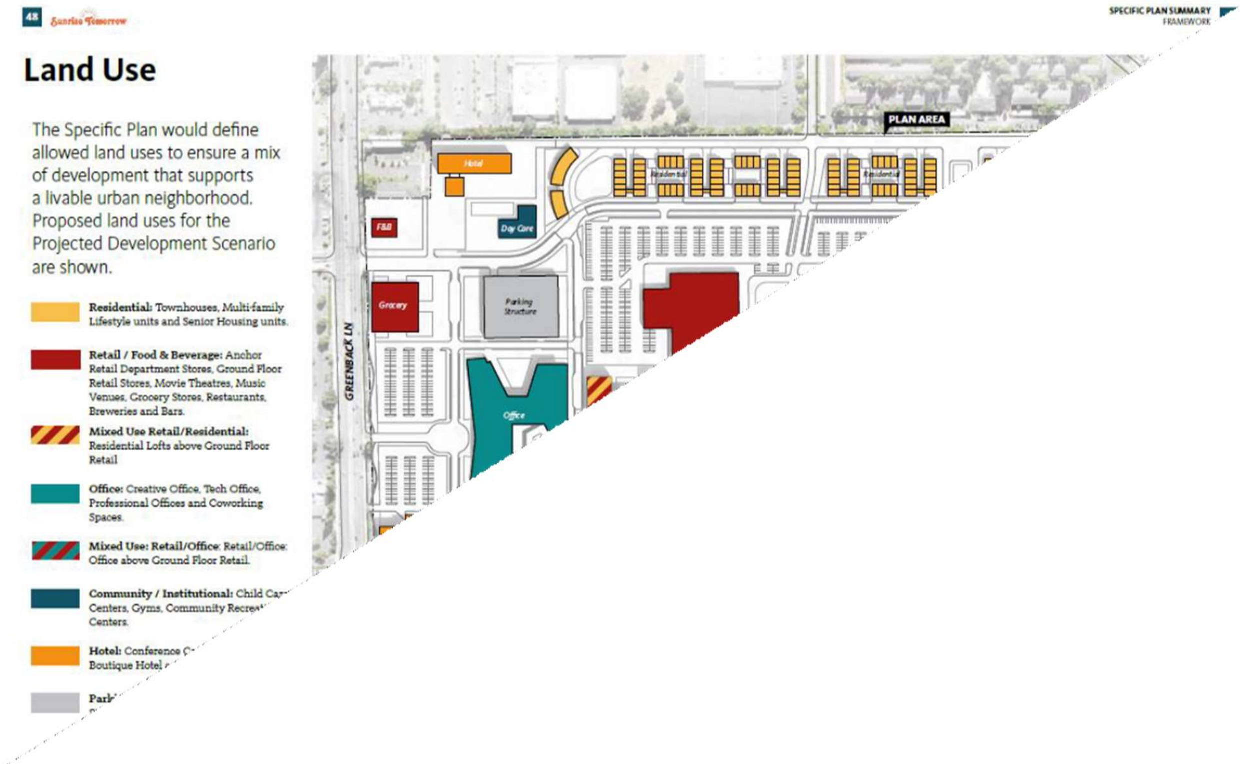


**Figure 11.2. Land Use Map for the Redevelopment of the Sunrise Mall, City of Citrus Hill (Source: City of Citrus Hill, 2020)**

The city of Citrus Hill and in particular, their Economic Development and Planning Departments, have taken a proactive role in the redevelopment of the Sunrise Mall. In 2019 after an request for proposal process (City of Citrus Hill, 7/12/2019), the City hired a respected planning and design firm, Gensler, to conduct their community involvement process, as well as to assist in engaging the 5 owners of the property at that time in the development of the specific plan. The consulting firm also had the task of developing the associated EIR for the specific plan. Gensler assisted the City in conducting a successful community involvement process during the year 2020, despite the epidemic. In July of 2020, the City issued a Specific Plan Summary, with guidance from the community engagement process, that envisions the redevelopment as a 21$^{st}$ century Main Street, with the potential for up to 1,125 housing units. The Land Use Map in Figure 11.2. shows the tentative location of housing in buildings in the outer circle of development, especially on the North side. The City has played a crucial role in the mall's redevelopment. Without the City's leadership, the redevelopment process would have been difficult, since the mall, in mid-2020, was divided into seven parcels owned by multiple owners (City of Citrus Hill, 2020).

## Property Owner Information

Namdar Realty Group is a private real estate developer based in New York. The company, founded in 1999, deals in large shopping malls, open-air retail, office buildings, mixed-use properties, single-tenant net leases, and residential properties across the United States.

Namdar Realty has grown significantly in the last few years, acquiring an average of 20 properties a year over the course of 4 years. Mason Asset Management, a company that participates in joint ventures with Namdar Realty, indicated that the companies have acquired nearly 100 mall properties over the past 5 years (Naidu and O'Donnell, 2018).

Namdar Realty Group has been accused of purchasing failing malls as assets in underdeveloped communities without the intention of investing in the revitalization of the malls. Although they dispute this allegation, they have been sued for poor maintenance of malls outside of California (Naidu and O'Donnell, 2018). As a result of their strategy of under-investing, the company's capitalization rate is very attractive. Critics claim that the Group has used this strategy of buying at a low price and spending little after the purchase to reach the position of being one of the 20 largest landlords of shopping malls in the country (McElfresh, 2019).

As of mid-2020, Namdar owned about 55% of the mall area, with Seritage Growth another 22%, and two other owners.

## Demographic Profile of Citrus Heights

According to the U.S. Census (2021), in 2019, the percentage of owner-occupied housing units in Citrus Heights was 56.8. The median household income in the City was $62,276, and the per capita income was $30,884, while the poverty rate was 11.5%. The state of California's median household income was $75,235, its per capita income was $36,955, and its poverty rate was 11.8%. Its homeownership rate was 54.8%. Citrus Heights median household income was close to $13,000 less than the state's average; its per capita income was about $6,000 lower than the state's average; but its homeownership rate was 2% higher than the state's and its poverty rate was slightly lower than the overall state average.

## Housing Needs in Citrus Heights/Sacramento

Citrus Heights is a city in the Sacramento-Arden-Arcade–Roseville Metropolitan Statistical Area with a population of approximately 80,000 residents. Thus, the RHNA is fairly small.

For the 2014-2021 RHNA, Citrus Heights had the following RHNA allocations:

- 146 units for very low-income households
- 102 units for low-income households
- 130 units for moderate-Income households
- 318 units for above moderate income households.

This amounted to a total of 696 housing units for Citrus Heights to permit or produce by the end of 2021. The City, however, in 2020, towards the end of the plan implementation period, had only permitted a total of 127 new housing units, 89 of which were for above moderate-income households, and only 9 for very low income households (California DHCD 2020).

The RHNA allocation for Citrus Heights for the 2022-2029 planning period is as follows (SACOG Regional Housing Needs Plan (ES-3), 2020):

- Above moderate income: 342 units RHNA allocation
- Moderate income: 144 units RHNA allocation
- Low income: 79 units RHNA allocation
- Very low income: 132 units RHNA allocation

These allocations amount to a total of 697 affordable housing units, to be permitted or produced by the end of 2029.

## Housing Redevelopment Potential

Using Bengford's guidelines, 48 acres of this 96 acre mall could be redeveloped from 59 dwelling units per acre in a blend of 4 story buildings with ground level-retail, townhomes, and surface parking to yield 2,832 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 7,776 dwelling units. The current plans for the redevelopment of the mall estimate that up to 1,125 housing units could be developed on the site, which would more than meet the City's housing allocation for the period 2021-2029 (a total of 697 housing units)

## Transportation Information

Sunrise Mall is located approximately three miles from I-80. The Mall is located within a half-mile from 10 bus stops serving routes 1, 21, and 23 in the Sacramento Regional Transit District. The nearest Sacramento RT light rail station is located 7 miles southeast of the mall.

