

**CITY COUNCIL MEETING
OCTOBER 20, 2020**

PRESENTATIONS

ITEM 9 – WS 20-043

**COVID-19 Trends and Impacts on Real Estate
Market: Discuss COVID-19 Trends and
Impacts on the Hayward Commercial and
Multi-Family Housing Real Estate Market
(Report from Deputy City Manager Ott)**

PRESENTATION

Hayward Industrial Overview

City Council COVID Trends in CRE

Managing Director, SIOR

Industrial Brokerage RE
License #01742912

Current Responsibilities

Jason Ovadia is the industrial lead for the West Coast and is responsible for leading the Northern California industrial practice for JLL. In addition to his regional leadership responsibilities, Jason remains an active industrial broker, representing some of the firm's most prestigious clients. He also serves as a Co-Chairman on the Industrial Executive Committee, the JLL Brokerage Leadership Council, Supply Chain & Logistics Group and is a JLL National Director of the firm.

Jason provides strategic solutions to corporations, institutional owners, developers, REITs, logistics providers and transportation companies helping them improve speed to market, provide cost and risk reduction and maximize location and labor requirements. Brokerage services include lease transactions, agency and tenant representation, site selection, investment sales, acquisition, disposition and build-to-suit properties and portfolios. Since joining JLL in 2008, Jason has been involved in over \$1.7 billion worth of real estate transactions, completing over 35 million square feet of industrial leasing and sales.

Experience

Prior to joining JLL, Jason was a Director at Cushman & Wakefield.

Select Clients

- McKesson Corporation
- Lineage Logistics
- Tesla
- Kaiser Permanente
- IKEA
- Pratt Corrugated Holdings
- Matson Logistics
- Panattoni
- Prologis
- New York Life
- Bentall Kennedy
- Blackstone
- CenterPoint Properties
- Industrial Property Trust
- Stockbridge
- Clarion Partners

Awards

- CoStar Power Broker Award 2008-19
- SIOR Top Industrial Lease 2016-18
- JLL Top Gun 2015-19, Gold Achiever 2013- 14, Top Achiever 2012
- ASVB, Deal of the Year 2013
- SF Business Times Award, Deal of the Year 2013
- East Bay Brokers Top 3 Producer 2014-17
- Cushman & Wakefield, Rookie of the Year

Education and Affiliations

Jason holds a bachelor's degree in Political Science and a minor in Law and Society from the University of Southern California.

He is a board member of the National Association of Industrial and Office Properties (NAIOP) San Francisco chapter and the East Bay Broker's Association. Additionally, Jason is a member of the Society of Industrial and Office Realtors (SIOR) and the Urban Land Institute (ULI). He also sits on the Marshall Partners board for the Northern California Chapter of the University of Southern California Marshall School of Business. Jason lives in Diablo, CA with his wife and two sons.

Contact

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COVID-19 National Effects: Frontline Virus Emergency Response

2.9 MSF

leased

6 months

3 unique requirements



Personal Protective Equipment



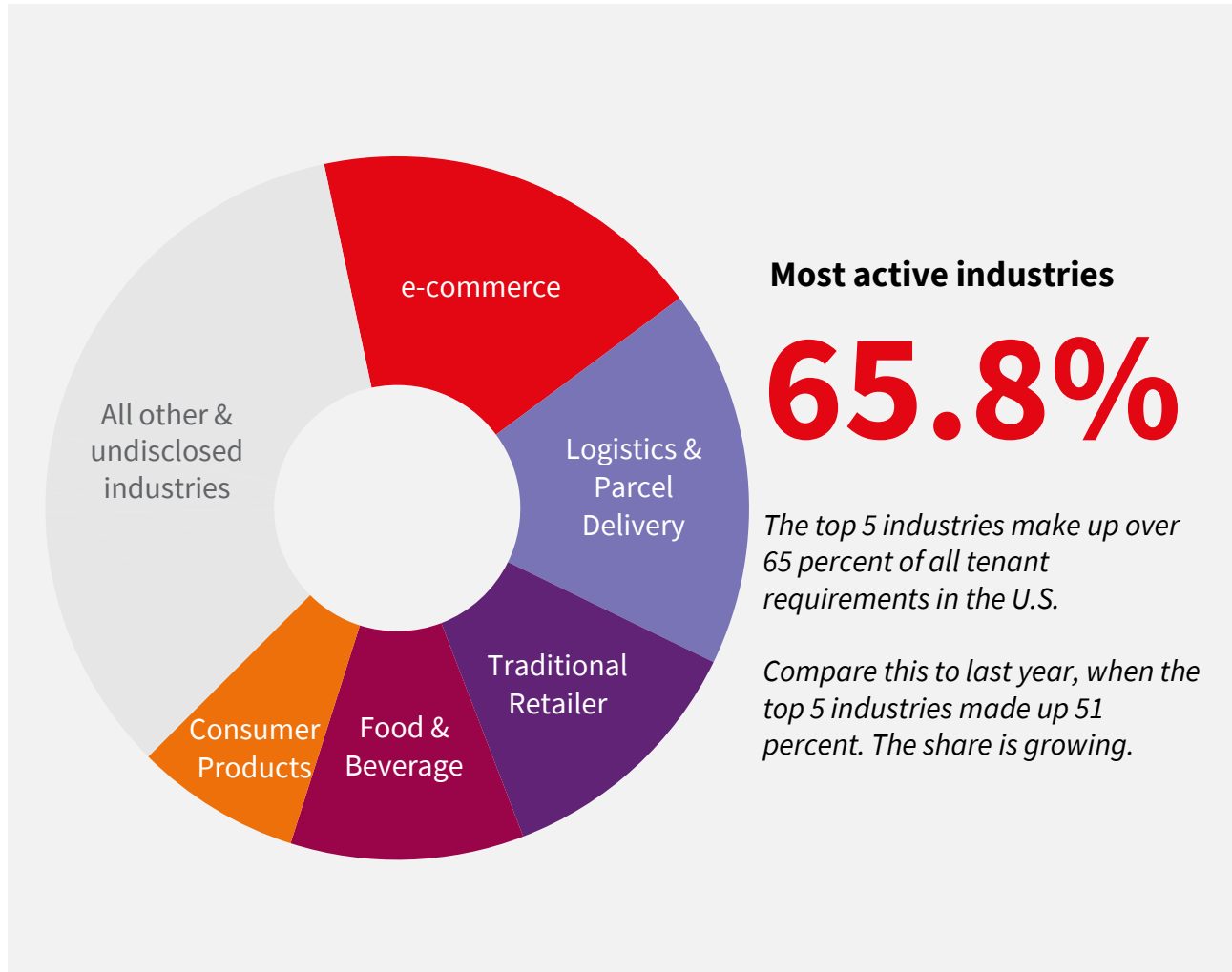
Vaccine Storage and Distribution



Syringe Storage and Distribution



COVID-19 National Effects: Industrial Demand Trends



Industry Definitions

e-commerce all companies that deal with buying and selling transactions online, including online shopping, marketplaces, business-to-business transactions, marketing, and more.

Company examples: Amazon, Wayfair, Jet.com

Logistics & Parcel Delivery air freight & parcel carriers, warehouse & storage, rail freight, trucking & shipping.

Company examples: FedEx, UPS, USPS, DHL

Traditional Retailer this covers retail broadly; please see the dropdown for specific sub-categories.

Company examples: Ikea, Home Depot, Target

Food & Beverage distributors, manufacturing & processing, packaging & bottling.

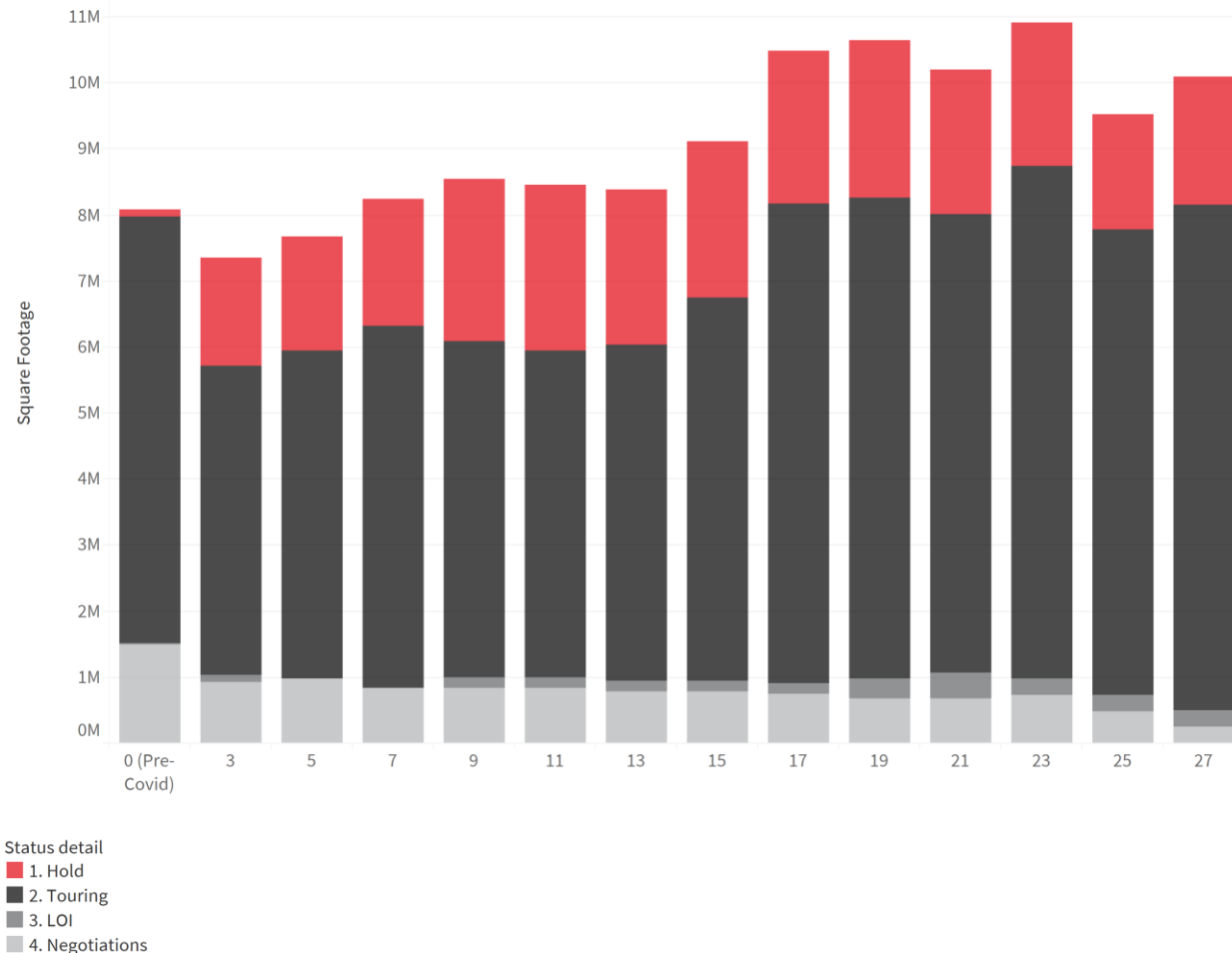
Company examples: Coca-Cola, Nestle, ConAgra

Consumer Products consumer durables (3+ years of life), apparel & accessories manufacturing, personal products & household goods, pet food & supplies, textiles.

Company examples: P&G, Johnson & Johnson, Palmolive

COVID-19 Impacts on the East Bay

Active Tenant Requirements since COVID-19 by square footage



COVID-19 Impacts

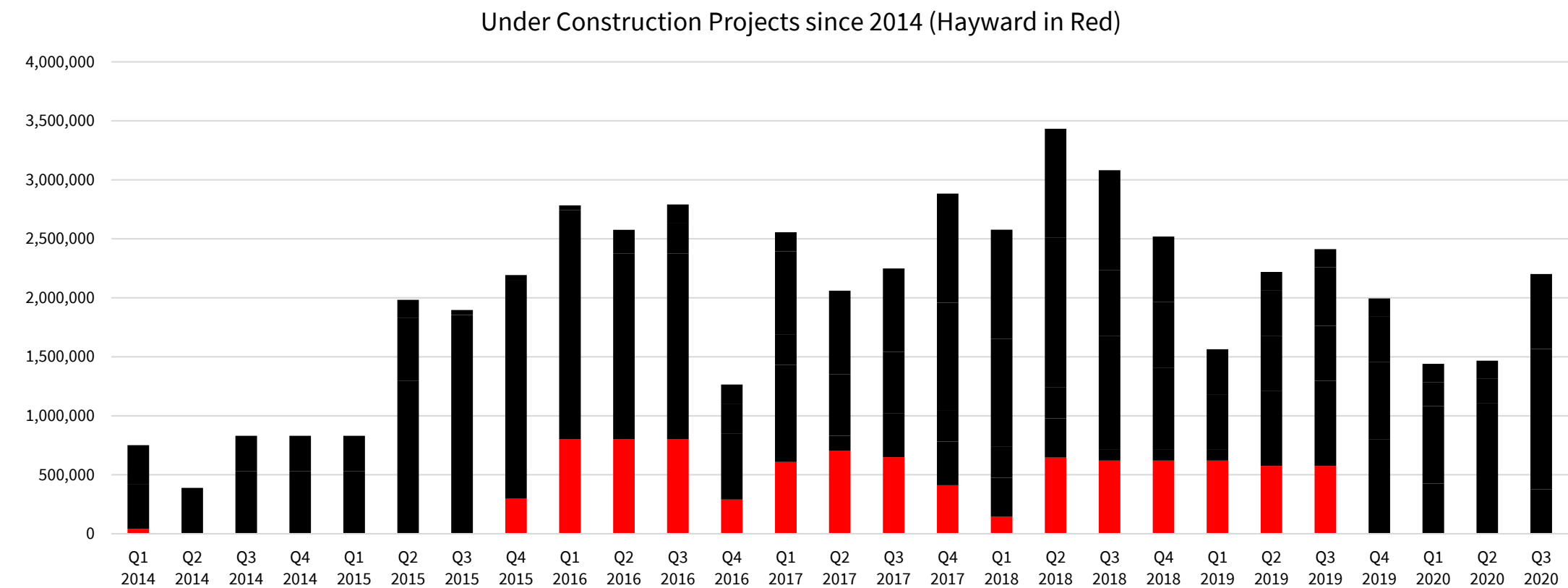
- Over 4.15M s.f. of deals have died over 27 weeks from the shelter-in-place
- For deals 20,000 s.f.+, average strike prices are down 7 cents (7.3%) from \$0.91 to \$0.85. Free rent has increased by almost 1 additional month
- East Bay sublease vacancy has increased from 0.3 percent to 0.7 percent. Hayward specifically increased from 0.3 percent to 1.0 percent.

1,935,000 sf

Requirements 'on-hold' twenty-seven weeks after the shelter in place

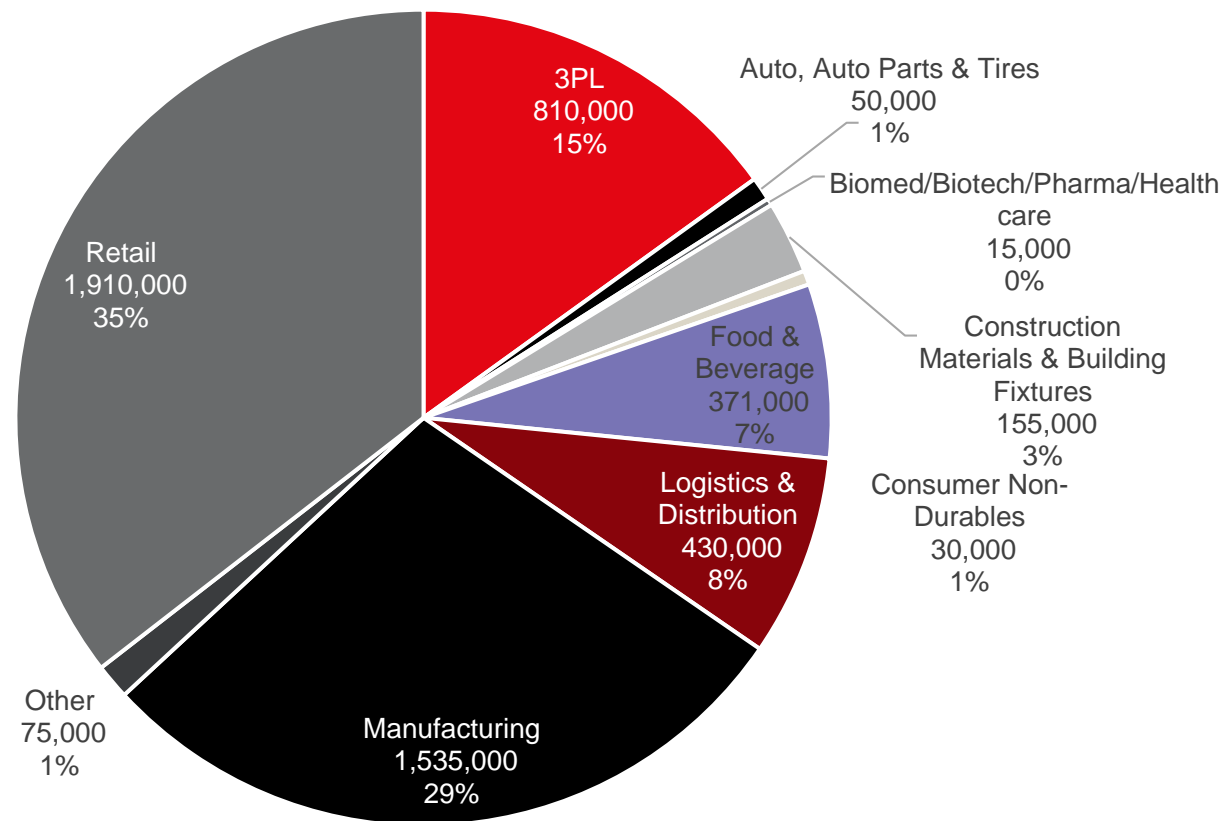
Development Pipeline

2020 marks one of the lowest points in the development cycle since 2016 with less than 1.5M s.f. under construction at the end of the second quarter. There has been no new projects in Hayward since the West Winton Commerce Center delivered at the end of 2019. Construction timelines are getting longer, largely due to the lengthy entitlement process.



Demand

East Bay Active Tenant Requirements by Industry



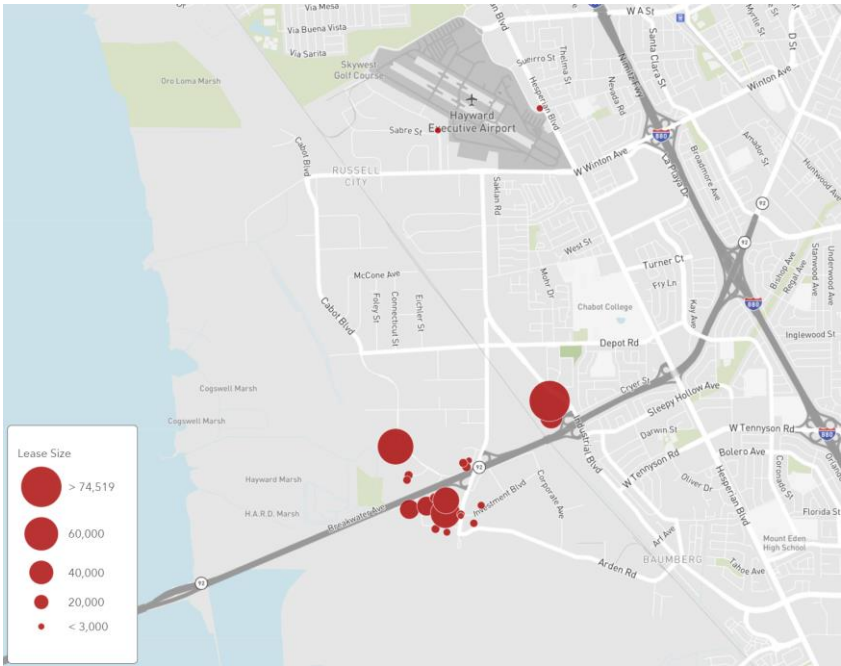
- E-commerce makes up the lion’s share of known requirements in the East Bay.
- Advanced Manufacturing demand is down from 2018 highs, when Uniformity Labs, Prevost, and C-Hawk Technology moved into their spaces.
- Demand for Biotech is almost non-existent, with tenants targeting traditional life science hubs in the Mid-Peninsula for lab and in the Silicon Valley for R&D.

