

San Jose Citywide Retail Strategy: **Part 2**

Nov. 26, 2018
City of San Jose
Community and Economic
Development Committee

SAN JOSE

Photo: Village Oaks
Shopping Center,
South San Jose



Why Undertake a Citywide Retail Strategy?

Shopping opportunities are essential to the quality of life in any city

Sales tax revenues are the second largest single revenue source for San Jose's General Fund

Supporting retail activity has been an ongoing objective for Envision 2040

Photo: Evergreen Village Square



Strategy Goals and Timeline

Goal 1: Identify retail starved areas of the City, and prime retail sites in these areas that could be developed to meet this need.

Goal 2: Identify strategies to increase retail activities in new retail locations, and to boost existing retail sales.

Timeframe of this strategy: 3-5 years



San Jose Citywide Retail Strategy: Part 2



National Retail Industry Trends



San Jose's Retail Context

Today's Discussion:



San Jose's Retail Performance



Underserved Areas and Areas for Retail Expansion



Big Box Closures



Proposed Retail Strategies

San Jose's Retail Performance



San Jose's Top 10
retail centers - \$/PSF



Retail employment



Competitive
indicators



Sales tax trends



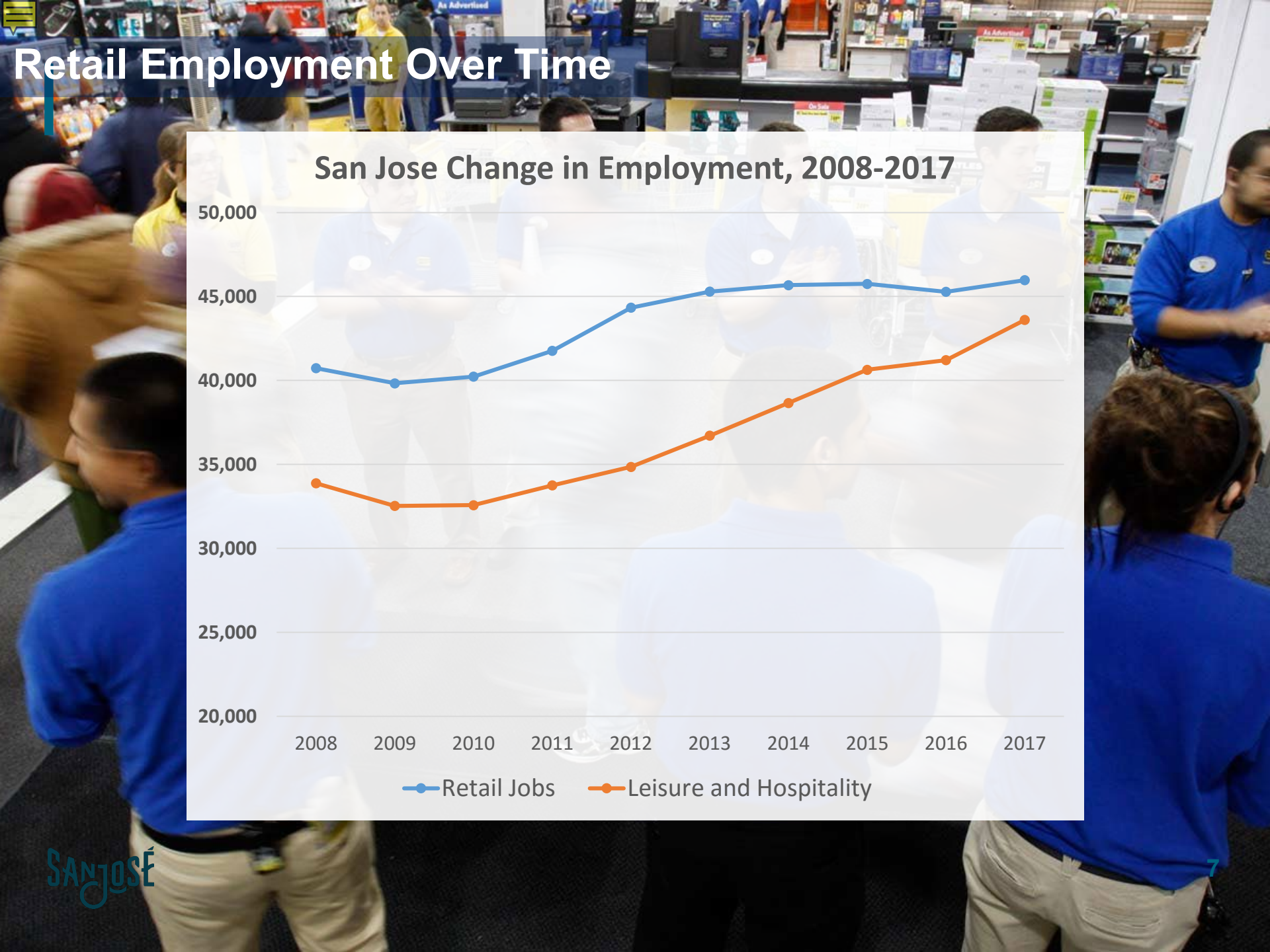
Photo: Whole
Foods, DTSJ

San Jose's Top 10 Retail Centers' Performance

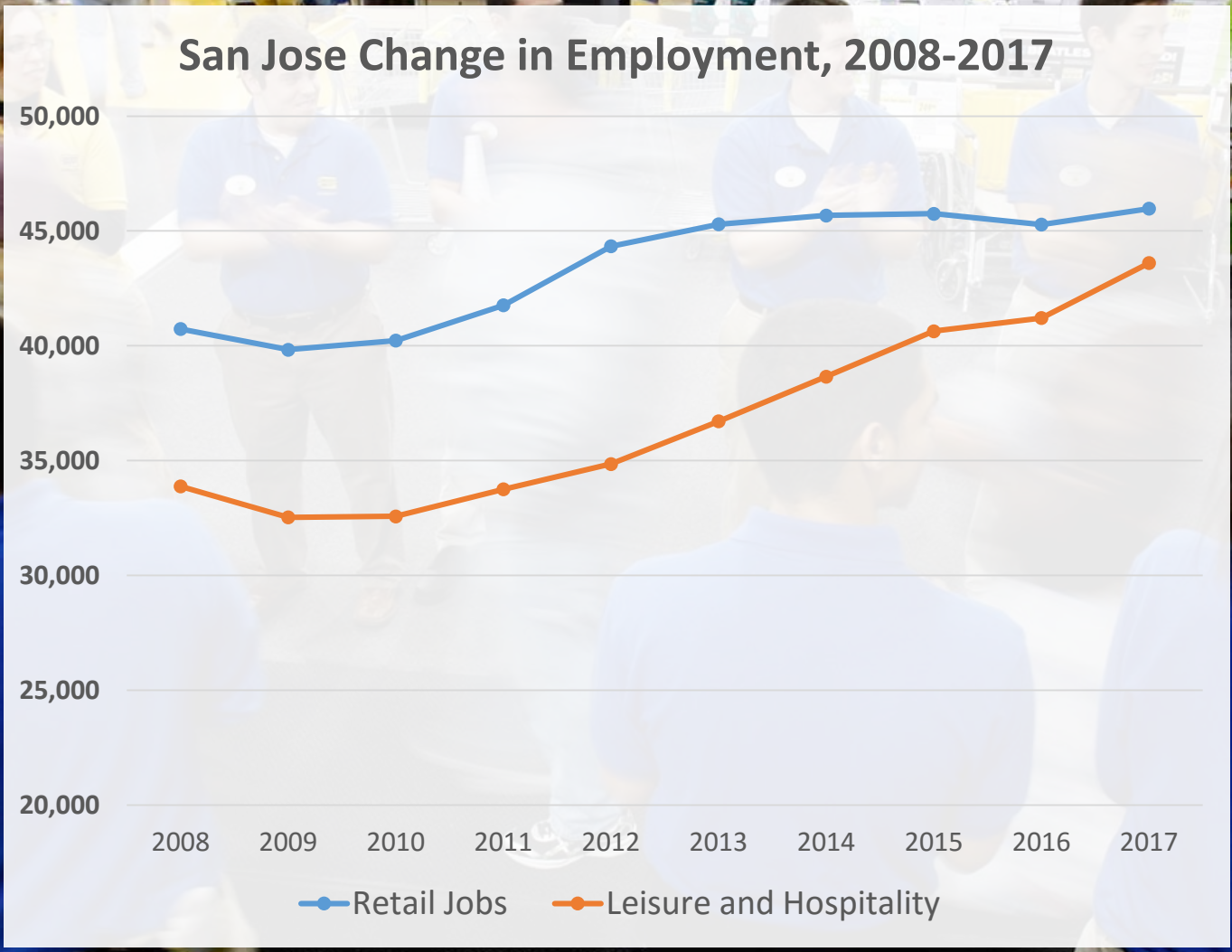
Center Name	Center Type	Total Annual Sales (2016)	Estimated Sales Per Square Foot (2016) *	Estimated Average Sales Per Square Foot for Similar Centers*
Westfield Valley Fair	Super-Regional Mall	\$904,000,000*	\$647*	\$600 +
Westfield Oakridge	Regional Mall*	\$407,836,950	\$352*	<\$400
Santana Row	Lifestyle	\$344,836,933	\$533*	N/A
Eastridge Mall	Regional Mall*	\$310,854,067	\$236	<\$400
Almaden Plaza	Power Center*	\$243,294,893	\$404	\$300 +
Westgate Center	Power Center*	\$202,079,217	\$318	\$250-300
The Plant	Community/Power Center*	\$185,477,733	\$288	\$200 +/-
San Jose Market Center	Power Center	\$116,282,133	\$342	N/A
El Paseo de Saratoga	Community/Power Center*	\$74,723,850	\$212	\$250 +/-
Almaden Ranch (Under Construction)	Power Center	\$48,465,000	\$155	N/A