## Environmental Review through CalEnviroScreen

Since proximity to highways is a major source of local air pollution, Sunrise Mall's location, approximately three miles from I-80, the site has a low score pollution burden. According to CalEnviroScreen, the census tract in which the mall is located scores an overall percentage rate of 30-35% among all the tracts in the state. Its pollution burden is rated as 21%, and its population characteristics score is 42% due primarily to its poverty rate, unemployment, and housing burden.

**Figure 11.3. View of Internal Road leading to JCPenney in Sunrise Mall. (Google Earth, 3/22/2021)**

**Figure 11.4. View of empty parking lots overlooking Macy's store in Sunrise Mall (Google Earth, 3/22/2021)**

## 12. Sacramento Region: Arden Fair Mall

### Arden Fair Mall– Failing Mall, No Plans for Redevelopment

1689 Arden Way, Sacramento, CA 95815

**Owner**: Fulcrum Property

**Characteristics (Land Use, Size, Current Status or Plans):**

- General: Retail/Commercial
- Specific: Shopping Center
- Zoning: C-2: General Commercial


**Figure 12.1. Aerial of Arden Fair Mall Facing North (Google Earth, 2/21/21)**

Arden Fair Mall opened in 1957 as an open-air mall on a 73-acre plot. Sears was the sole anchor at the time. Fulcrum Property, the current owner, purchased the mall in 1973. A renovation in 1989 included a second floor of the mall, as well as the Nordstrom anchor store. JCPenney and Macy’s came to Arden Fair in the mid-nineties. Approximately 30 to 40 percent of the surface area of the lot is covered in surface parking.

Prior to the COVID-19 pandemic, Arden Fair was more successful than other malls in the Sacramento area (Levine Weiner, 2020). However, the impact of the pandemic on most of its anchor stores has put the future of the mall into question. In May of 2020, Nordstrom announced that Arden Fair would be one of the physical stores permanently closing as a result of COVID-19 financial impacts. Additionally, in late August of 2020, the Sears store address was listed on the mall's website as up-for-lease. The physical space where Sears is located was owned by their parent company, Transformco. In early 2021, it was confirmed that Sears would permanently close at Arden Fair (Hagerty 2021).

## Property Owner Information

Arden Fair Mall is owned by Fulcrum Property in Sacramento and operated by Macerich. Fulcrum Property was founded in 1962 in Northern California. They operate out of a single office in Sacramento. According to the company website:

> "We deliver architecturally distinctive projects that influence the way people work, shop, and live. We anchor our properties in sustainable design principles that bring aesthetic, social, and economic value to the tenants and communities they serve. Guiding our work is a commitment to tackle some of the most urgent and challenging problems facing cities today - the revitalization of urban cores, the reuse of aging buildings and the creation of new community centers. Through collaboration with leading architects, engineers, and civic leaders, we incorporate the most innovative ideas into each development."

The following information about the Macerich Company comes from their annual report to the United States Securities and Exchange Commission:

> "The Company is involved in the acquisition, ownership, development, redevelopment, management and leasing of regional and community/power shopping centers located throughout the United States. The Company is the sole general partner of, and owns a majority of the ownership interests in, The Macerich Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). As of December 31, 2019, the Operating Partnership owned or had an ownership interest in 47 regional shopping centers and five community/power shopping centers. These 52 regional and community/power shopping centers (which include any related office space) consist of approximately 51 million square feet of gross leasable area ("GLA") and are referred to herein as the "Centers". The Centers consist of consolidated Centers ("Consolidated Centers") and unconsolidated joint venture Centers ("Unconsolidated Joint Venture Centers"), as set forth in "Item 2. Properties," unless the context otherwise requires."

## Demographic Profile

Arden Fair Mall is located in the Arden-Arcade Census-Designated Place (CDP). A CDP is a community that resembles a city but lacks incorporation. The population of Arden-Arcade CDP in 2010 was 92,186 persons. There is no current estimate available for 2019. However, some information on Arden-Arcade CDP is available from the 2015-2019 American Community Survey and other sources of information (US Census Quick Facts 2021).

For the period 2015-2019, the percentage of owner-occupied housing units in Arden-Arcade CDP was 41.4%. The median household income was $50,501, and the per capita income was $34,772. The percentage of persons living in poverty was 21.9%. The CDP's median household income was two-thirds the median household income in the state, but close to California's per capita income which was $36,955 in 2019. However, the poverty rate in Arden-Arcade was almost twice as high as the state's overall rate, 21.9% vs. the state's average rate of 11.8%. (US Census Quick Facts 2021).

## Housing Needs

As part of the unincorporated area of Sacramento County, Arden-Arcade is included along with other areas in Sacramento County's Unincorporated Area's housing obligation targets. For the Unincorporated Area of Sacramento County, during the 2021-2029 Regional Housing Needs Assessment cycle, the area will be required to produce 21,272 units of housing as provided below. There are 28 towns and CDPs in unincorporated Sacramento County that are included in these targets. However, Sacramento County's Economic Development Department (n.d.) indicates that the unincorporated area's population is 565,309. A rough calculation based on the CDP's 2010 population can be made that Arden-Arcade has about 16% of the county's population living in unincorporated area. On this basis, Arden-Arcade CDP would have a total RHNA target of 3,413 affordable housing units.

**Table 12.1. RHNA 6th (2021-2029) Cycle Affordable Housing Targets for the Unincorporated Area of Sacramento County, and Estimated for the Arden-Arcade CDP.**

| *Units by Income* | *Unincorporated Area of Sacramento County's Unincorporated Area's RHNA 6th Cycle (2021-2029) Targets* | *Arden-Arcade CDP's Share of Sacramento County's Unincorporated Area's RHNA (16%) Targets* |
|---|---|---|
| Very Low Income Units | 4,466 | 715 |
| Low Income Units | 2,692 | 431 |
| Moderate Income Units | 4,186 | 670 |
| Above Moderate Income Units | 9,928 | 1,597 |
| Total | 21,272 | 3,413 |

## Housing Redevelopment Potential for the Site

This 73-acre site, assuming the multipliers provided by Bengford for net density, and setting aside half the acreage for roads and open space, would yield 36. 5 acres for development. Such an area could be redeveloped from 59 dwelling units per acre in a blend of 4-story buildings with ground-level retail, townhomes, and surface parking to yield 2,153 dwelling units to 162 dwelling units to the acre, with 6-story mixed-used buildings over retail, and with underground parking to yield 5,913 dwelling units. The lower density scenario could yield more than half of the affordable units, while the higher density scenario, even if only ¼ of the units were designated as affordable, could meet 43% of the 6th Cycle RHNA targets.

## Transportation Information

To the northwest, Arden Fair Mall is bordered by Business Loop I-80 (I-80 BL), and to the southwest of the site by Arden Way, a major road that branches into the Alta-Arden Expressway. There are three bus stops located near the southern edge of Arden Fair Mall (Google Maps, 2021). Sacramento Regional Transit (SacRT) has a Transit Center at the mall, which provides access to the following bus lines:

- 13 NATOMAS/ARDEN (Natomas/Del Paso - El Camino & Watt)
- 23 - EL CAMINO (Sunrise Mall - Arden/Del Paso Station)
- 129 - Arden Commuter (Madison to Downtown)
- 67 - FRANKLIN (Cosumnes River College - Arden Fair Mall)
- 68 - OAK PARK (Cosumnes River College - Arden Fair Mall)

The northern edge of Arden Fair Mall is approximately 1.4 miles (4 minutes driving) from the Swanston light rail stop for the Sacramento Rapid Transit light rail system. This stop offers park-and-ride amenities but there is not a direct bus connection. The Royal Oaks stop prior to Swanston, and the Marconi/Arcade stop after the Swanston stop, both offer bus transfers.

