



DOWNTOWN SAN JOSE RETAIL STRATEGY

Prepared for: City of San Jose

Prepared by: Strategic Economics and Greensfelder Real Estate Strategy

February 15, 2019



TABLE OF CONTENTS

I.	Introduction	3
II.	Existing Downtown Context	5
III.	Downtown Retail Strategy Key Findings	21
IV.	Downtown Retail Strategies	23
V.	Appendix A: Proposed Land Use/Overlay Amendments	29
VI.	Appendix B: DRAFT Retail Ground Floor Space Best Practice Design Guidelines	35

TABLE OF FIGURES

Figure 1. Downtown Retail Strategy Study Area Boundaries and Surrounding Context.....	6
Figure 2. Downtown San Jose Existing Land Use.....	8
Figure 3. Share of Establishments and Estimated Total Sales in the Downtown San Jose Study Area by Retail Use Category, 2016	10
Figure 4. Downtown Retail Sales Tax Revenue Activity, 2016.....	11
Figure 5. Downtown Retail Supply and Location	12
Figure 6. Downtown Residential Project Development Pipeline.....	13
Figure 7. Downtown Population Growth, 2000 to 2016	13
Figure 8. Downtown Median Household Income, 2000 to 2016 (Inflation Adjusted, 2016 Dollars) .	14
Figure 9. Downtown Office Pipeline Projects	15
Figure 10. Downtown Study Area Employment by Industry Sector, 2015	16
Figure 11. Downtown Zoning Districts and DG Overlay.....	18
Figure A-1. Proposed Land Use Regulations By Recommended Zoning Classification.....	31
Figure A-2. Proposed Downtown Zones.....	33
Figure A-3. DG Overlay Block Lengths.....	34

I. INTRODUCTION

Background

San Jose is one of California's oldest cities. Through the mid-1950s, its downtown served as the main government, cultural, commercial, and financial center for the entire South Bay. This role was supported/facilitated by Downtown's position as the hub for a large transit network. In the post-World War II boom years, Santa Clara County's economy transitioned away from its historical industries, primarily agriculture and mining, and shifted towards manufacturing, logistics and eventually the technology industries that have become Silicon Valley. These new industries and companies did not locate in Downtown San Jose, but instead found space in suburban business parks being developed primarily in northern Santa Clara County. San Jose's role in this boom was primarily to add the housing units needed to accommodate job growth. These shifting patterns in housing and job locations combined with an ever-increasing dependence on automobiles soon outgrew the area's transit systems, spurring development of Santa Clara County's Expressway system.

This redistribution of jobs and housing units combined with the mobility shift from transit to cars moved businesses and retail away from Downtown San Jose. The freeway construction contributed to changes in Downtown - the elevated structure built for Highway 87 created a major barrier between the historic Downtown core and the historic neighborhoods to the west. Also, as Highways 101 and 880 became more central to Silicon Valley'; and access from the region's major Interstate highways, was limited, all conspiring to make Downtown's older commercial space significantly less competitive as compared with newer office and retail space.

By the early 1980s, the City of San Jose recognized that Downtown needed new investment and began aggressively using its Redevelopment Agency to invest what would eventually amount to almost \$2 billion dollars¹ in a wide range of catalytic development projects and infrastructure improvements. For the most part, these investments combined with the City's General Plan policies, zoning ordinance, Downtown Design Guidelines, and other initiatives led by the Redevelopment Agency (prior to its dissolution in 2012) and other non-profit organizations have been successful.

As of 2016, Downtown had almost 20,000 residents, 43,000 jobs, and 32,000 students attending San Jose State University. Even with this number of people living, working, and/or studying in and around Downtown, the area still lacks stores where people can buy most kinds of consumer goods. In addition, since the end of the recession, Downtown has received an increasing number of development proposals, a trend that has accelerated significantly since Google and the City first announced Google's intent to buy City-owned and former Redevelopment Agency land holdings adjacent in the Diridon Station Area.

Strategy Purpose, Goals, and Contents

This Strategy is the third of three such strategies completed by the City of San Jose in response to the first four-year Major Review of the General Plan (completed in 2015). The other two retail strategies focused on North San Jose and the entire City respectively. Although the original City Council direction

¹ Terplan, Egon. Downtown San Jose How its Past Will Shape its Future; The Urbanist, April 2013.

for all three retail strategies was broadly focused on increasing retail supply in underserved neighborhoods and increasing the City's overall retail activity, this Strategy includes a specific set of goals that respond to Downtown San Jose's unique role in the City, as well as its emerging role as the true "Downtown" for all of Silicon Valley as reflected in the Google project and the many other development projects announced in 2018. As with the other two strategies, the analysis, findings, and recommended strategies included in this document respond to the dynamic retail environment created by ongoing pressure from on-line sales and changing demographic trends. In addition, the Strategies are structured to address a three to five-year timeframe.

STRATEGY GOALS

- **Assist with retail recruitment efforts**
 - Identify retail types that will contribute to the Downtown vision
 - Identify gaps in Downtown's retail offerings
 - Focus future retail activity in strongest locations in the market
 - Recommend policy changes to remove existing barriers to bringing new retail activities into Downtown
- **Ensure that mixed use projects are required in viable locations and appropriate active ground floor uses**
 - Identify where different types of tenants should be located (i.e. Where should the retail/restaurants be required? Where can alternative uses go? Where should the City really push developers to create active ground floor uses and where is this not necessary?)
 - Identify ground floor space design guideline (i.e. best practices check list for developers)
- **Contribute to place making and improve quality of life in Downtown**
 - Identify categories of desired "active ground floor tenants" (retail, eating/drinking, personal services, office, residential, etc.)
 - Consider retail and ground floor transparency requirements within the broader goal to make Downtown a high-quality place for residents, workers, and visitors.

Following this Introduction, this Strategy is divided into four sections. Section II presents the existing Downtown Context which shape both the opportunities and the challenge to which this Strategy must respond. Based on the Downtown context assessment, key findings regarding Downtown San Jose are presented in Section III. The actual retail strategies are presented in Section IV, there are also two appendices: Appendix A presents recommended revisions to the Downtown Zoning Regulations, and Appendix B presents Retail Ground Floor Space Design Guidelines Best Practices Checklist to guide developers in providing functional retail space as new mixed-use projects are built in Downtown.

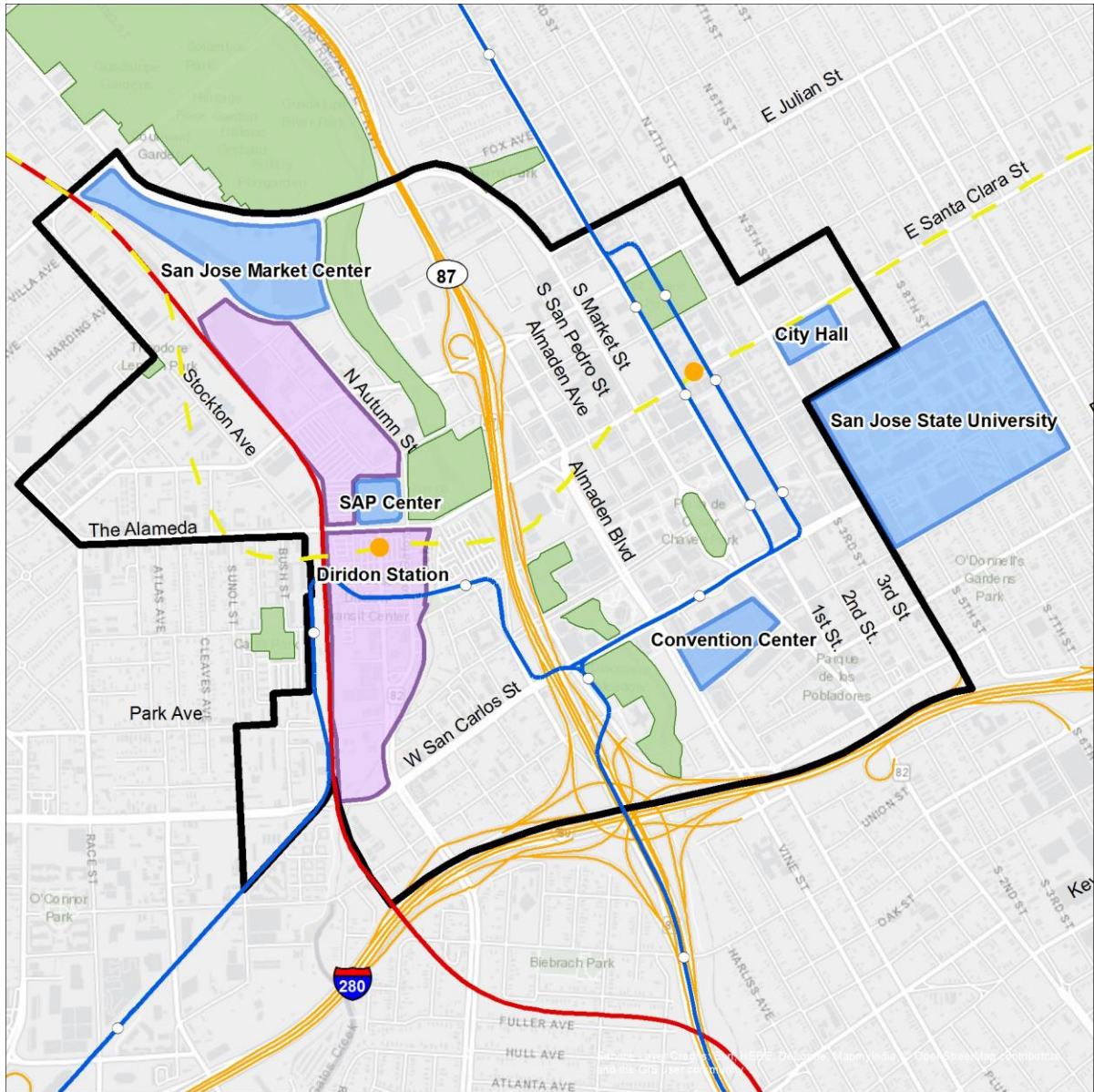
II. EXISTING DOWNTOWN CONTEXT

This section presents the many factors that must be evaluated to understand Downtown’s current retail environment and identify the various opportunities and constraints that will inform strategies for improving Downtown’s retail offerings. The topics addressed include the Downtown Study Area boundaries, existing Downtown land use patterns, current retail supply and performance, existing and future sources of retail demand, the existing policy/regulatory environment, input from Downtown Stakeholders, and a brief summary of the ways in which national retail trends will impact retail opportunities in Downtown.

Downtown Study Area

Over the past two decades there have been multiple studies and policy documents regarding Downtown, all of which have used different geographic boundaries. The Study Area selected for this retail strategy represents a combination of the Downtown Strategy 2040 boundary, the Downtown Primary Commercial Zoning District, the area covered by both Downtown property-based business improvement districts, and key areas of the Diridon Station Area, including the proposed Google development. A segment of the Alameda extending west to Race Street was also included because this district is also likely to be affected by the future Downtown development planned for west of Highway 87. The Retail Strategy Study Area boundary, as shown in **Figure 1**, represents the core area of Downtown that incorporates the Area’s existing retail activity and the area that will be most directly impacted by future growth in Downtown.