*These values/figures were provided by industry reports and/or by Greensfelder Real Estate Strategy. All other values are estimated based on 2016 SBOE sales and 2016 CoStar inventory data.

Source: CoStar, 2016; California State Board of Equalization, 2016; Strategic Economics, 2018.



Retail Employment Over Time



How Well Does SJ Compete?

98%

SJ General Retail Capture Rate



5% since
2010

10

new centers
since 2006



...totaling
2.8M SF

104%

Transportation Sales Tax Capture



6% since
2010

\$38/\$145

General Retail Sales
Tax per Capita

Total Sales Tax
Per Capita

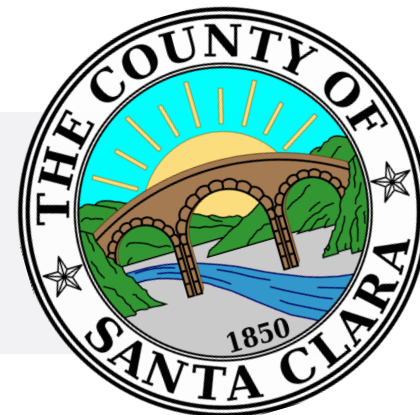


3.2%

SJ Vacancy

2.8%

SC County Vacancy



Sales Tax from General Retail Generally Stable

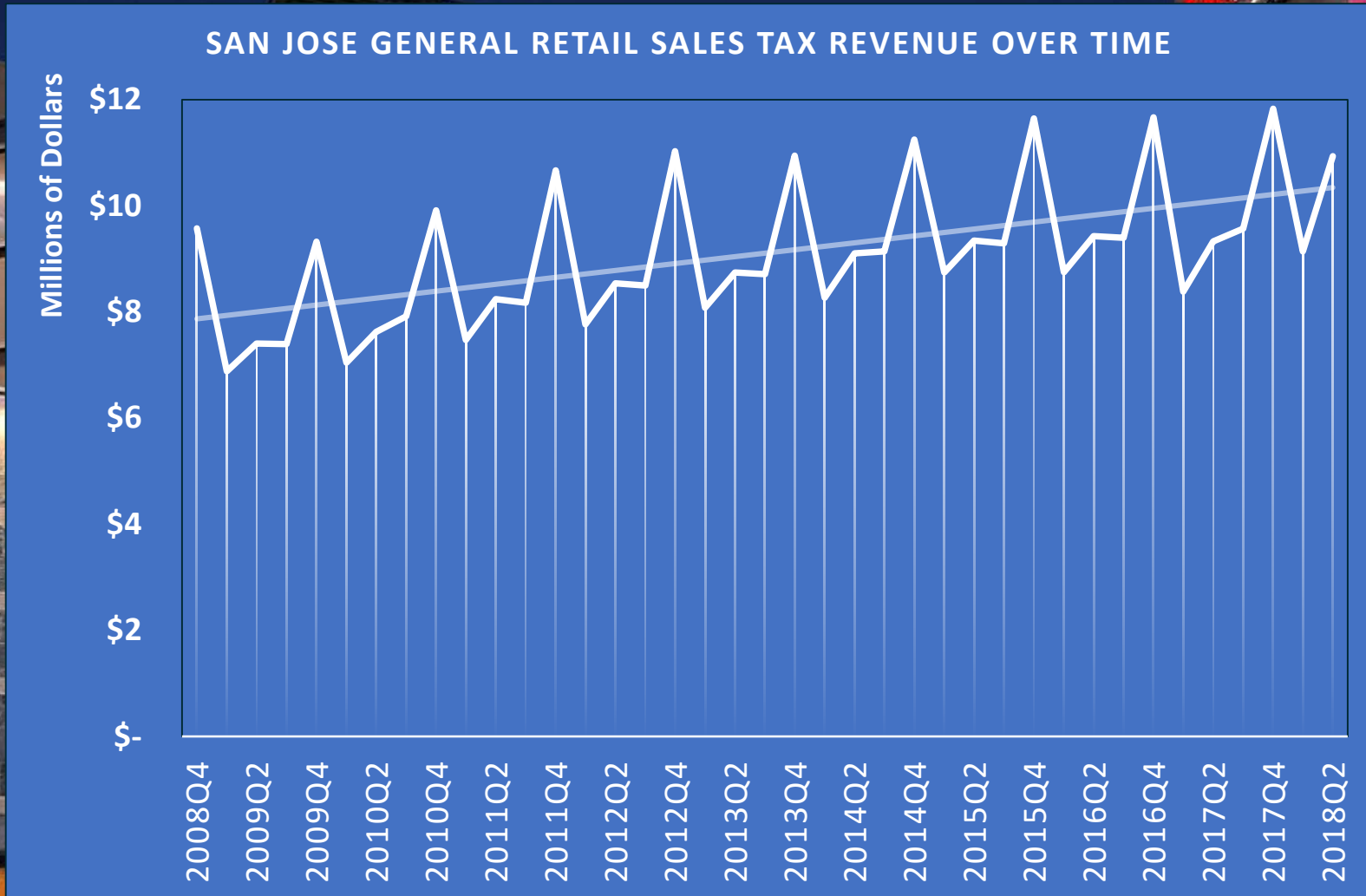


Photo: Oakridge Mall



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Underserved Areas and Areas for Retail Expansion