## Environmental Review through CalEnviroScreen

Arden Fair Mall is located just east of the 160 and 80 Freeways that run through Sacramento. As a result of the proximity to the freeways, the diesel and ozone pollution burden is above the fiftieth percentile. The census tract rates high in groundwater and drinking water threats, which brings up its pollution burden to the 68th percentile. A high asthma rate, combined with high rates of poverty and unemployment among the population increases the population vulnerability percentage to 91, for an overall environmental ranking of the census tract in the 85-90 percentile of all the census tracts in the state.

Figure 12.2. Entrance to the Arden Fair Mall on Arden Way (Google Earth, 3/20/2021)


Figure 12.3. Arden Fair Mall entrance to the Sears store (Google Earth, 3/20/21)

# 13. Major Issues Identified in the Case Studies

Several recurring issues emerge from the brief profiles of failing malls described in Chapters 3-12, which merit a brief discussion before the initial assessment of the sustainability of the cases with redevelopment plans which is presented in the next chapter. These issues include: the potential for the redevelopment of the malls to address housing shortages, specifically, the affordable housing targets in their local governments; the site-related environmental issues such as redevelopments raise given the location of most malls near or directly adjacent to highways; the community involvement process in the redevelopment of malls, and changes in transportation demand from the sizable addition of residential populations and potential reduction of commercial trips to the sites.

## Mall Redevelopment, Housing Potential, and RHNA Targets

The study uses the Bengford scenarios to provide a rough estimate of the number of potential housing units that could be generated by assuming that half the site is set aside for roadways and open spaces, and the rest of the site is developed under two mixed-use, neighborhood-scale scenarios, the first, at 59 du/net acres in 4-story buildings with commercial at ground level, and surface parking; and the other at 162/du per net acre in 6-story buildings with commercial at ground level, and parking underground. The scale of both scenarios is mid-rise, and commercial uses are intended for the ground floor of the buildings. These scenarios are rough estimates, given that mall owners are likely to want to keep some of the commercial buildings in the existing malls, add office buildings as well as hotels to the site, as well as retain as much surface parking as possible (given the cost of underground or structured parking). Despite these caveats, the Bengford scenarios do provide an indication of how a site could be redeveloped at moderate densities in a mixed-use setting.

The scenarios also provide a rough way to estimate the extent to which a redeveloped mall could assist a city to meet its RHNA affordable housing targets, by providing a way to compare such targets to the number of housing units in a mall owner/developer's plans.

For example, in the case of MainPlace Mall in Santa Ana, the city of Santa Ana exceeded its affordable housing target by 14.7 (!) times during the last planning cycle, and has a total target of 3,087 affordable units for the 2021-2029 cycle. The owner has proposed a site plan, which the City has approved, that contains plans for 1,900 apartments. This can be compared to the calculations resulting from applying Bengford's 4-story scenario, which yielded 1,445 dwelling units (dus), and the 6-story scenario, which yielded 3,969 dus. We can reasonably conclude from this comparison that the redevelopment plan proposed by the owner yields a reasonable number of housing units for the size of the lot. Based on this determination, the number of housing units proposed by the owner in their redevelopment plan, and the city's RHNA targets, the city can negotiate with the owner the percentage of those units that will be available at affordable prices.

In the case of malls that have no redevelopment plans, such as Parkway Plaza at El Cajon, the Bengford redevelopment scenarios could be used as a rough guide to estimate the number of units that could be developed on a site at moderate densities. For El Cajon's Parkway Plaza, the calculations yield 2,360 dus at 59 dus/net acre for the lower density scenario and 6,480 dus for the 6-story scenario. This could be useful to the City when considering redevelopment plans for the site.

## Mall Redevelopment and Site-Related Environmental Issues

From the review of site maps and CalEnviroScreen scoring for the census tracts where the case studies are located, it is evident that most malls are adjacent to major highways and/or roadways. High levels of traffic, and resulting PM 2.5, and even diesel fumes in highways that are truck routes (e.g., Southland Mall's proximity to I-880), as well as roadway noise, are major environmental concerns for the redevelopment of malls with significant additions of housing. There are several ways that such pollution problems can be addressed, including: a) siting the housing away from the edge of the mall facing the highway (s); b) appropriate trees and vegetation, especially on the side(s) of the mall adjacent to the highways to absorb the pollution; c) the installation of high efficiency heating, ventilation and air conditioning (HVAC) systems in buildings to ensure air quality; d) the use of insulation materials and building processes to reduce highway noise.

Many of these issues can be addressed through the site plan for redevelopment. For example, in the case of the Laguna Hills redevelopment, the site plan locates residential buildings along the side of the mall farthest away from the highway. The cases with active redevelopment plans include site plans with tree planting and other vegetation. However, our knowledge of which plants and tree species are best to reduce air pollution on the site is evolving. See Barwise and Kumar (2020) for a recent review of plant selection to reduce air pollution and recommendations. Until recently, in California, indoor air quality in residential multi-story buildings along major highways, especially the smaller air pollution particles (PM 2.5), could not be guaranteed by the state's Building Code (CA EPA/Air Resources Board 2017). But in 2019, California's Building Code was revised to require heating, ventilation, and air conditioning (HVAC) systems with greater capacity to address the high pollution near highways, especially the smaller pollution particles (California Energy Commission 2019). As a result, residents of future mall redevelopments near highways in California will benefit from the more effective HVAC systems.

Residential buildings will be prone to higher levels of noise from adjacent highways. Noise levels could be reduced in residential buildings through insulation and building construction materials. The California Building Code, Sect. 1207.4 (2016) requires that interior noise levels attributable to exterior sources should not exceed 45 decibel (dB) in any habitable room. However, cities and counties can develop their own noise ordinances with more stringent standards or guidelines (CA Office of Planning & Research 2017).

## Mall Redevelopment and Environmental Impact Reviews

Traffic impacts of new development are major impacts typically assessed in EIRs. If a site plan for an existing mall does not require an EIR, then the transportation needs for the new development are not necessarily assessed. In the case of the MainPlace Mall, the owner referred back to the original 1983 EIR, and the City agreed, based on the fact that the current plan for the redevelopment of the site is less intense than the original 1983 development proposal, e.g., less square footage of retail, office space, as well as hotel rooms, and therefore, that the 1983 EIR was still valid.

In the case of the Village at Laguna Hills, the site of the mall falls within the City's Urban Village Specific Plan which was passed in the City's 2009 General Plan Update, with amendments in 2011. The program EIR dates also from that time. The owner in 2016 applied to the City to redevelop the mall (the redevelopment plan went by the title of Five Lagunas), which was approved by the City, but the redevelopment has not occurred. To meet the environmental review requirement for the 2016 plan, an addendum (#3) was included in the City's 2009 General Plan EIR.

In November of 2019, the owner of the Village at Laguna Hills filed an application with the City to have the proposed changes to the mall approved as part of the City's Urban Village Specific Plan, and the potential environmental impacts addressed as an addendum to the City's EIR for the City's 2009 General Plan Update. COVID-19 has delayed action on the redevelopment, but the City will be holding a City Council hearing on the project in Spring of 2021.

These two cases illustrate different ways that owner/developers have applied to the City, in which their mall is located, to redevelop malls that include new housing components and still bypass a full EIR process, which, admittedly, is costly and time-consuming.

In the case of Vallco, the owners, through the large component of affordable housing included in their final redevelopment plan, met SB 35 criteria and were exempt from California Environmental Quality Act (CEQA).

The case of the Sunrise Mall presents a different model. In this case, the City has taken the lead in its redevelopment. The city of Citrus Heights in mid-2019 amended its General Plan to require the development of a Special Plan for the Sunrise Mall property, and started the Special Plan process, ensuring very strong community participation. In early 2021, the City was in the process of developing the environmental impact statement (EIS) for the Specific Plan.