3,180,000 sf | 60%

E-commerce and e-commerce-related industries active requirements

Life Science Tenant Presence in Hayward

Existing Life Science Footprint in Hayward



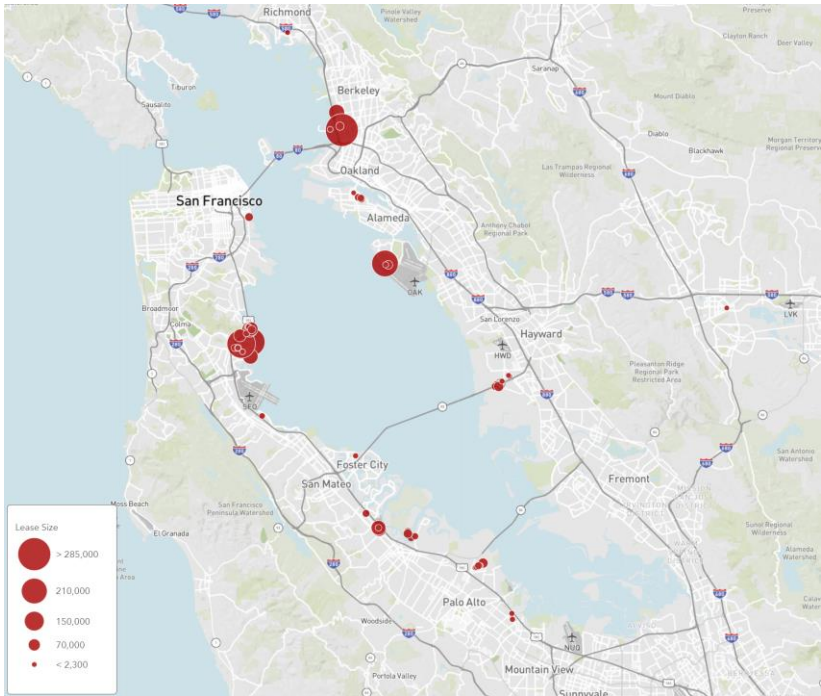
26

Life science companies

506,000 sf

Of space occupied in total

Life Science Leases Signed since 2019



3,170,240 sf

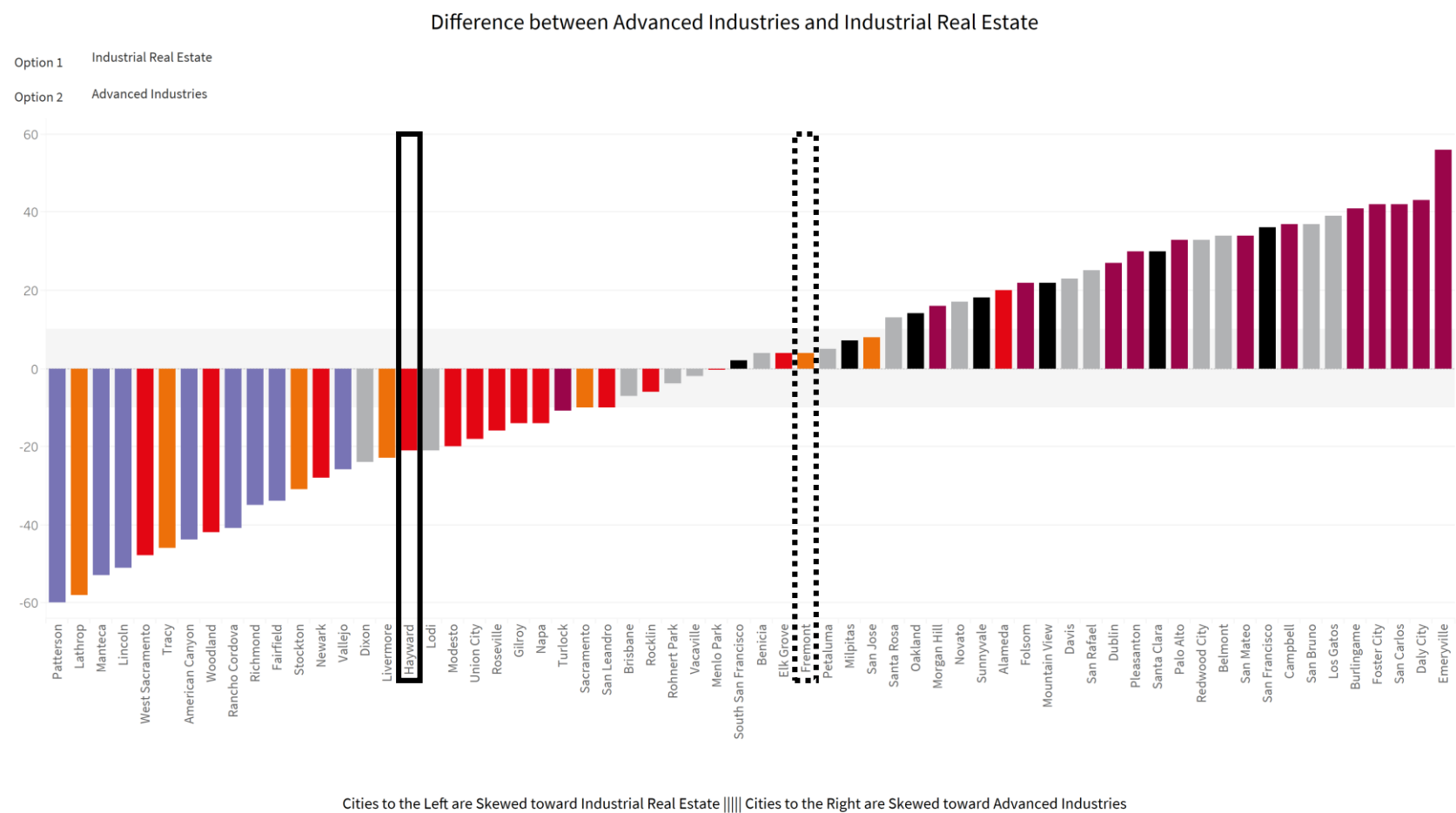
Of leases signed since 2019

4 cities

Represent 74% of all leasing activity

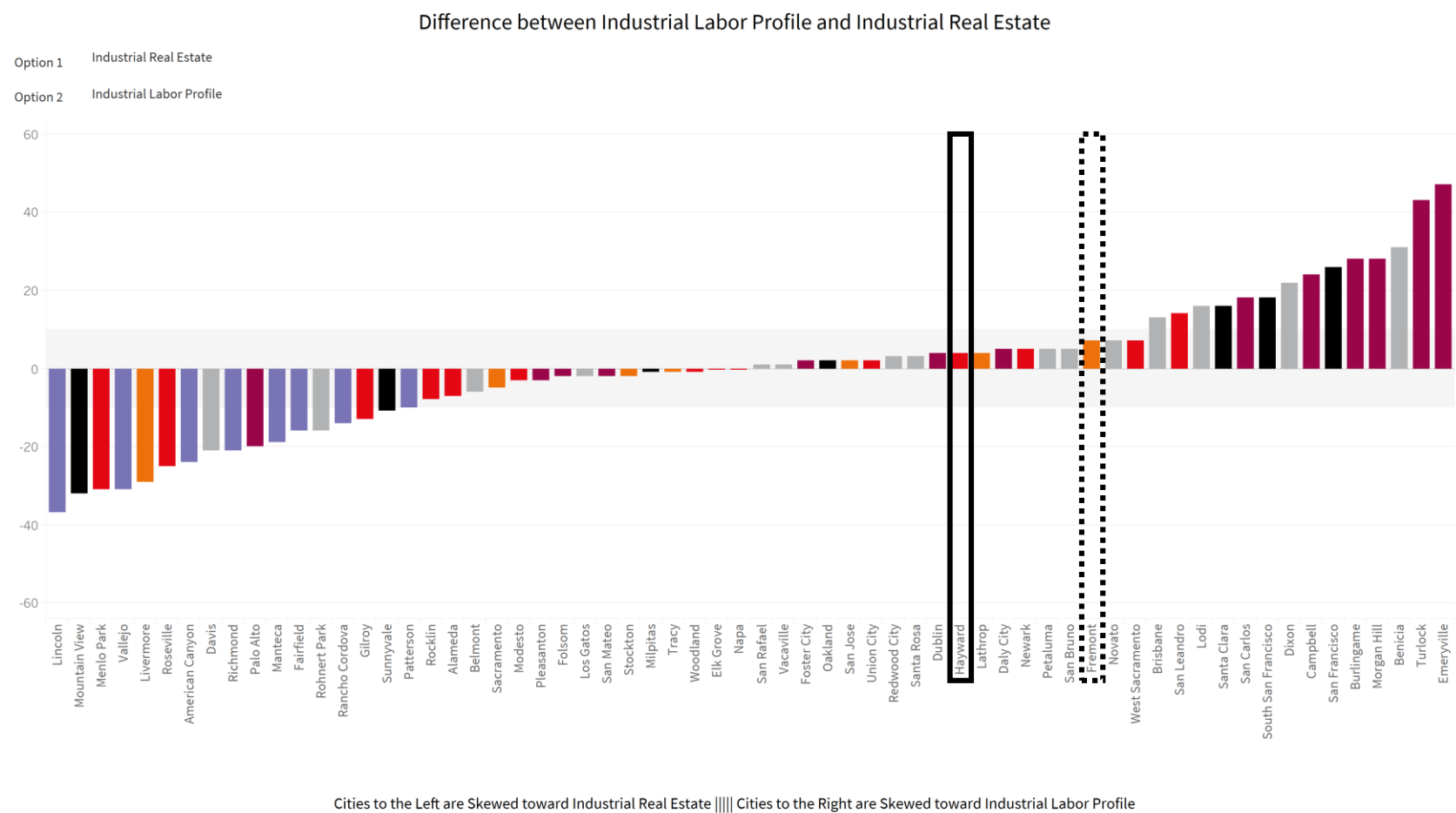
Industrial Momentum Index

When comparing advanced industries labor to the Real Estate Index, Hayward is considered out of balance for Advanced Manufacturing related industries, meaning the municipalities relies on labor to commute from outside the city for advanced industries operations.



Industrial Momentum Index

For traditional industrial labor (i.e. traditional manufacturing & warehouse/distribution), Hayward is in balance, meaning the labor for industrial operations can be fulfilled by labor living within the city.



With demand for e-commerce increasing daily, it is important for cities to have a plan for managing growth

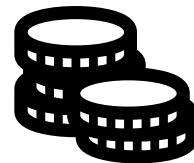
Sustainability needs to be addressed on a *regional level*. To be a good neighbor, a few things to consider:



Infrastructure degradation

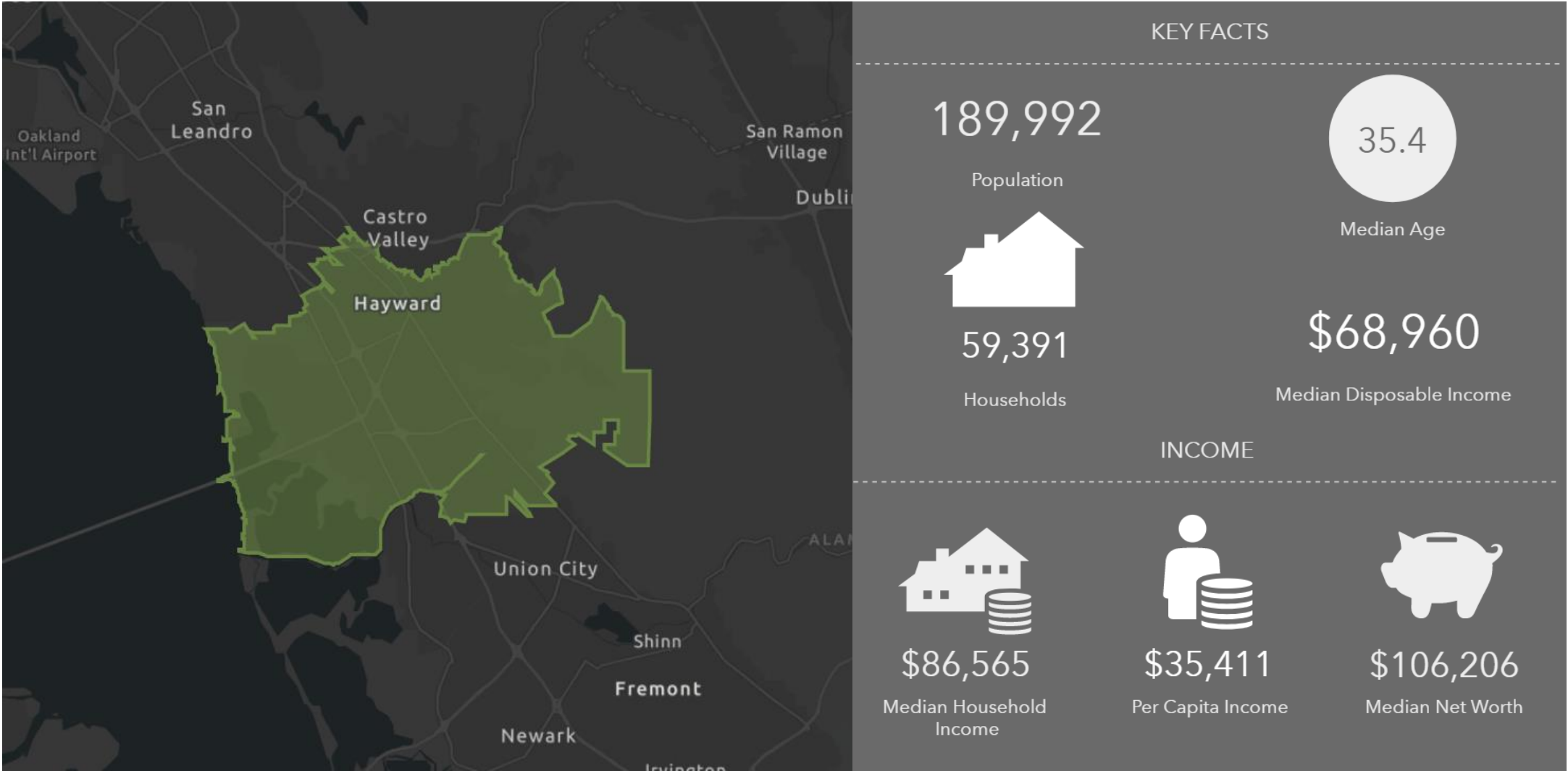


Environmental impacts



Loss of point of sale tax revenue due to retail shift to e-commerce

Last-mile Delivery Center: Hayward Population Demand Base



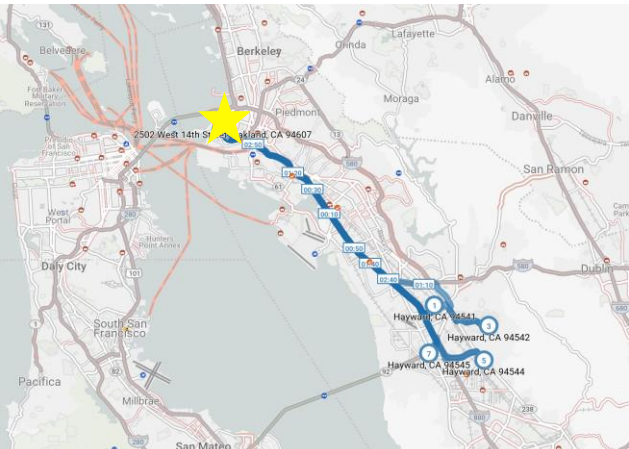
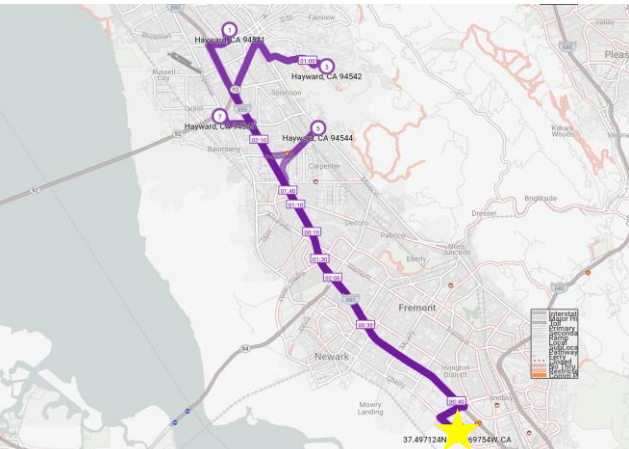
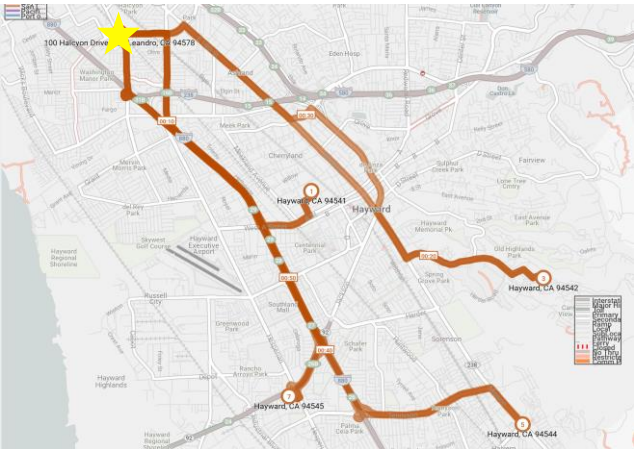
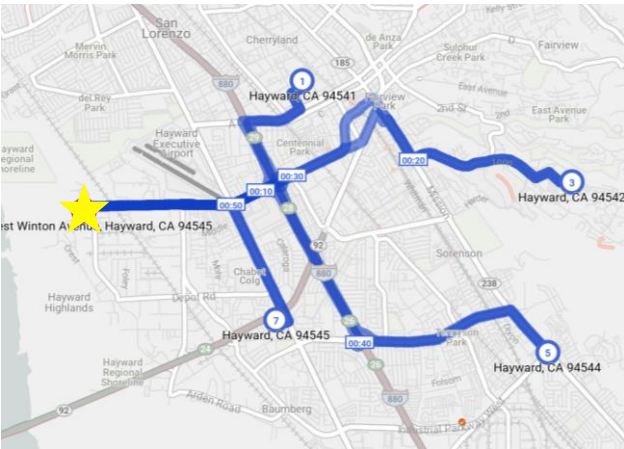
Scenario: Last-mile delivery center operational cost comparison

Hayward (Baseline)

San Leandro

Fremont

Oakland



\$3.6 MM
est. transportation
cost

4.9 MM
vehicle miles traveled
annually

\$4.6 MM
est. transportation
cost

\$6.5 MM
est. transportation
cost

\$8.7 MM
est. transportation
cost

\$1 million in operational savings
over San Leandro

+\$1.0 MM in additional
operational costs

+\$0.24/sf/mo
over a 350k SF bldg

+\$2.9 MM in additional
operational costs

+\$0.69/sf/mo
over a 350k SF bldg

+\$5.1 MM in additional
operational costs

+\$1.21/sf/mo
over a 400k SF bldg

\$2.9 million in operational savings
over Fremont

+1.0 MM
more vehicle miles
traveled annually

Equivalent to
339
additional cars on the
road each year in
greenhouse gas
emissions

+3.6 MM
more vehicle miles
traveled annually

Equivalent to
990
additional cars on the
road each year in
greenhouse gas
emissions

+6.4 MM
more vehicle miles
traveled annually

Equivalent to
1,731
additional cars on the
road each year in
greenhouse gas
emissions

\$5.1 million in operational savings
over Oakland

Thank You

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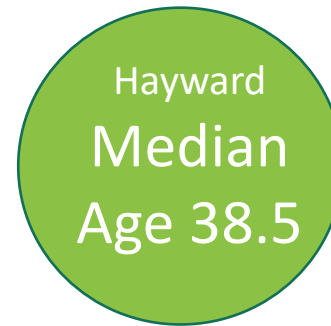
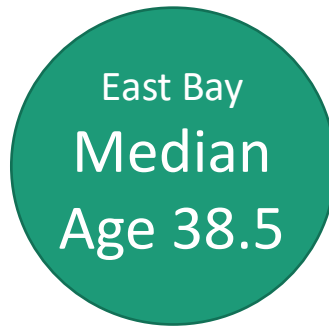
Economic & Real Estate Drivers

Presented by:

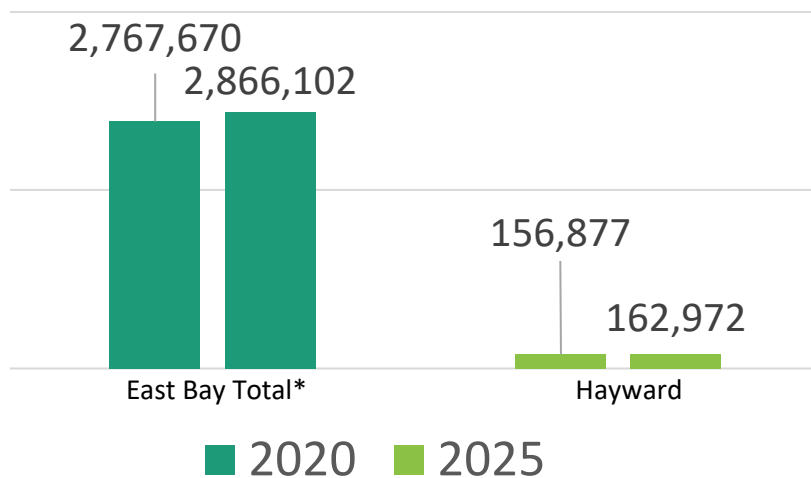
Edward F. Del Beccaro,
Executive Vice President Bay
Area Regional Manager