Big Box Closures



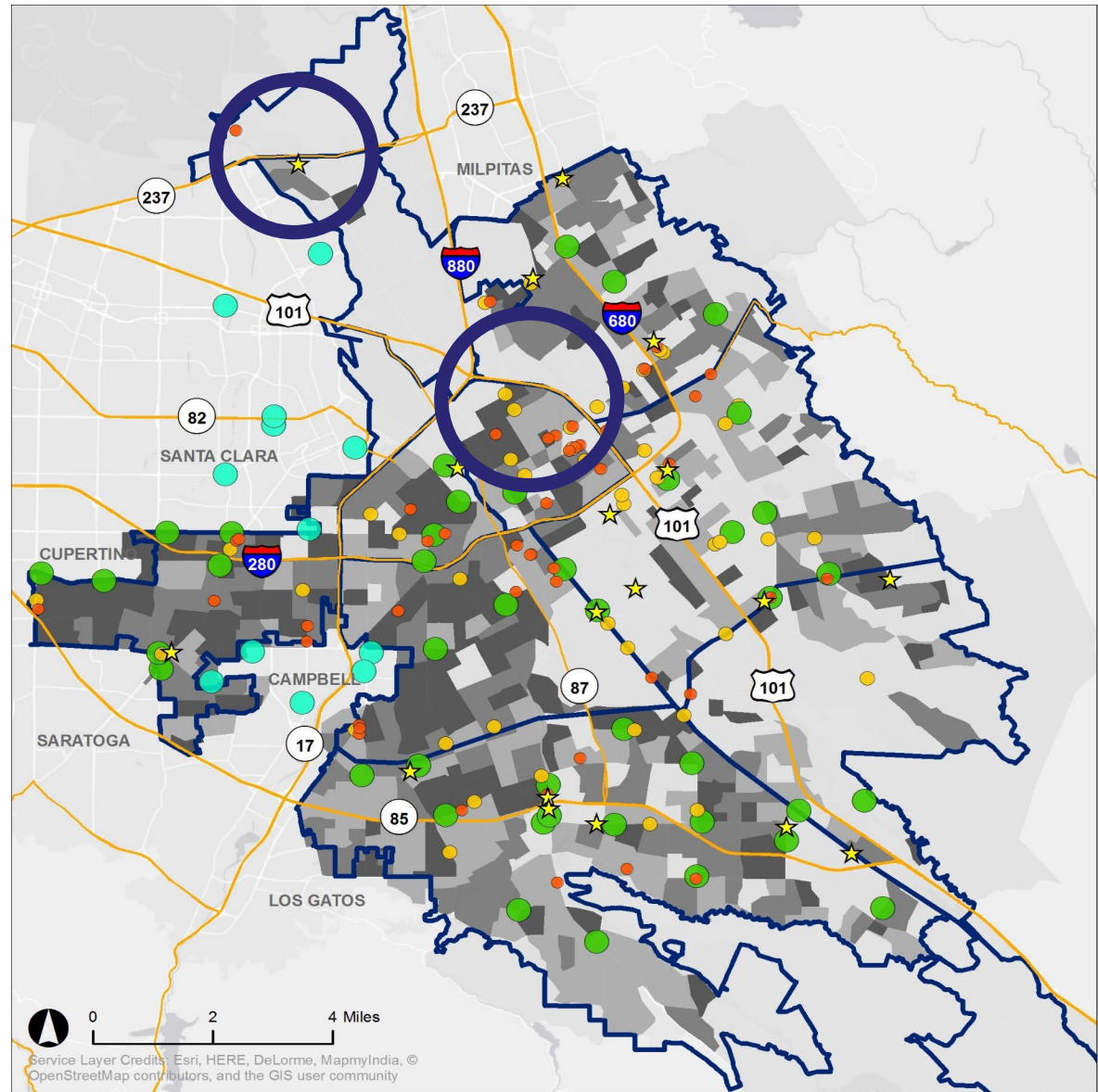
Proposed Retail Strategies

Underserved Areas

“Underserved” = Any area not within a 1-mile radius of a full-service drugstore.

