



**MARKET DEMAND ANALYSIS  
FOR PREPARING THE  
BROADWAY/VALDEZ DISTRICT SPECIFIC PLAN**

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## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>i</b>
<b>1. INTRODUCTION, PURPOSE, AND APPROACH.....</b>	<b>1</b>
1.1 Objective for Broadway/Valdez District Specific Plan.....	1
1.2 Purpose of the Market Analysis .....	1
1.3 Approach .....	2
1.4 Organization of the Report .....	4
<b>2. COMPARISON RETAIL MARKET DEMAND .....</b>	<b>4</b>
2.1 Large Leakage of Retail Expenditures and Limited Options for for Comparison Goods Shopping in Oakland.....	4
2.2 Market Opportunity in the Project Area .....	9
2.3 Conclusion: Market Exists for New Comparison Retailing in the Project Area .....	15
2.4 The Market Challenges Are In developing New Retailing That Can Successfully Attract Shoppers .....	16
2.5 Retail Development Issues with Implications for Market Success, Project Feasibility, and Implementation .....	24
<b>3. HOUSING MARKET POTENTIALS TO SUPPORT RETAIL/MIXED USE     DEVELOPMENT.....</b>	<b>26</b>
3.1 Market Groups and Demographic Characteristics.....	26
3.2 Timing and Amounts of Housing Development and Absorption .....	29
3.3 Implications For Project Area Development .....	37
<b>4. MARKET DEMAND FROM OTHER USES.....</b>	<b>40</b>
4.1 Office Market Demand .....	41
4.2 Hotel Market .....	43
4.3 Potentials for Convenience Retail and Service Uses .....	44
4.4 Auto Dealerships.....	46
4.5 Public Facilities and Uses.....	47
<b>5. DEVELOPMENT PROGRAM OVERVIEW .....</b>	<b>48</b>
<b>APPENDIX A: ADDITIONAL INPUT ON RETAIL MARKET PARAMETERS     FOR LAND USE ALTERNATIVES</b>	

## LIST OF TABLES

Table 1	City of Oakland, 2007 Demographics .....	5
Table 2	Oakland Expenditures, Sales, and Leakage for Comparison Goods Retailing .....	6
Table 3	2005 Retail Sales per Capita .....	7
Table 4	Comparison Retail Competition Outside Oakland in the East Bay and San Francisco.....	8
Table 5	Trade Area Population for Comparison Goods Retailing in the Broadway/Valdez Project Area .....	11
Table 6	Employment in Oakland.....	13
Table 7	Expenditure Potentials for Comparison Goods Retailing in the Project Area.....	14
Table 8	Resident Demographic Characteristics .....	27
Table 9	Housing Development and Household Growth in Oakland, 1990s and 2000s .....	30
Table 10	Housing Development in Oakland: Units Built and in the Pipeline.....	32
Table 11	Potential Absorption Scenarios for Oakland Housing Projects Already in the Pipeline .....	33
Table 12	ABAG <i>Projections 2007</i> Household Projections for Oakland and Equivalent Housing Units .....	34
Table 13	Housing Development in Central Oakland, Units Built and in the Pipeline, 2009 ....	35
Table 14	Housing Development in the Project Area and Nearby Areas .....	36
Table 15	Development Program Parameters .....	49
Table 16	Possible Development Program for Lifestyle Retail District in Valdez Triangle Area .....	50
Table 17	Variation: Possible Development Program for Lifestyle Retail District in Valdez Triangle Area .....	51
Table 18	Possible Development Program for Major Retail North of 27 <sup>th</sup> Street .....	52

## **LIST OF FIGURES**

Figure 1	Primary Trade Area Map.....	10
Figure 2	Retail Strategy: Part A – Lifestyle Retail District in Valdez Triangle .....	18
Figure 3	Retail Strategy: Part B – Additional Destination Retail Along Broadway in the North End .....	19

# **MARKET DEMAND ANALYSIS FOR PREPARING THE BROADWAY/VALDEZ DISTRICT SPECIFIC PLAN**

## **EXECUTIVE SUMMARY**

### **Introduction**

The Oakland City Council has given high priority to developing new destination retailing in Oakland. The objective is to reverse the high rate of retail leakage by creating a critical mass of comparison goods shopping in Oakland that will attract residents and others to shop within the city instead of in other communities. The *Upper Broadway Strategy*, prepared in 2007 and adopted by the City Council, identifies the Broadway/Valdez District (Project Area) as the City's single best opportunity for developing new destination retailing in Oakland and for meeting the City's retail objectives. The *Upper Broadway Strategy* recommended preparation of a Specific Plan for the area and outlined the desired development strategy as the concept of *Urban Mixed Use With Major Retail*.

This market analysis addresses future market potentials for new development in the Project Area so as to provide market-based input and direction for developing the Specific Plan and achieving the City's objective for major new retail development in Oakland. The market analysis focuses on the demand for comparison goods retailing, because of its primary importance. Consideration also is given to other, related retail/commercial uses, and to residential, office, and hotel uses that could help support the retail development and provide a mix of new uses and activities in the Project Area.

