



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: CITYWIDE RETAIL
OPPORTUNITY ANALYSIS
AND RECOMMENDATION

DATE: March 11, 2019

Approved

D. D. S. L.

Date

3/11/19

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

This supplemental memo is intended to highlight parallels between the three consultant-prepared retail strategies for North San Jose, Downtown, and Citywide retail development, and analyze the opportunity to apply these proposed strategies to other areas of the City.

BACKGROUND

Sales tax derived from retail sales remains the second-largest contributor to the City's General Fund, and retail uses play a key role in activating San José neighborhoods. But retail is in flux as consumer shopping patterns shift and certain retailers, such as Sears, struggle.

Through the General Plan four year-review process in April 2015, City Council directed staff to return to Council with amendments and rezonings for retail uses, with special focus on identifying prime retail sites in retail-deficient areas of the city, such as North San Jose and the N. 13th Street Corridor. Additional direction by the City Council enabled staff to expand the scope of consultant work to include more detailed looks at both the North San Jose and Downtown retail markets. Over the last two years, the Business Development Team in the Office of Economic Development has worked with Planning, Building and Code Enforcement Department staff and Strategic Economics to develop three retail strategy reports: North San José, Downtown, and Citywide. The consultant strategies provide recommendations to the City aimed at bolstering retail activity and preparing San Jose to better capture retail growth by adjusting zoning rules, revamping marketing materials, identifying prime retail sites, and providing a look at the future of retail.

Concurring with the analysis and recommendations included in each of these reports, staff recognizes the need to assess the opportunity to deliver on these strategies given the available resources in the Office of Economic Development. In addition, staff has undertaken analysis to identify if any of these strategies have applicability in other parts of the City.

ANALYSIS

The three retail studies completed by Strategic Economics were approached from different perspectives. The North San Jose report was intended to support the attraction and retention of young tech talent, who consider an amenity-rich environment critical to their choice of where to work, whereas the Downtown retail study was focused on tactical actions the City can take to attract and facilitate new retailers and provide guidance to developers. The Citywide study is intended to identify retail starved areas of the City, and prime retail sites in these areas that could be developed to meet this need, and identify strategies to increase retail activities in new retail locations, and to boost existing retail sales. Taken in aggregate, the three studies provide a detailed look at the current state of retail in San Jose. They do not however provide an analysis of opportunities for each of San Jose's neighborhoods. As such, staff has completed an analysis of how the strategies might be applied to, and implemented within, other neighborhoods throughout the City.

A cumulative assessment of the aggregated strategies contained in the three reports highlights four general areas:

- Regulatory – Making policy and ordinance changes that facilitate new investment in retail businesses throughout the City.
- Marketing – Promoting the San Jose retail market to existing and new retailers.
- Engagement – Working with developers, property owners, and major retail organizations to encourage the creation of spaces that support new retail users.
- Facilitation and Assistance – Provide support and services that help businesses navigate city processes and provide opportunities to enhance retail projects.

In addition to refining the 28 individual strategies, staff looked for opportunities for consistency and crossover between the three studies. Staff also assessed the opportunity to apply these strategies to other important retail development opportunities including existing retail centers, Neighborhood Business Districts, and Urban Villages. The attached matrix identifies which of the geographical studies the strategy originated from and where it might otherwise be applicable. In addition, the matrix identifies which strategies are currently underway or included in the Office of Economic Development's current workplan, and which would become a focus once other workplan items are completed or as new resources become available.

