



## Retail Committee Staff Report

**From: City Manager**  
**Report Type: ACTION ITEMS**  
**Lead Department: City Manager**

**Meeting Date: October 16, 2024**  
Report #:2409-3533

### TITLE

Economic Development Activity Report October 2024

### RECOMMENDATION

Staff recommends that the Retail Committee receive this Economic Development Activity Report for the month of October 2024.

### EXECUTIVE SUMMARY

This October 2024 Economic Development Activity Report presents a snapshot of Economic Development activities occurring and underway throughout the organization, including updates on priority objectives approved by the City Council under Economic Development and Transition, retail business reporting, as well as communication and coordination with internal and external stakeholders.

### BACKGROUND

The Palo Alto City Council approved Palo Alto's comprehensive Economic Development Strategy in August 2023. The full strategy is available on the City's business website.<sup>1</sup> As part of its 2024 priority setting process, the City Council once again selected Economic Development and Transition. In March 2024, the City Council approved the workplan for this priority which consisted of twelve objectives.<sup>2</sup> These objectives were informed by the Economic Development Strategy and other community needs. These objectives are the focus of the City's economic development work for 2024 and the quarter three updates on progress towards accomplishing these objectives are included in this report.

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<sup>1</sup> The Economic Development Strategy is available online here:

<https://www.cityofpaloalto.org/Business/Comprehensive-Economic-Development-Strategy>

<sup>2</sup> 2024 Council Priorities and Objectives Q2 Report

<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=5648&meetingTemplateType=2&compiledMeetingDocumentId=11540>

## **ANALYSIS**

This report will provide quarter three Economic Development and Transition objective updates, information on efforts underway to enhance the City's ability to report out on retail businesses, work underway to further enhance relationships with brokers and property owners, and meetings, coordination, and communication efforts underway.

### **Quarter Three Updates on Economic Development and Transition Objectives**

As discussed in the background section, the objectives within the City Council's priority of Economic Development and Transition represent the workplan for 2024. Advancing these objectives represents the core function of the City's central economic development staff. The quarter three updates for Economic Development and Transition are included in this report as Attachment A and will be transmitted to full City Council as part of the next quarterly report.

#### Engaging with New Retail Businesses

In order to better engage with retailers that are opening in town, Economic Development Staff have been coordinating with Planning and Development Services to enhance communication and collaboration.

This enhanced coordination has already yielded results through a meeting between Economic Development, Planning and Development Services, and the new owners of 321 California Avenue. This address was formerly Antonio's Nut House. Staff will provide updates on the site as they become available.

Planning and Development Services and Economic Development staff are also collaborating on facilitating new business openings. Attachment B to this report provides some information about the Certificate of Use and Occupancy and how it is used as well as a list of all applications for Certificates of Use and Occupancy that indicated a 'retail' business type. Based on this report, staff is now tracking and engaging on proposed new businesses, such as New Balance, Marugame Udon, and Show De Carnes. Work is also underway for Miniso at 281 University, the former site of Restoration Hardware.

#### Enhancing Relationships with Brokers and Property Owners – Broker Interviews

Staff has partnered with the Good City Co. to enhance relationships with commercial property brokers and property owners in town. Since establishment of Economic Development staff, outreach with these important stakeholders has been ongoing. To further enhance these relationships, staff and Good City Co. have specifically asked brokers what they perceived as the strengths and weaknesses of Palo Alto as a market for potential tenants.

These conversations took place throughout September and grouped into three themes: Palo Alto's reputation, changing trends in retail, and constraints and barriers. Many of the brokers also offered thoughts on how to address issues in each area. It should be noted that much of the

feedback affirms the discussion the Retail Committee held on September 18<sup>3</sup> regarding changes to the City's zoning code.

#### *Palo Alto's Reputation*

- Brokers identified that the City has a reputation as being difficult to work with, but that it still remains a prime location for national retailers.
- Some brokers reported having better experiences due to the efforts of staff over the past year working on zoning and permitting items.