## Community Involvement in the Redevelopment of Malls

Depending on their land use/zoning designation, the redevelopment of malls follows different community engagement approaches. MainPlace Mall in Santa Ana required the amendment of a Specific Plan and was reviewed and approved by the City Planning Commission and the City Council. Also, there were public meetings held by the owner/developer as part of the Sunshine Ordinance Community Meetings required by California's Public Records Act (Government Code, Chapter 3.5 of Div.7, Title 1) before any major decision by the City Council or Planning Committee. With respect to the Village at Laguna Hills, which is mostly demolished at this time, the City Council is due to have a Public Hearing on the case in the Spring of 2021. The City has received 84 letters in support of the project (City of Laguna Hills, 2021). In addition, a community group has formed, “The Future of Laguna Hills Advisory Group”, and has compiled a list of questions for the City Council to provide more transparency about procedures. The list of questions and City Planning answers to the questions are published on the City’s Planning webpage (City of Laguna Hills—Frequently Asked Questions, n.d.).

The Vallco redevelopment is a complex case. In 2014, the General Plan was amended to allow office and housing uses on the Vallco site. The owner/developer’s original application for redeveloping the mall site was submitted towards the end of 2015. In the original proposal, the controversy was not the addition of housing or affordable units—the proposal called for 800 residential units (80 below market rate, and 40 senior age-restricted units). The major controversy was over the addition of 2 million square feet of office space. Cupertino, as of 2019, had a population of about 59,000 people. The general rules of thumb for the space needed per office worker range from 125 to 225 sq. ft. per person. The proposed development would likely have added from 8,900-16,000 work trips to and from Cupertino during the work week. Such a significant traffic impact would provoke negative reactions from many communities. Negative reactions from organized community members in Cupertino followed, and led to failed initiatives, pro and con, and Vallco suspended its application. In October 2017, Vallco asked the City to revive the application it had previously submitted, and to start the specific plan and EIS process. However, soon after this, on January 1, 2018, SB 35 came into effect, which exempts projects with significant units dedicated to affordable housing from ministerial review, and, specifically, from the environmental review process. As the Specific Plan process was proceeding, the Vallco owners initiated an SB 35 application, and before the City’s planning process was completed, obtained a planning clearance from the City Manager’s Office (June 22, 2018) certifying that the application met the City’s planning requirements. In Vallco’s SB 35 proposal, the housing component was increased to 2,402 units, with 1,201 of these affordable, and the amount of office space was reduced to 1.8 million square feet. In this way, the Vallco owners could show a large number of affordable housing units, more than the City’s total RHNA allocation, to meet SB 35 state requirements, with just a 10% reduction in office space. Note that the reduction in office space could still result in from 8,000-14,400 new work trips to and from the site, and that by doubling the residential units, the number of market-rate housing units was not reduced, but rather increased by 200 units from the original proposal. In the meanwhile, the specific planning process was going forward, culminating in public hearings and adoption of the Specific Plan and rezoning by the City Council in October of 2018, which included two options, one of the options close to Vallco’s SB 35 application. This prompted community opponents to file referenda petitions, and lawsuits, which ended in a court judgment in favor of the Vallco owners under SB 35.

How could the planning process have been improved in this case? Perhaps by engaging the owner/developer early on, by 2015, in a structured planning process, that is, through a specific plan process. But, by the time the Vallco owners and the City undertook the route of preparing a specific plan (which was adopted in Sept. 2018), the relationship between the Vallco owner and the community group organized against the redevelopment was very hostile. This process, of course, was complicated by SB 35. The Vallco case is not so much a case of the NIMBY syndrome, but rather of a planning failure, resulting in a deeply divided community.

In contrast, among the cases profiled, the Sunrise Mall case offers a model for community initiative and engagement. In response to the major owner's piecemeal efforts to redevelop parts of the mall, by mid-2019, the City adopted a General Plan amendment requiring a comprehensive approach or specific plan for the Mall (City of Citrus Heights 7/12/2019). This was a smart move, given the multiple owners of the mall.

The City then, after a search, hired an accomplished design and planning firm not only to help the City design a plan, but to develop and guide a community planning process. In their RFP, the City outlined several aspects of the community participation process that they envisioned, including community workshops, an online engagement tool (City of Citrus Heights, 2020), workshops with owners, and with City officials to obtain input into the plan, as well as several ways to obtain community feed-back on the draft plan, including pop-up workshops, and virtual community workshops.

## Current Transit Access and Future Transit Needs of Redeveloped Malls

Typically, the malls studied had 3-4 bus lines providing service to the site. In several of them, a Transit Center was either located on site of the mall or within a short walking distance. In the case of the Sunrise Mall redevelopment, the Specific Plan locates a Transit Center by the main entrance to the redeveloped mall.

Since the redevelopment of malls will bring new populations of residents and office workers to the development, transit options already available at the mall sites may not meet their needs. To establish the new or additional transit and other transportation needs of new residents and office workers to the site, surveys or public workshops and hearings to collect feedback shortly after they move in or start working at the site are recommended.

Such surveys or public workshops can identify transit, paratransit, and carsharing needs of residents and workers in the redeveloped mall for transit and transportation agencies in the region. In such surveys, it is also important to assess the respondents' ownership of electric vehicles, and their use of bicycles for some trips, to ensure adequate infrastructure on the site to support their use. A needs assessment can begin with an online survey, by sending cards by mail to residents and posting public notices in office buildings inviting residents and office workers to a URL address to take the survey. The survey can ask about their current transportation choices, unmet needs, and preferences at their new location, identify the existing transit available, whether the existing transit meets some of their travel needs, and ask about their other destinations. The survey results can help transit/transportation planners identify new options. Such options can then be discussed at follow-up public meetings to obtain residents' and office workers' feedback.

# 14. Sustainability Criteria to Assess the Redevelopment Potential of the Cases

The most popular definition of sustainability is development that balances the 3E's, environment, equity, and the economy (Daly and Cobb 1989; Elkington 1994; Campbell 1996; Blanco and Mazmanian 2014). Under this definition, these three systems, the natural environment, along with the economy, and the social/political/ethical system that would guarantee a certain measure of equity, are assumed to be co-equal. This balancing of the three spheres concept has been popularized for the business sector through the concept of the triple bottom line (TBL) or the three pillars: People, Planet, and Profit.

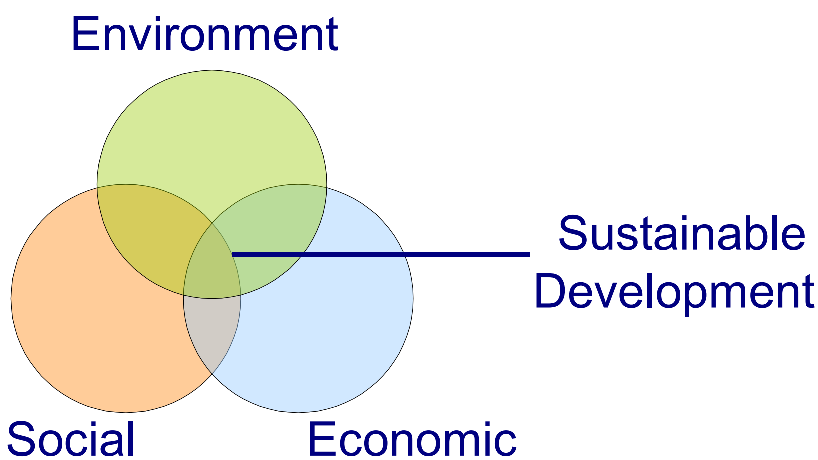


**Figure 13.1. Sustainable development as a balance or interface among social, economic, and environmental aspects**

In addition to more general sustainability literature in urban settings, we focused on sustainability criteria for redevelopment and conducted a brief literature review to guide our selection of relevant sustainability criteria to assess the cases.

