MEMO

Date: April 27, 2017
To: Nicole Almaguer, Assistant City Manager/City Clerk
From: Amalia Cunningham, AICP, economic development consultant
Subject: Economic Development Strategic Plan research, funding options, and draft goals and strategies

At the May 4th EDC meeting, the members will be asked to review all the attached materials and give their feedback to the team. The status of the strategic plan is that Task 1.A (Background Data Review) and Task 3 (Stakeholder Input) are essentially complete. Task 1.B (Business Sector and Consumer Demand Analysis) is ready for review as part of this packet. There are four components of the plan-in-process to review with the EDC at its May 4th meeting (the second of three EDC meetings in Task 2). Following this meeting, the team will assemble the components into one action plan document (Task 4) for the EDC’s review at its June meeting.

In short, overall the team found that Albany’s business climate has retail strengths and many public sector white-collar jobs, is surrounded by savvy, well-educated, high-income households, and beloved by an affectionate community very attached to their urban village. Buoyed by the housing market, the stage is set to implement the General Plan’s goals of complementary new infill development. On the other hand, most employed residents are leaving town for work and not making a point of spending locally, economic development efforts can feel disjointed, business-friendly attitudes are inconsistent, and there is minimal opportunity for successful businesses to grow in Albany. The draft goals and strategies tackle these issues in a matrix sorted into Business Retention or Business Attraction, or both.

The four pieces of the plan-in-progress for discussion at this time are:

I. Analysis, including:
   A. Sales tax and tax revenue compared to peer cities
   B. Consumer Demographics (separate link to Psychographic Profiles)
   C. Employment
   D. Industrial Sector
   E. Home-Based Businesses
   F. Retail and Commercial

II. Outreach and stakeholder input summary
III. Local funding options
IV. Draft goals and strategies incorporating information from all of the above (attached)

We would like to have a discussion about each of the analyzed sectors, recap the outreach, review local funding options in a city’s toolbox, and then review the draft goals and strategies matrix. Again, this is not a draft plan at this stage; many things may change before the draft plan is presented in June, including as a result of EDC input.
I. Analysis of Major Business Sectors and Indicators

This section dives into each of the main areas researched, and discusses the findings. Following the EDC meeting, these subsections will be incorporated into the draft strategic plan, either in the narrative of the plan or attached as appendices. The goals and strategies matrix refers back to these data where appropriate.

A. Sales Tax

Albany’s sales tax revenue was $3.5 million in 2014-15. Albay’s strongest-performing sales tax sectors are retail and food products. Overall, Albany’s sales tax grew almost 7% from Q32015 to Q32016, outperforming the growth in the Bay Area (2%) and the state (2%).

Within the highest-performing sectors, new auto sales, building materials, and restaurants are all on an upward trajectory over recent years, and growth in Albany in those categories also outperformed their regional and statewide growth. General retail has fluctuated more, but its 2% growth over the prior year was the same as statewide growth, and better than the region (.8%).

A handful of businesses account for the bulk of the revenues in the biggest sectors. Overall, Albany’s sales tax generation is concentrated, with the Top 25 businesses (out of accounting for 73% of the sales tax. Concentration within a sector isn’t necessarily a concern - for example, Albany has a handful of very strong restaurants representing a variety of cuisines. Should one leave, it would probably be replaced by another restaurant; even if that new restaurant weren’t as successful immediately, it would still be generating something, as well as contributing to the breadth of the dining scene. Concentration of one business dominating a sector’s performance in practice means City Hall needs to stay in very close communication with that business.

Context is Everything: Peer Cities Tax Revenue Comparison

Pinole, Hercules, and El Cerrito are Albany’s neighbors with similarly-sized populations in the I-80 corridor, so looking at their tax revenue can provide a useful benchmark for Albany’s

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1 City of Albany 2015 CAFR, p. 96.
2 Unless otherwise noted, sales tax data from MuniServices (the City’s sales tax consultant), most recent data available 2016Q3. No additional sales tax information or history was able to be provided by City or MuniServices other than the staff packet for 2016Q3.
3 Sales tax data for specific businesses is confidential by law.
performance in the region. Without framing it as a competition, the fact is that today’s consumer
is mobile and savvy, willing to cross city limits to get the products they want, at the price they
want.

The local sales tax rate in the peer cities varies, from the high of 9.75% in Albany and El Cerrito
to a low of 8.75% in Hercules. To control for that when looking at performance, we looked at
taxable sales per capita as well as sales tax received per capita. To put the revenue in context
for each city, we analyzed the share of sales tax and property tax contribute to each city’s
general fund.

We found that Albany’s sales tax revenue, taxable sales, and taxable sales per capita were the
third lowest of the peer cities, ahead of only Hercules. This aligns with the online survey findings
that Albany residents purchase taxable goods outside town. However, Albany, Hercules, and El
Cerrito were all at the same share of sales tax in their general funds, around 20%. Municipal
finance expert Michael Coleman has estimated that the average full-service city in California
gets around 25-30% of its discretionary revenue from sales tax.⁴

The comparison shakes out slightly differently for property tax revenue. Albany is second to El
Cerrito in property tax revenue and property tax per capita, but ahead of both Pinole and
Hercules. In the future one could expect to see the rapid increase in home resale prices in El
Cerrito and Albany eventually reflected in an even greater gap between them and
Pinole/Hercules, for property tax revenue. But Pinole, El Cerrito, and Albany are all have
property tax contributing about a third of the General Fund, consistent with what Coleman
estimates for full-service cities.⁵ Pinole and El Cerrito also have hotel taxes contributing to their
General Funds.

<table>
<thead>
<tr>
<th>City</th>
<th>Sales Tax</th>
<th>ST per cap</th>
<th>ST rate</th>
<th>ST / GF</th>
<th>Taxable sales 2015⁷</th>
<th>Taxable sales per cap</th>
<th>Property Tax</th>
<th>PT per cap</th>
<th>PT / GF</th>
<th>Hotel Tax</th>
<th>Total General Fund (GF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albany 19,249</td>
<td>$3,508,838</td>
<td>$182</td>
<td>9.75%</td>
<td>21%</td>
<td>$211,703,606</td>
<td>$10,998</td>
<td>$5,863,823</td>
<td>$305</td>
<td>35%</td>
<td>-</td>
<td>$16,887,342</td>
</tr>
<tr>
<td>El Cerrito 23,546</td>
<td>$6,408,016</td>
<td>$272</td>
<td>9.75%</td>
<td>22%</td>
<td>$320,122,619</td>
<td>$13,596</td>
<td>$9,927,028</td>
<td>$423</td>
<td>34%</td>
<td>$114,712</td>
<td>$29,106,145</td>
</tr>
<tr>
<td>Pinole 18,946</td>
<td>$6,120,157</td>
<td>$323</td>
<td>9.25%</td>
<td>38%</td>
<td>$314,440,606</td>
<td>$16,597</td>
<td>$5,016,239</td>
<td>$265</td>
<td>31%</td>
<td>$391,165</td>
<td>$16,175,509</td>
</tr>
<tr>
<td>Hercules 25,314⁸</td>
<td>$2,693,075</td>
<td>$106</td>
<td>8.75%</td>
<td>20%</td>
<td>$178,895,615</td>
<td>$7,067</td>
<td>$1,173,026</td>
<td>$46</td>
<td>9%</td>
<td>-</td>
<td>$13,569,000</td>
</tr>
</tbody>
</table>

⁵ Ibid.
⁶ Data from each city’s 2015 CAFR unless otherwise noted.
⁷ Taxable sales data from State of California Board of Equalization, point of sale, all outlets, not
county/state pools.
⁸ Population estimate on July 1, 2015, from U.S. Census Quick Facts.
After looking at the revenue generated in the peer cities group, one conclusion is that while Albany’s sales tax performance could certainly be better, it’s not terrible - especially given Albany’s lack of large-format retail that is present in Pinole and El Cerrito. Its handful of major sales tax generators are keeping Albany afloat, plus the rise in housing prices contributes to an increasingly high property tax base. Getting that per capita sales tax figure up will be important in balancing the rising property tax revenue.

B. Consumer Demographics

As one sophisticated Albany restaurateur put it, “My customers come from a ten-minute drive.” There is a feeling that the bulk of the customers for Albany’s restaurants and specialty retailers are nearby. The Strategy Plan uses reports on the demographics within three miles of a center point9, as well as the “psychographics” - a marketing term for an assigned consumer profile and projections about behavior, to groups within the boundary of the study area. Businesses can use these demographic and psychographic reports to better understand their potential customer base. These reports, summarized below, will be made available to download free from the City’s website.

The three mile radius extends into most of Berkeley and El Cerrito into the hills, and the Marina Bay, Panhandle, and Annex districts of Richmond. There is an estimated population of 158,000, in 62,000 households.10 About a quarter of those households have children. The demographic averages and consumer spending patterns of the three-mile group compared to Albany-only are comparable, as the following examples show.

<table>
<thead>
<tr>
<th></th>
<th>Albany city</th>
<th>Three mile radius</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median age</strong></td>
<td>37.6</td>
<td>36</td>
</tr>
<tr>
<td><strong>Annual household average:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>$109,699</td>
<td>$102,123</td>
</tr>
<tr>
<td>Eating out</td>
<td>$4,328</td>
<td>$4,205</td>
</tr>
<tr>
<td>Apparel &amp; services</td>
<td>$2,924</td>
<td>$2,802</td>
</tr>
<tr>
<td>Household furnishings</td>
<td>$2,463</td>
<td>$2,315</td>
</tr>
</tbody>
</table>

Compared to the larger trade area, Albany residents are a little older, with a slightly higher income, and slightly greater spending patterns. But overall, the three-mile trade area shares

9 The intersection of Solano and Key Route.
10 Data in this section from ESRI Market Profile, 2016 data (unless otherwise noted), report run April 1, 2017.
many characteristics with the resident population, such as education level, employment profile, and race/ethnicity\textsuperscript{11}. With an average household income of $102,000, considering how many are student households associated with UC Berkeley, this means that the non-student households are doing very well.

The psychographic reports delve into these characteristics and predict behaviors, and these profiles can be used to target marketing efforts. The predominant profiles in the Albany area are summarized below.\textsuperscript{12}

City Lights (52\% Albany residents, 17\% 3 mile radius): This profile fits younger savers living in ethnically and racially diverse neighborhoods, who believe in equality and social justice. “They are price savvy but will pay for quality brands they trust.” This group is interested in natural products and health-conscious foods. They tend to shop at Target, Costco, and Walmart.

Urban Chic (30\% Albany residents, 20\% 3 mile radius) This profile fits middle-aged, well-educated, white-collar professionals who are environmentally savvy and heavy technology users. They are more likely than the average American to be married, have investment income, and commute by bike. They tend to shop at Trader Joe’s, Whole Foods, and Costco. They love coffee. There are more than 13,000 Urban Chic households within three miles of Albany.

Metro Renters (14\% Albany residents, 3\% 3 mile radius) This group is more likely to be single, use public transportation, and socialize frequently. They are in college or working long hours. They tend to shop at Trader Joe’s and Whole Foods.