Does not address quality, simply access.

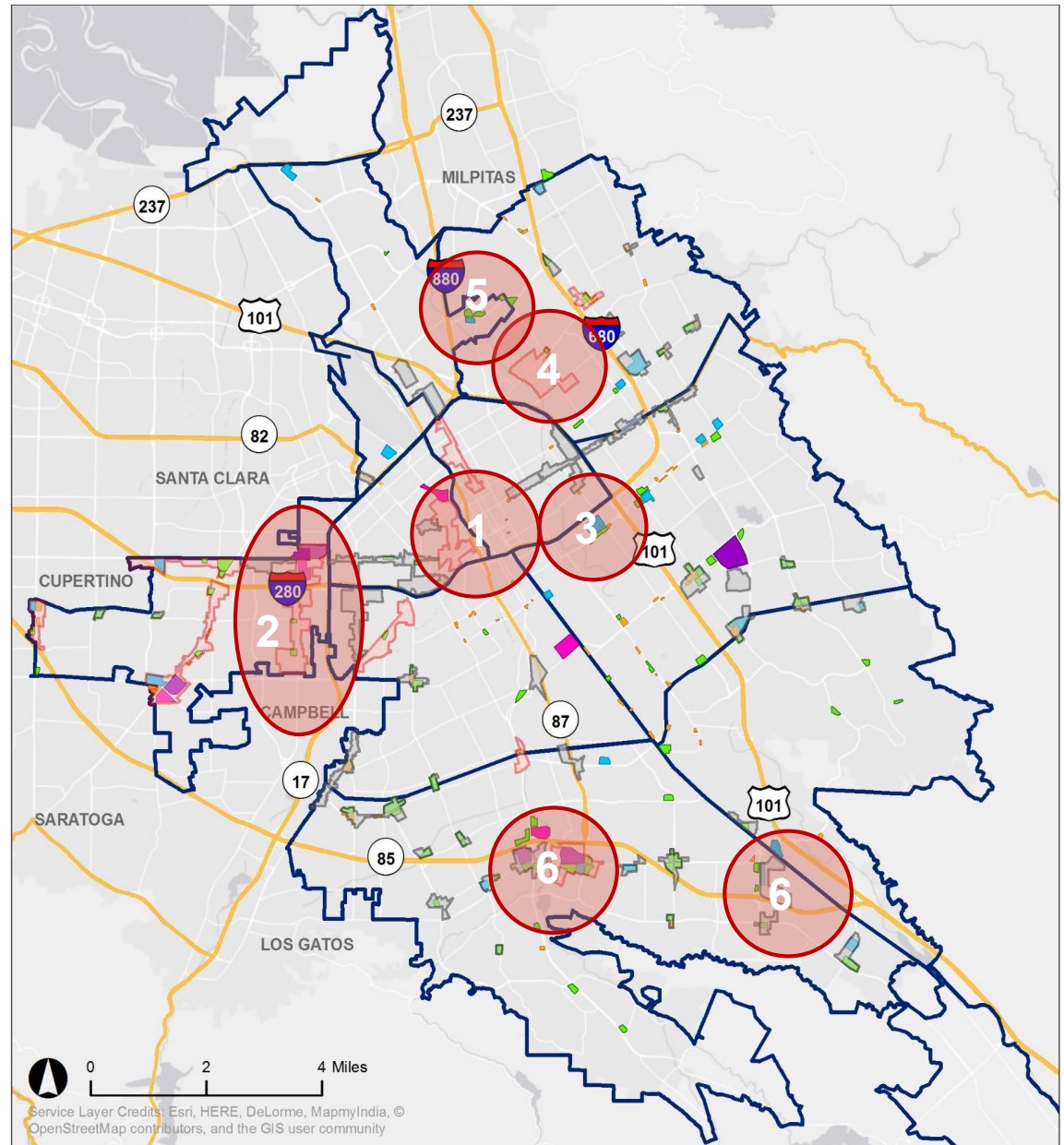
Two areas stand out:
North San Jose and part of Berryessa