FIGURE 1. DOWNTOWN RETAIL STRATEGY STUDY AREA BOUNDARIES AND SURROUNDING CONTEXT



Downtown San Jose Context Map

- Final Study Area
- Parks
- Context Features
- Proposed Google Campus
- VTA Light Rail Transit Station
- VTA Light Rail
- Bart Phase II Extension Sites
- Future Bart Line
- Caltrain
- Highways

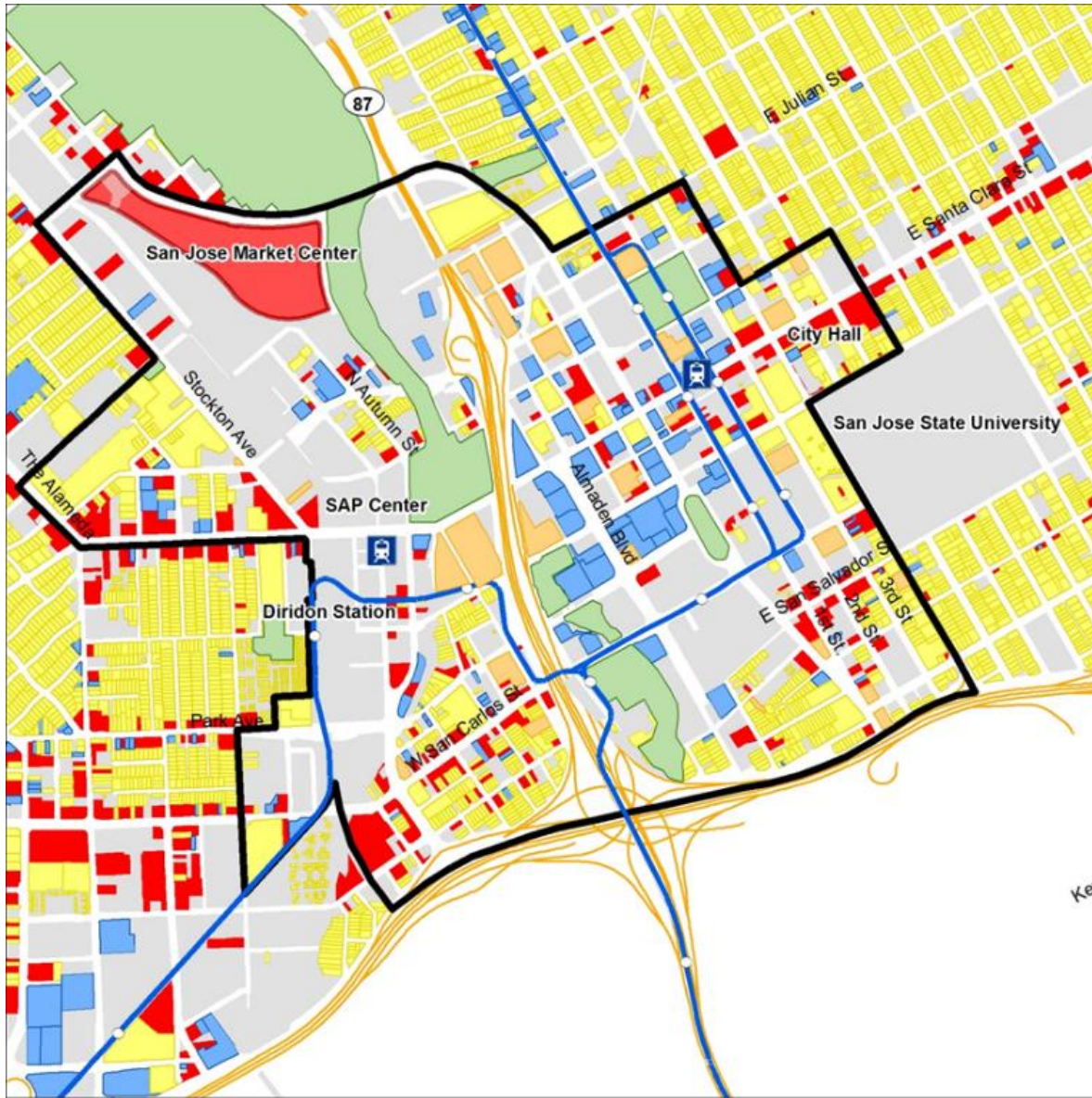
Sources: City of San Jose, 2017; Strategic Economics 2018

0 0.2 0.4 Miles

Downtown's Land Use Pattern

As **Figure 2** illustrates, the predominate land uses in the Study Area are office and housing. Retail activities take place in a much smaller proportion of the Area's total square miles and are concentrated primarily along Santa Clara Street, with smaller concentrations along 1st and 2nd Streets and in the older residential neighborhoods between San Carlos Street and Highway 280. Most of this retail activity is in older commercial buildings that were built prior to 1939, with the most notable exception being the San Jose Market Center, which was built in 2005.

FIGURE 2. DOWNTOWN SAN JOSE EXISTING LAND USE



Downtown San Jose Context Map

Land Use

- Retail/Personal Services
- Residential
- Office
- All Other Uses

- Upcoming Residential Development (Planned, Proposed, Under Construction)

- VTA Light Rail Transit Station
- VTA Light Rail
- Highways
- Parks
- Bart Expansion Sites

Sources: City of SJ, 2017; Strategic Economics 2018



Downtown Retail Supply and Performance

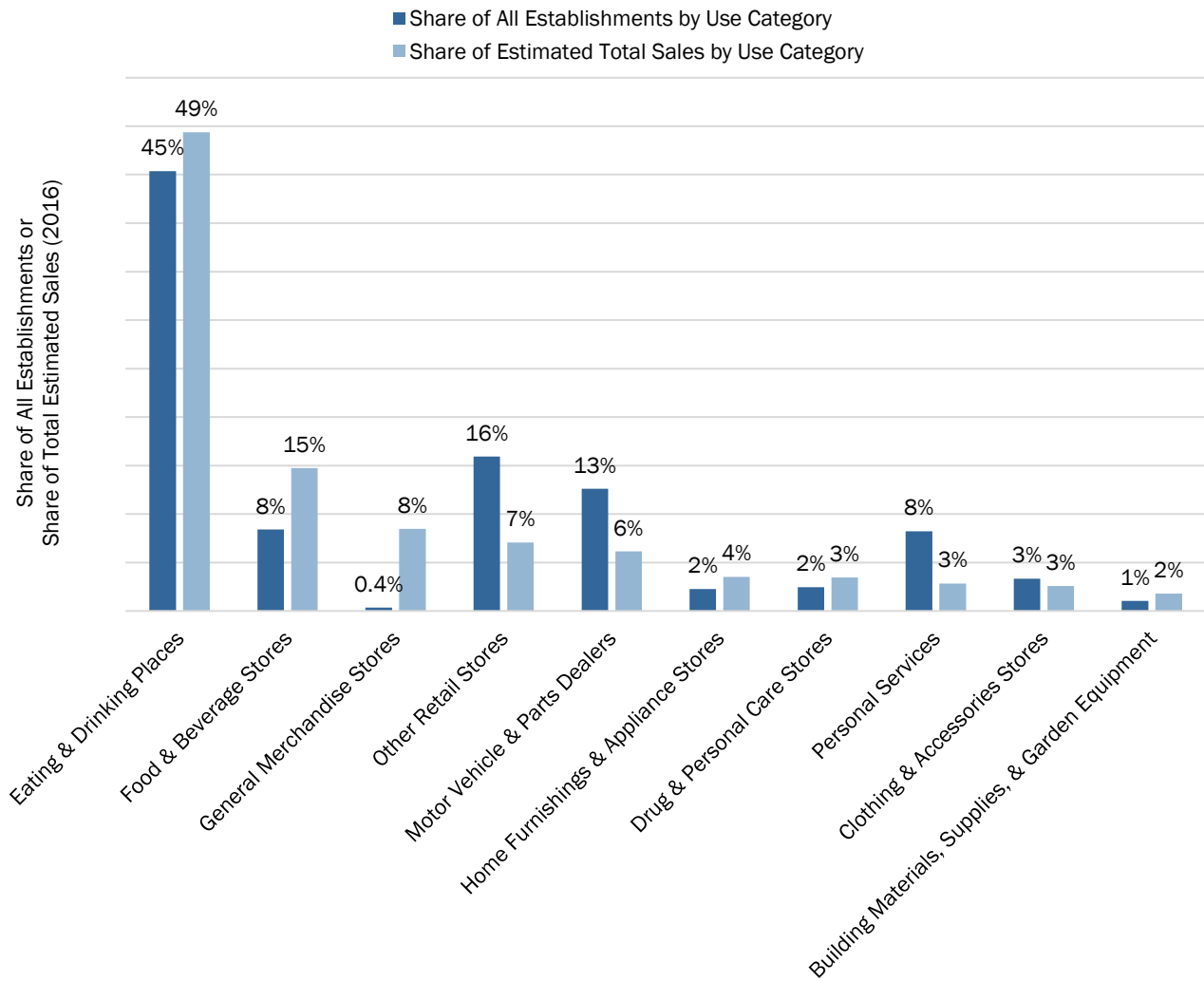
According to CoStar, a national real estate data tracking company, the Downtown Study Area includes approximately 1.25 million square feet of retail space, although this inventory may be somewhat lower than the supply due in part to the way CoStar tracks retail space in the ground floor of recently built mixed-use buildings. There is no comprehensive estimate of vacant retail space for this Downtown Study Area, but San Jose Downtown Association estimates that within its area, there is an 8.5 percent² vacancy rate. Commercial real estate industry standards consider a 5 percent vacancy rate as healthy.

While CoStar is the best available data source regarding Downtown retail space, data from the state Board of Equalization (SBOE) provides the most precise and accurate data regarding the specific location of retail stores as well as classifying these stores by the type of goods sold. The SBOE data show that there are approximately 571 retail establishments in the Study Area. Retail establishments and total estimated sales by retail use category are summarized in **Figure 3**; retail sales tax revenue activity is mapped in **Figure 4**, and retail establishment locations are mapped in **Figure 5**.

- The San Jose Market Center (340,000 square feet), which is both the newest and biggest concentration of retail space in the Study Area, accounts for approximately 25 percent of Downtown's retail space based on the CoStar inventory.
- Eating and Drinking, i.e., restaurants, cafes, and bars, dominate Downtown retail activity, accounting for 45 percent of total stores and 49 percent of total sales (see **Figure 3**). In addition, Food and Beverage stores, i.e., grocery and liquor stores, account for 8 percent of total stores and 15 percent of total sales. These figures include all establishments located in the San José Market Center. These two retail categories combined are Downtown's highest performing retail types, and indicate that Downtown serves an important entertainment function, while also catering to the daily shopping needs of residents and workers.
- Several store categories, including "Other Retail" and Motor Vehicle and Parts Dealers account for combine to account for almost 30 percent of Downtown's stores, but only 13 percent of total retail sales, showing that these are poor performing and could be expected to close or relocate as Downtown continues to evolve.
- As expected, **Figure 4** shows the highest concentrations of total retail sales are located either where there are a lot of Eating and Drinking Establishments, which tend to cluster in the historic Downtown Core, or around the San Jose Market Center which includes several General Merchandise stores.
- Eating and Drinking establishment and Food and Beverage stores, which together comprise almost two-thirds of total retail sales in Downtown, are clustered along streets that have significant vehicular traffic, like Santa Clara Street, and/or streets with high pedestrian traffic, including 1st, 2nd, and West San Fernando Streets, as well as around San Pedro Square, as shown on **Figure 5**. The current retail distribution clearly illustrates the importance of multi-modal access and visibility for retailers, rather than proximity to specific land uses, like residential towers.

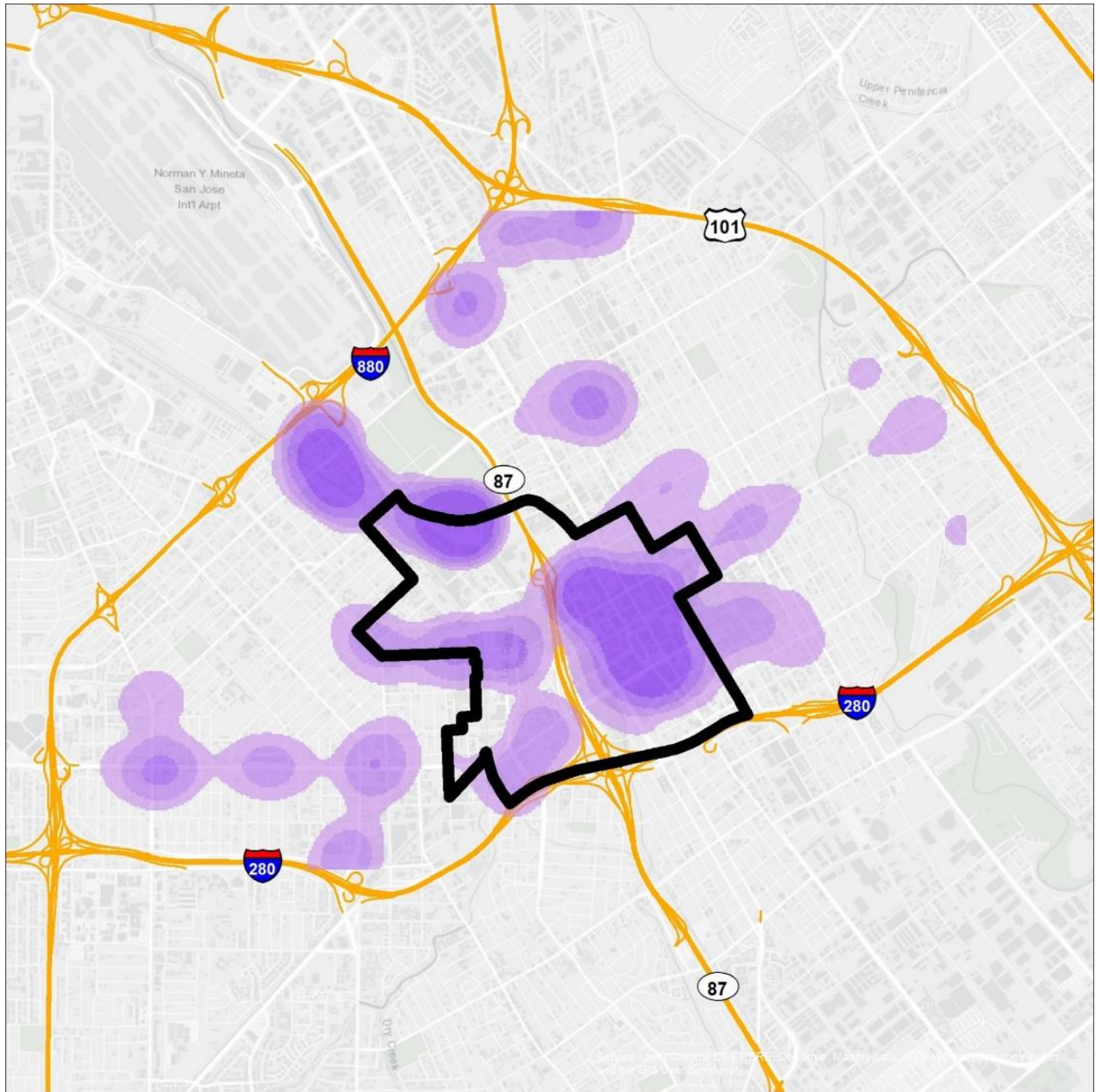
² Email correspondence with the San Jose Downtown Association, December 21, 2018.

