



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 11/14/17

ITEM NO: 1

DESK ITEM

DATE: NOVEMBER 14, 2017
TO: MAYOR AND TOWN COUNCIL
FROM: LAUREL PREVETTI, TOWN MANAGER
SUBJECT: POTENTIAL AMENDMENTS TO THE NORTH 40 SPECIFIC PLAN

REMARKS:

Attachment 15 includes public comment received after the distribution of the staff report, before 11:00 a.m. on Tuesday, November 14, 2017.

The remainder of this Desk item contains information regarding retail.

The Dynamic Retail Environment

Economic Vitality and Planning staff recently attended an Economic Development Symposium coordinated by the Silicon Valley Economic Development Alliance (SVEDA) that provided presentations on the challenges and opportunities facing our region including discussions on the changing retail environment, placemaking, and transportation and mobility. SVEDA is an initiative of Joint Venture Silicon Valley, comprised of local jurisdictions, including the Town, focused on achieving individual and regional economic health. Staff is providing the Council with some of the presentation details and slides to address the Council's questions regarding retail planning and the changing face of retail within the discussion of the potential amendments to the North 40 Specific Plan. Staff obtained the slides from the presenters after the distribution of the report last week.

There were multiple sessions that addressed understanding where retail is going and how to plan for successful, vibrant commercial areas through dynamic planning and placemaking. Staff is highlighting two of the presentations in this Desk Item and including a few of presenters' slides with comments.

Why Retailers Make the Decisions They Do by Christine Firstenbreg

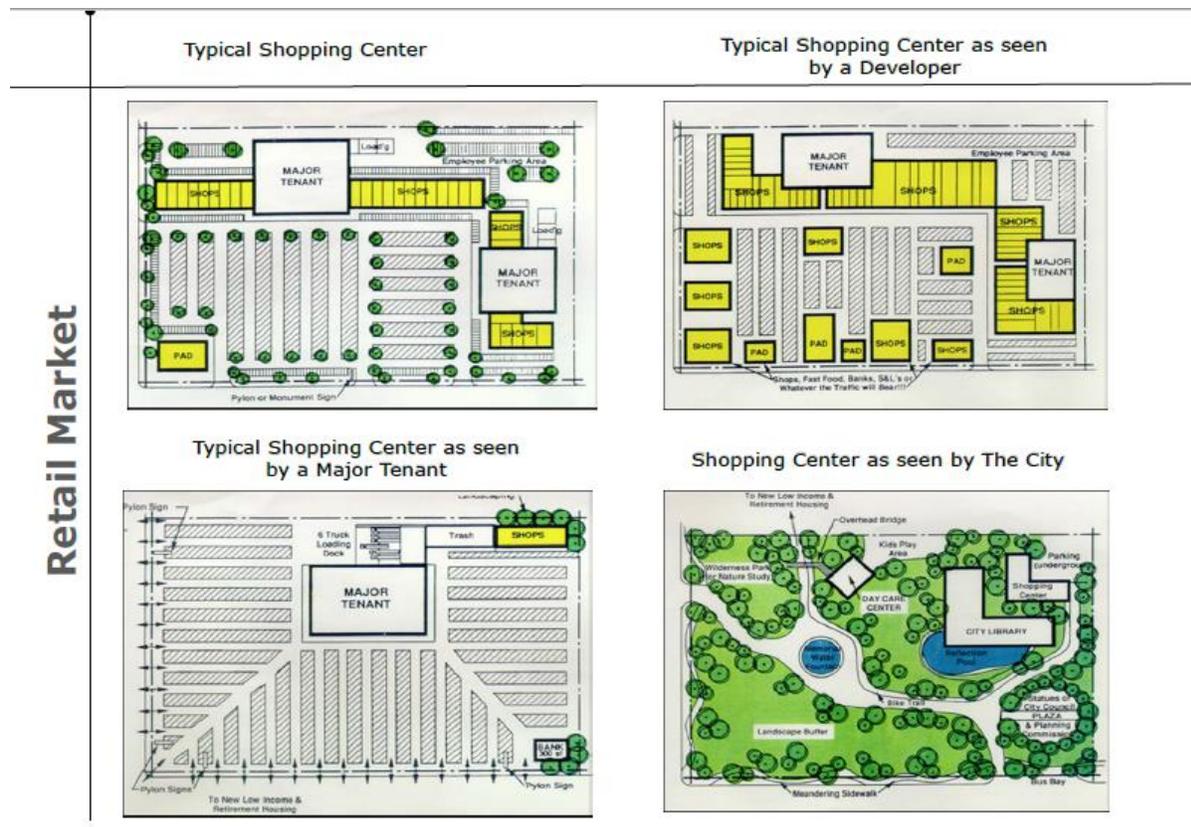
Christine Firstenberg is a Senior Vice President at Jones Lang LaSalle (JLL), has over 29 years of retail real estate experience in the Bay Area, and founded the International Council of Shopping Centers (ICSC) Alliance Program for Northern California, a public-private partnership