Top Tier (4\% Albany residents, 3\% 3 mile radius) This is a wealthy, middle-aged group, making more than three times the national average. They tend to travel frequently, cook organic meals at home, and support NPR and PBS. They contract out for a variety of household support services. They tend to shop at Nordstrom, Amazon, Macy’s, Target, and Kohl’s. There are 1,667 Top Tier households within three miles of Albany.

Trendsetters (21\% 3 mile radius) This profile fits singles who are younger, well-educated, employed, travel and dine out frequently and socialize heavily. “They are willing to pay more for products that support their causes.” Many don't have a car. They tend to shop at Trader Joe’s and Whole Foods.

Smaller shares of the larger trade area are represented by Dorms to Diplomas (9\% 3 mile radius), Exurbanites (8\% 3 mile radius), and College Towns (6\% 3 mile radius).

\textsuperscript{11} 52-58\% white, 23-28\% Asian, 11-12\% Hispanic [any race], 5-10\% African-American.

\textsuperscript{12} More details on each, and quotes taken from, in the full reports on each psychographic profile at http://doc.arcgis.com/en/esri-demographics/data/tapestry-segmentation.htm.
C. Employment

Common wisdom has it that there are no jobs in Albany, that it’s just a bedroom community, albeit a delightful one. This is a myth: Albany has between 4,000-5,000 jobs, in a range of industries accommodating all educational attainment levels and skill sets. Because Albany’s employed residents skew higher-educated and white-collar, they can’t all be employed in town; the labor force is around 10,000 residents, so even at the high end of the estimates using available data, there’s still a deficit of around 5000 jobs.\textsuperscript{13}

Albany has 466 private sector businesses with employees.\textsuperscript{14} They are mainly small businesses, with four or fewer employees. Albany’s biggest private employers are primarily entertainment, like Golden Gate Fields, Albany Bowl, and Albany Twin Theater, retail (Target, Safeway, CVS), and restaurants.\textsuperscript{15}

<table>
<thead>
<tr>
<th>Business</th>
<th>Employee Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>151</td>
</tr>
<tr>
<td>Golden Gate Fields\textsuperscript{17}</td>
<td>98.76</td>
</tr>
<tr>
<td>Albany Ford Subaru</td>
<td>66</td>
</tr>
<tr>
<td>Safeway</td>
<td>51</td>
</tr>
<tr>
<td>VCA Albany Animal Hospital</td>
<td>23</td>
</tr>
</tbody>
</table>

\textsuperscript{13} California Employment Development Department, downloaded March 27, 2017.
\textsuperscript{14} U.S. Census Bureau 2014 County Business Patterns. The universe of this file is all operating establishments with one or more paid employees. This universe includes most establishments classified in the North American Industry Classification System (NAICS) Codes 11 through 813990. For specific exclusions and inclusions, see Industry Classification of Establishments.
\textsuperscript{15} List will change when Sprouts Market and Belmont Village open and are fully staffed.
\textsuperscript{16} Data from City of Albany business licenses, unless otherwise noted.
\textsuperscript{17} This is the low end of the variable employment level; see longer discussion in report.
The employment picture broadens when all the public sector agencies and nonprofits are included. Albany schools are the number one source of employment within Albany’s borders.

### Top Ten Employers, All Agencies

<table>
<thead>
<tr>
<th>Business or Organization</th>
<th>Employee Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albany Unified School District (AUSD)</td>
<td>466</td>
</tr>
<tr>
<td>United States Department of Agriculture, Agricultural Research Service, Pacific West Area, Western Regional Research Center</td>
<td>275</td>
</tr>
<tr>
<td>Target</td>
<td>151</td>
</tr>
<tr>
<td>Golden Gate Fields</td>
<td>98.76</td>
</tr>
<tr>
<td>United States Department of Agriculture, Food Safety Inspection Services</td>
<td>90</td>
</tr>
<tr>
<td>City of Albany</td>
<td>90</td>
</tr>
<tr>
<td>St. Mary’s College High School</td>
<td>70</td>
</tr>
<tr>
<td>Albany Ford Subaru</td>
<td>66</td>
</tr>
<tr>
<td>Safeway</td>
<td>51</td>
</tr>
</tbody>
</table>

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18 This list doesn’t include the Albany YMCA, which employs many extremely part-time fitness class teachers, skewing its count, which ranges from 80 up to 130 in the summer, per conversation with Gail Drulis, Executive Director, Albany YMCA, March 16, 2017.

19 Data from City of Albany business licenses and employers.

20 Higher seasonally (in summer).

21 90 full-time employees, plus an additional 35 part-time employees, per the Economic Development Strategic Plan Request for Proposals (Oct. 2016).

22 The school buildings are in both Berkeley and Albany.
Of course, every place has K-12 school services as well as local government employment. But even setting AUSD and the City aside, the public sector employment in Albany is still significant. The USDA campus holds almost 10% of the City's total employment. The University Village staff even at its low point of 50 is a bigger employer than all but four of the private businesses in town. One more public sector employer to note is the State of California's Orientation Center for the Blind, which can have up to 35 employees when fully staffed.\(^\text{24}\)

Albany is fortunate to have so many institutional employers who are relatively stable. On the other hand, the institutions do not pay property tax, do not generate sales tax, and are not likely to show any significant employment growth, at least not in the current Presidential administration.

**Business License Data**

Albany has almost 900 licensed businesses in town.\(^\text{25}\) As the following chart shows, the largest categories of businesses are professional services/office uses, and health care.

![Number of Licensed Businesses and Employees](chart.png)

All the office uses, health-related and non-health-related, together are more than half the licensed businesses in town. This doesn’t necessarily translate into a demand for space as

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\(^\text{23}\) 50 FTE, up to 100 including part-timers, which increases in summer; per email communication with Jen Siecienski, Associate Director for Family Housing, University of California, Berkeley, March 2, 2017.

\(^\text{24}\) Conversation with OCB staff, March 17, 2017, noting OCB is not currently fully staffed and has trouble with attracting and retaining staff due to low state wage rates.

\(^\text{25}\) All business license data unless otherwise noted from the City of Albany Finance Department, Feb. 2017. This figure excludes residential rental property owners and fraternal-type organizations, but includes all other licensed businesses with a permanent Albany address.
some of these licensed business operators share offices, and more than a quarter of the total (243) are home-based businesses. Another interesting feature of the business snapshot is there are almost as many personal care service providers as retailers, and fewer restaurants than either of those.

The City collects employment data with its business licenses, which are not required of public agencies, banks, and nonprofit organizations. Due to the way the data is collected, a business owner may or may not report him/herself as an "employee", so the resulting total employee count of 1,254 is an undercount to an unknown extent of total private-sector employment. Albany has 5,070 jobs according to the Association of Bay Area Governments, and perhaps it does when people who work in categories not requiring a business license are included, as well as residents working from home for a remote employer, household workers, and non-profit and government employees.26

Much of the hard data on employment comes from the City business license database. A full business license audit is well beyond the scope of this project; however, it is clear that there are inconsistencies between the City’s records and other data sources, such as the businesses themselves. Undertaking a business license audit is difficult without jeopardizing goodwill from the business community, and not recommended. The recommended approach is to work with a steering group of licensed businesses to reconfigure the business license fee structure to eliminate the per-employee tax, along with a sharpened focus on collecting accurate and complete information at the time of the initial license. This would not encourage under-reporting of employees, as may be the case under the status quo. The intent is not to generate more revenue out of business licenses, but rather to improve the quality of the data gathered and streamline the process.

Absent a major redevelopment project at some large site, it’s not likely that Albany will ever provide full employment for its resident labor force. The strategic plan’s goals and strategies for employment issues center on improving communications and collaboration with large employers, and improving the quality of the data that can be used to track economic development progress.

**Major Employers’ Spotlight**

Golden Gate Fields, the USDA, and the AUSD were all individually contacted to round out the picture for each of these major employers in terms of their employee profile, local spending, future plans that might affect local economic development, and relationship with the City.

**AUSD**

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The school district is Albany’s largest employer with 466 total employees, as well as the largest employer of Albany residents - 103 employees live in Albany. The district is also a major property owner within Albany. While its main office is currently in a temporary location in University Village, it will relocate to one of its other facilities in the next year or two, and staff plans to bring a proposal to the Board of Education soon (as of February 2017). While the district prefers to co-locate its office for cost efficiency, even if it had seriously looked on the open commercial market, District staff pointed out it would be very hard to find one property that could accommodate 7500 SF of office. District staff does not anticipate any of its property becoming vacant or surplus in the foreseeable future. The District staff emphasizes they value local business and have many strong partnerships in the community.

**USDA**

The USDA’s Western Regional Research Center (ARS) has been in Albany for more than 75 years; its campus on Buchanan is also home to the U.S. Forest Service and most recently Food Safety Inspection Services. One estimate is that 50-75 of the ARS’ employees are also Albany residents. USDA also hires local high school student interns in the summer. The facility provides a shuttle from BART and employee transit subsidies to get out-of-town employees to work. There is no cafeteria on site, although there is an expanded vending area (with proceeds going to the employee association), so employees do go into town for lunch and errands on a regular if not everyday basis. Anecdotally, campus employees go “downtown” for lunch more when the weather is pleasant.

There is some interest from the site administration in removing an older building on the property to replace it with new construction with more capacity. The new building could be used by the USDA as well as tenant space for additional Federal agencies interested in this central location, but there are no firm plans as of February 2017.

**Golden Gate Fields**

While Golden Gate Fields (GGF) is a major employer in Albany year-round, its employment count peaks in “season”, with live racing dates being the season. It hosts 148 days of live racing annually, although the dates may shift slightly year to year as assigned by the California Horse Racing Board. During the season, there are 213.6 FTE, and in the off-season, when it hosts live simulcasts, there are 98.76 FTE. Only two employees live in Albany. Most commute in from lower-cost parts of the Bay Area by car. Some of the employees get food service provided to them in-house during the season, but employee groups do travel into Albany and Berkeley for lunches on occasion.

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27 All employees, not just FTE.
29 USDA facility information from in-person meeting with Christopher Carter, ARS, on Feb. 15, 2017.
30 Golden Gate Fields data from email communication with Merry Scalzo, Director of Administration, March 1, 2017, and phone conversation with Calvin Rainey, General Manager, Feb. 15, 2017.
31 GGF straddles both Berkeley and Albany, and the employee count includes employees who may physically work only on the Berkeley side.
Golden Gate Fields’ corporate parent owns significant acreage on the waterfront in Albany, and is by far the largest single property taxpayer with an assessed value of more than $50 million in 2015 - more than 2% of the citywide total assessed value. The future of this site was discussed extensively by the City, community, and regional stakeholders through a long public process called Voices to Vision (V2V). For the purposes of this plan, the V2V effort was not to be duplicated, so the focus on GGF was more as an employer than an opportunity site. See the Commercial Sector Analysis section for an expanded consideration of this site.

