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**CITY OF OAKLAND/ REDEVELOPMENT AGENCY OF THE  
CITY OF OAKLAND  
Community Economic Development Committee**

TO: Office of the City Administrator and Agency Administrator  
ATTN: Deborah Edgerly  
FROM: Community and Economic Development Agency  
DATE: December 13, 2005

RE: **RETAIL DEVELOPMENT STRATEGY REPORT PRESENTED FOR  
DISCUSSION AND DIRECTION**

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**SUMMARY**

The Community and Economic Development Committee requested a report on Oakland's retail strategy be presented for discussion and direction. This report sets forth the current status of retail in Oakland including retail leakage, market area opportunities, and current programs to leverage resources for retail recruitment. Retail strategies are outlined for specific geographic areas of Oakland and include current efforts and future actions for recruiting various categories of retailers. The recommended actions in this report for each retail category are not exhaustive and are for discussion and direction by the Council.

**FISCAL IMPACTS**

No direct fiscal impacts are related to this report and recommendation. Future impacts could occur as a result of increased sales tax revenue and redevelopment subsidies provided which would be evaluated on a project-by-project basis. Recommendations in this report would be implemented with current staff under existing budget appropriations.

**BACKGROUND**

**Historic Retail Sales**

Among the top 100 markets in California, Oakland ranks 19th in gross sales which is higher than Santa Rosa, Walnut Creek, and Palo Alto. However, Oakland has lower per capita local sales than many similar sized cities. For example, in Alameda County, Oakland's \$40 million in annual gross sales tax revenue, while above Fremont, Hayward, Livermore, San Leandro, Pleasanton, Dublin, and Newark, is less per capita than these cities. This is partly attributed to Oakland residents going to other jurisdictions to shop due to a lack of shopping opportunities in Oakland, a condition called "leakage".

### **Retail Sales Leakage**

A 2001 study conducted of Oakland's retail outlook by Hausrath Economic Group found that one third of Oakland residents' retail expenditures are now lost to locations outside of the City.

Oakland is located in a trade area defined by the Oakland/Berkeley hills, the San Francisco Bay, the northern Alameda County line, and route 238 to the south. Oakland currently captures only 24% of the trade area's retail sales for comparison<sup>1</sup> goods although Oakland has 53% of the trade area's population. Other cities, such as Emeryville, San Leandro, Berkeley, and Alameda capture about 48% of their potential retail sales. Therefore, not only are retail sales leaking out of Oakland to adjoining cities, but sales are leaking generally from all cities in the trade area to outside the trade area. This indicates that Oakland has the potential to capture both retail sales that currently leak out to neighboring cities and a portion of those that leak outside the trade area.

From a revenue standpoint, the leakage of retail in the categories of comparison goods, eating/drinking establishments, and convenience goods amounts to about \$1 billion dollars in sales. These sales would generate about \$9.5 million in retail sales tax. It should be understood that not all retail sales can be expected to be captured within a city. However, capturing a portion of lost sales could translate to significant on-going City of Oakland revenue.

Most leakage occurs in the comparison goods category, e.g. household goods. A smaller leakage of Oakland resident's expenditures occurs in the convenience<sup>2</sup> goods category. This illustrates the need for expanding opportunities for both comparison shopping and convenience goods.

In 2005 a neighborhood "drill down" market study was conducted for the East Oakland, West Oakland, Lower San Antonio, and Fruitvale areas. Very significant increases in aggregate household income, compared to 2000 US Census data, were found in the study areas that indicate a strengthening of retail buying power. The rapid income increase and documented leakage of retail sales can be used for strengthening marketing efforts for the studied communities. All four areas studied showed significant leakage of retail sales outside of the areas studied. Although the "drill down" study did not indicate what portion of retail sales leaked from one study area to another area within Oakland, it did demonstrate the local financial support and need for convenience goods.

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<sup>1</sup> Comparison Retail typically offers a wide range of apparel and other soft goods. Among the more common anchors are supermarkets, super drugstores, and discount department stores. Community center tenants sometimes contain value-oriented big-box category-dominant retailers selling such items as apparel, home improvement/furnishings, toys, electronics or sporting goods. The center is usually configured in a straight line as a strip, or may be laid out in an L or U shape, depending on the site and design.

<sup>2</sup> Convenience Retail, also known as Neighborhood Retail, is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. According to ICSC's SCORE publication, roughly half of these centers are anchored by a supermarket, while about a third have a drugstore anchor. These anchors are supported by stores offering drugs, sundries, snacks and personal services. A neighborhood center is usually configured as a straight-line strip with no enclosed walkway or mall area and parking in the front. Centers may have a canopy or other façade treatment to provide shade and protection from inclement weather, or to tie the center together.

### **Current Retail Support**

Oakland provides a variety of retail support services, organized into the eight categories below, but these do not constitute a city-wide retail strategy. A retail strategy, utilizing these support services could help bring more retail to Oakland.

