PHASE 2 DELIVERABLE

PALO ALTO ECONOMIC DEVELOPMENT STRATEGY DIAGNOSTIC

PREPARED FOR PALO ALTO, CA
FEBRUARY 13, 2023

STREETSENSE
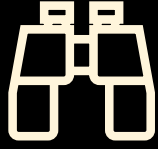
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01
PROJECT OVERVIEW

PROJECT TIMELINE

Before advancing to a discussion of strategic interventions, the Diagnostic phase of this exercise ensures that we share a collective understanding of the challenges at hand. This milestone is important to establish consensus for action and precedes a discussion of recommendations that will be led or supported by public sector investments, policies and programs.

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

ECONOMIC DEVELOPMENT STRATEGY

- Draft work plan development
- Final work plan development

Phase 1–2:
IMMERSION & DISCOVERY/DIAGNOSTIC

STUDY PURPOSE
- To develop a market-informed economic development strategy that will ensure 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.

TODAY'S PURPOSE
- Present and Discuss Diagnostic Findings
- Confirm alignment on key take aways and guiding principles before advancing to recommendations

MARKET ASSESSMENT
→ Competition Assessment
→ Retail Demand Assessment

ADMINISTRATIVE CAPACITY
→ Regulatory Framework
→ Organizational Capacity & Stewardship

BUSINESS ENVIRONMENT
→ Sales Tax Analysis
→ Hospitality/ Tourism Assessment

PHYSICAL ENVIRONMENT
→ City-Wide Connectivity & Accessibility
→ District SWOT Analysis

PALO ALTO, CA — ECONOMIC DEVELOPMENT STRATEGIC PLAN

Phase 1–2:
IMMERSION & DISCOVERY/DIAGNOSTIC

A FRAMEWORK FOR SUCCESSFUL RETAIL PLACES

Beloved, "best-in-class" streets share characteristics that correlate to successful economic development outcomes, including but not limited to community satisfaction, business profitability, and contribution to the municipal tax base. Based on the over three decades of research, these characteristics include:
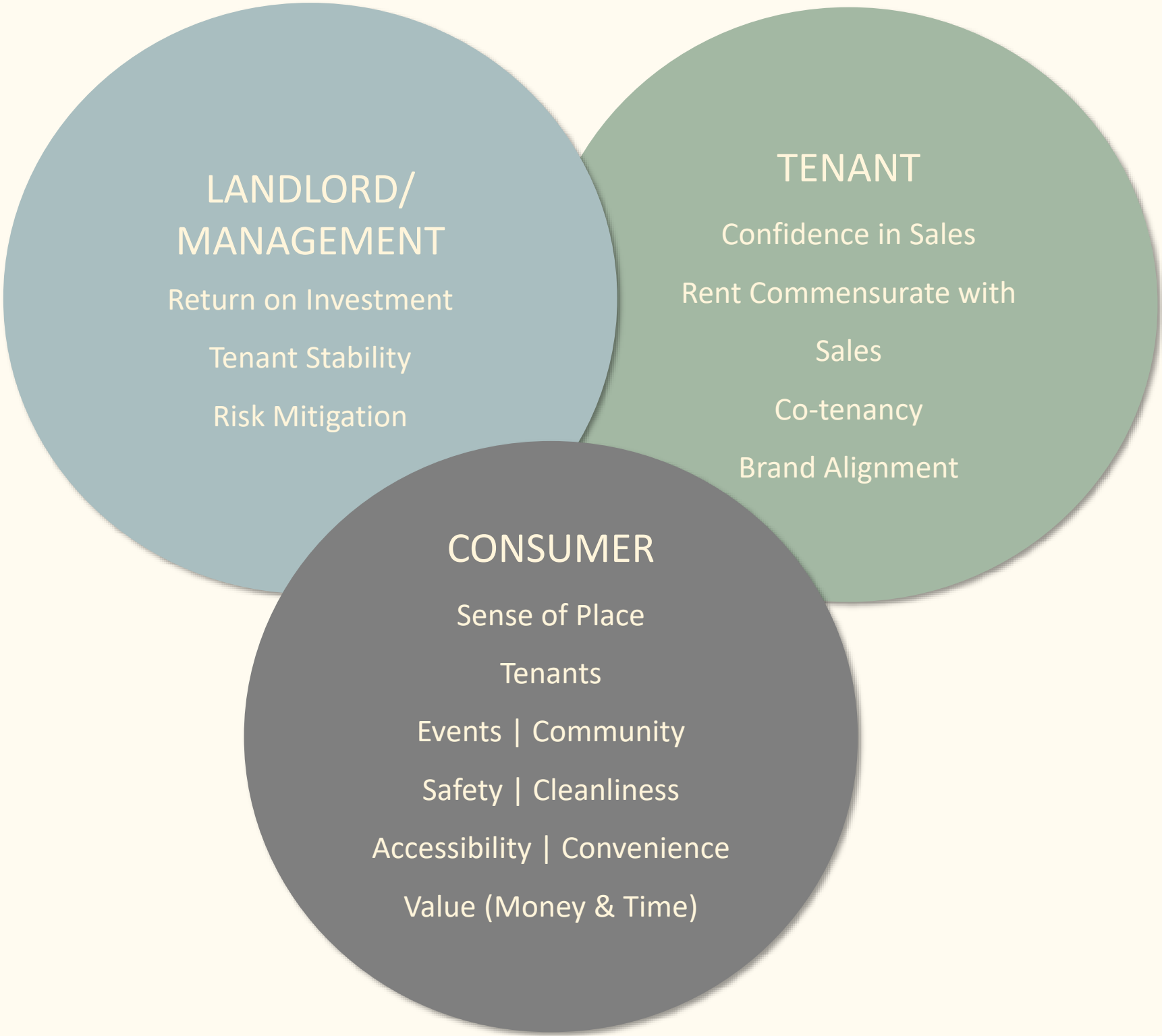
MANAGED

…with leadership and capacity to engage merchants and property owners and implement improvements

CHAMPIONED

…with demonstrated signs of maintenance and investment

ACCESSIBLE

…to a customer base

…with little friction for arrival/departure regardless of mode

PEDESTRIAN FRIENDLY

…co-located businesses that encourage cross shopping

…walkable and with few disruptions in continuity

SAFE

…but more importantly *perceived* as safe

ANCHORED

…by retail destination driver(s)

… by culture, institutional or entertainment uses

VISIBLE

…by potential customers either as they drive, bike or walk by

BRAND RESONANCE

…with clear branding strategy and identity

IMMERSION & DISCOVERY/DIAGNOSTIC

THE RETAIL ECOSYSTEM

- Perspectives range among key stakeholders

- Priorities unique from one another

- Highly symbiotic relationship structure

Retail viability deteriorates when a given stakeholder's priorities and needs are not being met.

LANDLORD/ MANAGEMENT

Return on Investment

Tenant Stability

Risk Mitigation

TENANT

Confidence in Sales

Rent Commensurate with

Sales

Co-tenancy

Brand Alignment

CONSUMER

Sense of Place

Tenants

Events | Community

Safety | Cleanliness

Accessibility | Convenience

Value (Money & Time)

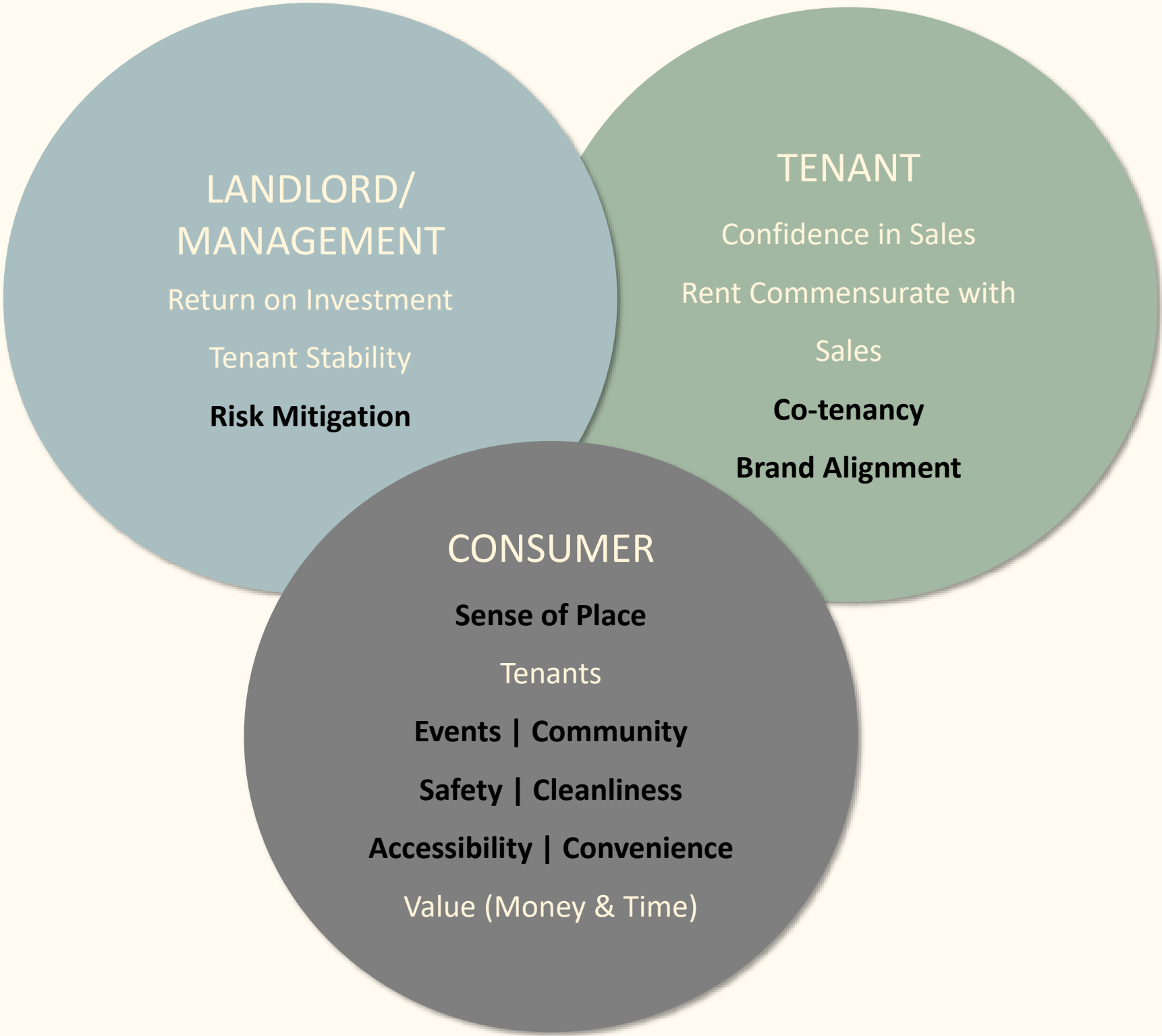PALO ALTO, CA ——— ECONOMIC DEVELOPMENT STRATEGIC PLAN

IMMERSION & DISCOVERY/DIAGNOSTIC

THE RETAIL ECOSYSTEM

Where does the public sector play a role in influencing or directing the actions of key stakeholders?

PUBLIC SECTOR TOOLS

- Regulatory framework influences co-tenancy

- Financial incentives can help mitigate risk

- Funding and coordination of events to build community

- Investments in enhanced safety/cleanliness

- Improvements to access/convenience

- District marketing & branding campaigns

- Investments in public realm to improve sense of place

LANDLORD/MANAGEMENT

Return on Investment

Tenant Stability

Risk Mitigation

TENANT

Confidence in Sales

Rent Commensurate with Sales

Co-tenancy

Brand Alignment

CONSUMER

Sense of Place

Tenants

Events | Community

Safety | Cleanliness

Accessibility | Convenience

Value (Money & Time)

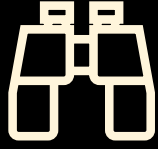PALO ALTO, CA ———— ECONOMIC DEVELOPMENT STRATEGIC PLAN

GLOBAL AND NATIONAL TRENDS

- Changing retail footprints

- Changing spending patterns

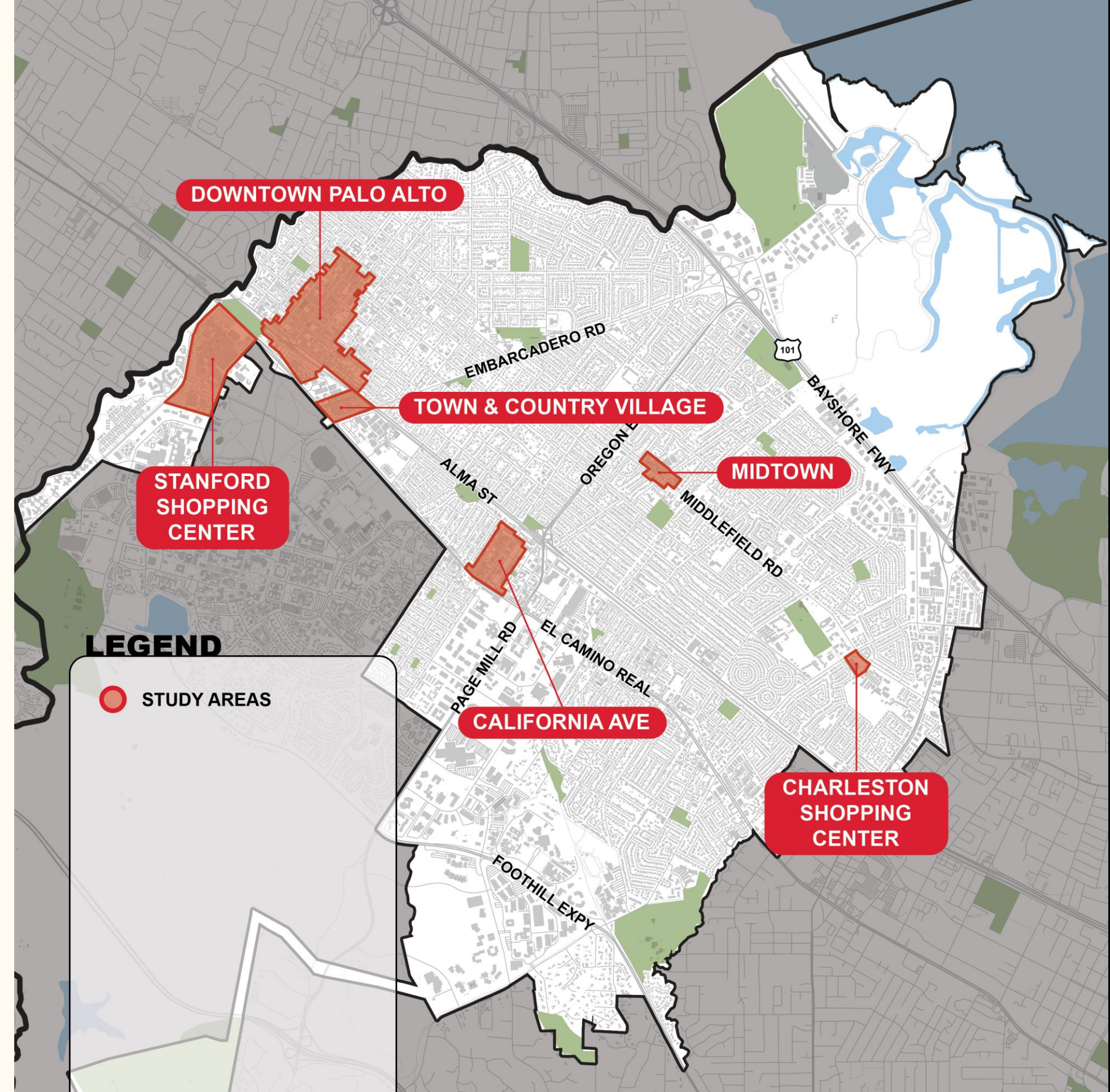- Tenants are in the driver's seat

- Implications of hybrid work

02
STUDY AREAS

STUDY AREAS

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

DOWNTOWN PALO ALTO

TOWN & COUNTRY VILLAGE

STANFORD SHOPPING CENTER

MIDTOWN

CALIFORNIA AVE

CHARLESTON SHOPPING CENTER

EMBARCADERO RD

OREGON E

ALMA ST

MIDDLEFIELD RD

BAYSHORE FWY

PAGE MILL RD

EL CAMINO REAL

FOOTHILL EXPY

101

LEGEND

🔴 STUDY AREAS

DEFINING PALO ALTO'S "SHOPPING DISTRICTS"

Using shopping center industry classifications, Palo Alto has three (3) categories of shopping districts as follows:

REGIONAL/SUPER-REGIONAL CENTERS
- 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
- moderate tax base impacts
- local promotion and marketing strategies, if any
- tend to benefit from activations that meet community interests and needs

NEIGHBORHOOD-SERVING
- minimal tax base impacts
- least affected by COVID pandemic, typically the most stable asset class
- local customer base with little need for promotion