D. Albany Industrial Sector

Albany’s industrial businesses might best be characterized as small but mighty. “Industrial” means businesses in the construction, manufacturing, wholesale, and warehouse/transportation sectors (NAICS codes 23, 31-33, 42, 48-49), of which there are 56. While some of those are one-person shops running out of their homes, those that have a separate business location are typically on Cleveland Avenue, which is a frontage road to I-80 in an area known occasionally as West Albany or the West Albany Creative District, and connected to Richmond; or along a small stretch of Eastshore that is a frontage road to I-80 connected to Berkeley; or scattered along San Pablo Avenue.

The industrial sector is not a big employer in Albany. Of the 56 firms, 39 employ only 1-4 people. There are about 200 PDR employees in Albany, which includes the service departments of the two main car dealerships in town.

Cleveland, or “West Albany”, is Albany’s de facto industrial zone, and it has an interesting mix of businesses in it, a few of whom are quietly generating significant revenue for the City - four Cleveland Street businesses are in the Top 25 of sales tax generators, out of only about a dozen businesses on the street. It is also the area that members of the local art community would like to see some sort of community art space, as well as an area that gets a lot of interest.

The General Plan’s industrial use policy guidance:

Commercial Services and Production: This designation permits a variety of uses, including retail, production, light manufacturing, distribution, and repair. Live-work uses, artist’s studios, “maker” activities, and similar uses are also permitted. The designation applies to a linear corridor along the Union Pacific Railroad. ... Properties with this designation are subject to a maximum allowable FAR of 0.5. (p. 3-15)

Policy LU-1.4: Production, Distribution, and Repair
Provide opportunities for PDR businesses in the areas along the Eastshore Highway and Cleveland Avenue, recognizing that this area has a substantially different character than the Solano and San Pablo business districts...[and use regulations for this area should also facilitate auto-oriented uses, larger-scale retail uses, and live-work development. (p. 3-33)

- The City particularly encourages activities in this area that advance Albany’s reputation for sustainability and innovation. (p. 3-23)

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32 City of Albany 2015 CAFR, p. 187
33 2014 County Business Patterns.
34 A more precise count is not possible due to the way the city collects business license data, discussed elsewhere in more detail.
from potential users in the marijuana industry. Albay Steel and the City’s Public Works building are the most prominent users on Cleveland.

Eastshore has a much more mixed bag of industrial/PDR type businesses than Cleveland, as well as twice as many businesses overall plus some office users. The street reads retail due to Target’s signage (entrance off Eastshore), but in fact office, retail, and PDR are also alive and well on the street. Although Target does very well, Eastshore may have a ding as a business location due to the difficult Gilman Street freeway interchange in Berkeley, a longstanding Caltrans project with an eternally postponed start date. Some signage on Eastshore addresses freeway routing, but more is needed.

**Industrial Business Spotlight**

Albany Steel has anchored Cleveland Street for years. The building was available in Albany at the time the owners were looking, and it was fortunate for the city as the business is consistently in the Top 25 of sales tax generators. Its building and sign are clearly visible from the freeway, making it a community placemaking element. The company’s main line of work is supplying steel to contractors working on the four Bay Area refineries. Custom fabrication is a smaller business line. It employs 10 workers, all of whom have been there many years.

**E. Home Based Business Sector**

Understanding the nature of local home-based businesses (HBBs) is important for thinking about both the types of employee Albany houses, because if they ever stop working at home, they are likely to stay in the same profession, as well as for planning for business support services this sector may need to grow. In many cases, it’s in the public interest to “garden” these home based businesses so that they grow out of the house and fill up the commercial real estate market. Even those that grow but stay home-based have the potential to increase sales and revenue. Home-based business owners are also likely to make

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35 Per conversations with City staff, January-February 2017.
consumer choices closer to home. Overall, it’s an important business sector to understand, and connect with.

Albany has 236 licensed home businesses, not including residential income property owners. The home businesses are about half professional services, almost 12% contractors, and the rest a mix of business types.

Among the 128 professional service firms, the greatest share are independent consultants in a range of fields. Professionals providing services for home and garden were the next greatest category, followed by computer technicians, and lawyers and accounting professionals.

Fostering the growth of these businesses involves communicating with them about what resources are available, and helping connect them. Some home-based business owners might like to learn more about SBDC trainings, while others might want to meet more local business owners for networking. Partners such as the Chamber of Commerce can facilitate the networking events. Once collection of email addresses is more standard on business license forms, the City could easily send out an annual survey to its HBBs. The City could also host or co-sponsor a Home Business Owners Lunch that could be a mini-resource fair geared to small business owners’ needs. Facilitating a coworking space is an example of an objective that could arise out of more communication with this sector.

F. Retail and Commercial Sector

Under separate cover.
II. Stakeholder Input and Community Outreach

Qualitative input for the strategic plan reflects community perceptions and experiences, coloring in the picture outlined by the quantitative analysis. No matter how subjective, community input is part of the real world that the plan must succeed in, which is why there was a lot of outreach to both business representatives and regular Albany citizens. These efforts complemented the regular noticing for the City’s Economic Development Committee monthly meetings.

Business outreach encompassed two focus group meetings, one for business owners and one for commercial property owners and brokers, and individual interviews in person, over email, by phone - or in one case, by Twitter - with approximately 25 more businesses and organizations.

Resident-oriented outreach included a set of web pages at www.albanyspeaks.org, on which with background materials and a survey, and an evening public workshop in April 2017. While the details of the outreach and feedback follow, the universe of public input comments generally fell into one of four themes, depicted below. The goals and strategies refer back to these themes.
Outreach to the Albany Business Community

Heavyweights
This group of top tax generators included industrial, retail, and restaurant users, in all business districts of the City (Solano, San Pablo, and Cleveland/Eastshore), plus Golden Gate Fields at the waterfront. The good news here is that the businesses generating the most revenue for the City are generally very happy doing what they’re doing; complaints were minimal. The issues they’re facing are either: 1) regional issues such as the cost of housing and subsequent longer employee commutes, and rising minimum wage, or 2) business growth issues such as needing more space for their operation or needing more customer parking.

The police department came in for kudos for response times and proactive policing. A few businesses had experienced what they remember as problems or delays in zoning or building permitting; no current issues and there seemed to be a feeling that this was in the past.

Takeaways:
➢ Any zoning code changes should preserve ability to continue current operations.
➢ City should continue participation in regional problem-solving efforts and initiatives (via ABAG, East Bay EDA, etc.) - Albany is not immune to them.
➢ At least one Heavyweight needs “Strike Team” type assistance to solve a capacity challenge.
➢ Street trees cause sidewalk damage that then the property owner has to fund.
➢ Public safety is perceived as a competitive advantage to an Albany business location.
➢ Businesses enjoy participating in school events and fundraisers - feeling of belonging to the community.
➢ Parking enforcement is “overzealous”.

Small Business Owner Focus Group

This meeting on March 16, 2017 attracted 15 business owners, four of whom were also wearing another hat as a City commissioner. There was representation from home based businesses (professional services, music instruction), salons, church, gym, personal services, insurance office, tutoring, medical, and retail. Aside from the home based businesses, all but one of the participating businesses were located on (or just off) Solano. Beyond the diversity in types of businesses, the participants were also a diverse group in terms of age, gender, and ethnicity.

There was a lively discussion around events big and small, advertising and media, with many businesses saying they do not advertise, and collaborative actions to support art-business partnerships. There was lots of interest in capitalizing more on Albany Local Week, and Dinner With Albany seems to be the most popular event.

Parking concerns came up, with a lot of support at the group for increasing on-street parking limits to two hours at least (from the current 90 minutes), preferably three hours. One attendee
was experiencing a current problem with the City permit process, which was discussed at some length. The idea of using an assessment district to pay for above-and-beyond improvements in commercial areas was floated to a mixed response, with attendees saying it would depend on what it was slated for, and what results were seen. At least one attendee said a hypothetical $200 assessment per year would be too much for her business to support. Another idea of business quotas (limiting certain business types in commercial districts) saw no support.

Takeaways:
➢ Small business owners feel like they don’t get enough communication about events and how to partner with them.
➢ There is interest in more frequent, smaller events that are more business-focused than the Solano Stroll.
➢ There may be a need to help local businesses improve their social media use through training.
➢ Parking is a concern on Solano and San Pablo; there is a fear of lack of parking becoming a customer deterrent.
➢ Street trees cause sidewalk damage that then the property owner has to fund; or doesn’t fund, creating a hazard for business owner.

Commercial Property Owners and Brokers Focus Group

This focus group meeting on March 9, 2017 was small, with one commercial/industrial broker, four commercial property owners (two of whom were also EDC members), one additional EDC member, and one local business owner/City commissioner. The men in attendance represented office and industrial properties, including some owner-users. The group had an interesting discussion about what attracts a prospect to an Albany location. Generally prospects are looking in the wider East Bay than in Albany specifically, and when they land in Albany it’s because the space is a good match and the landlord is willing to underwrite tenant improvements. Most spaces need some level of renovation for the next user. Generally speaking, office/retail rents are lower than in Berkeley, even in Albany’s highest-rent zone of lower Solano.

Business tenants like the ease of parking, and both the perception and reality of public safety in Albany compared to nearby cities, both for themselves and their clients. Competing areas for office include downtown Berkeley and Rockridge, both of which have BART access. There was some discussion about a BART shuttle, possible route, funding, etc. There was some discussion amongst the attendees about staff’s support for applicants through the planning process, with one attendee pointing out “It’s not just Albany” that can be perceived as a tough place to get your approvals. One suggestion was that the City have a designated business development type point person to facilitate the approvals process. There’s a lot of interest from marijuana businesses in West Albany.
Takeaways:
➢ Parking is a concern on lower Solano the closer you get to the intersection with San Pablo; fear of lack of parking becoming a customer deterrent. Need parking and/or transportation solutions.
➢ Public safety is perceived as a competitive advantage to an Albany business location.

Influencers
A unique element of the outreach for the plan was using social media to connect with the businesses more active in that sphere. This group of businesses, referred to as Influencers, use Twitter, Facebook, and Instagram on a regular basis, and have the most followers among stand-alone Albany commercial businesses, and/or have the most Yelp reviews among Albany businesses. In other words, they are talking a lot on social media, and customers are talking about them. The number one active business on social media is Flight School, associated with the Twitter account for its owner, a musician with 14,400 followers. Most of the others are in the 1,000-3,000 range. The Influencer businesses are mostly bars, restaurants, speciality retail, and two gyms. The businesses actively using social media say they are using as an extension of their brand to stay in front of their customers. Nobody stated that they are making their Albany location a focus of their social media campaign per se, although a couple mentioned that it’s easy to use their social media to promote another local business.

Takeaways:
➢ There remains a lot of potential to partner with Influencer businesses (both among themselves, and with support organizations) to promote doing business in Albany.
➢ There may be a need to help other local businesses improve their social media game through training.

Resident Outreach
Albany residents were encouraged to participate in the process through online discussions and a survey at www.albanyspeaks.org, as well as at a public workshop which was held on the evening of April 6. City staff publicized the project through the weekly e-newsletter, Facebook page, and a video PSA starring Mayor McQuaid. The consultant team also publicized the input opportunities through the schools’ e-trees, personal contacts, Twitter, and flyers.