REMARKS (cont'd):

group that works to create a bridge between the private commercial industry and public sector. Below are illustrations and points made by Ms. Firstenberg during her presentation:

Stakeholder Perspectives

When there is a new commercial area being developed or reactivated, there are three main stakeholder groups trying to address their specific customers' needs. These include the developer, potential tenants, and the local jurisdiction. Major retailers or anchor tenants see themselves as the center of the commercial area and then look for prospective smaller retailers and service uses that may attract additional customers to their location. Therefore, historically real estate professionals would look to fill a major tenant space first and then program around that anchor. A developer sees each pad as an opportunity to allow for a mix of uses to attract the very best tenants and looks to provide spaces that can accommodate a variety of services and uses. Developers use their own experience to recommend building pad and parking placement. The decision makers and local residents see the commercial area as an opportunity to fill niches that may be missing in their own daily routines, or the opportunity to provide additional local services to residents such as parks. These different perspectives are represented in the following illustrations.



REMARKS (cont'd):*Retail is Now Experiential*

As discussed above, “historically” there were formulas for commercial areas and retail concepts that proved to be successful. This is no longer true for the Bay Area as the region is leading the way in which people live, work, shop, and are entertained. The typical consumer in the Bay Area is looking for the experience a commercial space provides over just a convenient location. The next presentation will discuss this more in depth. The following slides give an idea of how retail used to be defined and typed, and clearly notes that this is not what the Bay Area is currently experiencing. Retailers choose a location to make money and look for where their customer’s shop; this is not always a science. That said, retail and real estate researchers conduct extensive market research and analyze their data very closely to guide their decisions on location choices. Quite often, the most successful and active retail areas are those with multiple retail and service opportunities within one accessible location that allow flexibility resulting in an organic evolution that can be as dynamic as the economic environment.



Retail Typologies and Definitions

TYPE OF SHOPPING CENTER	CONCEPT	SQUARE FEET (INCLUDING ANCHORS)	TYPICAL ANCHOR(S)	ANCHOR RATIO*	PRIMARY TRADE AREA**
OPEN-AIR CENTERS					
Neighborhood Center	Convenience	30,000–150,000	Supermarket	30–50%	3 miles
Community Center	General merchandise; convenience	100,000–350,000	Discount department store; supermarket; drug; home improvement; large specialty/ discount apparel	40–60%	3–6 miles
Lifestyle Center	Upscale national chain specialty stores; dining and entertainment in outdoor setting.	Typically 150,000–500,000, but can be smaller or larger.	Not usually anchored in the traditional sense but may include book store; other large-format specialty retailers; multi-plex cinema; small department store.	0–50%	8–12 miles
Power Center	Category-dominant anchors; few small tenants	250,000–600,000	Category killer; home improvement; discount department store; warehouse club; off-price	75–90%	5–10 miles
Theme/Festival Center	Leisure; tourist-oriented; retail and service	80,000–250,000	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	50,000–400,000	Manufacturers' outlet stores	N/A	25–75 miles
MALLS					
Regional Center	General merchandise; fashion (mall, typically enclosed)	400,000–800,000	Full-line department store; jr. department store; mass merchant; discount department store; fashion apparel	50–70%	5–15 miles
Superregional Center	Similar to regional center but has more variety and assortment	800,000+	Full-line department store; jr. department store; mass merchant; fashion apparel	50–70%	5–25 miles

REMARKS (cont'd):



