



## **COUNCIL ECONOMIC DEVELOPMENT COMMITTEE**

### **MEETING MINUTES – June 4, 2018**

**CALL TO ORDER:** Mayor Halliday called the meeting to order at 4:03 p.m.

#### **ATTENDANCE:**

Committee Member	Present 6/4/18	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Michael Ly	✓	5	2	5	2
Didacus-Jeff Joseph Ramos	✓	6	1	6	1
Mayor Halliday (Chair)	✓	7	0	7	0
Council Member Márquez	✓	7	0	7	0
Council Member Mendall	✓	7	0	7	0

#### **OTHERS IN ATTENDANCE:**

Kelly McAdoo, City Manager; Micah Hinkle, Economic Development Manager; Ramona Thomas, Economic Development Specialist; Suzanne Philis, Senior Secretary; Michael Berne, MJB Consulting; Kim Huggett, Hayward Chamber of Commerce; Paul Hodges, HARD

#### **PUBLIC COMMENTS:**

On behalf of downtown businesses and Chamber members, Hayward Chamber of Commerce President and CEO Kim Huggett invited members to participate in the 18<sup>th</sup> annual Downtown Summer Street Party series. He said approximately 7-8,000 participants come to each party.

Mr. Huggett also announced the State of the City luncheon at Chabot College happening Friday, June 29<sup>th</sup>. Mayor Barbara Halliday would open the event, he said, followed by recognition of Leadership Hayward graduates and an introduction to new Chamber Board of Directors members.

### **1. APPROVAL OF MINUTES OF REGULAR MEETING MAY 7, 2018**

A motion to approve minutes was made by Council Member Mendall with a second by Council Member Márquez. Minutes from the May 7, 2018 Regular Meeting were approved.

## **2. RETAIL CORRIDOR STUDY – MID-POINT PROJECT UPDATE**

Economic Development Manager Hinkle introduced the item noting the study was a continued effort to meet Economic Development Strategic Plan goals and to find complimentary uses for catalyst sites along commercial and retail corridors. Consultant Michael Berne was engaged by the City back in November, he said, starting with a tour of the City and the I-880 commercial corridor, and identification of key sites. He said the purpose of the mid-point report was to get feedback from members on next steps and to start formulating an approach to deliver, shape and attract desired retail and commercial uses. He introduced Mr. Berne who gave the presentation on Hayward's three primary retail and commercial corridors: Mission Boulevard, Industrial Parkway Southwest (near Whipple Road and I-880), and Tennyson Road.

### **General Comments**

Mr. Berne said even with the increase in development and continued growth of Hayward, perception was always the last thing to change. He said his job was to gather data and tell a new story to prospective retailers. He said the Phase I mid-point report would include identification of trade areas, demographics within the trade area (customer base) and preliminary thoughts on tenanting potential (what retailers might work at that location).

Regarding an area's tenanting potential, Mr. Berne clarified for Member Ramos that "tenant anchor" referred to a franchise retail tenant able to afford costs related to redevelopment of a site or building.

Council Member Márquez confirmed the Economic Development team could use the data points presented when trying to attract retailers and Mr. Berne said yes. She asked if incentives could be used to attract a Trader Joe's and Mr. Berne said it was unlikely because Trader Joe's was coveted and could afford to be picky. Council Member Márquez asked what square footage Trader Joe's required and he said 15-17,000. She asked if that was the same for Sprouts and he said they preferred a little bigger: 20-25,000 square feet.

Regarding next steps, or Phase II, Council Member Márquez asked if Mr. Berne would be making recommendations for specific parcels and he said yes. She also asked if he was considering new on- and off-ramps from I-880 and Economic Development Manager Hinkle said yes, traffic counts, new development and visibility would all be considered. Council Member Márquez also confirmed these factors would determine zoning recommendations.

Member Ly asked if Mr. Berne would provide long-term forecasts and how far into the future would he look. Mr. Berne said he would forecast to the extent possible based on trends, but noted retail changed quickly and recommended making zoning designations flexible so the City could react faster. For example, he pointed out that the original bookstore destroyer, Amazon, was now opening book stores and he said there was starting to be a movement back from e-commerce to brick and mortar.

Member Ly asked if e-commerce was going to continue to take shares of the retail market. Mr. Berne said it depended on the category of retail, that e-commerce as a percentage was continuing to increase, but noted the percentage was not increasing at the same rate; the rate had slowed. The United States, Mr. Berne said, had shown very little interest in buying perishables online.

Council Member Mendall confirmed that Mr. Berne's final report would take into consideration the new retail space being constructed; that a Trader Joe's in Hayward was unlikely in the foreseeable future; and that Council needn't put too much energy into the Tennyson area because the corridor was already successfully attracting the appropriate size and type of businesses for the trade area.

Mayor Halliday noted that both Fairway Park and Southgate were built to be neighborhood-serving shopping centers. Southgate was now condos, she said, and although Fairway Park shopping center was still there, it wasn't doing that well.