Comprehensive Retail Strategy:

Work Underway or Included in Current Workplan:			
Work Area	Strategy	Implementation	Planned or Underway
Regulatory	Facilitate future and evolving retail entertainment/service uses	Keep abreast of trends in the retail market through regular engagement with retailers, brokers and trade associations (including ICSC).	Planned
	Revise Downtown's DG Overlay in Title 20 (Zoning Code)	Liberalize uses allowed in the DC Zone, replace the DG Overlay with a focused Primary Active Use/Transparency Overlay and identify specific retail-required nodes.	Planned
	Identify and create distinctive pedestrian routes between key anchor destinations	Ensure elements such as wayfinding, public art, interesting building signage, wall murals, planters and other beautification elements create pedestrian routes between Downtown anchors such as Diridon Station, San Pedro Square, San Jose State University, and the convention center.	Underway
Engagement	Plan for big-box closures	Develop and maintain relationships with larger corporate big box users	Underway
	Coordinate closely with major mall owners	Undergo regular outreach with property owners and operators.	Underway
	Encourage planned office developments to include public-serving retail, including opportunities to have interim retail and amenity uses prior to development.	Work with property owners to understand opportunities and constraints of individual sites for interim uses. Work with developers through the application process to understand the opportunity to include local serving retail in the project.	Planned

Work Area	Strategy	Implementation	Planned or Underway
	Encourage small retail projects on development sites at key locations with proximity to employers and high traffic counts	Identify potential development sites that are well suited to local serving retail uses. Monitor development applications for applicable projects.	Planned
	Convene employers throughout North San Jose to create a forum for collaboration	Work with large employers, developers, and key property owners through the North San Jose Roundtable. Provide relevant programming to support retail and amenity development.	Underway
Facilitation and Assistance	Assist smaller retailers with space needs and services	Serve as many small retailers as possible with the Storefront Activation Grant, continue to connect them with the City's Small Business Ally to help facilitate the permitting process.	Underway
	Continue to incubate small retailers	Serve as an ongoing liaison between small business owners, property owners and commercial brokers to keep abreast of opportunities in the market. Identify projects that offer entrepreneurs an entry point into a permanent brick and mortar space.	Underway
	Address quality of life in Downtown	Continue to work closely with service providers such as PATH, and stakeholder organizations such as the Downtown Association on programs that support a clean and safe pedestrian environment.	Underway

Work that would require focused or additional resources	
Work Area	Strategy
Regulatory	Study sign code updates to support retail
	Assess proposed retail/commercial spaces for viability
	Consider adopting a policy regarding corporate cafeterias
	Allow temporary popups more easily by amending Title 20 (Zoning Code)
Marketing	Develop marketing material
	Identify San Jose's best undeveloped or underdeveloped retail corners
	Create and promote a strong “brand” identity
	Target emerging brands
	Prepare a future Retailer’s Guide to Downtown
	Ensure that Downtown continues to have daily needs retailers
	Proactively reach out to local-serving retailers and restaurateurs.
	Create a communications or social media portal that highlights events, services, and opportunities.
	Redouble outreach efforts to retailers
Engagement	Form and maintain relationships with big-box retailers (retention and coordination)
	Prepare a Downtown Developer’s Manual
	Identify specific actions to address long-term retail vacancies Downtown
	Encourage development of retail pods in underutilized parking lots

Available Resources

The Office of Economic Developments Business and Economic Development Division is comprised of 11 FTEs:

- Deputy Director
- Downtown Manager
- Public Information Manager
- Business Development Officer x 3
- International Program Manager
- Development Facilitation Officer
- Data Analyst
- Neighborhood Development Officer
- Housing Catalyst

A combination of these team members contribute to the approximately 5 FTEs that make up the Business Outreach Program aimed at business attraction, retention and expansion, and development facilitation efforts. These staff are focused on supporting a broad range of businesses across the City, including major employers, high-employment-growth companies, major non-retail sales tax generators, large-format and other strategically important retailers, and companies with operations that align with other strategic objectives.

The team currently spends approximately 5-10% of its time supporting retail-specific projects, primarily focused on major retailers, revenue generators, and key growth areas. In addition to these more traditional retail attraction activities undertaken by the Business Outreach Program, the Business Development Team uses a number of existing resources and partnerships to support ongoing requests for service including the Vacant Storefronts Grant, Small Business Ally program, and BusinessOwnerSpace.com platform. The limited resources devoted to retail development means there is insufficient staff capacity to take on all of the recommendations within the three strategy documents at this time.