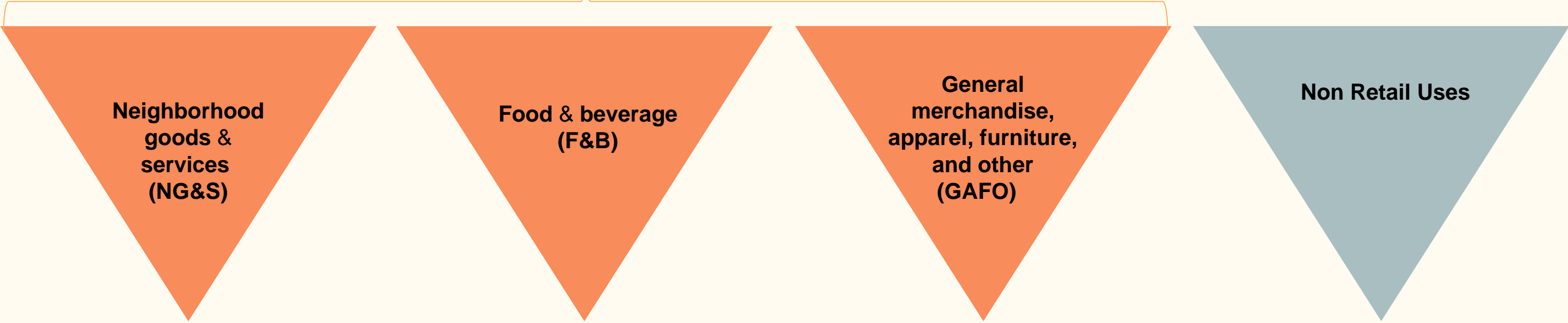| DISTRICT	DESTINATION DRIVERS	ICSC CATEGORIZATION	RETAIL SF	NO. SALES TAX PRODUCING BUSINESSES	TRADE AREA
Downtown/ University Ave	F&B, Entertainment, Fashion & Apparel	Regional (400k – 800k)	916,400	432	Primary, Secondary Tertiary
Stanford Shopping Center	Department Stores, Fashion & Apparel	Super Regional Mall (800+ sf)	1,348,000	151	Primary, Secondary Tertiary
California Ave	Specialty Grocer, F&B, Farmer's Market, Fitness	Community/ Neighborhood Center (125k – 400k sf)	202,500	99	Primary, Secondary
Town & Country Village	Grocery, Pharmacy, F&B	Community Center (125k – 400k sf)	171,000	59	Primary, Secondary
Midtown	Grocery, Pharmacy, Quick Service F&B	Neighborhood Center (30k – 125k sf)	52,000	42	Primary
Charleston Shopping Center	Specialty Grocer	Neighborhood Center (30k – 125k sf)	46,000	10	Primary

03

RETAIL MARKET ASSESSMENT

→ **METHODOLOGY & APPROACH**
→ **COMPETITION ASSESSMENT**
→ **RETAIL DEMAND ASSESSMENT**

Retail market assessment:
INDUSTRY TERMINOLOGY

Retail Uses

Neighborhood goods & services (NG&S)

Food & beverage (F&B)

General merchandise, apparel, furniture, and other (GAFO)

Non Retail Uses

- Grocery store
- Neighborhood market
- Pharmacy/drug store
- Dry cleaner/laundromat
- Tailor/seamstress
- Nail/hair salon
- Barber shop
- Spa
- Fitness
- Gyms

- Sit-down restaurant
- Full-service restaurant
- Fast-casual restaurant
- Fast food restaurant
- Carry-out restaurant
- Ice cream shop
- Coffee shop
- Café

- Apparel store
- Clothing store
- Electronics store
- Furniture store
- Pet store
- Sports store
- Book store
- Music store

Given their extraordinary nuance, ancillary tenants (e.g. financial, educational, religious, governmental institutions, etc.) and entertainment establishments (e.g. arcades, movie theaters, bowling alleys, escape rooms, etc.) are considered to be non-retail uses and are not factored into the retail demand model or included in retail demand calculations.

COMPETITION ASSESSMENT

Given the urban-suburban typology of the Palo Alto market, retail competition for the site is measured on two levels – locally-serving neighborhood centers for convenience-based trips and regionally-serving destination hubs for experience-based trips. Retail customer behaviors are rooted in convenience, access, and visibility as well as tenant quality and variety of offerings. These factors are considered when assessing the market influence of each retail competitor.
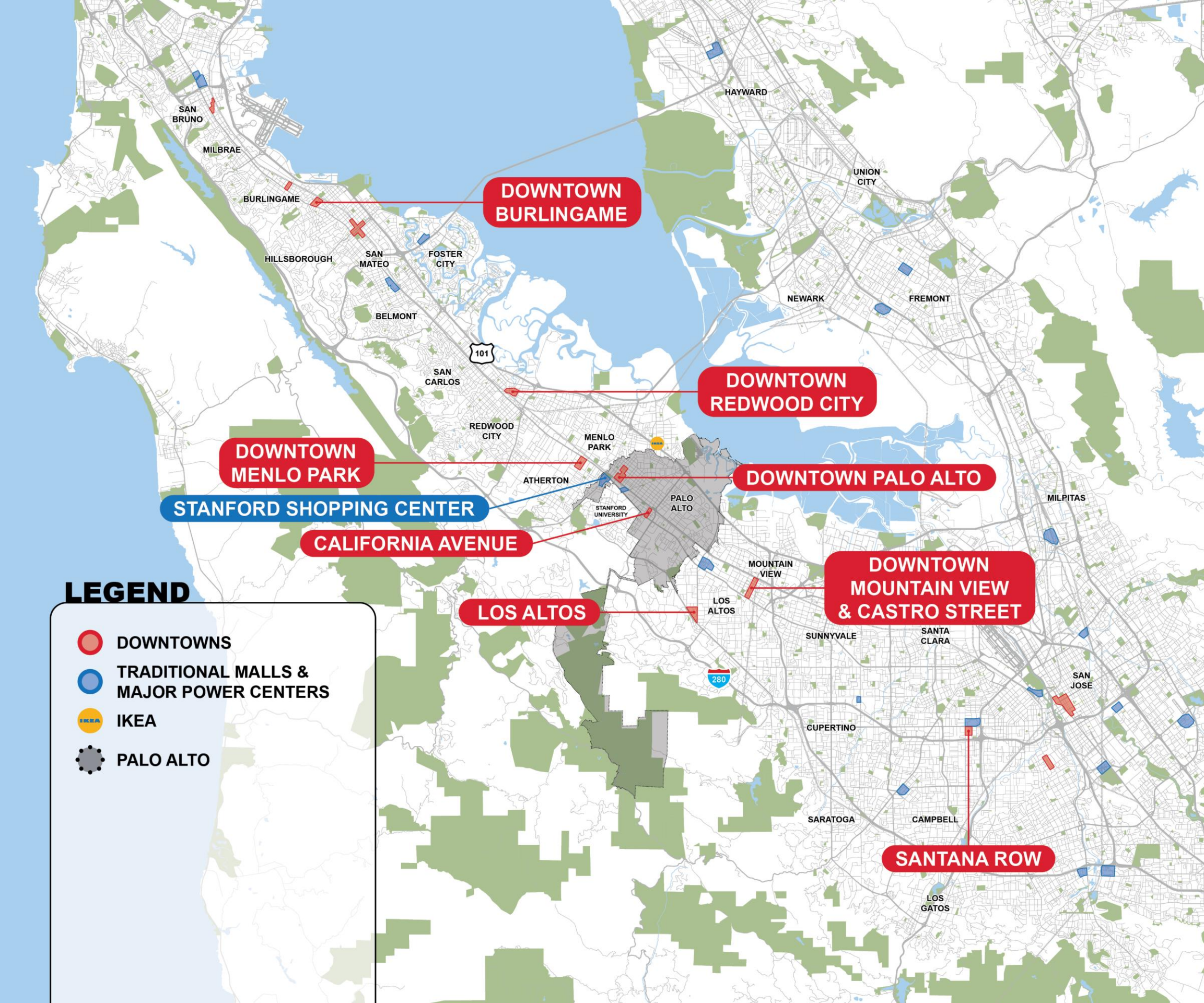
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Retail market assessment:
REGIONAL RETAIL COMPETITION

Regionally-serving, experience-based retail centers are characterized by a dominant mix of good-based retail, including malls, power centers, and walkable downtowns and lifestyle centers. These retail centers attract customers from a larger regional trade area and feature a cluster of full-service restaurants and entertainment.

TAKEAWAYS

- Downtown retail environments are highly competitive.

- Two competing downtown environments within Palo Alto, Downtown/University Ave and California Ave, **spreading retail thin**.

- Traditional malls are less prevalent to the west. There are five regional malls of varying quality closer to San Jose. Hillsdale Shopping Center is the only traditional mall to the west. The **top performing mall in the region is Stanford Shopping Center**.
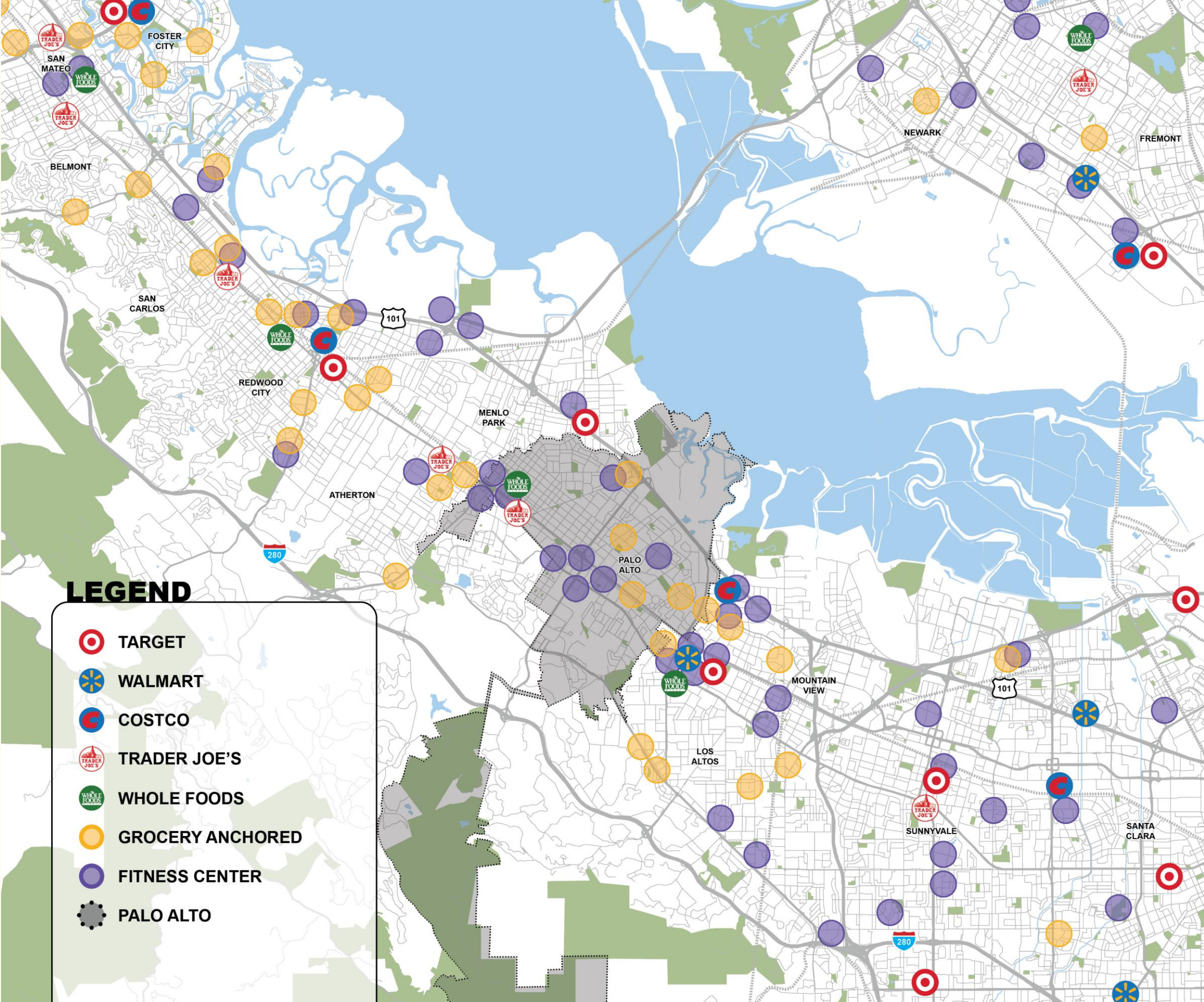
Source: Streetsense analysis Q4 2022.

DOWNTOWN BURLINGAME

DOWNTOWN REDWOOD CITY

DOWNTOWN MENLO PARK

DOWNTOWN PALO ALTO

STANFORD SHOPPING CENTER

CALIFORNIA AVENUE

DOWNTOWN MOUNTAIN VIEW & CASTRO STREET

LOS ALTOS

SANTANA ROW

LEGEND

- ● DOWNTOWNS
- ● TRADITIONAL MALLS & MAJOR POWER CENTERS
- IKEA
- ⬡ PALO ALTO

Retail market assessment:
LOCALLY-SERVING RETAIL COMPETITION

Neighborhood serving retail centers are characterized by a dominant mix of Neighborhood Goods & Services tenants, often grocery-anchored. These retail centers primarily meet the need for convenience-based shopping trips, competing on a geographically smaller scale.

TAKEAWAYS

- Grocery competition is strong throughout the region.

- Big box retailers are not allowed in Palo Alto by regulation. However, they are concentrated along the periphery of Palo Alto, **cannibalizing the retail offering within the city**.

- Target and Costco are particularly prevalent in the region, with nine and seven stores, respectively within the examined area.

Source: Streetsense analysis Q4 2022.

LEGEND

- 🎯 **TARGET**
- ✳️ **WALMART**
- 🅒 **COSTCO**
- **TRADER JOE'S**
- **WHOLE FOODS**
- 🟠 **GROCERY ANCHORED**
- 🟣 **FITNESS CENTER**
- **PALO ALTO**

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PALO ALTO RETAIL DISTRICT STACKUP – ASKING RENTS

Retail rents in the region are high. The **average asking rent in Palo Alto is $63.52 per SF** – 80% higher than the national average of $27.55 per SF.*

Stanford Shopping Center has the highest average asking rents in Palo Alto. However, average asking rents within Town & Country Village and Downtown/University Ave are comparable, with rents in Downtown reaching up to $99.00 per SF.
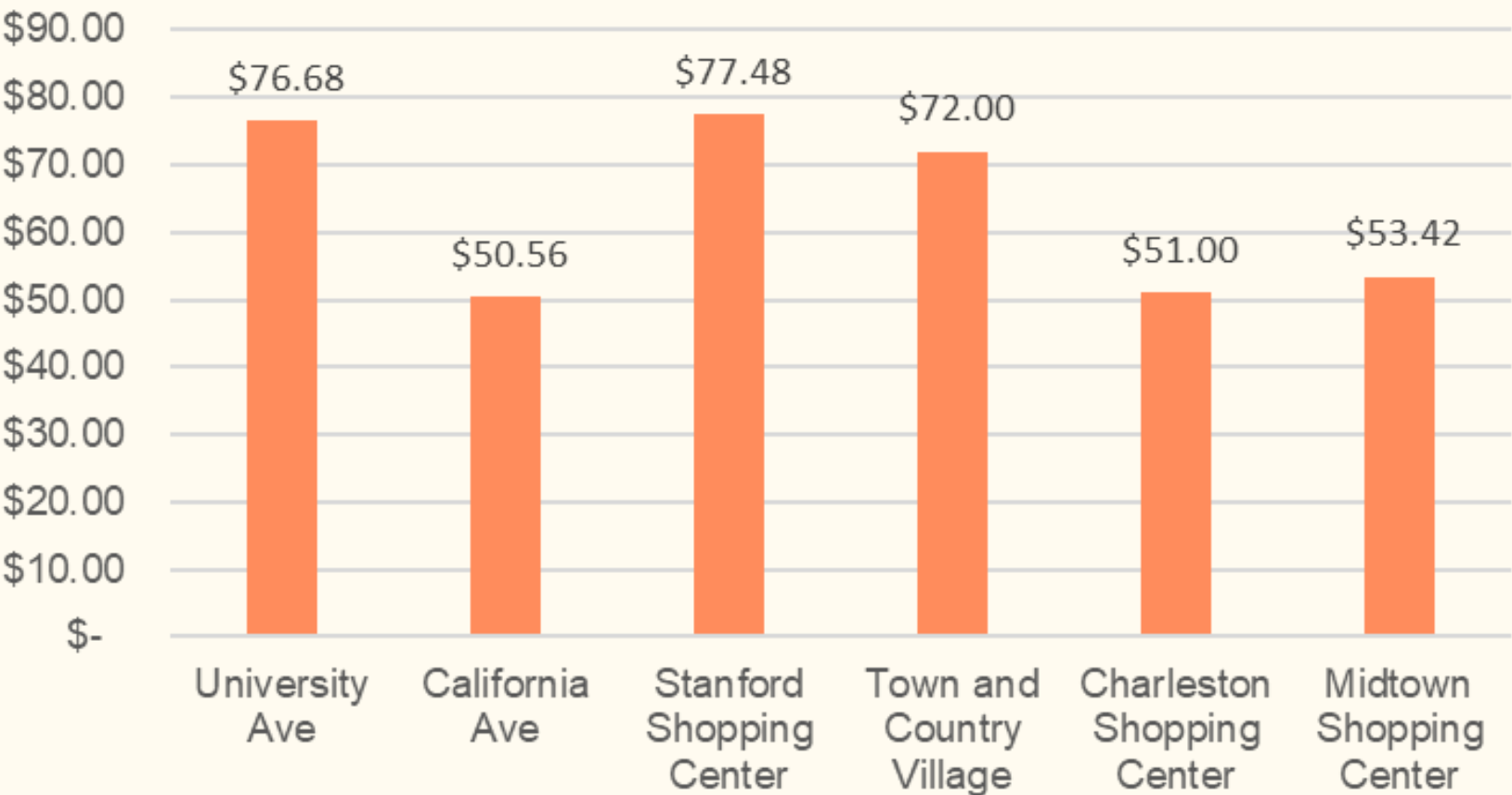
Disparity between average asking rents of the two downtown environments in Palo Alto, is a reflection of the higher quality environment and regional pull of Downtown/University Ave.

TAKEAWAYS
- According to local brokers, there is a perception that **asking rents in Downtown/University Ave are highly elevated** and do not reflect the state of the retail market, which greatly favors tenants over landlords

Palo Alto Average Asking Rents PSF

- University Ave: $76.68
- California Ave: $50.56
- Stanford Shopping Center: $77.48
- Town and Country Village: $72.00
- Charleston Shopping Center: $51.00
- Midtown Shopping Center: $53.42

Source – REIS, Loopnet, Michael Baker, CoStar 2022

* National average asking rent for malls and other retail environments, not including strip centers, neighborhood serving centers, and power centers as of Q4 2022.

