

PHASE 3 DELIVERABLE

PALO ALTO ECONOMIC DEVELOPMENT STRATEGIES

PREPARED FOR PALO ALTO, CALIFORNIA
JULY 25, 2023

STREETSENSE

HdL Companies



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01 INTRODUCTION

INTRODUCTION

PURPOSE

Washington D.C.-based Streetsense and Brea, California-based HdL Companies (the Consultants) were engaged in the fall of 2022 to develop market-informed economic development strategies that will ensure Palo Alto’s on-going regional competitiveness by identifying impactful public sector interventions and investments for which there is both need and consensus for action. The strategies presented herein aim to reflect the delicate ecosystem that drives the vibrancy of the City’s Downtown and commercial centers with a focus on the retail and hospitality sectors, those significantly affected by the COVID-19 pandemic and resulting hybrid work environment.

TRENDS and OPPORTUNITIES

Global and national retail trends suggest major changes to traditional retail relationships due to on-line sales, changes to the shopping experience, and hybrid work. The COVID-19 pandemic has accelerated these changes resulting in:

- Reduced demand for storefront space as use of the internet and home delivery increases in popularity;
- Smaller format retail spaces in higher quality locations due to streamlined inventory made possible by advances in technology and more sophisticated supply chain;
- Changes in how tenants value the ‘flagship’ store as social media diminishes the need for a physical presence;
- Increasing resident and visitor desire for memorable experiences unable to be replicated in on-line environments;
- More demand for non-traditional business hours and locations as the former nine to five work routine is no longer the norm; and
- Reinforced neighborhood scale shopping and gathering for daily essential needs.

Notably, brick and mortar retail of various scales and offerings is here to stay but in enduring places that guarantee a strong customer base. For Palo Alto, residents are among the most affluent and educated in the region. These discerning customers have high expectations and many local and regional options for spending their time and money, which may or may not be inside Palo Alto’s borders. Significantly, retail tenants are increasingly more selective about where they decide to locate to reach that customer base. Ultimately, Palo Alto’s Downtown and commercial centers must aim to reinvent themselves to remain competitive, and Palo Alto must strive to be supportive in an effort to maintain and grow the tax base.

As such, the economic development strategies to follow will inform future resource allocation, policy and programming decisions for the City of Palo Alto and their partners to take toward achieving a balanced and competitive future.



INTRODUCTION

STUDY AREA

The study focuses on areas within Palo Alto where there is existing concentration of retail activity and representative of the diverse scale of retail offerings found throughout the City. The following descriptions include three categories of shopping districts according to shopping center industry classifications.

REGIONAL/SUPER-REGIONAL CENTERS

DOWNTOWN and STANFORD SHOPPING CENTER

- Most significant tax base contributors
- Face the greatest competition for visitors within the region
- Must maintain "best-in-class" status to remain competitive

COMMUNITY-SERVING CENTERS

CALIFORNIA AVE and TOWN & COUNTRY VILLAGE

- Moderate tax base impacts
- Employs local promotion and marketing strategies, if any
- Tend to benefit from activations that meet community interests and needs

NEIGHBORHOOD-SERVING

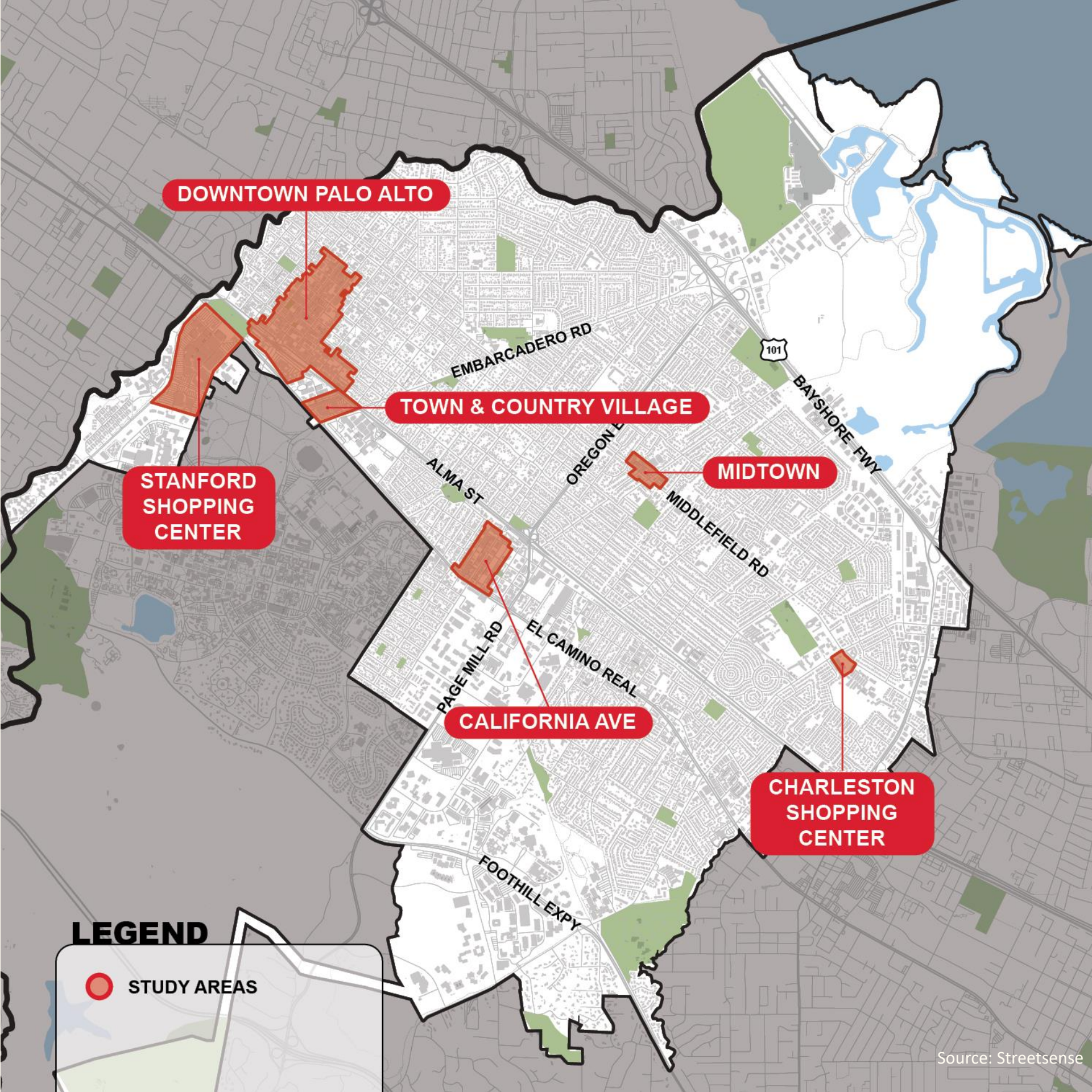
MIDTOWN and CHARLESTON SHOPPING CENTER

- Minimal tax base impacts
- Least affected by the COVID-19 pandemic and typically the most stable asset class
- Local customer base with little need for promotion

PROCESS and METHODOLOGY

The strategies were informed by a multi-phased process with robust stakeholder engagement, starting with field work and a tour of the City's commercial districts and destination assets, focus group discussions with residents, business and property owners, and hoteliers, and discussions with partners, including the Chamber of Commerce, Urban Village Farmer's Markets, and several interdepartmental city staff. Within the initial phase, the Consultants performed background research and a trends assessment. A diagnostic followed consisting of 1) a retail market assessment of regional/local competition and supply/demand, 2) a business environment assessment including a tax analysis and hospitality/tourism assessment, 3) an administrative assessment which analyzed existing policy and zoning requirements and organizational capacity, and 4) a physical assessment of all study area commercial districts.

Throughout the 12-month process, the Consultants engaged the City Council to ground truth findings and ultimately shape the final guiding principles and strategies.





02

DIAGNOSTIC OVERVIEW

RETAIL MARKET ASSESSMENT

The economic development strategies outlined herein represent a practical roadmap for public and private interventions that advance the City’s post-pandemic recovery of retail shopping districts. The following is a summary of the diagnostic conclusions that ultimately informed the guiding principles and recommended strategies. **The full diagnostic can be found in the March 13, 2023 City Council Work Session Staff Report.**

REGIONAL and LOCAL RETAIL COMPETITION

Regionally-serving, experience-based retail centers, including malls, power centers, and walkable downtowns and lifestyle centers, are characterized by a dominant mix of good-based retail. These retail centers attract customers from a larger regional trade area and feature a cluster of full-service restaurants and entertainment. There are five regional malls of varying quality closer to San Jose and only one traditional mall to the west, Hillsdale Shopping Center. Even with steep competition, **the top performing mall in the region is Stanford Shopping Center**. The region is also rich with competitive Downtown retail environments, including Downtown Menlo Park, Mountain View, Redwood City, Los Altos, and Burlingame, which also compete with malls and lifestyle centers. Locally, Downtown Palo Alto not only competes with Stanford Shopping Center but also California Avenue, a more community serving retail environment, spreading retail quite thin across the City.

Neighborhood serving retail centers are characterized by a dominant mix of Neighborhood Goods & Services (NG&S) tenants, often grocery-anchored. These retail centers primarily meet the need for convenience-based shopping trips competing on a geographically smaller scale. Grocery competition is strong throughout the region. Big box retailers are not permitted in Palo Alto by regulation but are concentrated along the periphery of Palo Alto, cannibalizing the retail offerings within the City. Target and Costco are particularly prevalent in the region, with nine and seven stores respectively within the studied area.

RETAIL VACANCY and RENTS

Vacancy among the six retail districts totals 243,000 square feet, or about **8% vacancy rate**, as of year-end 2022. A majority of vacant space is concentrated in Downtown Palo Alto, accounting for about 88,000 square feet. California Avenue has the highest vacancy rate among all districts at 15%, accounting for 31,000 square feet. There is about 57,000 square feet currently vacant within Stanford Shopping Center, which equates to a low

vacancy of 4%, due to the mall's large size. This vacancy is caused by smaller tenants inside the mall rather than by the loss of an anchor. Most importantly, Stanford Shopping Center captures spending that might otherwise be spent in other Palo Alto districts, especially Downtown Palo Alto, by offering attractive co-tenancy opportunities, a high-amenity environment, and retail-appropriate spaces.

Retail rents in the region are high with average asking rent at \$63.52 per square foot, 130% higher than the national average of \$27.55 per square foot



Source – REIS, Loopnet, Michael Baker, CoStar 2022

for malls and downtown environments. Stanford Shopping Center has the highest average asking rents in Palo Alto at just over \$77.00. Town & Country Village and Downtown Palo Alto are comparable with average rents at between roughly \$72.00 and \$76.00 per square foot, respectively.

DEMAND

Retail demand is based on resident, employee, overnight guest, and daytime visitor spending, local and regional competition, and projected population growth. Importantly, **hybrid work has reduced the demand for retail in Palo Alto by over 100,000 square feet**, roughly equivalent to the amount of retail space at Midtown and Charleston Shopping Center combined. The reduction in Palo Alto's daytime population means less spending available to support retailers. That said, there is a significant development pipeline in the surrounding markets. At full build out, these projects will add 17,700 residential units, 15.8 million square feet of office/life science space, and 2,300+ hotel keys. The additional density and daytime population will improve these competitive markets, making them more compelling locations for retailers.

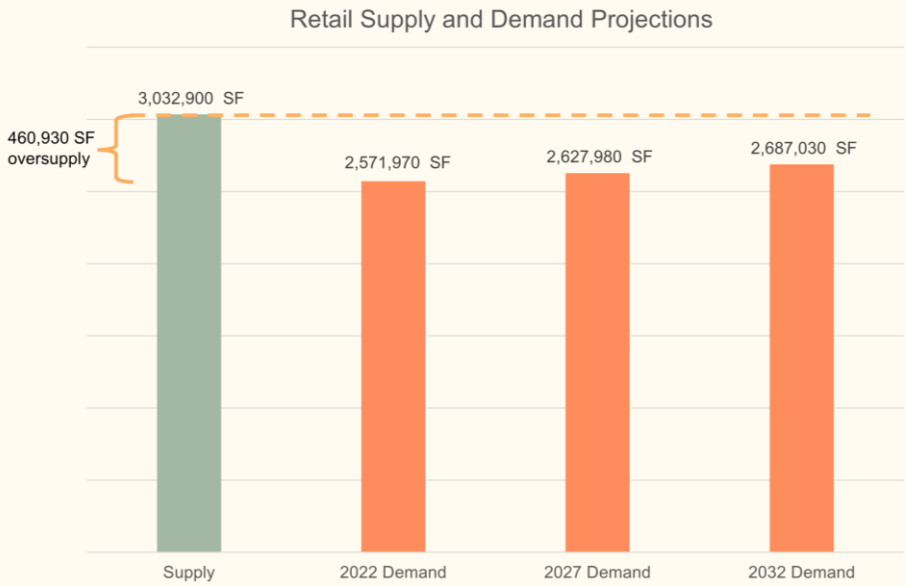
At this time, 2032 projections suggest that Palo Alto can support approximately 2.7 million square feet, with 15% of total retail demand in Neighborhood Goods & Services (NG&S), 22% in Food & Beverage (F&B), and 63% in General Merchandise, Apparel, Furniture, and Other (GAFO). More specifically:

- **GAFO** makes up more than half of demand, driven by Stanford Shopping Center, which consumes 80%, with a remaining 321,730 square feet of GAFO demand to be distributed among the other districts.
- **Neighborhood-serving retail** demand is constrained by the presence of big box retailers just outside the City’s boundaries. However, given the population density and high spending levels, the market may be able to support additional neighborhood-serving retail on a small scale.
- **Food & Beverage** is seeing healthy demand in fast casual serving student and employee populations, as well as full-service, sit-down restaurants.

Retail demand will steadily increase; however, without intervention, demand will not reach parity with the existing retail supply over the next 10 years. Because of the 460,000 square feet of projected oversupply, vacancy will continue to rise among lower quality or poorly positioned space.

OPPORTUNITIES

To better support Palo Alto’s retail districts, a more balanced ecosystem of uses should be introduced to increase daytime population, activation, duration of stay, and spending. A broader mix of uses including residential, office space for sectors requiring more in-person work, entertainment, civic, and cultural uses are recommended.



Source: Michael Baker; Streetsense analysis 2022

BUSINESS ENVIRONMENT ASSESSMENT

POST-PANDEMIC SALES TAX RECOVERY vs. SMALL BUSINESS RECOVERY

Sales tax revenues are mostly back to pre-pandemic (FY 2018-19) numbers as of the end of FY 2021-22 at just 6% below. Sales tax recovery, alone, however, is not an absolute reflection of recovery and profitability. Many small, locally owned businesses, particularly restaurants, retailers, and personal service providers, were the hardest hit during the COVID-19 pandemic and are not yet back to pre-pandemic cash flow and required revenue margins. Inflation and the increasing costs of doing business, supply chain and manufacturing disruptions, rising interest rates, employment and labor shortages, the rise of online shopping, and hybrid work preferences all affect small business operations and overall recovery. Hybrid work environments are proliferating significantly in areas like Palo Alto where many small businesses previously relied upon the daytime population, primarily in the technology sector. The area encompassing the City of Palo Alto, including Stanford University and Stanford Research Park, have an average return to the office rate of 40% according to January 2023 Kastle Systems. While there is no “crystal ball”, credible experts suggest that the San Jose Metro area may not return to pre-pandemic in-office levels. The impact to small businesses and sales tax will be felt for years to come without strategic intervention.