Workshop Summary
Around 20 people participated in the workshop, including staff, consultants, Councilmembers, EDC members, and citizens. (Unfortunately there was a severe rainstorm that evening during the workshop time slot, which likely depressed attendance.) Participants gave immediate feedback on ideas related to economic development strategies by using color-coded stickers, with more detailed comments made by post-it or in conversation.

37The term “followers” is used to describe Twitter followers, Instagram followers, and Facebook likes, and for the purposes of developing the Influencers list, all platforms given equal weight.
Ideas that got the biggest reaction were those getting six stickers - but the reaction wasn’t necessarily unanimous:

- Creating a one-pager/online “How to Start a Business in Albany” - 6 green
- Negotiating shared-use parking in the Solano/San Pablo vicinity - 6 green
- Implementing “Complete Streets” on San Pablo Ave (project design underway) - 6 green
- Transient Occupancy Tax (start collecting from Airbnb, encourage hotel development) - 3 green, 3 red
- Development of surface parking lots at Golden Gate Fields in line with Measure C & Voices to Vision - 5 red, one green

In terms of targeting uses, revenue-generating new businesses (hotel, retail, restaurant) and filling a gap/community amenity each earned four green stickers, while the other two choices for targeting (employment and vacancies) each garnered two green stickers. Other suggestions mostly got a mild amount of support, and a few got one or two red stickers opposed. There were no additional suggestions on funding sources.

Takeaways:

- Bigger ideas or changes to status quo will require more community process or discussion.
- There is a need for more education around funding vehicles and financing mechanisms, including Transient Occupancy Tax and BIDs.
- If the City is going to target business attraction efforts, it should be toward businesses which generate new tax revenue.

Online Participation

City staff established and maintained the web presence using content supplied by the consultant team for the duration of the project beginning in March 2017. Albany Speaks is a platform for online dialogue and comments using the same software package from Granicus that the City uses for its online meeting agendas.

The online survey had a total of 102 complete responses (109 partial responses) in the month it was live. About half the respondents were Baby Boomers, 43% were Generation X, and only 7% were Millennials. Most (93) were Albany residents, 12 were Albany business owners, and five were employees of an Albany business/organization.
The survey found many positive feelings about the business climate. The majority of respondents agreed that they make a point of shopping locally, and enjoy strolling and biking around the shopping and dining districts.

**Survey Respondents on Business Climate**

![Survey chart showing respondents' attitudes towards supporting local businesses, enjoying strolling in the district, and feeling a good balance between different kinds of businesses in Albany.](chart)

When the survey questions got specific about actual consumer behavior, respondents did reveal they tend to shop elsewhere for daily needs. Many open-ended comments touched on this key issue, noting Albany is a small town and there isn’t physical space to accommodate all the businesses one might like to support. Given the strength of the restaurant sector, it was surprising that the agreement to “Most of my favorite restaurants are in Albany” wasn’t stronger. (Perhaps we can chalk this up to living in a region with many very good restaurants!) Some of the open-ended comments also recognized that salons were a piece of the business balance equation, even if not some respondents’ favorite places to go. Sixty-two respondents disagreed or slightly disagreed with the statement, “I wish there were more parking near shopping and dining.” That’s a majority of respondents, but not an overwhelming majority.

The online survey also asked about perceptions of employment opportunities in Albany. Consistent with what the Census data shows, employed Albany residents are leaving town for work and don’t anticipate working in town in their line of work. When asked if they agreed with the statement that “Jobs in my line of work are available in Albany”, 84 respondents disagreed, slightly disagreed, or didn’t know. Some comments stated it’s a “bedroom community”, and wished for more “white-collar” jobs.
Takeaways:

➢ Respondents get that Albany is a small town and can’t meet everyone’s consumer needs.
➢ That said - they would like more of what they would like - speciality grocery, bakery, etc.
➢ There is room for improved performance in terms of restaurants becoming locals’ favorites, and information campaign about why it’s important to shop locally.
➢ Overall, residents seem satisfied with their community choices, and tolerant of the limitations of doing business in a small town.
III. Local Funding Options

It would be helpful if the EDC would discuss further pursuing one or more locally-controlled dedicated funding sources for economic development programs and projects. Albany does not have an local source of funds, other than the General Fund, to use for economic development programming. There is approximately $50,000 for economic development in the City’s proposed 2017-18 budget. This section discusses options for increasing local funding, separate from the competitive state and Federal grant programs the City applies for on an ongoing basis.

Assessment Districts

An assessment district is a special area with an additional tax on business owners and/or property owners, which goes into a project fund managed by a board of ratepayers. The prospective ratepayers get to vote on the district by a mail-in vote every 3-5 years. If authorized, funds would be collected by the City and passed through to the assessment district. The different types of assessment districts most relevant to Albany are:

- Business Assessment District (BID, also used as a generic term) - affects business owners,
- PropertyBID - affects business owners and property owners, and
- Community Benefits District (CBD) - affects commercial and residential property owners.

The BID’s board determines the assessment criteria and amount. For example, a retailer in the “central zone” might pay more than an office in the “outer zone”, however the board defines those areas. The Berkeley side of Solano Avenue has a BID in place. Businesses pay between $65-500 per year, depending on if they are located on Solano or on a side street, and type of business.38 BiDs fund improvements and activities above and beyond what a municipal government normally does; authorized uses can include sidewalk cleaning, enhanced graffiti removal, events, planters, marketing, and security.

Successful BIDs generally start with a core group of business owners who plan an improvement program, estimate the budget to implement it, and then build support for the improvement program throughout the district and among potential payees. City staff can be involved on an ongoing basis during the planning process, but the private sector support base should be in place first. For Albany, decisions would have to be made about the district’s scope - just Solano Avenue, or Solano and San Pablo Avenue - the main commercial corridors? Just businesses, or businesses and commercial property owners, or all property owners? Many of Albany’s economic development stakeholders are very familiar with the Berkeley Solano BID and can advise based on that experience. The BID concept was mentioned by the consultant at the business owner focus group conducted as part of the outreach for this plan; the predominant response was that support would depend on what it would be used to fund, and how much the individual assessments would be.

38 City of Berkeley Municipal Code Sec. 7.97.040.
Enhanced Infrastructure Financing Districts (EIFDs)

Enhanced Infrastructure Financing Districts (EIFD) are a newly revised California mechanism to recapture a share of the economic impact of new development - a more limited-scope version redevelopment tax increment. Industry experts feel that an EIFD may be worthwhile if it is part of a large area’s comprehensive revitalization plan, especially if anchored by a big capital project. Albany probably does not check those boxes, although if a large project involving new development or a major change of use comes forward, an EIFD could be on the table.

Voluntary tax increment

The concept behind EIFDs and the former redevelopment tax increment structure could be applied to a voluntary commitment to reinvest locally in economic development. A specified share of the growth in annual business-related revenue (business license, sales tax, commercial property tax) would be dedicated to economic development as part of the budget process. Many California cities have taken this concept and applied it to affordable housing using “boomerang funds”, the increase in General Fund revenues coming back to their cities after their redevelopment agencies wound down. It does mean that local economic development advocates must stay involved in the annual budget process as new priorities arise.

Transient Occupancy Tax (TOT)

Although Albany already has a 10% TOT on the books, it doesn’t have any TOT revenue. There’s no hotel in town, and the approximately 100 Airbnb/short term rentals in town are not regulated. A suggestion to investigate that got a mixed reaction at the public workshop. However, communities across the country are grappling with short-term rental regulations and neighborhood issues associated with the rise of Airbnb and its competitors.

With a caveat about the reliability of data, an independent marketing company called AirDNA shows 102 Airbnb listings in Albany in calendar years 2015 and 2016, with 69 hosts. About half the listings are the entire lodging, meaning the other half are shared with the owner on site, an important distinction made in most recent local regulations. The occupancy rate varies, as does the cost of the unit. For discussion purposes only, a very rough estimate of what the 10% TOT might bring in annually if charged only on the “entire property” Airbnb rentals in Albany, using AirDNA data, is $30,600. Using the same estimate of occupancy, an excise tax of $1 per occupied night could generate $3,060 per year applied to just the “entire unit” listings, or about $6,120 per year for all listings including shared units. There is also the business license model.

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39 For more information on EIFDs, see the California Community Economic Development Association’s EIFD Resource Guide (2016).
39 Information in this section downloaded from AirDNA on March 6, 2017.
39 Fifty-one Airbnb listings in Albany, with estimated occupancy of 2 months total of the year, at an estimated rental rate of $100/night, multiplied by .1 - assuming 100% compliance.
approach to regulation, with one annual license fee in the range of $56-87, for consistency with similar uses.\textsuperscript{42}

These are modest figures. However, given the rapid growth in the popularity of the sharing economy, this has potential to grow quickly, meaning occupancy rates increasing. If there is local interest in this potential revenue source, it may be better to institute regulations before the model really takes off. Chicago, for example, with about 5,000 listings, last year approved a “dizzingly complex” set of short-term rental regulations that explicitly charge listing owners a 4% fee dedicated to a homelessness services, and charges a $60 license fee per listing.\textsuperscript{43}

Further analysis and outreach to both hosts and neighbors would be needed if this were a public policy move the City wanted to consider, but it would be for community preservation/quality of life reasons, rather than as an economic development strategy.

All that said, if Albany attracts a new hotel development because of its ideal placement on the I-80 corridor, it would be essential to “level the playing field” by regulating short term rentals first. A new hotel would be a great fit from an economic development perspective. It would be a completely new revenue source - TOT, and secondarily provide a community amenity now in short supply – meeting space. However, the need to accommodate Albany’s “fair share” housing on the opportunity sites presents a policy conflict to a potential recommendation to pursue hotel development. Thus, the topic of hotels and hotel tax hasn’t risen to the level of an action or recommendation in this report; however, it’s absolutely something to keep in mind and be ready to activate down the road.

**Special Use Tax**

The legislature has granted California cities the authority to go to the voters to approve additional sales tax for general government (must be approved by 50% +1) and special purposes (2/3\textsuperscript{rd}s), such as economic development. It’s not common to go for “economic development”, and it’s a political campaign needing significant community support to even begin, but it is a legal option. However, at this point, Albany is at the Alameda County cap for local add-ons to the state sales tax. Unless or until one of the existing add-ons expires without being renewed, this is a theoretical discussion; the City Council is considering a proposal to renew an expiring half-cent local tax on the November 2018 ballot.\textsuperscript{44}

In theory, this option might be best deployed in the future in conjunction with a BID process. A new funding stream could be the City’s match for the private sector stepping up to develop a very high level of improvements or enhanced programming, especially if the programming meets other community goals like sustainability - consider this if a large, ongoing effort like a

\textsuperscript{42} Businesses with one owner with less than $7,200 in revenue annually are charged $56, while rental units are charged $87 annually, per the 2016 Albany Fee Schedule.

\textsuperscript{43} "Airbnb rules easily pass Chicago City Council despite vocal opposition", John Byrne, Chicago Tribune, June 22, 2016.