1. Recruitment And Renovation For Retail:
  - Vacant spaces are being leased in key downtown corridors as a result of working with property owners to renovate their vacant spaces to meet the needs of current retail vendors utilizing the Tenant Improvement and Façade Improvement Grant Programs. The Tenant Improvement Grant program has reduced retail vacancies by 50% in the Telegraph, Old Oakland, and Broadway corridors. This program is being expanded to the redevelopment areas in the surrounding neighborhoods in West and East Oakland. The Façade Improvement Grant Program is deployed throughout the downtown area and in neighborhood Community Development Block Grant Areas.
2. Merchant Organizing For Neighborhood Retail:
  - The City provides funding for setting up Business Improvement Districts and staff support for merchant organizing.
3. Marketing Of Opportunity Sites:
  - Staff is producing recruitment brochures for specific neighborhoods that identify retail opportunity sites, demographic and economic data, and redevelopment incentives. These are used as recruitment tools for new retail.
4. Enterprise Zone Hiring Tax Credits:
  - Stores located in the City's designated Enterprise Zone area (roughly 71% of the City) can claim hiring tax credits for employees who live in the Zone. This can amount to more than \$31,000 in State income tax savings over a five year period.
5. Economic Development Staff Support For Retail Businesses And Brokers:
  - Brokers for retail businesses contacting the Economic Development Division can obtain key data and services in one location. This data includes local demographic profiles, income and spending patterns, assistance with site identification, referrals to local specialized brokers, referrals to local lending institutions, and direct assistance to businesses needing help with pro formas and business plans.

#### 6. Redevelopment Incentives

- The Redevelopment Agency may enter into development agreements with retailers and retail developers to provide financial incentives for locating within a redevelopment area.

#### 7. Auto Sales Stabilization:

- Over the years the Redevelopment Agency staff has provided location assistance, sales tax rebate incentives for new dealerships based on performance, streetscape improvements and promotional efforts. Currently, efforts are underway to create an auto mall, a subject addressed in a separate report.

#### 8. Miscellaneous Services:

- Customer Service Training - A partnership with the Oakland Adult Schools to provide customer service training that leads to a certificate from the National Retail Federation Foundation. This service is free to employers.
- Customized Training - Development of customized training programs for a retailer's new hires. The employer must cover half of the total cost of the training, and can include as their match the wages paid to the employees to attend the training.
- Recruitment And Screening Services - Organizing of an applicant recruitment and screening service for an employer and hosting of this service at one or several of our Career Centers or at the employer's site. This service processed more than 10,000 applicants for the new Wal-Mart. This service is free.
- "Meet Downtown" - A guide of all new entertainment and restaurant businesses in the uptown area. Tours are being planned. An international art program is being launched between Berlin, Germany and Oakland to bring new visitors to Oakland.
- How To Start A Business In Oakland - Resources for businesses and background information on the City are available at the website of [WWW.BUSINESS2OAKLAND.COM](http://WWW.BUSINESS2OAKLAND.COM).
- Property Data, Ownership, Demographic Information - Available at [WWW.OAKLANDEXPLORER.COM](http://WWW.OAKLANDEXPLORER.COM).
- Marketing Assistance For Business Grand Openings - Available from the Marketing Division in the City Administrators office, which provides logistics consultation, vendor referrals, and examples invitations lists. Staff also assists with press releases and can provide a list of Media to help attract people to a grand opening.

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## KEY ISSUES AND IMPACTS

### Long-Term City-Wide Retail Strategy

As presented above, there are many services available for retail recruitment. However, the City currently lacks a long-term city-wide strategy for retail recruitment. Such a strategy could direct the use of these services to attracting the mix of retail necessary to reduce retail leakage, bring retail types that currently don't exist in Oakland, and increase shopping opportunities to Oakland residents. A retail strategy could also identify other tools and methods for recruiting retail.

The City lacks retail in four major categories: 1) big box retail, 2) major department stores, 3) lifestyle centers/comparison retail, and 4) neighborhood-serving commercial, in addition to Downtown Retail in general. Different areas of the City have different market appeal, opportunities, and constraints, in attracting retailers. Some require large lots, freeway visibility, household income concentration located nearby, tourist attractions, or other nearby beneficial businesses, depending on the market they serve and their merchandizing strategy. This portion of the report is organized by retail type and contains the following information:

- 1) Description of the retail category,
- 2) Basic location criteria
- 3) Possible locations in Oakland that meet this criteria.
- 4) Likely subsidies, regulatory actions, inducements if applicable.
- 5) Recommended recruitment efforts.

### 1. Major Department Stores

#### *History of Department Store Recruitment Efforts*

In the late 1980's the Agency entered into an agreement with the Rouse Company to bring department store anchored retail to the Uptown. In 1995 and 1996, the Agency worked with the Martin Group/Burhman Pacific to develop retail and residential in the Uptown and in the fall of 1998, the Agency negotiated with the Tetsuo Group and Urban Investment Trust to bring entertainment/retail to the Uptown area. Because of the large public subsidy required for these projects, insufficient interest from retailers, and uncertain economic conditions, all of these efforts were discontinued.

The Agency approved an interim retail strategy proposed by the Community & Economic Development Agency (CEDA) for Downtown Oakland on May 11, 1999. This strategy differed from previous retail strategies, which focused on creating a traditional shopping center in the City Center area of Uptown, anchored by two or more department stores. Instead, the strategy called for reinforcing, extending and connecting existing retail activity areas near Sears, in Old Oakland, at Jack London Square, and around City Center and Frank Ogawa Plaza. The strategy called for development of smaller retail projects in existing buildings or on in-fill sites. It also

called for a special emphasis on developing Broadway as Downtown's major shopping thoroughfare.

After the Agency's adoption of this interim strategy, positive economic indicators created significant interest on the part of retailers to locate in Downtown. This condition helped facilitate the attraction of smaller infill retail on major downtown streets, such as The Gap, Tully's, and Spaccio clothing store to 150 Frank Ogawa Plaza. The Men's Wearhouse, J. Malnick clothing, Whole Foods, and many new bars, nightclubs, and restaurants relocate/open in the evolving arts and entertainment district near the uptown and Paramount theater area. There are now 40 clubs and bars, 75 restaurants and cafes, and 33 galleries and cultural venues in Downtown.