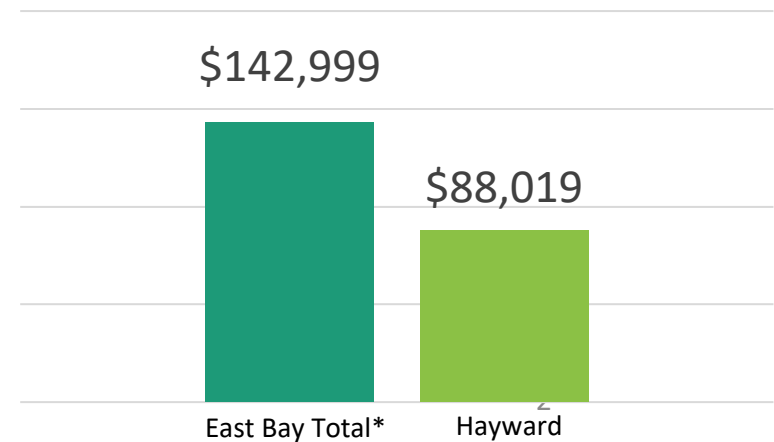
East Bay / Hayward Demographics



Population

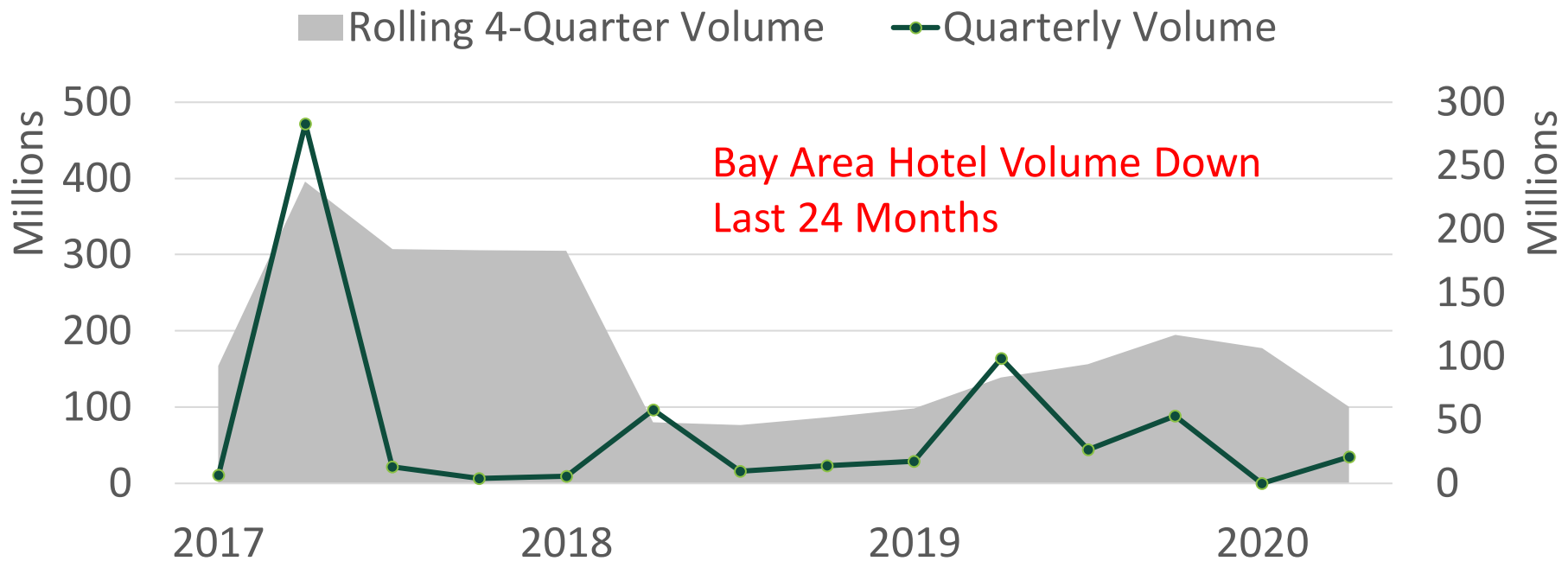


Average Household Income



East Bay Hotel Building Sales

East Bay Hotel Building Sales Rolling Volume by Quarter



Hotel Building Sales by Market

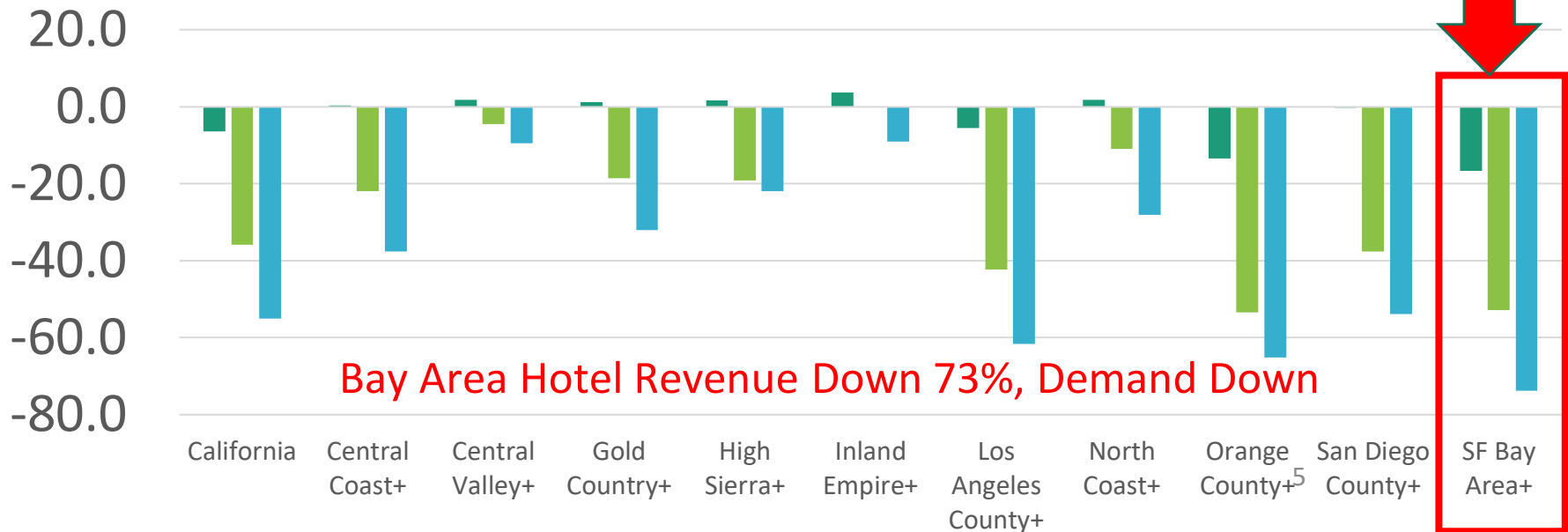


Hotel Revenues in 2020 through August have dropped 65% to 70% in Bay Area. Hotels and Restaurants Lost 135,000 jobs in 2020 through end of August. – Beacon Economics

Volume(\$)	Oakland/ Berkeley	Contra Costa	Hayward/ Fremont	Oakland - CBD
2016	4,675,000	101,500,000	44,437,500	49,150,000
2017	16,580,000	51,250,000	-	154,795,000
2018	19,700,000	-	61,500,000	-
2019	103,425,001	75,500,000	16,000,000	-
2020 (YTD)	-	20,750,000	-	-

California Hotel Occupancy Trends Down (% Percent Chg Aug 19 vs Aug 20)

■ Supply ■ Demand ■ Revenue



Hayward / East Bay Future Hotel Trends Caused by COVID



- **Hotels Revenues in 2020 through August have dropped 65% to 70% in Bay Area reflecting average occupancy levels of 25 to 30%**
- **Hotels and Restaurants Lost 135,000 jobs in 2020 through end of August (Beacon Economics)**
- **31,000 such jobs lost in East Bay during this Period**
- **Existing Hotel Appraisal Values Have Dropped by 30% since beginning of Year (Wells Fargo)**
- **HOTEL CMBS loans (Commercial Back Securities) lower value resulting in \$32 Billion in loans assigned to Special Servicers**
- **Look for Foreclosures/Distressed Debt First and Second Quarter**
- **Therefore, lack of New Hotel Financing**
- **A percentage of Local Owners are not making loan payments**
- **Hotels next expected to recover until late 2023 (Tourism and Business Travel Down) with partial recovery mid 2021**

So What to Do?

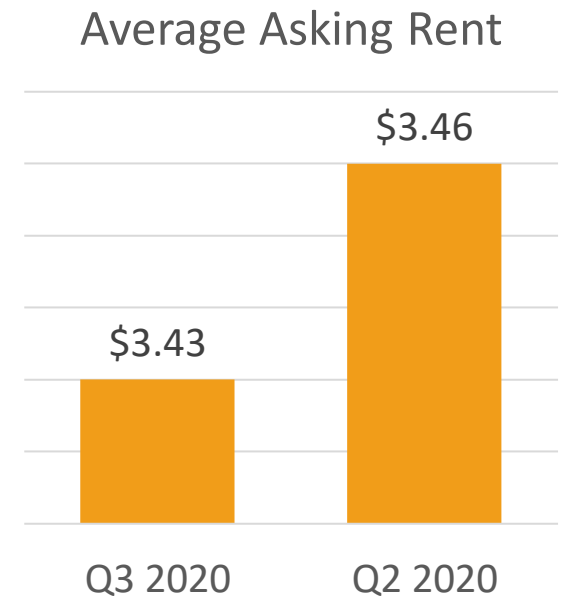
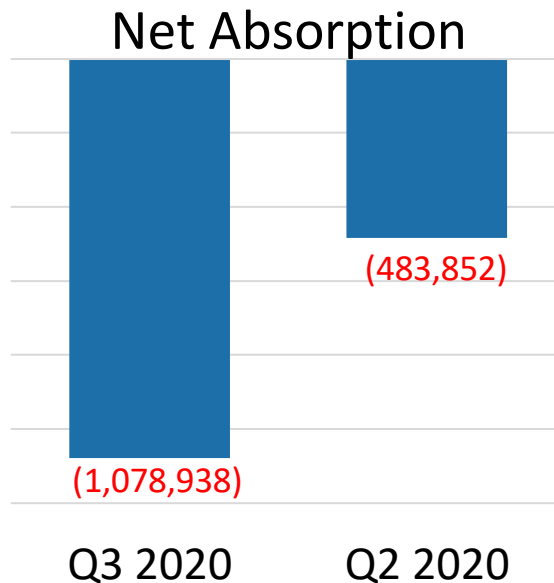
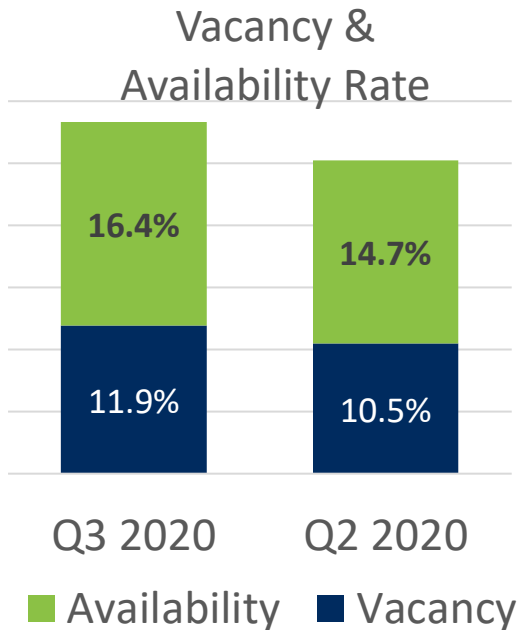
- **Some Hotels will be converted to office buildings, residential units and Homeless Shelters**
- **Cities should consider and create zoning mixed use concepts of Hotels/Residential/Office on same site and or building**
- **Streamline permit process and cut fees and TOT room tax rates**
- **Hoteliers are changing the hotel business model mixing in office services with overnight stays in their business hotel**

East Bay Overview

Office Market Q3 2020



Office Vacant SF is 8,068,530 (11.9%). Vacant Sublease Space is 1,508,980 SF.



Source: TRI, Costar

All Class A, B and C buildings over 10,000 square feet building size

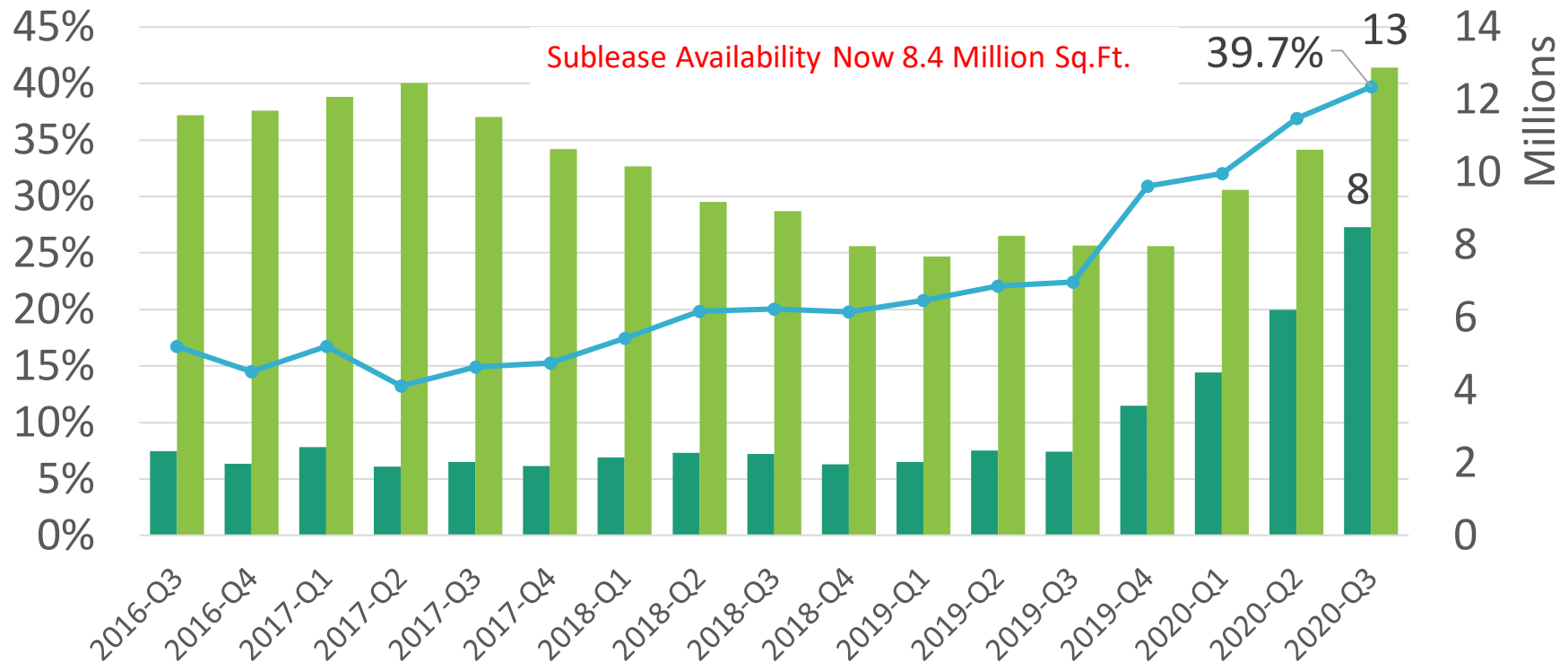
San Francisco Sublease Market

Office Market Q3 2020



Historical San Francisco Office Sublease Trends

■ Sublease Available ■ Direct available — Sublease % of Total Availability



Source: TRI, Costar

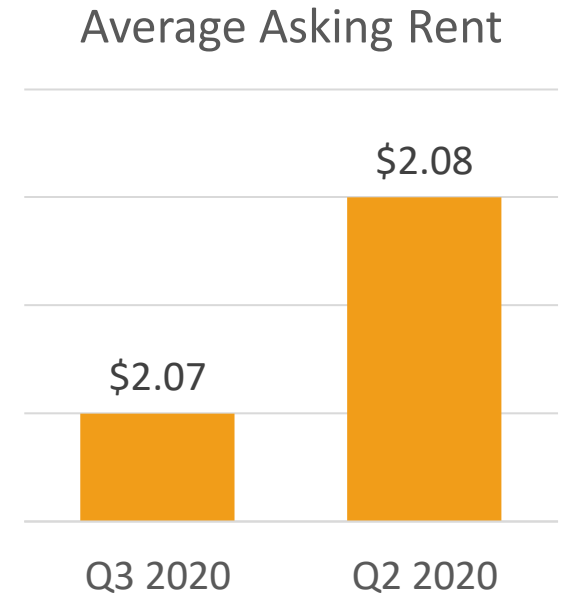
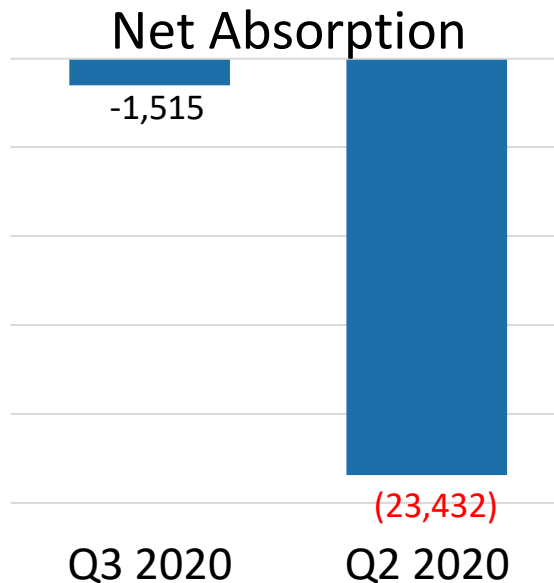
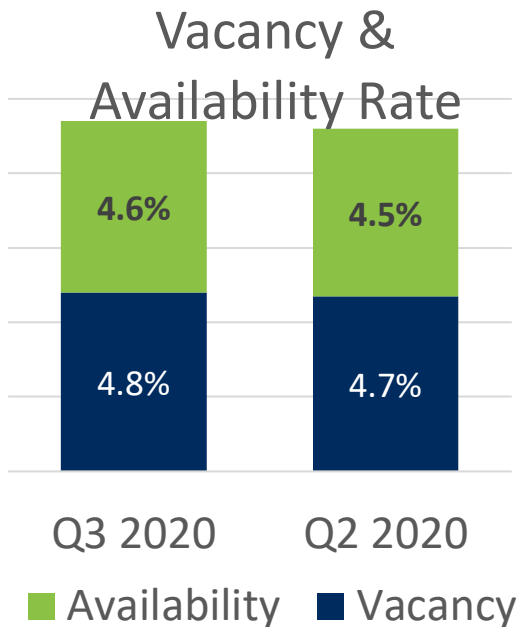
All Class A, B and C buildings over 10,000 square feet building size

Hayward Overview

Office Market Q3 2020



Current Vacant SF is 111,450 (4.6%). Vacant Sublease Space is 4,695 SF(0.2%). Industrial vacancy 6.0%, Flex 9.3% and Retail 3.1%



Source: TRI, Costar

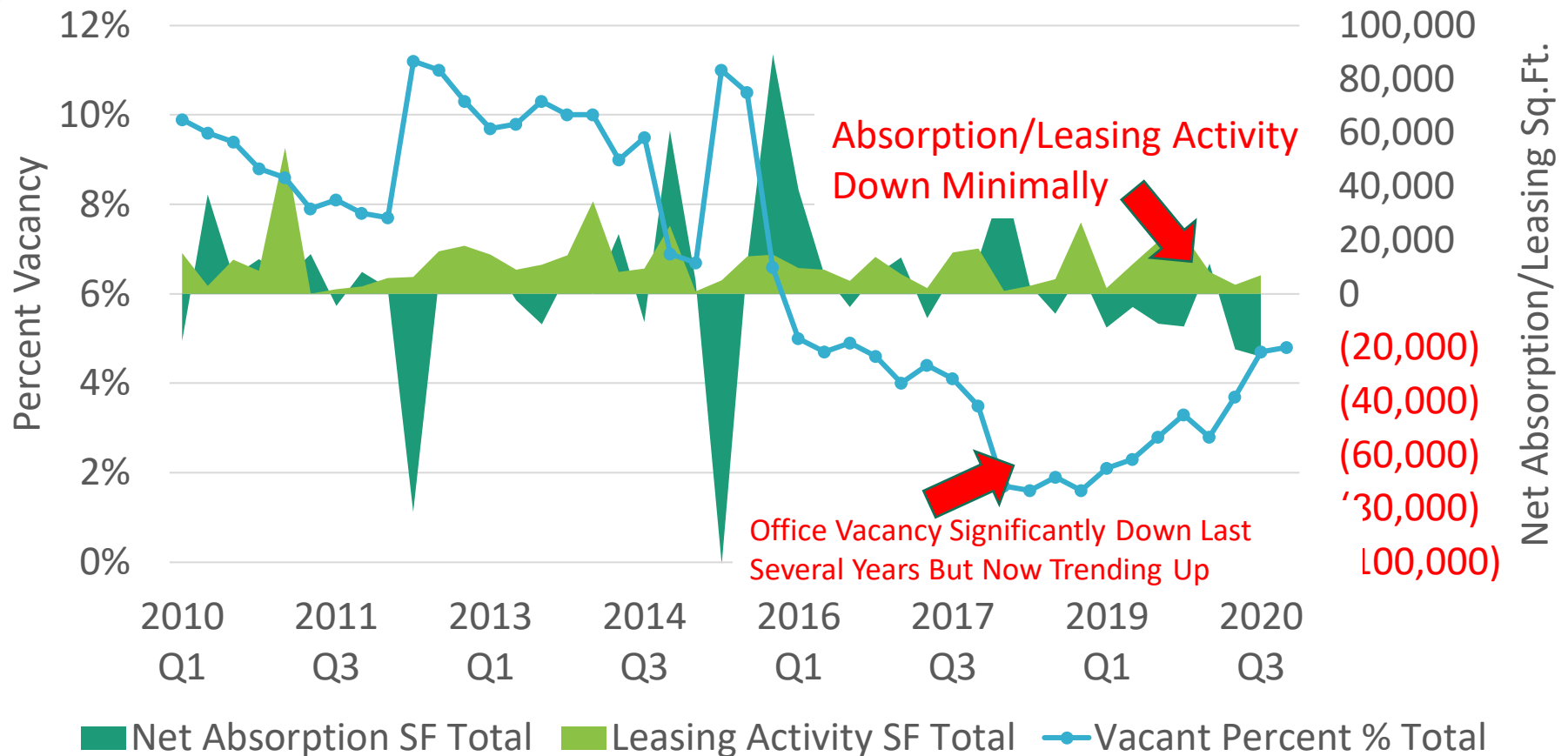
All Class A, B and C buildings over 10,000 square feet building size

Hayward Overview

Office Market Q3 2020



Historical Leasing Activity & Vacancy (%)



Source: TRI, Costar




All Class A, B and C buildings over 10,000 square feet building size

- ***What is Hayward's likelihood to see office development and related tenants in the tech or other spaces?***
- Suburban office vacancies are up including sublease space. Current average rents of \$2.10 to \$2.30 per sf/month full service are half of building replacements rents of \$4.50 required to build new buildings
- Over Time starting in 2022-23: Hayward and East Bay will benefit from the migration of back office tenants from San Francisco and tech tenants from Silicon Valley
- New office building construction in Hayward not seen until 2024 on BART TOD's Transit developments will be in demand
- We are beginning to hear about the Bay Area Exodus on the news a lot these days. This will affect Hayward? Recent MTC requirements, Rising State and local business taxes and a perceived and real antibusiness environment in northern California will exacerbate this trend

How will COVID-19 affect the economy short-term and long term?