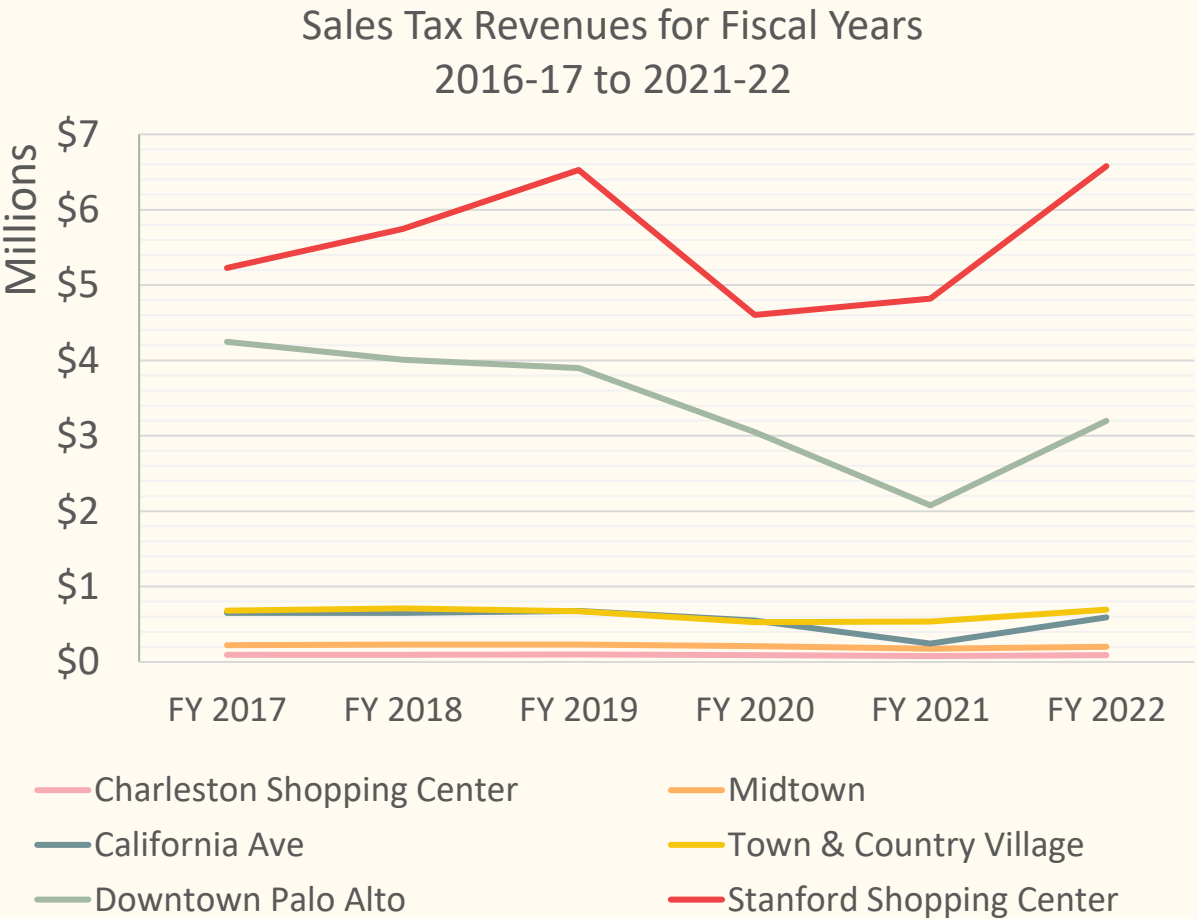
SALES TAX ANALYSIS TAKEAWAYS

Although total sales tax revenues are bouncing back from the pandemic, the local economy is not fully recovered and key tax generating districts are experiencing uneven recovery, as follows:

- **Neighborhood Serving Centers, Charleston Shopping Center and Midtown**, were the least impacted during the pandemic as spending on essential needs found in grocery stores, pharmacies, and personal services remained strong. Together, they show the highest percentage of Neighborhood Goods & Services (NG&S) relative to the total sales tax revenue in those districts at 40% and 54% respectively. Because NG&S are not big sales tax producers – a grocery store’s taxable sales, for example, are roughly 25-30% of their total sales – these centers combined only made up about 1% of the City’s total sales tax revenue in FY 2021-22.
- **California Avenue** makes up 2.2% of total sales tax in the City and is 12.8% below pre-pandemic sales in FY 2018-19 and 9% below FY 2016-17. A majority of California Avenue’s sales tax comes from Food & Beverage (F&B) at 74%, with nearly equal revenue from NG&S, General Merchandise, Apparel, Furniture & Other (GAFO), and Non-Retail establishments like business services and entertainment. This suggests an opportunity to diversify offerings to aid in sales tax recovery.
- **Downtown Palo Alto**, which makes up 12% of total sales tax revenue in the City, was in decline prior to the pandemic and has been the slowest to recover from the pandemic with FY 2021-22 sales tax revenues 25% below pre-pandemic FY 2016-17 sales. Among the six districts, Downtown Palo Alto produces the highest value of Food & Beverage (F&B) sales tax revenue, the retail category making up 11.4% of total sales tax for the City. It also brings in the second highest GAFO sales tax at \$1.1 million, second only to Stanford Shopping Center.
- **Town & Country Village** experienced a 21% decrease in sales tax in FY 2019-20, though the shopping

area is recovering from the pandemic. As a community serving retail center offering a fairly equal mix of NG&S and F&B, and a small amount of GAFO, Town & Country Village sales tax make up 3% of the total sales tax revenue in Palo Alto for FY 2021-22.

- **Stanford Shopping Center** has seen successful pandemic recovery with FY 2021-22 sales 25% above pre-pandemic FY 2016-17 sales tax revenues. It’s majority GAFO offerings contributed \$5.1 million, the highest among the six districts, to the City’s 24% of total sales tax from GAFO. In total, Stanford Shopping Center makes up 25% of the City’s total sales tax revenue, mainly from retail sales.



Source: HdL Companies

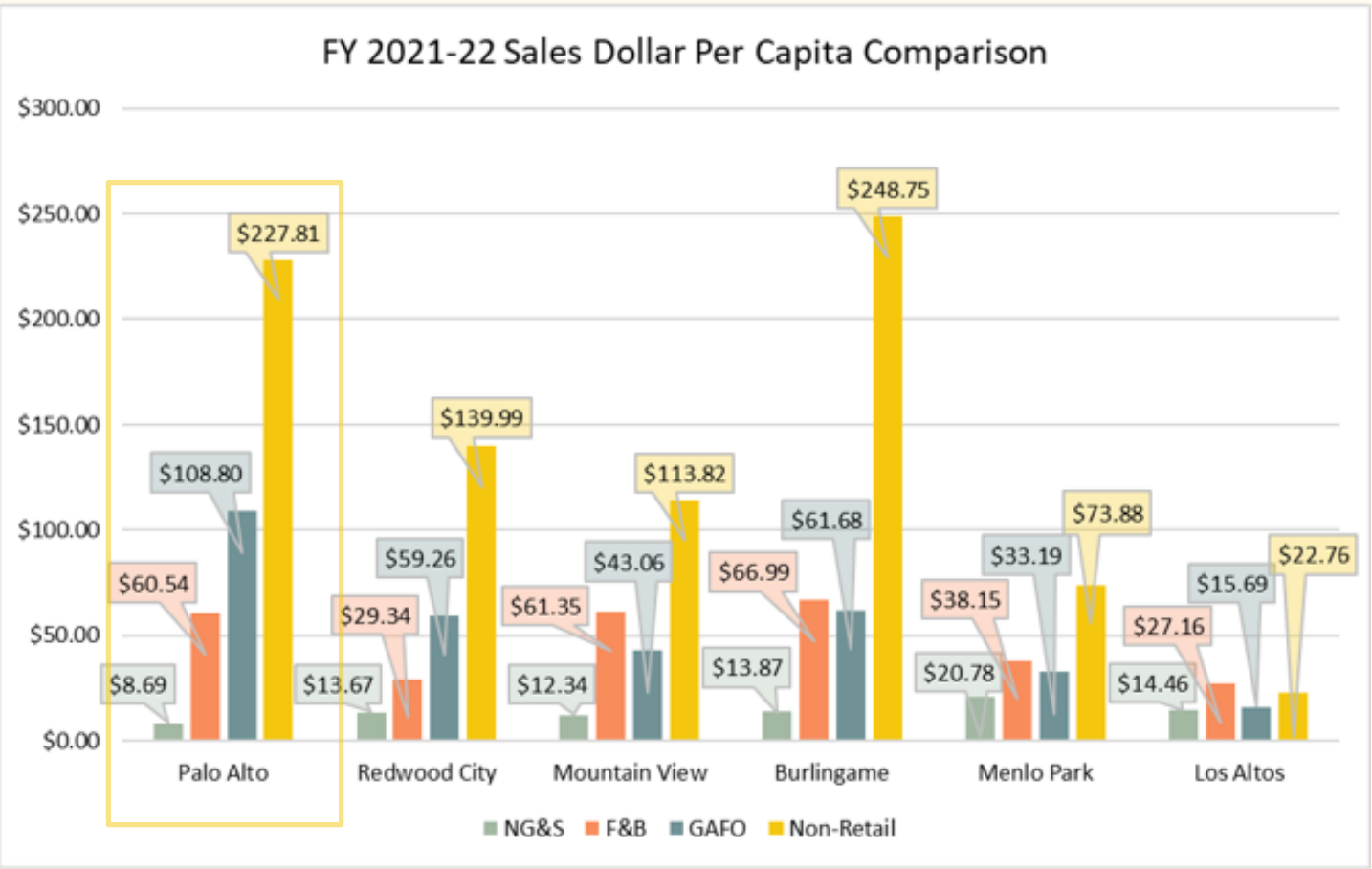
RETAIL SALES and COMPETING CITIES

An analysis of retail sales dollar per capita (SDPC) for FY 2021/22 was performed for Palo Alto and competing cities, including Redwood City, Mountain View, Burlingame, Menlo Park, and Los Altos. Palo Alto has the lowest NG&S SDPC, even lower than Burlingame and Los Altos who bring in less NG&S sales tax revenue compared to Palo Alto. Menlo Park has the highest SDPC in the NG&S category even though Redwood City and Mountain

BUSINESS ENVIRONMENT ASSESSMENT (cont.)

View receive a significantly higher amount of NG&S sales tax revenue. This suggests that Palo Alto residents are likely shopping for neighborhood goods and services in competing areas, a conclusion shared by the locally-serving retail competition analysis.

Palo Alto is doing better than most competing cities in bringing people to the City for F&B, and it has the highest SDPC in the GAFO category, largely due to the Stanford Shopping Center. As such, Palo Alto is likely bringing consumers from outside the area to shop for GAFO, mostly at Stanford Shopping Center, as well as non-retail sales tax producing goods and services, like auto and transportation and those from Stanford Research Park.



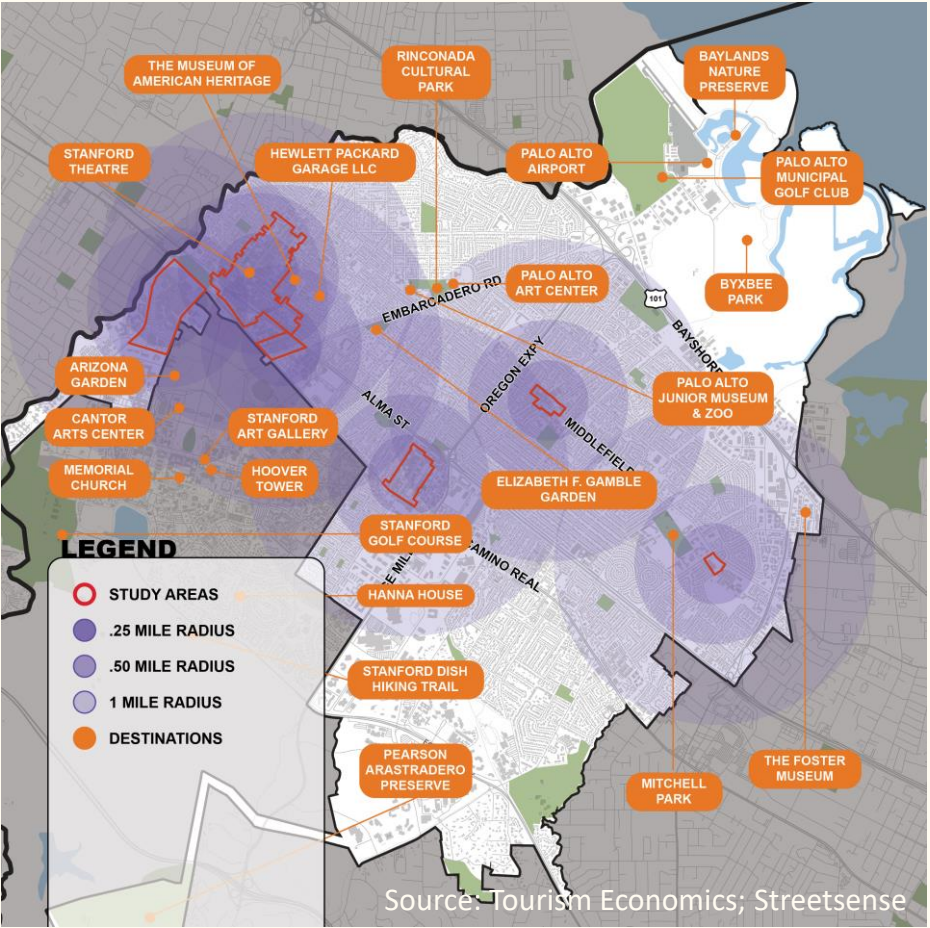
Source: HdL Companies

HOSPITALITY/TOURISM: LODGING, VISITORS, and OPPORTUNITIES

Globally and domestically, business travel is returning to pre-pandemic levels despite hybrid work. Palo Alto’s lodging industry is recovering at the national pace and is currently approaching 2019 levels. Palo Alto’s Occupancy Rate is highest mid-week but slightly lower than either U.S. or California Average, overall. Palo Alto’s largest contributors to occupancy are medical, education, and business travelers who fill approximately 2,200 hotel rooms, including about 300 in Palo Alto’s two new Marriott properties.

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International travel recovery is slow nation-wide and will continue to impact Palo Alto more than most cities. Chinese visitors, in particular, were the largest source of international visitors to Palo Alto pre-pandemic, but China’s slow recovery lags all other major inbound traveler sources to California. Palo Alto’s largest audience sector for hospitality spending (restaurants, attractions, shopping) and tax revenue is a combination of residents and the workforce. Its next largest includes residents and workforce from neighboring Bay Area communities, such as Mountain View, Menlo Park, Sunnyvale, Redwood City, Burlingame, and Los Altos. That said, weekend occupancy rates have historically remained low as Palo Alto is not a typical, overnight tourist destination with major destination attractions. However, there are unique local destinations to celebrate and promote for both domestic and extended business travel, or “bleisure” travel. Under-the-radar local assets, like the Palo Alto Junior Museum & Zoo, the Palo Alto Art Center, Stanford Theater, and the Baylands Nature Preserve, and the Municipal Golf Course and Airport, could be comprehensively promoted to attract longer visitation in the City.



ADMINISTRATIVE ASSESSMENT

REGULATORY ASSESSMENT

The regulatory assessment considers, first, Palo Alto’s 2030 Comprehensive Plan as it is the primary guide for preservation and development across the City. There are three sections in the Comprehensive Plan which provide economic development directives, and which recommended strategies aim to achieve:

- **Business & Economics** – strive to be "business friendly“;
- **Land Use** – Updates to the municipal code that support a "diversification of land uses", including "retail that caters to daily needs of residents"; "stimulates housing near retail"; and allows for the "conversion of non-retail commercial FAR [floor area ratio] to residential FAR, where appropriate“; and
- **Transportation** – Improve walkability and bikability by "improving connectivity between businesses, parking and transit stops", including "public art in alleyways" to encourage walking.

To effectuate implementation of this policy guidance, the City has the tool of zoning. However, municipal zoning codes often evolve as a hodgepodge of regulatory solutions aimed at solving specific challenges at a given point in time. Although the code is periodically amended, it is often reactionary and not easily adaptable to swifter market changes. Palo Alto’s zoning code is representative of these characteristics. For example, rendering some sections of Palo Alto’s code outdated based on recent trends in retail and changing work patterns include:

- **Growth in on-line shopping** – retailers are increasingly using stores for local distribution, which may be restricted as “warehousing & distribution”;
- **Technology advances** – breweries, specialty food manufacturing and maker spaces may be restricted as “manufacturing & processing”; and
- **Demographic and lifestyle** – wellness and medical services may be restricted as “medical office”.

There are opportunities to make the code more “business friendly”. Downtown Palo Alto, California Avenue, and Neighborhood Centers, Midtown and Charleston Shopping Center, have between two and five zoning overlays of distinct regulations on top of base zone regulations, whereas Stanford Shopping Center and Town & Country Village only have one overlay.