The City of Oakland is poorly served by department stores. Downtown has only the Sears department store, operating in a portion of the old Emporium building. Department store representation in other nearby cities in the trade areas is limited. Discussions with department store managers located outside of the trade area in Walnut Creek, Pleasanton, and San Francisco confirm that Oakland residents patronize these more distant stores meaning there is potential to draw support from throughout the trade area for a department store located in Oakland. Keyser Marsten Associates (KMA) indicated that securing fashion-oriented department store anchors such as Neiman Marcus, Dillard's, and an upper end Macy's is vital to creating a unique market niche and customer draw for a department-store retail area.

Generally, department stores seek the following:

- At least two department stores co-located.
- 15-25 acres of land.
- 100,000 – 130,000 square feet each.
- Significant public subsidy (\$55 to \$100 million).
- Free and accessible parking.
- Freeway access.
- Access to higher income households.
- Established and successful retail setting that emits a feeling of security and safety.

The Keyser Marsten study indicated that if the City did not find interest from department stores in locating in the downtown area, it should move on to other uses for downtown. Efforts were made in 2001-2002 to determine if Macy's and similar department stores might be interested in becoming a part of the uptown development. No interest was found, likely due to the trends outlined in the next section of this report.

### *Department Store Trends*

A 2003 Urban Land Institute publication entitled “Where Will America Shop In The 21<sup>st</sup> Century” summarized the current trends in department-store anchored malls. The article verifies what has been heard from retailers and retail developers, that 1) department store mall expansion has slowed substantially due to loss of market share, merging of several traditional department stores, and other factors, and 2) it is probably unrealistic to expect to lure department stores back to downtown locations. An excerpted article addressing malls is reproduced below:

*“Where Will America Shop In the 21<sup>st</sup> Century”  
Urban Land Institute  
As summarized in Let’s Talk Business, January, 2003*

*Over the past twenty years there have been significant changes in where America shops and how it is entertained. By the early 1980s, regional mall shopping had begun to loose market share to other retail forms. Changes continue today, requiring developers, retailers, and service providers to create new types of stores and shopping centers to stay competitive.*

*The following are some of the current trends in retail and shopping center development. These trends were discussed by a panel of industry experts at the Urban Land Institute’s Fall Meeting (2002) in Las Vegas, Nevada.*

#### *1. Fewer General Merchandise Chains*

*More than any other chain, Wal-Mart has had a huge impact on the retail industry. Their distribution network, use of technology and local store merchandising has allowed them to undersell the competition and increase their market share. Their buying power is illustrated in their ability to buy food (for their grocery department) at 5% less than their competition. As margins in the grocery business average only 1.5%, Wal-Mart has a huge advantage in this category.*

*Other retailers, such as big box “category killers” and service businesses can co-exist and be very successful next to a Wal-Mart.*

#### *2. Malls Face Difficulty*

*Wal-Mart and other large stores are believed to have a major impact on shopping malls. Of the 45,800 centers in U.S., 1,100 are regional or super regional shopping malls. Approximately 712-percent of U.S. malls are considered economically obsolete. Many of these malls were created at a time when most households had only one income and there was more leisure time for shopping.*

*Many retailers have left the mall for open-air shopping centers. The cost of operating in a mall is more expensive as these facilities have common costs of heat, light and*

*security. They are also more expensive to build (as a result, only a handful is currently under construction).*

*Recent years have been difficult for retailers as the growth in retail space nationwide has outpaced demand. This “over-retailing” has resulted in consolidation of the industry with many chains shrinking or even going out of business.*

*Today there are only a few remaining general merchandise chains. Most of the traditional mall department stores are no longer full service as they have scaled back their merchandise to only apparel, cosmetics, shoes and some household items. The number of department stores selling appliances, furniture electronics, lawnmowers and other durable goods is limited. Further, mall department stores are representing a shrinking part of the retail industry having lost sales to mass merchandise and specialty retail stores. Nevertheless, existing mall department stores have opportunities as they often control excellent real estate in market areas with strong buying potential.*

*Wal-Mart is expected to double their sales in five years. They continue to expand into new products and services (such as used cars and banking). However, they do not sell everything.*

*Retailer margins are very slim and they have difficulty paying \$40/SF (requiring sales of \$400\$500/SF). Accordingly, more department stores are going into open-air shopping centers. Some industry experts believe that Sears, once an anchor for most every successful mall, will one day be an “off-mall” retailer.*

*As a result, mall operators are looking for renewing their operations and making them more accessible to the street and the community. Services and mixed uses are becoming increasingly important to malls. Examples include a church as an anchor of a Colorado mall and the addition of residential units to the back lots of other malls.*

#### *Free-Standing Retail Growing*

*Fifteen years ago, 55% of retail stores were developed in shopping centers. Today, that percentage has dropped to approximately 20%. Accordingly, 80% of new retail developments are free-standing. These stores are often built next to or across the street from a Wal-Mart or other large store. Despite their proximity to other stores, there is usually no foot traffic. Developers of shopping centers are concerned with this trend as it erodes the market share of shopping centers.*

#### *Implications for downtown*

*Changes occurring in retail and shopping center development provide useful trend information for downtown revitalization. While it is unrealistic to expect to attract mall department stores back downtown, current trends remind us of opportunities to highlight downtown’s unique advantages. For example, downtown’s sense of place and*



