



## JOINT CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

DATE: 11/21/11

AGENDA OF: 11/29/2011

DEPARTMENT: Economic Development

SUBJECT: Study Session on Retail Market Analysis Recommendations. (ED)

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**RECOMMENDATION:** 1) Consideration of short, medium and long-term recommendations for the downtown, eastside, westside (including Harvey West and Mission Street) and the beach area based on retail market analysis and field research conducted by the Gibbs Planning Group, 2) City Council motion approving staff recommendations as presented and discussed in the study session and, 3) City Council motion directing staff to return in six months after the completion of initial recommendations for review and further consideration of longer-term policy decisions involving the downtown and other commercial retail areas.

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**BACKGROUND:** On December 14, 2010 the Agency Board authorized the Executive Director to advertise, select, and execute a contract with a consultant firm to conduct a retail market analysis of the primary commercial retail areas in Santa Cruz, with an emphasis on improving and maintaining long-term retail sustainability for the downtown. Following a public bidding process, the Agency selected the Gibbs Planning Group on March 7, 2011 to conduct a retail market analysis for the Santa Cruz commercial districts including the downtown, eastside, westside (including Harvey West and Mission Street) and the beach area. The completed analysis and recommendations were presented to the Agency Board for consideration on September 27, 2011. At that meeting, Council directed staff to conduct a special study session on the findings of the report for further council discussion and consideration.

**DISCUSSION:** The purpose of the retail market analysis was to assess the viability of additional retail sales for existing businesses and the potential for development of new retailers in the commercial district areas of Santa Cruz. The report quantifies the retail sales potential of the community and summarizes the relevant demographic characteristics of each trade that can support an increase in retail market share and overall economic performance.

In addition to preparing the retail market analysis, Mr. Gibbs has made several trips to Santa Cruz over the last year and has held a series of workshops for retailers, property owners and brokers on optimizing retail sales and marketing of retail businesses and properties. During his visits, Mr. Gibbs conducted field research on existing retail conditions in Santa Cruz and identified a number of suggested improvements and policy considerations focused on increasing retail sales and sustaining vibrant retail environments in the prime commercial corridors in Santa Cruz. The findings contained in the retail market analysis report and the suggestions made by

Mr. Gibbs resulting from his visits to Santa Cruz are intended to provide an objective analysis from a leading retail planning consultant team on the amounts and types of retail that could be supported in Santa Cruz over the next five-year period and policy considerations for long-term retail sustainability.

During his trips to Santa Cruz over the last year, Mr. Gibbs stated that we already have an outstanding downtown, among the top in the country, and that several of our commercial districts are vibrant and contain exemplary retail including many locally-owned businesses that add to the unique character of our community. Mr. Gibbs also noted that we do an excellent job of maintaining our parks, streets and parking garages and that our public art is a major attraction to the downtown and greatly enhances the pedestrian and shopping experience for visitors to our community. He further emphasized that his observations and analysis are provided to help inform our future planning and decision-making regarding the sustainability of our current retail and existing retail shopping areas, the potential for future retail growth and the internal and external market factors that may impact retail growth and sustainability in the future.

In addition to identifying specific reasons why we are not currently capturing a greater retail market share, Mr. Gibbs highlights in the retail market analysis overall assumptions for the greater Santa Cruz area for the purposes of projecting our potential retail market share. These findings and assumptions, combined with additional observations provided by Mr. Gibbs from his Santa Cruz visits comprise the attached recommendations for council consideration. Overall, of particular interest is the importance of developing an improved connection between the downtown and the beach area to stimulate increase retail revenue from visitors, improving wayfinding citywide, improving visibility and branding for the City's retail districts and increasing the walkability of retail environments. The study also calls out the need to examine circulation and parking downtown to support a robust retail environment into the future.

The specific recommendations for consideration by the Council and Agency Board are listed on the attached table and include a brief overview of the recommendation, recommended time period for implementation, departmental responsibility for implementation, estimated fiscal impact to implement and the estimated potential impact on future retail sales. During the study session, staff will present an overview of each recommendation or policy consideration by retail area for implementation within the short- (1-3 months), medium- (3-6 months) and long-term (over 6 months) time frames and take direction from Council on the prioritization of the approved recommendations.

**FISCAL IMPACT:** The fiscal impact associated with implementation of each recommendation is estimated on the attached table along with the estimated future retail sales impact where appropriate. Where necessary, budget adjustments associated with specific recommendations will be brought before the Council and/or Agency Board for future consideration. Several of the recommendations, if approved, including the additional analysis of the current downtown street configuration, will require future council actions and an analysis of those potential costs will be included in future policy discussions.

