SPUR
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March 11, 2019
Submitted electronically

Hon. Mayor Liccardo and City Council
San Jose City Hall
200 E. Santa Clara
San Jose, CA 95113

Re: Item 4.2 Downtown Retail Strategy

Dear Hon. Mayor Liccardo and San Jose City Council,

Downtown San Jose has seen significant growth and progress over the last several years. With new, higher density residential and commercial development in the pipeline, the landscape within the urban core is only bound to further change. With such growth it is imperative that our retail and small business community continue to grow and thrive. We applaud city staff for taking a comprehensive look at the trends and forces affecting the retail and food/beverage industry and putting forth strategies for growing businesses within the downtown core.

SPUR supports the downtown retail strategy and proposed strategies put forth. We particularly want to highlight a few of the proposed strategies:

Strategy Two: Continue to incubate small retailers in Downtown
With e-commerce only growing, the trends have shown that the type of retail able to withstand such disruption are those that provide an alternative experience for the customer. Moment at San Pedro Market is a perfect example of the new model for retail – smaller, clustered independent stores that provide unique products. In order for many small businesses to scale from a solely online presence to more traditional brick and mortar requires a level of capital that is often not feasible. Additionally, many of the newer developments with ground floor retail space are significantly too large. **The City should encourage new development to carefully rethink the size of commercial space constructed in new projects**. Looking at the Moment model, such businesses only command 300-500 square feet, and while small, has greater feasibility for success for newer businesses. The City should also examine what public assets can be leveraged as sites for business incubation. Public facilities that have commercial kitchens could potentially be leased out at a subsidized rate for emerging food businesses. The City could potentially unlock many public resources to better accelerate small businesses that want to work within downtown.

Strategy Four: Revise the Downtown Zoning Regulations
The pressure on traditional retail from the success of e-commerce has shifted the business model completely for how people purchase and sell goods. These trends are only growing, and we need to think creatively for what types of uses can fill ground floor spaces within commercial corridors that draw foot

traffic and promote vibrancy. **The City should examine how to better incorporate light and small-scale manufacturing into the downtown zoning code.** This industry has been proven as a successful economic development tool for filling retail spaces. These businesses are typically started by entrepreneurs who have a strong connection to place and the urban community. San Jose already has a model for this activity seen at Arts Mercantile in the Midtown neighborhood – that space allows for businesses to both produce and distribute goods in one central spot.

This strategy also allows the City to unlock additional land for manufacturing jobs, which is a critical component within the overall economic development strategy. Acknowledging that some manufacturing uses are not best suited in an urban landscape, the City could analyze using performance-based zoning which would regulate uses based on noise, smell, and environmental impact to determine whether or not a use is best suited in a traditional commercial corridor.

Strategy Five: Prepare a Downtown Developer's Manual
Assisting future developers to design ground floors that meet the City's retail strategy along with respond to the changing needs of the marketplace is critical. Ground floor space should be designed for flexibility and hybrid of uses. SPUR suggests that instead of creating a separate manual that these standards be incorporated and developed through the Downtown Design Guidelines that is in the final draft stage.

Strategy Eleven: Consider adopting a policy regarding corporate cafeterias
There has been movement over the last several years to find new ways to draw employees out of their office and into the community. We support Staff in further analyzing different strategies for promoting such behavior especially as we see continued commercial growth in downtown.

We commend City Staff for producing this report and giving extensive thought to how to stimulate and grow business activity within the downtown core.

Sincerely,

[redacted]

Michelle Huttenhoff
San Jose Policy Director