\textsuperscript{44} City Council 2017-19 Strategic Plan, Action 5.3.A.1.
regular BART/in-town shuttle is sought. The Albany community might respond very positively to a partnership approach that will provide a tangible benefit for most of the population.
IV. Draft Goals and Strategies for Consideration

Each of these goals supports business retention or attraction, seizes an opportunity despite existing constraints, and has actions to implement it. Each action can be measured (with a few exceptions that are more qualitative or one-offs), and ties back to an existing City policy where relevant. In many cases, these actions are implementing General Plan goals. The consultant team has provided an estimate of the time frame and cost of implementation. Most of the actions are derived from the data pulled for this plan, address input heard during the outreach phase of the process, or both.

<table>
<thead>
<tr>
<th>Goal: Foster local partnerships within the private sector, building community and strengthening participating businesses (Business Retention)</th>
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<tbody>
<tr>
<td><strong>Opportunity.</strong> Albany’s biggest businesses are generally satisfied customers! There are opportunities to tweak the business climate to bring up the satisfaction level of small/medium businesses, as well as stay alert to keep those bigger businesses successful in Albany.</td>
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<tr>
<td><strong>Constraints.</strong> Limited public funding available, business owners are very busy people with limited capacity for new time commitments, City staff capacity limitation.</td>
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<td>Actions:</td>
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<tr>
<td>(Measurables)</td>
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<tr>
<td>Offer support (such as free meeting space and advertising) for a job fair or an ongoing hiring effort by a large employers’ group. Many local large employers (YMCA, USDA, the City, University Village) ramp up in summer, and not just student jobs or internships, although those are also important for workforce development. (Post-Job Fair report on number of participating employers, attendees, and offers made on the spot)</td>
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45 (Short = within 6 months, Mid = 6 months-2 years, Long = More than 2 years out)
| **Convene initial meetings of like businesses, and encourage them to continue meeting and communicating** on their own or under the auspices of the SAA or Chamber. Clusters could include home improvement/construction, restaurants, independent retail, salons, and home-based businesses. This type of collaboration can lead to efforts like West Berkeley’s “Design Loop” and joint marketing. (Number of meetings held and participants.) | Short | Low/low | Sales tax | Tweaks |

| **Build on the popularity of Albany Local Week** (especially Dinner with Albany) by increasing communication around ways for businesses to participate, and/or increase low-impact events throughout the year. (Small business survey.) | GP Policy CSF 3.9 | Short/mid | Low/medium | Sales tax | Tweaks |

| **Create a voluntary local purchasing program.** This would recognize businesses and organizations for committing to and implementing a set percentage of purchases within Albany, along the lines of the Green Business Program. It could be entirely a private sector initiative by a business organization, or a City one. (Number of participants, amount of sales recognized by program) | Short | Low/low | Sales tax | Tweaks |
### Marketing campaign targeting residents.
Many employed residents leave Albany to go to work. Raise awareness of the importance of shopping locally, gassing up locally, and eating out in town. (The City could provide in-kind support for a campaign run by a business organization or partnership, like SAA, Chamber, or Realtors.) (Sales tax by sector at beginning, end, and year post-campaign.)

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### Goal: Step up City Hall (meaning both staff and/or EDC) proactive efforts to support business growth locally (Business Retention)

**Opportunity.** Low-cost, low-controversy (with one possible exception, parking) efforts that can be started quickly, and create goodwill.

**Constraints.** Limited public funding available (although these are all low-cost), City staff capacity. (Note that there is current discussion about hiring a summer intern that could assist with some of these items.)

### Actions:

<table>
<thead>
<tr>
<th>Actions: (Measurables)</th>
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<th>Cost/Staff Time Demand</th>
<th>Supported by Data</th>
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<tr>
<td><strong>Create a brochure and webpage on “How to Start a Business in Albany”,</strong> bringing together all the various requirements and resources in terms accessible to laypeople. (Page views)</td>
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<td>Short</td>
<td>Low/Low to very low (if done by EDC)</td>
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<td>Professionalism, Tweaks</td>
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<tr>
<td><strong>Fund small business training.</strong> The SBDC or other provider can work with the City and EDC to develop a curriculum for a set of educational workshops at low cost to participants, provided in town. Topics could include social media and marketing, displays, customer service, etc. (business survey)</td>
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<td>Short</td>
<td>Low/low</td>
<td>All</td>
<td>Professionalism, Tweaks</td>
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<tr>
<td><strong>Identify one person who is the first and main point of contact for economic development.</strong> This person may do it all on their own, or may have the authority to delegate into other departments. S/he will be the public face of Albany economic development, and be well-known to the business community. This person has the authority to respond quickly to time-sensitive business issues, and mobilize a team of others to assist when necessary.</td>
<td>City Council 2017-19 Strategic Plan Objective 5.2</td>
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**Conduct an biannual business survey.** Separate from permit issues, check in with business owners (using email addresses from business license data collection) every other year to evaluate existing efforts and discover new ideas for supporting local business growth. [Better yet, survey all businesses every 2 years, and a particular sector on the off-years.] (biannual report on results)

| Mid | Low/Medium (while underway) | All | Professionalism |

**Centralize and track business indicators.** Separate from permit issues, gather and report annually to EDC/City Council key measures of business growth such as those that will be included with this economic development plan, at minimum including employment in Albany, sales tax by sector, and number of business licenses by sector. (annual report)

| Mid | Low/Medium | All | Professionalism |
**Off-Street Parking:** Negotiate a shared use parking agreement with private lot owners with excess capacity on Solano and San Pablo. This will help the real and perceived parking shortage, as well as help prepare the City to jump on any opportunities for shared use parking that come up (closely monitor). There will be a cost for legal services, signage, and insurance, if nothing else, as well as staff time to investigate and negotiate.

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**On-Street Parking:** Raise time limits on Solano & San Pablo to at least 2 hours. Many business stakeholders have said 90 minutes is inadequate for customers, especially people trying to park once and patronize multiple businesses.

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**Goal:** Target new businesses that are retail, restaurant, or that provide a new community amenity/consumer choice. (Business Attraction)

**Opportunity.** Retail and restaurants are two of Albany’s strongest sales tax sectors. This healthy industry can absorb more businesses to the benefit of all.

**Constraints.** Prioritizing may lead to perceptions of favoritism.

**Actions:** (Measurables)

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<tr>
<td>Communicate the targets to commercial/industrial brokers. Ongoing personal relationships with the limited number of brokers working in Albany (estimated fewer than 10 firms) can foster a better understanding of what will thrive in Albany, on both sides. An annual lunch is a nice way to build those relationships, or it can be regular phone check-ins. (Number of contacts, current feedback)</td>
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### Revamp/amp up existing façade improvement funds program to target desired businesses

This dormant program could be refocused on one of the target business types to make an inroad. (depends on revamp structure)

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### Run targeted attraction outreach campaign

The method may vary based on the target industries, but it could include preparing a marketing package for direct mail, personal visits, hiring a broker to represent the City, and advertising/media. (contacts made)

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### Goal: Get more infill development. (Business Attraction)

**Opportunity.** Albany has identified opportunity sites in the Housing Element, where new/intensified development is appropriate. New development raises the property tax base, and ground-floor commercial provides new retail slots.

**Constraints.** New development always has public approval issues; however these sites have already had one layer of review through the Housing Element/General Plan process. There is a policy conflict between maximizing residential or affordable residential, in new development, and a bigger commercial piece of the project (more tax revenue).

### Actions: (Measurables)

**Developer/Designer Outreach and Input.** Invite developers and architects to an annual/biannual forum to hear about their successful practices from other communities, and promote Albany. (number of contacts)

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<tbody>
<tr>
<td>GP Policy LU 3.1, 3.7</td>
<td>Mid</td>
<td>Low/low</td>
<td></td>
<td>Tweaks</td>
</tr>
<tr>
<td>Opportunity Site Property Owner Outreach. At least annual phone or personal check-in with the owners of the Housing Element (Table 4.5) opportunity sites. Tell them the latest city policies, hear their current thinking on future plans, give them a personal contact at City Hall. (number of contacts)</td>
<td>GP Policy LU 3.2; City Council 2017-19 Strategic Plan Action 1.2.A.3</td>
<td>Mid</td>
<td>Low/low</td>
<td>Tweaks</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>Review allowed uses in SC, SPC, and CMX zones to remove obstacles (such as the major use permit process) or uncertainty about new development in these areas, which are identified for new and intensified development by the General Plan. (Take new list of allowed uses to Planning Commission by one year.) Also reduce/eliminate parking requirements for businesses moving into existing buildings on Solano and San Pablo.</td>
<td>GP Policy LU 3.6; City Council 2017-19 Strategic Plan Action 1.2.A.3</td>
<td>Mid</td>
<td>Low/medium</td>
<td>Tweaks</td>
</tr>
<tr>
<td>Consider undertaking a San Pablo Avenue Specific Plan with EIR, in an effort to smooth the way for new infill in the future, with increased maximum FAR and heights in line with General Plan’s goals.</td>
<td>GP Policy LU 3.2</td>
<td>Mid (est. 18-month process)</td>
<td>Medium (est. $100K)/High</td>
<td>Game Changer</td>
</tr>
<tr>
<td>Pre-approve suite of incentives for new development projects that meet multiple policy goals. These could include fee waivers, fee deferrals, tax rebates, and expedited processing. (Density bonus already offered per state</td>
<td>Housing Element (p. 5-33, Program 4.G)</td>
<td>Mid</td>
<td>Medium/Medium</td>
<td>Game Changer</td>
</tr>
</tbody>
</table>
Goal: Improving street infrastructure and overall design quality (making sure the built environment and streets match the quality of the business community, thus attracting more high quality business operators). (Business Attraction)

Opportunity. Albany has so many attractive businesses and well-kept commercial buildings; the challenge is to bring the entire commercial district up to the high level set. The City has a number of initiatives underway to improve street/sidewalk appearance and amenities, making the area more attractive for shoppers and pedestrians – these efforts need to be continued, and enhanced.

Constraints. Funding, consensus (aesthetics being subjective).

<table>
<thead>
<tr>
<th>Actions: (Measurables)</th>
<th>Policy Framework</th>
<th>Timeframe</th>
<th>Cost/Staff Time Demand</th>
<th>Supported by Data</th>
<th>Addresses Input Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a plan for new street furniture. This may require partnership with other agencies like AC Transit, East Bay Regional Parks District, but the street furniture in the commercial areas is not consistently high quality. It’s important also to be consistent with the new parklet’s look, and match the popular “bike” bike racks.</td>
<td>Active Transportation Plan, GP Action LU 1.B, EDC 2017-19 Workplan</td>
<td>Long</td>
<td>Medium/ Medium</td>
<td>Tweaks</td>
<td></td>
</tr>
<tr>
<td>Enforce or revise sidewalk sign rules. They are currently prohibited under code, but this is not consistently respected, leading to a wide variety of sign quality and affecting the appearance of the shopping district. Must partner with SAA &amp; Chamber.</td>
<td>GP Policy LU 6.4, 6.5</td>
<td>Mid</td>
<td>Low/Medium</td>
<td>Tweaks</td>
<td></td>
</tr>
</tbody>
</table>

46 There is a pending grant application by Community Development Dept. covering upper Solano Avenue.
**Require a high level of design quality for new development citywide, especially on Solano and San Pablo.** It would send a clear message that the City values placemaking, and has a high standard for design, leading to higher quality business performance.