Mayor Halliday said Council had been trying to eliminate walls surrounding new developments to create connectivity, but Member Ramos pointed out that there had been push back because of the need for security.

Mayor Halliday agreed with Mr. Berne that a crystal ball was needed to keep up with all the changes in retail and she pointed out that downtown Hayward used to be a regional shopping mecca serving all of Alameda County until Southland Mall came in.

Regarding retail, she commented that not everyone bought online—she didn't because she preferred to see and feel the item. She said that just that Saturday Macy's had opened a new outlet at Southland Mall called Macy's Backstage. The event wasn't very well attended, she said, and she was told that there were some days that Macy's had a negative financial draw because of all the online purchases being returned to the store.

Mayor Halliday said in her lifetime malls had killed the downtowns and now people were bored of the malls. She noted Hayward had a beautiful downtown that was the kind of place people should want to come back to. She couldn't predict where retail was going but agreed that there should be neighborhood-serving retail near the new housing being built, especially grocery.

Mr. Berne said he was very bearish on online grocery and if anything, people might "click and collect" (make selections online and then pick-up at the store). He pointed out that Amazon had been trying since 2006 to sell groceries online and still had less than 1% of market share.

City Manager McAdoo said she had tried several online grocers, but often found they didn't carry the products she wanted. She said the most reliable so far was Safeway.com.

### **Mission Boulevard Corridor**

Mr. Berne reiterated for Council Member Mendall that Cal State University East Bay was the most diverse college campus in the continental United States. Mr. Berne noted that diversity would impact what retailers the Mission Boulevard trade area would support.

Council Member Mendall said he was glad to hear that fast-casual restaurants, offering healthier food options at slightly higher price points, were growing faster than traditional fast food restaurants particularly near student populations. Mr. Berne said there were opportunities for fast-casual restaurants along Mission Boulevard.

Council Member Márquez asked for more information regarding Trader Joe's required percentage of educational attainment. Mr. Berne explained that Trader Joe's required 42% of residents in a trade area to have college degrees or higher and for the Mission Boulevard trade area that percentage was about 30% of Hayward residents. He explained that even if Hayward had 50% education attainment, the retailer would first pursue areas with the greatest percentage before looking at areas with less. Council Member Márquez asked how the trade area was determined for Mission Boulevard. Mr. Berne explained that he set the trade area to include Stonebrae, but not Castro Valley because people would gravitate to the Safeway in Castro Valley rather than coming to Hayward; up to the Safeway on Jackson; and halfway to I-880 because residents in the Tennyson area would most likely head toward the Food Maxx on Hesperian.

Council Member Márquez asked if new housing would influence potential retailers along Mission and Mr. Berne said the visual of those houses coming up (being built) would be incredibly powerful for site selectors.

Member Ly asked for confirmation that the biggest opportunity on Mission Boulevard was grocery and drugstore uses. Mr. Berne said yes, food and beverage, particularly at Carlos Bee.

Member Ly pointed out that the City had had trouble attracting a grocer and he asked if this data would assist in attraction. Economic Development Manager Hinkle said yes, the City was now armed with data points and could tell a different story. He said the key was real estate and being pro-active about targeting what the City wanted, but he emphasized the space must be ready before the City started promoting it.

Council Member Mendall said he appreciated the report and Mr. Berne's expertise. He said for him, grocery on Mission was his number one concern, but entertainment was his second. Council Member Mendall asked Mr. Berne to include information in his final report that would show if hoping for entertainment uses at Mission and Tennyson was foolish or if there was a real opportunity that the City should even consider subsidizing.

Member Ramos suggested a Smart & Final for Mission Boulevard and members pointed out there used to be one. Member Ramos also suggested a mix of uses at Mission and Carlos Bee rather than just housing, and a mix of restaurants and shops on streets intersecting main corridors. Mr. Berne said the visibility of the corner at Carlos Bee would work for fast casual and a coffee house. Member Ramos said with a mix of student housing and entertainment uses at that site, he wanted to create a retail node where people could get out of their cars and hit a lot of different venues.

### **Southwest**

Regarding the Southwest area, which included Whipple Road and Industrial SW at I-880, Mr. Berne explained that the trade area extended into Union City because shoppers didn't stay within jurisdictional boundaries. Mr. Berne confirmed for Mayor Halliday that e-commerce was hurting medium box retailers (between 20-50,000 square feet) like Bed, Bath & Beyond because of the variety and convenience, but noted the southwest area would always be a suitable location for retail.

He agreed with Council Member Márquez that a CostPlus World Market might do well in the southwest area because retailers liked to gather in clusters and there was already a Macy's Furniture Clearance and a La-Z-Boy furniture store, not to mention home improvement stores Home Depot and Lowe's.

Mayor Halliday asked what a H Mart was, and Mr. Berne said it was a Korean grocery store started in Queens, New York, that had successfully broadened its appealing to a larger market. He noted there were already H Marts in San Jose and Milpitas and would be suitable for the southwest area. Regarding Union Landing and the southwest area, Council Member Márquez asked if there was any coordination between Hayward and Union City staff to recruit retailers and was told no. Manager Hinkle said the City received notice when large-scale projects proposed in Union City could potentially impact traffic in Hayward. City Manager McAdoo said that was one area where there was no collaboration.