FIGURE 3. SHARE OF ESTABLISHMENTS AND ESTIMATED TOTAL SALES IN THE DOWNTOWN SAN JOSE STUDY AREA BY RETAIL USE CATEGORY, 2016



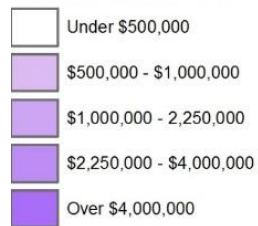
Source: California State Board of Equalization, 2017; Strategic Economics, 2019.

FIGURE 4. DOWNTOWN RETAIL SALES TAX REVENUE ACTIVITY, 2016



Downtown San Jose Retail: Sales Tax Revenue, 2016

Sales Tax Revenue Per Sq. Mi.



Downtown Study Area
 Highways

Sources: City of SJ, 2016; Strategic Economics 2018



FIGURE 5. DOWNTOWN RETAIL SUPPLY AND LOCATION

Downtown Office Development, Eating and Drinking Places, and Food and Beverage Stores

- Eating and Drinking Places
- Food and Beverage Stores

Context

Planned and Proposed Development, City's Data

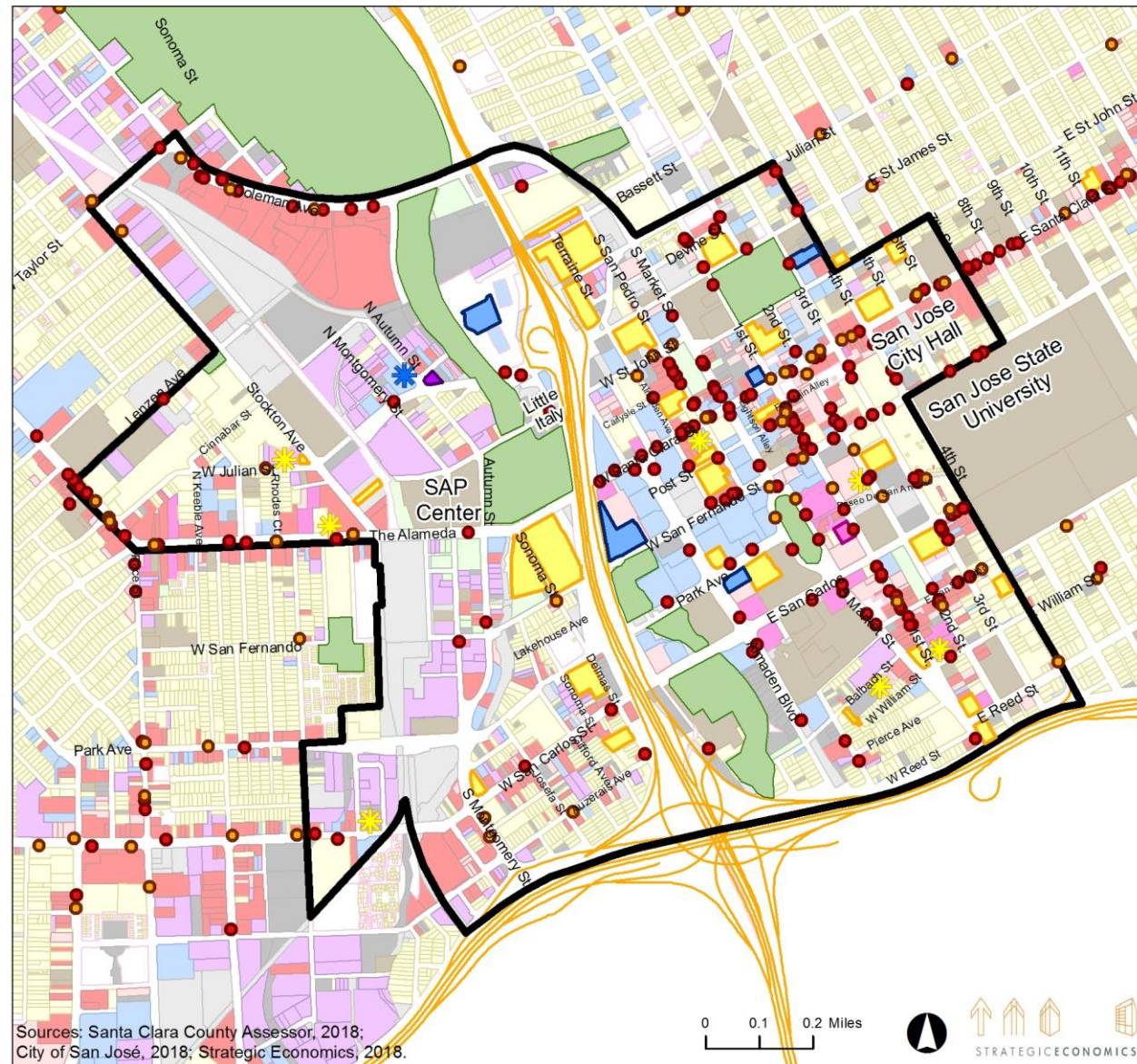
- Accommodation
- Office
- Residential
- Other

Current Crane Watch Proposed Projects

- Office
- Residential

Land Use Category

- No APN
- No Use Code
- Vacant
- Retail/Personal Services
- Residential
- Accommodation
- Office
- Other Commercial
- Open Space
- Public/ Quasi Public
- Industrial/Warehouse
- Parks
- Highways



Sources of Downtown Retail Demand

Demand for retail goods and services in Downtown San Jose is generated by four major groups: Downtown residents, Downtown workers, San Jose State University students/faculty/staff, and Downtown Visitors (and expected growth in each category). Since Downtown tends to be a destination, pass-through traffic is not a significant contributor to sales. The BART extension will not be completed during this study’s timeframe focus, so its impacts have not been evaluated. Each of these groups is described in more detail below.

DOWNTOWN RESIDENTS

In 2016, Downtown San Jose had approximately 19,500 residents, and this population is expected to increase to about 24,000 when residential projects currently under construction are completed and occupied, as seen in **Figure 6**. **Figure 7** shows that since 2000, Downtown’s population had grown by 50 percent. Including an estimated 4,700 new downtown residents, Downtown will have doubled its population between 2000 and 2020.

- Downtown is growing more quickly than any other part of San Jose or Santa Clara County
- Downtown’s population growth accounts for 6 percent of San Jose’s incremental population growth 2000-2016.
- The Downtown area only accounted for 1 percent of the City’s total population in 2000, but by 2016 accounted for 2 percent, doubling its share.

FIGURE 6. DOWNTOWN RESIDENTIAL PROJECT DEVELOPMENT PIPELINE

Downtown Residential Project Pipeline	Unit Count
Under Construction	2,173
Approved	2,918
Proposed	2,898

Source: City of San Jose, Strategic Economics, 2019.

FIGURE 7. DOWNTOWN POPULATION GROWTH, 2000 TO 2016

	2000 Population (Census)	2010 Population (Census)	2016 Population (2012-2016 ACS 5-year estimates)	Percent Change 2000-2016
Study Area	12,968	16,421	19,499	50.4%
Central San José	73,345	93,989	104,562	42.6%
City of San José	894,943	945,942	1,009,363	12.8%
Santa Clara County	1,682,585	1,781,642	1,885,056	12.0%

Source: U.S. Census, 2000 and 2010; U.S. Census ACS 5-year Estimates, 2012-2016; Strategic Economics, 2019.

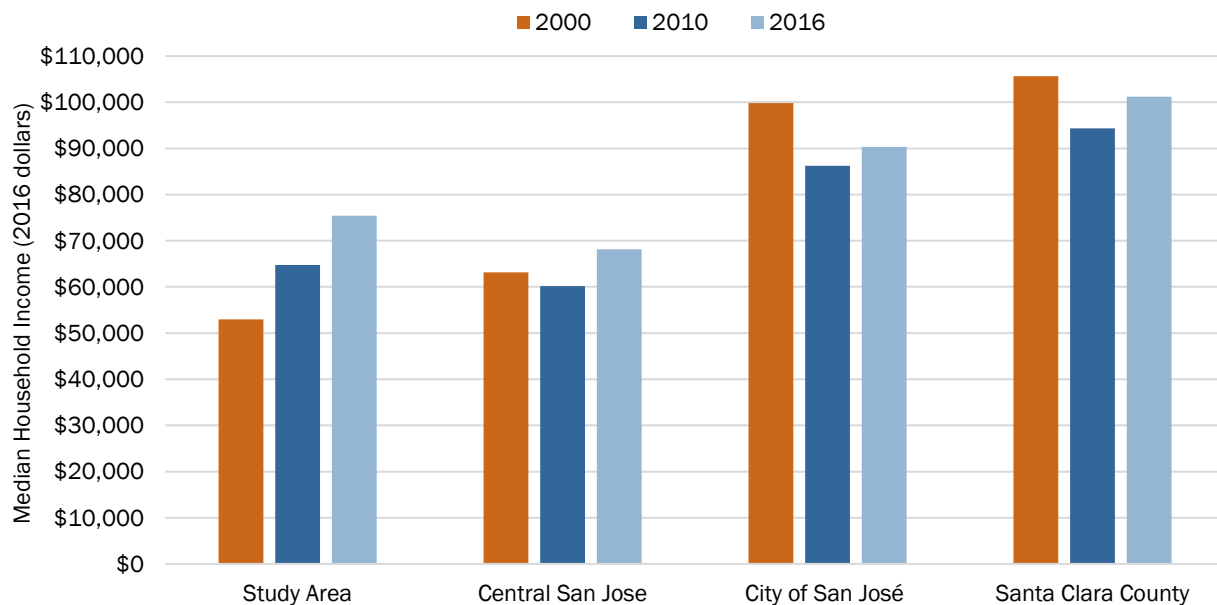
Downtown household size is smaller than the Citywide average. These households also tend to have a disproportionate share of males compared to the rest of the City and have a higher level of educational attainment as compared with San Jose overall.

- In Downtown, households average 2.1 persons as compared to the City average household size of 3.1 persons.
- Men represent almost 60 percent of Downtown residents whereas San Jose’s population overall is almost equally balanced between men and women.
- Downtown residents have a higher overall level of educational attainment than the City as a whole. Over 55 percent of Downtown residents have either a bachelor’s or graduate degree as compared to San Jose’s Citywide population where 38 percent of residents have a bachelor’s degree or greater.

Although Downtown households have lower median incomes than the City as a whole, income has been increasing consistently since 2000 (**Figure 8**).

- In 2016, the median household income in Downtown was approximately \$75,000, while the Citywide median household income was approximately \$90,000.
- Incomes in the Downtown are increasing: In 2000, households earning over \$150,000 accounted for less than 5 percent of total Downtown households, but by 2016, approximately 24 percent of Downtown households were earning over \$150,000 (these incomes have been adjusted for inflation).

FIGURE 8. DOWNTOWN MEDIAN HOUSEHOLD INCOME, 2000 TO 2016 (INFLATION ADJUSTED, 2016 DOLLARS)



Source: U.S. Census, 2000 and 2010; U.S. Census ACS 5-year Estimates, 2012-2016; Strategic Economics, 2019.