PALO ALTO, CA — ECONOMIC DEVELOPMENT STRATEGIC PLAN

Retail market assessment:
# RETAIL VACANCY

Vacancy among the six retail districts totals **243,000 SF, or about 8% vacancy rate** as of year-end 2022.

- Majority of vacant space is concentrated in Downtown/University Avenue, accounting for about 88,000 SF.

- California Avenue has the highest vacancy rate among all districts at 15%, accounting for 31,000 SF.

- There is about 57,000 SF currently vacant within Stanford Shopping Center, which equates to a very 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 any major anchors.

TAKEAWAYS
- Retail is being spread thin by a finite consumer base within Palo Alto

- Stanford Shopping Center cannibalizes retail in other districts within Palo Alto, offering attractive co-tenancy opportunities and retail-appropriate spaces. Vacancies are exacerbated by Downtown/University Avenue's high rents and less desirable retail spaces, often in need of tenant improvement investments.

Retail Vacancy

National Average*, 6.50%
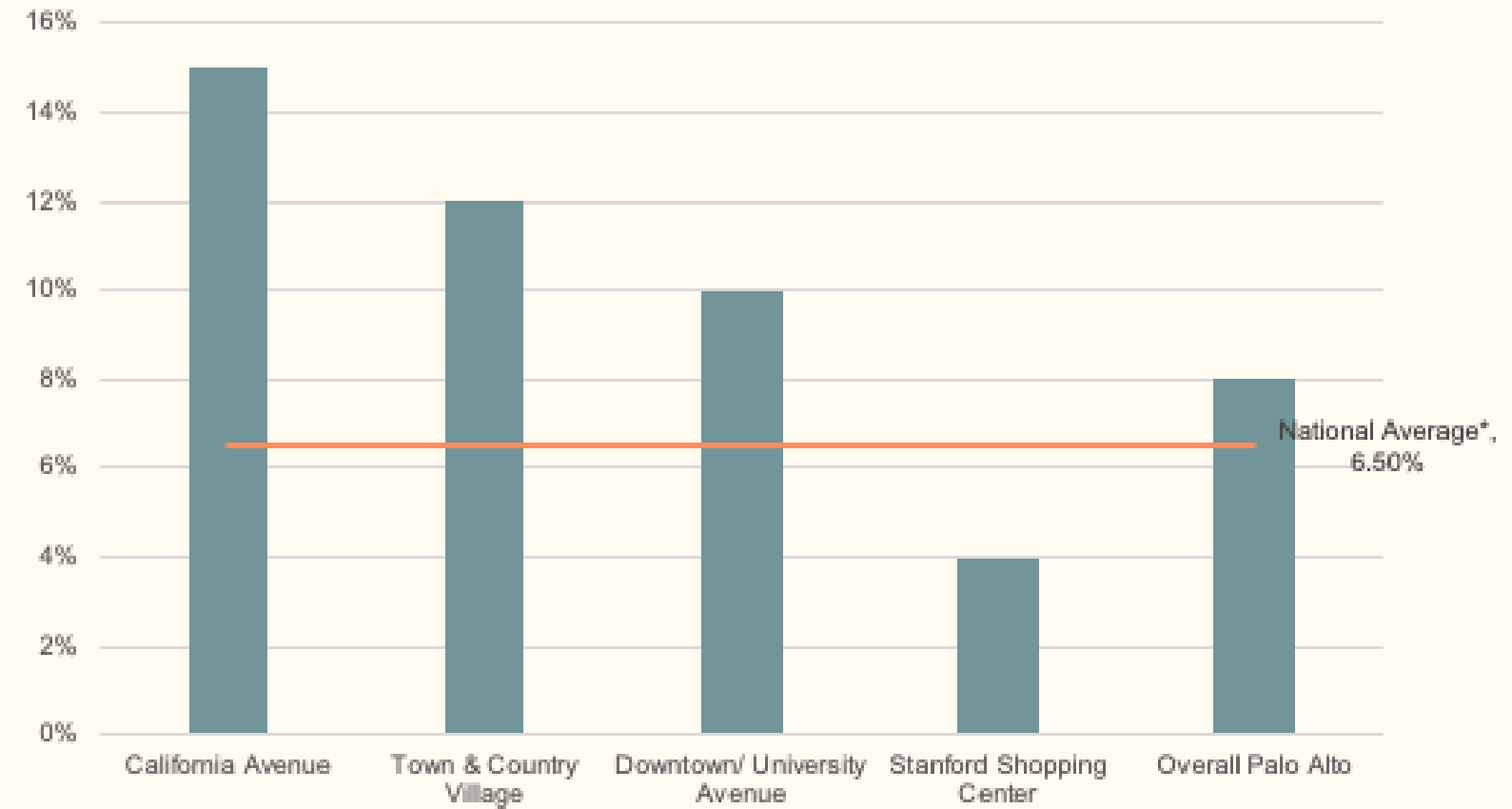
*Q4 2022 Moody's Analytics

Source: Loopnet, REIS, Michael Baker

RETAIL DEMAND ASSESSMENT

STREETSENSE

Retail market assessment:
TRADE AREAS

Based on the competitive landscape, natural and psychological boundaries, travel patterns, and population trends, Streetsense defined the following trade areas:

PRIMARY TRADE AREA
Users: Palo Alto residents, employees, students, overnight guests, and daytime visitors
Frequency: High - at least once or twice per week
Purpose: Convenience-based shopping and dining

SECONDARY TRADE AREAS
Users: Nearby residents (Mountain View, Los Altos, Melo Park, Redwood City)
Frequency: Modest - once or twice every two weeks
Purpose: Change up from options closer to home, work, or school

TERTIARY TRADE AREAS
Users: Regional residents (San Mateo, San Bruno, Burlingame, Sunnyvale, Santa Clara/Western San Jose, Fremont, Newark)
Frequency: Low - once or twice every month
Purpose: Experience-based shopping and dining

LEGEND

- ● PRIMARY TRADE AREA
- ● SECONDARY TRADE AREA 1
- ● SECONDARY TRADE AREA 2
- ● TERTIARY TRADE AREA 1
- ● TERTIARY TRADE AREA 2
- ● TERTIARY TRADE AREA 3
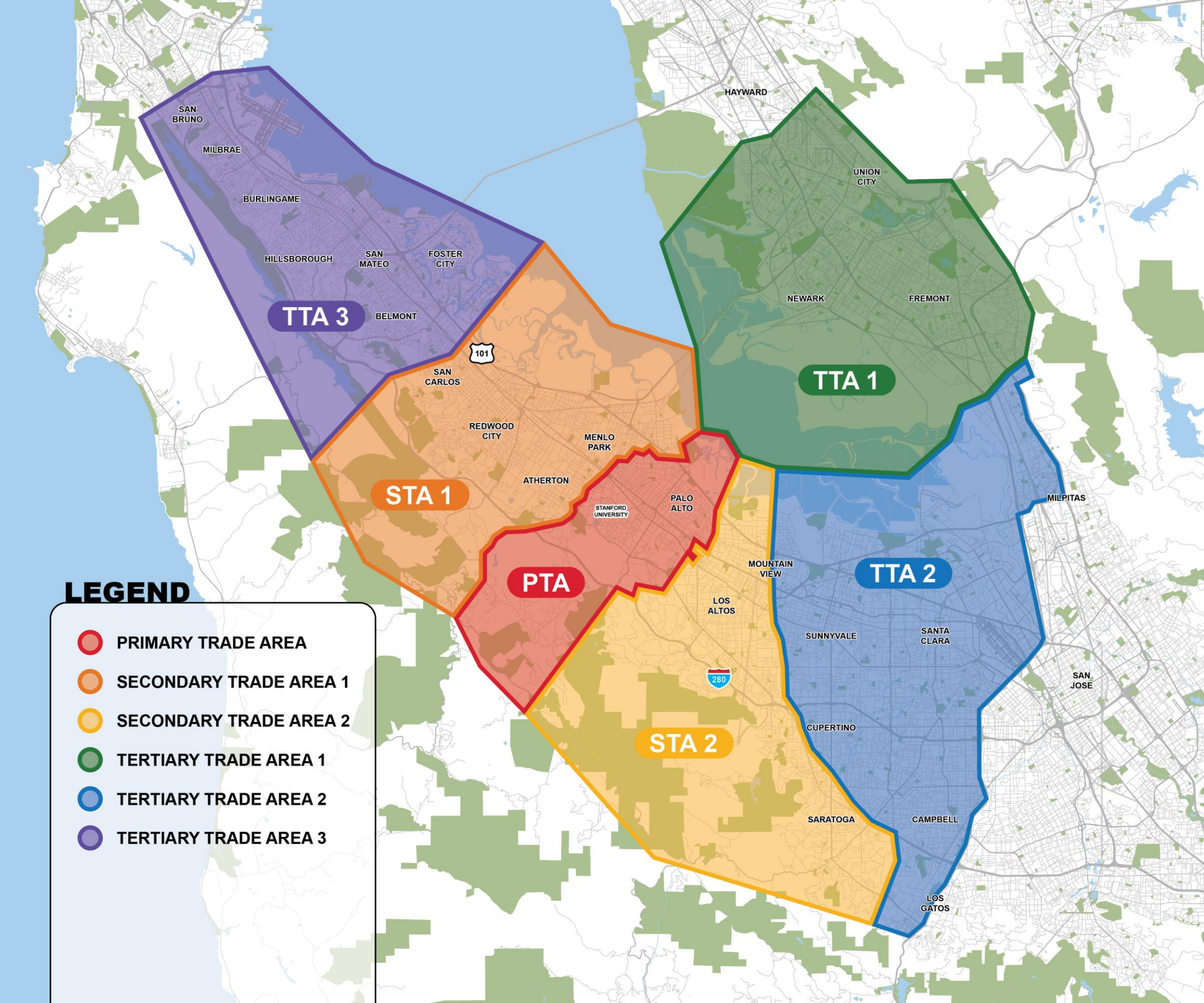
Retail market assessment:
SHIFTS IN DEMAND POST-COVID

114,826
Total employees working within Palo Alto

69,889
Non-office-based employees working within Palo Alto

44,937
Office-based employees working within Palo Alto

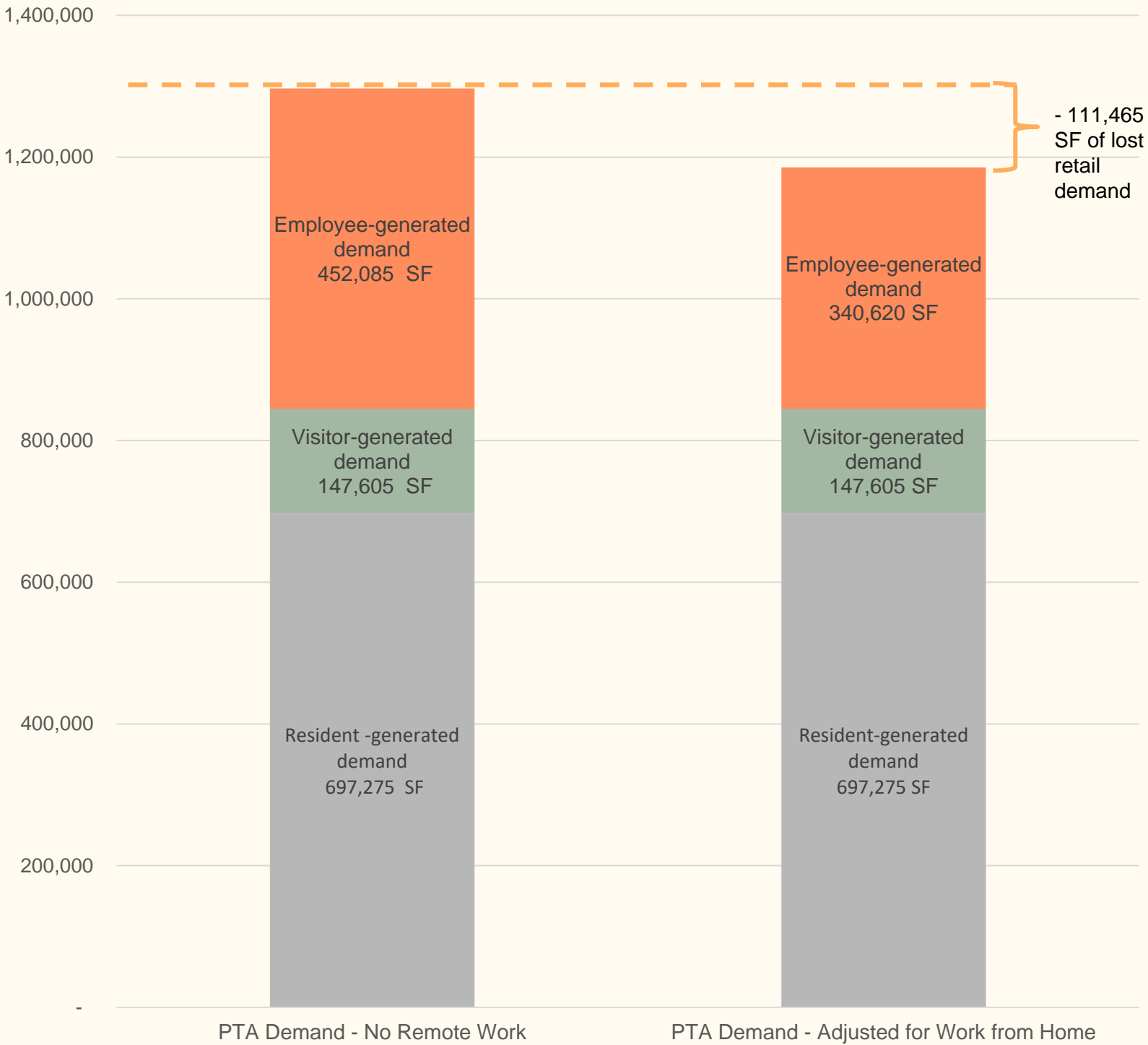**37%** of office-based employees are going into an office (San Jose metro area)

In Palo Alto, **hybrid work has reduced the demand for retail by over 100,000 SF**, roughly equivalent to the amount of retail space at Midtown Shopping Center and Charleston Shopping Center combined.

TAKEAWAYS

• Palo Alto's daytime population can no longer support the same level of retail it did pre-covid, with fewer on shoppers coming from Stanford Research Park and other office-centric areas to generate foot traffic during the work week

• Shifts in daytime population and the balance between residents and employees require a **right-sizing of retail**

Source: Sitewise, 2022; Bureau of Labor Statistics 2022; Kastle Systems 2022.

PTA Retail Demand Hybrid Work Scenario - 2022

- 111,465 SF of lost retail demand

Employee-generated demand
452,085 SF

Visitor-generated demand
147,605 SF

Resident-generated demand
697,275 SF

Employee-generated demand
340,620 SF

Visitor-generated demand
147,605 SF

Resident-generated demand
697,275 SF

PTA Demand - No Remote Work

PTA Demand - Adjusted for Work from Home

Retail market assessment:
DEVELOPMENT PIPELINE

Significant development pipeline in the surrounding markets.

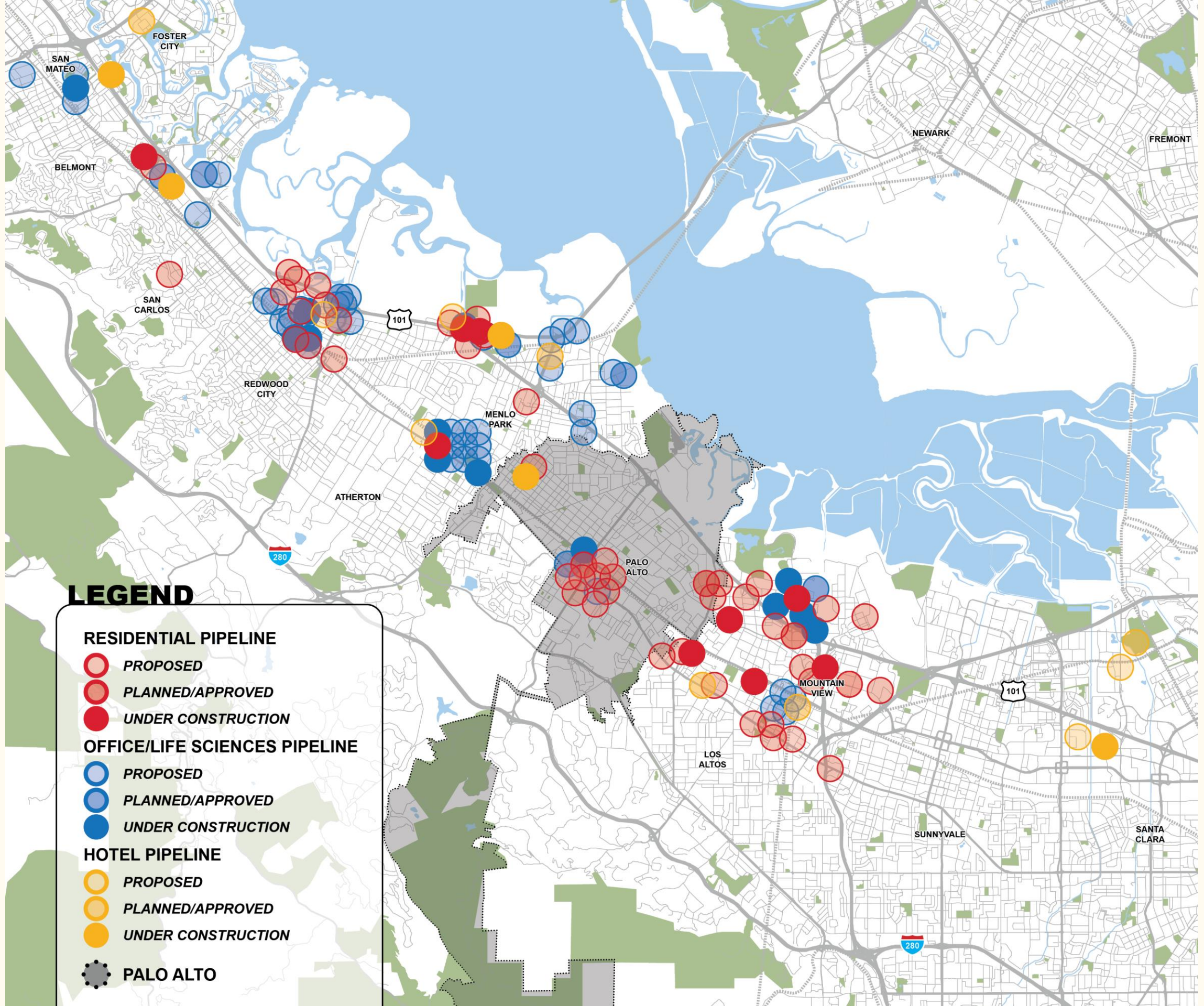At full build out, these projects will add:

17,700 residential units

15.8 million SF of office/life science space

2,300+ hotel keys

TAKEAWAYS

- Menlo Park, Redwood City, and Mountain View have robust office/life science pipelines, growing density and building future daytime populations.