## Sustainability Literature Review

### *Introduction*

Shopping malls face a bleak future in the United States. Communities face the consequences of over-retailing that occurred across the United States. In the midst of the COVID-19 pandemic, experts expect that over 50 percent of mall department stores are likely to close by 2021, while medium and small retailers will also struggle to survive. (Thomas, 2020)

Meanwhile in California, housing and homelessness, the growing threat of climate change, and the future economic health of communities demand immediate, sustainable solutions. This chapter specifically aims to provide sustainability criteria for transitioning dying and dead shopping malls into housing opportunities. Literature related to the topic examines the viability of "demalling" or redeveloping dying shopping malls as housing sites and seeks studied sustainability practices for this specific transition. Unfortunately, "... despite its importance for urban planners and urban studies, the existent literature on demalling is rather scarce." (Guimarães, 2018) This study on redeveloping dying shopping malls as mixed-use, transit-oriented housing will contribute to the literature on demalling, greyfield redevelopment, the transition to mixed-use development, and transit-oriented development.

In the following section, we profile several articles and studies with particular relevance to the redevelopment of shopping malls. The three thematic areas of existing literature related to the redevelopment of dying shopping malls as transit-oriented or mixed-use housing developments include demalling, the redevelopment of greyfields, and transitioning to mixed-use development. This will be followed by a set of criteria focused on the California context of affordable housing deficits.

### *Demalling*

Dunham-Jones and Williamson (2017) examine the range of reinhabitation strategies for dying shopping malls, including uses as medical centers, schools and community college, megachurches, and "ethnic malls". Dunham-Jones and Williamson argue that the sustainability benefits from retrofitting appear in the reconnection of the space to the surrounding neighborhoods and communities. The economic and social sustainability of access and flexibility of the infrastructure could be paired with environmentally sustainable design choices as well.

"From Grey to Green" (U.S. EPA et al. 2010) provides an overview of the green infrastructure, stormwater management, and smart growth principles applied to Parkade shopping center, an entirely vacant shopping mall in Manchester, Connecticut. The criteria for green building practices would result in, "reduce[d] operational costs, ...opportunities for water conservation, reduce[d] carbon footprint of development, and increase[d] profitability for developers and land-owners." Stormwater management systems would manage flooding and improve watershed health, reduce runoff, and improve water quality and aesthetics. Finally, the principles of smart growth outlined in the report include: mix-land uses, take advantage of compact building design, create a range of housing options and choices, create walkable neighborhoods, foster distinctive and attractive communities with a strong sense of place, preserve open space, farmland, natural beauty and critical environmental areas, strengthen and direct development towards existing communities, provide transportation choices, make development decisions predictable, fair, and cost-effective, and encourage community and stakeholder collaboration.

### *Redevelopment of Greyfields*

Carretero and Higueras (2017) introduce a methodology for retroactively analyzing the sustainability of retrofits to shopping malls. They apply the methodology to eight case studies around the world. The criteria that the authors use emphasize environmental sustainability, including the eco-efficiency, environmental, use, and urban environmental elements of the retrofit. The criteria under these four sections include:

- Eco-efficiency: Installation of low emission technologies, active energetic systems, passive systems
- Environmental: Insertion of green areas, water saving and absorption retrofitting, heat island treatment
- Uses: Insertion of residential uses, insertion of non-commercial businesses or productive uses, insertion of public or social uses
- Urban environment: Efficient and available transportation, density, walkability, and security

The report, "Brownfield-Greyfield Redevelopment Financing" by Connect our Future (2015), was a product of the collaboration between the Centralina Council of Governments and Catawba Regional Council of Governments. It offered financial incentives for encouraging redevelopment of greyfield properties. Greyfield sites included unproductive and abandoned former strip malls, big box stores, and shopping centers. The sites generally did not have environmental concerns preventing their reuse. The report identifies the Mill Credit, South Carolina Abandoned Buildings Revitalization Act, and the Historic Rehabilitative Tax Credits as examples of financial incentives that could be used to begin development on greyfield properties. Other financing sources named in the report included tax increment financing supplemental environmental projects and insurance recovery.

In this earlier work, Dunham-Jones (2005) evaluates the potential for retrofitting underutilized spaces in suburbs, including underperforming malls, as suburbs grapple with social, economic, and environmental changes. The author argues that sustainability improvements would ideally result in an improved balance between transportation and housing costs, environmental performance, and green space availability (including improved rainwater capture), economic performance resulting from sales tax, and other benefits that would be accrued in existing communities. Durham-Jones also cautions that generic New Urbanist plans for the creation of open public space should not be favored over plans that respond to local culture and social patterns.

### *LEED-Neighborhood Development*

The rating system for Leadership in Energy and Environmental Design (LEED) Neighborhood Development (ND) is also important to review for developing guidelines for shopping mall redevelopment into mixed-use centers. In 2004/5 the US Green Building Council (USGBC) partnered with the Congress for the New Urbanism and Natural Resource Defense Council to develop a rating system for new neighborhood development, LEED Neighborhood Development or LEED-ND. Since then, this rating system has undergone various changes, and in 2018, the US Green Building Council released its 4th revision (LEED ND 4).

LEED credits are scored across five green building categories Smart Location and Linkage, Neighborhood Pattern and Design, Green Infrastructure and Buildings, Innovation and Design

Process, and Regional Priority. The first three are unique while Innovation and Design and Regional Priority are part of every type of LEED certification. The Smart Location and Linkage option "focuses on selection of sites that minimize the adverse environmental effects of new development and avoid contributing to sprawl and its consequences" while the Neighborhood Pattern and Design "emphasizes the creation of compact, walkable, mixed-use neighborhoods with good connections to nearby communities" (USGBC 2018). The Green Infrastructure and Buildings promote the "design and construction of buildings and infrastructure that reduce energy and water use, while promoting more sustainable use of materials, reuse of existing and historic structures, and other sustainable best practices" (USGBC 2018).

### *Transition to Mixed-Use Development*

Newton (2013) does not specifically address shopping malls, but the author summarizes a number of key strategies and elements for greyfield redevelopment. Most importantly, Newton identifies that greyfield redevelopment is currently on a trajectory to be "suboptimal". In order to avoid breakdown of communities due to growing urban pressures and climate change in the next 20 to 30 years, Newton argues, developers and governments must aim at high-level innovations, as well as a more robust multi-actor participatory approach. Developers, governments, and planners must also innovate using existing sustainability rating tools, such as LEED or ENVISION, in order to provide ongoing data and monitoring of the eco-efficiency of redevelopment on greyfield sites.

Newton identifies 3 levels of innovation, in energy, water, waste, transport and communications, and buildings, which he refers to as three horizons:

- Horizon 1 focuses on energy efficiencies in housing and industry, as well as appliances; water-smart appliances, desalination; waste separation and recycling; road pricing, high-speed rail; telepresence via broadband; green building design, tall buildings.
- Horizon 2 includes distributed, renewable, and low-emission energy-generation systems; sewer mining, water-sensitive design; extensive cradle-to-cradle manufacturing; hybrid and electric vehicles; telecommuting; real-time lifecycle sustainability performance assessment during design;
- Horizon 3 targets renewable-based-solar-hydrogen or solar-electric economy; integrated urban water systems (recycled stormwater and wastewater); eco-industrial clusters based on the utilization of multiple waste streams; integrated transport and land use development; intelligent transport systems; e-mobility; and ultra-smart buildings and linked infrastructures; as well as green building materials with embedded sensors and intelligence.