DOWNTOWN WORKERS

Downtown San Jose is a significant employment center that currently includes approximately 43,000 jobs. Over the next few decades, this number could increase significantly as multiple office developments have been announced in the past year, spurred by Google’s plans to build a major office complex near Diridon Station. According to an inventory of pipeline office projects prepared by Silicon Valley Synergy, Downtown could add as much as 8.1 million square feet of additional office space based just on projects that are in the near term development pipeline (includes buildings being rehabilitated, or under construction, projects already submitted for planning review, and projects that are announced and expected to be submitted for review later this year. Buildings in pipeline are shown in **Figure 9**. While the timing for constructing this space is uncertain, the significant interest in the Downtown market is clear. Furthermore, this estimate does not include the Google development project, which could another additional 8 million square feet of office space but is on a construction timeline that would likely extend beyond the time horizon of this strategy.

This pipeline could add as many as 30,000 new office workers, which could result in Downtown having over 72,000 total jobs in the mid-term.

- As shown in **Figure 10**, almost half of all Downtown workers are employed in office-based sectors.
- **Figure 10** also shows that 15 percent of Downtown workers are employed in Hospitality and Food Services, demonstrating that visitor serving industries are an important part of the Downtown market.
- Educational Services most likely associated with San Jose State University comprise 11 percent of total Downtown jobs.

FIGURE 9. DOWNTOWN OFFICE PIPELINE PROJECTS

Name/Developer	Estimated Square Feet
City View Plaza (Jay Paul Company)	3,000,000
Adobe Tower 4 (Adobe)	1,330,000
Museum Place (Urban Community)	1,000,000
200 Park Ave (DiNapoli)	740,000
1 West Santa Clara (Jay Paul)*	101,000
152 North 3rd Street (Rehab) (Urban Community)	149,000
River Corporate Center Phase III (Sobrato)	194,178
Market Street Tower (Sobrato)	500,000
2 West Santa Clara (Urban Community/Divco)	90,000
Platform 16 (TMG)	1,000,000
Total	8,104,178

*Rehab project; property has been vacant for many years.
Source: Silicon Valley Synergy, 2018.

FIGURE 10. DOWNTOWN STUDY AREA EMPLOYMENT BY INDUSTRY SECTOR, 2015

	Number of Jobs (2015)	Percent of Total
Professional, Scientific, and Technical Services	9,006	21%
Accommodation and Food Services	6,453	15%
Educational Services	5,065	12%
Information	4,531	11%
Administration & Support, Waste Management, and Remediation	4,513	10%
Public Administration	3,050	7%
Finance and Insurance	2,135	5%
Arts, Entertainment and Recreation	1,916	4%
Retail Trade	1,430	3%
Health Care and Social Assistance	1,041	2.4%
Construction	972	2.3%
Other Services (excluding Public Administration)	952	2.2%
Real Estate and Rental and Leasing	753	1.8%
Manufacturing	622	1.4%
Other	556	1.3%
Total	42,995	100%

Source: U.S. Census Longitudinal Employer-Household Dynamics (LEHD), 2015; Strategic Economics, 2019.

Although Downtown is the second largest employment concentration in the City³ and has a significant resident population⁴, there is surprisingly little synergy between Downtown jobs and Downtown residents. The vast majority of Downtown workers live elsewhere in San Jose, and the vast majority of Downtown residents work in other San Jose employment districts or in other Silicon Valley cities.

SAN JOSE STATE UNIVERSITY

The San Jose State University (SJSU) campus is directly adjacent to Downtown San Jose and with its students, faculty, and staff, represents another source of demand for retail activity. As of Fall 2017 (the most recent year for which these data are available), SJSU had over 33,000 students, almost 85 percent of whom were going to school full time⁵. The University employs approximately 5,000 faculty and staff with almost two-thirds working full-time. The other third, who tend to be faculty, work part-time.

- Approximately 4,000, or 15 percent, of SJSU undergraduate students lived on campus in the fall of 2017.
- Another 15,000 students live within three miles of the campus.
- Within the next 3-5 years, the campus will add between 1,500 and 2,500 new on-campus beds.⁶

³ See page 29 of the San Jose Market Overview and Employment Lands Analysis. <http://www.sanjoseca.gov/documentcenter/view/53472>

⁴ To put Downtown's population in context, a rough rule of thumb is that it takes an incremental approximately 20,000 persons to generate the incremental demand needed to support top line sales for the addition of a grocery store. Again, this is a rule of thumb, and each situation is unique, overall population, number of grocery stores, non-grocery competitors, traffic patterns, leakage all needing to be considered in the demand analysis for a new outlet.

⁵ <http://www.iea.sjsu.edu/Students/QuickFacts/default.cfm?version=graphic>

⁶ Direct communication with Office of Economic Development, City of San Jose, January 2019.

DOWNTOWN VISITORS

Downtown is distinct from any other downtown in Santa Clara County in that it has a major convention center, a 17,500-seat arena, nine museums, and multiple performing arts venues. These combined facilities bring millions of visitors to Downtown every year and provide significant support for Downtown's retail activity.

- According to Team San Jose, the non-profit organization responsible for managing seven city owned venues including the McEnery Convention Center, just these seven facilities drew a combined 1.34 million attendees who also spent \$111 million at San Jose hotels, restaurants, and other attractions in 2017.⁷
- Downtown's other major draw, the SAP Arena has been operating for 25 years and in that time has brought 37 million attendees to its events.⁸

Team San Jose is also working to promote Downtown San Jose as tourist destination targeting visitors from the region, the rest of the U.S., and from international locations. Much of this promotional effort emphasizes San Jose's arts and cultural scene, with most of the city's large venues in the Downtown area.

Downtown Policy Framework

San Jose's Zoning Ordinance and Downtown Design Guidelines are key factors in determining where new retail space should be located, and how this space should relate to broader design guidelines. Specifically, Downtown Zoning Regulations (Chapter 20.70) establish "the land use and development regulations applicable to the downtown zoning districts"⁹ which includes two zoning districts: DC Downtown Primary Commercial, and DC-NCTI Downtown Commercial – Neighborhood Transition 1; as well as designating the Downtown Ground Floor Space Area (DG Overlay Area).

Figure 11 shows the extent of the combined DC and DC – NCT1 land use designation, as well as the streets where the DG Overlay currently applies. In addition, Section 20.70.500 requires that any development project built in either of the two Downtown zoning districts be subject to the Downtown Design Guidelines adopted in 2004 (it should be noted that the Downtown Design Guidelines are being updated and new Guidelines are expected to be adopted in 2019).

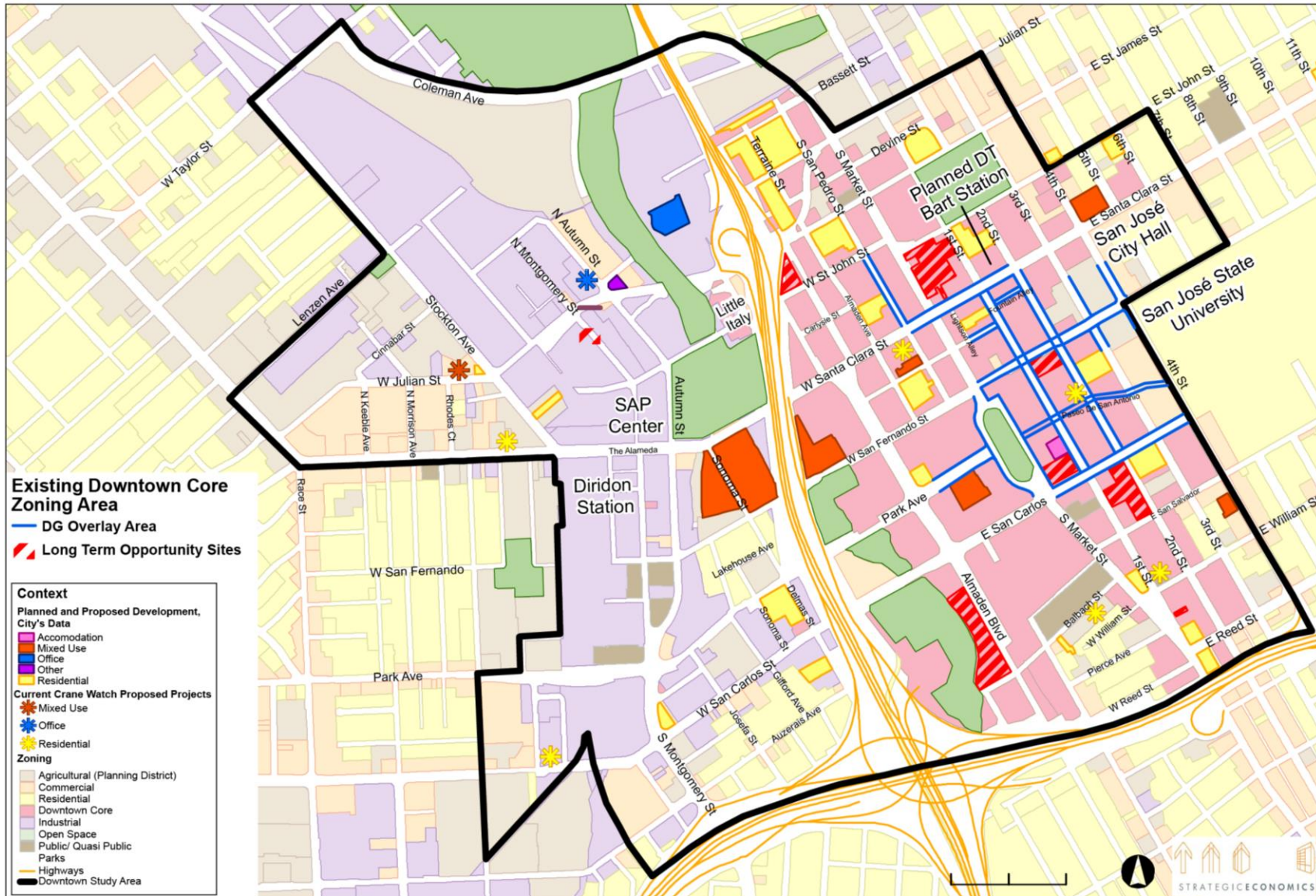
As future development activity occurs in Downtown San Jose, a core issue will be whether or not this regulatory framework is yielding the City's desired outcomes, including encouraging retail businesses in the strongest retail locations, and ensuring that, where required, the new retail spaces built in mixed-use buildings are designed and built to be functionally appropriate for retail tenants.

⁷ <https://www.sanjose.org/pdf/2017-annual-report>

⁸ <http://www.sapcenter.com/news/detail/sap-center-at-san-jose-to-celebrate-25-years>

⁹ San Jose Zoning Ordinance, Title 20 of the City of San Jose Municipal Code Section 20.70.00 (A).

FIGURE 11. DOWNTOWN ZONING DISTRICTS AND DG OVERLAY



Downtown Stakeholder Focus Groups

Feedback regarding Downtown was provided via two stakeholder groups convened by City staff to discuss general issues impacting retail activity in the area. The first group included real estate brokers/developers who had either done projects in Downtown or had been involved with mixed-use development projects elsewhere in San Jose; the second group was composed of members of various non-profits and/or anchor institutions (SJSU) who work in or adjacent to Downtown. One Downtown resident also provided input via email. Themes that emerged from these discussions included:

Policy and Regulatory Environment

- There is a need for better clarity regarding the inter-relationship among the General Plan, Downtown Zoning Regulations, and the Downtown Design Guidelines in terms of how the three policy documents interact to guide development.
- Definitions for ground floor active versus retail uses, what uses are permitted in various areas (including distinguishing between corners and mid-block areas) should be clarified.
- The location of the DG Overlay does not always correspond to the best retail locations, and the two should be more consistent.
- There needs to be better communication on an ongoing basis between City staff and the real estate community regarding implementation of the City's Downtown policy framework and to inform these other stakeholders, who are also involved in making investments Downtown, when, where, and what type of investment the City is planning to make.
- The planning and building permitting process is lengthy and administered inconsistently.

Downtown Identity

- Downtown's unique "brand" that differentiates it from the City's major shopping centers needs to be articulated.
- Downtown's identity should include more about the area's history and historic sites.
- St. James Park is an underutilized asset that could also contribute to Downtown's identity, if it were redesigned.
- Downtown is not considered a place both to live and to work.
- Downtown should serve as an incubator for innovative retail concepts, including attracting on-line retailers to new "brick and mortar" locations.

Downtown Promotion

- Downtown's brand identity should be consistently promoted across multiple platforms and by all groups involved with Downtown.
- Downtown's successes need to be shared to attract new retailers.

Downtown Quality of Life

- Focus group participants said that the Downtown environment can feel dirty, unwelcoming, and/or uncomfortable.

- Fast moving traffic passing through Downtown is frequently incompatible with pedestrian comfort or safety.
- Long-term vacancies in key locations contribute to making Downtown feel like it is in decline.
- Focus group participants also said that they think that despite the City's design guidelines, new development projects do not always seem to demonstrate good design and/or are constructed from high quality materials.
- Participants also suggested that there should be a better connection between indoor and outdoor spaces so that Downtown patrons can flow in and out of different kinds of spaces.