ABAG/MTC

Speculating
what effects
may be on
region's
economy

ECONOMY	
	BEST CASE LONGER-TERM OUTCOMES <ul style="list-style-type: none">• Following the end of shelter-in-place, the region is able to rapidly rebound, thanks to its emphasis on technology sector which remains relatively strong• Any displaced service-sector workers are able to find new job opportunities in e-commerce or experiential retail
	WORST CASE LONGER-TERM OUTCOMES <ul style="list-style-type: none">• The Bay Area's economic vitality could be challenged by metro areas elsewhere in the world, as its locational benefits become less attractive• Main streets could experience high vacancy due to accelerated rise of e-commerce• Accelerated adoption of automation leads to higher level of unemployment
	"LIKELY" OUTCOMES FOR BAY AREA <ul style="list-style-type: none">• Near-term: Bay Area is likely to experience a recession, with a potential recovery by 2025• Near-term: lower-wage workers and small businesses may be hit the hardest, due to a combination of health risks and the rise of e-commerce• Near-term: available monies may stretch further than in recent years with countercyclical investments• Near-term: potential stimulus investments may help to lower unemployment• Near-term: retreat from globalization may lead to more domestic industry, but mostly outside of the Bay Area• Near-term & longer-term: employers may accelerate the shift towards flexible office spaces and automation, alongside a greater openness to occasional telecommuting

10

PLAN BAY AREA 2050

Source: Agenda for MTC/ABAG Joint Planning/Administrative Committees meeting, May 8, 2020, attachment, discussion of implications for preliminary Plan Bay Area 2050 forecast.

Greater East Bay

- The COVID19 virus is a stop crisis with health mandates not an economic event crisis of bursting bubbles
- Economy partially reopened mid-June
- People are going back to work slowly but surely
- Previous economic trends are accelerated, what are they and how do they affect real estate

Real Estate Trends:





CITY OF
HAYWARD
HEART OF THE BAY

RETAIL TRENDS

with a COVID-19 response rubric
October 20, 2020





UNDERSTANDING RETAIL RESILIENCE™ PRINCIPLES

“Resilience” ... what is it?

re·sil·ience
/rəˈzilyəns/

noun: **resilience, resiliency**; plural noun:
resiliencies

1. the ability to prepare and plan for, absorb, recover from, and more successfully adapt to adverse events.

Ten Principles for Building Resilience, ULI, 2018

A new Retail Resilience™ Model

Retail Resilience™, a retail vitality discipline informed by the ULI and ARUP/Rockefeller resilience models, guides retail and economic development programs/strategies that strengthen communities by understanding local aspirations, emphasizing accessibility to a range of shopping options, and promoting economic stability.

Retail Resilience™ also incorporates the tools needed to measure success, and to indicate when strategies and tools should be updated or adjusted.

Communities, project sponsors, and retailers that apply Retail Resilience™ principles will have more dynamic, adaptable, and elastic results, providing long-term benefits while meeting diverse stakeholder needs.



Retail Resilience™ is Quadruple Bottom Line

Triple bottom line strategies depart from the traditional profit meaning of bottom line, and instead address value creation in the areas of social equity, the environment, and economic value creation. In this approach, profit comes to be seen as added economic value that is enjoyed by a variety of project stakeholders.

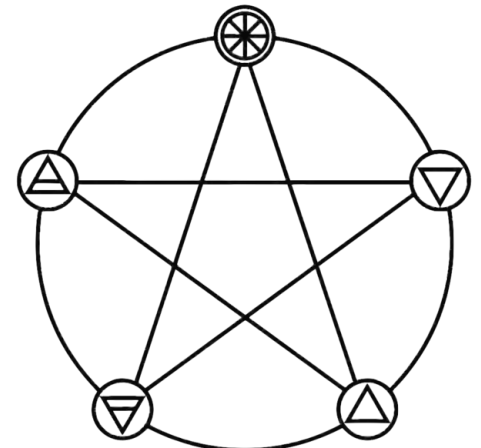
There is a 4th bottom line: being purpose driven. In terms of RR, purpose is intended to mean creating strategies and recommendations that are also forward looking, and where appropriate aspirational.



The Five Principles of Retail Resilience™

To arrive at greater insight, Greensfelder Real Estate Strategy has developed Five Principles of Retail Resilience™ for planning and economics assignments with significant retail components. These principles are the cornerstone for creating realistic and implementable retail strategies and recommendations.

1. Understand local concerns, vulnerabilities, aspirations, and health and well-being issues.
2. Recognize a community's strengths and opportunities, especially when they are not readily apparent.
3. Evaluate planning tools to better support retail goals and aspirations.
4. Ground strategies and recommendations in solid economics, backed up by data.
5. Take advantage of innovation and technology to bolster plan implementation.



https://commons.wikimedia.org/wiki/File:Five_Elements_Pentacle.png





Types: Commodity Retail

- A retailer selling goods and services which are consumed without emotional connection by the consumer and for which the consumer's **primary motivation is price and convenience**.
- Examples include grocery and drug stores, mass merchants such as Costco, Target or Wal-Mart, office supply stores such as Staples or Office Depot, or electronics, books and music.



Types: Specialty Retail

- Retailers selling goods and services which are consumed on a **discretionary** or emotionally-driven basis using discretionary funds/income, and where **experience and a sense of place is a primary component** when deciding how and where to spend discretionary time.*
- Examples include fine dining, clothing, luxury hard and soft goods, or electronic, books and music, and even specialty shopping districts.
- * With the rise of platforms and influencers, the importance of "place is evolving."



Retail Resilience™ COVID-19 Applications

Our current predicament, with much of our normal retail eco-system shut down, is adding challenges and highlighting vulnerabilities for all communities and stakeholders.

- Retailers are not able to operate, and many (particularly financially unstable chains, and independent operators) risk going out of business.
- Consumers are having a difficult time sourcing goods and services.
- Communities are seeing significant reductions in the sales tax revenue on which they depend to provide city services.

A Retail Resilience™ approach would look at today's situation this way:

- Acknowledge inequities for residents and business operators of varying economic/financial capabilities.
- Plan strategies today for when quarantines are lifted, and for the longer term. These strategies would look for co-benefits such as resources for retailers, more equitable access to goods, and increased tax revenues.
- Strategies will vary depending on a city's unique circumstances.



Retail Resilience™ COVID-19 Applications

Immediate strategies will focus on:

- Immediate community needs and equity/access issues.
- Providing tools to retailers to help them withstand business closures.

Once quarantines are lifted, strategies will focus on:

- Articulating best practices for restarting businesses without exacerbating expected Phase II (and beyond) CV-19 case spikes.
- Providing resources to navigate disorganized labor markets and supply chains.
- Prioritizing immediate needs in favor of longer-term goals and initiatives (including evaluating the cost of inaction).

Longer term strategies include:

- Attracting new businesses to open where others may have failed.
- Identifying community assets that can be harnessed.
- Looking for co-benefits that can be leveraged.



How has the CV-19 crisis changed the conversation about retail?

- Many cities are going to be in the fire, police, and pothole business and not much else.
- Many communities' general funds are closely tied to sales and property tax revenues, and they are trying to figure out the role of government going forward.
- The conversation is not so much about immediate steps to take, but about the intermediate and longer term.
- What can they do to support retailers and property owners so they have the opportunity to reopen, and for their businesses to have a chance to recover?
- What retailers, projects, and districts will be resilient and even flourish, and which will fall by the wayside?
- What should they do to be ready for the inevitable retail footprint contraction?
- Of course, public health and safety is the most urgent challenge, but balancing the suffering caused by the sudden halt in economic activity isn't far behind.



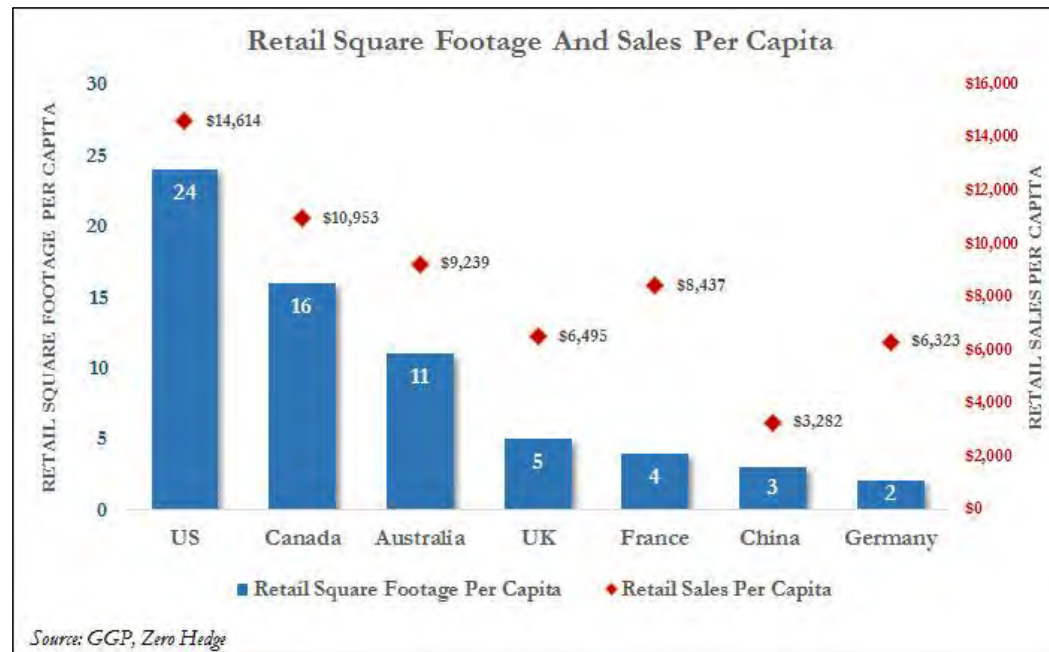
Advice for retail landlords and tenants right now as the crisis continues to evolve?

- The issue for both tenants and landlords is staying in business. From the tenant perspective, minimizing fixed expenses and matching variable expenses as much as possible to decreased revenues, if any, is the priority.
- Landlords are engaged in a similar endeavor, trying to manage fixed expenses such as mortgage payments, property taxes and insurance while cutting down as much as possible on variable expenses such as deferring maintenance where possible until we have more clarity on our overall situation.
- Emphasize understanding vulnerabilities, identifying opportunities and addressing systemic barriers to making quick progress, and integrating technology into strategies and recommendations, so this approach can keep operations alive.



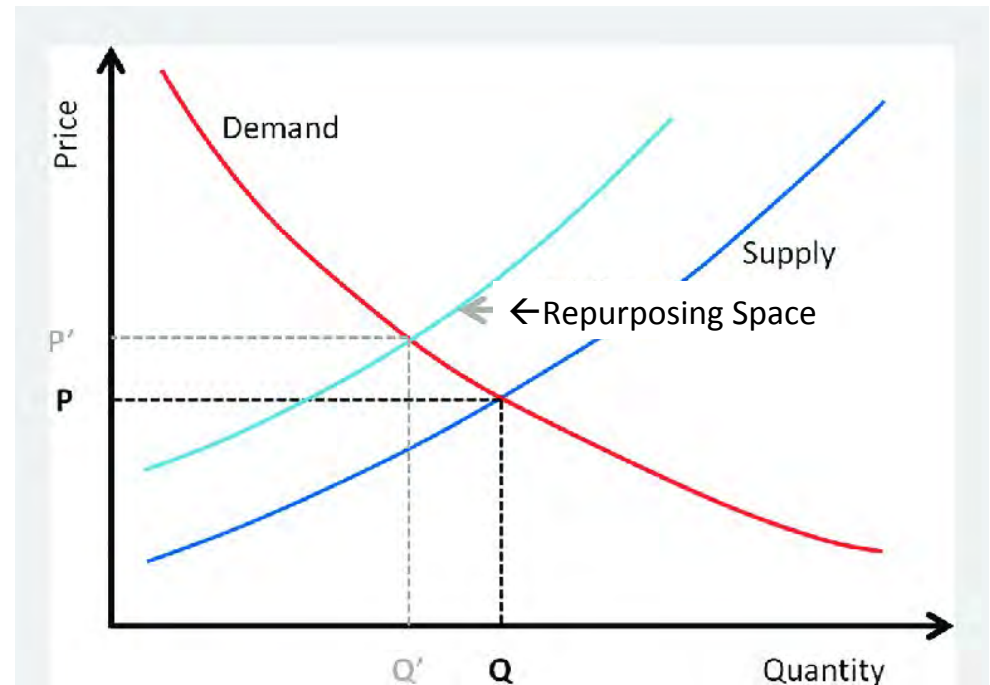
Emerging Opportunity – New Equilibrium

We have 24 SF of retail per capita in the US. This compares with 16 SF in Canada, and approximately 5 SF in Europe and parts of Asia.



Emerging Opportunity - New Equilibrium

- We have 24 SF of retail per capita in the US. This compares with 16 SF in Canada, and approximately 5 SF in Europe and parts of Asia.
- **A new equilibrium with less square feet of retail per capita is likely being established as space devoted to retail is being repurposed or replaced with new uses.**



How are consumer behaviors changing because of the pandemic and what are the implications for different retail typologies?

- Thinking about consumer behaviors in terms of commodity vs specialty retail goods and services, it's become pretty clear how consumer behaviors are changing.
- There is a lot of emphasis on getting commodities through non-bricks-and-mortar channels such as Amazon.com or Walmart.com, possibly more at the expense of chains rather than independent retailers.
- Subscriptions such as farm food boxes are also on the rise. Aside from farm boxes, produce, meat and dairy aren't being embraced as delivery items.
- Similarly, revenue from specialty goods and services like clothing, luxury goods, and restaurants and drinking establishments are way down, partly because we're being conservative about where to spend money, partly because those goods are often not conveniently available online.
- Recovery for malls and high streets will be a function of how long it takes us to feel comfortable being out with strangers again.



How can technology play a role in achieving success in the post-COVID retail industry?

- Online and some subscription platforms are doing extremely well, especially anything that delivers necessities and comfort items to us.
- Retailers with mature buy-online-pickup-in-store/BOPIS capabilities are also doing well.
- We're also seeing local independent merchants capitalizing on customer goodwill and a willingness to go the extra mile on service by taking orders for drive-by pickup.
- Informal influencer networks, whether local communities or online groups, are sharing information about how and where to find needed goods.
- Traditionally, signage has been incredibly important for retailers, however, the meaning of signage has evolved. Google, Yelp and other platforms. In an environment where we aren't out shopping as actively, are alternative signs ... a way for consumers to find retailers who can fill their needs but a way for retailers can reach out to consumers.





STAGE 1:
Safety and
preparedness



STAGE 2:
Lower-risk
workplaces



STAGE 3:
Higher-risk
workplaces



STAGE 4:
End of Stay Home
Order



Stage 2: Lower-risk workplaces

Gradually opening some lower risk workplaces with adaptations at a pace designed to protect public health and safety, starting with:

- Retail
- Manufacturing
- Offices (when telework not possible)
- Outdoor Museums
- Limited Personal Services

Limit time outside the home and travel only for permissible activities, such as healthcare, food, outdoor exercise and recreation (individuals and households only). Stage 1 and 2 work, and local shopping or other activities related to open sectors.

Some counties may move more quickly through stage 2, following guidelines laid out on the [county variance page](#).

Other counties may maintain more restrictive public health measures.

Monitor critical indicators and alter scope of reopening if necessary to protect public health and safety.

How should businesses be thinking, and the nexus with what cities should be thinking...

- Recovery will be in slow motion and may look like two steps forward and one step back as the situation evolves. California's governor put it pretty well when he said, "There's no light switch, it's more like a dimmer."
- Chain retailers have greater resources at their disposal than independent retailers, so let's focus on local operators.
- Local retailers know their customers. They are in a unique position not only to capitalize on having their ear to the ground in a way that chains do not, but they are in a position to lead our shopping districts' recovery.
- Cities, owners, and retailers have a near term opportunity to focus on housekeeping, thinking about customer flow, and evaluating whether current strategies are aligned with future expectations.
- As things begin to reopen, economic development entities should coordinate consistent messaging between agencies, retailers, and property owners welcoming, and setting expectations about changes.
- We will return to longer-term trends (we kept driving after the 1973 oil embargo, and flying after 9/11).
- We will need to evaluate how different consumer group's behaviors have changed and adopted new technologies, and which of our newly adopted shopping habits will prove to be temporary or permanent.



The new normal for the retail industry...

- Retail is demand driven. In the intermediate term, after we are let out of quarantine, the new normal is going to be a function of how comfortable consumers are being out and in what environments they're comfortable.
- Open-air projects will be favored over enclosed malls, and shopping likely will not involve traveling long distances or being in crowds.
- There are categories like movie theaters where it's unclear if there will be a return to our former patterns or if this crisis is the inflection point where distribution goes on-demand.
- Chains that are not financially robust will have issues and we expect some companies to never reopen shuttered stores while others are already preparing to file for bankruptcy.
- Strong retailers will no doubt use this time as an opportunity to reposition or close weaker stores, lock in desired locations as they become available and extract concessions from owners.
- It's quite possible that independent retailers will have a window to shine as navigating a crisis is the domain of the entrepreneur, and landlords will be looking to fill space, perhaps giving local merchants affordable opportunities to fill voids left by inevitable business closures.



Bringing a Business Back – Expect This...

1. Rapidly recover revenue – start-up mindset, purpose-driven, customer-centric. Identify and prioritize revenue opportunities.
2. Rebuild operations – protect against shocks (eg. TP crisis).
3. Rethink the business – focused teams and rapid decision making, not bureaucracy. Cultivate a culture that fosters value creation.
4. Digital adoption – refocus efforts to reflect changing customer expectations.
5. Understand that for now “distance is back.”
6. Focus on resiliency – the ability to absorb a shock.
7. E-commerce has been growing...a contact-less economy has been sped up.
8. Expect more government intervention in the economy.
9. Understand what can be done in non-traditional ways (eg. remote work).