*character can offer the leisure-time shopper an authentic alternative to the mall (and new open air shopping centers). Downtown's population density should provide a compelling reason for a retail chain to consider in-fill locations. Finally, new, small scale retail concepts may be on the horizon that would be appropriate for the workers and residents of a downtown area.*

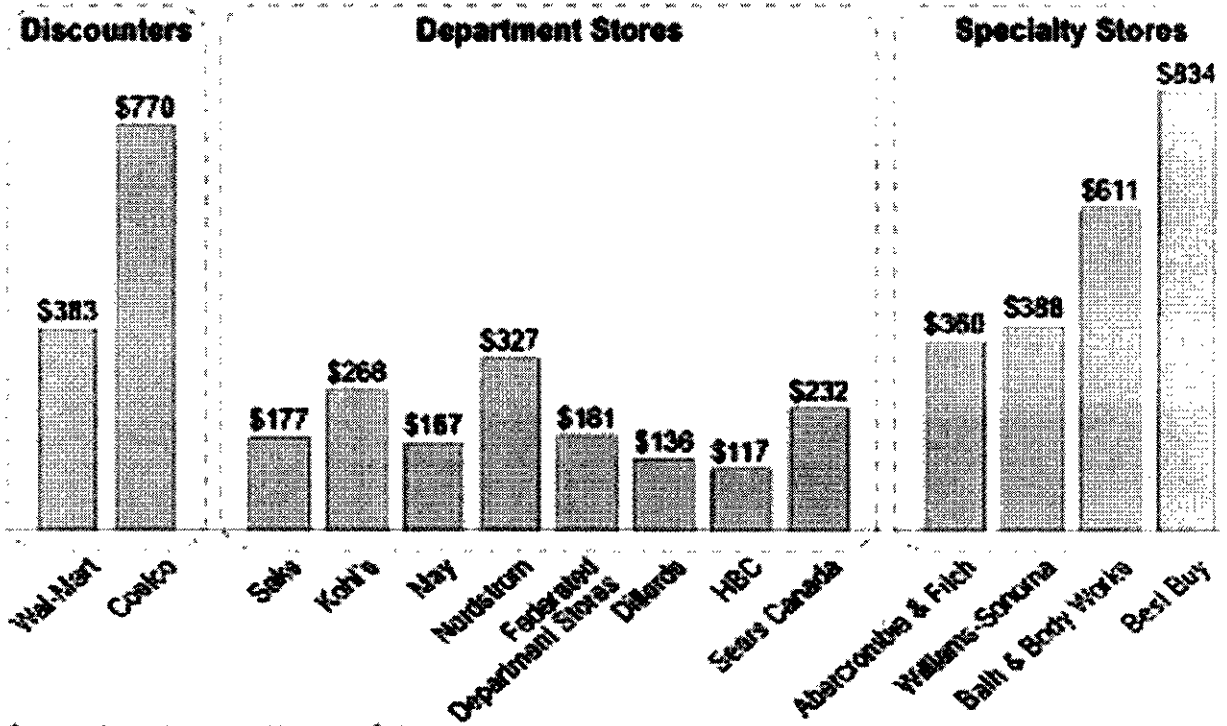
A recent article by A.T. Kearny business consultants provides this information:

*Back in 1995, a cover story in BusinessWeek proclaimed, "An Endangered Species Makes a Comeback." The authors described how U.S. department stores were making an astounding comeback after being battered in the early 1990s. Fast forward 10 years, and The Boston Globe put retailers back on notice with "The Endangered Department Store," pronouncing the "mass-market store as we know it is dead."*

*Once thriving and profitable, department stores have been deeply affected by shifting market dynamics and consumer trends over the past two decades. In the past eight years, department stores lost US\$2.5 billion in sales in the United States mainly to mass discount merchants and specialty stores. Department store sales dropped from 11 percent of all non-automotive retail sales in 1994 to roughly 7 percent in 2004, and continue to deliver lower sales per square footage of retail space than other formats. See figures below:*

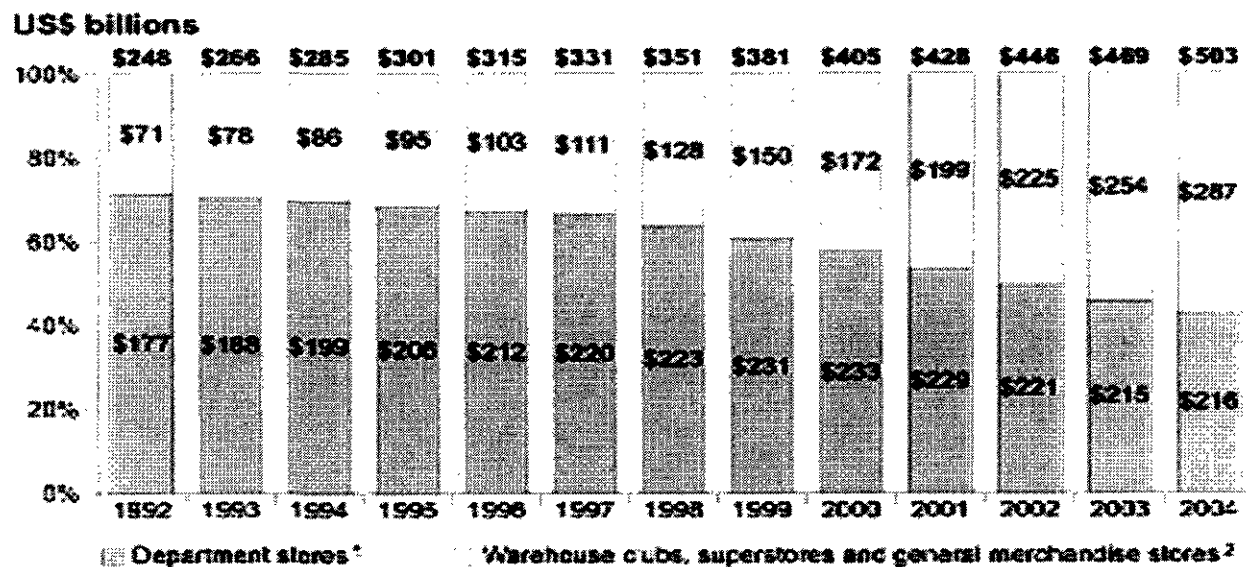
**FIGURE 1**  
**Department store sales compared to other formats in North America**