National Retail Trends with Implications for Downtown

As was discussed extensively in the Citywide Retail Strategy prepared by Strategic Economics for the City of San Jose in 2018, the retail industry overall is undergoing a major reorganization in response to on-line shopping trends. And, while national reports have focused on the many failing retailers; major department chains that are shrinking their store inventories; and shuttered malls, San Jose has survived these trends with only minor damage. While several store chains, including Orchard Supply Hardware and Toys R Us have closed and left vacancies in San Jose, the City's major malls are all performing relatively well, and in Valley Fair's case, expanding. In considering these broader industry trends, it is important to differentiate Downtown San Jose and its retail activity, from the malls and specialty projects such as Santana Row, a mixed-use center featuring office, housing, hospitality, and retail uses.

As discussed previously, Downtown has several unique features that provide various competitive advantages considering the broader changing retail industry trends including its historic buildings and character, the many entertainment, cultural, and arts venues, and SJSU related populations, and, Downtown's increasingly multi-modal accessibility. These features all play to Downtown's strengths.

Americans are increasingly spending money on experiences, such as food away from home, health and wellness, entertainment, and travel. Millennials lead the way in this trend. According to the U.S. Department of Agriculture, in 2014 this age cohort spent 44 percent of its total food purchases on eating at restaurants, is an 11 percent increase from 2010.¹⁰ Again, this trend is consistent with Downtown's retail strength in Eating and Drinking Establishments.

Finally, evidence also shows that successful urban retail corridors/districts often share certain key characteristics including a robust and high-quality built environment; e.g. narrow two-sided shopping streets, historic buildings with architectural character, wider rather than narrower sidewalks, small blocks and alleys; and, public parks/plazas with art installations or other visually interesting features. This physical setting works best when it is supported by a management entity who can be responsible for keeping the area clean and providing a sense of safety. These organizations also provide programming and special events, as well as marketing and promoting the district to a broad audience. In Downtown San Jose's case, these services and activities are already being provided by the San Jose Downtown Association and Team San Jose.

¹⁰ <https://www.forbes.com/sites/alexandratalty/2016/10/17/millennials-spend-44-percent-of-food-dollars-on-eating-out-says-food-institute/#60b985a23ff6>

III. DOWNTOWN RETAIL STRATEGY KEY FINDINGS

Like most other downtowns in the U.S., Downtown San Jose lost its role as the regional retail center in the 1950s and 1960s when suburban shopping malls became the dominant retail model. Since the 1980s when the San Jose Redevelopment Agency began to invest actively in Downtown revitalization, one key objective has been to bring retail activity back to Downtown so that it can compete with suburban malls. The Redevelopment Agency tried to facilitate this process by adding many more housing units in Downtown to increase demand for retail activity and by investing in catalytic projects including the Pavilion Shopping Center and 100 South 2nd Street with Safeway as its primary ground floor tenant. These two projects exemplify some of the challenges Downtown retail has faced.

The Pavilion, which was built in 1988 and included approximately 119,000 square feet of space, was intended to draw a regional trade-area and offer a high-end fashion-oriented tenant mix. Despite being developed by Melvin Simon & Associates, a premier mall developer, and having been purchased by Forest City, an expert in urban retail ten years later, the Pavilion was never successful¹¹. Today, the Pavilion is primarily occupied by a data severer facility. In this case, there was virtually no synergy between the retail concept and people living and/or working in Downtown. On the other hand, 100 South 2nd Street does serve a residential market in Downtown, however after the Redevelopment Agency was dissolved and was required to sell off the land that Safeway had been using for parking, shopping at Safeway was viewed by some as less convenient.

In considering these longer-term efforts to bring retail activity back to Downtown, combined with the many trends and conditions that are described above representing the current climate for retail activity in the area, the following findings inform the Retail Strategies presented in the next section:

1. **Downtown San Jose has a unique set of assets.** Although the combined buying power of the people living and working in San Jose is significant, these consumers alone do not define Downtown's retail niche. In fact, Downtown's greatest strength comes from its multifaceted role of serving both residents and office workers, but also the million plus visitors who pass through the SAP Area every year. Ironically, Downtown is having a "back to the future" moment in that its small-scale walkable character combined with its increasingly powerful transit connections via Caltrain, BART, and eventually high-speed rail, are fashioning the area as a premium location in the early part of the 21st Century, just as early in the 20th Century Downtown was at the center of an extensive transit network. Finally, Downtown has park and open space assets that often go unrecognized including the Guadalupe River Park and Trail and St. James Park.
2. **Downtown could continue to build on its strength as an entertainment and visitor destination by making it fun and easy to move around from place to place.** Facilities including the SAP Arena, the convention center, and Downtown's arts and cultural facilities are all tremendous draws that also support the many hotels, eating and drinking establishments and other entertainment venues in Downtown. People moving back and forth to these many destinations create the foot traffic and sense of vibrancy that will, in turn support more retail establishments, including those selling soft goods and other consumer products.

¹¹ <https://www.bizjournals.com/sanjose/stories/1998/05/04/story1.html>

Therefore, focusing on making it easy, pleasant, and entertaining to move around downtown will be essential to building market support for future retail activity.

3. **Existing Downtown policies and regulations should be revised to better address current retail industry conditions** The Downtown Zoning Regulations and Design Guidelines, including, use mix and locational restrictions, should be updated to provide a balance between pedestrian-friendly ground floor uses activity and retail market demand.
4. **The City of San Jose needs to require higher quality retail spaces in new mixed-use buildings.** While the City must continue to be more selective about where retail, as distinct from active ground floor uses, should be located there still need to be clear guidelines regarding how space should be designed to best support retail uses; and how active ground floor uses that may not be selling items to the public, but where the ground floor space should still be open and transparent to foster a friendly and more pedestrian oriented Downtown environment.
5. **Future retail attraction efforts should focus on making Downtown a distinct retail destination offering an authentic experience.** Over the past several decades, City policies and investments have attempted to recreate retail activities in Downtown by replicating different kinds of suburban shopping centers including a grocery/drug anchored center and a high-end life-style mall. But, given recent changes in the retail industry, it appears that in the near future, Downtown is more likely to fulfill a broader range of retail functions than just selling convenience/commodity goods, or selling high end specialty goods. Instead, Downtown's greatest competitive strength will come from creating a distinct physical environment to attract consumers looking for high quality "experiences;" and by seeking out retailers who's "brand," rather than merchandise mix, will complement San Jose's "make your mark" ethos.
6. **The City and its Partners should create a clear and coherent identity for Downtown.** The City recently completed a branding campaign focusing on the ability for individuals to make their unique "mark." Now the City and its partners should do something similar just for Downtown that will present the area's multifaceted strengths, illustrate it's unique qualities, and continue to strengthen Downtown's identity as a unique place to spend time and money for people who live there, people who work there, for the of people who already live in San Jose but don't go downtown, to the millions of people in the region, the country, and even the world who want to visit Silicon Valley, but need a real urban place that matches the Silicon Valley cachet without merely presenting an unusual building or highly secure campus.
7. **Despite significant growth in projected retail demand, future retail supply will grow slowly, due in part, to changing industry trends.** Given this limited future demand, in the short-term, retail activities should be focused in locations that best match the retail industry's location criteria focusing on key intersections. However, the Downtown zoning and design guidelines should protect the longer-term opportunity for future retail uses to infill between these key intersections by requiring new buildings to build ground floor space that meets basic retail industry functional needs even if uses in addition to retail are to be permitted.
8. **Future plans for the Diridon Station Area should connect to and build on this retail strategy.** As the Diridon Station Area begins to build out, every effort should be made to create strong pedestrian/bike connections between Downtown's emerging "west side" (west of Highway 87) and the historic core on the "east side." It will be essential for the health of the overall region for these two areas to compliment rather than compete with each other.

IV. DOWNTOWN RETAIL STRATEGIES

Strategy 1: Create and Promote a Strong “Brand” Identity for Downtown

There are no other downtowns in the Bay Area that offer what is, or will be, available in Downtown San Jose. There are other historic downtowns in the region, but none offer the variety of cultural and entertainment venues that San Jose’s Downtown offers, including SAP Arena, the convention center, multiple museums, San Jose State University, a state-of-the-art public library, and an emerging performing arts scene. Diridon Station will be the biggest multi-modal transportation hub west of the Mississippi; and the Guadalupe River Park is emerging as a distinct open space amenities with connection to the Guadalupe River trail, a north/south spine connecting to an expanding trail network extending through out San Jose. This diverse and concentrated group of places, combined with housing and office space, makes Downtown San Jose increasingly attractive to new residents and to many kinds of businesses, including young entrepreneurs established businesses alike¹². San Jose should leverage these features by establishing a world class brand for its Downtown, building on its relationship to Silicon Valley’s innovation ethos, its compact form and easy to manage street network for bikes and pedestrians, and its parks and open spaces including the Guadalupe River Park and St. James Park.

This brand identity should be developed in conjunction with key Downtown stakeholders including but not limited to: San Jose Downtown Association, Team San Jose, SJ Made, local arts groups, the Guadalupe River Park Conservancy, and Downtown residents, business and property owners.

Strategy 2: Continue to Incubate Small Retailers in Downtown

SJ Made is working to incubate small businesses with the long-term goal of moving these small “makers” into permanent retail spaces. The City should continue to support this effort by helping to facilitate the administrative approvals and licenses required to open and operate pop-ups and short-term tenancies, and to make ground floor space in appropriately located City-controlled facilities available so the program can expand. The City can then provide an ombudsman to help navigate the requirements outlined in the Retailer Guide (see below), and to provide contacts for these small businesses to pre-qualified property owners, brokers, design professionals, tenant improvement contractors, and the like. (Pre-qualification criteria will need to be developed.) The City could also explore providing or facilitating others providing



¹² https://www.bizjournals.com/sanjose/news/2019/01/04/downtown-san-jose-tech-startups-cohesity-nutanix.html?ana=e_mc_prem&s=newsletter&ed=2019-01-04&u=pkqD6eLFAYrDn%2Bg0IGnW8zY7FUP&t=1546724110&j=85849531

ongoing services to these small businesses to ensure that they can scale up growth and thrive over time. Such services could include entrepreneurial training, access to small business loan programs (micro-loans, SBA financing, etc.), and other technical assistance as appropriate.

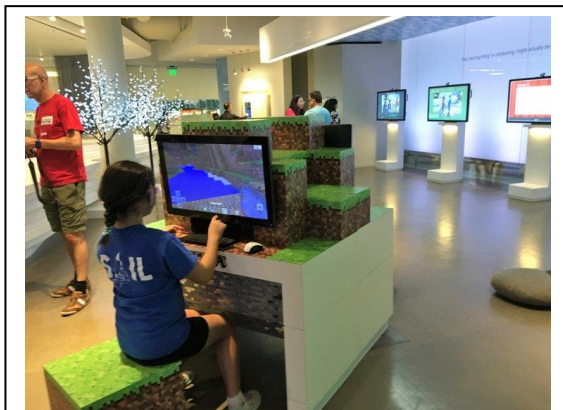
In addition to making City-controlled spaces available, another way to capitalize on these small innovation businesses is to work with property owners and developers to provide small retail spaces, or to match up multiple businesses to occupy one larger retail space. Clustering these businesses and promoting them as groups will be key to their success. [Retro Row¹³](#) in Long Beach, California is one example where unique businesses have teamed up to promote their location. While far away geographically, a second analog is [the ALAB Network¹⁴](#) from Palermo Italy. This network includes 250 artists/makers who occupy 50 storefront “workshops” throughout Palermo’s historic core. The workshops each accommodate multiple artists and sell unique objects, but the workshops all share a brand and do promotions, including providing a map showing all workshop locations. These workshops were specifically established to occupy empty retail spaces and have helped draw other businesses to their locations, including restaurants and cafes.

Strategy 3: Target Attracting Emerging Brands to Downtown

Downtown could also become the premier location for high concept retail activities who want a Silicon Valley address, but don’t want to be located in a mall. These could include international retailers like the Muji store already in Downtown. Again, clustering these retailers in proximity to each other will be key to the success of this effort as will a “guide” to help customers “find” these gems. Please see the “Commodity and Specialty: Online and Offline,” and “Evolution of the Landlord/Tenant Relationship” topics in the Retail section of the recently published ULI/PWC’s *Emerging Trends in Real Estate 2019* for a more in-depth discussion of how customers find retailers, and how landlords are coming to view fledgling retail concepts.