Highly Regulated Environments

DISTRICT	BASE DISTRICT	OVERLAY 1	OVERLAY 2	OVERLAY 3	OVERLAY 4	OVERLAY 5
CALIFORNIA AVE	CC – Community Commercial	Retail Preservation	R – Retail Shopping	P – Pedestrian Shopping	PTOD – Cal Ave Pedestrian and Transit Oriented	Cal Ave Parking Assessment District
MIDTOWN & CHARLESTON SHOPPING CENTER	CN – Neighborhood Commercial	Retail Preservation	GF – Ground Floor	P – Pedestrian Shopping	Special Regulations governing proximity to Residential	
DOWNTOWN (University Ave)	CD – Downtown Commercial	Retail Preservation	GF – Ground Floor	P – Pedestrian Shopping		
DOWNTOWN (Lytton)	CD – Downtown Commercial	Retail Preservation	P – Pedestrian Shopping			
TOWN & COUNTRY VILLAGE	CC – Community Commercial	Retail Preservation				
STANFORD SHOPPING CENTER	CC – Community Commercial	Retail Preservation				

Source: Streetsense

The layers of regulation cause confusion among property owners, developers, and tenants when trying to understand what they are allowed to do on their property, which adds time to approval and permitting processes, increases risk, and may prevent improvements and/or occupancy entirely. It is no surprise that the commercial districts experiencing the most difficulty recovering from the pandemic and experiencing the most vacancy include Palo Alto’s two most heavily regulated environments, Downtown Palo Alto and California Avenue.

The Retail Preservation Ordinance, created in 2015 to restrict ground floor retail conversions *city-wide* to non-retail uses, is one example of a blunt rule that was created in response to temporary market conditions. The Ordinance was written as a response to concerns that higher paying office tenants were displacing ground floor retail, undermining Palo Alto’s retail businesses, who found it hard to compete. Market conditions at the time reflected record high commercial rental rates and low office vacancy rates at around 2.8%. In contrast, Silicon Valley’s and Palo Alto’s office market today is vastly different, with nearly 18% vacancy and 14% vacancy, respectively. With office occupancy rates not expected to fully recover to post-pandemic levels in the foreseeable future, the threat of retail space conversion to office is minimal, and the Ordinance and its geographic applicability should be reevaluated, especially in districts experiencing higher vacancy than others.

ORGANIZATIONAL CAPACITY and STEWARDSHIP

Palo Alto is well served by arts, culture, and entertainment agencies and organizations at both the city and district level, but Palo Alto’s economic development service delivery mechanisms are limited to the City and the Palo Alto Chamber, a city-wide membership organization. Destination Palo Alto, a potentially effective website for city-wide destinations, restaurants, shops, and lodging, is defunct and no longer being updated. Because the website still exists, however, people can still visit it but will not be given accurate or up-to-date information, which in turn hurts the City’s brand and does little to uplift local, small, and new businesses.

Furthermore, currently, **neither Downtown Palo Alto nor California Avenue have *active* stewards** to lead marketing, promotion, event coordination, enhanced sanitation and maintenance, or security above and beyond what the City is obligated to provide. Although suspended, there is an established charter for the Downtown Palo Alto Business Improvement District (BID). Similarly, the California Avenue Business Association/Merchants of California Avenue is defunct.

Internally, economic development is addressed across many departments as it is ingrained among many divisions, but there is only one dedicated economic development staff person among all city staff. The 2024 City Budget includes one additional full-time dedicated position constituting formation of a potential future Office of Economic Development, one that will need to grow to meet the demand for economic development efforts. Internal partners will be key to executing programs and initiatives recommended by strategies presented herein, but more dedicated staff are needed to execute executive, administrative and operating functions, and program implementation both from a leadership and support role.

PHYSICAL ASSESSMENT

RE-INVESTMENT LIFECYCLE

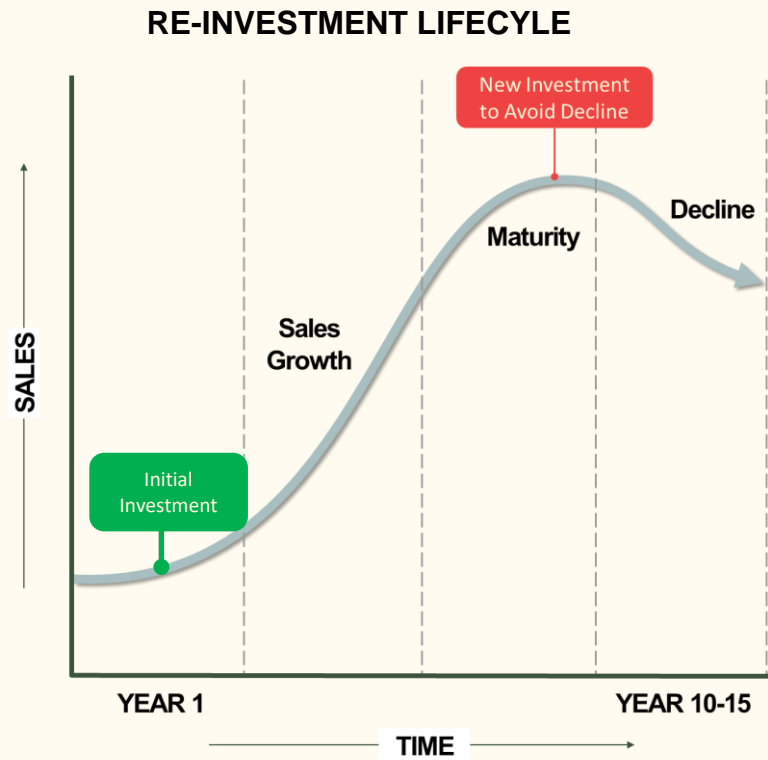
Physical attributes contributing to the look and feel of thriving commercial districts include multi-modal transportation networks that ensure equitable and safe accessibility, well-designed, pedestrian-friendly sidewalks, passageways, and gathering spaces, visibility and identification of place through thoughtful wayfinding and signage, well-maintained buildings and public spaces, and, finally, apparent overall cleanliness. The investments in such attributes over time closely correlates to a shopping environment’s growth, decline, and rebirth, or, more plainly, it’s lifecycle.

A district’s lifecycle consists of an initial capital investment followed by about 10 years of sales growth to a point at which those sales mature. This general timeframe and sales growth might fluctuate with changes endured by macro-economic conditions like recessions, online shopping, growth in competition, or unexpected events like natural disasters or pandemics. At maturity, 10 to 15 years after the initial investment, another significant investment is often required to avoid decline. Of the commercial districts studied, two are in decline: Midtown,

built in 1956, has seen only periodic upgrades over the years, and Downtown Palo Alto where the last significant streetscape improvements to University Avenue were in 1998. The City replaced gas and water lines along University Avenue in 2018/2019 and followed up with cosmetic upgrades to sidewalks, lighting, signage, landscaping, and bulb-out repair. California Avenue, on the other hand, falls in the middle of the lifecycle after receiving substantial streetscape improvements in 2014 that reimagined the street as a place people could leisurely gather and spend time. Improvements included lane reductions with widened sidewalks, an at-grade plaza space, new and consistent looking lighting, bike racks, and seating, landscaping, and art installations. Also in the middle is Charleston Shopping Center. Having single ownership allows more control of the frequency with which upgrades are employed. This shopping center does just enough for the cost-conscious neighborhood-focused tenant base it

serves. Unsurprisingly, the larger, single-owner shopping environments, Stanford Shopping Center and Town & Country Village, have seen more regular and substantial upgrades to common areas, wayfinding and signage, lighting, access, art, and to the buildings themselves. In these instances, there is a return on investment required of shareholders, so there is motivation to keep these assets in a state of sales growth. The physical assessment of the study areas identified strengths, weaknesses, opportunities, and threats (SWOT) related to each of these critical elements. The key takeaways are as follows.

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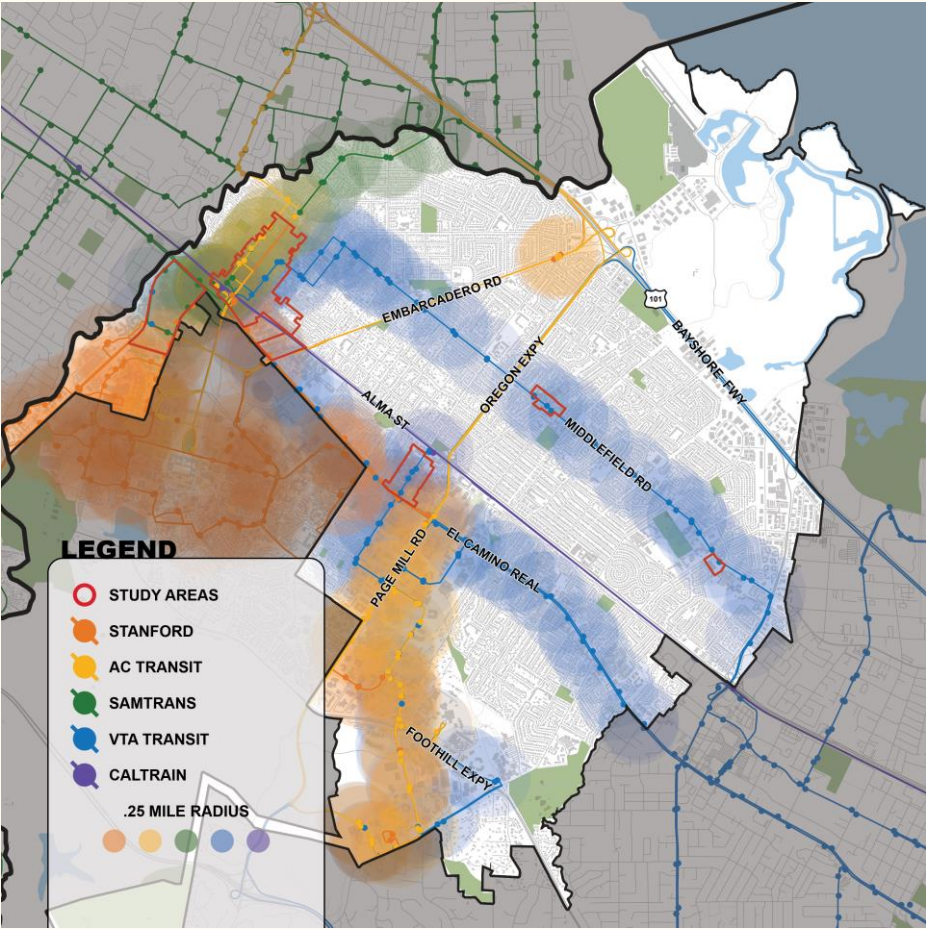
Source: Streetsense

ACCESSIBILITY and CONNECTIVITY

This assessment focused on city-wide access and connectivity of transit and bike networks as these systems provide an alternative source of access to the single occupant vehicle as well as a first, last, and/or only mile link to destinations, especially for locals. There is a robust regional bus network, but there is a lack of bus redundancy in parts of the City around neighborhood serving districts. This gap is being addressed to some degree with the recently instated on-demand transit service pilot program. While there is a robust bicycle network, some critical routes connecting commercial districts with neighborhoods and other destinations lack adequate signage and lane markings. Lastly, there is no micromobility program for shared bicycles and/or scooters, which are now common and widely used services for people of vastly ranging ages and socioeconomic status.

DISTRICT SWOT ANALYSES

For each commercial district, strengths and weaknesses related to access and connectivity, parking, wayfinding and signage, sidewalks and street furniture, gathering spaces, and alleyways were initially assessed and evaluated further as either an opportunity, or element that could be exploited to its advantage, or a threat, an element that could be troublesome if unaddressed.



Source: Streetsense

The SWOT analyses revealed that Stanford Shopping Center and Town & Country Village have few needed improvements, which is a reflection of single-ownership, cohesive design, and regular maintenance and upgrades. Most of the weaknesses challenging these centers involves pedestrian and bicycle connectivity within the surrounding public right-of-way. Districts that showed the most need for improvements were those with bifurcated ownership and/or lack of stewardship, lack of physical/visual cohesion, and need for public and private realm improvements to buildings, gathering spaces, and sidewalks. **Districts in the most need for improvement and where city-led efforts could have the most potential impact include, Downtown Palo Alto, California Avenue, and Neighborhood Centers.** A thorough breakdown of each district’s SWOT analysis can be found in the March 13, 2023 City Council Work Session [Staff Report](#).



03 STRATEGIES

STAKEHOLDER INPUT, GUIDING PRINCIPLES, and STRATEGIES



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STAKEHOLDER INPUT

Stakeholder input was garnered through numerous in-person and virtual interviews and focus group discussions with residents, business and property owners, and partners, bi-weekly meetings with city staff, and regular engagement with City Council, including the March 13, 2023 Council Work Session. The Consultants presented findings and facilitated informative discussions at critical points of the three-part process. Stakeholder feedback focused primarily on the following topics:

- Obtaining an understanding of the physical, operational, and tenant characteristics of local and regional competition;
- Enhancing accessibility to, from, and within commercial districts, with a particular interest in first and last mile transportation options and parking accessibility and affordability;
- Supporting lower price point neighborhood serving retail options primarily for residents; and
- Addressing vacancies, tenant mix, and quality of outdoor spaces in Downtown Palo Alto and California Avenue.

GUIDING PRINCIPLES

As a result of the stakeholder engagement process and the diagnostic, **three guiding principles** were identified. Moving forward, in partnership with other agencies, organizations, and private property and business owners, city staff should engage in critical regulatory reform, physical and accessibility improvements, programming, and marketing and branding strategies to ensure Palo Alto's commercial districts maintain competitiveness. Guiding principles include the following:

1. Reinforce each district's distinct scale and offerings by stabilizing and reinforcing Downtown as a destination, embracing California Avenue as a community and neighborhood serving place, and supporting existing Neighborhood Centers.
2. Improve accessibility by embracing walking and biking solutions to/from/within all of the City's commercial districts and addressing parking policies and systems.
3. Adopt policies that reflect changing market conditions by easing the regulatory burden for businesses, removing outdated restrictions that create hurdles to tenancy, and focus retail and retail-like uses in places where they are market-supported.

RECOMMENDED ADMINISTRATIVE CAPACITY

Important for implementation of the following strategy recommendations is adequate internal administrative capacity to facilitate responsibilities and to track and report progress. **Recommended is formation of a scaled Office of Economic Development with adequate resources from a staffing and budget perspective to execute the strategy recommendations of this Plan*. Also recommended is the creation of an Interagency Economic Development Committee, led by the Office of Economic Development, and consisting of key partners and city staff who will champion, advance, and track implementation of recommended strategies herein over the next five-year period.**

This Committee should meet at least quarterly as an internal group and present progress to City Council on an annual basis. This Committee will be responsible for consistently tracking progress of recommendation actions outlined in this Plan using prescribed methods, including data metric tracking software, Customer Relations Management (CRM), surveys, and other qualitative and quantitative means. The Committee should discuss and evaluate budget and resource needs on an on-going basis and make recommendations and requests to City Council, as needed. Establishing this administrative entity from the outset communicates commitment to executing the strategies herein and ultimately the health of Palo Alto's Downtown and commercial districts. Further, consistently reporting publicly to City Council ensures interagency accountability, reinforcing community trust in the process and means by which the envisioned outcomes are achieved.

STRATEGY ORGANIZATION




The following strategies are accompanied by one or more distinct actions with associated champions, the entity recommended to lead implementation efforts, and partners and city staff who are helpful as support. Each strategy and associated actions apply to Downtown Palo Alto, California Avenue, Neighborhood Centers, or a combination thereof, and may also apply to other retail areas in the City as the studied districts are representative, not exclusive. Each recommendation is explained with a summary of why it is critical and how it aligns with existing city efforts, if applicable. Lastly, most are validated with a best practice example from around the country. The following At-A-Glance Recommendations inform prioritization with classifications:










- Tier 1: In support/coordination of on-going city efforts
- Tier 2: New near-medium term and low-medium budget
- Tier 3: New long-term and medium-high budget

*** Note: While referenced throughout, an Office of Economic Development is not currently formalized as an Office.**

AT-A-GLANCE STRATEGY RECOMMENDATIONS




GUIDING PRINCIPLE 1: Reinforce each district's distinct scale and offerings by stabilizing and reinforcing Downtown as a destination, embracing California Avenue as a community and neighborhood serving place, and supporting existing Neighborhood Centers.