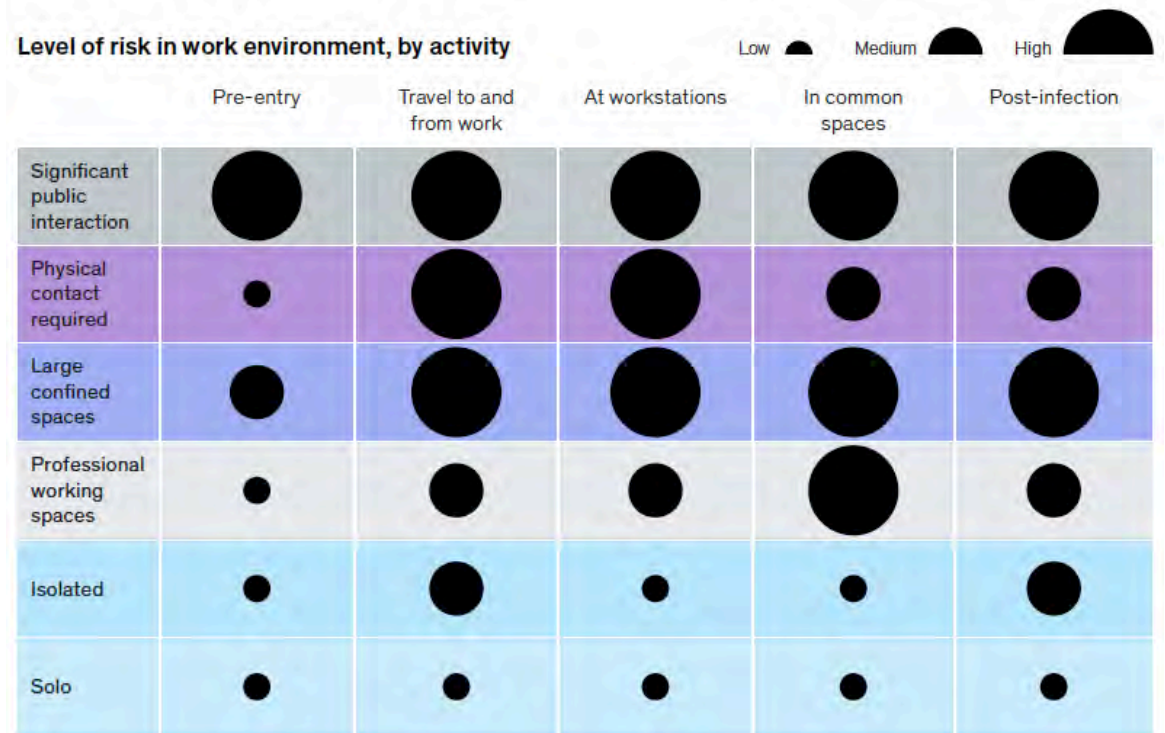
Bringing a Business Back – Retailer Issues...

1. Look for profit centers and focus investment in these areas
2. Look beyond shareholder value!
3. Adapt tactical pricing, but avoid triggering price wars
4. Encourage businesses to look for ways to stabilize supply chain so businesses are a reliable “go to”
5. Look at ways to integrate digital to augment in-person experiences
6. Sustain value creation stemming from the crisis (for ex: deeper relationships developed with customers/clients during shelter-at-home orders)



Regaining the Public's Trust and Engagement

- Define what a safe experience looks like
- Provide customers with safety guarantees
- State what measures are being implemented that might not be visible
- Focus on solving core customer/client needs
- Empower employees to make decisions (within best practices guidelines)



Graphic credit: McKinsey



Tailor safety measures to the unique business environment.

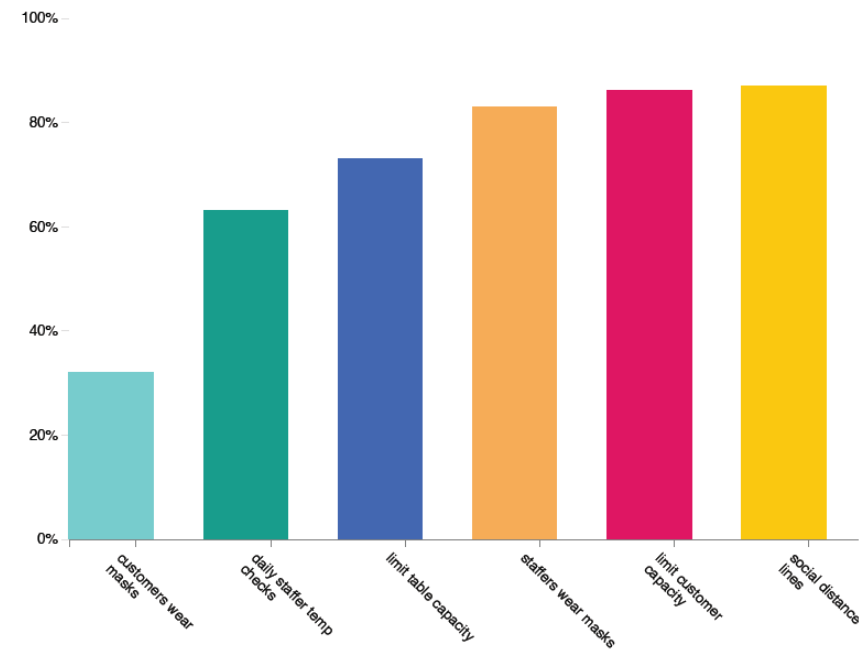
- Implement practices across the full range of business activities....including activities that take place outside their places of business.

- ### Proximity and extent of exposure in select work environments
-
- Extent of exposure¹**
- High
- Low
- Proximity of exposure²**
- Less
- More
- | Exposure Type | Work Environment | | | |
|---|--|-------------------------------|------------------------------|------------------|
| ● Significant public interaction | 1 Airports | | | |
| | 2 Banks | | | |
| | 3 Grocery stores | | | |
| | 4 Gyms and fitness studios | | | |
| | 5 Hospitals | | | |
| | 6 Hotels | | | |
| | 7 Public transit | | | |
| | 8 Restaurants | | | |
| | 9 Retail stores | | | |
| | 10 Stadiums and theme parks | | | |
| | ● Large confined spaces (low compliance) | 1 Engineering labs | | |
| | | 2 Factories (K-12) | | |
| | | 3 Schools (K-12) | | |
| 4 Sports arenas | | | | |
| 5 Universities | | | | |
| 6 Warehouses | | | | |
| ● Large confined spaces (high compliance) | | 1 Day-care centers | | |
| | | 2 Mental-care facilities | | |
| | | 3 Preschools | | |
| | | ● Professional working spaces | 1 Call centers | |
| | | | 2 Large offices | |
| | | | 3 Public-service functions | |
| | | | 4 Small offices | |
| | ● Professional working spaces (physical presence required) | | 1 Air-traffic-control towers | |
| | | | 2 Research labs | |
| | | | ● Isolated | 1 Artisanal work |
| | | | | 2 Construction |
| | | | | 3 Farming |
| | | | | 4 Firefighting |
| 5 Landscaping | | | | |
| 6 Mail delivery | | | | |
| 7 Moving services | | | | |
| 8 Police | | | | |
| 9 Real estate | | | | |
| 10 Repair services | | | | |
| 11 Sanitation | | | | |
| 12 Trucking | | | | |
| 13 Waste management | | | | |
| ● Solo | 1 Fine arts | | | |
| | 2 Graphic design | | | |
| | 3 Programming | | | |
| | 4 Physical-therapy offices | | | |



Supporting Restaurants

- Most restaurants don't expect to be operational during the first few months after reopening.
- Most hope to be open in some capacity in the next 6 weeks.
- 65% say they believe it will take 3 months to a year before they can return to normal operations. (Eater)
- Revenue is far below pre-CV levels.
- Consumers are hesitant to dine in; most are taking out.
- Fast food foot traffic returned to normal more quickly.
- Restaurant staff is hesitant to work because of risk and unemployment benefits are offering more certainty.
- Alternative dining arrangements (outside; public spaces) will be very important.



Graphic credit: Eater





Online Grocery Adoption

- Online grocery orders increased 18% month-over-month.
- Household penetration reached 33%.
- Average purchase frequency increased 10-%

May Scorecard: Online Grocery Delivery & Pickup

Total US – Past 30-day activity*

Performance Metrics	Aug 2019	March 2020	April 2020	May 2020
 Sales (Past 30 days)	\$1.2 B	\$4.0 B	\$5.3 B	\$6.6 B
 Spend (Average per order)	\$72	\$82	\$85	\$90
 Orders (# Past 30 days)	16.1 M	46.9 M	62.5 M	73.5 M
 Customers (# Active during past 30 days)	13.1 M	39.5 M	40.0 M	43.0 M
 Frequency (Monthly average/customer)	1.0	1.2	1.6	1.7



* Excludes online orders shipped to home via common or contract parcel carriers.

Sources: Brick Meets Click/Mercatus Grocery Survey, May 2020; Brick Meets Click/Symphony RetailAI Grocery Survey, April 2020; Brick Meets Click/ShopperKit Grocery Survey, March 2020; Brick Meets Click Grocery Survey, August 2019.



Supporting Retail

Booking platforms have applications beyond foodservice.

- Traditional retail "appointments."
- Scheduling pick-ups.
- Capacity management.

Open streets present opportunities

Rebranding malls as walking and gathering places presents opportunities



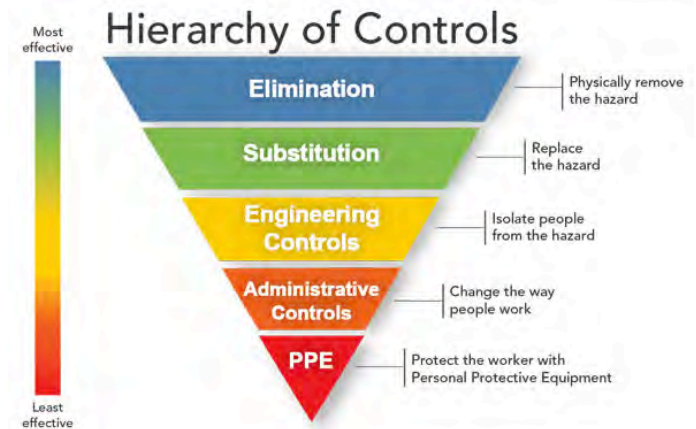
Graphic credit: Field Paoli



Managing Common Areas

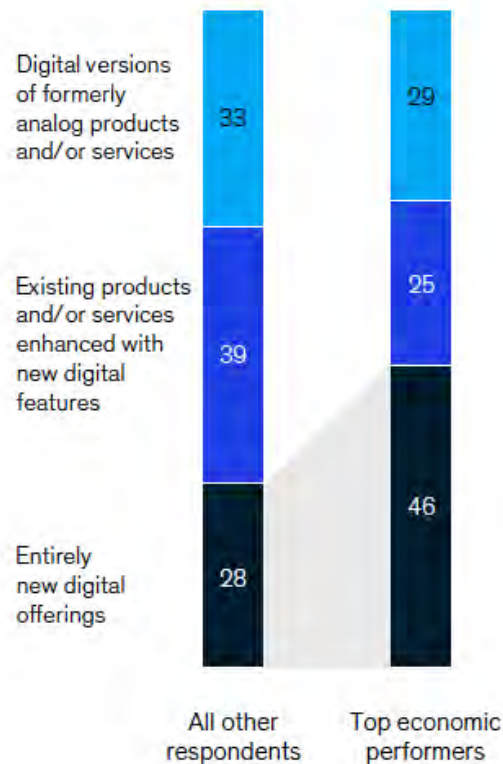
In order to ensure that common areas are ready for occupancy...

- Increase indoor circulation mix to include outside air
- Identify where and how people might be exposed
- Develop hazard controls using the Hierarchy of Controls
- Change the way people work and shop (stagger shifts, start times, in-person health checks, call from cars before entering buildings, appointment shopping, physical separation protocols)
- Disinfect high-touch surfaces
- Create hand washing facilities, reminders about touching face, etc
- Establish policies for social distancing
- Avoid public transit in favor of walking, biking, etc.
- Wear face mask
- Educate, educate, educate!



Digital Transformation

Organizations' digital offerings,
% share, by degree of newness



Graphic credit: McKinsey

- New initiatives are often approached as “test and learn”
- This experimentation often happens at a pace that fails to keep up with the rate of change happening.
- Look for opportunities that go beyond “digital lipstick” and instead adopt thinking and technology at a larger scale
- Looking for virtual replacements to previously physical offerings, or minimize physical contact... new partnerships
- Design-centric approach focuses on users
- Focus on areas at the core of the business



Injury and Illness Prevention Programs

- Identity individual(s) responsible implement the IIPP;
- System for ensuring that employees comply with safe and healthy work practices, and encourage sick employees to stay home;
- System for communicating with employees about occupational safety and health matters including PPE and washing facilities;
- Procedures for identifying and evaluating work place hazards, including periodic inspections;
- Procedures for investigating occupational injuries or illnesses;
- Procedures for correcting unsafe or unhealthy conditions, work practices and work procedures; and
- Training and instruction for all employees.
- Employers must **maintain documentation** of steps taken to implement and maintain the IIPP for one year.



Questions and answers:

Please send your
questions through the
on-line system.

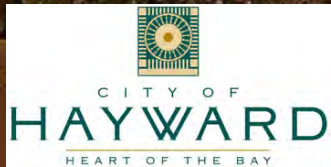
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DAVID S. GREENSFELDER, *MANAGING PRINCIPAL*

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510.708.8927 TEL | DAVID@GREENSFELDER.NET





RETAIL + M/U DEVELOPMENT

October 20, 2020

Mixed-use definition

Mixed-use development is a type of urban development that blends residential, commercial, cultural, institutional, and/or entertainment uses, where those functions are physically and functionally integrated.

Mixed-use can take the form of a single building, a city block, or entire neighborhoods.

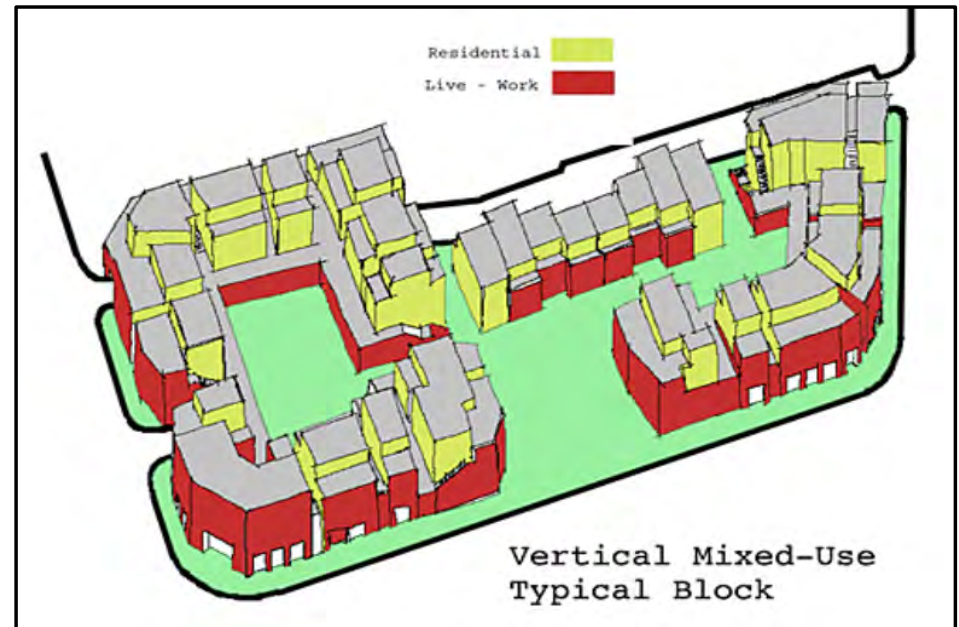
https://en.wikipedia.org/wiki/Mixed-use_development



Vertical mixed-use

Vertically integrated mixed-use projects have different uses over/under each other.

Typically, commercial uses will be located on the ground level with residential uses above. Alternatively, retail uses might be on the ground level with office uses above.



Horizontal mixed-use

Horizontally integrated mixed-use projects have different uses next to each other.

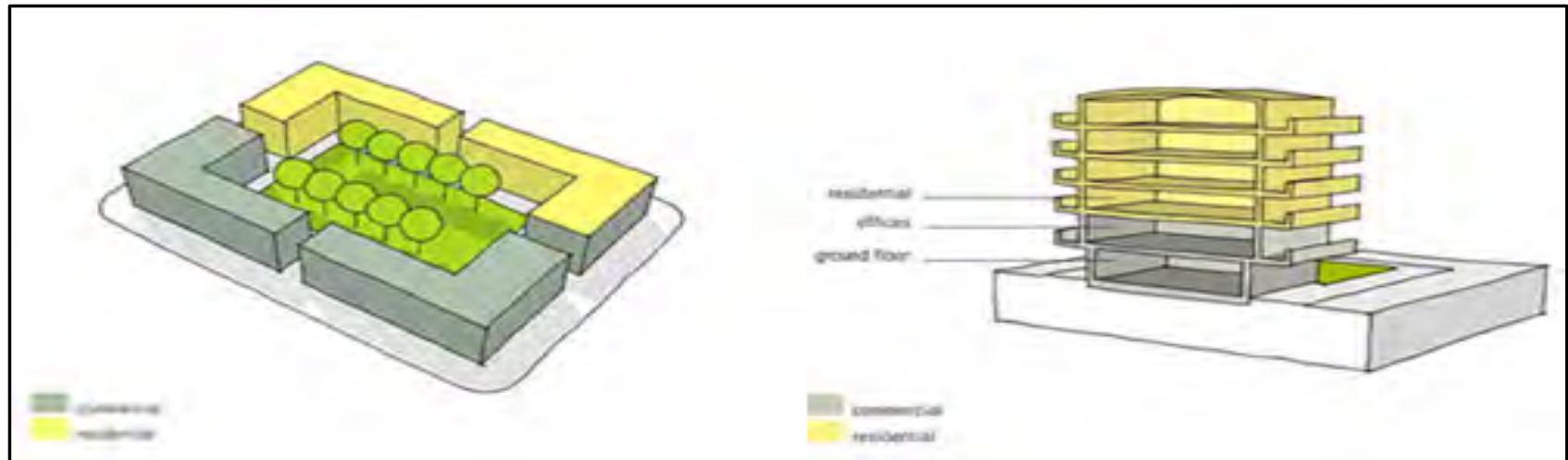
Typically, commercial uses will be located the street with residential uses behind. Alternatively, retail and office uses might both have a street presence.



Compare...a different view

Different configurations have different applications:

- An area with scarcity of land may merit a vertical solution
- An area with ample land but a planning climate favoring mixed-use may be a better solution for a horizontal solution.



Mixed-use Can Work



...but Sometimes It Doesn't!



Mixed-use Best Practices

- There are many factors that need to be considered in order for retail to function well.
- The factors to consider get considerably more complicated when retail is to be incorporated into a mixed-use project.
- Executing these best practice strategies well can make a big difference in the functioning and overall success of a commercial/retail district or project.



Retail Facility Attributes – Preview

These attributes aren't passe', they apply to mixed-use projects too...

➤ **Well articulated retail presence:**

- Visually differentiated from other uses (massing, transparency, materials)
- Store entrances, parking, and way-finding clearly identified
- The *right* signage (identity)!

➤ **Parking – Access – Visibility !!!**

➤ **Infrastructure:**

- Adequate clear-height
- Service Areas – loading, trash, and storage.
- Ventilation, vent shafts for food service
- Pads for HVAC, refrigeration, and remote equipment



Mixed-use Best Practices

- Authentic commercial districts evolve rather than being produced. Intentionality *can* play an important role in design and planning. Some common elements of authenticity include the following:
 - Appropriate massing of façade
 - Driving vs walking area
 - Visibility
 - Storefront requirements (*signage identifying entrance, transparency, lighting, awnings, and exterior finishes*)
- Care should also be given to corners. Not only are corners coveted by retailers and achieve higher rents for developers, but they can act as gateways and important connections between blocks.
 - Corners should generally be reserved for retail and not office or residential lobbies or other uses.
 - Placement of columns and other vertical elements (e.g. stairs, elevators) should be deliberate so the space remains usable.
 - The façade guidelines (above) should be applied.
 - Dimensions of corner space can be tricky because one façade will get the “shallow dimension.” Care should be taken to assign this dimension to the less important façade.



Mixed-use Best Practices

The pedestrian environment is extremely important. A lot of attention has been given to “complete streets” that plan for all modes of transportation to use that public space. The same can be said about “complete sidewalks!” Care should be taken with the following:

- Design so pedestrians do not feel hurried.
- Sidewalk width should be adequate for pedestrian flow, use by retailers, amenities such as benches and landscaped areas, and informal activities such as musicians, girl scout cookie sales, or pet adoption events.
- Sidewalks are an opportunity for retail and the public realm to mix, in the form of outdoor dining areas, and outdoor merchandise displays.
- Parklets, seating areas, and public art all make sidewalks more inviting.
- Landscaping and tree (shade) placement, and features such as decorative paving, lighting, and banners enhance a sense of place. Trash/recycling container placement is key to maintaining a clean and orderly environment.
- Placement of above grade utility poles, trees, signs, etc. should be deliberate so pedestrian flow is not broken. Street light replacement should be considered if existing infrastructure is tired.



Mixed-use Best Practices

Signage is not only key for retailers to announce their presence and to project their brand, but it can be leveraged to create a functional and authentic commercial district. Following are some best practices to consider for signage:

- Develop a master sign program defining tenant, project, and way-finding signage standards.
- All tenants need reasonable signage opportunities, so focus on appropriate types of signage. Large pan-channel letters are good for suburban strip centers, but blade signs, window decals, and awnings may be more appropriate for pedestrian districts or areas where traffic flows more slowly.
- High visibility monument signage announces a project.
- Provide way-finding and directory signage.

In addition to signage, lighting plays an important role in defining place and gathering spaces, an area's mood, and projecting safety. A lighting plan can benefit projects and districts alike.

- Create a common area and exterior lighting plan.
- Coordinate lighting with way-finding and path-of-travel.
- Pay particular attention to lighting in parking areas.



Mixed-use Best Practices

There are different parking demands for different uses, and different uses have different peak hours ... even in the same or adjacent projects or districts.