- Fueling the retail ecosystem - density and daytime populations drive retail spending, thereby growing retail demand.

- Retail in districts like California Ave would benefit from increased density and daytime populations

* Map shows multi-family residential developments over 50 units and office/life sciences developments over 25,000 SF
Source: Moody's Analytics, 2022.

STREETSENSE

LEGEND

RESIDENTIAL PIPELINE
- *PROPOSED*
- *PLANNED/APPROVED*
- *UNDER CONSTRUCTION*

OFFICE/LIFE SCIENCES PIPELINE
- *PROPOSED*
- *PLANNED/APPROVED*
- *UNDER CONSTRUCTION*

HOTEL PIPELINE
- *PROPOSED*
- *PLANNED/APPROVED*
- *UNDER CONSTRUCTION*

PALO ALTO

Retail market assessment:

RETAIL DEMAND PROJECTIONS

Based on resident, employee, overnight guest, and daytime visitor spending, local and regional competition, and projected population growth, the site can support the following:
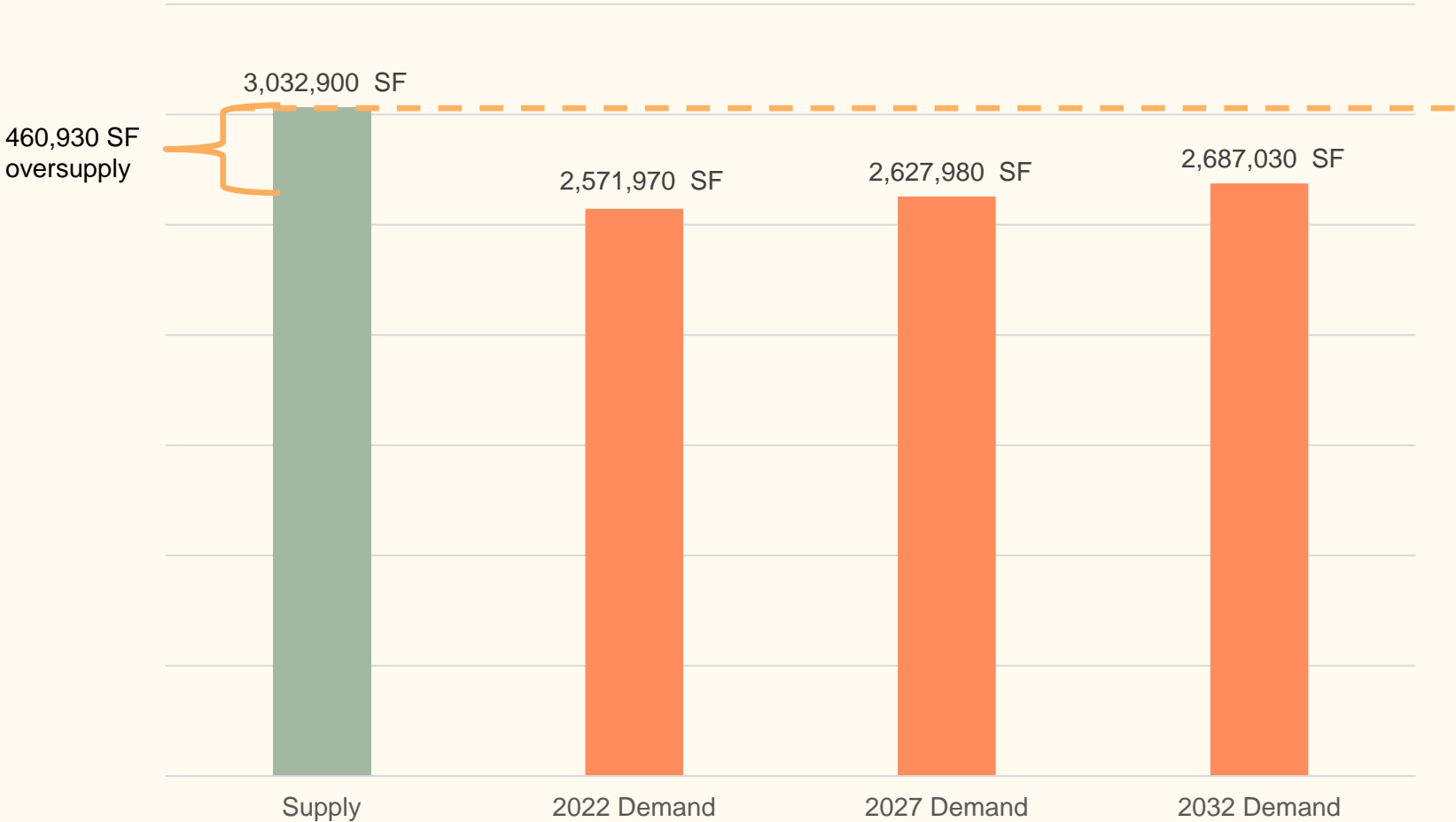
2,571,970 SF
Total retail demand in 2022

2,627,980 SF
Total retail demand in 2027

2,687,030 SF
Total retail demand in 2032

TAKEAWAYS

- **Retail needs to be right-sized --** Retail demand will steadily increase however, without intervention, demand will not reach parity with the existing retail supply over the next 10 years

- **Oversupply > vacancy**, indicating that **vacancy will continue to rise** among lower quality or poorly positioned space

- Potential interventions to the retail ecosystem –
  - **Broadening the mix of uses to increase daytime customer base** with office and residential uses
  - **Supplementing with non-traditional retail** uses like entertainment, civic, and cultural uses to activate the ground plane

Retail Supply and Demand Projections

3,032,900 SF

460,930 SF oversupply

2,571,970 SF

2,627,980 SF

2,687,030 SF

Supply   2022 Demand   2027 Demand   2032 Demand

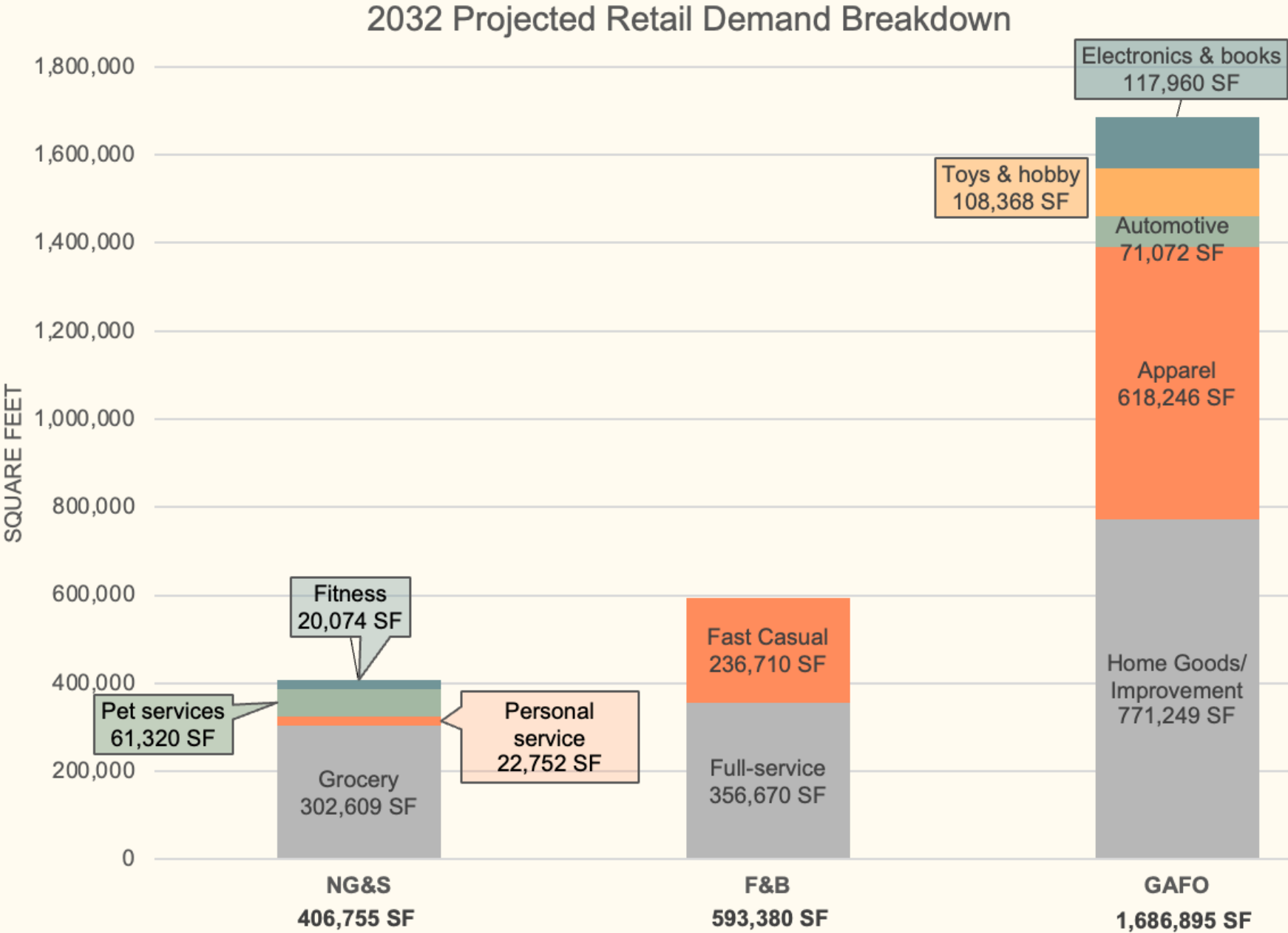Source: Michael Baker; Streetsense analysis 2022.

Retail market assessment:
DEMAND BREAKDOWN

By 2032, total retail demand can be broken out into the three major retail categories :

- **Neighborhood goods & services (NG&S) – 15% of total retail demand**

- **Food & Beverage (F&B) – 22% of total retail demand**

- **General merchandise, apparel, furniture, and other (GAFO) – 63% of total retail demand**

TAKEAWAYS

- General merchandise uses makes-up more than half of demand, driven by **Stanford Shopping Center, which consumes 80% of that dem**and, with a remaining 321,730 SF of general merchandise demand to be distributed among the other districts

- **Neighborhood-serving retail demand is constrained by the presence of big box retailers**, considered "category killers" in the region. However, given the population density and high spending levels, the market may be able to support additional neighborhood-serving retail on a small scale.

- Healthy demand for food & beverage, both fast casual serving student and employee populations, as well as full-service

2032 Projected Retail Demand Breakdown

SQUARE FEET

- Electronics & books 117,960 SF
- Toys & hobby 108,368 SF
- Automotive 71,072 SF
- Apparel 618,246 SF
- Home Goods/Improvement 771,249 SF
- Fast Casual 236,710 SF
- Full-service 356,670 SF
- Fitness 20,074 SF
- Pet services 61,320 SF
- Grocery 302,609 SF
- Personal service 22,752 SF

NG&S 406,755 SF

F&B 593,380 SF

GAFO 1,686,895 SF

Source: Streetsense

04

BUSINESS ENVIRONMENT

→ **SALES TAX ANALYSIS**
→ **HOSPITALITY/ TOURISM ASSESSMENT**

SALES TAX ANALYSIS

→ **NATIONAL AND LOCAL SALES TAX REVENUE TRENDS**
→ **FOCUS AREA SALES TAX REVENUES**
→ **COMPETING CITIES**
→ **KEY TAKEWAYS**

Business environment:
LOCAL SALES TAX REVENUE TRENDS

Small, locally owned businesses were the hardest hit during the COVID-19 Pandemic, particularly restaurants, retailers and personal service providers.
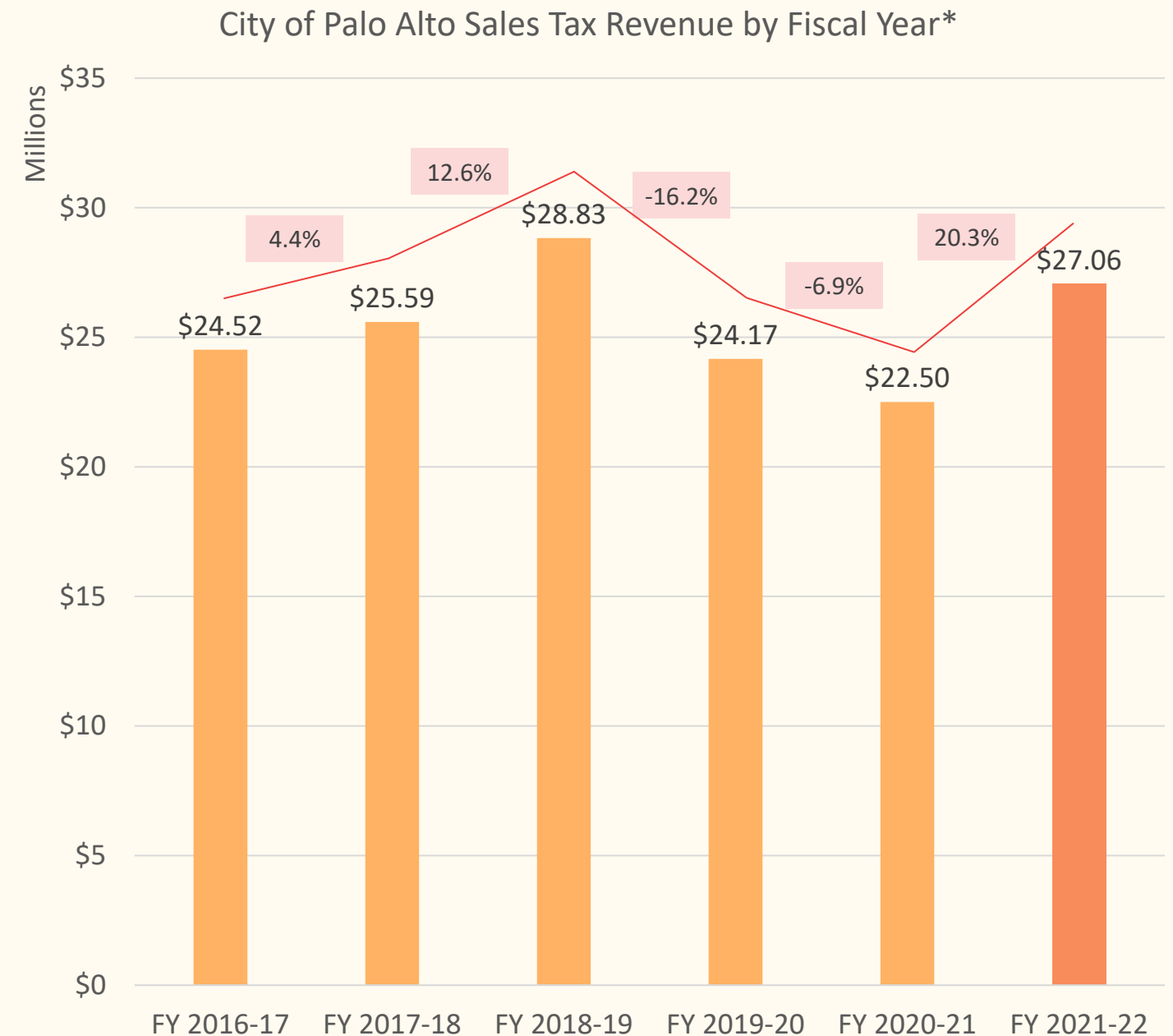
Common economic influences/conditions include:
- Inflation and increasing costs of doing business
- Supply chain and manufacturing disruptions
- Employment/ labor shortages
- Shift to online shopping
- COVID-19 safety protocols and compliance
- Interest rates rising

Palo Alto's total FY 2021-22 sales tax revenues increased by 20% from FY 2020-21. FY 2021-22 revenues were still 6% below pre-pandemic sales tax in FY 2018-19. CPI-U for the San Francisco Area increased by 4.9% from the 12 months prior to December 2022.

TAKEAWAYS
While sales tax recovery is important, it's not a true reflection of recovery and profitability of small businesses. Sales Tax revenues are mostly back to pre-pandemic (FY 2018-19) numbers by the end of FY 2021-22, but many small, locally owned businesses are not back to pre-pandemic cash flow and required revenue margins.

City of Palo Alto Sales Tax Revenue by Fiscal Year*

Fiscal Year	Revenue (Millions)	Change
FY 2016-17	$24.52	
FY 2017-18	$25.59	4.4%
FY 2018-19	$28.83	12.6%
FY 2019-20	$24.17	-16.2%
FY 2020-21	$22.50	-6.9%
FY 2021-22	$27.06	20.3%

*The graphic above is representative of sales tax revenues by Fiscal Year for all sales tax producing businesses in Palo Alto. Sources: HdL Companies; bls.gov

Note: The dollar amount listed for sales tax revenue here forward represent the 1% sales tax revenue issued to the City of Palo Alto

Business environment:

FOCUS AREA SALES TAX REVENUES BY FISCAL YEAR

Neighborhood focused areas produce a low amount of sales tax relative to the other shopping areas and there is a higher volume of essential stores like grocery stores, markets, pharmacies, etc. Combined, Charleston and Midtowns made up about 1% of the City's total sales tax revenue in FY 2021-22.