-  Tier 1: In support/coordination of on-going efforts
-  Tier 2: New near-medium term and low-medium budget
-  Tier 3: New long-term and medium-high budget

Recommendation		Action	By Priority
GUIDING PRINCIPLE 1	01 Upgrade highly used and visible public and private realm spaces to promote district definition and encourage activation.	1.1 Redesign University Avenue streetscape to provide wider sidewalk space for walking, gathering, and outdoor dining through a construction project to be funded by property owners.	
		1.2 Continue exploring the Car-Free Streets Initiative for California Avenue and Ramona Street to optimize a balanced future.	
		1.3 Support outdoor dining and gathering options on sidewalks and within on-street parklets with by-right allowances within two feet of storefronts and creating a consolidated street activation resource.	
		1.4 Invest in cohesive district branding through wayfinding, signage, public art, and gateway features within the district and along the district boundaries to better define and announce the area as a collective destination. For Neighborhood Centers, encourage public art, like murals and other community-centered installations.	
	02 Encourage the creation of and support District Management Entities (DMEs) for district promotion, programming, and increased maintenance.	2.1 Create a task force to explore successful regional DMEs of various scales and structures to inform an appropriate DME for Downtown Palo Alto, one that enables property and business owners to advocate and act (with resources) on their own behalf.	
		2.2 Formalize a DME, like the California Avenue Business Association/Merchants of California Avenue and encourage membership of a California Main Street Program.	
	03 Pursue business retention, development, and attraction initiatives for local and small businesses.	3.1 Create a public-private small and local business incubation and vacant storefront program connecting landlords experiencing vacancy with small and local businesses seeking brick-and-mortar space and local artists to aid in activation.	
		3.2 Consider allocating funds towards a shop local eGift card program to incentivize patronage of local business.	
	04 Promote tourism city-wide to increase longer business "bleisure" travel and grow hotel weekend occupancy rates with non-business travel.	4.1 Provide Palo Alto Chamber of Commerce the resources to promote tourism city-wide to accurately highlight and consistently update Palo Alto's destination offerings, hotels, restaurants, events, and ways to get around in an easy-to-use online platform and app.	

AT-A-GLANCE STRATEGY RECOMMENDATIONS




GUIDING PRINCIPLE 2: Improve accessibility by embracing walking and biking solutions to/from/within all of the City's commercial districts and addressing parking policies and systems.








-  Tier 1: In support/coordination of on-going efforts
-  Tier 2: New near-medium term and low-medium budget
-  Tier 3: New long-term and medium-high budget

Recommendation		Action	By Priority
GUIDING PRINCIPLE 2	05 Fix broken pedestrian and cycling links to increase accessibility to, from, and within commercial districts.	5.1 Include more signage, wayfinding and bicycle lane markings along critical bike routes to aid safe and easy travel to/from shopping districts by biking and walking.	
		5.2 Include mid-block pedestrian crossings and/or raised traffic tables where desire paths lack safe crossings and deemed safe to do so.	
		5.3 Consider removing free rights at major intersections to aid in safe intersections for all modes of transport.	
	06 Invest in first and last mile transportation options that increase equitable access to, from, and within commercial districts.	6.1 Incorporate a micro-mobility (bike and/or scooter share) program that engages all shopping districts and destinations across the City.	
		6.2 Participate in advanced regional micro-mobility options.	
		6.3 Incentivize e-mobility using local resources.	
		6.4 Support and incentivize on-demand transit service and ridership through promotional programming within shopping districts.	
	07 Reinforce walkability within districts to encourage longer duration of stay and activation.	7.1 Select specific public alleyways with high visibility and at least 20 feet in width to improve for increased permeability and place-making.	
		7.2 Create a mural competition or program for select side and rear building facades garnering the most visibility from main streets.	
		7.3 Limit new curb cuts and aim to remove overly redundant curb cuts with any future redevelopment along public right of way of neighborhood centers.	
	08 Update and simplify parking policies, systems, and signage to ease navigation to and use of parking.	8.1 Embrace technology by incorporating digital signage for easier navigation to available parking within and outside of parking areas and tie information into an app-based parking management system to ease use and parking predictability.	
		8.2 Consider a small business employee access program that offers reduced employee parking fees, easily transferrable employee parking permits, and/or incentivized use of transit, micro-mobility options, and carpooling.	

AT-A-GLANCE STRATEGY RECOMMENDATIONS

GUIDING PRINCIPLE 3: Adopt policies that reflect changing market conditions by easing the regulatory burden for businesses, removing outdated restrictions that create hurdles to tenancy, and focus retail and retail-like uses in places where they are market-supported.

-  Tier 1: In support/coordination of on-going efforts
-  Tier 2: New near-medium term and low-medium budget
-  Tier 3: New long-term and medium-high budget

Recommendation		Action	By Priority
GUIDING PRINCIPLE 3	09 Streamline, update and/or remove unnecessary use restrictions and pursue regulatory reform to enable tenancy and competitiveness.	9.1 Consider removing or consolidating zoning overlays, incorporating an at-a-glance permitted use table and design standards, and an interactive online map with quick links to relevant regulations.	
		9.2 Consider amending Section 18.76.20, Architectural Review, of the municipal code to enable more over-the-counter approvals for minor changes.	
		9.3 Reevaluate the city-wide Retail Preservation Ordinance and consider refocusing its applicability to targeted areas of existing retail concentration while also allowing flexibility in non-street facing portions of buildings.	
		9.4 Enable growth in Neighborhood Goods and Services along California Avenue by updating the Formula Retail Ordinance and easing use restrictions on in-demand neighborhood serving uses that are currently heavily regulated or prohibited.	
	10 Grow the market by enabling residential development in select areas of Downtown Palo Alto and California Avenue	10.1 Consider increasing allowable height and floor area ratio (FAR) to accommodate residential in mixed-use projects..	
		10.2 Allow exclusively residential projects, including the ground floor where currently restricted in the California Avenue district.	
		10.3 Prioritize residential development on underutilized property as identified in the 2023-31 Housing Element.	

01

GUIDING PRINCIPLE

- Reinforce each district's distinct scale and offerings by stabilizing and reinforcing Downtown as a destination, embracing California Avenue as a community and neighborhood serving place, and supporting existing Neighborhood Centers.

RECOMMENDATIONS

01 Upgrade highly used and visible public and private realm spaces to promote district definition and encourage activation.

ACTIONS

- 1. Redesign University Avenue streetscape to provide wider sidewalk space for walking, gathering, and outdoor dining through a construction project to be funded by property owners.
- 2. Continue exploring the Car-Free Streets Initiative for California Avenue and Ramona Street to optimize a balanced future.

CHAMPION

Public Works

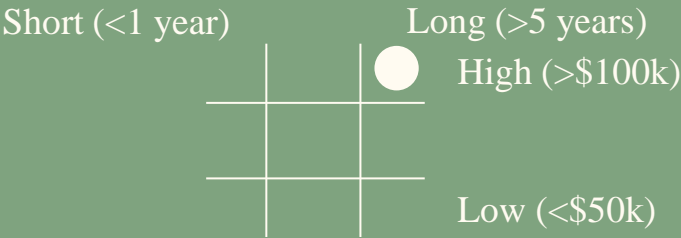
SUPPORT

Office of Economic Development
Office of Transportation
Planning & Development Services
Property Owners

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

The streetscape plays a significant role as the foundation of the “main street” environment, the common infrastructure upon which many businesses and properties rely, in attracting tenants, visitors, and spending. People ultimately want to visit places that are safe, clean, designed with a comfortable human scale, and rich with texture and things to do and see. When a place can support critical activation in mass, businesses, visitors, and spending follow.

University Avenue is an established retail main street forming the heart of Downtown Palo Alto. Although it saw underground infrastructure upgrades and cosmetic improvements in 2018/2019, the last major street design considerations were completed more than 25 years ago. Its physical design and condition is declining at the same time as it competes for both tenants and customers with many other high-quality local and regional options. California Avenue and Ramona Street were both closed to cars during the pandemic and are currently being evaluated through the Car-Free Streets Initiative. Both have different street designs and dimensions, level of improvements, opportunities, and challenges, but both have played a significant role in business retention. Their future design and functionality will absolutely impact the business environment.

In either case, the street widths are ideal for accommodating many uses and functions from two-way multi-modal traffic, efficient on-street parking, areas for entertainment, and wide sidewalks for walking, window shopping, gathering, and outdoor dining in a tree-lined and activated built environment. The COVID-19 pandemic tested many uses of the existing right-of-way, its programmatic flexibility, and the role it can play in business retention. Now, there is an opportunity to examine what works well in balancing the many roles of these important and iconic public spaces, including their part in economic resiliency among competing main street environments.

RESOURCES and HOW IT’S DONE

This effort aims to support the University Avenue Streetscape Project being led by the City’s Public Works Department and the Car-Free Streets Initiative being led by the Office of Transportation. With support of the Office of Transportation, the Office of Economic Development, and Planning & Development Services, critical design improvements needed to compete with other main street environments comparable in scale can be comprehensively addressed through the on-going public processes. Strong urban design features including multi-purpose spaces with easy

transition for small and large events and markets will support businesses and help the streets stand out from the competition. Each street will need to consider the unique needs of the district as well as their scale among each other. University Avenue, for example, will likely function differently than California Avenue and Ramona Street due to its scale and prominence as a regionally serving district. Construction funding sources, including adjacent private property owners for University Avenue, will need to be identified and considered upon final design approval.

KEY PERFORMANCE INDICATORS and OUTCOMES

The successful outcome will be lively streets where people and businesses easily use the public right-of-way for many purposes to the extent necessary to ensure economic prosperity. A lower vacancy rate will be partially due to successful street designs that welcome everyone and could be measured through Certificate of Occupancy tracking.

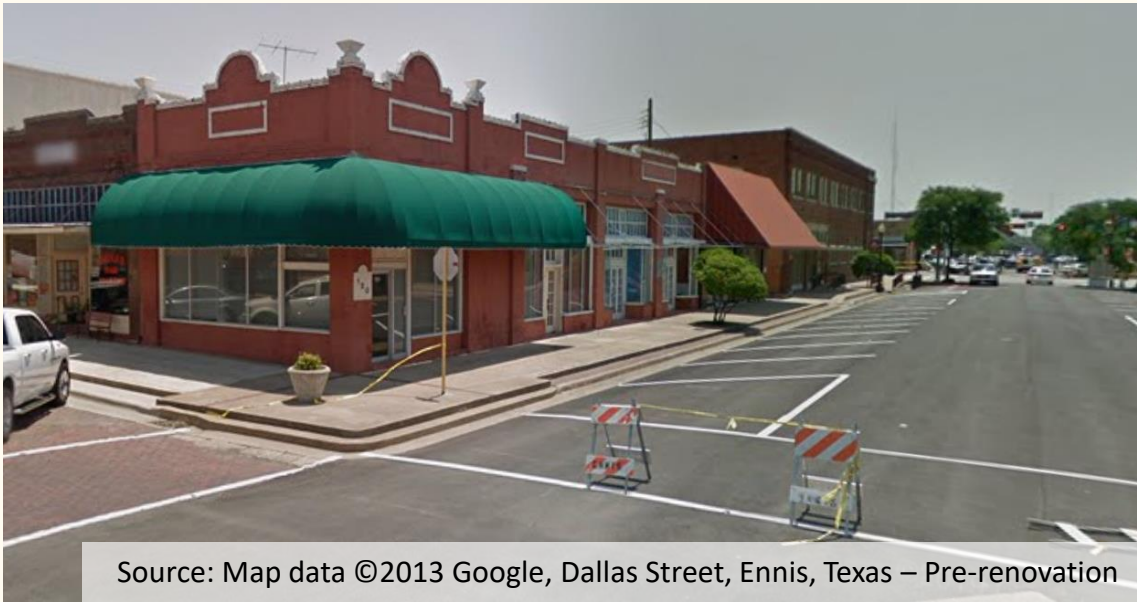
BEST PRACTICE: DALLAS STREET, DOWNTOWN ENNIS, TX

Upon approval of the Downtown Master Plan, which identified 33 catalyst projects for downtown revitalization, the City of Ennis secured \$11 million in public and private capital to fund infrastructure and streetscape improvements along it’s main street,

Dallas Street, several secondary streets, and alleyways. Included improvements were underground infrastructure upgrades (power, water, sewer, combined grease traps, and trash collection), removal of steps and curbs to create seamless transitions from storefront to street, and conversion of all on-street angled parking to parallel parking to widen sidewalk space for pedestrian maneuvering and gathering/seating, canopy street trees, landscaping, and lighting with integrated wayfinding/signage/branding, public wi-fi, and sound system. Upon implementation, the City saw an increase in applications for Façade Restoration and Historic Preservation Grants. Of the buildings that have renovated using the grants, their taxable value has more than tripled with a 5:1 private investment to grant value.



Source: ennistx.com



Source: Map data ©2013 Google, Dallas Street, Ennis, Texas – Pre-renovation



Source: [Dallas St. / Ennis, TX](#) | [Economic Development Corp. \(ennistx.com\)](#)



Source: [ennistx.com](#)



Source: [ennistx.com](#)



Source: [ennistx.com](#)

“We were able to revitalize Dallas Street and reclaim it as the heart of our City.”
– Marty Nelson, City Manager, Ennis, Texas

STREETSENSE

RECOMMENDATIONS

01 Upgrade highly used and visible public and private realm spaces to promote district definition and encourage activation.

ACTIONS

- 3. Support outdoor dining and gathering options on sidewalks and within on-street parklets by:
 - a. Allowing as-of-right merchandise display, benches, bistro tables, and signage within two feet of any storefront within the store’s frontage.
 - b. Creating a consolidated, user-friendly resource that includes existing guidelines and standards for street activation, and the parklet standards, once complete.

CHAMPION

Public Works

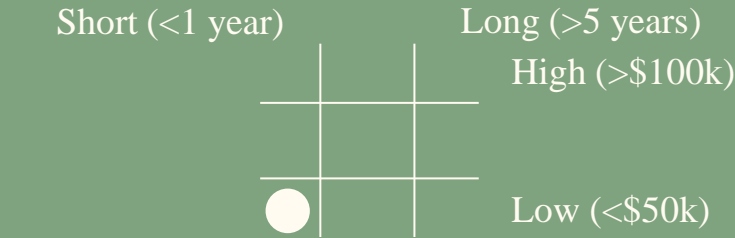
SUPPORT

Office of Economic Development
Office of Transportation
Planning & Development Services
District Management Entities

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS and HOW IT’S DONE

Street activation and vibrancy relies on business spill over into the public right-of-way. Unique signage, merchandise displays, seating, artwork, and potted plants all catch the attention of the passersby and propel their interest from one unique environment to another within the district.

Downtown Palo Alto and California Avenue already perform well with food and beverage, from a tax revenue perspective, but these and other small businesses could use the associated time and money for other things burdening their on-going success, like the increasing costs of doing business and employee retention. Making it easier for businesses to activate the street aids in their individual economic resiliency and the entire district’s. The public sector’s role should, therefore, be to guide safe, easy, and effective private sector activation of the public right-of-way. One way is to allow easy to move furniture, like bistro tables, merchandise displays, and A-frame signs by-right within two feet of the storefront for the extent of the establishment’s frontage. Most, if not all, sidewalks in Downtown Palo Alto and California Avenue are large enough to accommodate this type of free encroachment without compromising adequately clear paths for walking and ADA compliance. The business would be responsible for bringing the items indoors after hours.

Further, consolidating the street activation guidelines and standards and the soon to be completed parklet standards into one user-friendly resource will make it much easier for tenants and owners to know what they are permitted to do in the public right-of-way, with or without a permit, quickly and easily without fear of citation. With heightened education and awareness, code enforcements’ need to cite is lessened, opening up resources for other priorities.