<table>
<thead>
<tr>
<th>GP Policy LU 3.7</th>
<th>Mid</th>
<th>Low/Medium</th>
<th>Tweaks</th>
</tr>
</thead>
</table>

**Develop civic signage program or implement an expanded Wayfinding Program** (circa 2011, oriented to bikes and peds). Sign programs can get complicated (and pricey); however, one consistent sign program would make the commercial district look and feel more cohesive. Tie in Eastshore/ Cleveland.

<table>
<thead>
<tr>
<th>GP Policy LU 6.4</th>
<th>Long</th>
<th>Medium/ Medium</th>
<th>Tweaks</th>
</tr>
</thead>
</table>

**Public art program.** Work w/ Arts Commission to implement public art in a location and of a type that meets one or more of the above strategic solutions.

<table>
<thead>
<tr>
<th>City Council 2017-19 Strategic Plan Objective 4.2.B</th>
<th>Long</th>
<th>Medium/ Medium</th>
<th>Tweaks</th>
</tr>
</thead>
</table>

Continue existing efforts with economic development benefits, that are ongoing or in the pipeline:

- **Implementation of the “Complete Streets”** infrastructure upgrades on San Pablo. (first phase design slated for 2017, completion estimated for 2020)
- **Implementation of the parklet on Solano;** monitor performance, consider more if it works for businesses.
- **Supporting and funding services for people experiencing homelessness.** One of Albany’s competitive advantages in the minds of existing and prospective business owners is that it has relatively less of a “homeless problem” (quoting a business owner) than its neighbors. Continuing the efforts that help people, help businesses.
- **Stay on top of graffiti removal.** It’s not a great look. This may be an area where the Arts Commission’s mural program can help long-term.

**Goal: Improve customer service culture, and streamline permits and licenses for businesses. (Business Attraction and Retention)**

**Opportunity.** Albany could stand out for excellent customer service and ease of City Hall business transactions, building a regional reputation as a business-friendly city.

**Constraints.** Staff capacity.
<table>
<thead>
<tr>
<th>Actions: (Measurables)</th>
<th>Policy Framework</th>
<th>Time-frame</th>
<th>Cost/Staff</th>
<th>Supported by Data</th>
<th>Addresses Input Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emphasize business-friendly customer service culture for all staff involved in the permitting, licensing, and plan review process.</td>
<td>City Council 2017-19 Strategic Plan Goal 5</td>
<td>Short to mid</td>
<td>Low/Medium</td>
<td></td>
<td>Professionalism</td>
</tr>
</tbody>
</table>

- Review existing customer service administrative procedures citywide; add to them if necessary.
- Increase customer service training for front-line staff, add to evaluations for employees and supervisors managing front-line employees, and job descriptions for new hires.
- Post signage about the City's customer service commitment to set clear expectations
- Add thoughtful amenities for customers which may include a welcome mat or designated short-term parking for permit applicants.

(Customer feedback loops such as suggestion box and annual commercial applicant survey)

| Regularly update City handouts and website with information to address frequent permit questions from businesses and inexperienced applicants; include cost/time estimates and submittal requirements/expectations, and promote the expedited permitting option. [EDC could help with auditing page content and writing the FAQs.] (Page views, handouts printed, number of applicants paying for expedited permitting) | City Council 2017-19 Strategic Plan Objective 5.1 | Short | Low/Low | | Professionalism |
### Business License Fees.
With a steering committee of licensed business owners, review the business license process and fee structure to remove the penalty for adding employees, increase ability to track data and apply online, and clearly connect to the cost to provide the regulatory service. (Number of licensed businesses; number of reported employees) [Not anticipated to be a source of new revenue – would be approximately revenue-neutral]

<table>
<thead>
<tr>
<th>City Council 2017-19 Strategic Plan Goal 5</th>
<th>Mid</th>
<th>Medium/ Medium</th>
<th>Business licenses</th>
<th>Professionalism</th>
</tr>
</thead>
</table>

### Home-based Business Approval Streamlining.
Reduce City review requirements for home-based businesses; consider eliminating Building/Fire sign-offs to make these BLs over-the-counter. (Number of new home businesses receiving over the counter licenses; total number of licensed home businesses.)

<table>
<thead>
<tr>
<th>City Council 2017-19 Strategic Plan Objective 5.1</th>
<th>Short</th>
<th>Low/ Low-Medium</th>
<th>Tweaks</th>
</tr>
</thead>
</table>

Continue efforts already in the pipeline with anticipated economic development benefits:

- **Counter Hours.** Staff involved in the permitting process will be available at a certain time, that applicants can rely on for “one-stop” approvals.
- City Council’s consideration and **clarification of regulation of cannabis-related uses** in commercial and industrial/PDR zones, so that the rules may be clearly communicated to interested parties and stakeholders.
Background

The following background will give context to the existing state of retail, and also to the recommendations in this report.

Evolution of Retail

As the United States became more auto-dependent, downtown shopping districts gave way to suburban shopping centers including enclosed malls and strip shopping centers as primary retail destinations. Over the past twenty-five years, the retail market has further evolved with department stores giving up market share to big box retailers that focus on value and have purchasing and distribution efficiencies. These include “category killers” such as Best Buy, Staples, and PetSmart, and discount mass merchants such as WalMart, Costco, and Target.

A few downtowns have staged a revival with mixed-use redevelopment and urban shopping and entertainment districts as consumers sought more authentic urban experiences. Many Main Street retail districts have had similar experiences to downtown shopping districts. On a wider scale, the Main Street retail districts in Albany, Berkeley, and Oakland are more the exception than the rule, most likely because of a combination of the higher densities in these communities, an existing street grid system as opposed to a master planned suburban street plan, few convenient regional shopping destinations, and like minded residents who prefer patronizing local merchants.

Many suburban communities are now faced with repurposing underperforming centers and malls, and trying to create denser, more walkable mixed-use centers as they compete for new residents and jobs with urban centers and other suburbs. Albany is in the enviable position of having much of the infrastructure other communities are seeking to create already in place.

Commodity and Specialty Retail

As downtown shopping districts and regional malls declined, and big box, category killer retailers proliferated, today’s “commodity” versus “specialty” paradigm described by the Urban Land Institute was born. At its essence, today’s environment is about convenience and price versus experience.

Commodity retail goods and services are those goods and services that are purchased and consumed on a regular basis from "primary" household funds, largely without emotional attachment by the consumer, and at retailers and retail shopping centers offering the consumer the combination of low price and convenience most suited to the consumer’s needs at a particular moment. Examples of commodity retailers include local convenience stores to drug stores, grocery stores, discounters and warehouse stores. A "commodity shopping center’s" primary purpose is the aggregation of a number of commodity retailers in one location,
allowing for convenient cross-shopping. While habits may be developed over time (e.g. shopping at the same grocery store), consumers tend to view these retailers as interchangeable and do not have a strong connection to a commodity retailer’s brand or to a commodity shopping venue. Internet shopping has been an option most closely associated with purchasing commodity goods and services, however, this distinction is blurring goods more commonly thought of as specialty goods are more frequently being purchased online.

The term “comparison goods,” which are goods that consumers do not purchase on a frequent basis (i.e. daily or weekly), and are more likely to cause consumers to compare price, quality, and features than everyday items is often used interchangeably with “commodity” goods.

Specialty retail goods and services, by contrast, are those goods and services that are purchased on an optional basis by consumers using “discretionary funds” (i.e. funds not designated for basics like rent, food, and transportation), and selected and often consumed during “free” or “discretionary” time (i.e. when not working or tending to daily responsibilities). Successful specialty shopping venues deliver a unique and attractive combination of tenant mix and environment (i.e. a sense of place), often reflecting the character of consumers in the market or trade area in which they operate. Equally as important, these specialty shopping areas lend themselves to extended consumer stays. An emotional “feeling” or “pleasure” derived from the overall shopping “experience” is an important part of the consumer’s point of reference. Successful specialty shopping venues, regardless of format, deliver a unique combination of "product" (i.e. shops) and “place” (i.e. physical and conceptual environment), unique and attractive to the consumer within the market or trade area in question.

The distinction between commodity and specialty goods may be nuanced: For example, in the case of Whole Foods, the Apple Store, or Bass Pro sporting goods, each sells commodities, however, the product and brand positioning, merchandising strategies, and environment or “theater” are specialty in nature.

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Active and Inactive Uses

Another important way to think about retail is in terms of active and inactive uses. “Active uses” refers to situations where shoppers or pedestrians interact with built spaces even if they don’t go inside to buy a good or service. Examples would include specialty retailers, restaurants, some grocery or drug stores, and even a karate studio, art gallery, or real estate agency.

By contrast “inactive uses” refer to situations where the flow of a retail district is broken so there is a significant gap or in some other manner so that pedestrians don’t interact with the built environment. Even active uses with limited hours may become inactive uses when they close and become “dark” during non-business hours. Examples include offices, medical facilities, auto repair, big box stores without outward-facing interactive displays (e.g. Costco, some supermarkets and drug stores, some big-box retailers). Inactive uses can also be created through poor design.

Gravity Side of the Trade Area

The “gravity side of the trade area” is defined as the general direction in the trade area from which residents and daytime workers enter the trade area and to which they travel in order to leave the area. From an operational definition perspective, people come to and leave from Albany via I-80, and to a lesser degree via San Pablo Avenue. Since the greatest concentration of traffic is to the west, that is considered the gravity side of the Albany trade area. With this in mind, it is no surprise that Target located near the freeway where virtually all Albany residents regularly pass it, and where it is also convenient to people from other nearby communities.

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Internet Sales and Multi-channel and Omnichannel Retail

With the advent of e-commerce, retail is undergoing rapid changes as sticks and bricks retailers compete with e-retailers such as Amazon and eBay. While there were early fears that physical stores would be obsolete, and many retailers disappeared or suffered sharp decline in sales, the best performing retailers have adapted and are promoting sales through multiple channels, including physical stores, retail websites, social media, and other media (often referred to as “omnichannel retailing”). This trend is characterized by retailers creating a seamless shopping experience regardless of whether consumers are shopping online, from portable devices, from catalogs, or in a store. Physical retailers – Macy’s, Target, and Walmart are good examples—have established robust e-commerce portals and utilize their stores as fulfillment centers for online order pickup and returns. Meanwhile retailers such as Amazon that were exclusively e-commerce have opened or plan to open physical stores to further expand their sales. The consensus among retail analysts is that brick and mortar will continue to be the foundation of omnichannel retailing since stores provide a sensory experience of the offered goods as well as convenience.

