



City Council Economic Development Subcommittee

MINUTES

Conference Room A
City Hall, 501 Primrose Road – Burlingame, California
Friday, August 17, 2018 – 2:30 p.m.

ATTENDANCE

Members Present: Council Member (CC) Beach and Vice Mayor (VM) Colson

Members Absent: None

Staff Present: City Manager (CM) Lisa Goldman, Economic Development Specialist (EDS) Cleese Relihan, Finance Director (FD) Carol Augustine, and Community Development Director (CDD) Kevin Gardiner

Also in Attendance: Julie Taylor (Colliers International) and Giselle Marie Hale (Redwood City Planning Commissioner)

DISCUSSION ITEMS

Fencing Policies for Vacant Lots:

EDS Relihan provided an example of vacant lot regulations from the City of San Mateo. He noted that the regulations do not specify the type of fencing, but there are requirements that vacant lots be maintained, and that fencing and landscaping look attractive. A maintenance plan is required to be submitted to the City.

CDD Gardiner noted that he spoke to San Mateo staff, and confirmed that staff works with the property owners on the specifications of the fencing as part of the overall maintenance plan that is required. Sometimes this is in conjunction with an early demolition permit. Although desired types of desired fencing are not specified, the regulations do not allow chain link and barbed wire fencing.

The Subcommittee suggested that when early demolition permits are issued, part of the approval could be to require a fence of better quality than a chain link fence, and that the fencing segments be tied together to be secured and keep intruders out. The intention would be to have the fencing be secure, but also be aesthetically attractive. The request and coordination could be administered on the staff level, rather than requiring review by the Planning Commission.

EDS Relihan asked if there was interest in drafting an ordinance and implementing regulations. CM Goldman cautioned that staff is already currently working on a number of ordinances, so the Subcommittee suggested that the various matters under discussion could be bundled together to be most efficient, and that timing could be flexible given the matter is not of an urgent nature. The items could be combined into a package to discuss with the City Attorney at a future date.

There was discussion on the distinction between vacant properties versus “dormant” or “unoccupied” properties, and also a distinction between fencing during construction and fencing of vacant or unoccupied properties where construction is not ongoing. Cyclone/chain link fencing could be appropriate with active construction projects, and can be combined with screen graphics depicting the project under construction.

Subcommittee members suggested EDS Relihan speak to developers of recent projects to get a sense of what may be practical for unoccupied/vacant properties compared to projects that are under construction.

Alternatively, the matter could be discussed in the October Subcommittee meeting involving landlords. CM Goldman suggested there may be a timing consideration and distinction between properties unoccupied and vacant for an extended period, versus projects where construction is imminent. She noted the paragraph in the San Mateo regulations describing maintenance requirements, and suggested those may be more important than fencing. Fencing may be less important if a vacant lot is otherwise clear of weeds and debris, but if the property owner chooses fencing to secure the property, the fencing should be good quality.

CDD Gardiner noted that construction fencing could be specified as a condition of approval, and would not need to wait for an ordinance. The Subcommittee agreed with this approach.

Decals for Available Commercial Spaces:

Julie Taylor, Executive Vice President of Colliers International, joined the meeting.

EDS Relihan introduced the item and noted that while the State provides guidance on the posting of real estate signs, it does not address marketing graphics such as window decals or appliques. He checked San Mateo and San Francisco regulations, and it does not appear either requires that the windows of vacant commercial spaces be covered in graphics. Stores with such graphics would most likely be the result of the brokers or property owners initiating the placement themselves.

Taylor cautioned against obscuring storefronts, since the view out of the space towards the sidewalk can be important for marketing to prospective tenants. She emphasized the importance of being able to see the foot traffic, natural light, and co-tenancies from inside the space. A medium-ground would be vinyl banners across just the bottom of the storefront, but it is important to maintain views out of the space and allow natural light into the space. She mentioned an approach at the Salesforce Transit Center which engaged local artists to paint portions of the storefronts.

The Subcommittee mentioned they want to dissuade storefronts from being obscured with butcher paper since they can become dilapidated, and noted the Charmelle 28 space on Burlingame Avenue is an example where graphics have been applied nicely. The Subcommittee suggested there may be a range of acceptable alternatives, including clean and maintained unobscured windows, decal graphics, or artwork. If the windows are unobstructed, the interior of the space should be clear and presentable. CM Goldman suggested this matter may be combined with the vacant property maintenance provisions discussed earlier, and that different options could be provided.

Taylor suggested that obscured windows may be desired during active construction, but if the space is vacant and not under construction, the maintenance provisions would otherwise apply. Typically when construction is underway, trade dress-up will be applied.

CDD Gardiner suggested initially these options could be presented as guidelines for property owners, as an interim measure rather than waiting to be codified in an ordinance. EDS Relihan agreed that it would present a positive message, and offered to have suggested guidelines to share with landlords in the October Subcommittee meeting. CM Goldman agreed with this approach, as it would be a collaborative effort with the property owners. Taylor suggested there be a handout or slides to show examples, and offered to share some examples.

Burlingame Avenue Use Opportunities:

Giselle Marie Hale of the Redwood City Planning Commission joined the meeting.

Taylor mentioned that retail spaces are taking longer to lease. Retailers are typically taking smaller spaces than they used to lease. Onsite retail has become particularly hard for heavy goods, as customers will come to stores to browse but then order online so they can ship to home. Too many companies are contracting, not expanding. However, a presence of some stores is necessary to support online commerce, as seeing stores keep brands “top of mind” with customers.

