

# Memorandum

<b>To:</b>	Blake Lyon, Senior Planner City of Redwood City 1017 Middlefield Road Redwood City, CA 94063	<b>From:</b>	Suzanne Lampert Mundie & Associates 3452 Sacramento Street San Francisco, CA 94118
<b>Phone:</b>	650-780-5934		415-441-9640
<b>Fax:</b>	650-780-0128		415-441-9683
<b>Subject:</b>	Potential Support for Retail Space at Peninsula Park		
<b>Date:</b>	May 1, 2007		

Urgent       For Your Information and Use       Please Reply Today       Please Comment

## Purpose of this Memo Report

The Peninsula Park project, a revision of the earlier Marina Village project, has been proposed for development in Redwood City. This project, located on Bair Island Road between U.S. 101 and Pete’s Harbor, would include a mix of residential, hotel, and commercial uses along with a marina and some public open space (see Table 1).

A key issue of concern to the City of Redwood City, as it considers this project proposal, is whether the retail component of the project is appropriately sized. This concern is related to traffic: with only one existing road connection between the project area and the greater part of the City, shopping trips across the freeway in either direction would add to congestion at the Whipple overcrossing. Thus, if the retail area is too small, it will not contain enough neighborhood supporting services for this growing residential community and thus residents will be required to commute outside of the Bair Island Road area for virtually all of their service needs. At the same time, if the project includes too much space, it is possible that non-residents would be attracted to the area, and similarly add to congestion.

Therefore, the retail component of the project should be large enough to accommodate one or more outlets that would respond to the most frequent needs of the residents, such as convenience stores, groceries and household goods, food service, and perhaps laundry/dry cleaning. At the same time, it should not be so large that the amount of space available will exceed the amount that can be supported by residents of the project site, users of the marina, and perhaps the residents of nearby

TABLE OF CONTENTS	
Purpose of This Memo Report	1
Description of the Project	2
Types of Retail Space	2
Support for Convenience Retail Space in the Proposed Project	4
Conclusions	7

residential areas (e.g., the project farther north on Bair Island Road and, potentially, housing that could be built on the Century 10 site if it is redeveloped into residential use).

The intention of this study is to recommend the amount of retail space and types of retail uses to optimize this amenity and reduce trips overall. To that end, this report reviews the characteristics of the project, describes the types of goods and services likely to be available in the commercial space provided, estimates the amount of space that would be supported by residents' purchases of those types of goods and services, and draws a conclusion about whether the amount of retail space is appropriate for this project.

## Description of the Project

The Peninsula Park project is located on the northern edge of Redwood City, on the San Francisco Bay side of U.S. 101 (the Bayshore Freeway). According to the Administrative Draft Addendum to the Final Environmental Impact Report for the Marina Shores Village Project, which evaluates the current proposal, Peninsula Park would be a mixed use development situated on 33.24 acres. The proposal includes the land uses shown in Table 1.

**Table 1**  
**Land Uses Proposed for Peninsula Park**

Use	Amount
Housing	796 units
Hotel	200 rooms
Commercial <sup>a</sup>	10,000 sq. ft.
Marina slips	25 to 40 <sup>b</sup>

a Convenience retail and sit-down restaurant space.

b Information provided by the applicant subsequent to preparation of the Administrative Draft Addendum.

Source: City of Redwood City, Administrative Draft Addendum to the Final Environmental Impact Report for the Marina Shores Village Project, February 2007, Table 2.2 (p. 2-9)

## Types of Retail Space

Retail space is typically categorized in two groups: "convenience" and "comparison."

- "Convenience retail space" is space in retail stores that is occupied by outlets selling items that:
  - are purchased frequently,
  - are not distinguished by style, and
  - are relatively inexpensive.

Decisions about where to purchase these items – which include, for example, groceries, books, videos, drug store items, coffee and tea, and other fast food – are made based largely on the convenience of the shopping trip.

- “Comparison retail space” provides goods for which a consumer will do research to find the most attractive style at the best price; in other words, will do comparison shopping.

The retail space in the proposed Peninsula Park project is described as “convenience retail and sit-down restaurant.”

According to the Urban Land Institute’s (ULI’s) *Dollars and Cents of Shopping Centers/The SCORE 2006*, the average convenience retail center contains almost 21,000 square feet of building space. The most frequent tenants in convenience centers included in ULI’s survey are listed in Table 2, along with the average store size.