Areas for Retail Expansion

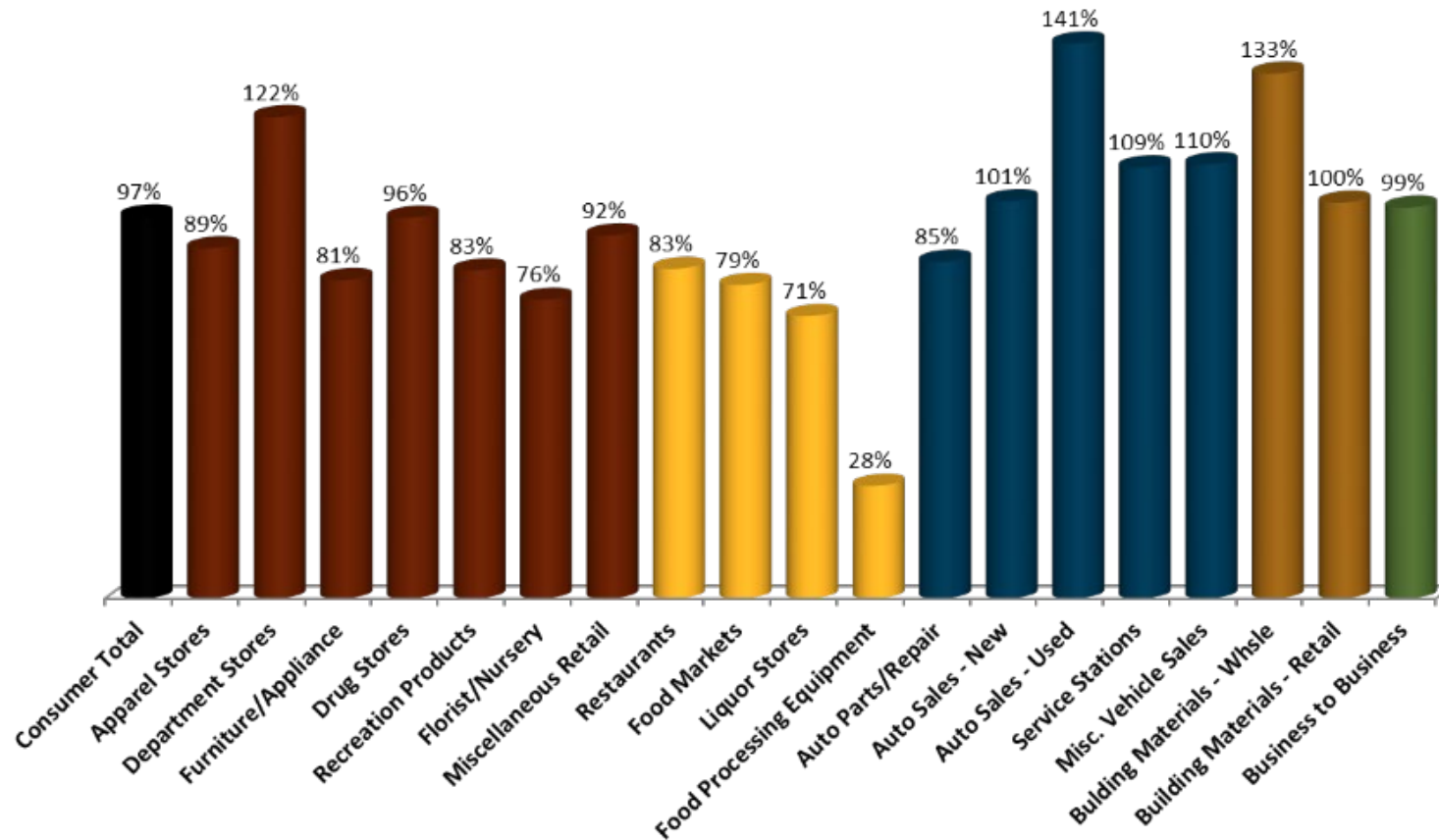
Criteria: High traffic, access, income, density, existing nodes and future growth.