**Comparative sales per square foot for 2003 (in US\$)**



Source: Annual reports, Hoover's Online

**FIGURE 2**  
**Annual store sales in the United States**



<sup>1</sup> 10-year CAGR 0.8%, 5-year CAGR -1.3%; excludes data for leased departments operated within department stores  
<sup>2</sup> 10-year CAGR 12.8%, 5-year CAGR 13.9%

Source: U.S. Census Bureau, Annual Benchmark Report for Retail Trade and Food Services: January 1992 Through February 2003; March 2005

### Conclusion

Department store recruitment is unlikely due to industry trends and the need for large subsidies. Consolidation is currently occurring in the industry and high-risk downtown-located department stores are not being pursued by the major retailers. While it may be possible to attract a department store to the Jack London Square proposed development, due to its ability to attract people as a recreational area with other retailers and theaters drawing patrons, this area is not in a redevelopment area so providing any subsidies would be very difficult.

#### ► Recommended Actions for Department Store Retail

1. Contact JLS project proponents regarding their interest in seeking department store anchors.
2. Develop marketing materials
3. Contact Real Estate divisions of department store companies to determine interest level and provide marketing materials.
4. If no interest is found or if recruitment is financially infeasible, then concentrate City resources on other retail options.

## 2. Big Box Retail

The preferred store model for big box retailers is one typically thought of in the suburban context. This suburban model calls for a lot size of 12 to 15 acres, a single-level building of 130,000 - 150,000 square feet, excellent visibility and accessibility to and from an interstate freeway, single-story development with surface parking, and the ability to have large, visible signage at the freeway. Some stores prefer to develop and own their premises, others to lease. Big box retailers can be comfortable as "stand-alone" operations or can be grouped with other value retailers. Often, small, stand-alone pads are occupied by gas service stations and fast food uses. (Costco now includes a gas station as part of its own on-site operation.)

The downtown retail study does not recommend suburban-style large-format, "big box", retailers for the downtown area due to lack of available land area and the fact that this store format would not produce a pedestrian-oriented synergy with other retailers in the area. The strategy does suggest the option of pursuing an "urban-style" large-format retailer, such as a two-level Target with structured parking, as a component of the retail recruitment effort. Furthermore, the strategy recommends pursuing big box retail outside of the downtown area.

In some cases retailers such as Target or Costco are willing to locate in more urban areas. Costco built a one-story store over two levels of parking in San Francisco as a private sector deal, with no subsidy. However, this Costco is doing very poorly in sales and Costco believes this to be attributable to the structured parking. As a result, they may not do another store with structured parking. The excerpted article below describes factors driving some big box retailers to consider locating in downtown or more urban locations.

*"Where Will America Shop In the 21<sup>st</sup> Century"*  
*Urban Land Institute*  
*As summarized in Let's Talk Business, January, 2003*

*As suburban markets become oversaturated with stores, retailers must expand into the inner cities to grow. Experts are looking at industry leaders like Target to see how big box and mass merchandise stores can operate in the city. For example, a new downtown shopping center is planned for Stamford, CT that includes small shops on the first floor, three levels of parking, and a two-level Target on top.<sup>3</sup>*

For the most part big box retail will seek sites with freeway orientation or nearby access and large lots to accommodate the suburban model of retail development. As long as such sites exist, and can access neighboring household income, it will be difficult to recruit big box retail to build a more urban model without financial inducements. Land costs, land availability, and projected sales per square foot factor into the decision to build a suburban or urban model. Oakland has a variety of locations along the I-880 corridor and at the Army Base to which big box retailers

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<sup>3</sup> The Stamford CT Target is two stores over four stories of parking.

could be attracted. Oakland is very underserved by big box retail and staff currently receives inquiries regarding location within Oakland. Inquiries usually are searches for sites to accommodate a suburban model big box retailer.

### Conclusion

It is unlikely that Oakland will attract a big box retailer to build an urban model multi-story store with structured parking without a substantial subsidy. It is very likely that Oakland can attract big box retail various sites along the I-880 corridor, at the Army Base, or at limited locations near I-580. Currently, big box retailers of electronics and household goods show interest in locating at the Army Base. However, subsidies have been requested even for the suburban model store. While Oakland has recently seen retailers such as Costco, Home Depot, and Wal-Mart open new stores, there is sustained interest from other big box retailers in locating in Oakland.