Retail Typologies and Definitions

TYPE OF SHOPPING CENTER	CONCEPT	SQUARE FEET (INCLUDING ANCHORS)	TYPICAL ANCHOR(S)	ANCHOR RATIO*	PRIMARY TRADE AREA**
OPEN-AIR CENTERS					
Neighborhood Center	Convenience	30,000–150,000	Supermarket	30–50%	3 miles
Community Center	General merchandise; convenience	100,000–350,000	Discount department store; supermarket; drug; home improvement; large specialty/discount apparel	40–60%	3–6 miles
Lifestyle Center	Upscale national chain specialty stores; dining and entertainment in outdoor settings	Typically 100,000–500,000, but can be smaller or larger	Not usually anchored in the traditional sense but may include book store; other large-format specialty retailers; multi-plex cinema; small department store	0–50%	8–12 miles
Power Center	Highly dominant anchor; small tenants	200,000–600,000	Discount department store; drug; home improvement; club; off-price	75–90%	5–10 miles
Theme/Festival Center	Leisure; tourist-oriented; retail and service	80,000–250,000	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	50,000–400,000	Manufacturers' outlet stores	N/A	25–75 miles
MALLS					
Regional Center	General merchandise; fashion (mall, typically enclosed)	400,000–800,000	Full-line department store; jr. department store; mass merchant; discount department store; fashion apparel	50–70%	5–15 miles
Superregional Center	Similar to regional center but has more variety and assortment	800,000+	Full-line department store; jr. department store; mass merchant; fashion apparel	50–70%	5–25 miles

RETAIL IS EXPERIMENTAL NOW

© 2017 Jones Lang LaSalle IP, Inc. All rights reserved.

Urban Planning and Place-Making for Dynamic Communities by David Greensfelder

David Greensfelder is the founder and managing principal of Bay Area-based Greensfelder Commercial Real Estate which provides strategic planning, market research/analysis, and real estate development services to communities, financial institutions, and investors. Mr. Greensfelder was formerly Director/VP and Principal of LandMark/NewMark's Northern California office, and managed corporate real estate for publicly traded Fortune 500 companies.

Commodity vs. Specialty Retail

Mr. Greenselder’s presentation provides perspective on retail by looking at it within two categories, Commodity Retail and Specialty Retail.

Commodity retail is “a retailer selling goods and services which are consumed without emotional connection by the consumer and for which the consumer’s primary motivation is price and convenience. Examples include grocery and drug stores, mass merchants such as Costco, Target, Walmart [...]”

Specialty retailers are “selling goods and services which are consumed on a discretionary or emotionally driven basis using discretionary funds/income, and where experience is a primary

REMARKS (cont'd):

motivator in choosing how and where to spend discretionary time. Examples include fine dining, clothing, luxury hard and soft goods, electronics, [...]"

His presentation then goes on to explain that these may be conducted through many channels such as brick and mortar locations (both traditional and pop-up), catalogs, online via websites, applications on mobile devices, etc. These channels are the way in which customers access the products they need and are different based on the product type and target customer.

TYPES: MULTI- AND OMNICHANNEL RETAIL

- Retail is now conducted through many channels (eg. traditional stores, catalogs, on-line, via mobile devices, television, etc.).
- Omnichannel retail refers to the trend where the consumer experience across these multiple retail channels is made seamless and consistent.
- Omnichannel consumers frequently use more than one channel simultaneously. For example, price checking on a phone while at a retail store.
- Social media lets retailers build relationships with and track consumers.
- Omnichannel strategies work differently for commodity and specialty retailers. For example, multiple retail channels might be used by a consumer to research and assist in purchasing a particular commodity like a television. By contrast, a specialty retailer might use social media strategies to drive customer traffic to a brick-and-mortar store, restaurant, or shopping district.



Creating a Sense of Place Through Urban Design

Using these retail categories and channels of access, the presentation then focused on creating active spaces that provide a sense of place for the retailers and the customer through urban design and uses (zoning). Active retail provides the opportunity for the pedestrian to interact with retailers and their spaces even if they are not shopping; whereas non-active retail is where

REMARKS (cont'd):

REMARKS (cont'd):

the flow of the retail district is broken, causing pedestrian traffic not to continue to the next commercial area. Inactivity may be caused by the use types or the design of the area.

TYPES: ACTIVE RETAIL

Retail where the pedestrian interacts with the space even if he/she doesn't go in to buy something.

Examples include grocery/drug, specialty, mass merchants (Costco or Target perhaps to a lesser extent), and even a karate studio, art gallery, or real estate agency.



TYPES: NON-ACTIVE RETAIL



Retail where the flow of the retail district is broken so that pedestrians don't interact with the built environment, or where there are limited hours so that spaces become dark during non-office hours.

Examples include offices, medical facilities, or auto repair. Inactive retail can be caused by poor design!



REMARKS (cont'd):

Some of the site attributes that can play into how appealing a space is for a retailer is the quality of the parking, visibility, and accessibility. Retailers think in terms of equal or better than their competitor. When considering a type of retail center, this presentation considered how mixed-use can be designed to be successful. The residents alone of an immediate area will not provide the total customer base needed for the area to be vibrant and successful. It is important that non-residential shoppers are attracted to the space and how all customers can easily access the commercial spaces.