1. DTSJ, East Downtown
2. Winchester Corridor
3. 101 & 280 area
4. Berryessa BART
5. Oakland/Brokaw area
6. South SJ retail hubs





Opportunity Sectors for Retail Expansion





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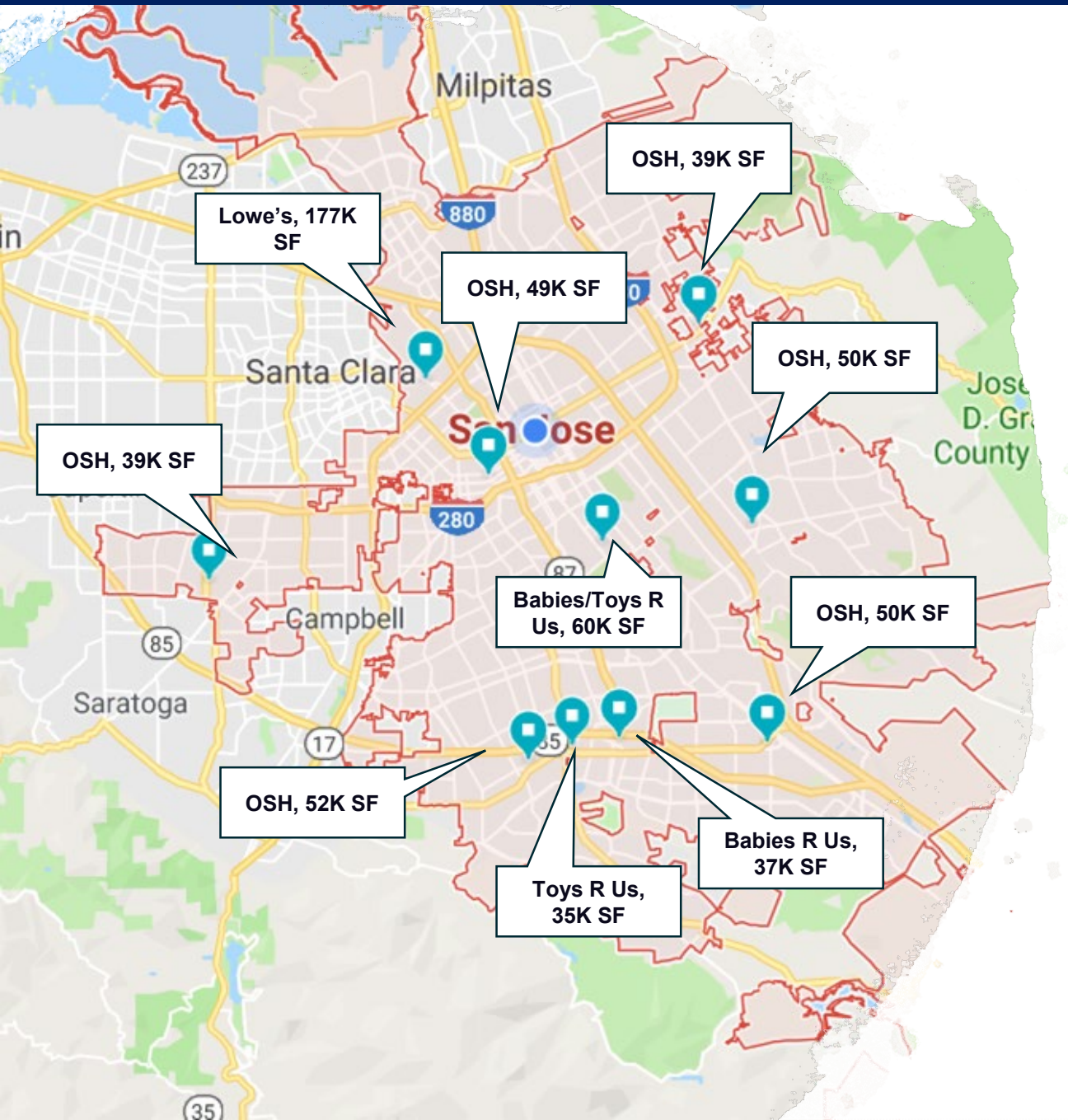
Big Box Closures



