DATE: October 14, 2019

SUBJECT

Downtown Retail Action Plan

RECOMMENDATION


STRATEGIC INITIATIVE

Economic Development

BACKGROUND

The Downtown has had a very low vacancy rate for several years for ground floor retail space, which is an indicator of market strength, but also presents a challenge for diversifying the Downtown’s retail base. Restaurants currently comprise most of the businesses in the Downtown, but other forms of retail are desired for a vibrant Downtown for visitors, residents and workers. The constantly changing retail environment adds to the challenge for attracting and sustaining retail businesses in any downtown or commercial district. While there is no magic formula for attracting retail, there is much the City can do using a proactive retail work program in the short term and adopting policies that, over time, will strengthen the foundation for new retail in the Downtown.

To address the challenge of strengthening retail in the Downtown, the City Council held a study session on August 28, 2017, on Downtown retail and hotel opportunities. At that meeting, the City Council endorsed the creation of a Downtown Retail Task Force. Task Force members who were appointed represented diverse segments of the community: residents, real estate brokers (retail and office), developers and Downtown business and property owners. The Task Force met six times between May and October 2018. The City Council directed the Task Force to create a retail vision for Downtown Redwood
City; determine any barriers to strengthening and increasing retail opportunities in the Downtown; and develop policy recommendations for addressing those barriers.

The Task Force created the following retail vision for the Downtown that helped guide their discussions and recommendations:

“Redwood City’s Downtown District will be the “heart of the Peninsula” – an active, vibrant and charming retail destination where a variety of retailers provide a unique, friendly, and convenient shopping experience for residents, visitors, and workers in a clean, safe, green, and walkable environment.”

The Task Force’s findings and recommendations were presented to the City Council on January 28, 2019. (The January 28, 2019 staff report is attached as Attachment D of this report.) The report consisted of a Strengths, Weaknesses, Opportunities and Challenges (SWOC) Analysis and the formulation of retail guiding principles that proposed specific tasks to be implemented by the City’s Economic Development Manager and policies that, over a period of time, could encourage and strengthen retail in the Downtown. At the January 28, 2019 City Council meeting, the City Council directed staff to complete additional research on the implementation tasks and the recommended policies, and conduct community outreach.

To assist with the research for the policy recommendations, the City retained the services of Christine Firstenberg who has extensive experience consulting for public agencies, developers and retailers. Ms. Firstenberg is the Principal of Retail Real Estate Resources which specializes in retail development consulting and leasing for a wide variety of clients that include real estate investors and Fortune 500 companies. Ms. Firstenberg has over 35 years of retail consulting experience. She has been involved in pre-construction leasing, ground-up center master planning, merchandising and re-positioning shopping centers. She has represented national anchor retail chains in the San Francisco Bay Area such as AMC Theatres, Andronico’s Markets, Century Theatres, Costco, Kohl’s, Office Depot, Safeway, SteinMart, and Wal-Mart. Ms. Firstenberg has also provided consulting services to many public agencies, including the cities of Brentwood, Concord, Dublin, El Cerrito, Fairfield, Mountain View, Oakland, Richmond and San Jose and the County of Alameda. Her experience enables her to help public sector clients understand the location needs of retail developers and tenants and connect public policy with the realities of the retail market.

The retail consultant and staff spent considerable time surveying the Downtown to determine building square footage, opportunity sites, traffic patterns, and types of retail currently in the Downtown Specific Plan Area and its surroundings. The retail consultant also reviewed the assessment of Downtown’s strengths, weaknesses, opportunities and challenges (based on an assessment by two retail brokers who represent tenants in the Bay Area and the opinions of the Task Force) which were included in the January 29th staff report (Attachment D). The retail consultant is basically in agreement with their findings but added that including more housing and hotels in the core Downtown area would help create a stronger customer environment.

In addition, attached to this staff report are two reports by the City’s retail consultant, Christine Firstenberg, that provide context for understanding the retail industry today (Attachment B) and the importance of store formats for large and smaller shop retail tenants (Attachment C) and how these formats are changing to meet the needs of retailers competing in the marketplace.
ANALYSIS

The Retail Action Plan (Attachment A of this report) has two sections. Both sections draw from best practices and policies used by other communities to revitalize retail in downtowns. The first section is the “Downtown Retail Work Program” and is comprised of tasks and actions that can be implemented immediately to better position the Downtown for retail opportunities. Many of these tasks are already underway as they were part of the Economic Development Work Program that the City Council approved on May 6, 2019, which has a two-year implementation timeline. This section also provides an update on the current retail environment and a brief explanation of the types of retail formats in the market today.

The second part of the Action Plan, “Downtown Retail Policy Recommendations”, resulted from the work of the Downtown Retail Task Force. The recommendations were further researched and analyzed by the consultant and City staff. It should be noted that the retail consultant’s policy recommendation for increasing housing, office and retail in the downtown core should be considered as part of the next community visioning process for the downtown. Depending on the complexity of the recommendation, some of the policies, specifically land use planning, zoning, and public right of ways, will take additional time (approximately twenty-four months) to bring these items forward for City Council deliberation and potential approval. Attachment E to this report includes a table referencing how recommended initiatives fit into existing or anticipated work and the proposed priority order of initiatives recommended in the Downtown Retail Action Plan when Retail Work Program Policy recommendations are expected to be explored and reviewed in context with broader upcoming City initiatives.

Below is a summary of the key findings and conclusions from the City’s retail consultant that are the foundation for the final Retail Action Plan policy recommendations.

**Key Findings and Conclusions from the City’s Retail Consultant:**

- The addition of mixed-use projects (housing and office), restaurants, and entertainment venues has helped activate the Downtown. However, the Downtown Core could benefit from additional foot traffic provided by more residents and visitors who support retail businesses. Accommodating additional housing units may need to be part of a greater community visioning planning process for the downtown.