Downtown Palo Alto, which makes up 12% of total sales tax revenue in the City, has been the slowest to recover from the Pandemic. Downtown FY 2021-22 sales tax revenues are 25% below pre-Pandemic FY 2016-17 sales.

California Avenue makes up 2.2% of total sales tax in the City. Sales tax on California Avenue is 12.8% below pre-Pandemic sales in FY 2018-19, and 9% below FY 2016-17.
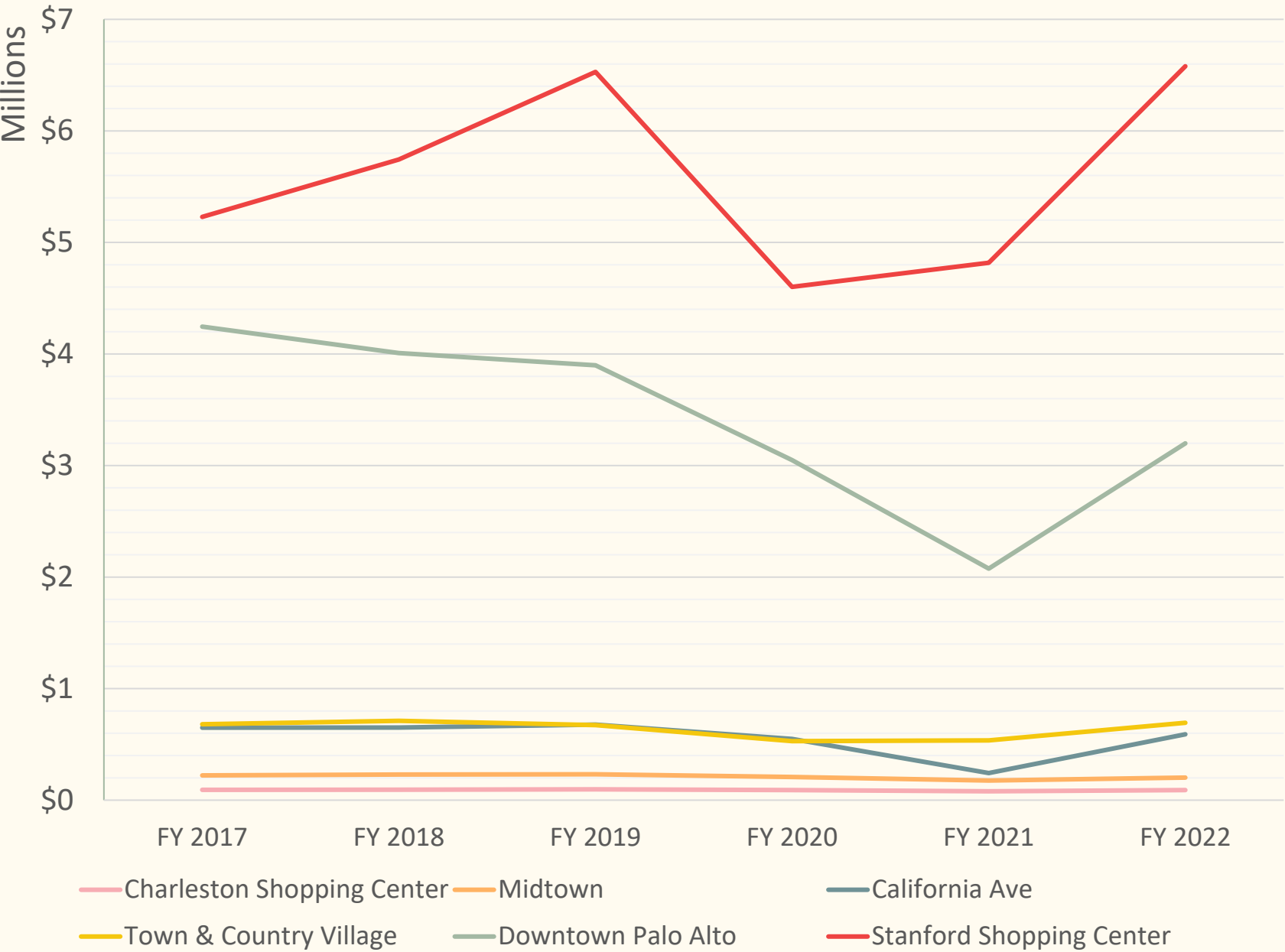
Town & Country Village experienced a 21% decrease in sales tax in FY 2019-20, though the shopping area is recovering from the Pandemic. Town & Country Village sales tax make up 3% of the total sales tax revenue in Palo Alto for FY 2021-22.

Stanford Shopping Center FY 2021-22 sales were 25% above pre-Pandemic FY 2016-17 sales tax revenues. Stanford Shopping Center makes up 25% of total sales tax revenue, mainly from retail sales.

TAKEAWAYS

- Total sales tax revenues are bouncing back from the Pandemic, but recovery from the COVID-19 Pandemic is uneven across key tax generating districts and the local economy is not fully recovered.

- Sales tax revenues in the neighborhood shopping areas, Charleston Shopping Center and Midtown, were the least impacted during the Pandemic.

- Downtown sales tax has been in a decline since before the Pandemic, but the Pandemic exacerbated the situation.

Sales Tax Revenues for Fiscal Years 2016-17 to 2021-22

Legend: Charleston Shopping Center — Midtown — California Ave — Town & Country Village — Downtown Palo Alto — Stanford Shopping Center

STREETSENSE

Source: HdL Companies

Business environment:
FOCUS AREA SALES TAX REVENUES BY RETAIL CATEGORY FISCAL YEAR 2021-22

Neighborhood Goods & Services (NG&S)
NG&S makes up 4% of total sales tax revenue for the six focus districts (2% of total sales tax for the City of Palo Alto). Most NG&S businesses are not big sales tax producers (I.e., personal services, grocery stores, gyms). For example, Grocery Store taxable sales are roughly 25-30% of their total sales.

Food & Beverage (F&B)
F&B makes up 27% of total sales tax revenue for the six focus districts (11.4% of total sales tax for the City).

General Merchandise, Apparel, Furniture & Other (GAFO)
GAFO makes up 58% of the total sales tax revenue for the six focus districts (24% of total sales tax for the City).

Non-Retail
Non-retail sales tax revenue in the six focus areas include automotive sales, automotive rentals and repairs, business services, medical/biotech, and textile / furnishings. Non-retail makes up 11.4% of total sales tax revenue for the six focus districts (4.8% of total sales tax for the City).

TAKEAWAYS
- Charleston Shopping Center and Midtown show the highest percentage of NG&S relative to the total sales tax revenue in those shopping districts (40% and 54%, respectively).
- Downtown Palo Alto produces the highest value of F&B sales tax revenue
- Stanford Shopping Center and Downtown combined make up 95% up GAFO sales tax for the six focus areas ($5.1M and $1.1M, respectively).

District	Number of Businesses*	NG&S	F&B	GAFO	Non Retail	Totals
Charleston Shopping Center	10	$36,161	$23,525	$30,590	-	$90,276
Midtown	42	$109,320	$74,929	$6,305	$11,397	$201,951
California Ave	99	$56,322	$437,306	$38,449	$58,149	$590,226
Town & Country Village	59	$87,101	$328,968	$274,874	$3,237	$694,180
Downtown Palo Alto	432	$147,868	$1,640,977	$1,118,451	$291,371	$3,198,667
Stanford Shopping Center	151	$5,980	$574,954	$5,063,008	$934,975	$6,578,917
District Total Sales by Category		**$442,752**	**$3,092,536**	**$6,531,677**	**$1,299,129**	**$11,354,217**
Palo Alto Total Sales by Category		**$579,284**	**$4,036,817**	**$7,254,645**	**$15,190,166**	**$27,060,912**

Number of businesses is only representative of those that are sales tax producing. Non sales tax producing businesses not accounted for in this table may include offices, medical centers, certain business and personal services, and certain fitness centers or gyms.

Source: HdL Companies
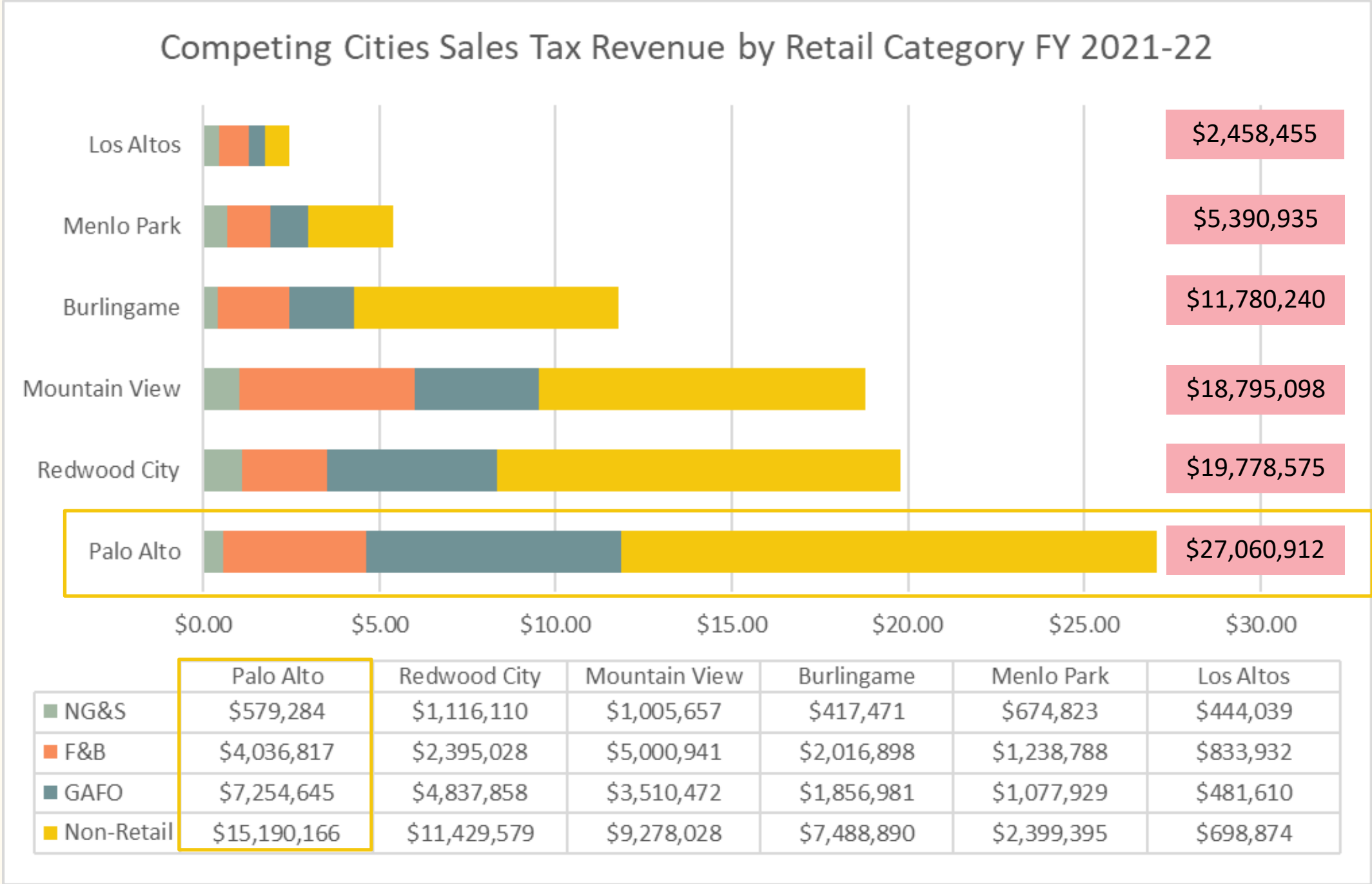
Business environment:
COMPETING CITIES: TOTAL SALES TAX REVENUE FISCAL YEAR 2021-22

Palo Alto's GAFO and non-retail sales are significantly higher than competing cities.

- GAFO dominated by Stanford Shopping Center's sales tax revenue, which makes up 90% of total GAFO sales at $6.6 million for FY 2021-22.

- Non-retail-sales mostly come from auto and transportation related businesses (12 of which are in the top 100 sales tax producing businesses in the City).

TAKEAWAYS

- Palo Alto is the largest sales tax producer compared to the competing cities identified here, largely due to GAFO and Non-Retail sales tax revenues.

- Despite being the largest sales tax producer, the city is lacking in neighborhood goods and service businesses

Competing Cities Sales Tax Revenue by Retail Category FY 2021-22

	Los Altos	$2,458,455
	Menlo Park	$5,390,935
	Burlingame	$11,780,240
	Mountain View	$18,795,098
	Redwood City	$19,778,575
	Palo Alto	$27,060,912

	Palo Alto	Redwood City	Mountain View	Burlingame	Menlo Park	Los Altos
NG&S	$579,284	$1,116,110	$1,005,657	$417,471	$674,823	$444,039
F&B	$4,036,817	$2,395,028	$5,000,941	$2,016,898	$1,238,788	$833,932
GAFO	$7,254,645	$4,837,858	$3,510,472	$1,856,981	$1,077,929	$481,610
Non-Retail	$15,190,166	$11,429,579	$9,278,028	$7,488,890	$2,399,395	$698,874

Source: HdL Companies

Business environment:
COMPETING CITIES: RETAIL SALES DOLLAR PER CAPITA (SDPC) FISCAL YEAR 2021-22

Neighborhood Goods & Services (NG&S)
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 View receive a significantly higher amount of NG&S sales tax revenue.

Food & Beverage (F&B)
Palo Alto is doing better than most competing cities in bringing people to the City for F&B.

General Merchandise, Apparel, Furniture & Other (GAFO)
Palo Alto has the highest SDPC in the GAFO category, largely due to the Stanford Shopping Center.

Non-Retail
Burlingame has the highest SDPC in non-retail sales, which likely comes from the auto and transportation industry (new and used car sales, rentals, repairs, etc.).

TAKEAWAYS
- Palo Alto residents are likely shopping for neighborhood goods and services in competing areas.
- Palo Alto is likely bringing consumers from outside the area to shop for non-retail sales tax producing goods and services, like auto and transportation, as well as from the Stanford Research Park.