Proposed Retail Strategies



Recent Major Chain Closure Announcements



Total 560,000 SF

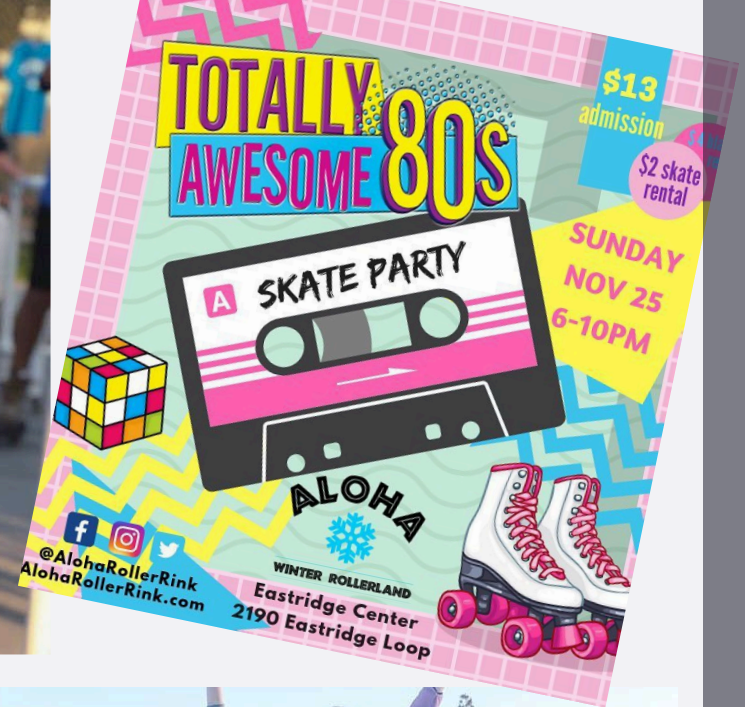
SJ = 36M SF market

In general, good locations

But, potentially lengthy retenanting process

Some stores will be divided

Big-box closures = major focus area



Creative Solutions: Eastridge Center





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Proposed Retail Strategies



**1. Develop SJ
Marketing Collateral**

**2. Redouble
Outreach Efforts**

**3. Plan for Big-Box
Closures**

**Photo: Renovated Eastridge
Center in East San Jose**

4. Form and Maintain Relationships with Box Retailers

5. Assist Smaller Retailers with Space Needs and Services



Photo: VillaSport in Berryessa

6. Facilitate Future
and Evolving
Entertainment/
Services Uses

7. Study
Sign Code
Updates to
Support
Retail



Photo: Bass Pro Shops Uncle
Buck's Fish Bowl and Grill

**8. Assess proposed
retail/ commercial
spaces for viability**

**9. Coordinate
closely with mall
owners on forward
planning**



**Photo: Fruitdale Station (left),
Oakridge Mall**

10. Identify San Jose's Best Undeveloped (or Underdeveloped) Retail Corners



Proposed Six-Month Workplan

1. Produce an updated retail 1-page flyer and retail copy for the SJEconomy website.
2. Produce 1 blog post per month featuring a San Jose retailer success story.
3. Market existing and upcoming big-box vacancies to expanding regional and national users, and meet with property owners to understand specific issues related to these vacancies and how the city can assist in the permitting process.
4. Undertake an inventory of underused retail sites at major corners to identify areas for new development or redevelopment.
5. Attend the International Council of Shopping Center's Monterey conference.
6. Identify top target sectors and users for additional outreach.
7. Host a roundtable with local brokers to understand concerns and trends.
8. Host outreach meetings with each of San Jose's major malls.
9. Finalize a mixed-use commercial space checklist for new development



A photograph of the exterior of the Vietnam Town San Jose building. The building is a two-story structure with a yellow and cream-colored facade, featuring arched windows and a central entrance with columns. A large sign on the right side of the building reads "VIETNAM TOWN" in blue letters. The address "999" is visible on the left side of the building. A semi-transparent blue banner with the word "Questions?" in white text is overlaid across the center of the image. In the foreground, there is a parking lot with a red curb and a black metal fence. A red car is partially visible on the right. The sky is clear and blue.

Questions?

SAN JOSE

Photo: Vietnam Town San Jose