The Mayor's March Budget Message directs "the City Manager to allocate \$375,000 in one-time dollars, spread over two years, to create a Citywide Retail Attraction Program that will research and market San Jose submarkets and prime opportunity sites, provide outreach to a broad range of retailers, assist small business owners seeking retail sites, and support property owners and developers in facilitating the leasing of available retail spaces." If this action is approved by the City Council, this program will be incorporated within the Business Development Team, adding temporary staffing resources supplemented by contractual services to provide specialized knowledge and data related to the San Jose retail market. Of note, the Mach Message also extends the Storefront Activation Grant Program for another year.

HONORABLE MAYOR AND CITY COUNCIL

March 11, 2019

Subject: Citywide Retail Opportunity Analysis and Recommendation

Page 7

COORDINATION

The preparation of this supplementation memo was coordinated with the Department of Planning, Building and Code Enforcement.

/s/

KIM WALESH

Deputy City Manager

Director of Economic Development

For questions, please contact Nathan Donato-Weinstein, Business Development Officer, at (408) 535-8178.

Attachment: OED Retail Strategy Matrix

OED Retail Strategy Matrix

Work Area	Strategy	Citywide (big-box and malls)	Downtown	NSJ	Elsewhere (NBDs, UVs)	Notes
Regulatory	Facilitate future and evolving retail entertainment/service uses	✓	✓	✓	✓	
	Study sign code updates to support retail	✓	*	*	*	
	Assess proposed retail/commercial spaces for viability	✓	✓	✓	*	
	Revise Downtown's DG Overlay		✓			
	Identify and Create Distinctive Pedestrian Routes Between Key Anchor Destinations		✓	✓	*	
	Consider Adopting a Policy Regarding Corporate Cafeterias		✓	*		
	Allow temporary popups more easily by amending Title 20		*	✓	*	
Marketing	Develop Marketing Material	✓	*	*	*	
	Identify SJ's best undeveloped or underdevelopd retail corners	✓		✓	*	
	Create and Promote a Strong "Brand" Identity		✓	*	*	
	Target emerging brands		✓		*	
	Prepare a Future Retailer's Guide to Downtown		✓	*	*	
	Ensure that Downtown Continues to Have Daily Needs Retailers		✓	*	*	
	Proactively reach out to local-serving retailers and restaurateurs.		*	✓	*	
	Create a communications or social media portal that highlights events, services, and opportunities.			✓		
	Redouble Outreach Efforts to retailers	✓	*	*	*	
Engagement	Plan for Big Box Closures	✓		*	*	
	Form and maintain relationships with Box retailers (retention and coordination)	✓	*	*	*	
	Coordinate closely with mall owners	✓				
	Prepare a Downtown Developer's Manual					Design guidelines may currently serve this function elsewhere in the city
	Identify Specific Actions to address long-term retail vacancies Downtown		✓		*	
	Encourage planned office developments to include public-serving retail, including as interim uses on development sites		*	✓	*	
	Encourage small retail projects on development sites at key locations with proximity to employers and high traffic counts			✓	*	
	Encourage development of retail pods in underutilized parking lots	*	*	✓	*	
	Convene employers throughout North San Jose to create a forum for collaboration		*	✓	*	
Facilitation and Assistance	Assist smaller retailers with space needs and services	✓	*	*	*	Small Business Ally
	Continue to Incubate Small Retailers					May apply more specifically to existing small and local businesses in Urban Villages or NBDs - this includes storefronts program
	Downtown: Address Quality of Life in Downtown	*	✓	*	*	On an as needed basis

✓ - Included inspecific strategy report
* - Potentially applicable in other areas/not specifically called out in a strategy report
Included or can be incorporated into existing workplan
Would require focused or additional resources
Not applicable