### *Redevelopment to Benefit from California's Overall Climate Change Policy, CALGreen, and ZNE Policy*

California, with its early commitment to reduce greenhouse gases, has been decarbonizing the energy sector since the passage of the California Global Warming Solutions Act of 2006 (AB 32). The California Air Resources Board is in charge of the state's periodic assessment of how

California is moving towards the 2030 goals of achieving 40% emissions reduction below 1990 levels by 2030 and tracks progress on the multiple initiatives to achieve this goal. Prominent among California's climate change initiatives include: its Cap-and-Trade program, which puts firm limits on 80% of emissions; the state's goal of obtaining 50% of its energy supply from renewable energy; doubling the energy efficiency in existing buildings; incentivizing high density, transit-oriented development; facilitating walkable and bikeable communities; clean transit with 100% new buses with zero emissions; and over 4 million electric cars on the road by 2030. In addition, the state has invested half of the state's income from its Cap-and-Trade Program to provide benefits in the 25% of California communities that are most disadvantaged by environmental and socio-economic burdens (California Air Resources Board 2017).

The sustainable redevelopment of shopping malls will benefit from California's leadership in climate change policy. Of particular relevance is the California Green Building Code (CALGreen), the first mandatory state building code in the country, which all cities in California were required to adopt in 2011. CALGreen regulations are focused on reducing GHG emissions, energy consumption, and water use. CALGreen has been continuously updated (CA Buildings Standards Commission 2021).

In addition, California, a leader in the nation on renewable energy, has established these zero net energy building requirements:

- All new residential construction will be zero net energy (ZNE) by 2020.
- All new commercial construction will be ZNE by 2030.
- 50% of commercial buildings will be retrofitted to ZNE by 2030.
- 50% of new major renovations of state buildings will be ZNE by 2025 (California Public Utilities Commission 2021).

### *Conclusion*

Newton's levels of innovation criteria, the sustainability enhancements that Dunham-Jones discusses, as well as those that Carretero and Higueras identify go beyond the criteria included in LEED for neighborhood development, support many of the programs and innovations that the state of California has adopted, and could be useful in the redevelopment of shopping malls.

Trends in the existing literature acknowledge the viability of dying shopping malls for mixed-use housing, provide case studies on the redevelopment of dead or dying malls to mixed-use, and offer a limited focus on sustainability guidelines. Articles offering the most specificity on guidelines for sustainable shopping mall redevelopment include perspectives from around the world. Many articles identify the importance of responding to local conditions and stakeholders, which makes the creation of rigid sustainability criteria less useful. Still, the condition of dead or dying shopping malls is unique, and existing rating systems have yet to provide specific recommendations, resources, and best practices. The state of California's leadership and requirements for green and net-zero buildings, as well as its efforts to reduce

GHG emissions from a multitude of sources, fortunately, will be an essential component of the sustainable redevelopment of failing shopping malls in the state.

## Preliminary Sustainability Criteria for the Redevelopment of Shopping Malls

### *Social Sustainability: Housing and Community Involvement*

We begin with the premise that sustainability has three dimensions (as the literature on sustainability emphasizes): social, economic, and environmental. Which aspect to emphasize depends on the context examined in terms of its challenges and/or opportunities. Given the lack of affordable housing across California—projected at 3.5 million units by 2025 (McKinsey et al., 2016), and across the nation, in this context, the major criterion for mall redevelopment is ***social***, the potential for such redevelopment to provide housing, especially, affordable housing. How much housing depends on the size of the community and its housing deficit in affordable housing, as well as the extent to which there are other sites in the community where significant new housing development could be located. When considering the redevelopment of a mall, a first question should be, "How many units of housing, at various densities, can be built on the site in a mixed-use context?" A way of gauging the extent to which a redevelopment meets this social criterion is by comparing the units of housing or affordable housing in the redevelopment plan to the existing affordable housing deficit in the community, as discussed in Chapter 13. Table 14.1 that summarizes major characteristics relating to the three aspects of sustainability for several case study malls makes clear that the opportunities for addressing housing deficits through the redevelopment of malls can be very significant. If 1/3 of the housing units in such redevelopments are affordable housing units, then the redeveloped malls profiled could provide from 20% to 54% of their cities' affordable housing targets for the coming eight-year planning cycle. The case of the Vallco mall, of course, is exceptional. The owner/developer has committed to the affordability of half of the housing units, and so, the project would deliver more than 100% of the need for affordable housing units estimated for the City during the housing planning cycle that ends in 2023.

Community or stakeholder participation was highlighted as an important consideration by several publications we reviewed above (USEPA et al. 2010, Newton 2013), but it was not a strong theme highlighted in that literature. However, community involvement in the development of plans for large redevelopment projects is an important element in their sustainability, and we have included it as another important ***social*** criterion. Early and substantive community involvement could identify and resolve issues that concern the larger community and avoid community opposition to such plans.

### *Economic Sustainability: Impact on Local Costs and Revenues*

Incorporating housing into redeveloped malls can also address ***economic*** sustainability, by ensuring a core of commercial land uses, to serve the shopping needs of the new residential development and surrounding neighborhoods, and provide jobs in the neighborhood, as well as tax revenues for the local community. Economic issues, such as changes in property tax, sales tax, and potential impacts on schools from the redevelopment and addition of new residents also need to be considered.

Economic sustainability issues in the redevelopment of failing shopping malls concern at least three types of agents: the owners of the failing shopping malls; the city or county; and the new residents. The owners of failing shopping malls already experience a decline in profits, and we can assume that owners undertaking a mixed-use redevelopment estimate that such a mixed-use redevelopment will be profitable.

The economic impact of such redevelopments on cities or counties depends on the redevelopment's impacts on property and sales tax revenues, and on the costs of providing urban services to the new residents, including public schools. Such impacts could be analyzed through fiscal impact analyses and passed on to the owner/developer in the form of impact fees.

In California, commercial and residential properties are assessed at the same property tax rate, and thus, local governments are not likely to be negatively impacted by the mixed-use redevelopment of failing malls, and given the higher property values of such redevelopments, property tax revenues for such local governments should increase.

Local governments would be impacted by the potential reduction in sales tax revenues from a mixed-use redevelopment. However, local governments already experience declining sales revenues from failing malls.

The economic impact of living in mixed-use neighborhoods for new residents could be positive, since such developments could provide neighborhood shopping needs by walking or biking, reducing the costs of travel by automobile or transit.

### *Environmental Sustainability: Addressing Existing Environmental Harms and Climate Change*

Environmental impact reviews of the redevelopment of shopping malls into mixed-use centers may or may not be required, depending on the existing zoning or whether the redevelopment occurs under certain conditions. For example, SB 35, the California legislation which fast-tracks redevelopments that substantively address a city's affordable housing targets under RHNA, as in the Vallco Redevelopment Case, exempts such development projects from the CEQA environmental review process (See Chapter 15 for a brief description of California's SB 35). However, in their review of the site plans for redevelopment, local governments can comment and negotiate with the owner on the environmental issues identified through CalEnviroScreen. For example, as discussed in Chapter 13, due to the proximity of many shopping mall locations to major highways and consequent air pollution, local governments and owners can identify ways to address such issues, for instance, by locating new housing on the site away from major highways or roads, as well as through green canopies and advanced HVAC building systems.

Such planning reviews could also focus on the traffic impacts of bringing a new residential population to a site, how this could potentially increase traffic congestion during rush hours, and suggest ways to address it through improved transit options. However, the cases we profiled in this study already had several bus routes serving the shopping malls. The redevelopment of the malls may require access to other parts of the region or more frequent access from existing bus lines currently serving a mall. Once the size of the residential units, their mix, and numbers are decided, the regional transit agency can survey residents and plan for needed expansions of transit service, or ridesharing options.

Redevelopment of these large projects will already benefit from the state's Green Building code, and Zero Net Energy building requirements as briefly discussed above.