FY 2021-22 Sales Dollar Per Capita Comparison
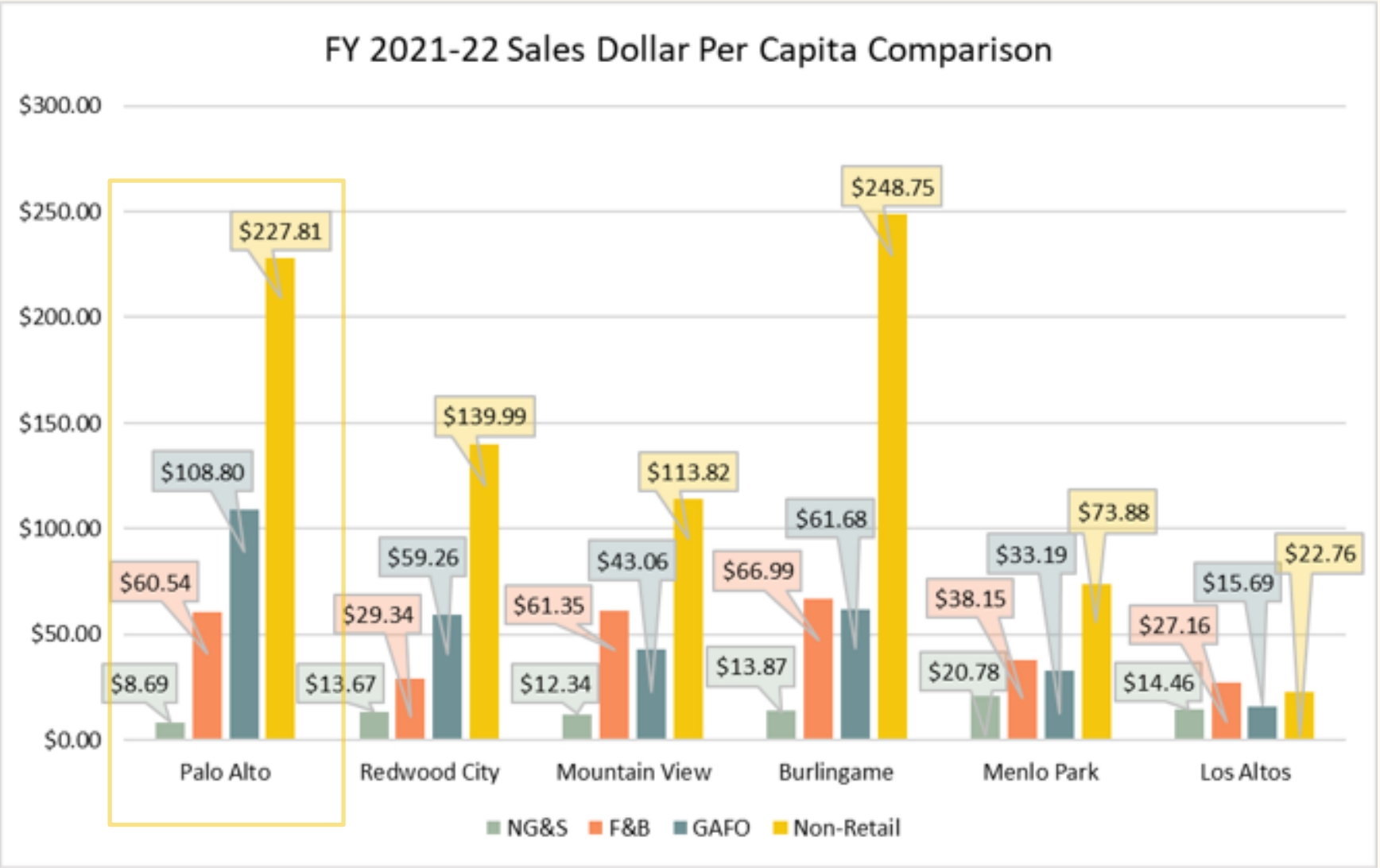
SDPC is a macro approach to identify possible trends within a city or region regarding to spending habits. Average SDPC is derived by multiplying out the 1% total point of sales tax dollars and then dividing them by the population size of their community.
- **Below Average**: Suggests resident do some shopping outside of the area; lack of local supply by preferred retailer and restaurant concepts
- **Above Average**: Suggest consumers from outside the area are attracted to the local retail market; have preferred retailer and restaurant concepts.
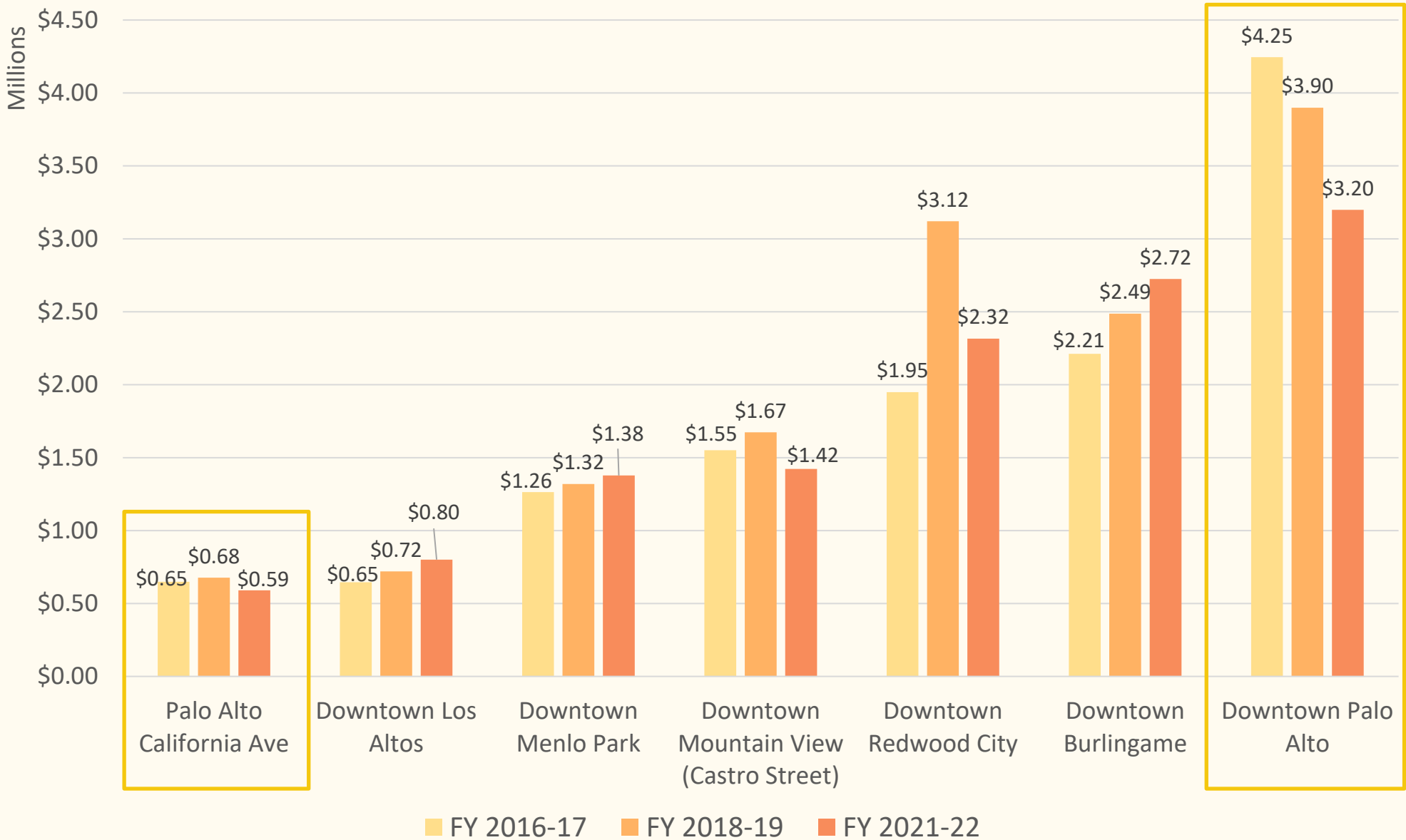
Source: HdL Companies

Business environment:
COMPETING DOWNTOWNS: SALES TAX REVENUES

TAKEAWAYS

- Downtown Palo Alto and California Ave are not recovered and back to pre-Pandemic FY 2016-17 sales tax revenues.

- Despite the slow recovery, Downtown produces the most sales tax revenue compared to competing downtowns.

- California Ave sales tax revenue is more comparable to Los Altos Downtown in terms of sales tax revenue
  - (*Note:* While sales tax may be comparable, there is a clear difference in terms of ownership and management when comparing California Avenue to Downtown Los Altos).

Sales Tax Revenues for Competing Downtowns
Fiscal Years 2016-17, 2018-19, and 2021-22

Downtown	FY 2016-17	FY 2018-19	FY 2021-22
Palo Alto California Ave	$0.65	$0.68	$0.59
Downtown Los Altos	$0.65	$0.72	$0.80
Downtown Menlo Park	$1.26	$1.32	$1.38
Downtown Mountain View (Castro Street)	$1.55	$1.67	$1.42
Downtown Redwood City	$1.95	$3.12	$2.32
Downtown Burlingame	$2.21	$2.49	$2.72
Downtown Palo Alto	$4.25	$3.90	$3.20

Source: HdL Companies

HOSPITALITY/ TOURISM ASSESSMENT

→ **LODGING**
→ **VISITORS**
→ **OPPORTUNITIES**

Business environment:
HOSPITALITY/TOURISM: LODGING

BARRING RECESSION, FULL RECOVERY BY 2023*
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, slightly lower than either U.S. or California Average.
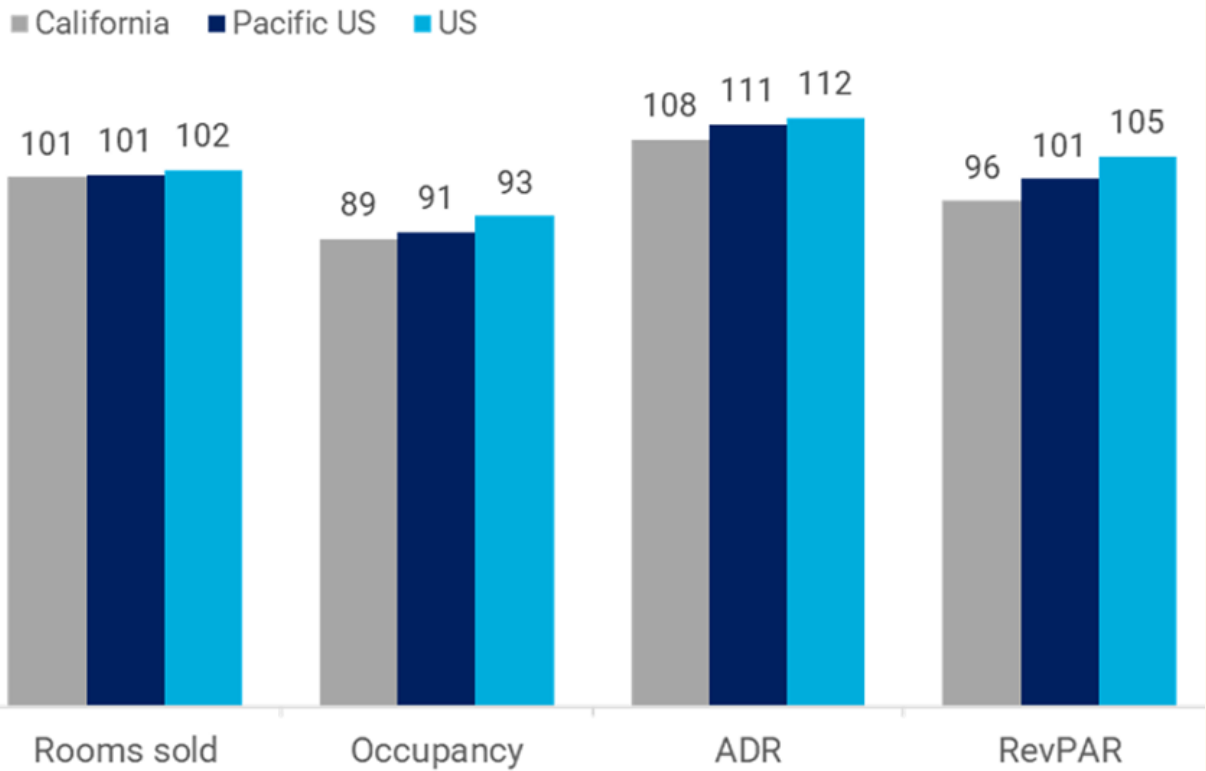
STABLE BUSINESS TRAVELER BASE
Palo Alto's largest contributors to occupancy are medical, education and business travelers who fill approximately 2,200 hotel rooms, including about 300 via the two new Marriott properties.

RECESSION CONCERNS
Oxford Economics expects the US to enter a recession in the first half of 2023. This is an ominous prospect as travel spending falls by roughly twice the rate of the economy in a typical recession.
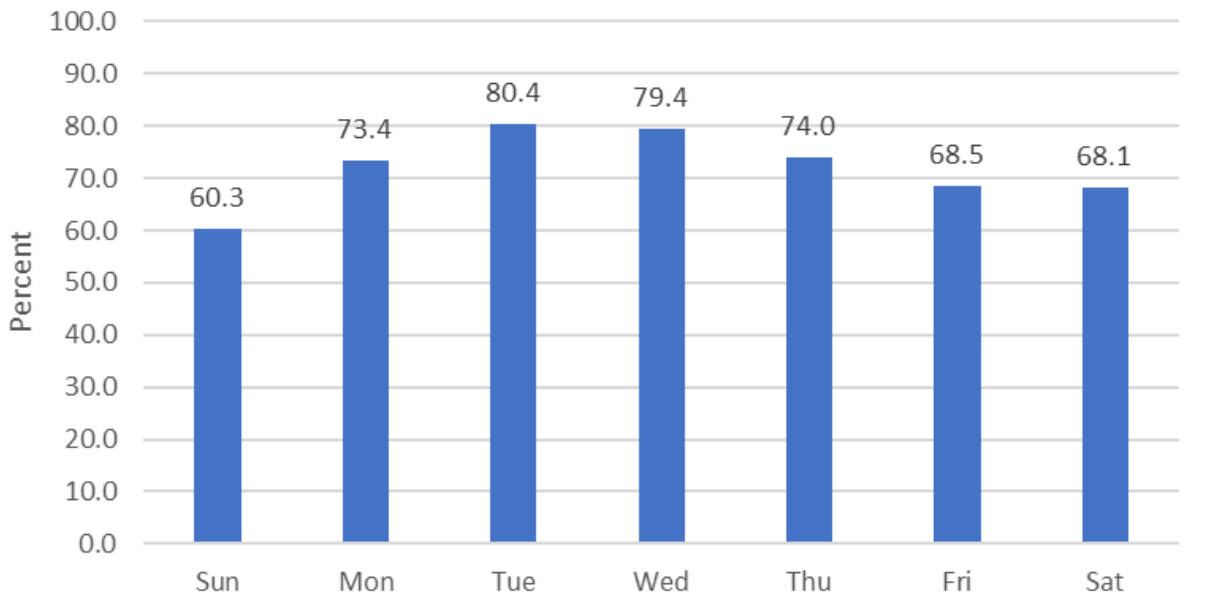

Hotel performance through August
YTD August 2022 relative to 2019

Legend: ■ California ■ Pacific US ■ US

	California	Pacific US	US
Rooms sold	101	101	102
Occupancy	89	91	93
ADR	108	111	112
RevPAR	96	101	105

Source: Tourism Economics

Palo Alto Hotel Occupancy (Day of the Week)

Day	Percent
Sun	60.3
Mon	73.4
Tue	80.4
Wed	79.4
Thu	74.0
Fri	68.5
Sat	68.1

Source: STR

Business environment:
HOSPITALITY/TOURISM: VISITORS

INTERNATIONAL

Lag in recovery from international travelers will continue to impact Palo Alto more than most cities.

Of particular note, Chinese visitors had been the largest source of international visitors to Palo Alto, and that nation's slow recovery lags all other major inbound traveler sources to California.

BUSINESS

Less business travel as virtual meetings grow. The transition to virtual meetings, caused by the pandemic, generally worked well and contributes to California's (and the U.S.') slower business travel recovery. Cost savings to businesses was meaningful, and lower company carbon footprints was and remains important to many.

Business travel and the related impact on Palo Alto's economy will eventually recover to pre pandemic levels, but it will likely be different than in the past, and in ways yet to be confirmed.

DOMESTIC LEISURE

Palo Alto is not a typical, overnight tourist destination as it lacks major destination attractions. However, there are unique local destinations to be celebrate.

Palo Alto's largest audience sector for hospitality spending (restaurants, attractions, shopping) and tax revenues is a combination of residents and workforce. Its next largest includes residents and workforces from neighboring Bay Area communities, such as Mountain View, Menlo Park, Sunnyvale, Redwood City, Burlingame and Los Altos.

OPPORTUNITIES
- Incentivize longer business travel or "Bleisure" travel
- Grow weekend occupancy rates with non-business travel

05

ADMINISTRATIVE ASSESSMENT

→ REGULATORY ASSESSMENT
→ ORGANIZATIONAL CAPACITY & STEWARDSHIP

STREETSENSE

REGULATORY ASSESSMENT

Administrative Capacity:
TAKING OUR CUE FROM THE COMPREHENSIVE PLAN

The existing 2030 Comprehensive Plan is the primary tool for guiding preservation and development of Palo Alto.

There are three sections in the plan which provide economic development directives...

- **Business & Economics** – "business friendly and thriving"

- **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 to residential FAR, where appropriate"

- **Transportation** – Improve Walkability & Bikability by "improving connectivity between businesses, parking and transit stops", including "public art in alleyways" to encourage walking


CITY OF PALO ALTO
COMPREHENSIVE PLAN
2030

Our Palo Alto
2030
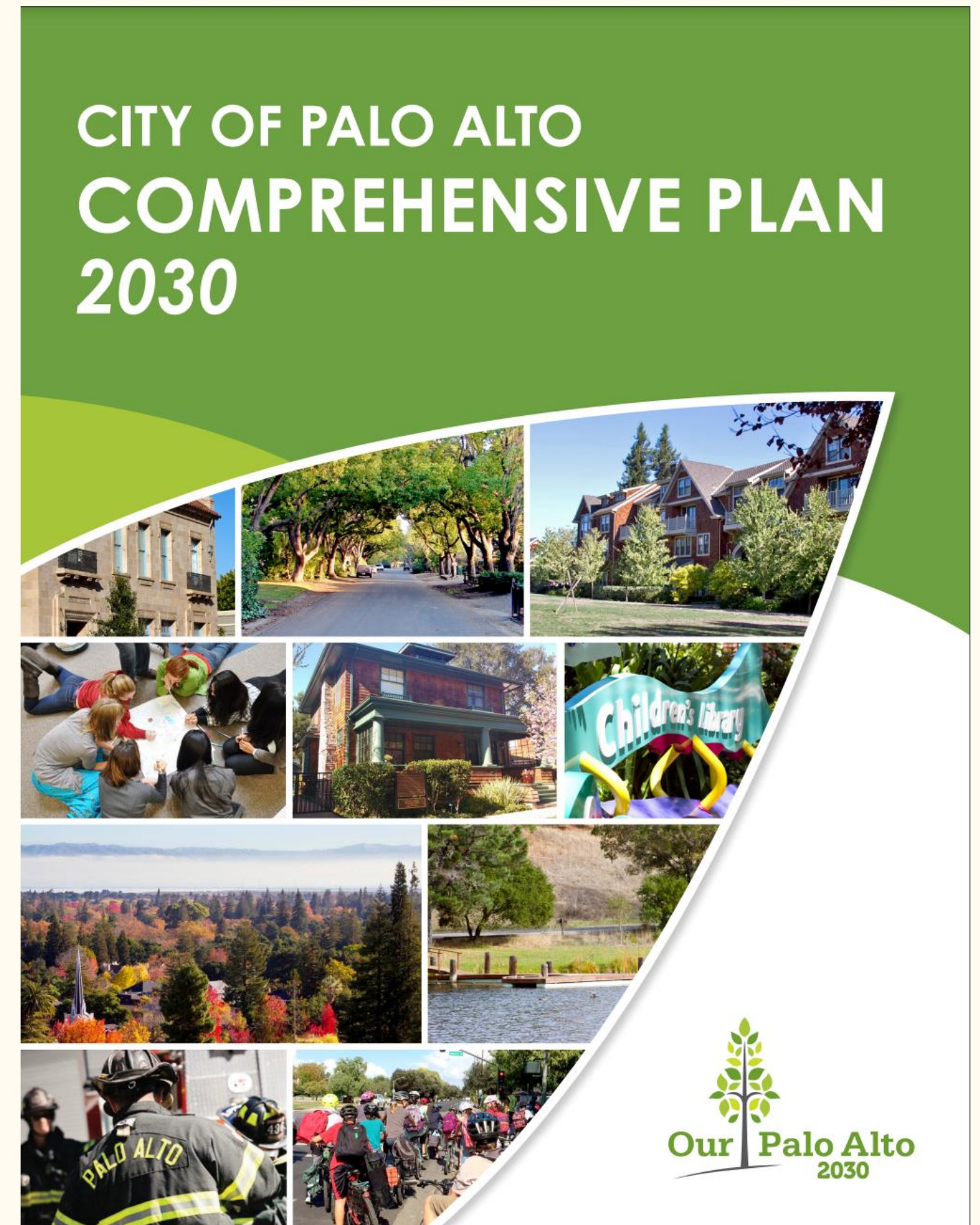
Administrative Capacity:
ZONING CODE BASICS