- Often need to educate approving agencies.
- Reduces number of spaces required.
- Space optimizing.
- Cost reducing.
- Other strategies:
 - Overall sustainability
 - LEED
 - Greentrip

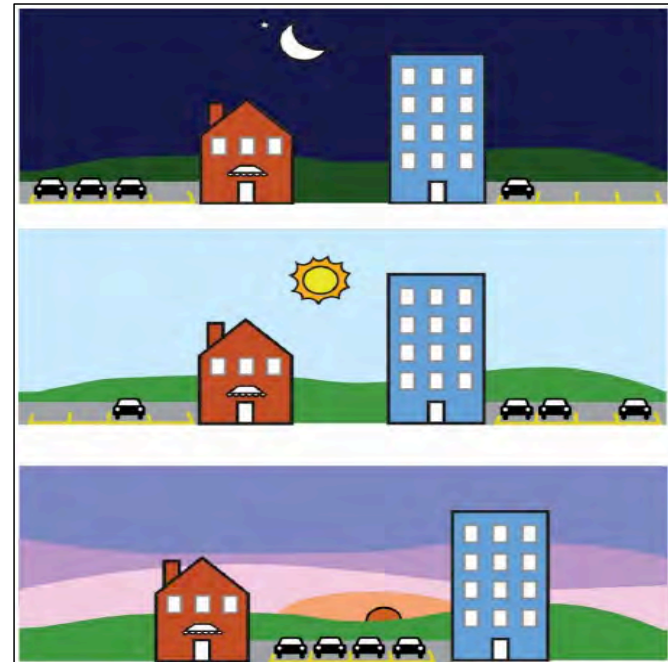


Image courtesy of Nelson\Wigard; used with permission. Please credit if reused.

Mixed-use Best Practices

- As part of omnichannel strategies, retailers often give consumers the opportunity to buy online and pickup (or return) in-store. These strategies are generally geared to increasing traffic and sales.
- 46% of US online shoppers have collected one or more online purchases from a physical store in the past 12 months.
- BOPIS users are slightly younger and more affluent than the average online shopper.
- Apparel is the most-collected category. Despite being an occasional purchase, electronics rank second. Groceries are in third place.
- Walmart and Target are the most popular retailers from which US consumers pick up online orders. Category-specialist retailers Best Buy and Home Depot captured third and fourth places.



Source: Coresight Research and ICSC



ACTUAL DEVELOPMENT OF MIXED USE PROJECTS

**FLEXIBLE
SPACE:
RESIDENTIAL,
SMALL
OFFICE, SMALL
RETAIL BY
SARES REGIS**

**GROUND
FLOOR
DEDICATED TO
RETAIL
COMMERCIAL
BY LEONARD
DEVELOPMENT**



DEDICATED RETAIL

- VACANT FOR 3 YRS.



FLEX SPACE

- FULLY OCCUPIED
WITH RESIDENTIAL &
SMALL OFFICE USERS
- CITY HOPES FOR
RETAIL IN FUTURE




Cities and owners often are not aligned...

- **Retail consolidation means there are fewer retailers to fill existing space.**



Cities and owners often are not aligned...

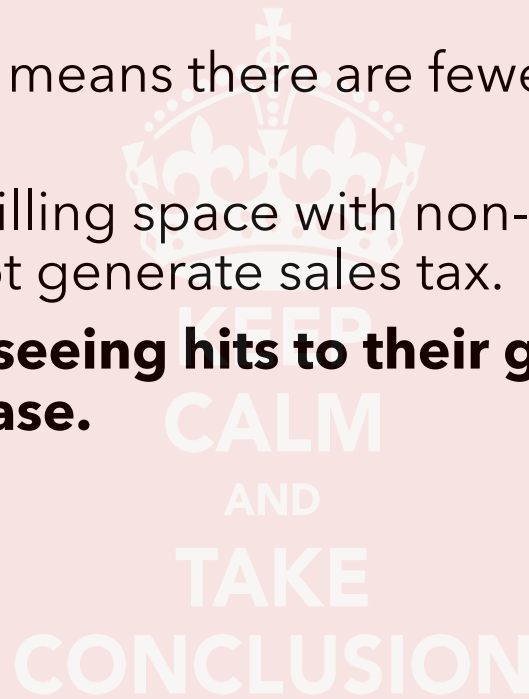
- Retail consolidation means there are fewer retailers to fill existing space.
- **Landlords are backfilling space with non- or quasi-retail uses, some of which do not generate sales tax.**



KEEP
CALM
AND
TAKE
CONCLUSION

Cities and owners often are not aligned...

- Retail consolidation means there are fewer retailers to fill existing space.
- Landlords are backfilling space with non- or quasi-retail uses, some of which do not generate sales tax.
- **Municipalities are seeing hits to their general funds as sales tax revenues decrease.**



Cities and owners often are not aligned...

- Retail consolidation means there are fewer retailers to fill existing space.
- Landlords are backfilling space with non- or quasi-retail uses, some of which do not generate sales tax.
- Municipalities are seeing hits to their general funds as sales tax revenues decrease.
- **Codes and SP's often demand project design attributes that the market may not demand and that may not be viable economically.**
 - **Vertically integrated vs. horizontally integrated mixed-use.**
 - **Ground floor retail in amounts and locations that don't make sense.**

Questions and answers:

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questions through the
on-line system.

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Opportunities in Disruption

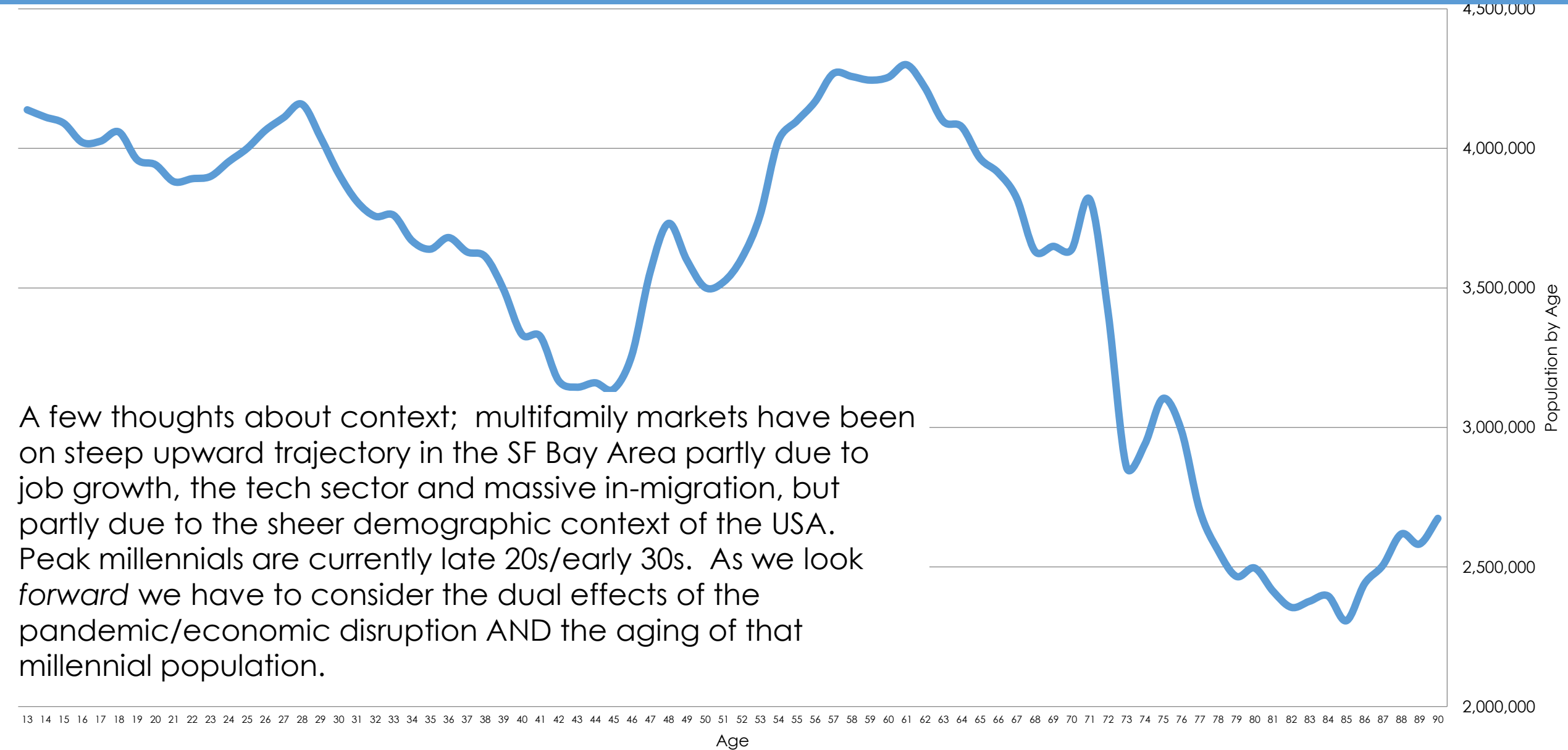
MultiFamily Update

Tim Cornwell

Principal

The Concord Group

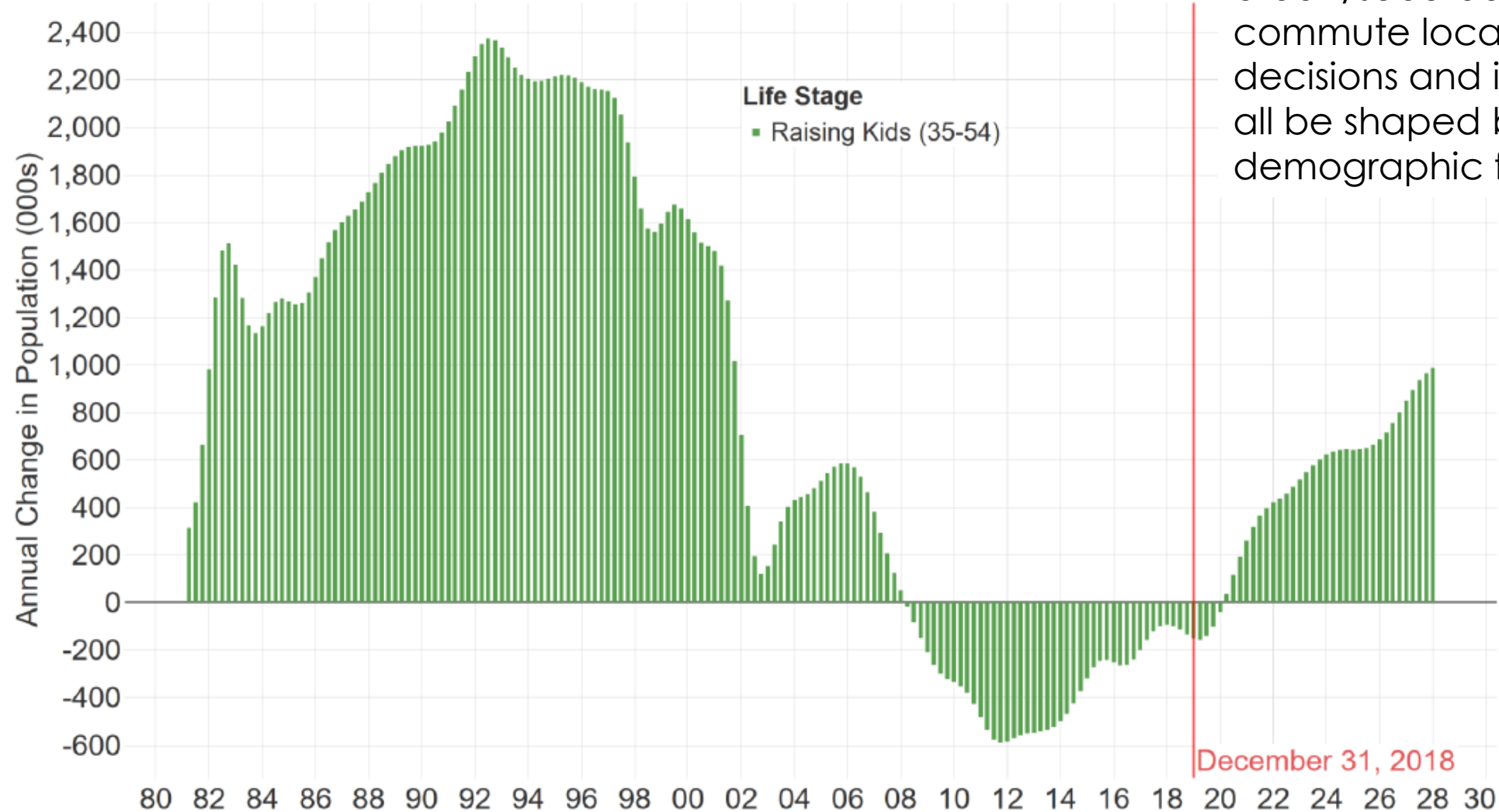
American Demographic Composition



A few thoughts about context; multifamily markets have been on steep upward trajectory in the SF Bay Area partly due to job growth, the tech sector and massive in-migration, but partly due to the sheer demographic context of the USA. Peak millennials are currently late 20s/early 30s. As we look *forward* we have to consider the dual effects of the pandemic/economic disruption AND the aging of that millennial population.

The Coming Future

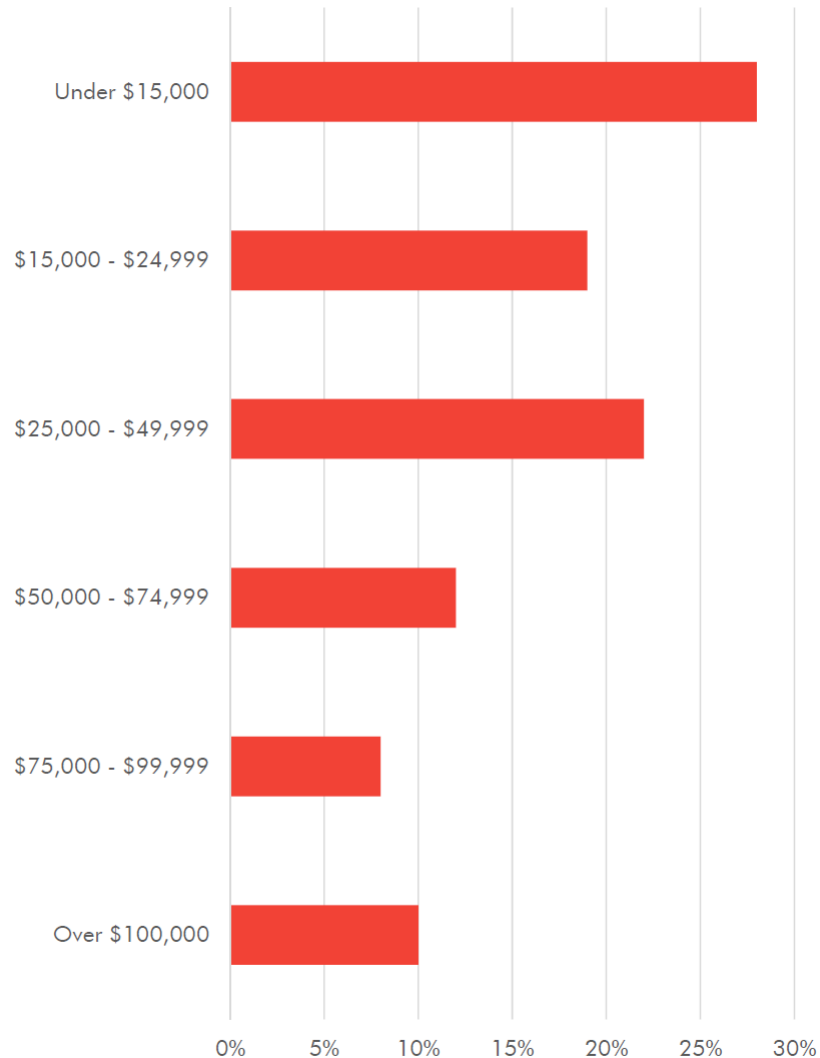
Annual Change in Population by Life Stage



Urban/suburban choices, commute locations, buy vs. rent decisions and in/out migration will all be shaped by the coming demographic future.

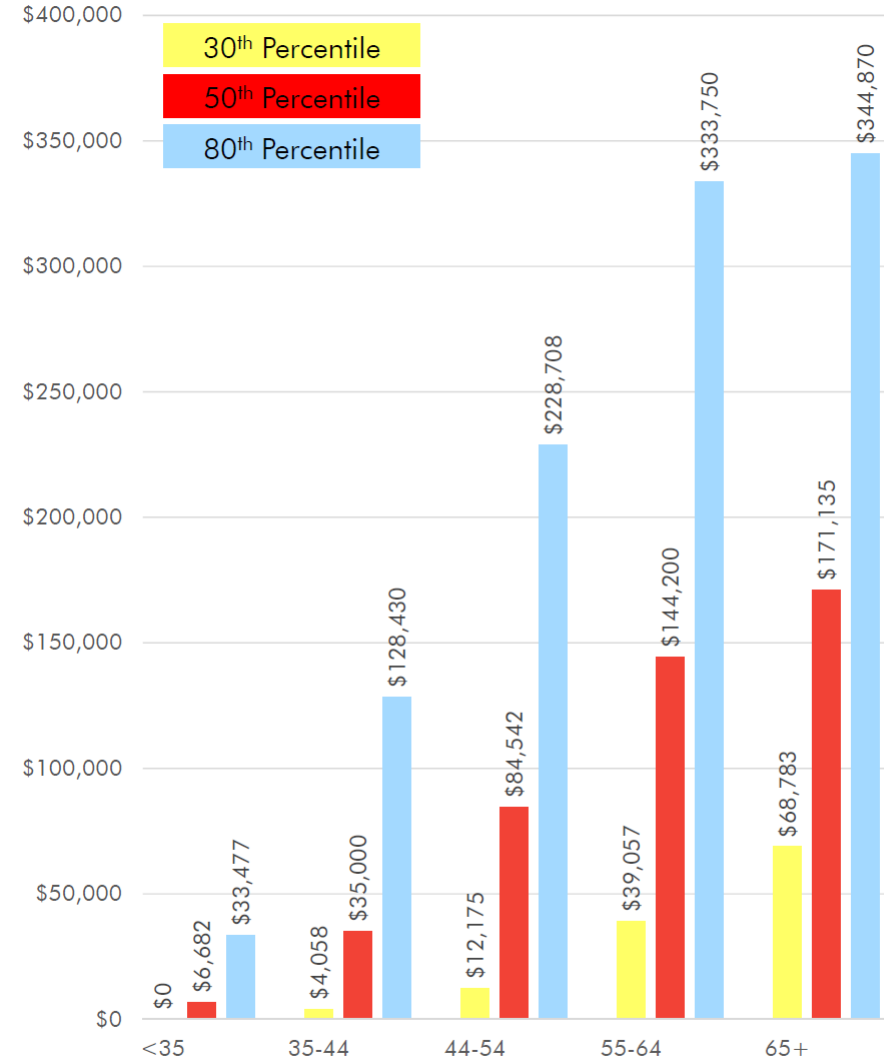
A Generation Without Wealth

I. Gen Y Student Debt (ULI Survey)



Note: 50% never had debt or have paid it off

II. Household Net Worth by Age



Source: : ULI Gen Y and Housing Report (UDR/Lachman Associates Survey), TCG

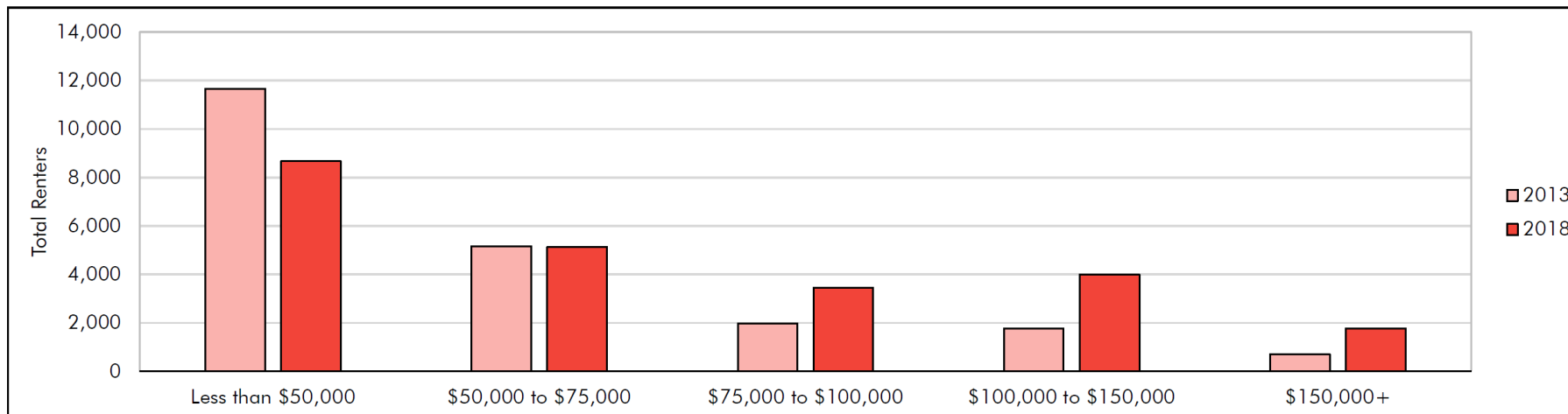
This millennial population has limited ability to buy with a average net worth of \$6,682. This keeps more affluent people renting longer.