KEY PERFORMANCE INDICATORS and OUTCOMES

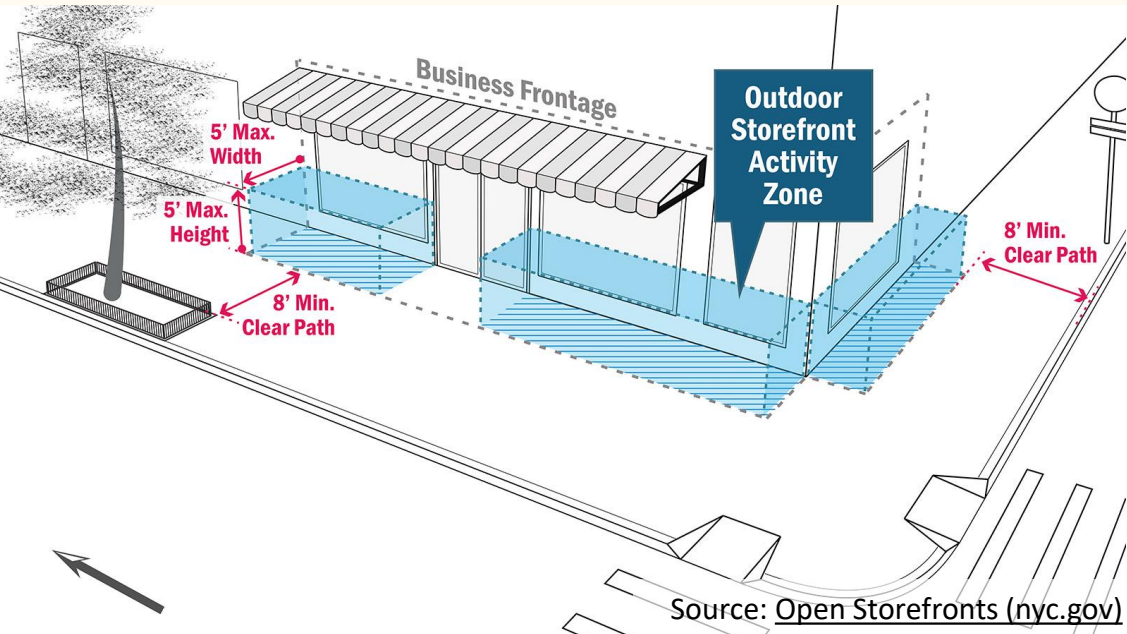
With more by-right areas for activation and a more streamlined resource of activation standards and guidelines, more businesses should be seen proactively engaging the street, more people should be frequenting establishments with activation, and citations for incompliance should decrease over time.

RESOURCES

The City’s Public Works Department should lead this effort with support of the Office of Transportation, Planning & Development Services, and the Office of Economic Development, as needed. Upon Council approval, District Management Entities should aid in educating property and business owners of the resource.

BEST PRACTICE: NEW YORK CITY OPEN STOREFRONTS PROGRAM

New York City’s Open Storefronts Program includes easy to understand diagrams identifying areas for by-right activation along with straightforward siting criteria that ensures clear walking paths and unobstructed public facilities like fire hydrants. It also simply describes eligible uses, including retail trade, food service, repair stores, personal care services, and dry-cleaning and laundry services. According to a 2022 study prepared by the NYC Departments of Transportation and Finance and Bloomberg Associates, **restaurants and bars along open streets, averaged sales 19% above their pre-pandemic baseline while near-by control corridors were 29% below.**



RECOMMENDATIONS

01 Upgrade highly used and visible public and private realm spaces to promote district definition and encourage activation.

ACTIONS

- 4. Invest in cohesive district branding through wayfinding, signage, public art, and gateway features within the district and along the district boundaries to better define and announce the area as a collective destination. For Neighborhood Centers, encourage public art, like murals and other community-centered installations.

CHAMPION

District Management Entities or Public Works & Office of Economic Development

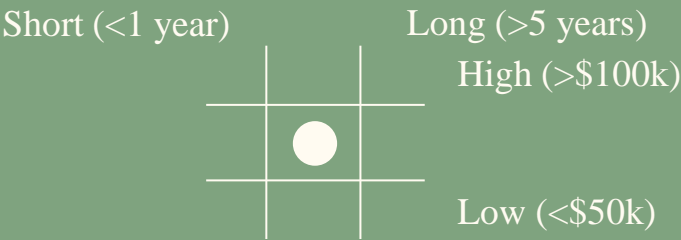
SUPPORT

Palo Alto Arts & Culture Organizations
Property Owners

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

District identity and cohesion in the built environment is essential to the active promotion of a group or collection of uses, events, spaces, and buildings. A unified identity can be expressed consistently in the physical realm through district defining features like gateway features at major entrances and exits of the district, public art, wayfinding, and signage. Gateway features and public art express the unique, local culture while district branding incorporated into wayfinding, signage, website, and apps offer quickly recognizable identification that reassures visitors and tenants of where they are, what to expect, and overall customer awareness.

Outside of the thresholds created by the train stations in both Downtown Palo Alto and California Avenue, there are few gateway features, announcement of arrival or exit from the districts, or cohesive and consistent district branding. There are several highly visible blank walls in California Avenue and Downtown Palo Alto that could host large, district defining murals. As a neighborhood center, Midtown could benefit greatly from more district definition and announcement at either end and along the Middlefield right-of-way. There is potential to incorporate public art and cohesive branding on banners or signage on light poles and bus shelters, for example. Blank walls in neighborhood centers are also wonderful opportunities to incorporate locally sourced murals that tie back to the surrounding neighborhoods.

RESOURCES and HOW IT'S DONE

The best-case scenario for Downtown Palo Alto and California Avenue is for the District Management Entities (DMEs) to champion such efforts (reference Recommendation 2). They would raise funds to hire a branding consultant to develop a branding campaign to include physical and digital products. The DMEs should work closely with the City's Public Works Department to identify locations in the public right-of-way appropriate for installations. The DMEs would also be the best stewards to champion a public art program or competition in partnership with Palo Alto Arts & Culture Organizations and independent local artists to advance local artists' work in prominent public areas and select, volunteer private properties. Funding could be garnered through the California Arts Council in partnership with Palo Alto Arts & Cultural Organizations. Public art within the California Avenue District should consider the California Avenue Public Art Plan.

In the event the DMEs are unable to form or organize in a timely manner, the Office of Economic Development (OED) could serve as a temporary steward for each district to facilitate both a branding campaign and a public art program or

competition on public and private property. The OED would partner with the Public Works Division, Palo Alto Arts & Culture Organizations, and property owners to identify ideal public and private property locations and secure funding.

BEST PRACTICE: CENTER CITY DISTRICT (CCD) PHILADELPHIA, PA WAYFINDING and BRANDING

The CCD, a business improvement district, the Central Philadelphia Development Corporation (CPDC), and the Center City District Foundation (CCDF) work together to enhance downtown Philadelphia's economic competitiveness through a number of public improvement projects and maintenance, including colorful, highly visible, and easily recognizable wayfinding and signage provided on every corner and park located within the CCD to orient and direct residents and visitors.



Source: [Center City District | Signs & Banners \(centercityphila.org\)](http://Center City District | Signs & Banners (centercityphila.org))

RECOMMENDATIONS

02 Encourage the creation of and support District Management Entities (DMEs) for district promotion, programming, and increased maintenance.

ACTIONS

- 1. Create a task force to explore successful regional DMEs of various scales and structures to inform an appropriate DME for Downtown Palo Alto, one that enables property and business owners to advocate and act (with resources) on their own behalf.
- 2. Formalize a DME, like the California Avenue Business Association/Merchants of California Avenue and encourage membership of a California Main Street Program.

CHAMPION	SUPPORT
Office of Economic Development California Avenue Merchant’s Association	Downtown property owners Palo Alto Chamber of Commerce

DISTRICTS



ESTIMATED TIME + COST

Short (<1 year)	Long (>5 years)
	High (>\$100k)
	Low (<\$50k)

STREETSENSE

WHY THIS MATTERS

District Management Entities (DMEs) are organized groups of merchants and /or property owners that collectively and autonomously decide how to best promote, program, and maintain their district beyond base city services. Importantly, publicly sanctioned DMEs like Business Improvement Districts (BIDs) collect assessments from stakeholders that provide sustainable annual resources for things like events, marketing, promotion, enhanced cleaning and safety, etc. Their non-profit status also enables fundraising through philanthropic and corporate grants. In some ways, these organizations are akin to a Shopping Center or Mall Management Company funded through a Common Area Maintenance (CAM) charge that is often folded into a businesses lease. Downtown currently has a BID that was formed in 2004 with a budget of approximately \$200k, but the organization has been suspended since 2021 and a number of stakeholders have mixed feelings about reinstating it.

Several competing Downtowns in the region are managed by DMEs, whether through a BID or other non-profit association, such as a State-sanctioned “Main Street” program. To remain competitive, Downtown Palo Alto has a particular need to increase maintenance of the public realm beyond what the City provides, including, but not limited to, sidewalk power washing, trash pick-up, and removal of broken or unused news stands. It needs regular programming, events, large and small, and promotion to draw crowds and reestablish its footing as a regional destination. California Avenue could also benefit from a DME for district promotion and regular programming beyond what is currently provided on a neighborhood scale.

RESOURCES and HOW IT’S DONE

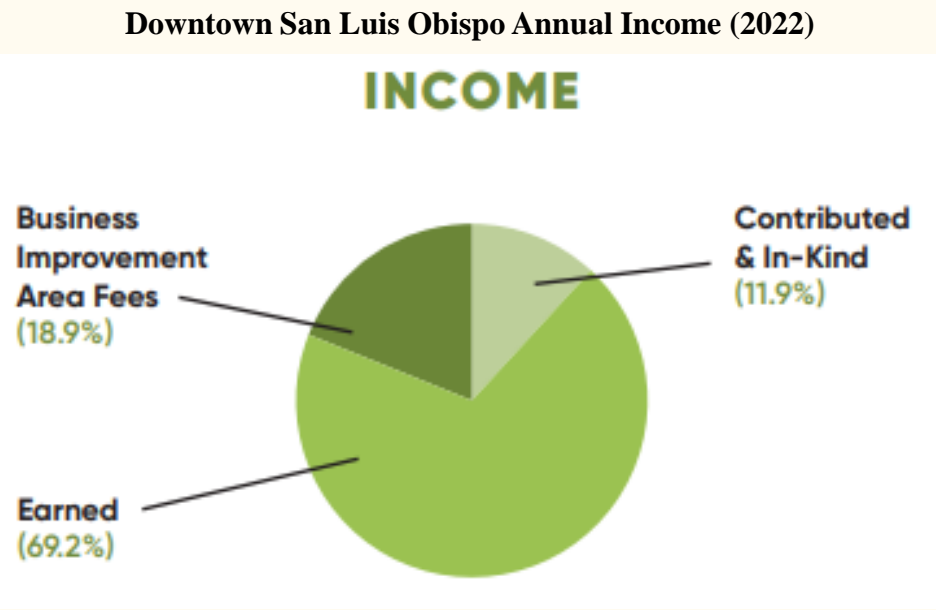
An exploratory task force consisting of downtown property owners, merchants, Palo Alto Chamber of Commerce staff, and city staff should be created to inform the right approach for a DME in Downtown Palo Alto. This should begin by visiting other successful BIDs, including Redwood City and San Luis Obispo. Although currently suspended, Downtown Palo Alto’s BID exists and could be reinstated if it were determined as a recommended path forward by the task force.

There is a defunct California Avenue Business Association/Merchants of California Avenue that could be reinvigorated and supported by becoming a member of a California Main Street Program which offers training, access to resources, partnership opportunities, and best practices. The City could provide a three-year grant that decreases in amount every year to help the Association hire and provide a

salary for a coordinator to get the Association up and running using the Main Street Program as a framework.

BEST PRACTICE: DOWTOWN SAN LUIS OBISPO, CA

Downtown San Luis Obispo is managed by Downtown SLO, a non-profit, consisting of fee-paying businesses within a defined Business Improvement Area, voluntary members, other organizations, residents, and visitors. They pride themselves as the advocate of Downtown offering events, like Concerts in the Plaza and farmer’s markets, as well as enhanced maintenance, beautification and public art programs, tree protection, and homeless outreach. They have a clean and easy to navigate [website](#) with easily recognizable branding which serves as a platform for district promotion. They also publish an [annual report](#) implying a level of tracking and analysis expertise and operational capacity. They are an accredited California Main Street which allows access to a network of additional resources, programs, and regional partnerships.



Source: [Downtown SLO Annual Report, 2021-2022](#)

Notably, fees contributed by property owners account for only 19% of the BID organization's \$1.2 million budget. The assessment fees are augmented by earned income and contributions enabled by the organization's non-profit status. One example of earned income includes a 17-day roller rink installation that raised \$34k in sponsorships and sold 1,524 tickets. The benefits of well-run BIDs include leveraged funds significantly beyond that collected by the BID assessment.

RECOMMENDATIONS

03 Pursue business retention, development, and attraction initiatives for local and small businesses.

ACTIONS

- 1. Create a public-private small and local business incubation and vacant storefront program connecting landlords experiencing vacancy with small and local businesses seeking brick-and-mortar space and local artists to aid in activation.
- 2. Consider allocating funds towards a shop local eGift card program to incentivize patronage of local business.

CHAMPIONS

Office of Economic Development (Action 1)
Palo Alto Chamber of Commerce (Action 2)

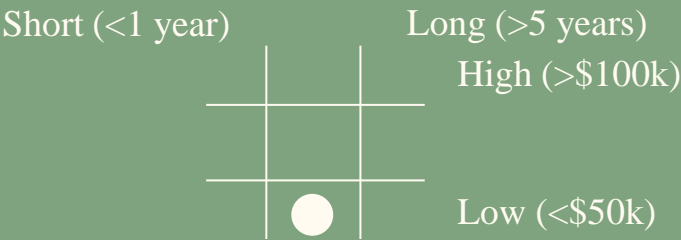
SUPPORT

District Management Entities and/or Property Owners
Urban Village Farmer’s Market Association (UVFM)
Palo Alto Arts & Culture Organizations

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

Retail vacancy across the six districts studied is 8%, with Downtown Palo Alto and California Avenue experiencing the highest vacancies, 10% and 15% respectively. Vacant storefronts erode market confidence, especially if the storefronts appear inactive for extended periods of time. It then becomes difficult for the area to attract quality tenants at asking rents, which may be justifiably difficult for landlords to lower considering increasing costs, interest rates and loan and/or investor obligations unique to their property.

The Consultant advises against a vacancy tax. The reasons behind vacancies are often numerous and multi-faceted and often related to conditions entirely beyond the control of a property owner. Additionally, in cities where such taxes have been levied, hardship exemptions are legally required and are not uncommon, creating yet another administrative hurdle for owners who may already be struggling. Furthermore, the tax itself may simply become a new cost of doing business in Palo Alto, one that does not meaningfully change behavior or have an impact on the overall vacancy rate.

Alternatively, there are opportunities to address vacancies through strategies that are more “carrot” than “stick” – eliminating hurdles to market entry and supporting both temporary and permanent business activity in vacant spaces – which requires a partnership, rather than adversarial role, with landlords.

RESOURCES and HOW IT’S DONE

One way to encourage tenancy of vacant retail spaces while also supporting, growing, and retaining local businesses is to develop a public-private small and local business incubation and vacant storefront program to connect property owners experiencing vacancy with small businesses looking to test or expand their business in a brick-and-mortar location in a temporary (three to six months) or long-term format. This program could be developed by the Office of Economic Development in partnership with District Management Entities (DMEs) and/or district property owners, Palo Alto Chamber of Commerce, and the Urban Village Farmer’s Market Association (UVFM), a Bay Area non-profit and ambassador for local farmers and small businesses operating 10 regional farmer’s markets.

The UVFM has organically provided incubation space for small and local businesses where their products are market tested. The farmer’s markets in the California Avenue district organized, curated, and run by the UVFM are well attended, and tent

space is in high demand. Often successful farmer’s market vendors launch from their humble tent environment to a brick-and-mortar space located somewhere in the region. There is opportunity here to aid in retaining those market tested businesses within Palo Alto and even the districts they derived.

To aid in making the connection between property owners and businesses, the program will need to engage the UVFM and also reach independent entrepreneurs with services critical to ensuring business success and prolonged tenancy. The program will need to offer financial and technical assistance addressing leases, insurance, permitting, interior finish out, exterior improvements, including store front design and installation, scalable business plan development, and assistance navigating licensure. Processing applications, managing the program, facilitating connections, and educating all parties involved will need to be thoughtfully assigned among all supporting partners.