Challenges Incorporating Retail into Mixed-use Projects

Encouraging mixed-use projects is part of a larger trend of encouraging increased density. As mentioned earlier, Albany already has both the infrastructure and the density that is needed to justify mixed-use economics. With respect to retail, the trend towards mixed-use has challenges with both positive and negative implications. For example, incorporating all the facilities needed to successfully operate retail space (e.g. parking, vertical transportation systems, loading including accommodating truck turning movements, trash and recycling areas, utilities, mechanical and venting systems, etc.) can be especially difficult for a developer from both a design and a pro-forma perspective. Furthermore, projects intended for daily-needs and convenience-oriented uses often have trouble attracting tenants when they do not share the key visibility, parking, and access attributes enjoyed by existing projects that were designed primarily with automobiles and convenience in mind.

Often a new mixed-use project is more expensive to build. Even when the location might be superior to alternative development sites or existing projects, it can still be difficult to attract quality retailers because of a combination of rents required to justify construction costs, and the facility compromises the retailer might need to make as compared with alternatives. At times a unique or highly sought after tenant might enable a project to overcome this issue, however, this is “the exception more than the rule.”

Mixed-use projects can be designed with residential over commercial space, or adjacent to commercial space. Often it is easier to design and more cost effective to build horizontally integrated mixed-use projects where the intent is to house retail. As the City decides to rezone or upzone property, consideration should be given to if and how much retail is desired in higher density buildings, if the project location is appropriate for retail, and how to accommodate desired uses while minimizing the implications of a more challenging facility for the retail end-user and its customers. For some retailers, there will be no overcoming certain
mixed-use design issues. Requiring retail in locations where the fundamental, basic site attributes that make retail successful do not exist is destined to backfire.

The higher the densities, the more flexibility there will be. Densities in Albany are best described as “medium,” meaning they are far denser than the suburban communities found to the east, but not nearly so dense as San Francisco where these “rules” are widely “broken.” For this reason, a conversation should be started about whether Albany intends to evolve over time from its present “urban village” atmosphere to a community characterized by denser development, and if such an evolution is desired throughout the community, or only in specific areas such as, for example, on San Pablo Avenue.

**Discussion**

**Strengths and Competitiveness of Albany Commercial**

Commercial retail and office space in Albany is concentrated along San Pablo and Solano Avenues. San Pablo Avenue was the primary state highway carrying traffic in the region prior to the construction of the interstate freeway system. It remains an important thoroughfare today. Solano Avenue has been Albany and North Berkeley’s primary commercial street for nearly a century.

The area is densely populated and has a demographic profile that is sought after by retailers (the following are 2016 estimates, detailed data attached separately):

<table>
<thead>
<tr>
<th></th>
<th>1-mile radius</th>
<th>2-mile radius</th>
<th>City Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td>29,105</td>
<td>87,551</td>
<td>19,158</td>
</tr>
<tr>
<td><strong>Average Household Size</strong></td>
<td>2.44</td>
<td>2.30</td>
<td>2.52</td>
</tr>
<tr>
<td><strong>Median Income</strong></td>
<td>$82,888</td>
<td>$81,262</td>
<td>$79,562</td>
</tr>
<tr>
<td><strong>Per-capita Income</strong></td>
<td>$47,100</td>
<td>$50,378</td>
<td>$43,514</td>
</tr>
<tr>
<td><strong>Median Age</strong></td>
<td>39.4</td>
<td>41.4</td>
<td>37.6</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>53.6%</td>
<td>58.2%</td>
<td>51.4%</td>
</tr>
<tr>
<td>Asian</td>
<td>30.3%</td>
<td>22.8%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>11.3%</td>
<td>11.9%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Education (BA or above)</td>
<td>71.5%</td>
<td>70.8%</td>
<td>73.4%</td>
</tr>
<tr>
<td><strong>Housing Profile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>50.9%</td>
<td>53.4%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Renter Occupied</td>
<td>49.1%</td>
<td>46.6%</td>
<td>49.8%</td>
</tr>
<tr>
<td><strong>Median Home Value</strong></td>
<td>$668,499</td>
<td>$700,745</td>
<td>$676,286</td>
</tr>
<tr>
<td><strong>Daytime Population</strong></td>
<td>28,233</td>
<td>77,728</td>
<td>14,863</td>
</tr>
<tr>
<td><strong>Employment Profile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White Collar</td>
<td>81.9%</td>
<td>82.3%</td>
<td>82.1%</td>
</tr>
<tr>
<td>Service</td>
<td>10.8%</td>
<td>11.0%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Blue Collar</td>
<td>7.3%</td>
<td>6.8%</td>
<td>7.1%</td>
</tr>
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The Plan Bay Area 2040 projections estimate Albany population to be 19,908 by 2040, an approximately 4% increase over today’s population. This is less than the Albany 2035 General Plan estimate of 20,626.

These demographic factors are considerably higher than benchmarks established by Alameda County or the State of California numbers. Several factors including high per-capita income, high educational attainment, high concentration of white-collar jobs, and a high median home value corroborate a relatively affluent population base.

Albany is a desirable place to live as is evidenced by a strong demographic profile, high population density, high home values with less than a one-month inventory of homes for sale, and high apartment rents with a low vacancy rate. “Location-location-location” is an oft-cited criteria when describing good real estate, and Albany also enjoys an excellent location within the Bay Area. Albany is located close to both Oakland and San Francisco downtown business districts, and the University of California at Berkeley, the State’s flagship public university. Albany is also well served by excellent road infrastructure (I-80 and I-580, San Pablo Avenue, and connection to the regional street grid), public transportation (BART and AC Transit), regional train service (AmTrak), and airports (SFO and OAK international). Albany’s police and fire services, schools, and amenities such as close shopping options, parks, a recreation program, and senior services make it a desirable place to live. Together, these factors collude to create high barriers to entry which in turn, together with extremely little undeveloped land, result in high real estate values.

Quality and Configuration of Available Space

Real estate needs to be looked at from a dual perspective. The last section looked at what we will call “real estate attributes,” or the factors accruing to or against how attractive a location might be. It is also equally important to evaluate the “facility attributes,” or the attributes a specific piece of property possesses that makes it attractive or not attractive for a commercial use.

Retail tends to be the most sensitive commercial use to both real estate attributes and facility attributes. For this reason, this section will make more frequent reference to retail than other types of commercial uses such as office, however, the principles outlined here can also be applied to other uses such as office.

An incontrovertible rule of retail is that if merchandise can’t be delivered or customers can’t easily access a retail space, the space won’t work. For these reasons, access, visibility, and parking are of paramount importance when evaluating retail space.

The Albany area was master planned approximately 100 years ago, long before today’s commonplace office campuses or shopping centers had even been conceived. In this era people got around on streetcars, horses, or a relatively new invention called the car. Urban planning with the car in mind was not needed much less a best practice. Streets were typically laid out on a grid, and typical lot sizes were small.
In order for cars to maneuver on a property, there needs to be a minimum lot depth to allow for both parking and car turning movements. 60-degree parking with one-way parking aisles is more space efficient than 90-degree parking with two-way aisles. The following aerial photo shows CVS on Solano Avenue which is a good example of a parking lot with this more efficient design:

In this case the width of the parking lot between the store and the property line adjacent to homes to the south is approximately 120 feet, and from this picture it is easy to see why this much space is needed in order for cars to be able to circulate and park easily on the site.

Typical Solano Avenue and San Pablo Avenue lot depths are not adequate to support on-site parking because cars cannot circulate on-site and dead-end parking aisles are not functional. Small lot sizes combined with lack of adequate depth for design of efficient parking fields are the primary reasons there are not more parking lots serving Solano Avenue, leaving businesses reliant on on-street parking. The following image shows lot sizes on Solano Avenue typically do not exceed 100’ deep and often are shallow (lot depths along San Pablo Avenue are similar).

These typically small commercial lot sizes are comparable to residential lot sizes. To give context, the following aerial photograph shows the existing Safeway’s scale as compared with surrounding uses. It should be noted that this 28,000 SF Safeway (on a 67,000 SF lot) is considerably smaller than current prototypical chain grocery store formats which range from 45,000 to 65,000 SF, is far smaller than stores such as Target, and has fewer parking spaces than would typically be required for a store of this size.

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If facilities capable of housing larger commercial project, mixed-use projects, or auto-oriented projects were to be desired, assembling multiple lots, a probably some residential lots behind the commercial lots will need to be allowed. The following zoning maps show how, in order for a larger use or a first class mixed use project to be developed, lots facing San Pablo (presently zoned San Pablo Commercial) and lots facing Kains (presently zoned R-3 Residential High Density) would need to be assembled.

Similarly, if larger projects were desired on Solano Avenue, assembling Solano Avenue-facing commercial lots (presently zoned Solano Commercial) with residential lots abutting those commercial lots (presently zoned R-1 Residential Single Family) would need to occur.
A lot of attention is focused on the development of vertically integrated mixed-use projects. Albany’s real estate attributes are such that developing these sorts of projects are feasible if a site with the right facility attributes can be found or assembled. These sorts of assemblages are expensive, time consuming, and risky for a developer to undertake. If these sorts of larger projects are desired, policies encouraging such aggregations would need to be considered. Already, General Plan Policy LU3.2 states, “Continue to foster the transformation of San Pablo Avenue from an auto-oriented commercial strip to a pedestrian- and transit-oriented retail boulevard. San Pablo Avenue should be a source of community pride, with distinctive buildings, an attractive streetscape, and a diverse mix of uses.”

With respect both to Policy LU3.2 and to whether to preserve or encourage transformation of the urban form presently existing on Solano Avenue, the Albany community needs to make decide if it is happy with the existing urban form, or if it wants the City’s urban fabric to evolve into something else. To this end, informed decisions about (a) the level of density it would like to see on San Pablo Avenue and Solano Avenue, (b) the extent to which preservation of the City’s quaint walkability should remain or evolve on each of those streets, and (c) the extent to which future projects are to be pedestrian or auto-oriented (specifically, the amount of parking to be provided). Increased density along San Pablo Avenue together with changes that knit the street together for pedestrians (greater number of crosswalks, creation of a center median, 60-degree parking, parklets, etc.) will help make that presently auto-oriented environment more pedestrian friendly. Care should to taken to encourage these sorts of improvement in areas where they are most likely to have an impact (likely the blocks between Marin and the Berkeley city limits, and the blocks on either side of Solano Avenue). Regardless, projects where significant design compromises result from unsound facility attributes should be discouraged. The City of Oakland’s recent Broadway Valdez Specific Plan, an area with similar issues with lot depth, encourages retail design best practices in mixed-use development by allowing “density bonus” for the residential component.

Convenience oriented retail is especially disadvantaged when visibility, access, and parking are not well conceived. In addition to lot sizes needing to be large enough to accommodate redevelopment projects and auto parking and circulation, commercial tenants rely on good visibility and easy access. Visibility from multiple directions and signage are both important. Signage should be contextual. For example, businesses on Solano Avenue where vehicular traffic moves slowly, and there is significant pedestrian traffic would do well to rely on blade signage. By way of contrast, Target which is trying to be visible to freeway drive by traffic has much larger internally lit building signage. Similarly, wayfinding signage is important, particularly with projects such as Target which is not on a principal thoroughfare, or Safeway which has one-way drive aisles.

