



Adoption of a Comprehensive Economic Development Strategy

August 14, 2023

www.cityofpaloalto.org

OVERVIEW

Economic Development remains a City Council Priority

- Development of Comprehensive Economic Development Strategy is foundational to this continued priority
- Focus the ongoing efforts and provide a road map for future investments & policies
- Streetsense here to discuss their findings through their research based on diagnostic takeaways and guiding principles
 - Discussion and adoption of final strategy with recommendations and recommended actions
 - Adoption of this strategy completes one of the Council priority objectives and supports continued work on many other objectives identified in Council Priorities

PHASE 3 DELIVERABLE

PALO ALTO ECONOMIC DEVELOPMENT STRATEGY

PREPARED FOR PALO ALTO, CA CITY COUNCIL
AUGUST 14, 2023

STREETSENSE



PROJECT OVERVIEW

PROJECT PURPOSE:

To develop a market-informed economic development strategy that ensures Palo Alto's post-COVID competitiveness by identifying impactful public sector interventions, policies and investments for which there is both need and consensus for action.

We are here



IMMERSION & DISCOVERY

- Kick off session
- Field work
- Stakeholder engagement
 - Focus groups and interviews with business owners, hotel operators, residents, City Staff
- Council presentation

DIAGNOSTIC

- Retail market analysis
- Administrative capacity assessment
- Business environment assessment
- Physical assessment
- Coordination with California Ave/Ramona St Consultant
- Council presentation (March)

ECONOMIC DEVELOPMENT STRATEGY

- Draft work plan development
- Resident and stakeholder engagement
- Final work plan development
- Council presentation (August)

STUDY AREAS

The diagnostic focuses on areas within Palo Alto where this is an existing concentration of retail activity.

REGIONAL/SUPER-REGIONAL CENTERS

DOWNTOWN & 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 & TOWN & COUNTRY VILLAGE

- moderate tax base impacts
- Local and community customer base

NEIGHBORHOOD-SERVING

MIDTOWN & CHARLESTON SHOPPING CENTER

- minimal tax base impacts
- least affected by COVID pandemic, typically the most stable asset class
- local customer base

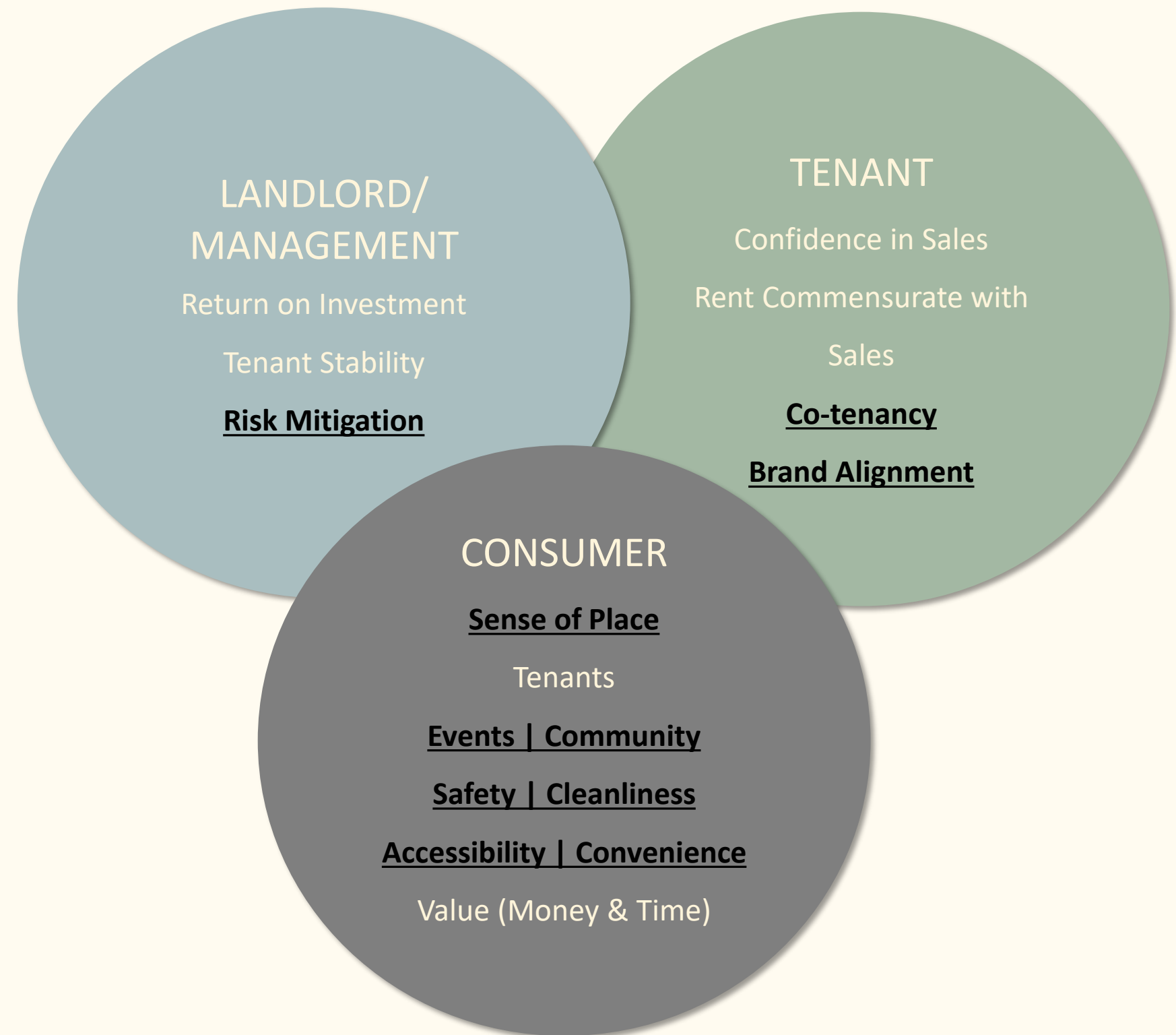


THE RETAIL ECOSYSTEM

Where does the public sector play a role?