Included in the tables below is a preliminary assessment of the case study malls that are planning, or that are in the process of redeveloping. This assessment is provided for illustrative purposes only since most of the redevelopment projects are still in the planning stage.

**Table 14.1. Sustainability Criteria Applied to Four Redevelopment Cases**

| Case Study Malls | Social | Economic | Environmental |
|---|---|---|---|
| **Main Place Mall**<br>**Orange County**<br>**Size:** 49 acres<br>**Owner:** Centennial Real Estate | ***Planned Housing for New Development:*** 1,900 units<br>***City Affordable Housing Deficit ($6^{th}$ Cycle RHNA):*** 3,087 units<br>**% of Affordable Housing Deficit Met if 1/3 of units were Affordable: 20.5%**<br>**% of Affordable Housing Needs Met if 1/2 of units were Affordable: 30.7%**<br>***Community Involvement:*** City planning hearings on the redevelopment plans | ***Impacts on Local Tax Revenues for Local Governments****:*<br>Increase in property tax revenues due to new development;<br>Potential reduction in sales tax revenues;<br>Increased costs to local government to expand needed infrastructure (water, sewers, stormwater) for new development, especially, residential—could be financed through development impact fees.<br>***Economic Impacts on New Residents:***<br>Reduced cost of transportation due to proximity of neighborhood commercial uses | ***Major Environmental Issues:***<br>Pollution from proximity to I-5.<br>The site plan should address these concerns and identify ways to reduce impacts;<br>Traffic impacts of new housing, and of fewer regional shopping trips;<br>Improving access to transit for new residents and surrounding residential community. |

| Case Study Malls | Social | Economic | Environmental |
|---|---|---|---|
| **Village at Laguna Hills**<br><br>**Orange County**<br><br>**Size:** 68 acres<br><br>**Owner**: Merlone Geier | ***Planned Housing for New Development:*** 1,200-1,500<br><br>***City Affordable Housing Allocation(6$^{th}$ Cycle RHNA):*** 1,979<br><br>**% of Affordable Housing Deficit Met if 1/3 of units were Affordable: 20-25%**<br><br>**% of Affordable Housing Needs Met if 1/2 of units were Affordable: 30-38%**<br><br>***Community Involvement:*** City planning hearings on the redevelopment plans | ***Impacts on Local Tax Revenues for Local Governments and Economic Impacts on New Residents:***<br><br>Same as Above | ***Major Environmental Issues:***<br><br>Pollution from proximity to I-5.<br><br>The site plan should address these concerns and identify ways to reduce impacts.<br><br>Traffic impacts of new housing, and of fewer regional shopping trips.<br><br>Site is near the Laguna Hills Transportation Center with access to several bus routes. |

| Case Study Malls | Social | Economic | Environmental |
|---|---|---|---|
| **Vallco Mall**<br>**Santa Clara County**<br>**Size:** 58 acres<br>**Owner:** Sand Hill Property Co. | ***Planned Housing for New Development:*** 2,400 units, **50% affordable housing units**<br>***City Affordable Housing Targets (5th Cycle RHNA-2015-2023):*** 1,064 (only 308 units permitted through 2020)<br>***City Affordable Housing Units (6th Cycle RHNA-2024-2031):*** Targets to be set by end of 2021<br>**% of Affordable Housing Deficit Met: 113%**<br>***Community Involvement:*** Poor community involvement process that turned adversarial; and required state determination through (SB 35) and legal settlement; Poster case for NIMBYism. | ***Impacts on Local Tax Revenues for Local Governments:*** Increased property tax revenues, and sales tax revenues due to redevelopment.<br>Increased costs to local government to expand needed infrastructure (e.g., water, sewers, stormwater) for new development, especially, residential—could be financed through development impact fees.<br>***Economic Impacts on New Residents:*** Reduced cost of transportation due to proximity of neighborhood commercial uses | ***Major Environmental Issues:***<br>Proximity of development to highways. This issue can be addressed through site planning of residential buildings away from major roads as noted above.<br>Office part of the redevelopment will generate increased traffic, which could be addressed through improved transit and other measures.<br>The new sizable housing population will likely require greater access to transit in closer proximity to the new Vallco. |

| Case Study Malls | Social | Economic | Environmental |
|---|---|---|---|
| **Sunrise Mall**<br><br>**Sacramento County**<br><br>**Size:** 96 acres<br><br>**Owners**: Namdar Realty Group, Seritage Growth, and two other owners | ***Planned Housing for New Development***: 1,125 housing units<br><br>***City Affordable Housing Targets***<br><br>***(5th Cycle RHNA-2014-2021):*** 696 units<br><br>***City Affordable Housing Targets (6th Cycle RHNA-2022-2029):*** 697 units<br><br>**% of Affordable Housing Deficit Met if 1/3 of units were Affordable: 54%**<br><br>**% of Affordable Housing Needs Met if 1/2 of units were Affordable: 81%**<br><br>***Community Involvement:*** The City of Citrus Heights, especially their Economic Development, and Planning Departments, has taken a proactive role in the redevelopment process, and conducted a productive community engagement process in 2020. | ***Impacts on Local Tax Revenues for Local Governments:***<br><br>Increase in property tax revenues due to new development;<br><br>Potential reduction in sales tax revenues;<br><br>Increased costs to local government to expand needed infrastructure (water, sewers, stormwater) for new development, especially, residential—to be financed through development impact fees.<br><br>***Economic Impacts on New and Near-by Residents:*** Reduced cost of transportation due to proximity of neighborhood commercial uses | ***Major Environmental Issues:***<br><br>Citrus Heights rates in the bottom third of census tracts in the state for its overall environmental burdens, especially with respect to environmental threats. The siting of housing away from major roads should address major issues of Ozone and traffic. |

# 15. Incentives and Enabling Legislation for Redeveloping Shopping Malls

## Existing Tools

There are several existing incentives, tools, or requirements for increasing the housing supply in California, which can be useful to redevelop failing malls into mixed-use urban villages. These range from the density bonuses that many local governments provide for addressing housing needs in their jurisdiction, to broader instruments, such as Enhanced Infrastructure Financing Districts (CA Gov Code, Sect. 53398.50), used to finance infrastructure projects, e.g., expansion of water and wastewater infrastructure, transit-oriented development, streets, or brownfields remediation in the redevelopment of malls.

In addition, AB 2345, became effective on January 1, 2021, which expanded the 40-year old density bonus law in California. More directly, in December of 2020, two bills were introduced, one in the Senate (Caballero SB 6), and the other in the Assembly (Bloom AB 115) that focus on permitting housing development in commercial zones, and specifically focus on shopping malls.

### *Density Bonuses*

Several case study cities, such as Hayward, San Rafael, and El Cajon, have density bonuses for developments that address the cities' requirements for meeting their affordable housing obligations. San Rafael's Density Bonus Ordinance, for example, provides a density bonus of 20% if the percentage of affordable units to total units for very low-income is 5%. See the table below.

**Table 15.1. San Rafael's Density Bonus Calculation Table (2019)**

| Percentage of Affordable Units to Total Units | Income Category | Density Bonus |
|---|---|---|
| 5% | Very Low (50% Area Median Income, AMI) | 20% |
| 6% and above | Very Low (50% AMI) | 2.5% additional bonus for each 1% increase in affordable units up to 35% max. density bonus.<br>11% affordable units =35% density bonus |
| 10% | Low (60% AMI) | 20% |
| 11% and above | Low (60% AMI) | 1.5% additional bonus for each 1% increase in affordable units up to 35% max. density bonus.<br>20% affordable units =35% density bonus |

Another example is Chula Vista's General Plan, which requires 10% of all new housing development of fifty (50) or more units to be affordable for low- and moderate-income households.

### *Multi-Family Bond Program*

Chula Vista also has a Multifamily Bond Program, which provides below-market financing for developers that set aside a number of their dwelling units for affordable housing.