**Table 2**  
**Most Frequent Types of Tenants in Convenience Retail Centers**

Rank	Type	Median Area
1	Restaurant without liquor	2,310
2	Nail salon	1,200
3	Pizza	1,185
4	Medical/dental office	1,800
5	Dry cleaner	1,200
6	Unisex hair	1,200
7	Restaurant with liquor	2,560
8	Women's hair salon	1,375
9	Coffee/tea	1,575
10	Chinese fast food	1,400
11	Bank	2,594
12	Finance company	1,400
13	Video/CD/DVD rentals	5,100
14	Real estate	1,350
15	Sandwich shop	1,800
16	Cosmetics/beauty supplies	1,600
17	Convenience market	2,580
18	Drugstore/pharmacy	10,845
19	Insurance	1,138
20	Telephone store/telecom store	1,938

Source: Urban Land Institute, *Dollars and Cents of Shopping Centers/The SCORE 2006*, p. 311

Shopping center industry publications do not typically focus attention on the market size required to support a convenience shopping center. Publications of the International Council of Shopping Centers (ICSC), for example, state:

Some types of centers are not separately defined [here] but nonetheless are a part of the industry. These can be considered subsegments of one of the larger, defined groups, perhaps created to satisfy a particular niche market. One example would be the convenience center, among the smallest of centers, whose tenants provide a narrow mix of goods and personal services to a very limited trade area. A typical anchor would be a convenience store like 7-Eleven or other mini-mart. . . .<sup>1</sup>

ICSC does not provide guidelines about the market population required to support a typical convenience center. Interpolating from ULI's *Shopping Center Development Handbook*, however, it is reasonable to estimate that a population of between 1,000 and 4,000 would be required to support 10,000 square feet of retail space.<sup>2</sup>

Table 3 (p. 5) lists the types of goods and services that may be included in the convenience retail category and provides an estimate of annual spending for these goods and services by households that would have the incomes needed to qualify for the housing units included in the Peninsula Park project.<sup>3</sup>

## Support for Convenience Retail Space in the Proposed Project

Support for retail space in the Peninsula Park project is likely to come not only from the households within the project itself, but also from other households residing between US 101 and Pete's Harbor along East Bayshore Road, Bair Island Road, and the roads that connect to Bair Island Road. There are approximately 307 existing housing units in this area. Together, the existing units and the units in the Peninsula Park project would bring the area total to 1,103 residences.

Assuming a vacancy rate in the existing units and the proposed project similar to the Citywide vacancy rate of 4.5 percent<sup>4</sup> and an average household size of 2.2 persons, the population of the area would be expected to total approximately 2,320 residents. This population is within the range estimated above to be required to support 10,000 square feet of retail space.

---

<sup>1</sup> International Council of Shopping Centers, *ICSC Shopping Center Definitions, Basic Configurations and Types for the United States*, 2004.

<sup>2</sup> The *Shopping Center Development Handbook*, published in 1985, indicates that neighborhood centers typically range in size from 30,000 to 100,000 square feet and require a minimum support population of 3,000 to 40,000 (p. 6). These ranges yield estimates of 2.5 to 10 square feet per resident. The range of 1,000 to 4,000 residents used here is based on those ratios.

<sup>3</sup> The project sponsor estimates that the average sale price of a unit in the Peninsula Park project. Purchase of a unit at this price would require an annual income of nearly \$127,000 (assumes a 20 percent down payment and a 30-year fixed rate mortgage with an interest rate of 6.25 percent with no more than 35 percent of income devoted to the mortgage payment).

<sup>4</sup> This vacancy rate is reported by the U.S. Census, based on its 2005 American Community Survey.

**Table 3**  
**Estimated Annual Spending on Convenience Goods and Sit-Down Restaurants**  
**by Peninsula Park Households\***

Item	Amount per Household
Food at home	\$4,706
Housekeeping supplies	963
Personal care products and services	898
Tobacco products and smoking supplies	286
Food away from home	4,544
<b>Total</b>	<b>\$11,397</b>

\* Based on average spending by households with incomes greater than \$70,000 per year in 2005.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditures Survey

A different perspective on the strength of support for the convenience retail space is offered by estimating spending on the types of goods typically offered in a convenience retail center that may be expected from area households. Table 4 calculates total spending for the convenience goods and food away from home that could be generated by 1,103 households. This calculation implicitly includes 100 percent of purchases for these items, as shown in Table 3, and no residential vacancies in the area.

**Table 4**  
**Total Potential Annual Spending on Convenience Goods and Sit-Down Restaurants**  
**by Peninsula Park Area Households**

Housing units in proposed Peninsula Park project	796
Existing housing units in project vicinity	307
Total future housing units	1,103
Estimated spending per household in retail stores found in convenience centers and sit-down restaurants	\$11,397
<b>Total potential spending</b>	<b>\$12,570,891</b>

Sources: Tables 1 and 3; U.S. Census at [www.census.gov](http://www.census.gov).

According to *Dollars and Cents of Shopping Centers/The SCORE 2006*, the Urban Land Institute's publication that details the operating characteristics of retail centers of different sizes, sales in

convenience shopping centers in 2004 averaged \$200 per square foot.<sup>5</sup> If 100 percent of convenience and restaurant purchases made by project and area residents are made in the retail space provided by the proposed project, then these purchases would support nearly 63,000 square feet of space, as shown in Table 5.