Other targets for recruitment could include retailers like Bonobos that started as on-line retailers but are now moving to brick and mortar locations. Another example is [Mianasi¹⁵](#), a jewelry retail that started in the United Kingdom as a web-based merchant, but which now has three stores in the U.S. (one of which operates almost as a “popup” where the merchandise is sold out of the back of an Italian three-wheeled truck located in front of boutique hotels in south Florida).

And, finally, the City could work with Silicon Valley’s technology companies who may want to open a “public facing” space that sells company branded merchandise but also give people the opportunity to test new products. The Microsoft campus in Redmond, Washington has a store like this who’s concept could be replicated both by Microsoft and by other major companies including Google.



Matt Weinberger/Business Insider
<https://www.businessinsider.com/microsoft-visitor-center-company-store-walkthrough-photos-2016-8#-plus-some-stations-where-you-can-mess-around-with-microsofts-games-and-technology-somehow-every-kid-in-the-joint-had-figured-out-how-to-get-minecraft-running-on-all-of-the-demo-computers-sitting-around-4>

¹³ <http://4thstreetlongbeach.com/>

¹⁴ <https://www.alabpalermo.it/?lang=en>

¹⁵ <https://www.miansai.com/pages/about#stores>

Strategy 4: Revise the Downtown Zoning Regulations

There are two parts to the City's zoning regulations that should be revised to better support Downtown's function as a unique retail destination where people can easily move among multiple activities and locations. The first part is to revise the Downtown district's Land Use Regulations (Table 20-140). These regulations provide land use controls for the DC and DC-NT1 zoning districts, however, the DC zone, which comprises most of the Downtown area, does not adequately identify where and how retail uses, active ground floor uses, and other uses should be regulated differently. The City should establish new zoning overlay categories within the DC zone 1) key retail locations where ground floor retail is required; 2) active/transparent use locations, i.e., places where ground floor uses can include a wider variety of uses that are open to the public and/or have a strong visual connection to the street; and, 3) places that allow uses that could support Downtown's overall function but do not necessarily contribute to its visual character. **Appendix A** presents more detailed definitions for these three proposed overlay districts, includes proposed land use regulations by overlay, and provides a map showing where the overlay zones are located.

Strategy 5: Prepare a Downtown Developer's Manual

This "manual" would provide a brief introduction to Downtown San Jose, summarizing existing and near-term population and employment numbers, dollars invested in Downtown in the past 3-5 years, the planned and proposed development pipeline, plans for all public investment, and a list of other ongoing Downtown related programs and activities. This document would also describe the development review process, including summarizing the regulatory framework (General Plan, Zoning, Design Guidelines, etc.). A very important section of this manual could be the **Retail Ground Floor Space Design Guidelines Best Practices Checklist** included in **Appendix B**. The Manual and Checklist could be provided to developers or new property owners in a predevelopment or informational meeting with City staff. This document should be prepared with input from developers, property owners, and real estate brokers currently working in Downtown and/or with mixed-use development expertise.

Strategy 6: Prepare a Future Retailer's Guide to Downtown San Jose

The target audience for this guide would be perspective retailers, retail site selection consultants, and brokers who may be involved in opening a retail store, restaurant, or other "public facing" business in Downtown San Jose. This document's content could include:

- A brief introduction to Downtown San Jose summarizing existing and near-term population and employment numbers as well as demographic profiles for ½-1-2-3-5 mile radii, and the Downtown San Jose primary retail trade area, projected growth in residents and daytime population, Downtown investment in the past 3-5 years and planned future investment, planned and proposed development project pipeline, case studies of Downtown retailers and how well they are doing, a map showing future public infrastructure investments the City will be making including those related to transit and transportation, place making, key retail intersections and "protected" streets, and wayfinding, an introduction to the Downtown San Jose Association and its key projects, a summary of Downtown's unique assets and draws, and a schedule of events or other programming activities.
- A list of City and County departments with which a retailer will need to interact to bring a project to fruition.
- Each of the documents governing land use and entitlements in Downtown. These would include at minimum the applicable portions of the General Plan, the Downtown Zoning Regulations, the Downtown Zoning Ordinance, the Downtown/Diridon Station Area Design

Guidelines (which should be reconciled with this report for consistency), and this report. Each document should include an abstract explaining why it is important, what information can be found in it, and how it should be cross referenced with the other documents.

- This resource should be updated as needed to ensure that it always contains current information.

Strategy 7: Identify and Create Distinctive Pedestrian Routes Between Key Downtown Anchor Destinations

One of Downtown's greatest assets is that it has multiple nodes or "centers of gravity," but one of Downtown's biggest challenges is helping people move easily among these centers whether it be on foot or bike. An integrated approach to making Downtown both more transparent and user friendly could include a combination of tools including wayfinding signage, lighting, strategically located pocket parks, art installations including murals, innovative street furniture, landscaping, and event programming. Focus resources to these specific "corridors." The City's Department of Transportation is just starting a Downtown Access and Mobility Study which will be completed sometime in 2020. That report provides a good opportunity to consider implementing this recommended strategy.

Key corridors connecting anchors include:

- San Pedro Square to First Street/SOFA via Post Street
- Santa Clara Street to SJSU via First Street and the Paseo De San Antonio
- First Street to SAP Center via Santa Clara Street
- SJSU to Diridon Station via San Fernando
- Plaza De Cesar Chavez to SAP Center via San Fernando
- Plaza De Cesar Chavez to the Guadalupe River Trail via Park Avenue
- Plaza De Cesar Chavez and the Convention Center via Park Avenue and the Museum Place Paseo
- Plaza de Caesar Chavez to South First Street Arts District
- Convention Center to the future BART station via Market (Market Street)
- Little Italy into the core of downtown via St. John Street

Strategy 8: Address Quality of Life in Downtown

Downtown's identity as a unique destination must be supported by the feeling that Downtown is clean, safe, and welcoming for everybody from the people who are there every day to visitors coming to a convention, or tourists wanting to experience Downtown's distinct blend of both historic and very forward-looking characteristics. Reinforcing this perception requires that there are adequate services to keep Downtown clean and to make Downtown feel safe and comfortable for everybody. Concrete actions for managing Downtown quality of life could include:

- Piloting a working group of housing developers and advocates, service providers, and staff to better coordinate housing and services for Downtown's homeless population, and to manage the homeless population away from the initial areas targeted for implementation of these recommendations.

- Ongoing coordination among the City’s Transportation Department with local transit providers to ensure that pedestrian, bicycle, and transit rider safety needs are balanced against moving traffic through and around Downtown.
- Regularly scheduled meetings with City staff and other Downtown stakeholders to discuss any ongoing quality of life issues in Downtown, and possible ways to manage or address these challenges, such as late-night noise, parking management, etc.

Strategy 9: Identify Specific Actions to address long-term retail vacancies

City staff should identify the highest priority spaces based on their location with respect to the retail/active use overlay locations identified in Appendix A below. Then, staff should reach out to the property owners (if available) and/or local real estate brokers familiar with the specific reasons why each space is vacant. This group can then identify targeted strategies for overcoming the barriers to leasing the space. While this could require create new financial tools, the City itself may not need to provide the tools but provide the impetus and momentum for getting the tools in place.

Strategy 10: Ensure that Downtown Continues to Have Daily Needs Retailers

Future retail recruitment efforts should focus on getting a new drug store in the Downtown core area. A Walgreens closed recently in this area, so there is no place within easy walking distance for Downtown residents or workers to buy daily needs, health and beauty, or convenience items, or to get prescriptions filled. The reason this Walgreens closed appears to have had more to do with plans to renovate the building in which the store was located rather than a lack of customer support for the store. City staff should identify potential properties where another drug store could locate, and work with the appropriate parties to attract another daily needs-serving store to Downtown. Similarly, City staff should continuously look to attract grocery and prepared food operators to the Downtown area.

Strategy 11: Consider Adopting a Policy Regarding Corporate Cafeterias

Many tech companies offer on-site cafeterias and other personal services, such as dry cleaners, to their employees for free or at highly subsidized prices. These perks were initially offered so that employees would not have to take the time to leave their suburban office park locations to take care of their daily needs. Over time, cafeterias and other food related offerings have become a standard for most tech companies regardless of where the offices are located. But as high-tech companies have moved into more urban locations where there are already existing restaurants and other personal service businesses in proximity to the office space, there is not the same need to offer employees services that would otherwise be less accessible. However, some companies have continued to offer these services, mainly as an additional perk for their employees. In some neighborhoods, where tech companies have moved into existing office building and begun operating their own employee cafeterias, small restaurants and other businesses serving the previous building occupants have closed due to diminished customer support, as has been the case in the Rincon Hill/East Cut neighborhood in San Francisco.

Concern about the impact tech-company cafeterias would have on either existing or future restaurants and other retail businesses surrounding an urban business district that could serve employees has spurred some Bay Area cities to consider restricting corporate cafeterias. Mountain View adopted such an ordinance in 2014, but only for the Village at San Antonio Center, which is an urban mixed-use environment. The ordinance does not apply to other more isolated locations, such as the Google campus. San Francisco is considering a similar ordinance that would also be geographically targeted.

But there has been significant opposition from unions representing the tech-company cafeterias. The proposed ordinance has not yet gone to the Board of Supervisors for approval.

San Jose should consider its policy options for addressing corporate cafeterias. The most aggressive option would be to explicitly restrict internal facing corporate cafeterias but allow employers to offer vouchers or other arrangements that allow employees to purchase food from outside vendors, but at a discounted price. A less restrictive approach would be to continue to refine the Downtown Zoning regulations as outlined in Appendix A, then require all buildings with frontage on streets requiring active ground floor uses, to meet these requirements, including building out the space so that it can accommodate future retail uses.

V. APPENDIX A: PROPOSED LAND USE/OVERLAY AMENDMENTS

The Downtown Zoning Regulations (Chapter 20.70) of the San Jose Zoning Ordinance establishes “the land use and development regulations applicable to the downtown zoning districts”¹⁶ which includes two zoning districts: DC Downtown Primary Commercial, and DC-NCTI Downtown Commercial – Neighborhood Transition 1; as well as designating the Downtown Ground Floor Space Area (DG Overlay Area).

These zoning classifications and related land use regulations are not specific enough in terms of identifying where retail, active ground floor uses, and other uses should be allowed, prohibited, or permitted under some type of conditional use. In addition, the current zoning classifications are not necessarily well aligned with the DG Overlay Area.

To address these policy/regulatory issues, San Jose should consider revising the Downtown Zoning regulations for the DC Zoning District and the DG Overlay by creating three new zone categories that cover the same geographic boundaries as the existing District, but where new land use restrictions would apply. This approach focuses on achieving the overall goal to provide a “connectivity grid” between and among the streets that have the “best bones” for being or becoming walkable, pedestrian-oriented corridors. The most restrictive zone would apply to locations that are key intersections where retail uses, are mandated. These locations would be classified as **Retail Required Zone**. This is followed by a second zone, called out in this analysis as the **Primary Active Use/Transparency Zone** which would replace the DG overlay. This new zone includes fewer street frontages than the DG Overlay and is designed to specifically reflect pedestrian “desire lines” among key anchor destinations in the Downtown including San Pedro Square, S. 1st Street, the major hotels, Diridon Station, and SAP Center. The third and least restrictive overlay zone is called the **DC Downtown Primary Commercial Zone** which covers the same geographic area as the DC and the existing DC-NCTI Downtown Commercial – Neighborhood Transition 1 Zoning Ordinance but would have a slightly different mix of permitted land uses. **Figure A-1** shows the proposed land use regulations for all three zones.

For the most part, the land use regulations for the DC zoning as specified in Table 20-140 and the recommended land uses for the Retail Required Zone and the Primary Active Use/Transparency Zone are the same with a few notable exceptions. Drinking establishments, drinking establishments with an approved maximum occupancy load of over 250 people and that operate between 12:00 midnight and 6:00 am, and wineries and breweries are all conditional uses in the existing zoning regulations. Based on input from key downtown stakeholders and the broader retail industry trends suggesting that eating and drinking establishments are driving the vitality of most retail districts today, it is being suggested that these three uses be permitted based on obtaining a special use permit, rather than a conditional use permit to lower the permitting hurdle for these essential uses. Given the sensitive nature of managing bars and other entertainment venues where alcohol is served, San Jose staff will determine the best overall zoning approach, however, we suggest that guidelines be drawn up so that the approach is uniformly applied. Another notable difference in the recommended zoning is to add several uses that are included in the Zoning Ordinance’s general commercial land uses but are not

¹⁶ San Jose Zoning Ordinance, Title 20 of the City of San Jose Municipal Code Section 20.70.00 (A).

currently included in the DC zone. For example, retail bakeries are included in the general commercial land uses but are not mentioned in the DC zone.

Specific definitions and locations for each proposed overlay area are further explained below and presented in **Figure A-1**, **Figure A-2**, and **Figure A-3**.

