

## **The Sacramento Bee** **February 20, 2005**

### **Wal-Mart has some city fans**

**Shoppers who seek savings like Downtown Plaza store proposal.**

**By Deb Kollars and Jon Ortiz -- Bee Staff Writers**  
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In the edgy debate over a Wal-Mart going into Sacramento's Downtown Plaza, talk has been of labor, land use, politics, business promises and the delicate matter of image.

Notably absent from the conversation has been a group of people whose lives might be affected most directly by the arrival of a downtown Wal-Mart: Shoppers.

It is a slight Susan Trevino does not appreciate. Trevino works as an analyst with the state Department of Corrections near 15th and S streets. Until five years ago, she lived in midtown, where she raised two daughters. Shopping, Trevino recalled, was a constant headache.

She couldn't afford Weinstocks or Macy's or the other snazzy shops in the Downtown Plaza. When her kids needed clothes, she had to drive elsewhere to find cheaper stores.

So now, when she hears about Sacramento City Council members saying Wal-Mart isn't upscale enough for Downtown Plaza, she gets steamed.

"I have some pretty strong feelings about this," Trevino said. "People who live downtown need Wal-Mart. Believe me, I know."

To hear others, Wal-Mart has no place in the heart of the city.

"Downtown is special. This is the capital of the state," said City Councilwoman Sandy Sheedy. "We need to offer people who visit here a special experience. Wal-Mart with shopping carts doesn't do it."

Last week, at Sheedy's urging, the council passed an ordinance making it tougher to build discount superstores that sell groceries. Wal-Mart officials said the Downtown Plaza store would not be one of the company's new "supercenters" that include food markets. But several council members have made it clear they don't want to see a Wal-Mart of any sort in downtown's signature plaza.

Wal-Mart has been touching off political controversy for years as it has spread its low-price empire. Most often, objections focus on the stores' massive size, competition to smaller retailers and lack of unionized employees.

Such concerns have been a potent part of the Sacramento debate, which began in late December when Downtown Plaza's owner, Westfield Corp., filed an application to renovate the plaza and add a new anchor tenant - later revealed as Wal-Mart.

The news shocked some civic leaders, who blanched at the thought of people loading shopping carts with bulk packs of toilet paper in the middle of Downtown Plaza.

The K Street plaza badly needs a jolt of fresh retail energy, but most had envisioned a more pricey and traditional department store coming in as the savior anchor.

Mayor Heather Fargo, who opposes the Wal-Mart plan, said she has received about 50 e-mails on the issue - nearly all blasting the proposal.

"To me it just doesn't fit," Fargo said, "and I haven't heard from anyone who wants it."

Wal-Mart may not be upscale, nor the retailer of civic dreams.

But across the country, the giant chain of discount stores has built so many stores and drawn so many shoppers with its low prices that it is the biggest retailer in the nation.

According to Peter Sealey, an adjunct professor of marketing at the University of California, Berkeley, Wal-Mart's popularity should not be ignored.

"It is elitist and incorrect to say we're going to deny this retailer when so many people need what they offer," Sealey said.

The retail market, he noted, is changing, with expensive high-end stores and discounters like Wal-Mart both doing so well that they are squeezing the middle sector of stores such as Macy's and J.C. Penney.

"For a family of four or five, Wal-Mart is a godsend," Sealey said. "They have quality goods at affordable prices."

Candace Corlett, a consumer behavior expert with WSL Strategic Retail in New York City, agreed.

"Shoppers love Wal-Mart," she said. "They love the abundance, they love the prices, they love the efficiency of getting so much done under one roof."

If Wal-Mart came to Downtown Plaza, some retailers might love it, too, she added. While stores carrying the same stock as the discounter would lose business, high-end retailers likely would benefit because shoppers tend to balance their discount purchases with specialty items.

"A dollar saved at Wal-Mart is a dollar spent at Banana Republic," Corlett said.

According to Westfield Corp., Wal-Mart's popularity among shoppers makes it a good candidate for reviving the struggling mall.

"We've done the analysis," said Larry Green, Westfield's vice president of development. "The customer base is definitely there."

City Council members have doubts not only about Wal-Mart, but about Westfield. Most believe Westfield has not done enough to revive Downtown Plaza, putting its energy and resources into the Galleria Mall in Roseville instead.

But Green said Westfield has tried hard to lure high-end anchors such as Neiman Marcus or Saks Fifth Avenue to downtown Sacramento, without success. Such stores require an average household income of \$150,000 to open shop; in Sacramento, it's about \$60,000, Green said.

Still, there's little hard data to indicate how the introduction of a mammoth discount retailer might affect a mall like the Downtown Plaza and the surrounding central city business corridor.

In the past several years, as traditional department stores have merged or gone out of business, some malls have added discount retailers such as Target and Best Buy as new anchors. But nearly all have been in suburban settings.

"This seems like such a new phenomenon, an untested concept," said Michael Ault, executive director of the Downtown Partnership, which represents business owners and merchants.

At first, Ault said, the partnership was taken aback by the thought of a discount retailer as an anchor, but now is trying to study the concept objectively. The Wal-Mart proposal is just one piece of a larger, stubborn puzzle: The city also has been struggling to bring new theaters, a possible sports stadium and other amenities to K Street and nearby downtown locations.

"We can all talk about whether we like Wal-Mart or not," Ault said. "But at the end of the day, a mall of that size that is not successful is devastating. The question is, will this make it successful?"

Westfield, one of the planet's biggest mall operators with 127 venues worldwide, clearly has embraced

the world's biggest retailer.

At Westfield's Shoppingtown Parkway in El Cajon, Wal-Mart opened a new store addition in October. It was the first time the discounter had built new retail space at an existing mall.

Westfield also plans to buy Sunrise Mall in Massapequa, N.Y., according to a report Friday in New York Newsday. In 2003, it became the first enclosed U.S. mall with a Wal-Mart anchor store.

Despite hopes that Wal-Mart would boost customer traffic and revenue, the Massapequa mall remains a "B-class" facility that has trouble attracting top-flight tenants, retail experts said.

"Wal-Mart's effect has been mixed there," said Oregon-based retail analyst Adam Mertz, noting that some stores, including Old Navy and Eddie Bauer, closed; while three large department stores - J.C. Penney, Sears and Macy's - remain.

Malls nationally earned an average of \$366 per square foot in 2004, while the Massapequa mall earned \$292, according to the Directory of Major Malls, which tracks such data.

Malls in Sacramento ranged widely in their 2004 earnings. Carmichael's Sunrise Mall was listed at \$320 per square foot and Florin Mall at \$237, while Arden Fair came in at \$565.

With annual earnings of \$340 a square foot, Downtown Plaza definitely could use a boost.

Until now, urban cores have been virtually untapped by big-box style discounters because land is so scarce, according to a report called "Wal-Mart 2010" by Retail Forward, a market research firm in Columbus, Ohio.

In the Downtown Plaza scenario, Wal-Mart would adapt its traditional format to fit the tighter urban landscape.

It would be a two-story store of 160,000 square feet, wedged into the south side of the mall facing L Street and filling a side corridor now occupied by small shops. The store would have a specially designed escalator that could accommodate shopping carts, said Kevin Loscotoff, Wal-Mart community affairs manager for Northern California.

Some experts said the move would be a logical step in Wal-Mart's evolution.

"Wal-Mart will continue to push the boundaries of what its customers will allow it to be," said Retail Forward analyst Sandy Skrovan. "It will explore new formats, categories, and locations in an effort to grow its market share - and its share of consumer wallets."