The program could also consider storefront activation between leases through art displays by local artist either through a grant or competition in partnership with Palo Alto Arts & Culture Organizations (reference Recommendation 1.4). It could also encourage temporary installation of district branding, once complete (reference Recommendation 1.4), in windows to market the district. This is particularly important in Downtown where regional competition for destination experiences is high.

Lastly, to support sales through spending while the daytime population is restored (reference Recommendations 9 and 10), it would be advantageous to follow the small and local business incubation and vacant storefront program with a shop local campaign to entice support sales. The Palo Alto Chamber of Commerce could champion development and execution of a shop local eGift card program to incentivize patronage of local businesses at no cost to businesses. The City of Upland, CA (population 79K) saw over \$1.6 million in card redemptions at local participating businesses, and the City of Angels Camp (population is 3,836) brought in over \$56K with an eGift program. Funding for program development, likely using an established eGift card service, and execution would come from the City through a budget approval process.

KEY PERFORMANCE INDICATORS and OUTCOMES

These programs should result in fewer vacancies, more consistent street activation, increased tax revenue, and more local and small businesses in Palo Alto’s retail districts. All can be evaluated through tenant and property owner surveys, foot traffic tracking via third party programs (i.e. Placer.ai), and Certificate of Occupancy tracking.



A window
into a
different
downtown

Raising
downtown
together

Let's
downtown
says no
ever.
change that.

Get in on the
ground floor
to build up a
different
downtown.

Vacant
to
Vibrant

vacancies
vibrant
communities.

"I
downtown"

A different kind of downtown

Transforming downtown vacancies into vibrant
communities, shaped by local participation.

Source: [Vacant to Vibrant \(vibrantsf.org\)](http://vibrantsf.org)



A window
into a
different
downtown

Raising
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together

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Vibrant

vacancies
vibrant
communities.

"I
downtown"

A different kind of downtown

Transforming downtown vacancies into vibrant
communities, shaped by local participation.

Source: [Vacant to Vibrant \(vibrantsf.org\)](http://vibrantsf.org)



A window
into a
different
downtown

Raising
downtown
together

Let's
downtown
says no
ever.
change that.

Get in on the
ground floor
to build up a
different
downtown.

Vacant
to
Vibrant

vacancies
vibrant
communities.

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BEST PRACTICE: VACANT TO VIBRANT PROGRAM, SAN FRANCISCO, CA

Vacant to Vibrant, is a city-funded program of SF New Deal and in partnership with the San Francisco Office of Economic and Workforce Development. It aims to bring economic recovery to downtown San Francisco through pop-up activation of vacant spaces with small local businesses and art. SF New Deal will provide activators with grants ranging from \$3,000 to \$8,000 and technical, marketing, permitting, compliance, and operations assistance. Activators also receive three months of free rent through the program. Participating property owners will be provided up to \$5,000 from SF New Deal to cover tenant improvements and utility expenses, marketing material, permitting assistance, and one primary tenant.

STREETSENSE

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STREETSENSE

BEST PRACTICE: DOWNTOWN POPS!, SANTA CRUZ, CA

As a pilot program through the Santa Cruz Economic Development Department, Downtown Pops! aims to lower the barrier to entry for businesses looking to open in brick-and-mortar locations and reduce risk for property owners to lease to new tenants during this time of economic recovery. The program involves the City entering a master lease with a commercial property owner experiencing vacancy, provides a guaranteed minimum rent, and sub-leases the space temporarily, up to six months, to a business with a lease term set at 5% of monthly sales.

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The image shows the exterior of a two-story red brick building housing 'Childish Santa Cruz'. The building features large windows with green frames and white awnings. A large circular logo with a stylized 'C' and a crown is mounted on the wall above the entrance. The entrance is flanked by two windows displaying children's items. A small tree is planted in front of the building, and a sidewalk leads to the entrance. A '2021 Google' watermark is visible on the image.

Source: Map data ©2022 Google, Childish, Downtown Pops! Recipient



Source: Urban Village Farmer's Market – Starter Bakery



Source: Cult-favorite pastry purveyor finally opens first Oakland bakery (sfgate.com)

BEST PRACTICE: UVFM LOCAL BUSINESS RETENTION, STARTER BAKERY, OAKLAND, CA

Starter Bakery launched in 2010 from UVFM's Temescal Farmer's Market in Oakland. With UVFM support, the business successfully expanded in 2023 into a brick-and-mortar space within one mile of the market in which it formed.

BEST PRACTICE: UVFM LOCAL BUSINESS RETENTION, STARTER BAKERY, OAKLAND, CA

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RECOMMENDATIONS

04 Promote tourism city-wide to increase longer business "bleisure" travel and grow hotel weekend occupancy rates with non-business travel.

ACTIONS

1. Provide Palo Alto Chamber of Commerce the resources to promote tourism city-wide to accurately highlight and consistently update Palo Alto's destination offerings, hotels, restaurants, events, and ways to get around in an easy-to-use online platform and app.

CHAMPION

Palo Alto Chamber of Commerce

SUPPORT

Office of Economic Development

DISTRICTS



ESTIMATED TIME + COST

Short (<1 year)	Long (>5 years)
	High (>\$100k)
●	Low (<\$50k)

STREETSENSE

WHY THIS MATTERS

Palo Alto’s largest contributor to hotel occupancy are medical, education and business travelers who fill approximately 2,200 hotel rooms mostly on the weekdays with Tuesday night occupancy leading the week at 80.4%. Friday, Saturday and Sunday occupancy dips to between 60-70%, suggesting opportunities to encourage business travelers to stay longer and support higher weekend occupancy rates with non-business travelers, including regional residents and day-trippers.

Growing “bleisure” and non-business traveler spending will require recasting Palo Alto’s offerings and exploring opportunities to improve the marketing of restaurants, destinations, like the Palo Alto Junior Museum & Zoo, the Palo Alto Art Center, Stanford Theater, and the Baylands Nature Preserve, the Municipal Golf Course and Airport, the Foster Museum, the Museum of American Heritage, and more, and events, including those associated with Stanford University (graduation, sports events, etc.). When paired together, Palo Alto’s offerings could warrant more than a weekend stay. However, the current Destination Management Organization (DMO), Destination Palo Alto, is defunct and no longer updating their website. Therefore, it’s recommended the Destination Palo Alto website be removed and replaced or updated to promote tourism city-wide.

RESOURCES and HOW IT’S DONE

The Office of Economic Development should aid in securing funding for the Palo Alto Chamber of Commerce to hire a consultant to create a user-friendly website and app to promote tourism city-wide that accurately highlights Palo Alto's destination assets, hotels, restaurants, events, and travel options (including micromobility programs referenced in Recommendation 6) with a business directory, itineraries, photography, and business owner interviews. The website should be managed and consistently updated by the Chamber.

BEST PRACTICE: VISIT LOS GATOS, LOS GATOS, CA

Visit Los Gatos is an elegantly simple, yet informative website created in partnership with the Los Gatos Chamber of Commerce connecting residents and visitors to the City (population just under 34,000) with restaurants, bars, shopping, hotels, events, and places to visit. What’s more is it provides curated itineraries that could fill a day, a weekend, or longer for people of many interests, ages, and abilities. It highlights all that should and can be celebrated and visited in the City, big and small, from winery tours to city parks, all with a simple compilation that truly keeps the many different users in mind.

EatSipShopSleepExplore▼Events▼About▼

All About Los Gatos

Curated Itineraries

With so much to do in our charming town, we've curated the perfect days for you. Skip the planning and follow our itinerary that best fits you.

[Learn More](#)

Outdoor Family Fun

COMING SOON

BEER & TAP ROOMS

While strolling through our charming downtown, stop and sip at our award winning craft breweries & taprooms.

Hapa's Brewing Company

Founded by South Bay natives, Hapa's Brewing is committed to creating delicious beers for the neighborhoods we love!

114 S Santa Cruz Ave Los Gatos, CA 95032

[Visit Website](#)

Loma Brewing Company

Award winning beer, locally sourced menu. Loma's own coffee.

130 N Santa Cruz Ave Los Gatos, CA 95030

[Visit Website](#)

Out of the Barrel

Craft beer taproom with 20+ rotating craft beers on tap in downtown Los Gatos, wine, cider kombucha, and small bites. 21+ only, dog friendly, outdoor patio, TVs inside.

201 Los Gatos Saratoga Rd Los Gatos, CA 95030

[Visit Website](#)

PALO ALTO, CA ————— ECONOMIC DEVELOPMENT STRATEGIES

28

02

GUIDING PRINCIPLE

- Improve accessibility by embracing walking and biking solutions to/from/within all of the City's commercial districts and addressing parking policies and systems.

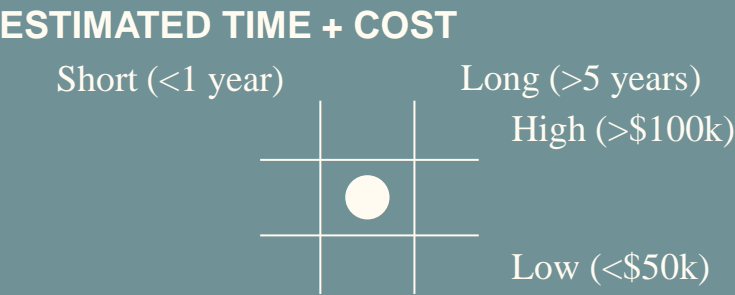
RECOMMENDATIONS

05 Fix broken pedestrian and cycling links to increase accessibility to, from, and within commercial districts.

ACTIONS

- 1. Include more signage, wayfinding and bicycle lane markings along critical bike routes to aid safe and easy travel to/from shopping districts by biking and walking.
- 2. Include mid-block pedestrian crossings and/or raised traffic tables where desire paths lack safe crossings and deemed safe to do so.
- 3. Consider removing free rights at major intersections to aid in safe intersections for all modes of transport.

CHAMPION	SUPPORT
Office of Transportation	Public Works Office of Economic Development



STREETSENSE

WHY THIS MATTERS

Equitable accessibility by many modes of travel to and from Palo Alto’s retail districts is critical to capturing local and regional spending. Complete streets, those that adequately and safely accommodate many modes of travel, often see positive economic returns. Brooklyn’s Vanderbilt Avenue, for example, saw a doubling in retail sales in the three years following installation of bicycle lanes and a tree-lined median, which significantly outperformed borough-wide and city-wide trends, according to the New York City Department of Transportation’s [2018 study on the Economic Benefits of Sustainable Streets](#).

Palo Alto’s bicycle and pedestrian network plays a crucial role within the overall transportation network in business and district success through its offering as a reliable alternative in what is a relatively well-knit environment. However, several areas within the pedestrian and bicycle network are challenged by a lack of informative and directional signage, markings, and safe crossings. While the bicycle network is rich with paths that parallel busy streets, some abruptly stop with little or no signage leading the user to the next protected path. Other times, markings have faded, or routes are overwhelmed with other infrastructure like on-street parking and bus lanes making it confusing and potentially unsafe all around. Considerations for highly visible and separated bicycle lanes/paths as well as appropriately placed and safe mid-block pedestrian crossings where people intuitively want to cross along highly traversed roadways are also recommended to be studied and implemented where deemed safe to do so. In some instances, it may be advantageous to consider intersection modifications like the removal free-right turns to increase pedestrian and bicycle safety and desirability as a means of travel.

RESOURCES and HOW IT’S DONE

The Office of Transportation should champion this effort in coordination with the pending Bicycle and Pedestrian Transportation Plan Update, which will involve a robust study of the existing network to comprehensively identify all gaps across the system and viable and timely solutions. The Plan will invite stakeholders to be a part of the project prioritization process, which will include community-validated criteria such as safety, connectivity, and level of pedestrian or bicyclist stress. Regular Plan updates would benefit from the input of the recommended Interagency Economic Development Committee led by the Office of Economic Development.

KEY PERFORMANCE INDICATORS and OUTCOMES

More options for more and different people to access goods, services, and events at

Palo Alto’s retail districts should result in more visitation and patronage, overall. A survey performed a year from implementation of improvements could be undertaken by either the Office of Transportation or the Office of Economic Development and shared through the recommended Interagency Development Committee and disseminated publicly with other performance outcome measures.

BEST PRACTICE: RECLAIMED FREE RIGHT TURNS, SAN DIEGO, CA

Per San Diego’s Vision Zero goals, shorter walking distances at intersections were implemented through tighter turn radii and reclaimed free right turns, reducing pedestrian crossing distances by 65% at some intersections. “In 2019, there was a modest decrease for combined serious injuries and fatalities compared to 2018, and 2020 showed a further decline, compared to 2019.” ([San Diego Vision Zero](#)).



RECOMMENDATIONS

06 Invest in first and last mile transportation options that increase equitable access to, from, and within commercial districts.

ACTIONS

- 1. Incorporate a micro-mobility (bike and/or scooter share) program that engages all shopping districts and destinations across the City.
- 2. Participate in advanced regional micro-mobility options.
- 3. Incentivize e-mobility using local resources.
- 4. Support and incentivize on-demand transit service and ridership through promotional programming within shopping districts.

CHAMPION

Office of Transportation

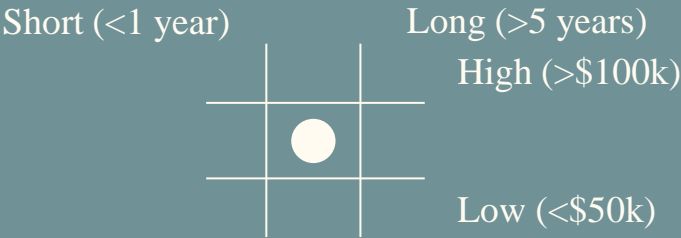
SUPPORT

Office of Economic Development
Palo Alto Chamber of Commerce
District Management Entities

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

Increasingly, shared mobility and low-speed vehicles (e-scooters and bikes) have grown in popularity as a form of first and last-mile transportation due to their convenience and ease of use, as well as for their ability to help cities meet sustainability and equity goals without significant infrastructure investment. A 2022 study published by Emory University entitled “Wheels to Meals: Measuring Impact of Micromobility on Restaurant Demand” stated that 98 U.S. cities covering 2.2 million individuals and 391 companies found that the introduction of e-scooters “significantly impacts restaurant spending, increasing spending by approximately 5.2% for e-scooter users, driving incremental spending of at least \$1.13 million annually across all cities that allowed e-scooters to operate over summer 2018.” This growth in local spending – e-scooter users are predominantly local – has meaningful implications for the local tax base.

The impacts of improved non-automobile access are not limited to shared mobility and low-speed vehicles. Bike lanes have been found to boost local sales in many cities, including San Francisco, Los Angeles and Minneapolis. E-bike and scooter usage in Palo Alto is increasing, according to the City’s Pedestrian and Bike Committee, which has also prioritized education, noting that “e-bike use has outpaced education efforts” (4/4/2023).

RESOURCES and HOW IT’S DONE

The Office of Transportation should champion this effort and build upon the shared mobility transportation policies reflected in the City’s 2030 Comprehensive Plan aimed at providing “facilities that encourage and support biking and walking” as well as those embedded within numerous recommendations of the Palo Alto Pedestrian and Bicycle Advisory Committee, such as bike parking at Charleston Shopping Center, which was recently installed. Additionally, this effort advances the City’s 2022 Climate and Sustainability Plan guiding policy to increase mode share to 40% by 2030.

Pending Federal and State tax credit and incentives for e-bikes promise to further lower the cost of entry to the e-bike market by \$1,500 or more. Some cities are already embracing subsidies for e-bikes, including Washington, DC, Berkely, California, and Denver, Colorado, citing studies that have shown that a 10% shift from cars to bikes results in a 40% reduction in traffic.

Additionally, the California Air Resources Board (CARB) is developing an e-bike

incentive program that will launch in late 2023 for e-bike vouchers for California residents, yet another reason to support infrastructure for safe riding.

Lastly, the Office of Transportation should work with District Management Entities, property and business owners, and the Palo Alto Chamber of Commerce to promote all forms of shared mobility programs within each commercial district.