**Table 5**  
**Retail Space Supported by**  
**Total Potential Annual Spending on Convenience Goods and Sit-Down Restaurants**  
**by Peninsula Park Area Households**

Total potential spending	\$12,570,891
Median sales per sq. ft.	\$200
Total space supported	62,854

Sources: Table 4; *Dollars and Cents of Shopping Centers/The SCORE 2006*, p.288.

It is unlikely that households will make 100 percent of their convenience and dining out purchases within the convenience retail space provided by the project. Most food for home consumption is likely to be purchased at supermarkets in or near Redwood City; most personal care products are likely to be purchased at supermarkets, major drug stores, or large general merchandise stores (such as Costco or Target); food away from home – that is, dining out – is likely to be purchased throughout the greater Redwood City area and beyond, as people dine out during the workday, on trips to San Jose or San Francisco, or on vacation at more distant destinations. Therefore, estimates of support for convenience retail and sit-down restaurant space based on 100 percent of spending are certain to be overestimates: they define a cap that should not be expected to be exceeded.

Table 6 provides estimates of the amount of retail space that would be supported by local households' spending assuming that households make 10 percent, 20 percent, and 50 percent of their convenience and restaurant purchases at the retail space provided in the proposed Peninsula Park Project.

**Table 6**  
**Retail Space Supported by**  
**Different Capture Rates of Potential Annual Spending on**  
**Convenience Goods and Sit-Down Restaurants by Peninsula Park Area Households**

Percent of total potential spending	100%	50%	20%	10%
Total spending by all households	\$12,570,891	\$6,285,446	\$2,514,178	\$1,257,089
Space supported with sales of \$200 per sq. ft.	62,854	31,427	12,571	6,285

Source: Mundie & Associates

<sup>5</sup> This figure is the median: one-half of convenience centers had higher sales per square foot and one-half had lower sales per square foot.

## Conclusions

Based on the figures provided in Table 6, it appears that residents of the Peninsula Park area – including those in existing housing units and those in the proposed project – would have to make about 15 percent of their convenience and dining purchases in the project’s proposed retail space in order for that space to be fully supported.

Whether a capture rate of 15 percent is a reasonable expectation depends both on the spending patterns of the residents and the types of goods and services offered in the retail space. Table 7 breaks down the estimate of annual expenditures by households on various types of retail goods typically offered in convenience centers. The table shows that about 40 percent of these expenditures are for food to be eaten at home and another 40 percent are for food away from home.

**Table 7**  
**Distribution of Estimated Annual Household Expenditures**

<b>Item</b>	<b>Amount</b>	<b>Percent</b>
Food at home	\$4,706	41%
Housekeeping supplies	963	8%
Personal care products and services	898	8%
Tobacco products and smoking supplies	286	3%
Food away from home	4,544	40%
Total estimated spending on selected items found in convenience centers	\$11,397	100%

Sources: Table 3

Based on the distribution of expenditures shown in Table 7, the retail space in the project would have to capture about 20 percent of “food at home” and “food away from home,” or a slightly smaller proportion of expenditures in these two categories and some amount of purchases in the other three groups.

To capture this proportion of purchases, the space would have to include tenants that address the most frequent convenience retail needs of the area’s residents. Such tenants would include, critically, a convenience food market and some dining opportunities. A well-supplied convenience market targeted to the demands of neighborhood households could also become a habitual source for some additional types of groceries, such as fresh produce or specialty coffees and teas, and could thereby increase its capture of neighborhood spending.

Patrons of the proposed 200-room hotel could provide additional support for retailers in the project. This support would, however, most likely be primarily focused on the proposed sit-down restaurant. (Other convenience needs – for example, for sundry personal care items and snacks – are likely to be met within the hotel itself.)

Decreasing the amount of retail space in the project could jeopardize the viability of this component: convenience stores and restaurants/cafes have threshold requirements for the amount of space needed for a viable operation. As noted above, the average convenience center contains about 21,000 square feet of space. Only about 10 percent of centers have less than 11,000 square feet.<sup>6</sup>

Convenience retail space of the magnitude proposed for Peninsula Park is unlikely to draw customers from across US 101. By its very nature, convenience space offers the types of goods and services for which customers go to the nearest easily-accessible outlet. For customers other than those already in the project area, space in Peninsula Park would not meet this key requirement.

---

<sup>6</sup> Urban Land Institute, *Dollars and Cents of Shopping Centers/The SCORE 2006*, p. 288 reports an area of 11,226 square feet for the lower decile of convenience centers in the U.S; p. 296 reports an area of 13,089 square feet for the lower decile of convenience centers in the western U.S.