



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember
Magdalena Carrasco
Vice Mayor Chappie Jones

SUBJECT: CITYWIDE RETAIL STRATEGY **DATE:** March 8, 2019

Approved by:

CK

Date: 3/8/19

RECOMMENDATION

- 1) Accept the staff report with three additions:
 - a. Prioritize the recommendation to explore provisions in the zoning code that encourage non-formula retail. For instance, in an Urban Village, a developer could meet the amenity requirement by including deed-restricted commercial space for non-formula retail with *built out tenant improvements*.
 - b. Prioritize the recommendation to assist smaller retailers with space needs and services by ensuring city resources and staff dedicated to providing education, outreach, assistance, and incentives for small businesses in occupying retail spaces and overcoming challenges that small businesses often face.
 - c. Direct the City Manager's Office to bring back a budget proposal to fund a dedicated Retail Strategy Manager and additional consulting services to assist with small business retail development in key corridors and be the key contact to attract and market retail spaces within the city.

BACKGROUND

The development of mixed use housing and commercial spaces has resulted in empty commercial spaces or franchised retail uses occupying the spaces. This has given rise to a lack of smaller locally owned businesses occupying these new retail space. Mom and pop shops are facing high rates of displacement throughout the city. For example, multiple adjacent parcels were purchased along the Alum Rock Corridor amounting to nearly 8 acres. These parcels contain numerous small businesses that have traditionally

paid lower lease rents due to the age of the buildings. Naturally affordable business lease spaces are becoming rarer and there are limited opportunities for these owners to relocate within the corridor.

The retail spaces currently being built result in shell of a commercial space which would result in significant up-front costs that are infeasible for many smaller business owners. Small businesses contribute to the City's quality of life and create interesting neighborhoods and a sense of place for those that live, work, and play in San Jose. Providing resources and incentives for their success is critical in implementing a successful citywide retail strategy.

While the City is undergoing a study to develop longer term recommendations to address small business displacement, we must take immediate actions to plug the leak of our family owned businesses from our neighborhood business districts that are facing increasing development pressures as we build out our transit systems. If developers could provide commercial spaces with fully built out tenant improvements, we could maintain a vibrant cultural district and enable small business to remain in the corridor.