Municipal codes are often an accumulation of general controls that were used to solve specific problems in specific places including:

- Concerns over rising retail rents from use groups (i.e. office, chain stores, storage facilities, etc.) perceived as contributing to rent inflation for "more desirable" uses
- Conflicts between residents and industrial or entertainment uses
- Rules that restrict uses with a low-income or transient customer base, like laundromats
- Concerns over "bad actors", like bars and dance clubs
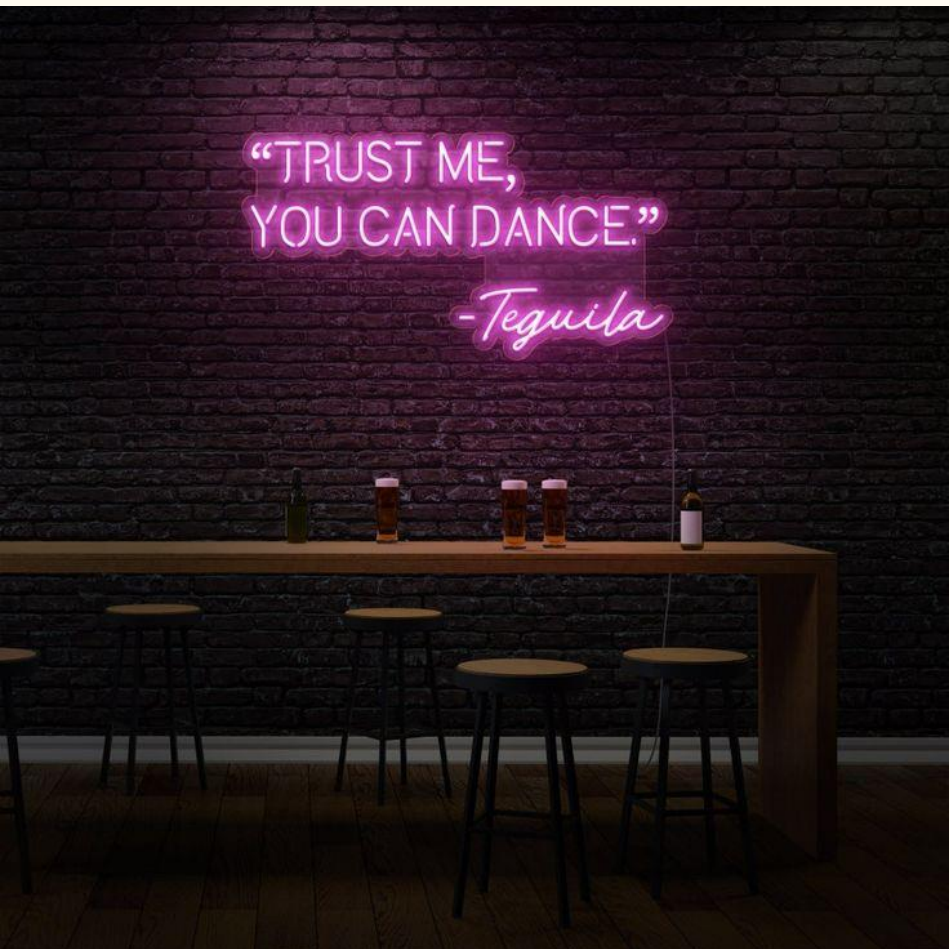
Administrative Capacity:
ZONING CODE BASICS

Recent trends in retail and changing work patterns can render some sections of the Zoning Code outdates, E.G.

GROWTH IN ON-LINE SHOPPING	Retailers are using stores for local distribution, which may be restricted as "warehousing & distribution"
TECHNOLOGICAL ADVANCES	Breweries, specialty food manufacturing and maker spaces are restricted as "Manufacturing & Processing"
DEMOGRAPHICS AND LIFESTYLE	Wellness and medical services are restricted as "Medical Office"

Customer Pick-Up/Returns within Store

Urgent Care, Adams Morgan, Washington, DC

Administrative Capacity:
OVERVIEW OF APPLICABLE ZONING CONTROLS GOVERNING USES

Each overlay delineates separate permitting and use requirements and can make it difficult for an applicant to determine what rules apply.

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				

Administrative Capacity:
ZONING OVERVIEW: CALIFORNIA AVENUE

C C (2)(R)(P)

Along California Avenue, many Retail and "Retail-Like" uses face regulatory barriers to entry, including businesses with 10 or more locations nationwide

CONDITIONAL USE PERMITS REQUIRED FOR:
- Beauty Salons exceeding 1,800 SF
- Nail Salons exceeding 1,800 SF
- Barber Shops exceeding 1,800 SF
- Fitness or Exercise exceeding 1,800 sf
- Learning Centers for Individual or Small Group Settings
- Laundry & Dry Cleaning
- Financial Services (Except Drive-In) on ground floor
- Medical Offices up to 5k *only when fronting Cal Ave.*
- Commercial Recreation Uses up to 5k *only when fronting Cal Ave*
- Formula retail (with more than 10 stores nationally)

UNMENTIONED AND THEREFOR NOT ALLOWED
- Light Industrial as accessory uses (i.e., maker spaces)

RESTRICTED GROUND FLOOR USE
- Residential

Fitness – Restricted by Square Footage

Drybar – Restricted under both Salon and Formula Ordinance

Pottery Making – Restricted under Learning Centers and/or Industrial

Pediatrician – Restricted under Medical Office

Administrative Capacity:
CITY-WIDE RETAIL PRESERVATION ORDINANCE

In 2015, zoning protections were passed to restrict ground floor retail conversions to non-retail uses in the face of significant competition for space from higher paying office tenants.

2015 MARKET CONDITIONS
- At the time, Palo Alto was experiencing "record high commercial rental rates" (average $61.44 psf) and "low office vacancy rates" (2.83%)

2021-2022 MARKET CONDITIONS
- 2022 Q3 Silicon Valley Office Vacancy: 17.7% (Source: JLL); 2021 Palo Alto Office vacancy rates 13.64% (Source: CommercialCafe, 2021)
- 2021 office average asking rents: $93.75 (Class A Space); $37.04 (Class B Space)
- Office occupancy rates for San Jose metro are between 27.3% - 41.7%, the lowest of the top ten metro area measured by Kastle Systems nationwide.

OPPORTUNITY
Right-size the Retail Preservation Ordinance to focus on targeted areas of concentrated retail activity
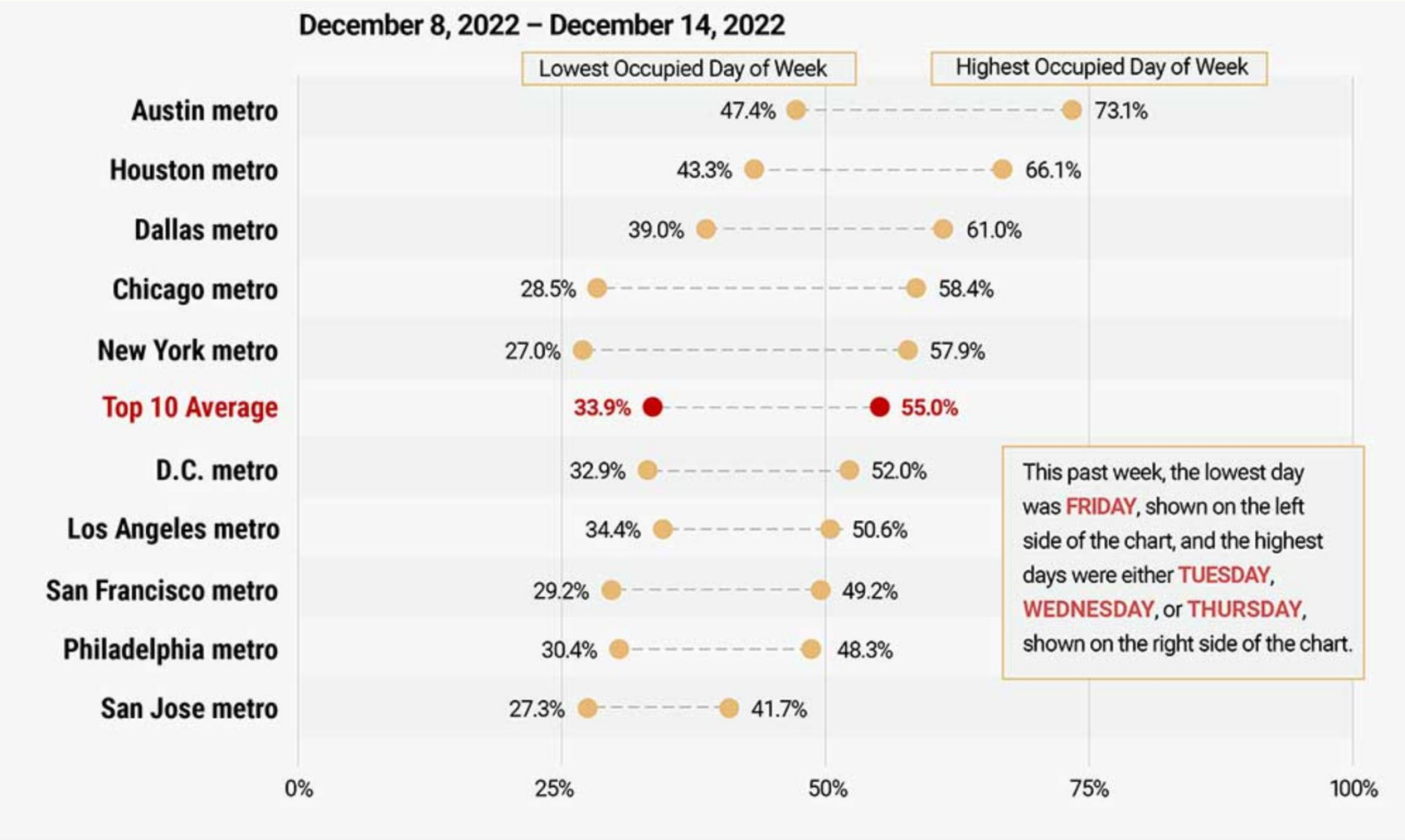
Source: Kastle Systems Back to Work Barometer

Administrative Capacity:
ADDITIONAL REGULATIONS AND POLICIES

FORMULA ORDINANCE
Formula Retail Businesses have <u>10 or more business locations in the United States</u> that maintain uniformity across merchandise, décor, scheme, trademark, etc.

OPPORTUNITY
Consider a cap (i.e. Arcata, CA), a focus on restaurants (i.e. Carmel-by-the-Sea) a restriction by size (i.e. Coronado)

SANDWICH & A-FRAME SIGNS
The Palo Alto Municipal Code defines dictates that these signs must be located on private property. This effectively renders nearly all signs along University Avenue and California Avenue non-compliant.

OPPORTUNITY
Allow as-of-right merchandising, benches, and signage within 2' of storefront (i.e. NYC)

ARB ARCHITECTURAL REVIEW
ARB provides aesthetic controls and design approval, required for the issuance of building permits, to address the visual impact of projects on adjacent properties and public streets.

OPPORTUNITY
Clarify role of ARB and provide illustrative or plain language design guidelines to offer businesses predictability in the approval process

ORGANIZATIONAL CAPACITY & STEWARDSHIP

Administrative Capacity:
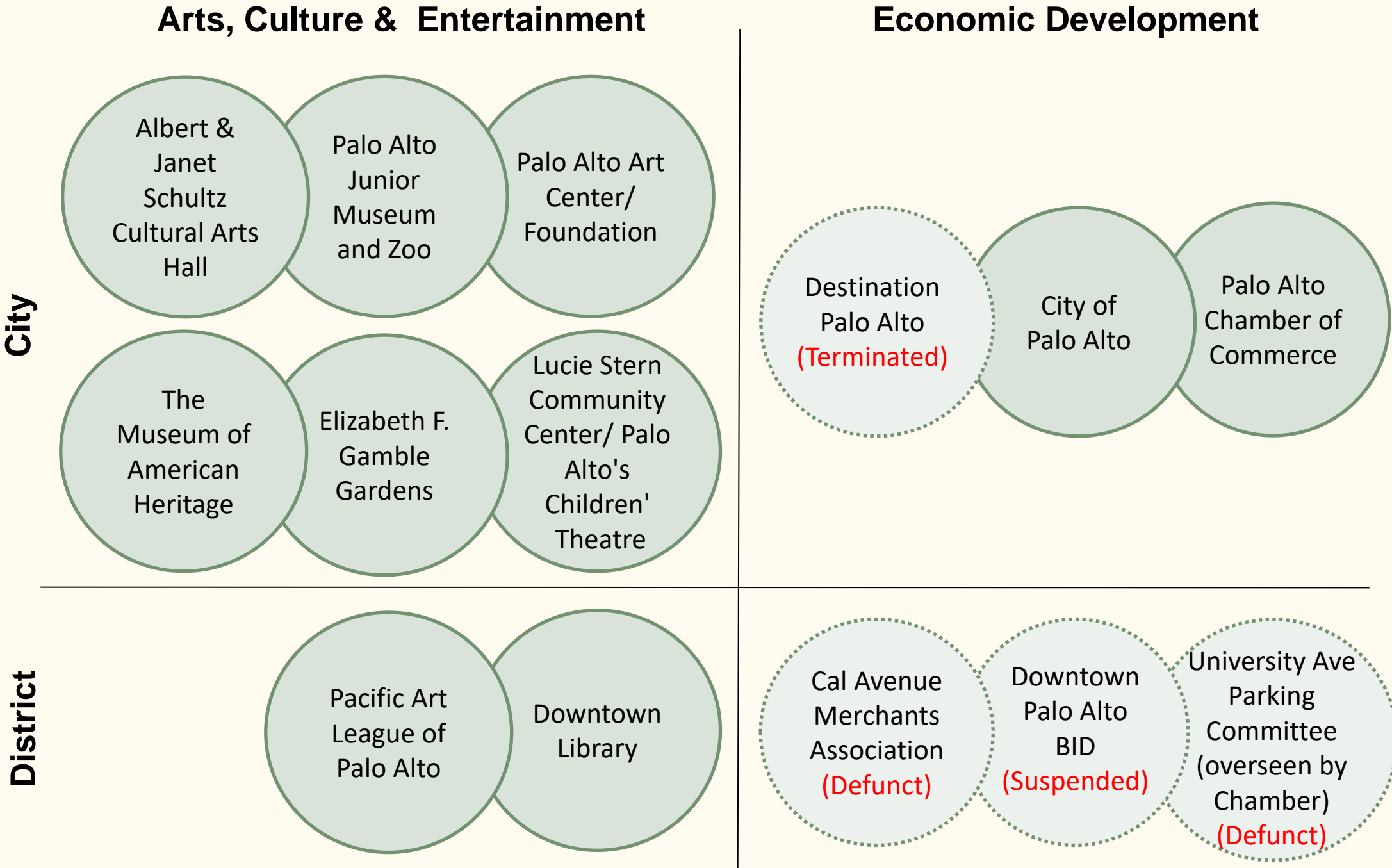# ORGANIZATIONAL LANDSCAPE

Palo Alto is well served by Arts, Culture & Entertainment at both the City and District Level.

Palo Alto's Economic Development service delivery mechanisms are limited to the City and the Palo Alto Chamber, which is a city-wide membership organization.

At this time neither University Ave/Downtown nor California Avenue have active stewards to lead marketing, promotion, event coordination, enhanced sanitation and security (above and beyond what a city provides).