### *Enhanced Infrastructure Financing Districts*

With the elimination of redevelopment agencies in California in 2012, a major tool for the financing of infrastructure for redevelopment, Tax Increment Financing, was also eliminated. However, in 2014, SB 628 (Section 53398.50 of California's Government Code), introduced Enhanced Infrastructure Financing Districts (EIFDs), which provides broad authority for local agencies to use tax increment to finance a variety of projects, including infrastructure, affordable housing, mixed-use development, and sustainable development; as well as transit-oriented development. EIFDs can be used at a variety of scales, from city-scale to a single street. (SCAG 2021)

### *SB 35 (Wiener) Planning and zoning: affordable housing: streamlined approval process*

California's SB 35 (Government Code Section 65913.4) became effective on 1/1/2018. The law applies to cities that have not made sufficient progress in meeting their affordable housing targets as mandated by the state, reported in localities' RHNA progress reports. SB 35 requires cities and counties to streamline the review and approval of certain affordable housing projects by providing a ministerial process. This ministerial process is exempt from an environmental review process under CEQA, as was central to the Vallco redevelopment project.

## Recent State Initiatives

### *California's Expansion of its Density Bonus Law*

AB 2345, which became effective on January 1, 2021, expands California's Density Bonus Law, which had been in place for more than 40 years. The new law increases the density bonuses from 35% to 50%, as well as increasing the percentage of units that must be set aside. To obtain the increased housing permit bonuses, projects must set aside at least 15% of total units for very low-income households; 24% of total units for low-income families; and 44% of for-sale units for moderate-income families. The new law also reduces the maximum parking requirements for 2/3 bedroom units from 2 spaces to 1.5 spaces

### *SB 6 The Neighborhood Homes Act and AB 115 Amending the Government Code*

Senator Caballero and others introduced the Neighborhood Homes Act (SB 6) at the end of 2020. This bill directly motivated by store closures in many shopping malls, and the overall outlook on the viability of shopping malls, would permit, as of right, housing development projects as allowable uses on a "neighborhood lot", defined as a parcel in a commercial zone where office and retail uses are currently permitted, as long as the parcel is not adjacent to an industrial use (SB 6 Caballero et al. Amended 3/8/21; Senate Committee Hearing Summary on SB 6, 3/11/2021). In addition, a proposed development on such sites may be streamlined, if, among other provisions, 50% or more of the site has been vacant for at least three years.

The accompanying bill in the Legislature AB 115 Bloom (12/18/2020) would change the Government Code to allow residential uses in commercial zones. These proposed legislations aim at and make explicit the inclusion of affordable housing units in such redevelopments. By permitting these redevelopments as of right, the bills would allow such redevelopments to proceed without an environmental review process under CEQA.

The passage of these bills introduced during the current legislative session, will enhance the ability of local governments and owners/developers of shopping malls to redevelop failing malls to increase the housing supply, especially, to increase affordable housing in the state. But they would do so by curtailing neighborhood participation in the planning process.

# 16. Concluding Comments

Even before the COVID-19 pandemic, experts predicted that many shopping malls in California, and throughout the country would fail in the near future. COVID-19 may well precipitate such failures. This study developed case studies of malls that have experienced a loss of anchor stores and sales where the owners have initiated their redevelopment, and of malls experiencing similar losses but with no current redevelopment plans. The case studies included redevelopment sketches that suggest the potential generation of new housing units in multi-family mid-rise buildings in mixed-use neighborhoods.

Based on a literature review, we developed sustainability criteria that can be applied to such redevelopment efforts before or after such efforts to gauge the benefits and costs of such redevelopments from the perspective of social, economic, and environmental sustainability concerns. In this project, we applied the criteria to the four cases in our study that have redevelopment plans. Given our focus on affordable housing deficits in the state, social criteria became primary—how much affordable housing the redevelopment would produce, and in what categories, whether moderate, low, or very low-income housing. Table 14.1. summarizes major characteristics relating to the three aspects of sustainability for several case study malls. The table makes clear that the opportunities for addressing local housing deficits through the redevelopment of malls can be very significant. If 1/3 of the housing units in such redevelopments are affordable housing units, then the redeveloped malls profiled could provide from 20% to 54% of their cities' affordable housing targets for the coming eight-year affordable housing planning cycle. The case of the Vallco mall, of course, is exceptional. The owner/developer has committed to the affordability of half of the housing units, and so, the project would exceed the City's affordable housing needs for the City's current planning cycle.

The second social criterion or concern is community participation in the process. The Vallco case provides an instructive lesson on potential community opposition to such redevelopment. To avoid such a fractious process, mall redevelopment projects require community involvement and close cooperation between not only the City and its Planning Department and the owner/developer, but also with the local community, to respond early to community concerns and ensure a timely and successful project. The Sunrise Mall case, on the other hand, illustrates how a City and its City Planning and Economic Development Departments can initiate and lead a community process that could result in a community-wide asset, a Main Street Center that the City has been lacking.

Economic concerns are also important in gauging the sustainability of the redevelopment of a failing mall. Given the erosion in shopping mall sales for the last two decades, for many mall owners, especially, for the large firms, the redevelopment of malls into mixed-use centers makes economic sense. Among the ten cases we examined, two large commercial property firms, Merlone Geier Partners (2 malls) and Brookfield Properties (3 malls) owned five of the malls. Both these firms indicate on their web pages that they are interested in acquiring mall properties that can be converted into mixed-use centers. Before COVID-19, a mix of retail, office, and housing was a preferred mix. After COVID-19, with increases in remote work, housing may gain in importance.

Economic concerns related to the additional infrastructure and local services required by redevelopments with housing additions of hundreds of units may be significant for local governments. But local governments can charge the owner/developer impact fees to cover the costs of extending local infrastructure to the new residential development.

In the mixed-use redevelopment of failing malls, environmental concerns can be significant, as we indicated by reviewing CalEnviroScreen scores for the malls profiled. In many of the cases, air pollution due to their proximity to major highways is very high (e.g., both Main Place Mall and Laguna Hills Mall are adjacent to I-5). Many of the issues identified by CalEnviroScreen can be addressed by site plans that take into account these issues, for example, by locating the housing away from the side of the site facing the highway. Although a full environmental impact review process may not be required for such redevelopments, some assessment of the potential environmental impacts of such redevelopments on the new residents, as well as their traffic impact, is appropriate. Also important in such assessments is addressing additional transit and other transportation needs for the new residents.

The pandemic has heightened the need for housing in the state. Currently, there are bills in the State Senate and Legislature that would facilitate the process of mall redevelopment to address the housing crisis by overriding local zoning powers and processes. The cause is just, but the means are not sustainable and may backfire. An inclusive community participation process in the planning of mall redevelopments into mixed-use districts is likely necessary for their successful implementation.

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# 18. Data Management

## Products of Research

Data used in the study include the following characteristics of case study shopping malls: location, size, anchor stores, owner, redevelopment status, current conditions, selected demographic characteristics of the locality, affordable housing targets, transit availability, CalEnviroScreen ratings for the census tract where the shopping mall is located, and Google Earth pictures.

## Data Format and Content

Varied. Demographic characteristics were obtained from the U.S. Census, Quick Facts; California Regional Housing Needs Allocation figures were obtained from regional association of governments and CA Dept. of Housing and Community Development; CalEnviroScreen Data was obtained from the California Office of Environmental Health and Health Hazard Assessment.

## Data Access and Sharing

The Directory of Major Shopping Malls is a commercial database for purchase or subscription. The sources for the rest of the data used in the study are publicly available and annotated in the references.

## Reuse and Redistribution

The data used in the study, except for the data from the Directory of Major Shopping Malls, which was primarily used to select case studies, is publicly available, and can be accessed through the references provided.