Retail Required Zone (see Figure A-2): The six intersections listed below are the target areas for the Retail Required Zone. For blocks less than 300 feet long, the Retail Required land use restrictions apply to 60 feet of shop frontage. For blocks longer than 300 feet, the Retail Required land use restrictions apply to 100 feet of shop frontage (see **Figure A-3** for block lengths and the targeted Retail Only intersections).

- East Santa Clara and San Pedro streets
- East Santa Clara and 1st streets
- San Pedro and San Fernando streets
- Market St. and San Fernando streets
- S. 1st and San Fernando streets
- S. 2nd and San Fernando streets

Primary Active Use/Transparency Zone (see Figure A-2): Require “active uses,” store front style facade design, and window transparency. Permitted uses include general retail, education and training, entertainment and recreation, food service, personal services but not office and financial services, medical and veterinary services, other general services, public, quasi-public and assembly. Prohibit residential, and other uses not mentioned above (although a residential portal not exceeding 25 feet in width will be allowed). These design requirements and uses apply to the following street frontages:

- West/East Santa Clara Street between San Pedro and 4th Streets
- San Pedro between St. John and W. San Fernando Streets
- West San Fernando between Highway 87 and 2nd Street
- 1st between Santa Clara and E. Williams streets
- Post Street between Almaden and 1st Street

Downtown Primary Commercial District: Requires ground floor space to provide store front space and transparency. Permits office and financial services, health and veterinary services, all other uses listed above are also permitted. This area applies to the remainder of the DC Zone.

FIGURE A-1. PROPOSED LAND USE REGULATIONS BY RECOMMENDED ZONING CLASSIFICATION

Land Use	Proposed New Zoning		
	DC	Retail Required*	Primary Active Use
Office and Financial Services			
ATM	P	P	P
Business Support Use	P	P	P
Financial Institution	P	-	P NC
Financial services	P	-	P NC
Offices, business, and administrative	P	-	S
Payday lending	R	-	-
Research and Development	P	-	-
General Retail			
Off-sale alcoholic beverages <i>all types</i>	C	C	C
Auction	S	-	S NC
Certified farmers' market <i>all types</i>	P	P	P
Food, bev, groceries	P (S)	P	P
Open air sales	S	S	S
Outdoor vending	P (S)	-	P NC
Outdoor vending - fresh fruits and veg	P	P	P
Pawnshop	C	-	C NC
Retail sales goods	P	P	P
Seasonal sales	P	P	P
<i>Bakery, retail</i>	<i>P</i>	<i>P</i>	<i>P</i>
<i>Retail art studio</i>	<i>P</i>	<i>P</i>	<i>P</i>
Education and Training			
Day care center	P	-	P NC
Schools post-secondary	P	-	-
Schools, trade and vocational	P	-	P NC
Personal enrichment, instructional art	P	-	P NC
School, elementary (grades K-8)	C	-	C NC
School 9-12	C	-	C NC
<i>Instructional art studios</i>	<i>P</i>	<i>-</i>	<i>P NC</i>
<i>Instructional art studios, with live models</i>	<i>P</i>	<i>-</i>	<i>P NC</i>
Entertainment and Recreation Related			
Amusement arcade	P (S)	-	P
Movie theater	P	P	P
Recreation, commercial indoor	P	-	P
Poolroom/ <i>billiards establishment</i>	P (S)	-	P
Private club or lodge	P	-	P
Art display structure	S	-	S
Lighting Display	A/S	-	A/S
<i>Poolroom/ delete</i>			
<i>Theatre, indoor</i>	<i>P</i>	<i>-</i>	<i>P</i>
<i>Theatre, outdoor</i>	<i>P</i>	<i>-</i>	<i>-</i>

[Table continued on next page]

Land Use	Proposed New Zoning		
	DC	Retail Required*	Primary Active Use
Food Services			
Banquet facility	P	-	P
Caterer	P	-	P NC
Drinking establishment	S	P	P
Drinking establishments with an approved maximum occupancy load of over 250 persons and that operate between 12:00 midnight and 6:00 a.m.	S (C)	S	S
Drinking establishments interior to a full service hotel/motel with 75 or more rooms hotel/motel	P	P	P
Public eating establishments	P	P	P
Wineries, breweries and distilleries	P (C)	P	P
Health and Vet Services			
Animal grooming	P	-	P NC
Animal boarding indoor	P	-	P NC
Emergency ambulance service	C	-	-
Hospital/inpatient	-(C)	-	-
Medical or dental clinic/outpatient facility	P	-	P NC
Cannabis dispensary	P (R)	-	P
Veterinarian	P	-	P NC
General Services			
Bed and breakfast inn	P	-	P NC
Hotel/Motel	P	-	P
Maintenance small appliance	P	-	P NC
Mortuary and funeral services	-(C)	-	-
Personal Services	P	-	P, Note g
Printing and publishing	P	-	P NC
Laundromat	P	-	P NC
Messenger services	P	-	-
Photo processing and developing	P	-	P NC
Public, Quasi-Public and Assembly Uses			
Auditorium	P (C)	-	P
Cemetery	-(C)	-	-
Church/religious assembly	P	-	-
Information center	P	-	P
Museum/Library	P	-	P
Park/Playground or community centers	P	-	Note j

Notes:

All uses shown in red are new land uses for the DC area, but are in the General Commercial section of the Zoning Ordinance.

All uses shown in parenthesis in the DC column are the existing DC land use regulations. Recommended changes are shown in red.

*Retail required refers to the specific corner locations where only specified retail uses are permitted.

For the following categories – Residential, Residential Accessory Uses, Recycling Uses, Transportation and Communication, Electrical Power Generation, Vehicle Related uses, and Historic Reuse – the same restrictions apply to the Primary Use Active as apply to the DG Overlay in the current zoning.

P = Permitted Use

- = Land Use Not Permitted

S = Special Use - director's hearing then planning commission

C = Conditional Use - planning commission and then city council, a little more expensive

A = Administrative Use - staff level review

NC = Not permitted on the corner

All other notes correspond to notes in the existing Table 20-140.

FIGURE A-2. PROPOSED DOWNTOWN ZONES

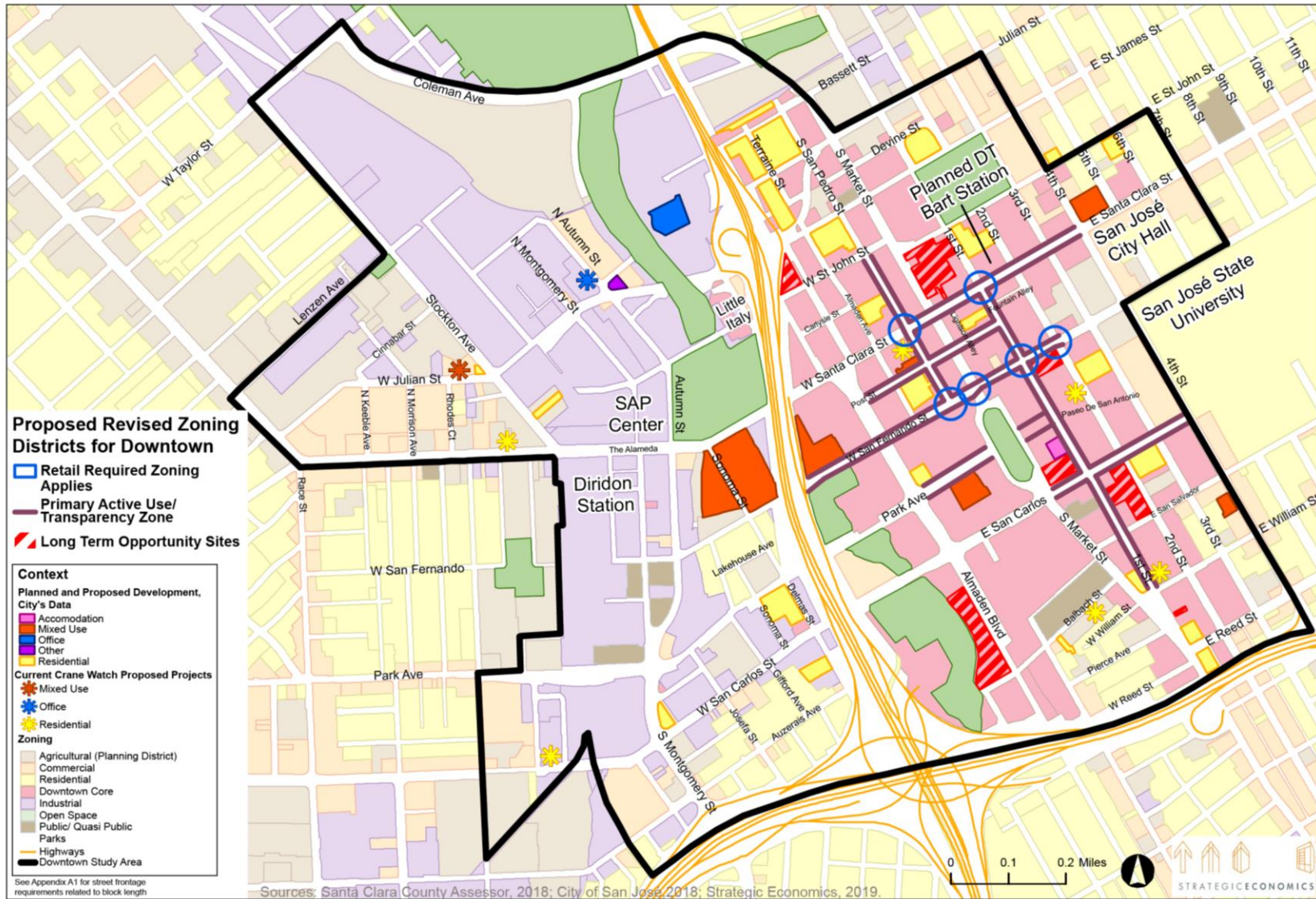
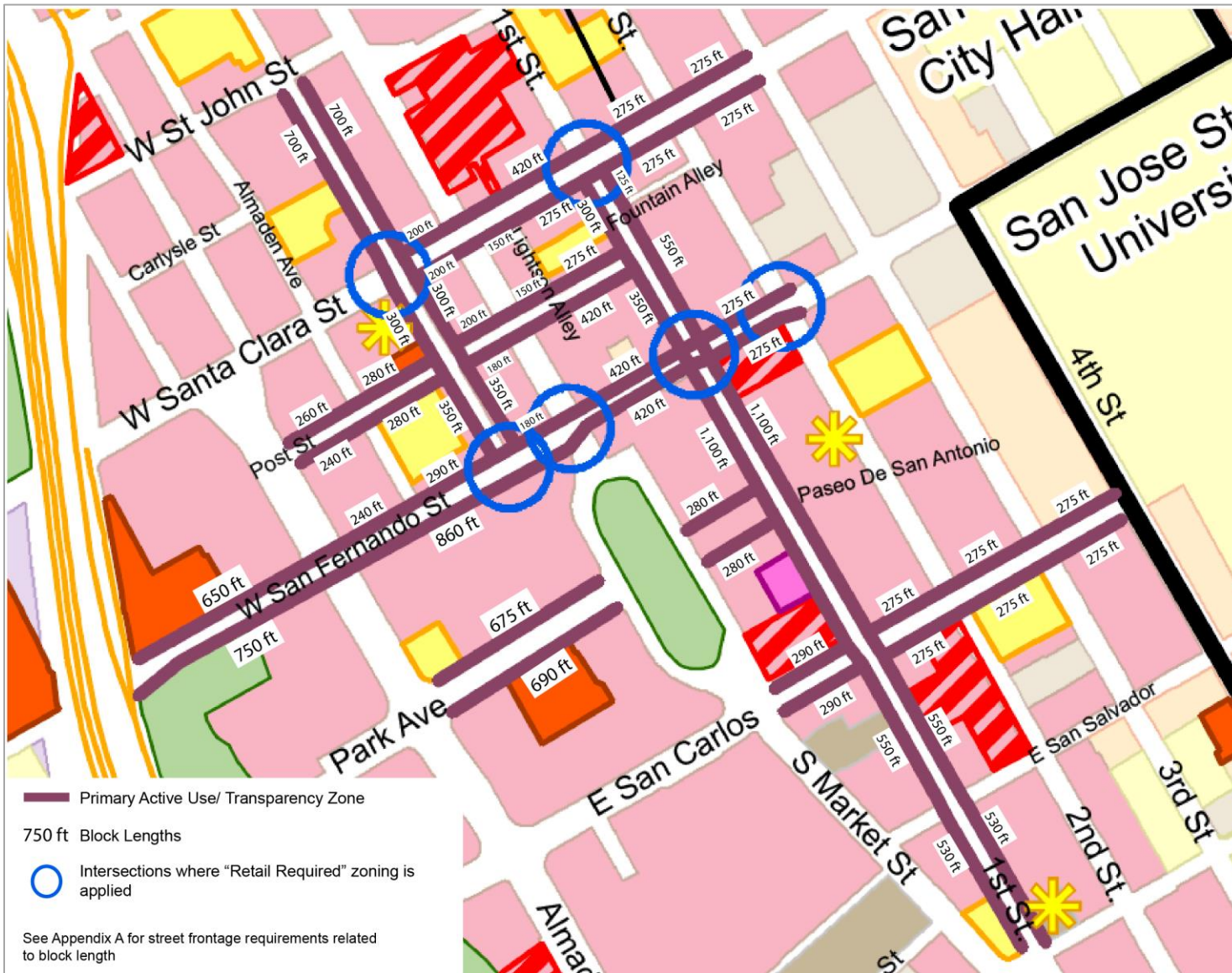


FIGURE A-3. DG OVERLAY BLOCK LENGTHS



VI. APPENDIX B: DRAFT RETAIL GROUND FLOOR SPACE BEST PRACTICE DESIGN GUIDELINES



- STRATEGY AND PLANNING
- MARKET AND LOCATION INTELLIGENCE
- DEVELOPMENT MANAGEMENT

February 14, 2019

Retail Ground Floor Space in Mixed-use Projects City of San Jose Best Practices Design Guidelines

Purpose: The purpose of these guidelines is to ensure maximum opportunity and flexibility for retail uses whether as a stand-alone project, or as part of a mixed-use development. A number of elements are outlined for architects and developers to consider so that new (or remodeled) ground floor retail space can accommodate active uses both in the near term and/or in the future. Actual specifications will vary from project to project.