KEY PERFORMANCE INDICATORS and OUTCOMES

Shared mobility operators can track usage and impacts, and the City can track sales tax as well as business owner satisfaction through survey tools.

BEST PRACTICE: REDWOOD CITY, CA MICROMOBILITY PROGRAM

In October 2021 Redwood City adopted a new ordinance to allow a shared micromobility operation. The shared mobility company, Bird, currently services Redwood City and offers a Community Pricing Program which offers a 50% discount to low-income riders. Early data suggests strong usage within downtown – most rides start in downtown and end in downtown. The highest usage is between 7 to 10 pm – evening hours – which correlate to popular dining out hours. Scooter parking areas are defined, and scooters are restricted from side walks. By all accounts, the program has been heralded as a success.

City’s such as Dallas, Texas addressed rental scooter and bike “littering” by providing a 311 service request category allowing members of the public to report issues, defined parking corrals, and established pick-up agreements with operators.



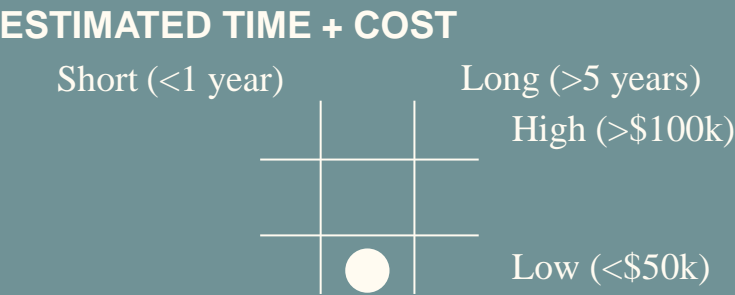
RECOMMENDATIONS

07 Reinforce walkability within districts to encourage longer duration of stay and activation.

ACTIONS

- 1. Select specific public alleyways with high visibility and at least 20 feet in width to improve for increased permeability and place-making.
- 2. Create a mural competition or program for select side and rear building facades garnering the most visibility from main streets.
- 3. Limit new curb cuts and aim to remove overly redundant curb cuts with any future redevelopment along public right of way of neighborhood centers.

CHAMPION	SUPPORT
Office of Transportation (Actions 1 & 3) Office of Economic Development (Action 2)	Public Works Planning & Development Services District Management Entities Palo Alto Arts & Culture Organizations



STREETSENSE

WHY THIS MATTERS

Downtowns and retail centers rely on the thousands of pedestrians that walk from establishment to establishment for business success. To accommodate prolonged visitation and patronage, safe and comfortable, human-scale pedestrian infrastructure is critical to get right, especially in places built at a scale prioritizing the vehicle. Two areas pedestrians could be better accommodated include select alleyways in Downtown Palo Alto and the California Avenue district and along primary roads in Neighborhood Centers.

For Downtowns and similar main street environments, tree-lined and amenitized streets provide the primary pedestrian framework. However, in Downtown Palo Alto and the California Avenue district, there is a secondary network of alleyways that not only serve their utilitarian duties like trash pick-up, but they also provide a quicker route for pedestrians to parking and/or access to quaint areas to take a break from a shift and/or gather in a small, less busy outdoor environment. Alleyways, therefore, present a unique opportunity to increase safe walkability and placemaking while aiding in destination setting.

Pedestrians experiencing Neighborhood Centers in Palo Alto are more challenged than in Downtown or California Avenue in that the areas’ design prioritizes the vehicle. The Midtown district along Middlefield, for example, includes at least one curb cut off of Middlefield Road for nearly every commercial building. This creates additional points at which pedestrians and vehicles must interact increasing the potential for a collision. For some, an environment like this is too hostile to consider walking in and potentially limit their intended duration of stay in the district. Therefore, it’s recommended that new curb cuts off of primary roads be limited and/or consolidated with any future redevelopment.

RESOURCES and HOW IT’S DONE

With future development projects of neighborhood centers, the Planning & Development Services and the Office of Transportation should review and recommend from a united point of view and work with applicants in the approval process to limit and/or consolidate curb cuts to the extent possible.

The Office of Transportation, with the aid of the Public Works Department, should lead an effort that first identifies appropriate public alleyways capable of accommodating increased pedestrian usage, as places to gather and/or passthrough, as guided by Comprehensive Plan Policy T-1.21. In either instance, trash will need

to be properly stored, preferably indoors, before pick-up, and standards ensuring safe access and lighting should be addressed in coordination with Public Works and Planning & Development Services.

Considering a mural competition or program for alleyway activation could span across several retail districts, including Neighborhood Centers and others, it’s recommended the Office of Economic Development champion Action 2. District Management Entities (DMEs), property owners, and Palo Alto Arts & Culture Organizations could support the effort by connecting artists with participating properties to paint murals on select facades. Similar to Recommendation 1.4, funding could be garnered through the California Arts Council in partnership with Palo Alto Arts & Cultural Organizations. Murals within the California Avenue District should consider the California Avenue Public Art Plan.

BEST PRACTICE: LivCo WALLS, LIVINGSTON COUNTY, NY

The Livingston County Office of Economic Development created a county-wide mural program based on recommendations from their Downtown 2.0 Plan, prepared by Streetsense. The program welcomed nine international artists to paint large scale murals in each of Livingston County’s nine villages on the sides and rear walls of existing buildings along side streets and alleyways with the goal of activating underutilized spaces and drawing visitors. In 2022, the County hosted a county-wide mural festival that brought thousands of visitors. Visit Livingston County (LivCo) - the County’s official tourism agency with a mission to drive the County’s economic growth through travel – highlights the murals, the artist, and their stories as destination attractions on their Visit Livingston website.



Source: Map data ©2022 Google, Dansville, Livingston County, NY



Source: Streetsense, Lima, Livingston County, NY



Source: LivCo Walls (visitlivco.com), Caledonia, Livingston County, NY

LIVCO



Source: LivCo Walls (visitlivco.com), Avon, Livingston County, NY



Source: Streetsense, Geneseo, Livingston County, NY

RECOMMENDATIONS

08 Update and simplify parking policies, systems, and signage to ease navigation to and use of parking.

ACTIONS

- 1. Embrace technology by incorporating digital signage for easier navigation to available parking within and outside of parking areas and tie information into an app-based parking management system to ease use and parking predictability.
- 2. Consider a small business employee access program that offers reduced employee parking fees, easily transferrable employee parking permits, and/or incentivized use of transit, micro-mobility options, and carpooling.

CHAMPION

Office of Transportation

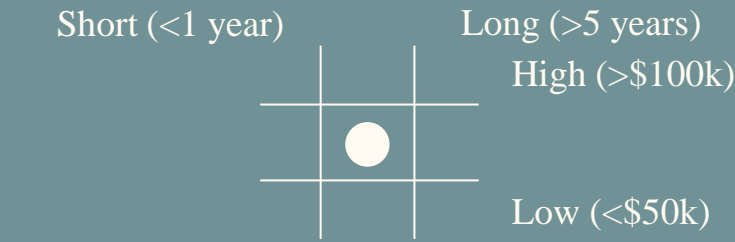
SUPPORT

Public Works
District Management Entities/
Business Owners
Office of Economic Development

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

During the diagnostic exercise, downtown business owners made clear their frustration with the current parking system, which makes it difficult to attract and retain low-wage, often part-time workers who do not live in Palo Alto and must travel by car to work. Because the current public transportation system is not conducive to typical later evening hours for those in the Food & Beverage industries – the anchor industry for both Downtown Palo Alto and California Avenue – it is particularly difficult for businesses that are driving the bulk of economic activity in both of those districts. Additionally, the current parking system does not allow part-time workers to share parking permits, which would help distribute the costs and benefits among more downtown employees, without increasing the number of vehicles in downtown at any given time.

From the consumer perspective, the perception of limited parking may exist, but data suggested that parking remains available -- utilization in existing downtown lots following the pandemic remains below 50%. Additionally, the most recent Palo Alto Community Survey found that 60% of respondents rated "Ease of Parking" to be either good (46%) or excellent (14%), suggesting that major changes to parking, such as the construction of new lots, are not necessary to meet consumer needs at this time. However, a comparison with best-in-class regional retail environments suggests opportunities to improve the parking experience on the margins, such as digital signage that helps drivers navigate quickly and seamlessly to available parking spaces within Downtown. At this time, digital countdown signage efforts are underway at individual lots and structures, but it may be worth exploring countdown signs at key gateways as well.

RESOURCES and HOW IT'S DONE

The Office of Transportation, with the support of the Public Works Department, should explore opportunities in public right-of-way for digital parking space availability and directional signage that coordinates with the digital signage effort currently underway for individual lots. For the small business employee access program, close coordination with business owners will be critical to ensure that any solution meet the needs of employees. The Office of Transportation could engage businesses with the help of the District Management Entity and the Palo Alto Transportation Management Association that already works to provide transportation options to small business employees in Downtown and California Avenue. The Office of Economic Development could support the effort by facilitating internal discussions through the recommended Interagency Economic Development Committee.

KEY PERFORMANCE INDICATORS and OUTCOMES

Such efforts should result in improved employee retention and business satisfaction, which could be measured by an annual survey, akin to City of Palo Alto Community Survey.

BEST PRACTICE: LOW-WAGE EMPLOYEE PARKING PERMIT, SANTA ROSA, CA

Helping low-wage employees address their parking needs is a focus of a number of city parking policies. The City of Santa Rosa, CA has created a "Low Wage Employee Parking Permit" which offers service industry employees reduced rate parking passes for two of the City's municipal lots. Eligible employees must submit verification letters and provide a copy of recent pay stubs. Verification of eligibility is required every six months. Employees can be reimbursed these fees by participating businesses.

BEST PRACTICE: DIGITAL PARKING SIGANCE, SANTANA ROW, SAN JOSE, CA and REDWOOD CITY, CA

Parking countdown signs are a strategy employed to help customers more easily navigate downtown parking options at key decision making points – notably at gateways to the district. Both public and private sector examples include Redwood City, CA and Santana Row, San Jose, CA, respectively. In Redwood City, the installation of sensors above light poles further helps identify spaces on city streets. This is the first system of its kind to be installed in the U.S. and aims to reduce search time by customers by 45% while also reducing emissions from idling vehicles.



03

GUIDING PRINCIPLE

- Adopt policies that reflect changing market conditions by easing the regulatory burden for businesses, removing outdated restrictions that create hurdles to tenancy, and focus retail and retail-like uses in places where they are market-supported.

RECOMMENDATIONS

09 Streamline, update and/or remove unnecessary use restrictions and pursue regulatory reform to enable tenancy and competitiveness.

ACTIONS

- 1. Consider removing or consolidating zoning overlays, incorporating an at-a-glance permitted use table and design standards, and an interactive online map with quick links to relevant regulations.

CHAMPION

Planning & Development Services

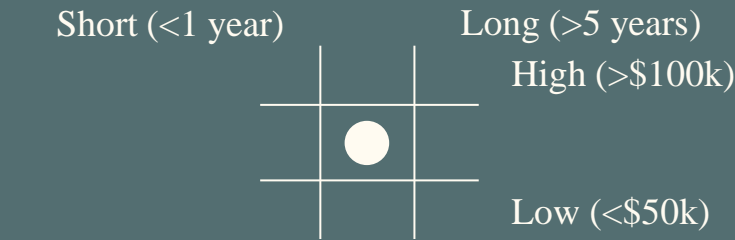
SUPPORT

Office of Economic Development

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS and HOW IT’S DONE

Palo Alto’s current zoning code is complicated and involves layers of regulations with base zones, supplementary zones (like “combined districts”), and overlay ordinances (like the Retail Preservation Ordinance). Business and property owners find it difficult to understand the use, development, and design requirements that apply to their sites. Layers of regulation create further uncertainty and prolong the approval and permitting processes, which increases risk and cost of doing business, as compared to other municipalities within the region. In an environment where tenants have options, these policies make Palo Alto less appealing to tenants who can open stores in other cities with lower hurdles to market entry. Notably, Palo Alto’s most heavily regulated retail environments struggle the most with vacancies. The City can play a role in mitigating risk and uncertainty while building trust through streamlining and clarifying use, development, and design regulations with a few adjustments and additional tools, including:

- **Removing or consolidating zoning overlays** to avoid confusion and added time, especially where multiple zones double down on the same regulation or where contradictory or circular regulations exist.
- **Incorporating a consolidated use table** making it quick and easy to see what uses are permitted, prohibited, or allowed with a special use permit or supplemental design standards.
- **Developing an interactive online map** that allows the user to toggle layers on and off for legibility and easy access to relevant regulations with a few clicks.

KEY PERFORMANCE INDICATORS and OUTCOMES

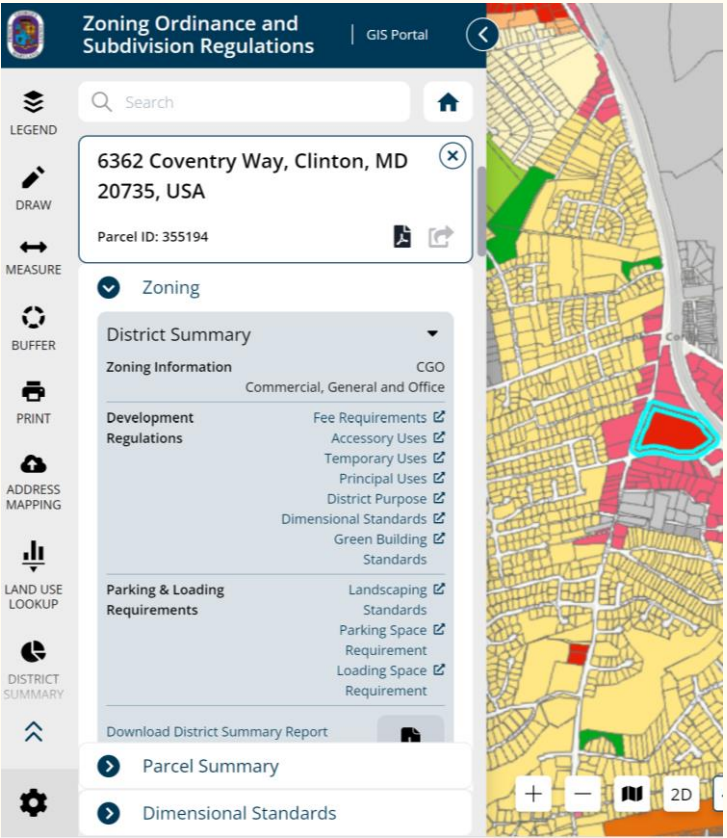
Increased understanding and usability of regulations should make it easier for all users and aid in building trust in city staff and the public process. A public survey could be administered after one year of implemented adjustments to measure satisfaction.

RESOURCES

The Planning & Development Services Department is well equipped to conduct an in-house evaluation (or engage appropriate subject matter experts) and consolidation of the various use tables that exist throughout the code into a single use table for ease of interpretation. In final form, this use table and applicable regulations can be prepared as an interactive online map for both public and private sector users. The Office of Economic Development could support the effort from an administrative standpoint facilitating internal discussions through the recommended Interagency Economic Development Committee.

BEST PRACTICE: PRINCE GEORGE’S COUNTY, MD ONLINE ZONING ORDINANCE and SUBDIVISION REGULATIONS INTERACTIVE MAP and CONSOLIDATED USE TABLE

Prince George’s County offers an easy-to-use interactive online zoning map developed by a company that partners with ESRI. The left side panel provides general quick links to regulations, including one to the consolidated use table where the use definition appears by hovering over the land use, itself. By clicking on a parcel, the user immediately receives a district summary, a parcel summary, and a customized list of use allowances and restrictions, and development and design standards applicable only to that site.