OPPORTUNITY
Reactivate and support improvements to stewardship along University and Cal Ave

Arts, Culture & Entertainment

Economic Development

City

- Albert & Janet Schultz Cultural Arts Hall
- Palo Alto Junior Museum and Zoo
- Palo Alto Art Center/ Foundation
- The Museum of American Heritage
- Elizabeth F. Gamble Gardens
- Lucie Stern Community Center/ Palo Alto's Children' Theatre

- Destination Palo Alto (Terminated)
- City of Palo Alto
- Palo Alto Chamber of Commerce

District

- Pacific Art League of Palo Alto
- Downtown Library

- Cal Avenue Merchants Association (Defunct)
- Downtown Palo Alto BID (Suspended)
- University Ave Parking Committee (overseen by Chamber) (Defunct)

06

PHYSICAL ASSESSMENT

→ **PUBLIC AND PRIVATE REALM ELEMENTS**
→ **ACCESSIBILITY & CONNECTIVITY**
→ **FOCUS AREA SWOT ANALYSIS**

Physical environment:
ELEMENTS INFORMING CHARACTERISTICS OF BEST-IN-CLASS RETAIL PLACES

MANAGED

…with leadership and capacity to engage merchants and property owners and implement improvements

CHAMPIONED

…with demonstrated signs of maintenance and investment

ACCESSIBLE

…to a customer base

…with little friction for arrival/departure regardless of mode

PEDESTRIAN FRIENDLY

…co-located businesses that encourage cross shopping

…walkable and with few disruptions in continuity

SAFE

…but more importantly *perceived* as safe

ANCHORED

…by retail destination driver(s)

… by culture, institutional or entertainment uses

VISIBLE

…by potential customers either as they drive, bike or walk by

BRAND RESONANCE

…with clear branding strategy and identity

TRANSPORTATION NETWORKS   **SIDEWALKS**   **PARKING**   **ALLEYS**

GATHERING SPACES   **WAYFINDING/ SIGNAGE**   **BUILDINGS**

CITY-WIDE ELEMENTS

→ **ACCESSIBILITY & CONNECTVITY**

Physical environment:
CITY-WIDE ACCESSIBILITY & CONNECTIVITY: CONCEPTS

01
Regional and local transportation systems will be relied upon by consumers within the trade areas, near and far.

02
Regional Systems should be accompanied by last-mile options (i.e. shuttles, bicycle, scooters, delineated infrastructure)

03
Last-mile options are often first (and only) options for local residents, workers, and students.

Are there any physical barriers to overcome?
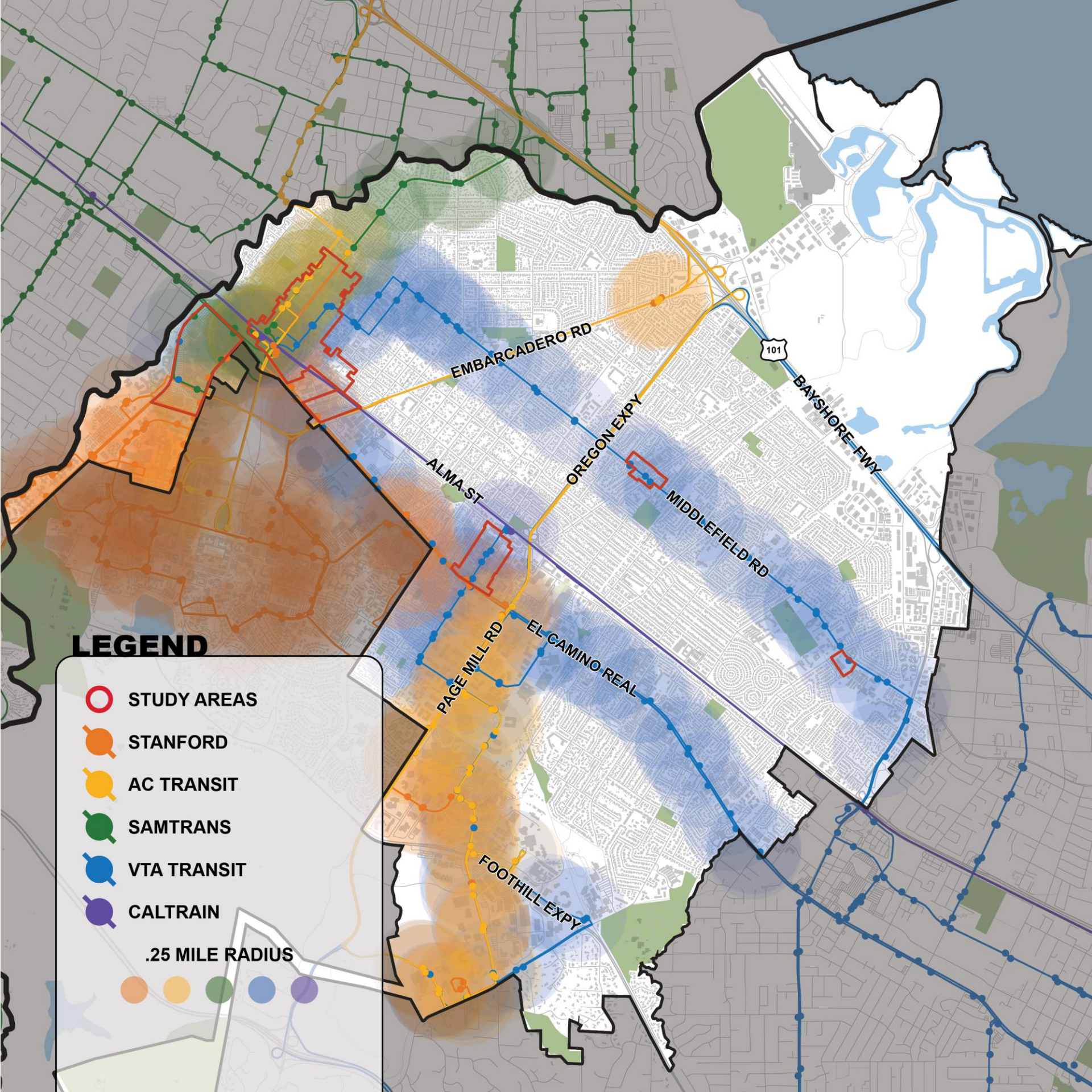
Are there accessibility gaps?

Is navigation made easy?

Physical environment:
CITY-WIDE ACCESSIBILITY & CONNECTIVITY: ROADWAY & TRANSIT NETWORKS

KEY TAKEAWAYS

- **Road Network:**
  - Robust road network, which provides good regional and local connectivity - Around 90% of households own at least one vehicle.

  - **Network hindered by lack of grade separated railway crossings, but there are Comprehensive Plan policies to implement more in the future.**

- **Transit Network:**
  - Low to moderate (30 to 57) transit scores for all districts.

  - Line redundancy (mostly regionally serving) for regional and community centers while neighborhood centers have no service redundancy.

  - **Most of Palo Alto, from a geographic standpoint, does not have access to transit within a ¼ mile walk, including areas with lower median income and higher existing and planned density.**

 - **Future shuttles will provide last mile options in places with limited transit access.**

LEGEND

- ○ STUDY AREAS
- ● STANFORD
- ● AC TRANSIT
- ● SAMTRANS
- ● VTA TRANSIT
- ● CALTRAIN

.25 MILE RADIUS

Physical environment:

CITY-WIDE ACCESSIBILITY & CONNECTIVITY: PEDESTRIAN & CYCLING NETWORKS

KEY TAKEAWAYS

- **Pedestrian Network:**
  - While overall robust with walk scores from 77 to 97, some areas lack sidewalks of proportionate scale to adjacent roadway, adequate pedestrian crossings and median refuges, or (well-maintained) planted buffer areas.

- **Bicycle Network:**
  - Cycling infrastructure is robust with more planned connectivity (bike score of 97 to 100) but navigating by signage/markings is difficult as it is lacking in key locations.
  - Currently no micromobility programs in place.
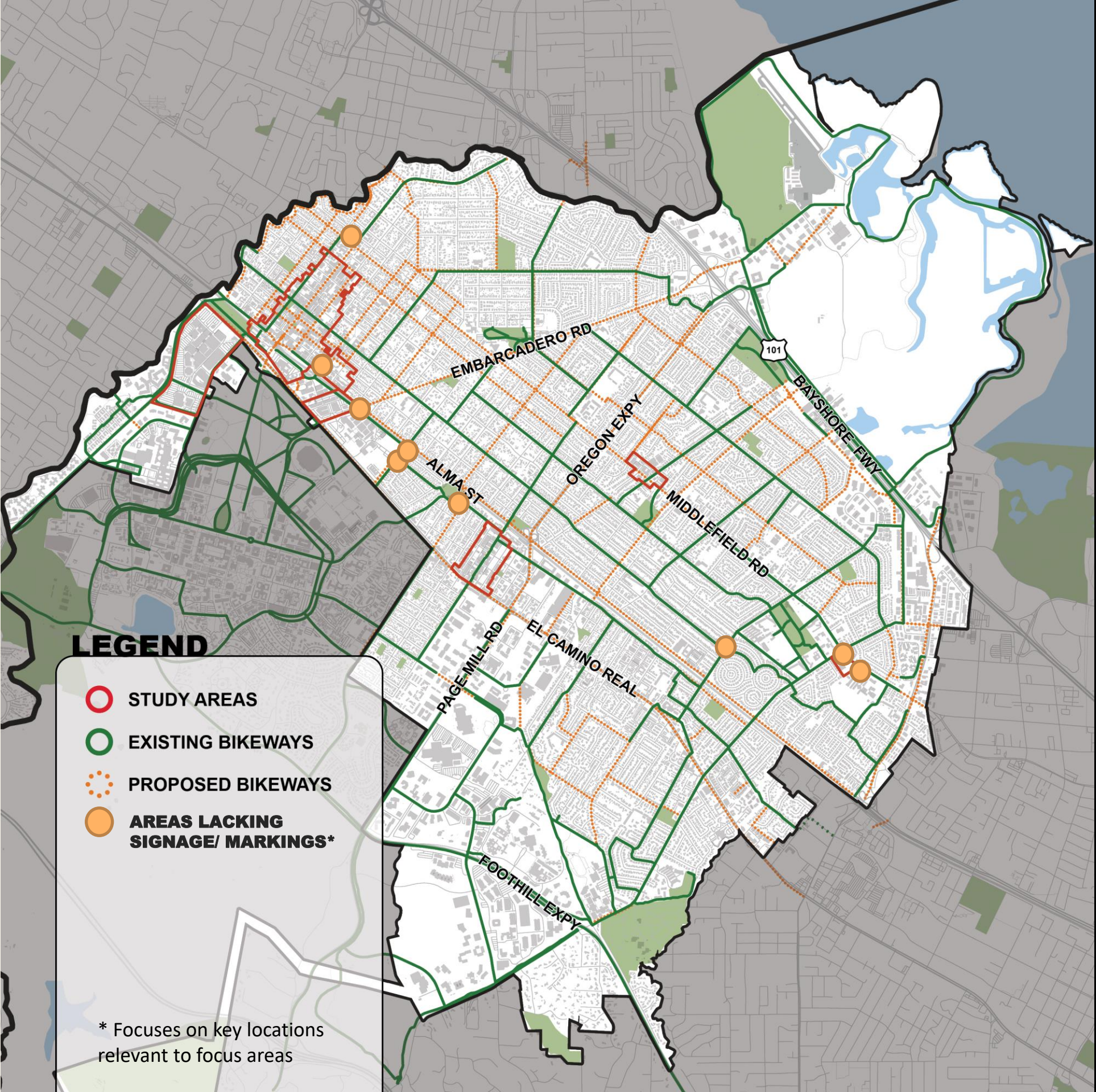
LEGEND

- ⬤ STUDY AREAS
- ⬤ EXISTING BIKEWAYS
- ⬤ PROPOSED BIKEWAYS
- ⬤ AREAS LACKING SIGNAGE/ MARKINGS*

* Focuses on key locations relevant to focus areas

FOCUS AREA
SWOT ANALYSIS

→ **STRENGTHS: characteristics that give an advantage over others**
→ **WEAKNESSES: characteristics that create a disadvantage relative to others**
→ **OPPORTUNITIES: elements that could be exploited to its advantage**
→ **THREATS: elements that could cause trouble if unaddressed**

Physical environment:
DOWNTOWN: KEY FINDINGS

🟩 **Opportunities**
🟧 **Threats**

ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Good transit access and redundancy Generally good pedestrian connectivity throughout	Unsupported pedestrian access/desire lines from Caltrain Station Biking navigation hindered by lack of signage/markings
Parking	**Large amount and underutilized**	**Complicated for all and cost prohibitive for certain populations**
Wayfinding/ Signage	Ample signage throughout	**No cohesive branding or gateway features**
Sidewalks & Street Furniture	**Adjacent parklets increase sidewalk space for more use**	**Poorly maintained and/or mismatch furniture and bike racks** **Narrow on side with angled parking**
Gathering Spaces	Good amount of public and private gathering spaces with private spaces being well designed	**Expansive public gathering spaces with little programming or defining features**
Alleys	**Mostly around 20 ft wide with exposure to main streets** **Several blank walls**	Mostly utilitarian for trash pick-up with inconsistent lighting sources
Buildings	Good mix of eclectic architecture **Room for more bulk and density**	**Several existing narrow buildings with 100 ft + depth** **Inconsistent treatments of storefront vacancies**

Physical environment:
CALIFORNIA AVE: KEY FINDINGS

Opportunities
Threats

120 ft ROW

20 ft ROW

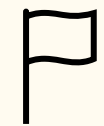| ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Good transit access & redundancy Planned BRT with improvements Good bicycle connectivity	El Camino Real hostile biking/ pedestrian experience - no median refuge for crossing Multi-jurisdictional coordination required for BRT/stop improvements
Parking	**Large amount and underutilized** **Digital wayfinding in new garage**	**Surface parking and structures take up large portions of developable blocks**
Wayfinding/ Signage	**Public art consistently provided along the street**	**No cohesive branding or memorable gateway features**
Sidewalks & Street Furniture	Wide sidewalks along California Avenue with well-maintained landscaping and street furniture	**Sidewalks along El Camino Real out of proportion with street**
Gathering Spaces	Nicely designed/ maintained station plaza Closed street and bulb outs provide additional public gathering space	**Closed street looks and feels temporary**
Alleys	**Mostly around 20 ft wide with access to/from main streets** **Heavily used rear access**	Mostly utilitarian for trash pick-up with inconsistent lighting sources
Buildings	Building facades consistently align California Avenue with most providing uncovered/ transparent windows	**Unremarkable architecture – some with limited permeability** **Large gap of engaging building facades from station plaza**

Physical environment:

STANFORD SHOPPING CENTER: KEY FINDINGS

■ Opportunities
■ Threats

ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Good transit access and redundancy Good pedestrian and bicycle access to/from the district	**Most direct pedestrian Caltrain connection could use maintenance** Limited bicycle connectivity once inside the district
Parking	Large amount, well maintained with mature landscaping and high visibility "Park once and walk" environment	Expansive parking lots and structures located on the periphery creating an island effect
Wayfinding/ Signage	Ample amount of Diverse, yet cohesive, types (including digital)	N/A
Sidewalks & Street Furniture	**Wide, well-maintained with generous landscaping within district** Adequately sized along exterior roads with planted buffers	**Exterior sidewalks between roadway and parking areas – passthrough environment** **Limited bus shelters/ seating**
Gathering Spaces	**Variety of nicely designed and maintained spaces with plush landscaping, shade, seating, and lighting**	No gathering spaces along the periphery
Buildings	**High-quality, engaging storefronts throughout the district, some with spill-over**	**Storefronts mostly insular - Outwardly facing storefronts are 100 - 450 feet from street**

STREETSENSE

Physical environment:
TOWN & COUNTRY VILLAGE: KEY FINDINGS

■ Opportunities
■ Threats

ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Robust vehicular access & adequate transit access Well-connected, reasonably sized sidewalks, including delineated crossings, and bike parking within district Two separated north/south ped/bike paths	**El Camino Real hostile biking/ pedestrian experience - no median refuge for crossing** **No east/west bicycle connection**
Parking	Ample, highly visible parking with generous, well-maintained landscaping/ shade "Park once and walk" environment	Expansive parking along exterior roads detracts from visibility of the buildings
Wayfinding/ Signage	Ample signage/wayfinding with consistent branding Charming signage under arcades	Not every store provides signage on exterior of building, limiting awareness
Sidewalks & Street Furniture	Comfortable sidewalk dimensions within the district Tree-lined sidewalks along exterior roads	**Limited bus shelters/ seating**
Gathering Spaces	Utilitarian/passthrough spaces thoughtfully design to be used as publicly accessible gathering spaces	Lacks central gathering space
Buildings	**Regionally responsive architectural style – large arcade** **Curated vacant storefronts**	Subtle scale

Physical environment:
MIDTOWN: KEY FINDINGS

🟩 **Opportunities**
🟧 **Threats**

ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Good access for all modes Comfortable sidewalks for walking/waiting with bus seating Good surrounding bicycle connectivity	**Lacks transit redundancy and bus shelters** **Several curb cuts along Middlefield disrupting pedestrian connectivity Inconsistently placed bicycle parking**
Parking	Adequate parking provided with connected parking across independent parcels Good visibility	**Weak "Park once and walk" environment** **Minimal parking lot landscaping/shade**
Wayfinding/ Signage	Eclectic mix of business signage	**No gateway signage/ features**
Sidewalks & Street Furniture	Adequately sized and maintained sidewalks along Middlefield Road with space for landscape buffers	**Planted areas along Middlefield need improvement** Buildings set back from the road lack delineated pedestrian paths through parking lots
Gathering Spaces	A few privately owned gathering spaces seamlessly connect to public sidewalk	Lacks a central gathering space No publicly owned/maintained gathering spaces
Buildings	Eclectic mix of buildings styles, materials, and colors – authenticity Most storefronts permeable along Middlefield Rd.	**Unremarkable and outdated/tired architecture** **Inconsistent building wall along Middlefield Rd.**

Physical environment:
CHARLESTON SHOPPING CENTER: KEY FINDINGS

Opportunities
Threats

ELEMENTS	STRENGTHS	WEAKNESSES
Access/ Connectivity	Good vehicular access Some transit access Colorado Rd has good bicycle and pedestrian infrastructure	Limited bus access – no redundancy Lacks adequate bicycle and pedestrian infrastructure along Middlefield Rd
Parking	Ample, underutilized parking with high visibility "Park once and walk" environment	Majority of lot used for parking/ maneuvering Lightly landscaped with little shade
Wayfinding/ Signage	Consistent, well-maintained signage	Outdated shopping center signage
Sidewalks & Street Furniture	Adequately sized and maintained sidewalks along Charleston Rd.	Sidewalks along Middlefield out of scale with size of street with no vegetated buffer Narrow pedestrian space along storefronts in some areas
Gathering Spaces	Underutilized space repurposed to gathering space Arcade along building provides intimate seating option	Few gathering spaces, overall - Limited space around coffee shop Repurposed space feels exposed/ lacks shade - Places where shade exists not suited for gathering
Buildings	Buildings well maintained with consistent treatments	Insignificant, outdated architecture Suburban form/scale not conducive to longer durations of stay

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GUIDING PRINCIPLES

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REINFORCE HIERARCHY OF PLACE
- Stabilize and reinforce Downtown as a destination through improvements and stewardship
- Embrace California Avenue as a community and neighborhood serving place by increasing opportunities for new businesses and support for existing businesses

IMPROVE ACCESSIBILITY
- Embrace walking and biking solutions by fixing broken links and reinforcing walkability to/from all of the City's commercial districts
- Address parking policies and systems that add complexity and cost burden on low-wage, part-time workers

ADOPT POLICIES THAT REFLECT CHANGING MARKET CONDITIONS
- Ease the regulatory burden for businesses and revise outdated restrictions that create hurdles to tenancy
- Focus retail and retail-like uses in places where they are market-supported

PALO ALTO, CA — ECONOMIC DEVELOPMENT STRATEGIC PLAN

THANK YOU

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