Taylor continued that the area of growth is “fitness and food.” There is a great deal of interest among tenants in being located near fitness and food, which is a change from past practices. Tenants get excited if they see an assortment of hot restaurants and a tenant like Soul Cycle or Rumble boxing, because they see energy and repeat visits. These uses generate more traffic on the street than retail alone. She encouraged broadening options, but cautioned against uses such as banks that offer limited foot traffic.

Taylor also suggested uses such as WeWork for their potential to generate foot traffic, provided there is retail at the front such as a café. This could be useful for spaces on side streets, such as the former Anthropologie space. Day spas could also be good for side streets, but do not have the same volume of traffic as a recreational use. The Subcommittee suggested uses such as WeWork could be classified as a service rather than an office if it were available to be used by the public.

Taylor noted that it can be expensive for owners to subdivide space, as they need to build demising walls, install HVAC systems, etc. This would require capital or credit, which can be challenging for some owners. Conversion to food uses can also be very expensive, and ideally food spaces would be square rather than narrow and deep. “L-around” configurations can work for dividing a space, but they require a strong tenant for the “L” portion because if that tenants leaves, it can be difficult to re-lease the space.

The Subcommittee inquired how uses are regulated on Burlingame Avenue and downtown, and CDD Gardiner mentioned that uses are either “Permitted,” “Conditional” (requiring Planning Commission approval), or “Prohibited.” Allowing fitness uses on Burlingame Avenue would require amending the allowed uses, as currently Commercial Recreation is allowed on side streets with a Conditional Use Permit, but not on Burlingame Avenue itself.

Taylor cautioned that if rules are changed, there should be thought on encouraging the type of uses that will generate foot traffic and be complementary to retail uses. A private Pilates studio, for example, will not create a lot of foot traffic. The Conditional Use Permit mechanism may be the best option for ensuring compatibility. There can be a requirement that there be merchandised space in the first 12 or 15 feet of the storefront.

EDS Relihan mentioned that there are hybrid approaches that combine electronic displays with online ordering. Taylor mentioned that such pioneering concepts first go into San Francisco or somewhere like Santana Row, where there is significant foot traffic and co-tenancy. Some are test concepts.

The Subcommittee inquired how a code amendment to allowed uses would be approached. As part of the General Plan Update and Zoning Ordinance Update, the zoning update should prioritize Burlingame Avenue and Broadway. CDD Gardiner noted that the timeframe for the zoning update is approximately one year beyond the General Plan adoption, but a more focused code amendment could be initiated by the City Council, or could be initiated by an applicant in conjunction with a permit application.

The Subcommittee emphasized that Burlingame Avenue offers a “lifestyle.” Taylor suggested that people should be able to feel like they can get everything that they need.

The Subcommittee mentioned that rising rents have created vacancies. Taylor said it can be hard to readjust people’s expectations when the market is changing. Rents have rolled back, because they are

directly tied to tenants' sales volumes. A healthy ratio is 10% occupancy cost for retail (including pass through), 8% for restaurants. New tenants will want to factor their projections more conservatively, whereas a renewal may be able to be more aggressive than 10 percent.

EDS Relihan noted that the Downtown Business Improvement District (DBID) has had challenges finding space for events. There have been logistical challenges with obtaining permission from Public Works.

Taylor noted that farmers' markets and food truck events can be effective at attracting people, but there may not be enough surrounding density to sustain some events. The Subcommittee members remarked on the conflict between people being opposed to increasing density and development downtown, but also lamenting the loss of retail. Taylor suggested that density can help fill the gap from online sales, and that the city-owned parking lots offer opportunities to add density. She suggested that in the development of parking lots, ground leases would be preferable for the City to retain the asset.

Taylor emphasized that the process for applicants needs to be clear, and that prospective businesses are sensitive to barriers to entry. The formula retail conditional use permit process in San Francisco has resulted in vacancies, since retailers fear the risk and unpredictability. Retailers will pursue easier, more predictable alternatives. EDS Relihan noted that he has created materials to clarify the conditional use permit process for prospective applicants. He noted he has received inquiries to allow offices in basement spaces and suggested it should be considered.

Subcommittee members inquired about the loss of sales taxes from retail changing to services. Taylor said the taxes captured locally by online sales that would have otherwise been collected in other jurisdictions needs to be factored.

Giselle Marie Hale noted that Redwood City is getting increased density, but doesn't have a retail base. Taylor suggested that new buildings need to be designed to accommodate a range of uses, including ventilation shafts and cooking infrastructure, and ceiling heights of 11 feet clear or higher. Spaces in new buildings are sometimes too deep or the ceilings are too low, and the developers do not finish the shells. It is better to have less retail space, but space that is leasable, rather than a large amount of retail space that is not configured correctly.

The Subcommittee concluded that these issues will be further discussed in a retail summit next spring. Taylor suggested that the City invite district managers of the corporate stores, since they have a relationship with the community. She added that even in a healthy retail economy, filling vacancies can take some time because companies take time to make decisions; it can take a year or more for a retailer to make all the decisions to enter a market.

PUBLIC COMMENTS

There were no further public comments.

FUTURE AGENDA ITEMS

- Potential city tools and incentives for businesses attraction
- Succession planning for businesses looking to sell

ADJOURNMENT

Meeting adjourned at 4:23 p.m.

Respectfully submitted,
Kevin Gardiner
Community Development Director