(d) Principal Use Table for Nonresidential, Transit-Oriented/Activity Center, and Other Base Zones

Table 27-5101(d): Principal Use Table for Nonresidential, Transit-Oriented/Activity Center, and Other Base Zones																	
P = Permitted by Right SE = Allowed only with approval of a Special Exception X = Prohibited																	
Principal Use Category	Principal Use Type	Nonresidential Base Zones					Transit-Oriented/Activity Center Base Zones								Other Base Zones	Use-Specific Standards	
							NAC		TAC		LTO		RTO-L				RTO-H
		CN	CS	CGO	IE	IH	Core	Edge	Core	Edge	Core	Edge	Core	Edge			RMH
Rural and Agricultural Uses																	
Agriculture/Forestry Uses	Agriculture	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
	Community garden	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	27-5102(b)(1)(A)
	Forestry	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
	Keeping of horses or ponies	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
	Medical cannabis grower and/or processor	X	X	X	P	X	X	X	X	X	X	X	X	X	X	X	27-5102(b)(1)(B)
	Nursery and Garden Center	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
	Urban agriculture	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	27-5102(b)(1)(C)
	Agriculture research facility	X	X	X	P	P	X	X	X	X	X	X	X	X	X	X	
	Equestrian center	X	X	X	X	P	X	X	X	X	X	X	X	X	X	X	

Source: Prince George’s County, MD Online Zoning Ordinance and Subdivision Regulations Interactive Map and Consolidated Use Table

RECOMMENDATIONS

09 Streamline, update and/or remove unnecessary use restrictions and pursue regulatory reform to enable tenancy and competitiveness.

ACTIONS

- 2. Consider amending Section 18.76.20, Architectural Review, of the municipal code to enable more over-the-counter approvals for minor changes.

CHAMPION

Planning & Development Services

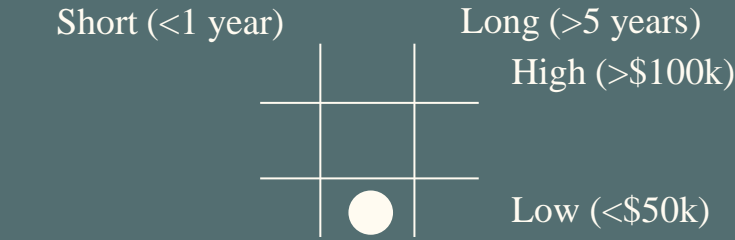
SUPPORT

Office of Economic Development
Property Owners
District Management Entities (DMEs)

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

Removing some of the regulatory barriers to market entry aids in decreasing vacancy and business success, especially for small (and local) businesses entering the market for the first time. Many of Palo Alto’s existing retail spaces could be improved in short order for new tenants with minimal minor changes. However, the Palo Alto Municipal Code requires architectural review and approval for major *and* minor projects and changes, including landscaping, signage, exterior remodeling, parking improvements, and interior finish outs that are not part of a major project.

Each of the above-mentioned minor changes must adhere to standards and guidelines outlined elsewhere in the code, and, if met, are justifiably approvable over the counter by capable city staff. Signage, for example, is protected by the First Amendment to the United States Constitution, so there is not much, if any, discretion lawfully acceptable beyond location, size and amount regulations. This questions why signage is among the items required an additional discretionary architectural review process if it meets applicable regulations.

For small businesses, the time and cost savings with over-the-counter approvals for minor changes potentially reduces uncertainty and risk, which may increase investor interest and contribution to a project. Further, it opens staff and board capacity to focus on larger projects with more substantial impact to design and overall aesthetic of a district while also proving commitment to being business friendly, a goal expressed in the 2030 Comprehensive Plan.

RESOURCES and HOW IT’S DONE

An amendment to Section 18.76.20 of the Municipal Code to allow for more over-the-counter approvals of proposed minor changes, as recommended, may require an internal study of the code by Planning & Development Services staff with input from critical stakeholders including the Architectural Review Board, property and business owners, and Downtown Palo Alto and California Avenue District Management Entities. With administrative support from the Office of Economic Development, Planning & Development Services would make a recommendation to City Council for approval.

KEY PERFORMANCE INDICATORS and OUTCOMES

More permits for trades associated with landscaping, signage, exterior remodeling, and interior finish-outs and the frequency with which they are issued could be reviewed annually to assess the amendments’ efficacy and a review of the number of Certificates of Occupancy would indicate impact on vacancy.



RECOMMENDATIONS

09 Streamline, update and/or remove unnecessary use restrictions and pursue regulatory reform to enable tenancy and competitiveness.

ACTIONS

- 3. Reevaluate the city-wide Retail Preservation Ordinance and consider refocusing its applicability to targeted areas of existing retail concentration while also allowing flexibility in non-street facing portions of buildings.

CHAMPION

Planning & Development Services

SUPPORT

Office of Economic Development
Palo Alto Chamber of Commerce
Property Owners

DISTRICTS



ESTIMATED TIME + COST

Short (<1 year)	Long (>5 years)
	High (>\$100k)
	Low (<\$50k)

STREETSENSE

WHY THIS MATTERS and HOW IT’S DONE

The Retail Preservation Ordinance was adopted in 2015 to prevent retail space conversion to office use – at a time when the office market was very strong. The post-pandemic office market, however, remains in flux and is likely to remain so for some time. That said, according to local brokers, in-demand office is Class A space in highly amenitized and activated areas, often with a mix of uses including concentrated retail.

Currently, the Retail Preservation Ordinance applies *city-wide*, prohibiting conversion of retail or retail-like uses to other uses including office. This discourages the right-sizing of the City’s overall retail footprint, resulting in retail in areas with weaker market conditions and spreading the City’s retail footprint thin. Further, even with a steady increase in retail demand over the next 10 years, projections suggest a retail oversupply of approximately 460k square feet, meaning there will be too much existing retail space than businesses able to fill those spaces. Retail preservation across the entire City is therefore an impediment to normal market correction. As an alternative, narrowing the geographic applicability of the ordinance and reserving it for established retail districts will enable the market to right-size itself across the City while concentrating retail activity where it makes sense – in the City’s existing commercial districts.

A level of flexibility could also be considered for the Retail Preservation Ordinance to allow portions of former retail/retail-like spaces to be occupied by non-retail/retail-like uses as long as the street side is reserved for retail/retail-like activating uses. Traditional retail footprints are shifting. Global and national trends show that retail tenants are recalibrating tenant models toward smaller formats, including complete downsizing or, for tenants in existing leases, repurposing excess space for small-scale fulfillment to gain a competitive advantage over online competitors. Landlords in Downtown Palo Alto and the California Avenue district are challenged to rent out the full ground floor to retail/retail-like uses that typically prefer ample street exposure but not as much depth. This is especially true for historically narrow (<25 feet) and long (>90 feet) lot size/building footprints in established districts. This leaves long and narrow buildings with limited ability to meet requirements of the ordinance as the rear portion of the building/lot is better positioned for office and residential use rather than a second retail tenant. Rarely do retail/retail-like uses prefer spaces without visibility from the street. In addition to leasing vacant space, the street would be activated by a retail/retail-like tenant in an appropriately sized space for today’s needs while contributing to the restoration of a consistent spending base of daytime and/or nighttime population.

KEY PERFORMANCE INDICATORS and OUTCOMES

Ideally, existing established retail districts, including those not studied as part of this effort, would experience less vacancy, overall. Likewise, struggling retail spaces outside of established retail districts would experience less vacancy with the ability to consider uses for which there is demand. A landlord/property owner survey following adopted ordinance revisions could inquire about the ease in which vacancies were filled. Additionally, tracking Certificates of Occupancy annually could offer a quantitative summary of use trends across the City.

RESOURCES

The Planning & Development Services Department should champion this effort in coordination with the on-going study of the ordinance by Michael Baker International. The Office of Economic Development, the Palo Alto Chamber of Commerce, and retail property owners could be supportive stakeholders offering on-the-ground business insight.



Source: Streetsense, Midtown

RECOMMENDATIONS

09 Streamline, update and/or remove unnecessary use restrictions and pursue regulatory reform to enable tenancy and competitiveness.

ACTIONS

4. Enable growth in Neighborhood Goods and Services along California Avenue by:
- a. Updating the Formula Retail Ordinance and
 - b. Easing use restrictions on in-demand neighborhood serving uses that are currently heavily regulated or prohibited.

CHAMPION

Planning & Development Services

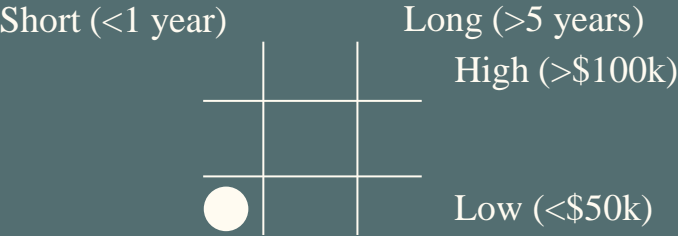
SUPPORT

Office of Economic Development
Palo Alto Chamber of Commerce
Property Owners
District Management Entity (DME)

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

California Avenue is experiencing the highest vacancy rate among all districts studied at 15%, accounting for 31k square feet. Given the small size of the district, vacancy is strongly felt and noticeable. Although referred to as Palo Alto’s “second downtown”, California Avenue is primarily community and neighborhood serving, reliant on surrounding resident spending and what was once reliable and robust spending from near-by workers at Stanford Research Park. With return-to-office rates currently around 40%, post-pandemic spending will shift more towards residents, with opportunities for California Avenue to meet their needs with goods and services that cannot be found or accomplished on-line.

Currently, several neighborhood serving uses are heavily regulated or prohibited within the district, adding to the difficulty landlords face in securing tenants. Neighborhood serving uses requiring conditional use permits (CUPs), a regulatory barrier to entry, in the California Avenue district include:

- Beauty Salons exceeding 1,800 square feet
- Nail Salons exceeding 1,800 square feet
- Barber Shops exceeding 1,800 square feet
- Fitness or Exercise exceeding 1,800 square feet
- Learning Centers for Individual or Small Group Settings
- Laundry & Dry Cleaning
- Financial Services (Except Drive-In) on ground floor
- Medical Offices when fronting California Avenue
- Commercial Recreation Uses when fronting California Avenue
- Formula Retail Business (with more than 10 stores nationally with standardized characteristics)

Outright prohibited in the district are light manufacturing or maker spaces for the production/fabrication/repair/servicing and selling of small items, uses that could be unintrusive and compatible with other uses in the district if provided at a neighborhood scale.

RESOURCES and HOW IT’S DONE

To enable growth of Neighborhood Goods and Services along California Avenue and decrease vacancy, regulations should be eliminated or significantly eased for the above-mentioned uses. This effort can be conducted in-house and led by the Planning & Development Services Department. For consideration is the square footage threshold alignment with current concepts. Fitness uses, for example, are

increasingly coupled with retail concepts. The average size of a personal training/small group fitness studio is 2,970 square feet, according to the Fitness Business Association. Here, the 1,800 square foot threshold for a CUP could be increased to enable by-right tenant options around fitness in their most current format. The Formula Retail Business ordinance could also be considered for an update, narrowing the focus to Food & Beverage tenants rather than all retail chains with 10 or more stores nationwide. In fact, the restriction may eliminate retail concepts that may be new to the region. These formula retail concepts help drive customer interest and, more importantly, foot traffic, which helps all businesses in the district.

The Office of Economic Development could support Planning & Development Services in a public process for consideration of easing restrictions on neighborhood-serving uses through internal administrative efforts. Critical stakeholders include the Palo Alto Chamber of Commerce, property owners, and the District Management Entity.

BEST PRACTICE: FORMULA RETAIL ORDINANCE and FORMULA RESTAURANT ORDINANCE, CORONADO, CA

In an effort to maintain the City’s unique retail base and space for small, local businesses, the City of Coronado implemented two formula ordinances. Allowed with a special use permit, formal businesses must demonstrate compatibility with surrounding uses in terms of design and size and may not occupy more than 50 linear feet of street frontage or a street corner. The Formula Restaurant Ordinance primarily applies to formula fast food restaurants with 15 or more locations, and the Formula Retail Ordinance limits location and size to a single story for formula businesses, except for grocery stores, banks, savings and loans, full-service restaurants, and theaters.



Source: Map data ©2022 Google, Orange Avenue, Coronado, CA

RECOMMENDATIONS

10 Grow the market by enabling residential development in select areas of Downtown Palo Alto and California Avenue.

ACTIONS

1. Consider increasing allowable height and floor area ratio (FAR) to accommodate residential in mixed-use projects.
2. Allow exclusively residential projects, including the ground floor where currently restricted in the California Avenue district.
3. Prioritize residential development on underutilized property as identified in the 2023-31 Housing Element.

CHAMPION

Planning & Development Services

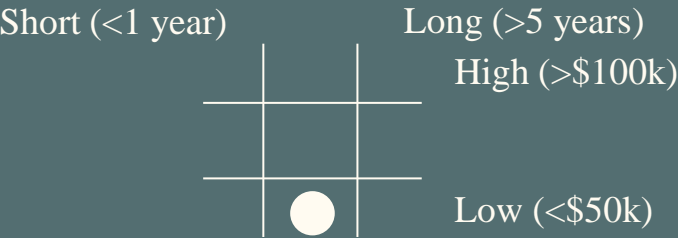
SUPPORT

Office of Economic Development
Property Owners

DISTRICTS



ESTIMATED TIME + COST



STREETSENSE

WHY THIS MATTERS

Before the pandemic, retail districts enjoyed a stable daytime population of office workers, including those from Stanford Research Park and many others within and around Palo Alto. However, with an average return to the office rate of 40%, Downtown Palo Alto and California Avenue will need to restore a stable daytime population by other means including increased residential use within the districts themselves. Enabling capture of residential density in districts where density is appropriate and needed to sustain retail also contributes to the City’s obligation to meet State mandated affordable housing goals.

Currently in Downtown Palo Alto and California Avenue residential is difficult to develop because of the mismatch between lot size, allowable height and floor area ratio (FAR), restrictions on ground floor use within certain zones and spaces protected by supplemental zones and overlays, as well as restrictions on exclusively residential use in certain zones. To explain:

- **Height and FAR:** Increasing allowable height and FAR Downtown and in the California Avenue district could enable a greater mix of uses that includes residential on traditionally small lots. For Downtown, additional height over 50 feet, even if just an additional 10 to 12 feet, could enable taller floor to ceiling heights per floor, which, according to landlords and brokers, is more desirable among tenants. It may also result in a shift in construction type from only wood to concrete and wood increasing costs, but the project could be large enough to host more lucrative space for retail/retail-like and office uses – uses that historically pay rent *and* operating costs in triple net leases common in the region – that then subsidize the residential units, whether market rate or affordable – the uses that historically only pay rent and a share of utilities for their leasable space. Without the extra height and FAR, projects may not be able to justify, financially, the addition of residential use, but retail/retail-like uses and office at this time, and for the foreseeable future, may not be able to fill enough above ground floor space to justify a project. What’s left is stagnation and decline unless more flexible options are considered.

Along California Avenue and the surrounding area, heights are capped at 37 feet within the CC(2) zone, which is likely not tall enough to justify a mixed-use project with required ground floor retail. If mixed-use projects are the envisioned and market supported future, the code must be amended to increase height and FAR, accordingly, to enable implementation of that vision.

- **Ground Floor Restrictions:** Ground floor space in Downtown’s CD-C (GF) zone and in California Avenue’s CC(2) (R) zone is required to be exclusively retail/retail-like uses as prescribed, and the Retail Preservation Ordinance restricts retail/retail-like conversions regardless of zone. This means that residential is not allowed to any extent on the ground floor, even in parts of the CD-C zone in Downtown outside of the Ground Floor (GF) combing district that allows exclusively residential.
- **Exclusively Residential Restriction:** The California Avenue area is layered with zoning restrictions that inevitably result in residential use being limited to mixed-use projects with ground floor non-residential or retail/retail-like use. Although appropriate for properties lining California directly, these requirements span well beyond those properties into areas along secondary streets that may be well suited for exclusively residential from the ground floor up.

Lastly, there are several **underutilized properties identified in the City’s adopted 2023-31 Housing Element that would be well suited for residential use.** Lots within Downtown and the California Avenue area should be prioritized to ensure critical day-time population is restored in these districts.

KEY PERFORMANCE INDICATORS and OUTCOMES

Ideally, Downtown Palo Alto and the California Avenue district would see more residential density and therefore more reliable spending. Certificate of Occupancy tracking for residential units and business sales tax tracking in both districts could offer a quantitative summary of residential density over time and related retail sales.

RESOURCES and HOW IT’S DONE

The Planning & Development Services Department should champion this effort in coordination with on-going Housing Element studies and updates. It should involve a public engagement process with ample input from Downtown and California Avenue property owners and developers. The Office of Economic Development could support the effort by facilitating internal discussions through the recommended Interagency Economic Development Committee.