Quickly Changing Renter Profiles

I. Hayward, California

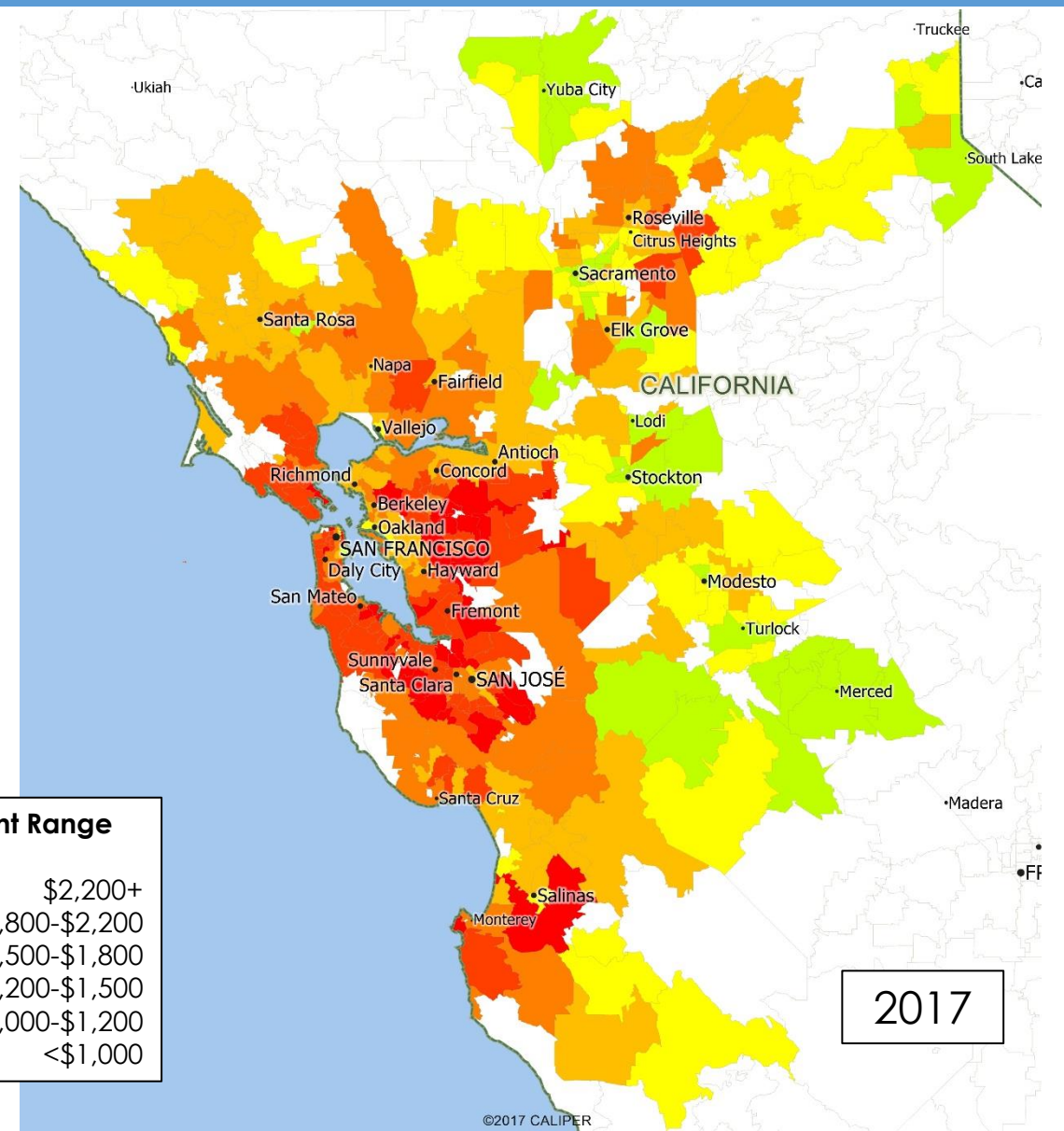
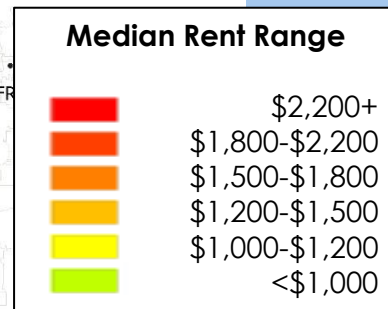
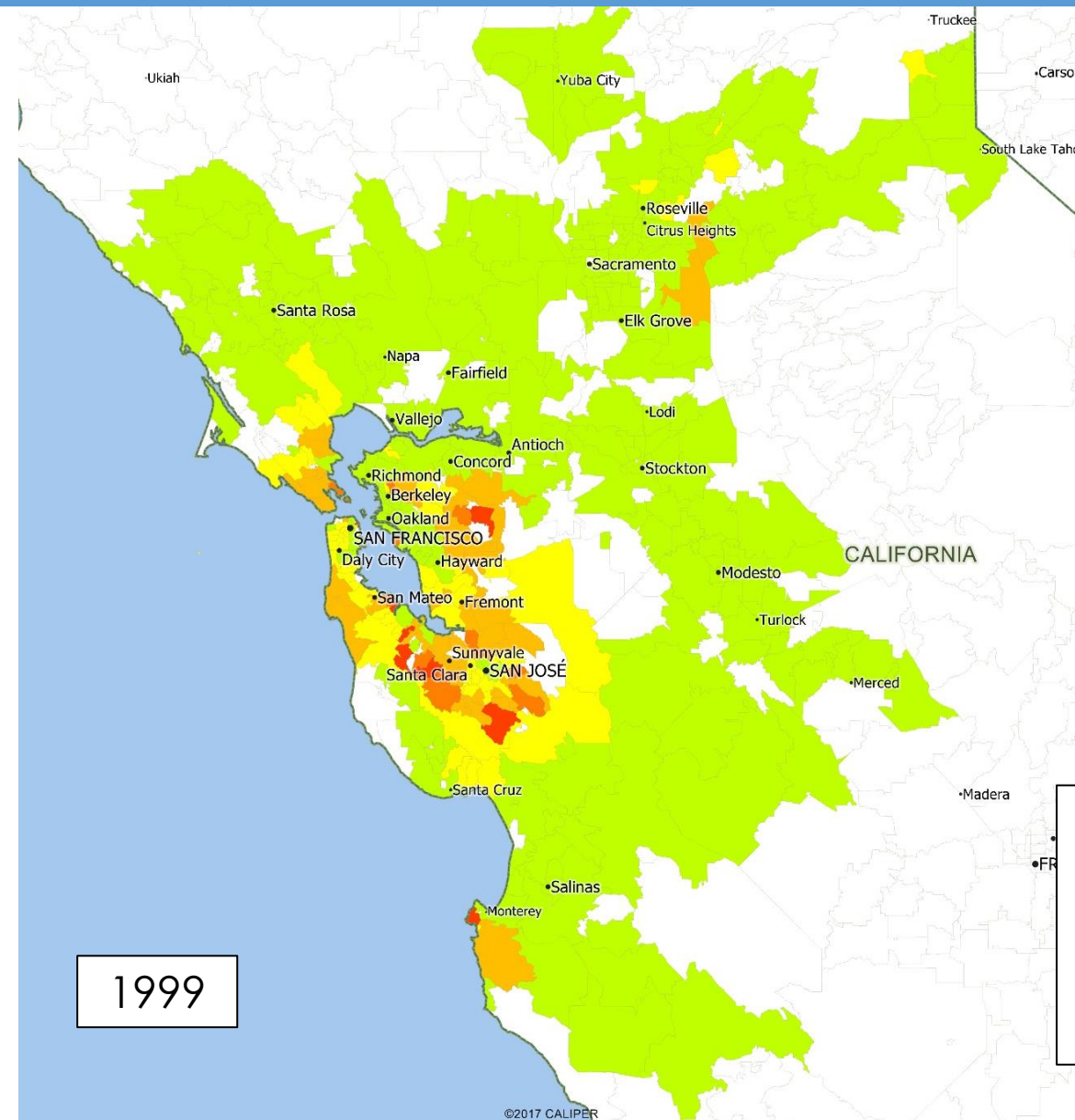
A. Renter Incomes

Income Tranches	2013		2018		5 Year Change	
	Renters	Distr.	Renters	Distr.	Renters	% Change
Less than \$50,000	11,661	55%	8,669	38%	-2,992	-26%
\$50,000 to \$75,000	5,158	24%	5,129	22%	-29	-1%
\$75,000 to \$100,000	1,987	9%	3,453	15%	1,466	74%
\$100,000 to \$150,000	1,777	8%	3,988	17%	2,211	124%
\$150,000+	710	3%	1,776	8%	1,066	150%
Total Renters:	21,293	100%	23,015	100%	1,722	8%

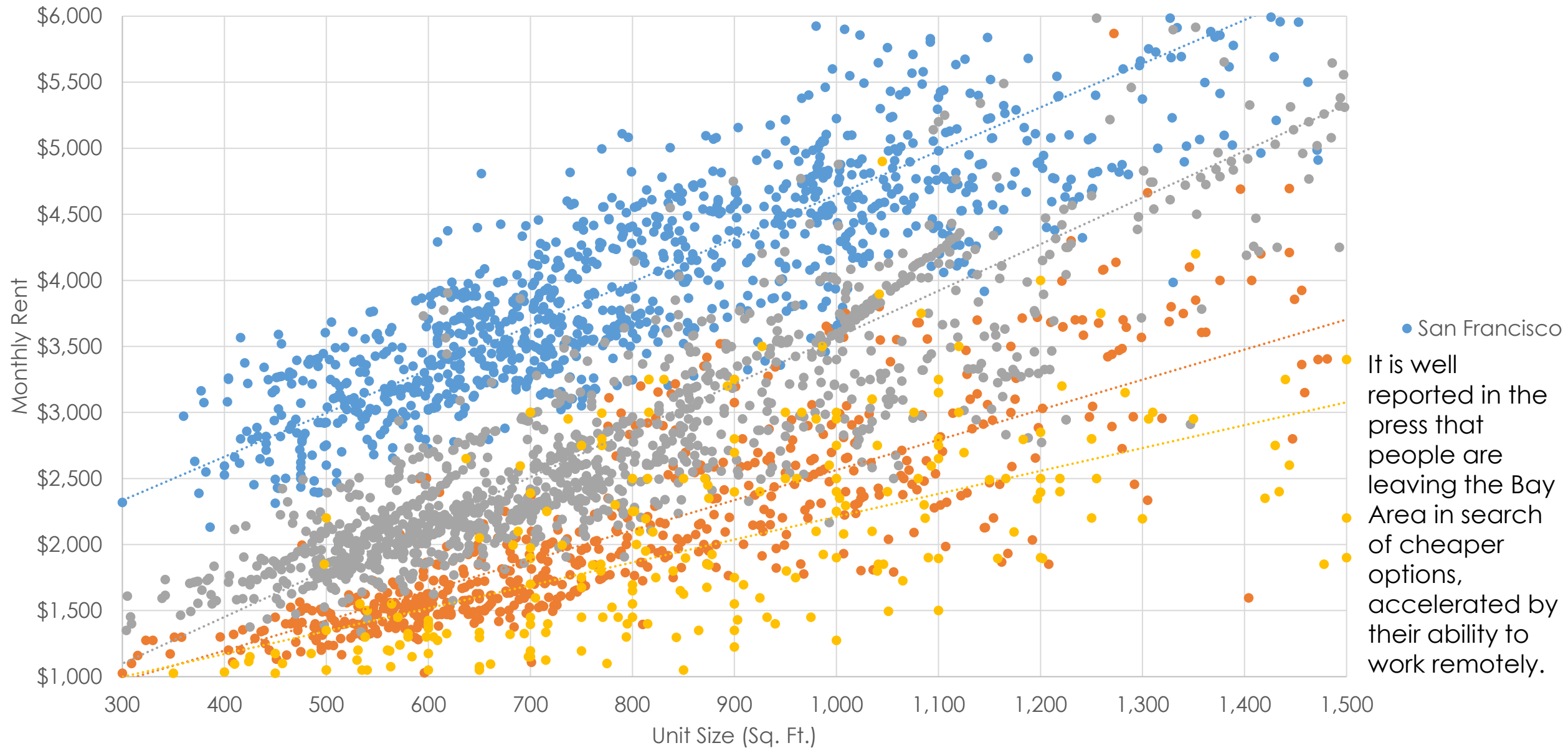


In Hayward specifically – given its affordability, access to jobs there has been a significant shift in renter incomes, in fact more than a 100% INCREASE in renters over \$100,000 of household income.

The Have and Have-Not



Price Alternatives, Next Markets and a Flexible Workforce



A New American Move

Rates for San Francisco, CA to Boise, ID on 11/1/2020

[Frequently asked rental questions](#)

10' Truck



Studio to 1 Bedroom Apt.

- Inside dimensions: 9'11" x 6'4" x 6'2" (LxWxH)
- Door opening: 5'11" x 5'7" (WxH)
- Deck height: 2'5" Length: 9'11"
- Loading ramp: None

\$1,603.00

☐ Tow my car

Select

15' Truck



1 Bedroom Home to 2 Bedroom Apt.

- Inside dimensions: 15' x 7'8" x 7'2" (LxWxH)
- Door opening: 7'3" x 6'5" (WxH)
- Deck height: 2'9" Length: 12'5"
- EZ-Load Ramp

\$1,688.00

☐ Tow my car

Select

Rates for Boise, ID to San Francisco, CA on 11/1/2020

[Frequently asked rental questions](#)

10' Truck



Studio to 1 Bedroom Apt.

- Inside dimensions: 9'11" x 6'4" x 6'2" (LxWxH)
- Door opening: 5'11" x 5'7" (WxH)
- Deck height: 2'5" Length: 9'11"
- Loading ramp: None

\$257.00

☐ Tow my car

Select

15' Truck



1 Bedroom Home to 2 Bedroom Apt.

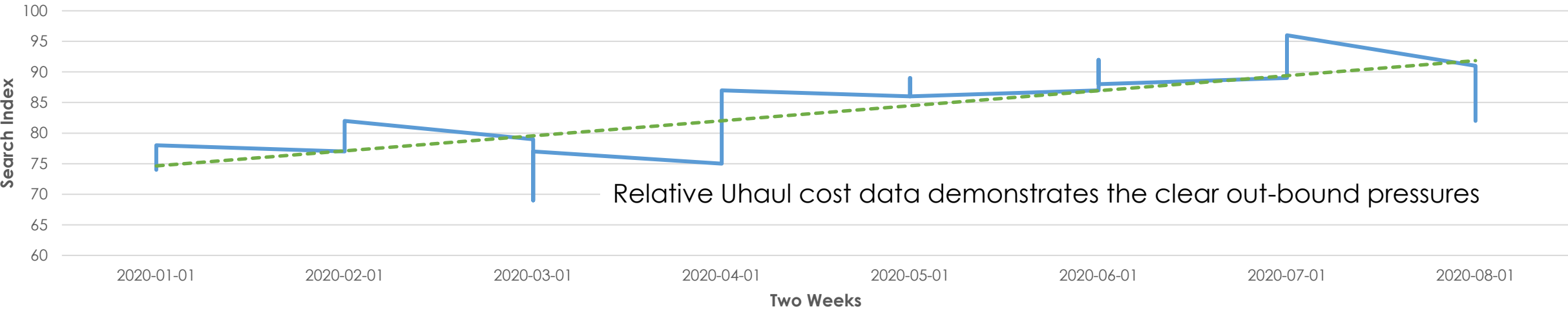
- Inside dimensions: 15' x 7'8" x 7'2" (LxWxH)
- Door opening: 7'3" x 6'5" (WxH)
- Deck height: 2'9" Length: 12'5"
- EZ-Load Ramp

\$270.00

☐ Tow my car

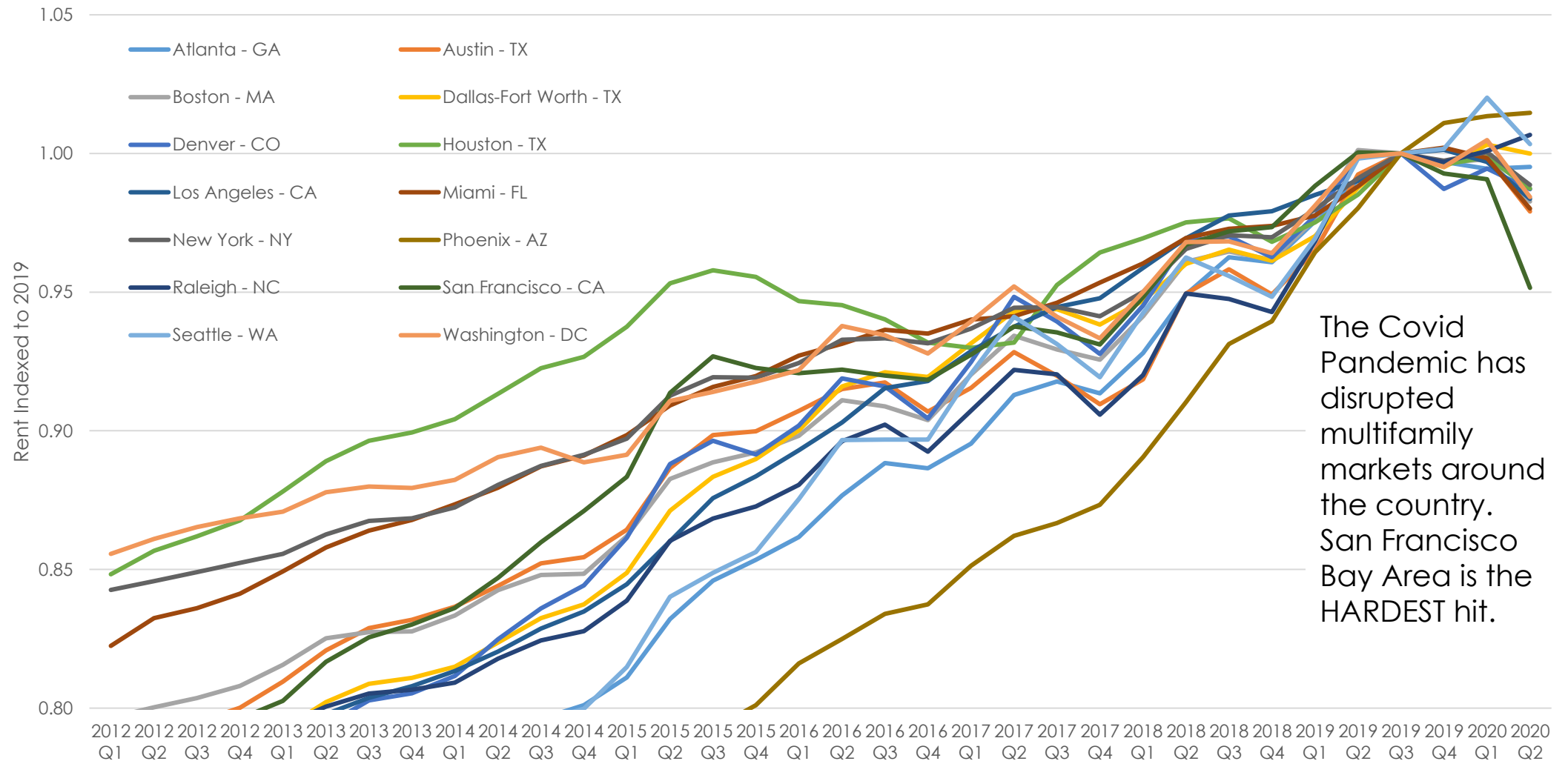
Select

Prevalence of "Moving" as Google Search Term

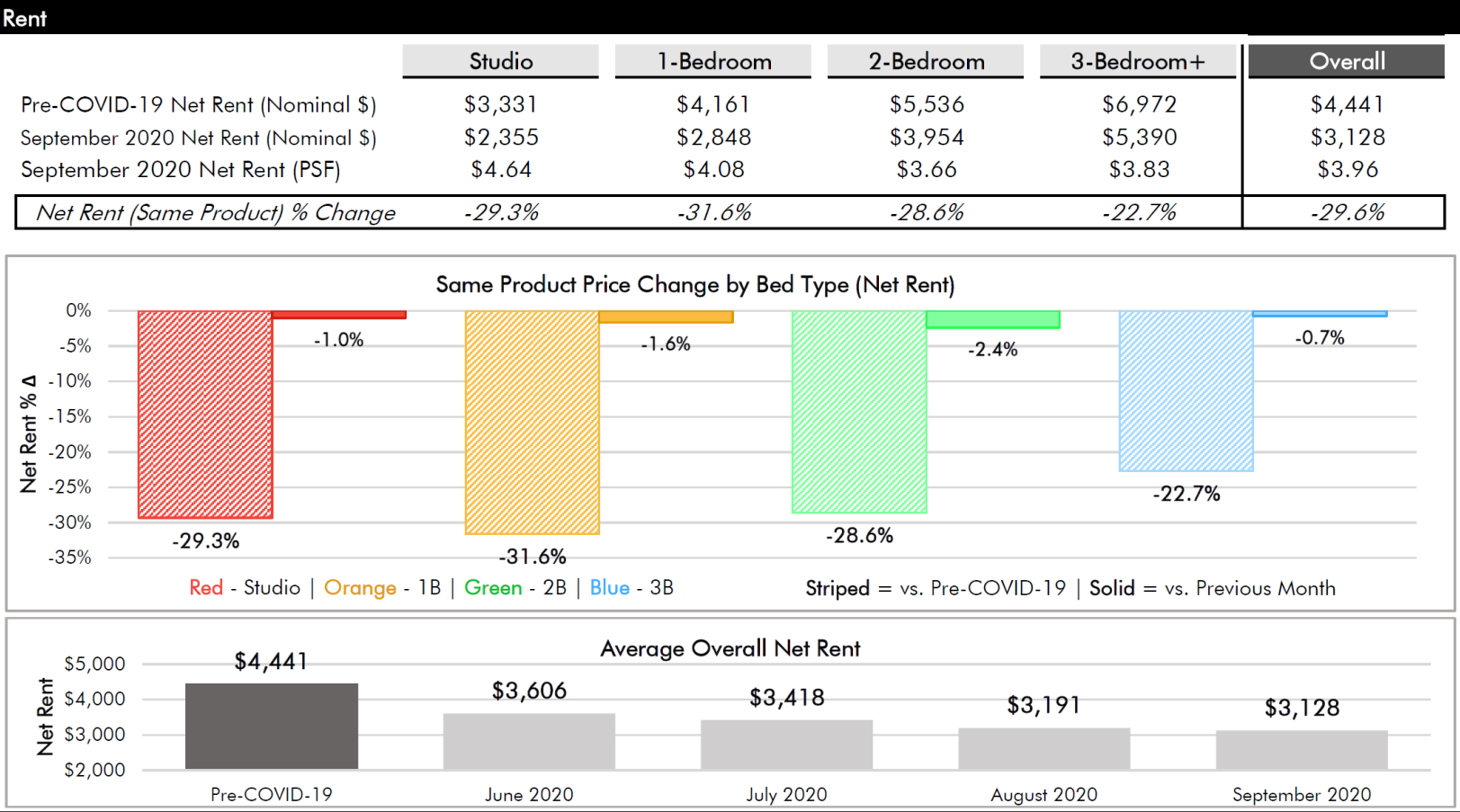


Rents Falling Everywhere

Effective Rents Indexed to Q1 2019



A Precipitous Fall in San Francisco



As households flee high cost areas (and all-important in-migration is largely put on pause during this remote-work era) rents in San Francisco have been CRUSHED. Our most recent data shows a 29.6% effective rent decline since February. This is the largest and most precipitous drop in rents in our nation's history.