Member Ly noted the huge opportunity for cheap chic in the southwest and confirmed that this category of discounted clothing was resistant to e-commerce. Mr. Berne said yes, noting stores like TJ Maxx, Ross and Burlington Coat Factory had been the most robust and fast-growing. Members discussed the locations of existing discount clothing stores.

Council Member Mendall also commented that although he stood by his vote against a Walmart neighborhood grocer at I-880 in the southwest, he would be open to considering a store with a regional draw like an H Mart. He said there was a distinction and it didn't make sense to try to compete with the Target, Safeway, Smart & Final, and Food Source all within a quarter mile. Mr. Berne agreed; a grocery store in the southwest area would have to have a regional draw.

City Manager McAdoo asked about a Whole Foods at that location and Mr. Berne said possibly the 365 version. She asked Mr. Berne to review whether the median income and educational attainment for that trade area, and the size of the lot, would support the use.

### **Tennyson Corridor**

Mr. Berne said the Tennyson corridor was a small area with a localized draw but was very dense with 14,500 people per square mile which was higher than Boston, Philadelphia or Chicago. Mayor Halliday confirmed he meant those cities as a whole and not just the inner city.

Council Member Mendall expressed disappointment about the Tennyson area findings, said he was glad to have the information, but asked if the area by the railroad tracks at Huntwood might be the one area with more potential for development and Mr. Berne said yes. Council Member Mendall also clarified that although he was still adamantly opposed to fast food restaurants, he was in support of fast-casual restaurants anywhere in town anytime the City could get them.

Mr. Berne commented that the only reason he clumped them together was because fast food and fast-casual restaurants both have counter service. Member Ramos pointed out the restaurants were about the same size, too.

Member Ramos commented that Tennyson at Hesperian was another possible location for a neighborhood-serving retail node, but he pointed out that all the corridors were so narrow the City would need to grab residential to create squares and circles for nodes. He also suggested connecting

residential to shopping areas with bike and walkable alleyways but acknowledged that would take rezoning and major change. Another example Member Ramos cited was the WalMart in Long Beach wrapped with housing. More housing won't necessarily add more cars, he said, if the planning was done correctly and he encouraged members to consider the serious changes needed to break people out of their cars. Mr. Berne said he would talk about the physical form of development in his next report.

Regarding the Tennyson corridor, Mayor Halliday said the City needed an analysis of what products and services residents wanted that couldn't be moved online, and throughout Hayward, combinations of small interesting shops that people liked to browse. She emphasized that commercial and retail uses needed to be located next to the new housing being built including services like childcare. Mayor Halliday said she wasn't interested in pursuing Hobby Lobby because the business model wasn't consistent with Hayward values.

Mr. Berne noted that there was always a sub-set of consumers that did not want to buy books and music online and since 2010 the number of independent bookstores had been rising. He said the movement back to brick and mortar had been happening in a number of categories.

Mayor Halliday commented that the Tennyson corridor had some real jewels and was the most highly occupied retail-wise. She said that was what the City should focus on: unique offerings not available online for a diverse population.

Mayor Halliday thanked Mr. Berne for the report and asked when they would see him next. Economic Development Manager Hinkle said most likely September.

### **3. FUTURE MEETING TOPICS AS OF JUNE 4, 2018**

Council Member Mendall said Mr. Berne's presentation addressed some of the "Changing demand for retail" topic, but said he hoped the final report would provide enough information that the item could be crossed off the list. Manager Hinkle said that was also his hope.

Council Member Mendall said he was still looking for the "Analysis of sales tax revenues generated by housing versus retail uses" because the information would be a driver for Council decisions. City Manager McAdoo said Planning was updating the City's fiscal model and this item could dovetail with the analysis. Manager Hinkle said the market analysis associated with the Route 238 properties could be tied in with a report from sales tax consultant MuniServices and together provide the cost per square foot for the different uses.

Council Member Mendall said he was looking for the big picture and how the different uses would impact the budget.

### **COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS:**

Regarding the grand opening of Macy's Backstage, Mayor Halliday said the outlet filled a portion of the second floor and offered a unique range of goods at a variety of price points. She noted it was the second store to open in the area.

Mayor Halliday also mentioned the Round1 Entertainment bowling alley coming to the second floor of what was Kohl's (now Dick's Sporting Goods). She asked staff if they had more details and Economic Development Manager Hinkle said the business was aiming to open by the end of the year, but still had some permitting issues they were working through. Mr. Berne mentioned Round1 was a Japanese company. Manager Hinkle said they had already opened in Concord (Council Member Márquez confirmed at Sunvalley Mall) and that they were making a big move in regional malls. He said Southland started working with them over a year and half ago and the venue was now in the hands of leasing agents and City staff for permit processing.

**ADJOURNMENT:** The meeting was adjourned at 5:43 p.m.