Finally, well articulated retail design guidelines addressing key components of commercial and mixed-use developments will help create successful projects that will benefit the community over the longer term. These guidelines should address façade, site improvements, height, commercial shell criteria (layout, bay depth, access, utility requirements, loading and servicing, site lighting, signage, and parking).
Rents and Development Patterns

The aforementioned high real estate values are both a strength and a weakness when evaluating Albany’s retail and office competitiveness as compared with cities with which Albany competes to attract businesses (e.g. Berkeley, El Cerrito, Emeryville, Richmond, and Oakland). All of these Cities have high land values. This measure is important because the more expensive land is to acquire, especially if buildings are to be razed as part of a redevelopment, the higher rents need to be in order to justify the cost and risk associated with development, including impact fees. Likewise, each of these cities has a different development and building permit fee structure. Adjusting impact fees to be comparable with adjacent Cities should have the effect of leveling as opposed to decreasing land values while at the same time garnering the City an enhanced revenue source to offset impact of development.

High fees also necessitate higher rents to justify their cost. High fees also can have the unintended consequence of depressing land prices, and lower land prices often deter owners who feel that their property is worth more than a residual land value analysis might indicate. Balancing a desire to have underutilized properties activated for redevelopment with charging fees which are an important source of unrestricted general fund revenue is a delicate endeavor.

Following is a summary of development patterns in the parts of Berkeley and El Cerrito that are analogous to San Pablo Avenue and Solano Avenue in Albany.

Berkeley

Development projects are proceeding across the City of Berkeley. The closest project of any scale is at the corner of San Pablo and Delaware, relatively far from Albany. Most development occurring along San Pablo Avenue in Berkeley is of a similar nature: Mixed-use product with retail space on the ground floor and residential for rent or for sale product above. A plan to replace the Union 76 station on the Berkeley end of Solano Avenue with a Walgreen’s was met with stiff community resistance.

Solano and College Avenues are the closest analogs to Solano Avenue in Albany. The Berkeley section of Solano Avenue has a similar mix of commercial uses as Albany’s section, however, with fewer personal care businesses and a greater number of galleries. Berkeley’s Solano Avenue has a similar pattern of professional offices and restaurants (which are subject to specific zoning controls), and also a Safeway Neighborhood Market (formerly Andronico’s Market) and a non-operating movie theater. The neighborhood around College Avenue in the Elmwood and Rockridge areas is more densely populated, and has better access to transportation infrastructure. Consequently, in addition to daily needs commodity stores such as Safeway and Trader Joe’s, these retail districts draw from a wider geographic area and support a wider variety of specialty retail businesses.

Asking rents on the Berkeley end of Upper Solano Avenue hover around $3.00/SF/Mo NNN with the exception of The Oaks movie theater which is offered at $0.65/SF/Mo NNN for 16,000 SF. The Oaks has had trouble attracting a tenant because of its size, lack of street frontage relative to its size, and lack of dedicated parking. Asking rents for newer product along
comparable nearby stretches of San Pablo Avenue are in the $2.25-2.50/SF/Mo NNN range; along College Avenue in Elmwood and Rockridge in the $5.00/SF/Mo NNN range, and along Telegraph near UC Berkeley in the $3.50-6.50/SF/Mo NNN range with the higher rents being found closer to campus.

**El Cerrito**

Except for a few small retail buildings on Stockton, El Cerrito’s retail is concentrated on San Pablo Avenue. Safeway recently completed the relocation of its store from San Pablo and Moser to the former Target building at the Del Norte BART station. Staples, Walgreen’s and a dollar store are located nearby. El Cerrito Plaza, home primarily to commodity retailers including Lucky, CVS/pharmacy, Bed Bath Beyond, Barnes & Noble, and Trader Joe’s primarily serves the El Cerrito, Kensington, Richmond Annex, and Albany communities. El Cerrito has a small specialty retail district between Fairmont and Central that is anchored by the Rialto Theater. There are a number of rumored or pending projects including the repurposing of the former OSH Hardware building near the corner of San Pablo and Carlson. Other El Cerrito development projects include mixed-use and a hotel project, all on San Pablo Avenue.

Asking rents for shop space at El Cerrito Plaza are $xxx/SF/Mo NNN. Rents along San Pablo Avenue near the Rialto Theater are in the $2/SF/Mo NNN range.

**Albany**

Albany is largely built out. Long underutilized land at University Village has been redeveloped with a soon to open Sprouts Market. Pet Food Express, Habit Burger Grill, Pieology, Starbucks, and Great Clips will fill out the mixed-use project which will also include a 175 until senior housing project developed and operated by Belmont Village. Larger assemblages of property are rare, however, a few mixed-use projects along San Pablo have been redeveloped with residential over ground floor retail space. A plan to redevelop Safeway on Solano Avenue as a larger Safeway with other retail was abandoned. Other proposals to redevelop properties including 1600 Solano Avenue have received a cold reception by residents.

Asking rents along Lower Solano Avenue are consistently in the $3.00/SF/Mo NNN range as indicated both by spaces for lease and investment property recently sold. As noted earlier, vacancy rates are quite low for this area. Asking rents for San Pablo Avenue are substantially lower and in the range of $1.15-1.80/SF/Mo NNN. The one exception is that asking rents for the shop space at University Village is $xxx/SF/Mo NNN.

**Golden Gate Fields**

Golden Gate Fields remains Albany’s greatest potential redevelopment opportunity. In 2006, with many speculating that GGF would imminently close and Rick Caruso proposing a shopping center on the land, redevelopment of GGF was a “third rail” issue. There are two factors that impact if GGF will ever be redeveloped: Measure C and land value. When land is purchased, both price (the amount that will be paid) and terms (how long a developer will have to do certain things, and how much speculative money needs to be spent) are negotiated. Often,
price and terms are a trade off. Measure C requires any GGF redevelopment proposal to be brought to voters for an up or down vote. This requirement creates a lot of uncertainty for anyone proposing a project. In other words, the terms must favor the developer who would be reticent to purchase the land not knowing what could be done with it. The “cost” of more favorable terms is often a higher price to incent the owner to wait potentially a long time before the sale would close.

The question that is difficult to answer before a Measure C vote is taken is how much can be paid for the land. GGF’s owner will certainly not accept less than the net present value of operating cash flows. Put differently, if the cash flow is greater than the land value, the owner will operate the track; conversely, if the land value is greater, the owner will consider selling. It is difficult to justify the a higher price required to get through the Measure C process when Measure C is acting to depress the value of the property because a developer can't reasonably anticipate what uses will be approved.

If GGF is ever to be redeveloped, it is likely that the City will need to study redevelopment options in an open planning process. One (or more) of the options studied would then need to be taken to the voters by the City. If passed, then a developer could have some level of certainty about what could be built, and would be in a much better position to strike a balance of price and terms that might appeal to GGF’s owner.

Albany Retail Environment and Tenant Mix

Commercial space in Albany is concentrated along the San Pablo Avenue and Solano Avenue corridors, both of which are characterized by a combination of commodity and specialty retail, and a significant amount of small office space occupied by independent professionals. San Pablo is the more auto-oriented of Albany’s two primary commercial thoroughfares with two lanes of traffic in each direction, average daily traffic in 2015 of 20,900 cars, a center turn lane, parallel parking on each side of the street, and seven AC Transit bus lines. At 74’ wide, it is not nearly as easy for a pedestrian to cross as Solano Avenue.

Solano Avenue, by way of contrast, has one lane in each direction, a significantly smaller number of daily vehicle trips, no center turn lane, 60-degree parking on each side of the street, and two AC Transit bus lines. Traffic on Solano Avenue travels at a noticeably slower speed than on San Pablo. The combination of the narrower street, traffic calming measures (frequent crosswalks, angled parking), and slower speeds makes Solano a more comfortable pedestrian environment which in turn translates into a better specialty retail environment.

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San Pablo Avenue’s retail is characterized by a wide variety of businesses including a significant amount of automotive sales and service businesses. Solano Avenue has no automotive sales and service businesses, and a higher concentration (when measured on a per city block basis) of professional offices and specialty businesses. In both cases, specialty retail is dominated by personal care establishments and restaurants, however, there are some businesses notable for their uniqueness including the Albany Twin movie theater, Flowerland and First Fish. The City’s highest grossing non-automotive retailer, Target, is located on Eastshore Highway adjacent to I-80.

While intuitively one might assume commodity businesses would concentrate on San Pablo Avenue and specialty businesses on Solano Avenue, this conclusion is not the case. In fact, Albany’s major commodity retailers (defined as Target, Safeway, BevMo!, CVS/pharmacy, Berkeley Toyota, and Albany Ford-Subaru) are dispersed throughout the City. Of these commodity retailers, the daily needs retailers (Safeway and CVS/pharmacy) are located on Solano Avenue, and the destination retailers (Target, BevMo!, Berkeley Toyota, and Albany Ford-Subaru) are found in more auto oriented areas. Interestingly, if automotive and construction-related businesses are excluded from the analysis, the mix of businesses on San Pablo Avenue is not dissimilar than that found on Solano Avenue, however, the concentration of these businesses is greater on Solano Avenue as might be expected.

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Contrary to frequently cited concern, Solano Avenue has a low vacancy rate as measured both by number of vacant spaces to total spaces, and by aggregate size of vacant spaces to total leasable retail area. As of the date of this report there were 14 vacant retail spaces on San Pablo and 7 vacant retail spaces on Solano Avenue.

There are many retail uses not found in Albany. It is important to remember that Albany, Berkeley, El Cerrito and Richmond all seamlessly merge into each other, and that shopping patterns are not restricted by political (ie. city limit) boundaries. Traffic and commuting patterns, and the gravity side of the larger retail trade area dictate these shopping decisions more than a city limit sign. Albany residents easily patronize Trader Joe’s in El Cerrito Plaza or Downtown Berkeley, big box retailers at El Cerrito Plaza, and specialty grocers such as Monterey Market and Berkeley Bowl just as Berkeley, El Cerrito, and Kensington residents easily patronize Target, BevMo!, and Flowerland. Moreover, there are a multitude of commodity and specialty shopping destinations only minutes from Albany. These include the 4th Street Shopping District, El Cerrito Plaza, North Shattuck Ave (Gourmet Ghetto), College Avenue, and Bay Street. Solano Avenue also crosses into the City of Berkeley, and shoppers do not make a distinction of visiting only businesses located on Lower as opposed to Upper Solano Avenue.
How Albany can best use the space it has in its commercial corridors

Determining the best fit for new commercial development from a community perspective refers back to the approved General Plan goals of intensifying uses while incorporating elements that make Albany a charming place. New construction projects coming through individually for review are held up to the City’s current development standards, which may need revisiting. This might even be in the form of a specific plan process for the San Pablo corridor – which would be time and money up front in order to clarify the rules and process for future development coming through in line with General Plan goals. This could include careful consideration of allowing (or not) conversions of commercial space into residential-only. It could and should also incorporate design standards for commercial functional activities like loading.

Meanwhile, as businesses come and go in existing buildings, allowed uses in the SC, SPC, and CMX zones should be reviewed for consistency with community wants, needs, and appropriateness. This is different than City staff acting as the de facto leasing agent for vacant properties.