#### ► *Recommended Actions for Big Box Retail*

1. Inventory sites appropriate for locating big box retail along the I-880 and I-580 corridors in Coliseum, Central City East, and West Oakland areas
2. Work with property owners to develop marketing profiles.
3. Contact big box retailers and launch recruitment efforts.
4. Work with OPUS West Wind LLC, the party to an exclusive negotiating agreement (ENA) for 50 acres of land at the Oakland Army Base, to include big box retail as an option in their proposed development.
5. Identify required subsidies and a methodology for financing subsidies.

### 3. **Lifestyle Centers/Comparison Retail**

Lifestyle Center: Most often located near affluent residential neighborhoods, this center type caters to the retail needs and “lifestyle” pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 square feet of retail space occupied by upscale national chain specialty stores. Other elements differentiate the lifestyle center in its role as a multi-purpose leisure-time destination, including restaurants, entertainment, and design ambience and amenities such as fountains and street furniture that are conducive to casual browsing. The most common elements found in this type of center include retailers and sit-down restaurants in an open-air streetscape or main street setting. The lifestyle center is conducive to leisure-time visits and casual browsing. The retailers often include upscale national chain specialty stores. Lifestyle centers are most often located where access to higher income households exists.

An excerpted article addressing Lifestyle Centers and Comparison Retail is reproduced below:

*“Where Will America Shop In the 21<sup>st</sup> Century”  
Urban Land Institute  
As summarized in Let’s Talk Business, January, 2003*

*Open Air Centers Growing -*

*Very few malls are being constructed today. Instead, open-air centers are being built and are taking more retail dollars out of the mall. Two general categories of open-air centers are capturing these dollars: leisure time/lifestyle and convenience/value centers.*

*Leisure time/lifestyle centers are replacing the mall experience by attempting to create a sense of community and positive, varied experiences. These niche centers are smaller and focus on food, entertainment, music, books, home goods, etc. Customers park outside of an attractive set of buildings and walk into a pedestrian friendly environment. These centers are successful in affluent markets and focus on “shopping,” not “buying.”*

*Convenience/value retail strip centers are providing time-starved consumers with targeted shopping destinations. Consumers know what they need to buy, drive up, park in front of the store, make their purchases, and leave. Consumers often return to their car simply to drive to the other side of the parking lot to shop at a different store.*

*These two concepts cover the majority of retail development today, although developers are trying to differentiate their centers in an attempt to build a “better mouse trap.”*

Conclusion

In considering the household market for lifestyle centers, and the larger lots necessary to accommodate this retail type, the most likely location within Oakland for such centers would be on the larger lots being vacated by auto dealers in The Broadway Auto Row area. Other locations in Downtown or Oakland neighborhoods may also be viable locations based on recent “drill down” analysis indicating significant growth in household income. Zoning changes could be used to encourage or require this type of retail. It should be noted that limiting land use to retail and removing any current residential component will have a negative impact on land values in the current market, since land that can accommodate residential use will bring a higher price than land limited to retail use in most locations. Another location where retail interest has been expressed is the Oakland Army Base. Staff has had discussions with an upper-end outlet mall/life style center developer seeking a site of 50 acres or more. The Army Base, particularly the site east of Maritime and South of Grand Avenue, could provide an attractive destination for one of the variants of lifestyle/comparison retail that draw on a larger consumer base, such as outlet malls.

► *Recommended Actions for Lifestyle Centers/Comparison Retail*

1. Inventory sites suitable for lifestyle centers and comparison retail in the Broadway Auto Row area and Oakland neighborhoods.
2. Review feasibility of zoning modifications that provide for either:
  - a. Incentive-based zoning to encourage development of this type of retail, such as a residential density bonus.
  - b. Limiting development of some larger sites to lifestyle retail by providing this as a permitted use, and limiting residential or mixed-use development through the conditional use permit process. This would give the City more discretion in approving 100% retail vs. mixed use projects on larger lots.
  - c. Minimum retail space depth requirements to assure viable retail space.
3. Return to the City Council with proposed zoning changes and an analysis of their impacts on land value.
4. Develop and launch a recruitment program for lifestyle/comparison retail centers.
5. Make a determination on whether big box retail or lifestyle, comparison retail should be pursued at the Army Base. If so, direct Opus West Wind LLC to develop such a proposal on property currently subject to its ENA.

**4. Convenience/Neighborhood-Serving Retail**

Most commercial corridors serving neighborhoods are now located within redevelopment areas, providing additional resources to stimulate retail investment. The West Oakland, Central City East, and Broadway-MacArthur-San Pablo (BMSP) redevelopment areas have either recently adopted programs to recruit and support retail, or are doing so now. These actions include adoption of façade and tenant improvement grant incentives for existing buildings and the systematic identification and marketing of infill retail and mixed-use development sites. These programs have been useful in recruiting retail to the downtown area. By expanding these programs to other redevelopment areas retail recruitment incentives will be available over a larger area.

Neighborhood Commercial Revitalization (NCR) division activity is limited to areas qualified under the Community Development Block Grant standards and consists primarily of 1) façade grant marketing and processing in, 2) public street improvements, 3) merchant promotions and merchant organizing. These efforts are being coordinated with redevelopment efforts where geographic overlap occurs. Currently, there is no direct retail recruitment effort in the NCR division.

The status of retail recruitment efforts in each major redevelopment area outside of Downtown is described below:

- Central City East Redevelopment Area – This area is the farthest along in the identification and marketing of infill retail sites. Forty sites were identified along the Foothill-MacArthur corridor. The Project Area Committee focused efforts on eight sites.