SITE ATTRIBUTES

Parking Quality

- Little or no parking available vs full availability of parking
- Ease of parking and ease of parking for alternative destinations
- Way finding

Visibility Quality

- Totally obscured vs excellent visibility
- Visibility from one or multiple directions
- Visibility compared with alternative destinations

Accessibility Quality

- Highly congested vs ease of access
- Turning movements
- How accessed – car...public transportation...bike...walking...combination

Challenges and Options

Mr. Greensfelder identified some of the challenges that occur when communities and developers begin to plan for new or reactivated commercial areas. The slides below illustrate some of those challenges along with possible strategies and solutions. What has become evident through staff's own experience and through industry input is that there are roles to be played by the policy makers, building owners, and potential commercial tenants to create economic success and that this balance is a moving target that can be difficult to hit. His presentation encourages realistic expectations for vibrancy and how these may not be met through creating and enforcing expanded regulations, rather with flexibility and willingness for short term attempts.

REMARKS (cont'd):

ISSUES THAT SEPARATE CITIES AND PROPERTY OWNERS

- Cities needing sales tax revenues.
- Landlords in need of cash flow.
- Cities, wanting quality tenants in their prime retail area.
- Fewer tenants to fill existing retail spaces.
- Private property rights.
- Issues facing smaller vs. larger landlords.

STRATEGIES FOR A THRIVING DOWNTOWN

- Create a Vision - Public/private partnerships, specific plans.
- Think Big - Corridors, city blocks, aggregate parcels.
- Create connections.
- Create pedestrian friendly environments.
- Encourage active building facades & outdoor uses.
- Manage for change.
- Be an Advocate – Every revitalization effort needs a champion.
- Stand Firm – Know when to say no.
- *and ... be extremely lucky!*

REMARKS (cont'd):

POSSIBLE SOLUTIONS?

Allow poorly-functioning retail to evolve into non-retail uses.

Encourage clustering of non-active uses – where?

Restricting uses can have unintended consequences. If uses are to be restricted, how can this be done constructively?

Work with property owners directly rather than through restrictions.

Shorter lease terms for non-active uses.

Cities to identify their strongest retail nodes, defend those as retail, and allow other areas to evolve through market forces.

Create and fund programs to help property owners analyze available opportunities and execute the strongest alternatives.



Common Themes

Across the presentations at the Economic Symposium, the idea of flexibility and customer experience were echoed. There is a desire for many online retailers to locate a temporary “pop-up” location during a specific season, as an amenity in an area saturated with their customers, or as a test in a market with high potential for customer numbers to rise. This often becomes prohibitive when land use processes are long, expensive, or too restrictive. Landlord short term lease options are also a large part of this conversation. There was also a consensus from the presenters that the large scale “power shopping centers” that were built out over the past few decades are no longer proving economic success and that we will likely experience retail pruning and space size shrinkage to make way for entertainment and experience-based retailers.

Attachments previously received with October 3, 2017 Study Session Report:

1. Town Council Suggestions for Potential Amendments to the adopted North 40 Specific Plan
2. December 15, 2016 Planning Commission Staff Report (with Exhibits 1-8)
3. December 15, 2016 Planning Commission Addendum Report (with Exhibit 9)
4. December 15, 2016 Planning Commission Desk Item Report (with Exhibit 10)
5. December 15, 2016 Planning Commission Verbatim Minutes (131 pages)
6. January 26, 2017 Planning Commission Staff Report (with Exhibit 11)
7. January 26, 2017 Planning Commission Addendum Report (with Exhibit 12)
8. January 26, 2017 Planning Commission Desk Item Report (with Exhibit 13)
9. January 26, 2017 Planning Commission Verbatim Minutes (115 pages)
10. Public Comments received 11:01 a.m. Wednesday, May 10, 2017 to 11:00 a.m. Thursday, September 28, 2017
11. Potential amendments based on GPC and PC discussions (including Exhibit A)

Attachments previously received with October 3, 2017 Desk Item Report:

12. Public Comments received 11:01 a.m. Thursday, September 28, 2017 to 11:00 a.m. Tuesday, October 3, 2017

Attachments received with this Special Meeting Report:

13. North 40 Hotel Site Assessment
14. Public Comments received 11:01 a.m. Tuesday, October 3, 2017 to 11:00 a.m. Friday, November 10, 2017

Attachments received with this Desk Item:

15. Public Comments received 11:01 a.m. Friday, November 10, 2017 to 11:00 a.m. Tuesday, November 14, 2017