#### *Changing Trends in Retail*

- Brokers discussed that more non-traditional retail uses want to locate in downtowns and other neighborhood commercial areas.
- Brokers noted that non-retail uses, including services, could bring back foot traffic to the City's commercial cores.

#### *Constraints and Barriers:*

- Brokers view the current retail zoning regulations as too restrictive.
- Brokers identified that when zoning does permit a business, delays in permit approvals are costly for businesses.
  - Once a lease is signed, any delay in opening leads to ongoing expenses without the ability to start bringing in revenue.
- Brokers also noted that parklets extending beyond the frontage of a storefront are barriers to some new businesses.

The items raised by brokers are being addressed through continued work with City Council on streamlining the City's zoning approvals, as well as through site-specific facilitation of permitting and timelines. The City will continue to engage brokers and other stakeholders and incorporate feedback into ongoing work.

#### Meetings, Coordination, and Communication

Staff continues to hold meetings with external stakeholders, including the California Avenue Merchant Meeting on September 25. During this meeting, Economic Development staff partnered with Community Services staff to explore new event ideas and discuss ways to optimize existing events with merchants. Merchants would like events during off-peak times when foot traffic on the street is lower, and expressed a strong interest in year-round events. Staff will continue to work with merchants on ways to activate the car-free street.

City Council approved a \$40,000 contract amendment for 3<sup>rd</sup> Thursday on October 7, implementing direction from the FY 2025 Budget. The 3<sup>rd</sup> Thursday event represents an

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<sup>3</sup> <https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=14946>

important partnership between the city and community parties to activate the street. The event consistently draws people to California Ave, and staff is continuing to further strengthen connections between the event and local businesses.

In coordination with the posting of this report, staff will send out the October 'Business Connect' newsletter. This is also available on the City's website ([www.cityofpaloalto.org/business](http://www.cityofpaloalto.org/business)). This month's newsletter provides a reminder about this retail committee meeting, an update on Caltrans' El Camino Real repaving project, information about the minimum wage rate change, upcoming workshops for small businesses, and an invitation to participate in the City's 'Uplift Local' holiday promotional campaign.

As in years' past, the City will once again provide marketing for holiday promotions by local businesses. The 'Uplift Local' holiday campaign encourages folks to eat, shop, and stay local through the holidays. Promotions can be submitted through the form here ([bit.ly/UpliftLocalHolidayPromotions](http://bit.ly/UpliftLocalHolidayPromotions)). Any local retailer is welcome to participate – discounts, deals, and special offers are all eligible to be submitted. The campaign will run from the end of November through January 17, 2025. To further raise awareness of the campaign, economic development staff will be walking door-to-door in the City's commercial districts and shopping centers to discuss and leave fliers behind.

Internally, Economic Development staff continues to coordinate internally among various stakeholders on topics including:

- El Camino Real Repaving Project
- Middlefield Fire property rehabilitation
- Parklet Implementation
- Utilities' Sustainability Initiatives (such as Heat Pump HVAC Rebates)

Economic Development staff have also addressed inquiries from businesses on a range of topics from minimum wage inquiries, rules for operating food trucks, and the City's permitting process.

### **FISCAL/RESOURCE IMPACT**

No additional funding is needed at this time for the actions described in this report. Additional costs for project-specific investments will be refined and discussed with City Council when appropriate as project elements continue to take shape. The City's Economic Development and Transition efforts may result in changes to revenues, which will be incorporated into future projections and annual budget development as appropriate.

### **STAKEHOLDER ENGAGEMENT**

Stakeholder engagement is a critical component of the City's economic development function and is discussed throughout the above report. Economic Development staff meets frequently

with business stakeholders on the topics in this report and will continue to do so through individual conversations, meetings with business districts, regular communication with the Chamber of Commerce and through various other communication channels.

#### **ENVIRONMENTAL REVIEW**

Receipt and acceptance of this report is not a project under CEQA.

#### **ATTACHMENTS**

Attachment A: 2024 Economic Development & Transition Objectives Q3 Update

Attachment B: Permits (Retail) by type

#### **APPROVED BY:**

Ed Shikada, City Manager