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Requests for proposals were issued and there were no responses. This was probably due to two factors: 1) the need to develop detailed demographic information and work directly with retailers rather than retail developers, and 2) no commitment to provide Agency assistance in assembling properties was included in the RFP's for legal reasons.

- **Broadway/MacArthur/San Pablo Area** – This area conducted an effort in November 2004 when the Agency issued a Request for Proposals to the development community for 3 blighted and under-utilized properties along San Pablo Avenue. Staff worked with property owners and prospective developers to generate interest and explain process and benefits. The lots ranged in size from 10,000 to 15,000 square feet. The intent of the RFP was to interest developers in mixed-use development (ground floor retail with housing above) along the corridor. The response to the RFP from the development community was limited primarily because the Agency did not control the sites. In the end, all three property owners declined offers made by developers to purchase their properties despite the fact that the offers reflected the market values of the properties.
- **West Oakland Redevelopment Area** - Retail recruitment in this area will be limited due to restrictions on eminent domain and the social-service/public improvement orientation of this redevelopment effort. The small redevelopment staff supported by this area also limits retail recruitment efforts.
- **Coliseum Redevelopment Area** – Staff has conducted an aggressive campaign to attract new retail development to the Coliseum Redevelopment Area. Approximately 400,000 residents live within a five-mile radius of the Area, and 250,000 vehicles travel through its major corridor, Interstate 880. In addition to providing partial funding for the Fruitvale station, the first large-scale retail development within the Coliseum Redevelopment Area, the Coliseum Area attracted one of its most prominent retail anchors when a 162,000 square foot Home Depot store opened along Interstate 880, south of the Fruitvale Transit Village. Hegenberger Gateway, which broke ground in 2004, offers 250,000 square feet of shopping center and restaurant uses. Anchored by Wal-Mart, the shopping center includes In-N-Out Burger, Starbucks, Panda Express, T-Mobile, Electronics Boutique, and other national retailers. The Champions Coliseum Center, which abuts the McAfee Coliseum Stadium on Hegenberger Road, is a site that can accommodate a 160,000 square foot commercial complex. Auto dealership interest has dramatically increased as well, which is addressed in the separate auto mall report. To compliment the recent opening of the Infiniti of Oakland Dealership on Coliseum Auto Mile, Redevelopment Agency staff is currently working on developing a second auto mall strategy to present to the City Council. Marketing materials used in retail recruitment efforts have been developed for the entire Coliseum area, the Hegenberger/1-880 Corridor Subarea, and the Coliseum Subarea.
- **Districts Outside Of Redevelopment Areas** – There are several areas with retail development potential outside of redevelopment areas such as Piedmont Avenue and the Dimond and Laurel districts. The primary tool available for these areas is the utilization of the existing small number of economic development staff to support the recruitment of

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infill retail, and the use of Neighborhood Revitalization Staff for districts located in qualifying CDBG areas. There is neither large scale funding nor agency-assisted land assembly ability in these areas. Therefore, retail development will be largely market driven.

## Conclusion

Residents often cite the lack of local-serving retail such as supermarkets, banks, and other basic retail stores when asked shopping needs. Recent town-hall meetings show that this is a continuing issue. With the expanded financial ability associated with newer redevelopment areas, tools now exist to create incentives for neighborhood retail expansion. In addition to incentives, the marketing of opportunity sites and the development of market area demographics for each retail area is critical to attracting local-serving retail.

### ► *Recommended Actions for Convenience/Neighborhood Retail*

1. Develop a policy to assist retail development including land assembly and financial incentives.
2. Develop demographic data for each major local neighborhood market which can be used to attract retail developers.
3. Develop and implement a program to categorize types of retail lacking in neighborhoods, create a list of specific retailers to target for recruitment, and commence contact and marketing efforts with the real estate divisions of the identified retailers.
4. Continue and expand efforts to identify and market neighborhood retail sites and issue requests for proposals to the retail development community and individual retailers.
5. Orient Neighborhood Commercial Revitalization more toward retail recruitment.

## **The Downtown Retail Area**

In 2000, the City began development of a strategy for downtown retail. The retail strategy was developed with consulting assistance from Keyser Marsten Associates, Inc. The key purpose of this strategy was to:

- Capture sales leaking to other communities, and increase the City's sales tax.
- Determine the feasibility of Department Store anchored retail downtown.
- Create shopping opportunities for City residents.
- Help target the Redevelopment Agency's retail recruitment efforts, and provide a vision for development of various areas desired by potential retail investors.
- Identify ways to capitalize on areas currently experiencing retail success.
- Identify how to take advantage of opportunities developing from projected increases in downtown household formation and employment growth.

This study was not adopted as an official policy of the City. The study set forth a number of alternative strategies and contained the following findings:

- The trade area within five miles of downtown would support moderate to better retail products including home, fashion, lifestyle and entertainment sectors.
- Department store anchored retail strategy is very high risk for the downtown.
- Big-box retail efforts should be focused outside of downtown due to the need for 12-15 acres and the fact that they do not lend themselves to encouraging pedestrian support for nearby retail.
- The Lower Broadway area has some retail momentum that can be capitalized on
- Planned residential and office development can support additional neighborhood and office-related retail in the respective uptown and city center areas.