- The section of Broadway between Main and Hamilton Streets has the strongest potential for retail activity. Other blocks are limited because of the lack of contiguous storefronts and limited access to parking within a block. Development of the Chase Bank site as a mixed use project with retail space on the ground floor and housing would increase synergy along Broadway between Hamilton and Winslow Streets.

- Banks and financial services do not create the vibrancy retailers or restaurants provide on a prominent, highly visible, high traffic corner or street. These uses do not create location interest from other retailers and weaken retail synergy.

- Many cities are dealing with the problem of long-term vacant storefronts in downtowns and commercial areas. The magnitude of the problem is on a smaller scale in Redwood City compared to Oakland, San Francisco, and San José but will be assessed at a City Council study session in January 2020.
• Temporary displays of art and advertising in windows of vacant storefronts can help enliven streets. Temporary retail or restaurant uses in vacant or underutilized spaces (typically referred to as pop up retail) allows new retail concepts to be tested and also attracts new customers.

• Consistent design for signage (parking, directional and storefronts), streetscape improvements, and sidewalk dining should create a vibrant Downtown for visitors, residents and workers. Use of the public right-of-way for improvements, loading /unloading, passenger drop off, streetscape and sidewalk dining need to be evaluated further due to the potential loss of parking spaces that support retail businesses.

• Adequate parking ideally within a block of retail businesses is critical to attracting and sustaining retail and restaurants in the Downtown Core.

• Ensuring that retail space in new mixed use projects is appropriately designed to meet the needs of retail tenants will attract stronger retail and reduce long-term vacancies.

Community Outreach

On April 15, 2019 in collaboration with the Downtown Business Group, City Staff hosted a Downtown Retail Task Force Community Meeting. Over 35 participants attended the meeting and feedback from the attendees aligned with many of the Task Force’s draft findings and recommendations:

• Ensure existing City codes are correct/up to date and being enforced
• Provide short-term/ drop-off pick-up parking spaces
• Explore incentives that would encourage developers to work with small business
• Rent is too high for retail stores in the downtown
• 30-40 individual ‘shops’ inside like a Farmer’s Market Store or bazaar may work in the former Cost Plus Space
• Banks on corners in the downtown are not a good idea
• The City needs to adopt policies that support businesses
• The City should explore rent subsidies for retail stores
• The City should look into penalties for store vacancies
• There are “offices” along Main St that are not being used as offices; many of the windows have blinds closed and some windows show empty spaces inside.
• Move the banks (Wells Fargo, Chase, Union, etc.) and redevelop those sites for retail

In addition to the community meeting, staff presented the Retail Task Force’s vision and guiding principles to the Redwood City-San Mateo County Chamber of Commerce’s Economic Development Committee. Over 20 Committee members attended and provided feedback. Feedback received included concerns around a potential retail storefront vacancy tax, not allowing banks on key corners of the Downtown, and how to address retail policies when dealing with historic buildings.
On September 24, 2019, staff presented a summary of the Draft Retail Action Plan recommendations to members of the Redwood City-San Mateo County Chamber of Commerce, Redwood City Improvement Association board members, business owners, property owners and Downtown developers. Feedback received included a concern about not allowing banks on key corners of the Downtown, having designated parking areas for ride sharing drop-off and pick-ups, and beginning community outreach, design and construction of Broadway streetscape and sidewalk replacement project (RCIA has set aside $300,000 to match the City’s contribution for the initial work). Staff will review options for moving forward with the sidewalk replacement. Additionally, RCIA members were open to exploring a potential funding program in collaboration with the City for a business sign and facade improvement program.

**Downtown Stakeholder Partnerships**

Successful implementation of the Retail Action Plan and policies will also require alignment, coordination and collaboration with City departments involved in programs, events and activities in the Downtown. Implementation will also need the support and leveraging of resources from stakeholder groups such as the Downtown Business Group, the Redwood City-San Mateo County Chamber of Commerce, and the Redwood City Improvement Association. All of these partners have an important role in strengthening the retail vitality of the Downtown.

**Conclusion**

There is no magic formula for revitalizing retail in a downtown. Results may take as long ten to fifteen years to realize; at the same time, the retail environment continues to evolve in response to changes in shopper preferences and demographics. As with past redevelopment efforts in the Downtown, the plan for strengthening retail will require consistent implementation of policies and the work program aided by the continuation of a robust economy.

Staff requests that the City Council provide feedback and direction regarding the policy recommendations within the Downtown Retail Action Plan. Many of the work program tasks are already underway as part of the Economic Development Work Program approved by the City Council on May 6, 2019. Further study and shaping of the policies adopted by the City Council may take up to twenty-four months to complete depending on the complexity of the policy and the workload of City staff that need to be involved in the process.

**FISCAL IMPACT**

The City Council has approved a budget of $100,000 for implementation of the City’s retail strategy. To date, $16,000 has been spent on facilitation and meeting expenses for the Downtown Retail Task Force and $50,000 has been encumbered for consulting services.
ENVIRONMENTAL REVIEW

This activity is not a project under California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting

ALTERNATIVES

The Council may elect not to adopt the recommendations in the Downtown Retail Action Plan.

ATTACHMENTS

Attachment A: Retail Action Plan
Attachment B: Overview of the Retail Industry Today
Attachment C: Retail Store Size - Large Format Retail Tenants/ Smaller Shop Retail Tenants
Attachment D: January 28, 2019 City Council Retail Task Force Staff Report
Attachment E: Downtown Retail Work Program Initiatives Timeline

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