Submitted by:  
Bonnie Lipscomb  
Director of Economic Development

Attachment A: Recommendations for Council/Agency Board Consideration

## Attachment A: Recommendations for Council/Agency Board Consideration

### I. Downtown

- **Opportunities**

- Can support up to 91,500 gross square feet of potential with \$43.9 million in additional annual sales
- Up to 25-30 new businesses

Recommendation	Depts.	Steps Taken / Status	Fiscal Impact/Potential Impact on Retail Sales
<b>Ongoing/Underway</b>			
Add a new anchor tenant to the downtown area	ED	Hired urban broker. Major retailer lease pending for downtown and major hotel in escrow (outside downtown).	Previously funded. Up to 20% increase in retail sales resulting from implementation
<b>Short Term (1-3 months)</b>			
Continue security patrols in the downtown area	PD, ED	Determine fiscal impact and source of sustainable funding. Current fiscal year funding provided by Downtown Management Corporation, RDA and Police	\$90,000 year to maintain current level of service, funding available in PD from existing salary savings. Will need to be evaluated annually.
Tree trimming to improve visibility of signage and businesses	PR	Work with Parks and Recreation to limb up trees on Pacific (eastern side of street) to improve visibility.	Up to \$10,000 in staff time and resources
Conduct retailer workshops regarding hours, store lighting and signage improvements	ED	Work with DTA and Chamber to present findings on retailing hours, cooperative marketing and neighborhood branding.	Minimal, within existing budget
<b>Medium Term (3-6 months)</b>			
Analyze and implement signage improvements/ ordinance and return to Council in six months for further consideration	PL	City wide signage ordinance/improvements currently being developed by planning.	Staff time TBD
Further evaluate the feasibility of both one-way and two-way street options and return to Council in six months.	PW, PL, PD, Fire	Gibbs states "Maintenance of the status quo one-way street system would result in a significant reduction of the 91,500 additional supportable sq ft of retail" Additional testing/analysis of larger vehicle and fire and emergency access/parking req.	\$15,000-20,000 including staff time and traffic engineer analysis. Up to 20-30% increase in retail sales
Compile database on pedestrian and traffic counts in the downtown	ED or PW	Data would need to be collected at least semi-annually (peak and shoulder seasons)	\$5,000-10,000/annually, funding source needs to be identified
Analyze costs/feasibility of expanding café extension areas - return to Council in six months	ED, PL and PW	Work with PL / PW to analyze an expansion of the café extension program and explore development in t-intersection abutments.	Estimated \$10,000 in staff time
<b>Long Term (1-2 years, specific time frame specified in recommendation)</b>			
Evaluate existing downtown parking/ fee structure and return to Council for further consideration within year	PW, ED	Examine existing parking model/programs, and analyze existing fee structure. Current parking study underway for south of Laurel area, consider expansion of current study.	Potential to add scope to existing contract underway, estimate of \$10,000-15,000.
Improve linkages with beach area through wayfinding and signage	ED	Report Page 39: "Linkages between the waterfront and downtown area are challenging and require five unmarked turns and two river crossings." Design contract for city-wide wayfinding	Currently budgeted-RDA funded, contract pending redevelopment stay outcome

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### II. Beach Area

#### ▪ Opportunities

- Can support up to 87,000 new square feet of retail
- Up to \$37.8 million in additional annual sales

Recommendation	Dept	Steps Taken / Status	Fiscal Impact
<b>Ongoing/Underway</b>			
Complete Riverside Avenue Improvements	PW	Conceptual design approved. RDA and Public Works collaborating on undergrounding. PG&E has started the utility design component and is evaluating easements.	Design funded/budgeted
Implement trolley between downtown and beach area	ED	Implemented as a pilot program in summer 2011. 22,000 users in trial period.	Initial year funded through private donations/marketing efforts
<b>Short Term (1-3 months)</b>			
Approve long-term operating revenue for Trolley -\$10,000/yr from general fund , renewable annually based on ridership/survey analysis, explore options for wharf businesses (employees) to ride trolley in peak season	ED	Limited funding secured via Air District Grant (MBUAPCD) for 2012/2013.  -Prepare survey for summer 2012 data analysis	\$10,000 from General Fund, over \$10,000 increase in General Fund revenue received in increased retail sales.
<b>Medium Term (3-6 months)</b>			
Monterey Bay National Marine Sanctuary Exploration Center	ED	Construction underway, estimated completion in May 2012.	Funded though state and federal grants, donations and RDA public art contributions
Improve façades of existing retailers and motels	ED	Existing façade improvements (Beach Street Inn & Suites) through Motel Pilot Improvement Program.	RDA funds Façade Improvement Program and Motel Pilot Improvement Program.
<b>Long Term (1-2 years, specific time frame specified in recommendation)</b>			
Develop new or improved hotel conference meeting facilities	ED	Preliminary Discussions underway with developers / property owners	\$20-\$30,000 for feasibility study, future council consideration
Improve linkages with downtown through wayfinding and signage	ED	Report Page 39: "Linkages between the waterfront and downtown area are challenging and it requires five unmarked turns and two river crossings." "City is currently engaged in a wayfinding project to update and improve its existing signage. This is of the greatest importance in directing visitors to the downtown and, especially, in making it possible for visitors to the beach area to find downtown. " Design contract for city-wide wayfinding pending redevelopment stay outcome.	Currently budgeted-RDA funded