Early attention to these elements will add value for all stakeholders: retailers, owners/developers, municipalities, consumers, and residents. It is recommended that a retail development expert peer-review early design development drawings with the following factors in mind so that changes that will positively impact the leaseability, usability, and the retail space's economic value can be incorporated. Project-specific specifications should be incorporated into a tenant work-letter and cross-referenced with the A&E team and the project pro-forma prior to project marketing.

- 1. Façade:** Façade design can vary, but should provide maximum visibility and transparency for active retail uses. Care should be taken to include lighting, awnings, location for signage, and entrances (appropriate number and location). The number, spacing, and massing of columns and recesses along the façade line should be minimized. In cases where the façade line is very long, consider one or more visual breaks in the design of the facades. The exterior finish material at the ground level should be first class, and care should be taken not to use materials that will quickly become dated. Minimum storefront requirements should be an aluminum frame system with clear glass and two 36" fully-glazed storefront doors (upgrade storefront depending on application).
- 2. Corners:** Corners of a structure at the ground level, especially building corners adjacent to thoroughfares and particular at intersections, should be reserved for retail uses. Each such corner should reserve a minimum of 60 feet of frontage and 60 feet of depth on both corner facades. Placing columns directly on a corner should be avoided. Vertical elements (e.g. stairs, elevators) should not be located in this corner zone. All the guidelines for facades stated above should be observed. These corner guidelines also apply to parking garages.
- 3. Sidewalks:** If possible, provide a minimum clear zone of fifteen (15) feet of sidewalk width (or greater as appropriate) to accommodate exterior patio and sidewalk dining at the most viable locations. (The 15 feet includes space for above grade utility poles, trees, signs, etc.) Arcades, or other covered building setbacks, are not included in the recommended 15 feet as they are not necessarily conducive to successful retailing. They should therefore be avoided. When and where appropriate and possible, creating parklets should be considered.
- 4. Height:** A good guide for ground floor retail space is that the higher the better, and the larger the space the higher the ceiling needs to be in order for it not to feel like a cave. That said, for a typical shop space that is approximately <4,000-5,000 SF with a drop ceiling, if the t-bar can be set at 12' (means



that the deck needs to be at 15-16' from floor slab to bottom of ceiling structure so MEP systems can be distributed above the t-bar), it's probably fine. Larger spaces need higher ceilings to avoid a cave-like feel. Also, there is a preference in today's environment for open ceiling design, and this design also requires at least the same clear heights. Note that the 16' clear guidance to the bottom of the ceiling/roof deck means that there will also be adequate exterior storefront presence with an opportunity for a clearly defined sign band above the storefront glass.

5. Floor and Walls: Where there are sub-grade levels, provide an exposed concrete floor, smooth trowel finish, designed to support a minimum live load of eighty (80) pounds per square foot, flat and level within 1/8" per 10'. Where a slab exists, a depression should be incorporated along the perimeter of the building, as required, to permit accessible entry doors in various locations. If there is no sub-grade level, the ground floor level should be left unfinished (no concrete slab) in order to accommodate utilities and leasing plan flexibility.

Demising walls should be constructed of metal studs and 5/8" (minimum or as required by code) type X drywall on the interior with minimum R-19 insulation ready for tenant finish (exterior walls only to be insulated to meet applicable Title 24/ASHRAE standards).

6. Retail Layout: Retail shop space works best at a 60' depth (55-65' is the "comfort zone"). Mixed-use projects are no exception. In addition to a 60' bay depth, provide maximum clear space between columns, and a minimum number of columns within the ground floor retail spaces. Sheer walls should be located along the common interior walls. K-braces should be avoided in retail spaces. Locate additional storage, mechanical and utility rooms, or other support services as close to the retail space as possible, but not within the space. See sidewalk notes above regarding patios.

A 60' bay depth is the go to industry standard for shop space, however, retailers can generally work efficiently in the 55'-65' range. It is helpful to understand the reason that retail shop space works best in this range as beyond these dimensions things begin to break down. If a bay depth becomes significantly deeper, the space begins to turn into a "bowling alley," it's harder to merchandise, and it begins to drive rents down as a result of having unusable space. If a bay depth is shallower, the "back of house" which includes store room/receiving, manager's office, restroom, employee break room, kitchen and clean-up in a restaurant, etc. begins to encroach into the "front of house" where merchandise is displayed and customers are served. In the worst case, the space is so shallow (anything under 45-50' depth begins to enter this category) that the store gets "turned 90-degrees" so that the FOH and BOH both front the street. This rotation necessitates incorporating inefficiencies in store layout (again driving down rents) and the need to black out windows or use spandrel so that passers-by can't see into the BOH (no one wants to look into a storeroom or at the dish washing and food storage in a restaurant!!!). Larger spaces can be deeper, and anchor spaces of course can get much deeper.

7. Retail Premises Access: All retail spaces should have access from the exterior of the building. Dual entrances should be avoided if at all possible. Organizing vertical transportation and separation of commercial from residential uses can be challenging: Facilities such as elevators and stairs, trash, loading, etc. for residential and retail uses should be separated, direct path of travel (and stair/elevator access when needed) between parking and retail being preferred. All access to be compliant with code requirements including ADA.



8. Utilities and Building Systems: For new construction, utilities should be stubbed to a connection point for each space, and distributed from that connection point by the tenant. Meters and transformers should be organized in one location and not be visible to pedestrians or customers. Chain retailers can provide utility requirements. When in doubt, overplan as incremental amounts of service is easy and cheap at the time of initial construction as compared to adding more later. Following are general guidelines (NOTE: Actual utility requirements vary on a case-by-case basis and actual requirements should be verified with a qualified engineer):

Mechanical: HVAC: Some buildings may have a chilled water loop and a cooling tower whereas others will not. In the case of a chilled water loop, provide the core heating and cooling system including a two-pipe wet system comprised of Water Source Heat Pumps, a closed loop cooling tower, a boiler, 2.5" valved/capped supply and return condenser water lines located overhead per plan with an addressable Direct Digital Control loop. Where there is no chilled water loop, provide package units mounted in a remote location with lines and controls to each retail premises. Expect to provide at least one ton per 350 square feet of gross floor area (in the chilled water look scenario, rated at 79.5gpm). In either case, the tenant would provide ductwork and distribution within the Premises including fan coil unit, branch piping, BTU meters and Direct Digital Control controls.

Venting: Provide capability for fire-rated vent shafts to the roof for restaurant kitchens. Assume restaurants will require both Type I and II venting. Provide exhaust louver and make-up air louver vents that meet code requirements for tenant connection.

Remote Equipment: When tenants may have significant refrigeration requirements (restaurants, food stores, drug stores), identify a location where remote equipment can be mounted. Typically, this equipment is located on rooftop platforms, or hung from the ceiling of parking garages. Provide path of travel for compressor line sets.

Electrical: Most shop space operates on 120/208 3-phase 4-wire, however, some retailers that use a lot of refrigeration will want 277/480. The amount of 120/208 power typically required will vary from 100 amps (smaller soft goods retailers) to 200-400 amps (restaurants) or 600-800 amps (small markets, drug stores). Location(s) for transformer(s) are required, and a location for a step-down transformer will be required if 277/480 power is provided. Power should be distributed from a main electrical room to the rear of each retail space in a below-slab 4" power electrical conduit. If package units are to be used for HVAC, ask your MEP engineer if it is more effective to have 277/480 service for that equipment, and 120/208 for other electrical requirements (and about step up/down transformers). Conduit with pull string for exterior signage to be stubbed to a location determined by landlord.



Provide a house meter and electrical room for common area power needs. Provide conduits and conductors to junction boxes located within 5 feet of tenant sign area, and for project signage.

Plumbing: **Water and Sewer:** Provide a 1-1½" domestic water supply stub-in to the Premises and a 4" inch sanitary waste line below-slab for future tenant tie-in. If water service is to be house metered, provide sub-meters for each tenant space, and a separate sub-meter for house water and irrigation needs.

Fire Service: Plan on 6" fire service with detector check, and 1" electrical conduit from detector check, but confirm with MEP engineer. Plan to install fire sprinkler system (upheads only) and backflow preventer required by code.

Gas: Stub natural gas service to each tenant space (refer to tenant utility requirements or MEP engineer to determine capacity).

Grease Traps: It is often most efficient for the project to have one large grease trap(s). Often this can be accommodated within the garage footprint or in a loading dock.

Future Restrooms: Provide necessary vent lines, to be located in a general location at the rear of the Premises.

Life Safety: All exit signs, emergency and security lights, life safety systems (i.e. smoke/fire detection systems) required by code and/or insurance to be provided for all common areas. Tenant is responsible for tapping into existing alarm system, and for placement of actuators and annunciator for their premises.

Phone/Data: Provide two empty 2" conduits (with pull-string) from the main telephone mounting board stubbed to a general location in the rear of each premises (minimum 4-line capability), and one empty 2" conduit (with pull-string) for cable and data requirements.

9. **Loading/Service:** Provide internal path-of-travel for loading and servicing to the rear of each tenant space. Provide one (1) three (3) foot hollow metal service door at the rear of each tenant space to the service corridor. Service corridors should be a minimum of 6' wide. Trash/recycling areas ideally should be accessible from a secondary street, appropriately sized for common use (taking cardboard and food service uses into account), and odors should be anticipated in the design. Trash enclosures should have hot and cold water bibs and a drain. A common bailer may be indicated depending on tenant needs. If a loading dock is included, it should be a minimum of 60 feet long and include a leveler. Minimize service area views from public vantage points.

10. **Lighting:** Provide adequate power for common areas. Develop an exterior building lighting package including photometrics to address uniform street level lighting for the sidewalk, outdoor patio, and/or surface parking areas. Site lighting should include light pole bases, light standards and heads, and conduits and conductors stubbed to the project electrical room. Parking lot average maintained footcandle requirements: 1000 w MH at 33' mounting height (30' pole and 3' base). The



lighting criteria is 3 fc minimum at 50' radius from the building and 1.5 fc minimum along the property line. For structured parking areas, provide equivalent light coverage.

11. **Signage and Design Criteria:** Develop a master sign program identifying tenant identification, project, and way-finding signage. Provide a minimum of 2½ square feet of signage band space per liner foot of occupancy frontage for horizontal retail tenant signage. Signage considerations include whether signage is for vehicular or pedestrian traffic, and impact of projected light on upper levels or neighbors. A pedestrian signage program should include blade signs, window signs, and/or awnings that are visible at street level.

12. **Parking:** Each project, and each project's location are different. The amount of parking, and if and how parking might be segregated or shared by commercial as opposed to residential uses, or uses operating at different peak hours is possible needs to be evaluated on a case-by-base basis. Parking garage clear heights should be a minimum of 8'6", however, 10'0" is far preferable. Lighting per above. If restaurant tenants are being targeted, consider space for valet parking and passenger drop-off and pick-up.

As always, retailers are evaluating visibility, parking, and access, so these need to be well thought through. In addition to these guidelines, all applicable building, zoning, and fire codes must be met. Please consult with city staff with any questions