The report contained the following geographically-specific recommendations:

- **Old Oakland** is the most appropriate district for a street-retail environment. Street retail is defined as a mix of small-scale, local specialty retail stores, ethnic restaurants, and it could be strengthened with better linkages to Chinatown, Jack London Square, and City Center.
- **Uptown area** would be suitable for neighborhood anchored lifestyle retail due to the planned residential in the area and support from the 10K residential strategy. This retail type is characterized by retail linked to residential uses such as a major grocery store or urban-style value retailer connected to lifestyle retailers such as Crate & Barrel, REI, Banana Republic, Ann Taylor Loft, Old-Navy. At this time emphasis is being given to development of the Uptown area as an arts and entertainment focus area. Retail developers have shown interest in lifestyle retail development. One proposal for such development will be presented to the Council for consideration in 2006.
- **Lower Broadway** could attract retail that supports the office clientele of the City Center area, create physical linkages to JLS and Chinatown to energize this corridor, and allow a retail and entertainment super district to more slowly evolve over time.

## Conclusion

There are very limited areas in downtown for large-scale retail and no assembled land areas of suitable size and location for department store development. As the City attains completion of the 10K housing initiative and office vacancies continue to fall, there is increased interest from small to moderate-scale retail developers in downtown locations. Most interest involves existing buildings or land in consolidated ownership or controlled by very few owners such as the 21<sup>st</sup> and Telegraph Avenue Garage site and environs or the T-5/6 site adjacent to City Center which upon which Shorenstein has an option for office development. Efforts to attract retail are gaining momentum with a 50% reduction of vacancies along Telegraph and Broadway corridors, largely due to façade and tenant improvement grant programs, a strong response to a recent Owner Participation Request on the Uptown Garage site and nearby land, and unsolicited interest in establishment comparison retail.

► *Recommended Actions for Downtown Retail*

1. Continue current retail recruitment programs utilizing façade improvement and tenant improvement grants and staff support.
2. Continue current efforts to work with merchants and property owners to set up a Business Improvement District in the “Korea Town” area of Telegraph Avenue.
3. Implement streetscape improvements to support expanded retail in the lower Broadway area between Chinatown and JLS.
4. Enter into a development agreement for lifestyle/comparison retail development in the Uptown area.
5. Identify and market areas that could be used for retail in-fill development or be assembled for larger scale lifestyle or comparison retail centers.
6. Contact Shorenstein Company to determine the feasibility of retail development as part of T-5/6 site development.

## CONCLUSION

Oakland lacks retail shopping opportunities in several retail categories. Oakland is also well positioned to attract retail both geographically and from a standpoint of household income. Oakland currently provides many resources and programs that could be made part of a comprehensive retail recruitment strategy. While several opportunities exist for expanded retail, some of which are being pursued, there is no written policy to guide city-wide retail recruitment, the types of retail to target, or the desired locations of various types of retail. Direction is needed to develop a policy and implementation strategy that focuses and adds to existing services and activities in a way that attracts the type of retail desired to the best suited locations, and identifies funding for implementation.

### *Resources necessary for implementation*

Currently there is two full time staff working on retail and major employer recruitment city-wide. About 50% of the staff effort is absorbed by tasks relating to the provision of data to brokers, property owners, and potential retail developers and retailers. Three economic development staff previously in business development have been redeployed under the current budget as follows:

- The one Industrial Sector development staff person has been assigned to redevelopment and is used to assist with industrial projects, policy, and redevelopment efforts.
- The one Office Sector development staff person was assigned to redevelopment to assist with downtown retail and mixed use development.
- The one Transportation Sector development staff person was assigned to planning.

The two full-time economic development staff is significantly below staffing levels of other cities such as:

Fremont – 6 staff  
Long Beach – 10 staff  
Sacramento – 10 staff  
San Jose – 11 staff

Given current staffing, one or two additional retail strategy implementation staff may be needed depending on the retail recruitment strategy ultimately adopted by the Council. Development of a retail recruitment policy and implementation strategy will require contract services for various inventories, demographic data, and strategic actions to be developed. When the strategy is completed the number of required implementation staff can be determined.

### **SUSTAINABLE OPPORTUNITIES**

Economic: Redevelopment, CDBG, Workforce Development, and other programs support the hiring of local residents.

Environmental: Environmental considerations are applied where applicable to individual programs.

Social Equity: Retail recruitment efforts and other programs listed in this report are intended to provide shopping opportunities to traditionally underserved communities and to provide services and jobs to residents of those communities.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

Retail businesses receiving financial assistance are informed that acceptance of funds subject them to compliance with State and Federal regulations regarding accessibility.

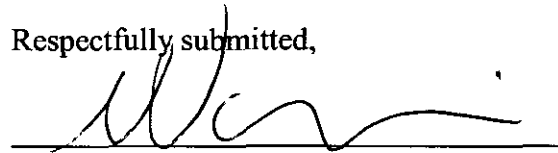
### **RECOMMENDATION**

Based on Councils discussion and direction, staff proposes that a comprehensive city-wide retail strategy and implementation action plan be developed utilizing contract consulting services. If so directed, staff will return to Council with a recommended consulting services contract reflecting the discussion and direction provided by Council.

**ACTION REQUESTED OF THE CITY COUNCIL/AGENCY**

Adopt a motion directing staff to return to the City Council for approval of a consulting services agreement to develop a comprehensive city-wide retail strategy and implementation action plan reflecting Council's comments and direction on retail types and their prospective locations.

Respectfully submitted,



DANIEL VANDERPRIEM

Director of Redevelopment, Economic  
Development, Housing and Community  
Development

APPROVED AND FORWARDED  
TO THE COMMUNITY & ECONOMIC  
DEVELOPMENT COMMITTEE:

  
Office of the City/Agency Administrator