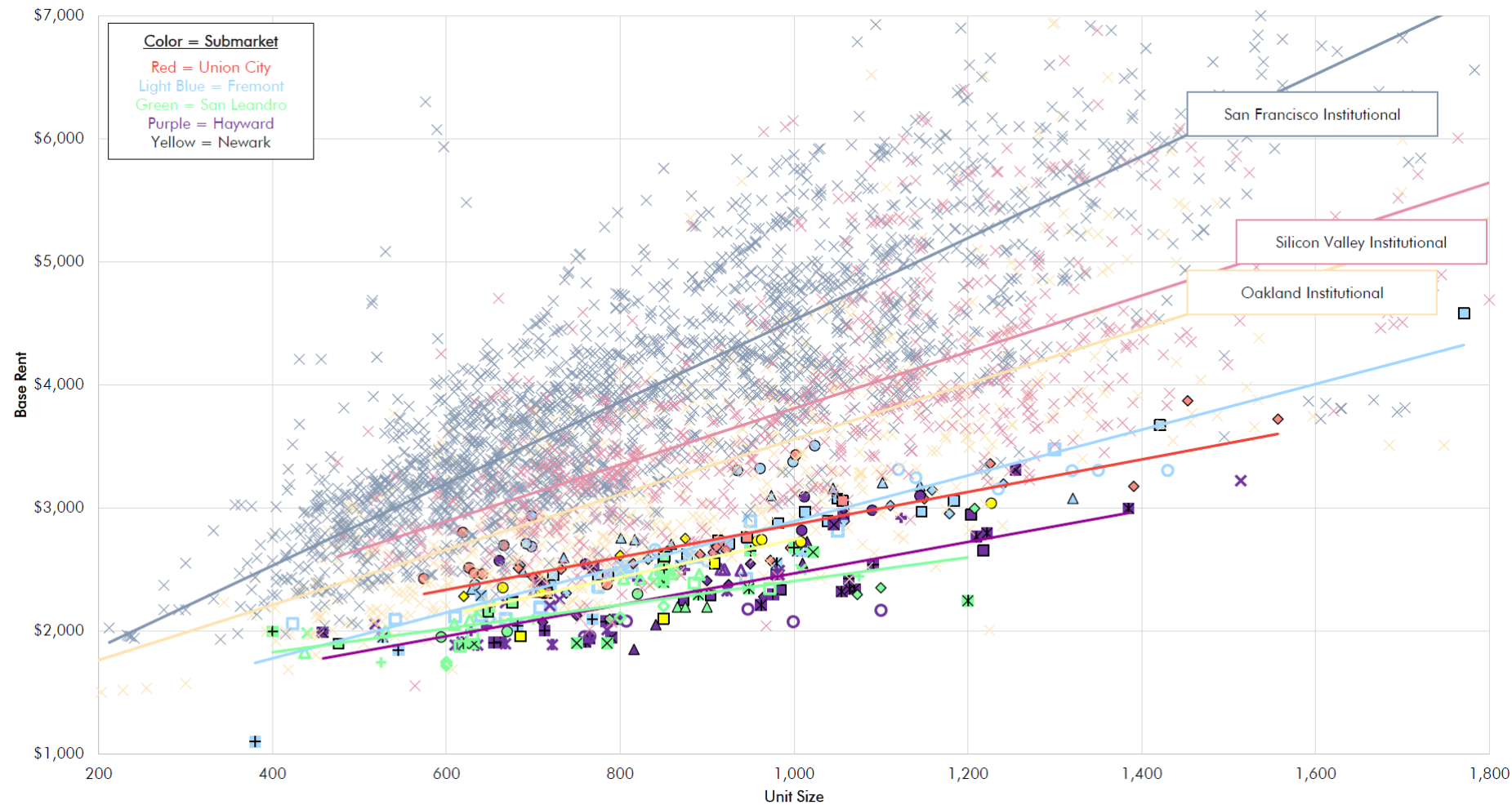
By contrast, Class A product in Hayward (clearly serving a need for reasonably affordable product, with less new competition and supply and strong occupancies) has seen a decline of less than 5%)

Down 30% in SF

↓

Down <5% in Hayward

Rental Market in Hayward



Rents in Hayward (and in fact the entire 880 corridor) have held up during this significant economic contraction and prolonged health crisis. This is largely due to a long term lack of supply, the larger demographic forces at play and its relative affordability. Even after significant rent declines in the core, Hayward is priced at 50% of San Francisco (a \$2,000 discount) and 57% of Silicon Valley (a \$1,500 discount). With rents averaging low \$2,000s per unit, Hayward is *affordable* to households making mid \$70,000s, very close to the Bay Area's median income

ITEM 10 – LB 20-052

**Adopt a Resolution of Intention to Establish
the Old Highlands Benefit Assessment District
to Levy and Collect Assessments for Street
Improvements; Ordering the Preparation of
an Engineer's Report; and Setting a Time and
Place for Prop. 218 Hearing**

(Report from Public Works Director Ameri)

PRESENTATION



Public Hearing

Establishment of Benefit Assessment District
for OHHA Pavement Improvements

October 20, 2020

Alex Ameri, Director of Public Works
Kathy Garcia, Deputy Director of Public Works



- 1. Establishment of the Old Hayward Highland Assessment District**
- 2. Levy and Collect Assessments for Pavement Improvements**
- 3. Order the Preparation of an Engineer's Report**
- 4. Set a Time and Place for Prop. 218 Hearing
- January 26, 2021**



6.12 Miles of streets in OHHA not brought up to City Standards when annexed in 1963

City and OHHA Board have engaged in numerous discussions regarding pavement improvement to OHHA street

2010 – Assessment District rejected by property owners

2017/18 – Discussion between City and OHHA Board resumed resulting in tentative agreement for an OHHA Street Pavement Improvement Cost Sharing Project



Agreement for Improvements

City Staff and OHHA Board have agreed to:

1. 50% cost sharing for pavement repair (estimated cost \$6.5M)

Estimated cost per year per property owner \$670* over 20 years.

*\$670/yr/owner at 2% interest, \$557 /yr/owner at 0%

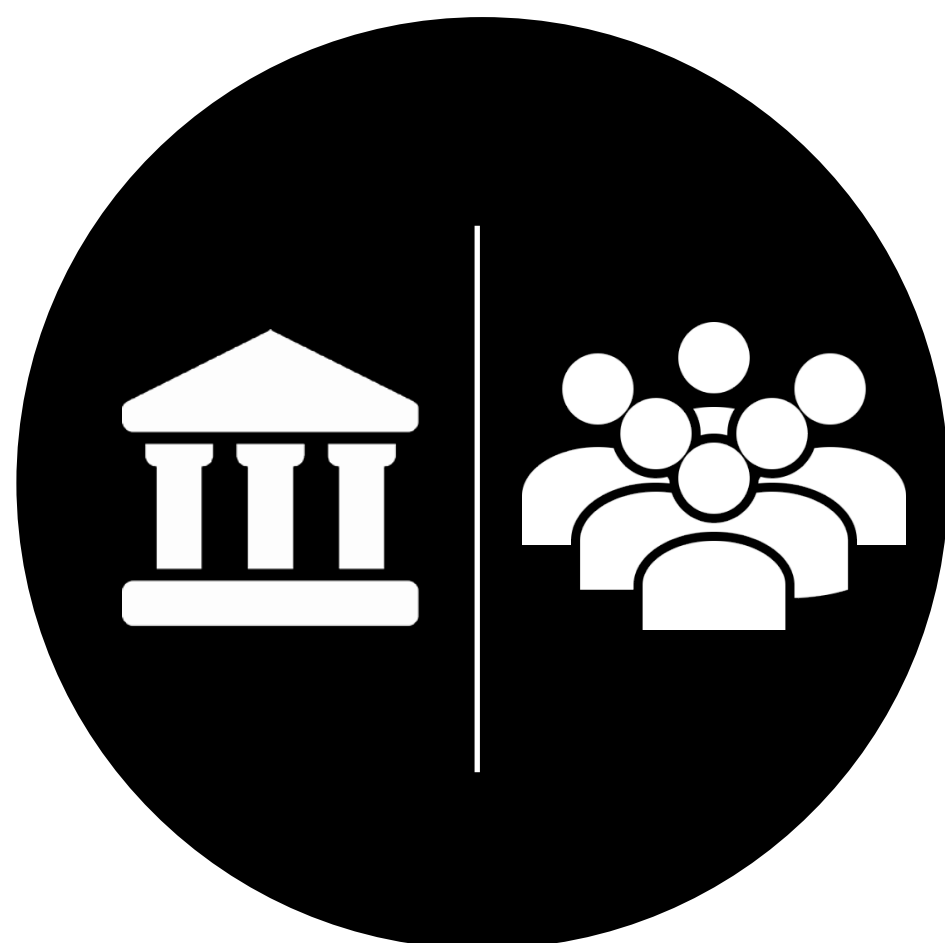
2. City will improve one to two street per year over 5 – 6 years
3. 20-foot wide one-way street, 24 foot-wide two-way street improvements

The City will try not to disturb existing water control features along the OHHA roadways installed by property owners to divert stormwater away from their properties.

4. All deferred improvement agreements will be voided.
5. Property owners will dedicate any private street right of way to the City.

The City will prepare all documents and fillings necessary to achieve these property dedications.

6. City will assume future maintenance of OHHA streets



50/50

Cost Allocation

The work is to be funded equally by City and OHHA property owners.

- 5-6 year project
- \$6.5M total project cost
- \$670/year/property owner*



20 Years

Reimbursement Period

The City will provide the initial funding with property owner reimbursement over a twenty-year period.



FY 2021

Tentative Start Date

Pending majority in favor vote, the estimated construction start date will be scheduled mid-2021.



Funding

Proposed Streets	FY 21
Tribune & Cotati	\$1.4 Million

- Priority of streets to be determined by OHHA Board
- Approximately \$1 million per year from pavement rehab program

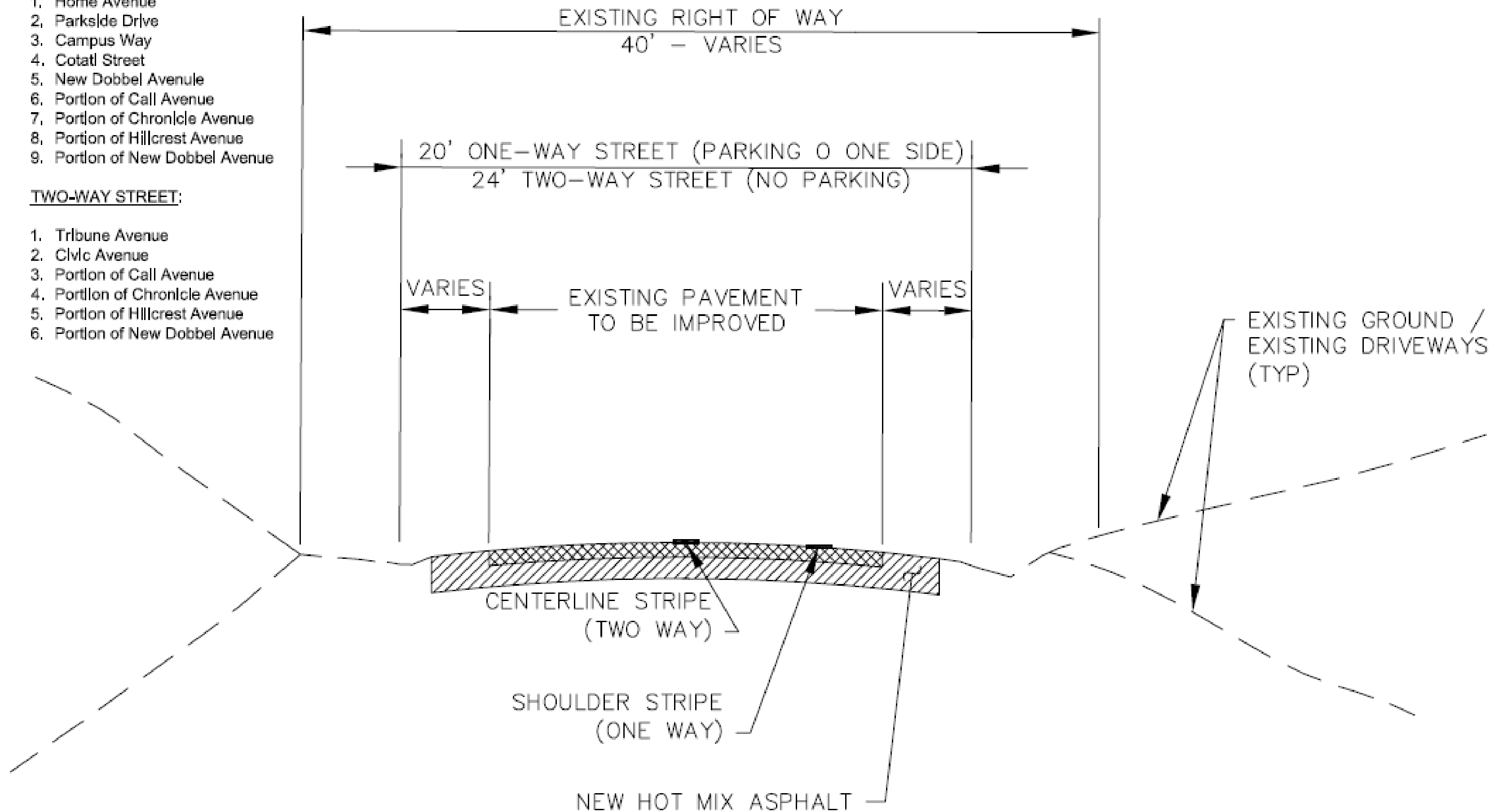


ONE WAY STREET:

1. Home Avenue
2. Parkside Drive
3. Campus Way
4. Cotati Street
5. New Dobbel Avenue
6. Portion of Call Avenue
7. Portion of Chronicle Avenue
8. Portion of Hillcrest Avenue
9. Portion of New Dobbel Avenue

TWO-WAY STREET:

1. Tribune Avenue
2. Civic Avenue
3. Portion of Call Avenue
4. Portion of Chronicle Avenue
5. Portion of Hillcrest Avenue
6. Portion of New Dobbel Avenue



TYPICAL ROADWAY IMPROVEMENTS

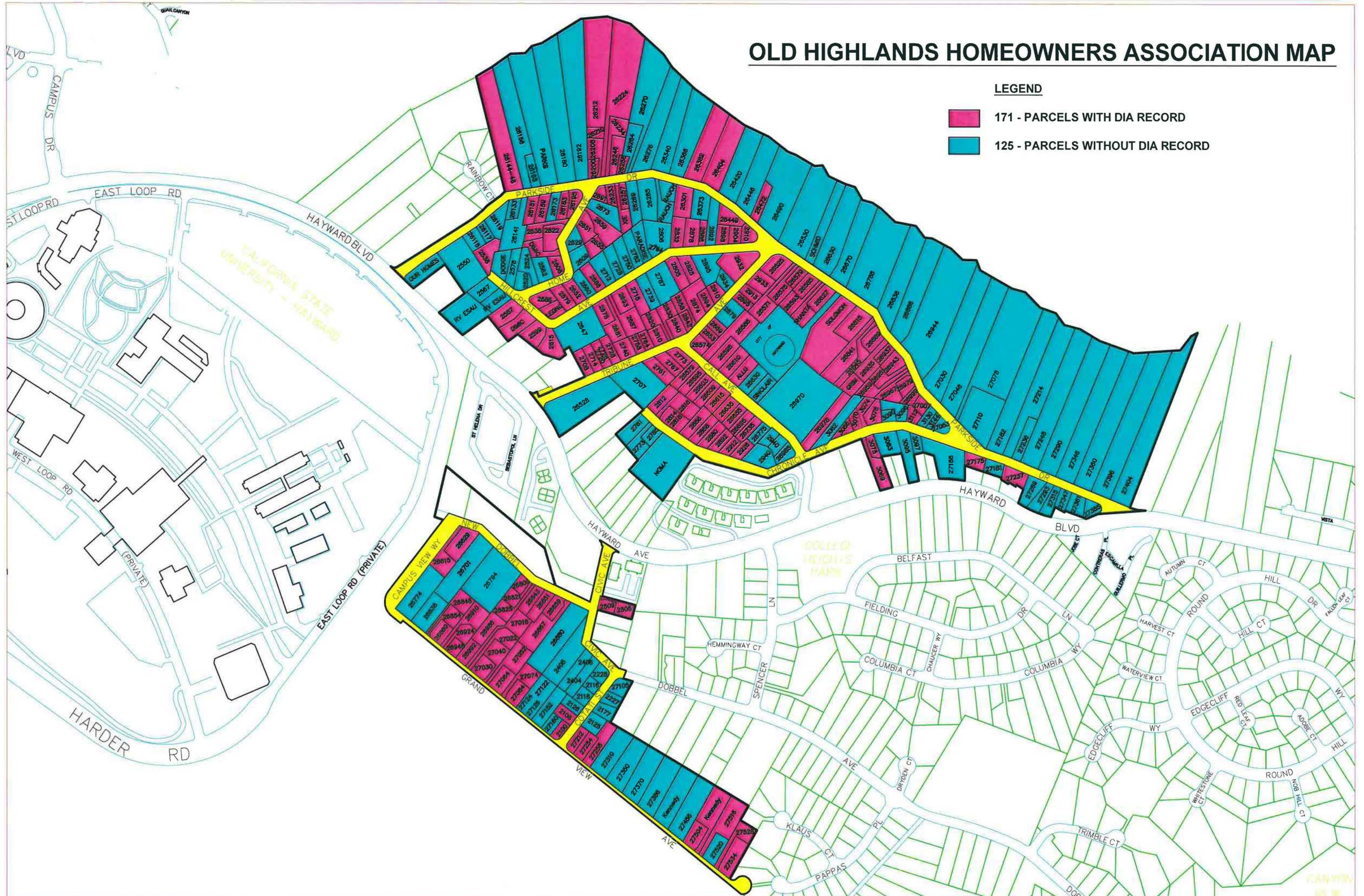
N.T.S.



OLD HIGHLANDS HOMEOWNERS ASSOCIATION MAP

LEGEND

- 171 - PARCELS WITH DIA RECORD
- 125 - PARCELS WITHOUT DIA RECORD





Next Steps

Preparation of an Engineer's Report

Next Public Hearing set for January 26, 2021

Ballots will be sent to property owners within
45 days

Ballots will be counted at Public Hearing on
January 26, 2021



Questions?