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### III. Eastside

#### ▪ Opportunities

- 60,000 gross sq feet in new retail
- 15-20 new retailers
- \$20.3 million in additional sales

Recommendation	Dept	Steps Taken / Status	Fiscal Impact
<b>Medium Term (3-6 months)</b>			
Convene neighborhood meetings to share data and collect stories / feedback	ED	Coordination through existing retailers	Minimal, staff time
Development of branding identity and banner program	ED	Gibbs states "Of critical importance is improvement of wayfinding signage and neighborhood identity. Wayfinding Phase I complete, fabrication and Phase II pending.	\$20,000-\$40,000 pending outcome of redevelopment stay, pending future Agency Board action
Implement wayfinding program	ED	See status above	Currently budgeted-RDA funded
<b>Long Term (1-2 years, specific time frame specified in recommendation)</b>			
Evaluate future parking solutions to address existing and future development issues and return to Council in one year.	PL, ED, PW	Off-street parking requirements difficult given the legally nonconforming nature of many of the buildings in the district. Planning staff has begun work on parking ordinance amendments that include shared parking and parking for mixed uses.	\$10,000-\$20,000, pending outcome of redevelopment stay, pending future Agency Board action
Continue to enhance walkability by increasing pedestrian safety, signage and beautification efforts, ongoing	ED, PW	Explore steps to enhance the walkability and desirability of the retail district based on assumptions (GPG Analysis pg. 9). Analyze existing crosswalks and other safety enhancements. Existing measures include banner program, street tree program and wayfinding effort.	\$100,000 currently budgeted annually from RDA Eastside Project Area

### IV. Westside (Includes Harvey West and Mission Street)

#### ▪ Opportunities

- Largest area for potential retail expansion including up to 344,000 square feet of new retail
- Up to \$135.7 million in additional sales

#### A. Harvey West

Recommendation	Dept	Steps Taken / Status	Fiscal Impact
<b>Short Term (1-3 months)</b>			
Convene neighborhood meetings to share data/information	ED, PW	Coordination through Harvey West Association	Staff time
Additional public safety patrols or police presence through major retail areas	PD	According to walkthrough notes "vagrancy is the biggest detriment to sales," in any retail setting. Will need to identify additional and sustainable funding source. In the beginning of this fiscal year, PD has approved additional security through First Alarm for this area. (7am-3pm, 10-6pm shifts)	\$65,000 annually
<b>Medium Term (3-6 months)</b>			
Complete Tannery Arts Center Project-Phase II	ED	Tanyard and Beam House completed and pre-leased, occupancy pending EDA approval of master lease. Kron house renovation bid underway, completion estimated fall 2012	RDA currently budgeted

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<b>Long Term (1-3 years, specific time frame reflected in recommendation)</b>			
Improve Highway 1 and Highway 9 interchange	PW, ED	Various operational and environmental studies reviewed and approved by Caltrans. Environmental document to be circulated in Spring 2012. Right-of-way acquisition and design to follow environmental approval.	Cost and funding reflected in CIP
Attract and assist a major retailer to move into the Harvey West area within next three year period	ED, PL	IG Zoning Overlay or GP amendments will be necessary if initiated prior to GP adoption. Gibbs quantifies need by stating, "annual sales of \$135.7 million are achievable by 2016. These additional sales would require the development of several large format retailers."	*TBD

### B. Westside (Including Mission Street)

Recommendation	Dept	Steps Taken / Status	Fiscal Impact
<b>Medium Term (3-6 months)</b>			
Convene neighborhood meetings to share data and collect stories / feedback	ED	First meeting convened by Council member Terrazas.	Minimal, staff time
Develop and improve on neighborhood branding/identity	ED	Further existing joint marketing efforts with retailers and CVC , explore the development of a banner program	10,000 annually, RDA, pending outcome of redevelopment stay
Implement citywide wayfinding program	ED, PW	See status above	Currently budgeted-RDA funded
<b>Long Term (1-2 years, specific time frame reflected in recommendation)</b>			
Continue to enhance the walkability through wayfinding signage (including gateway signage) and beautification efforts	ED, PW	Explore steps to enhance the walkability and desirability of the retail district based on assumptions (Report pg. 9). See status above regarding branding/identity. Existing measures include the development of a banner program, and wayfinding effort.	Current gateway signage budgeted in RDA, other costs from RDA pending outcome of redevelopment stay