The public sector can *influence but does not control* the decision making of key stakeholders.

In order to influence this ecosystem, an **effective and resourced Office of Economic Development** with the authority to engage in dialogue with the business community, partners and interdepartmental staff within the city is necessary.



GLOBAL AND NATIONAL TRENDS

- Changing retail footprints
- Changing spending patterns
- Tenants are in the driver's seat
- Implications of hybrid work



DIAGNOSTIC TAKEAWAYS

MARKET
ASSESSMENT

BUSINESS
ENVIRONMENT

ADMIN.
CAPACITY

PHYSICAL
ENVIRONMENT

Total sales tax revenues bouncing back from Pandemic, but recovery is uneven across key tax generating districts

- **Stanford Shopping Center** (25% of total sales tax revenue – mostly merchandise & apparel sales) fully recovered drawing regional and local spending; very low vacancy
- **Downtown Palo Alto** (12% of total sales tax revenue – mostly food & beverage sales) declining pre-Pandemic, not fully recovered; experiencing moderate vacancy
- **Town & Country Village** (3% of total sales tax revenue – diversified mix of offerings) almost fully recovered; experiencing moderate vacancy
- **California Avenue** (2.2% of total sales tax revenue – mostly food & beverage) with majority small businesses, not fully recovered, and highest vacancy rate among districts
- **Neighborhood Serving Centers, Charleston Shopping Center and Midtown** (1% of total sales tax revenue – mostly neighborhood goods & services) have recovered but highly affected by periphery neighborhood-serving retail

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Post-pandemic, some districts challenged by competition, options, and market shifts

- Very **discerning customer base**
- **Lots of options** for shoppers *and* tenants within and outside of the City
- **Highly competitive** regional and locally serving retail environment
- **Changing market dynamics** with hybrid work resulting in decreased daytime population and less business travel
- **Retail oversupply** of 460K SF in the next 10 years where it's already spread thin
- Small businesses experiencing **increased cost of doing business**

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Challenges exacerbated by:

- **Restrictive regulatory environment**, especially in districts experiencing high vacancy (Downtown and California Avenue)
- Regulations that **inhibit retail right-sizing and concentration** (i.e., Retail Preservation Ordinance)
- **Lack of active stewardship**
- **Needed physical improvements** within public and private realm, especially in districts with multiple owners and public infrastructure
- **Access/connectivity issues** (i.e. difficult parking requirements, gaps in transit service, signage and markings, lack of micromobility program)



GUIDING PRINCIPLES

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
- Supporting existing Neighborhood Centers

2. IMPROVE ACCESSIBILITY BY:

- Embracing walking and biking solutions to/from/within all of the City's commercial districts
- 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
- Focusing retail and retail-like uses in places where they are market-supported



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.

Recommendation		Action
GUIDING PRINCIPLE 1	01 Upgrade highly used and visible public and private realm spaces to promote district definition and encourage activation.	<div>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.</div> <div>1.2 Continue exploring the Car-Free Streets Initiative for California Avenue and Ramona Street to optimize a balanced future.</div> <div>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.</div> <div>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.</div>
	02 Encourage the creation of and support District Management Entities (DMEs) for district promotion, programming, and increased maintenance.	<div>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.</div> <div>2.2 Formalize a DME, like the California Avenue Business Association/Merchants of California Avenue and encourage membership of a California Main Street Program.</div>
	03 Pursue business retention, development, and attraction initiatives for local and small businesses.	<div>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.</div> <div>3.2 Consider allocating funds towards a shop local eGift card program to incentivize patronage of local business.</div>
	04 Promote tourism city-wide to increase longer business "bleisure" travel and grow hotel weekend occupancy rates with non-business travel.	<div>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.</div>

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.

Recommendation		Action
GUIDING PRINCIPLE 2	05 Fix broken pedestrian and cycling links to increase accessibility to, from, and within commercial districts.	<div>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.</div> <div>5.2 Include mid-block pedestrian crossings and/or raised traffic tables where desire paths lack safe crossings and deemed safe to do so.</div> <div>5.3 Consider removing free rights at major intersections to aid in safe intersections for all modes of transport.</div>
	06 Invest in first and last mile transportation options that increase equitable access to, from, and within commercial districts.	<div>6.1 Incorporate a micro-mobility (bike and/or scooter share) program that engages all shopping districts and destinations across the City.</div> <div>6.2 Participate in advanced regional micro-mobility options.</div> <div>6.3 Incentivize e-mobility using local resources.</div> <div>6.4 Support and incentivize on-demand transit service and ridership through promotional programming within shopping districts.</div>
	07 Reinforce walkability within districts to encourage longer duration of stay and activation.	<div>7.1 Select specific public alleyways with high visibility and at least 20 feet in width to improve for increased permeability and place-making.</div> <div>7.2 Create a mural competition or program for select side and rear building facades garnering the most visibility from main streets.</div> <div>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.</div>
	08 Update and simplify parking policies, systems, and signage to ease navigation to and use of parking.	<div>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.</div> <div>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.</div>

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.

Recommendation		Action
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.

THANK YOU