Key aspects of the approach for the market analysis are the following:

- Focuses on the retail market and the opportunities and challenges for major retail development.
- Builds on the retail market analysis for the *Upper Broadway Strategy*. The data sources and methodology are the same as for the earlier effort.
- Draws from experience developing major comparison retailing in other cities, particularly in an urban context comparable to the Broadway/Valdez District.
- Includes focused analysis of the market demand for residential, office, and hotel uses, as possible upper-floor or nearby uses that could increase density and enhance the feasibility of major retail development.
- Draws from an understanding of existing conditions and trends in the Project Area and nearby and surrounding areas as described in the local market context chapter of the earlier *Existing Conditions Report*.
- Identifies development program parameters as input for preparing the Specific Plan.

## **The Market Exists for Major Retailing in the Project Area**

### **Large Leakage of Comparison Goods Spending**

Oakland represents one of the most under-retailed major cities in the United States. There are limited options for comparison goods shopping in Oakland, a category of retailing that includes stores for apparel (clothing, accessories, shoes), home furnishings/appliances, specialty goods (gifts, jewelry, books, stationery and cards, sporting goods, etc.), and department and other general merchandise stores. Over \$1.0 billion in potential sales, representing 60 to 65 percent of potential comparison goods expenditures by Oakland residents, are not captured by Oakland stores and represent “retail leakage”. Most of that leakage is lost to stores in other communities. It also is likely that Oakland consumers spend less for convenience goods than other similar Californians due to a lack of convenient shopping opportunities.

Among comparison goods retailing categories, leakage as a percentage of expenditures is largest for apparel and department and other general merchandise stores. There also is leakage of spending for home furnishings/appliances and specialty stores. Among market categories, there is large leakage of retail spending in the upper-middle and middle income markets, as there are very few comparison shopping opportunities for those consumers in Oakland. The Bay Area shopping areas competing for those market segments are concentrated in Walnut Creek and San Francisco, and also include shopping opportunities in Berkeley, Emeryville, and San Leandro.

### **Large and Lucrative Market for New Comparison Retailing in the Project Area**

As the largest city in the East Bay, in terms of both population and employment, Oakland should be capturing sales from city residents and residents of nearby communities, including non-residents working in Oakland. Trade areas defined for new retailing in the Project Area include large populations, supporting a large and potentially lucrative market for new retail development. The 400,000 residents in the Primary Trade Area surrounding the Project Area spend \$1.6 billion per year for comparison goods shopping. Together, the Inner East Bay cities of Oakland, Berkeley, Albany, Piedmont, Emeryville, and Alameda include about 660,000 people spending \$2.6 billion per year on comparison goods. Extending outward, there are about 830,000 people residing within a 15-minute drive-time of the Project Area who spend \$3.3 billion per year on comparison goods.

### **New Retailing Would Require Capturing a Relatively Small Market Share of Spending**

The sales needed to support major new retailing in the Project Area were compared to overall expenditure potentials for the surrounding trade areas to find that a relatively small share of spending would be required to support the new development. Sales of \$280 million to support 800,000 square feet of new comparison shopping would require capturing up to 12 percent of trade area spending for comparison goods. That market share is very reasonable given the high leakage of spending. It indicates strong support and that a market currently exists for new comparison goods shopping in Oakland and in the Project Area.

## **New Retailing Needs To Be Significant and Competitive To Successfully Attract Shoppers**

Within the strong market context described above, the market challenges for Oakland will be in developing new retailing that can attract shoppers and successfully compete with existing retail shopping in surrounding areas. The new development needs to be of significant scale, well-anchored, well-designed, and well-merchandised to be successful. The following summarize the market recommendations for successful destination retail development in the Project Area.

### **♦ A Critical Mass of Retail.**

The scale of new retail development needs to be large enough to attract shoppers, compete with other, existing shopping areas, and sustain successful retailing over time. A minimum of around 1.0 million square feet of retail and related uses is recommended to establish and sustain successful comparison goods shopping in Oakland. Ideally, the amount of retailing could grow to 1.25-1.5 million square feet over time. Most of that space should be devoted to comparison goods retailing, with other complementary activities also included, such as eating and drinking, entertainment, arts and cultural facilities, smaller convenience retail, and services.

### **♦ A Two-Part Retail Strategy.**

A two-part retail strategy is the preferred approach for establishing comparison goods retail shopping in the Project Area. The two retail concepts complement and support each other and respond to the location and site characteristics of each part of the Project Area.

#### ***A. Lifestyle retail district in Valdez Triangle area south of 27<sup>th</sup> Street***

- Creation of a significant ***retail district*** in the Valdez Triangle as the primary shopping experience. The district should combine the scale of a regional retail center with the ambiance, sense of place, tenants, and mix of uses of a lifestyle retail center/district. The creation of a significant retail district has the potential to become the primary shopping experience in Oakland and the Inner East Bay.
- The Valdez Triangle is the only location in the Project Area that can provide 20 to 24 acres of land over a multi-block area for a new, street-oriented retail district that connects to downtown and nearby neighborhoods.
- The new district should include 750,000 to 800,000 square feet of comparison goods retailing with total facilities including related retail/commercial uses of around 1.0 million square feet.

***B. Additional new retail along Broadway north of 27<sup>th</sup> Street, in the North End***

- Additional new retail in the North End to accommodate larger-format retailers on the large sites, with smaller retailers and related uses nearby in new and existing buildings, including re-use of historic showrooms and garage buildings. Retailing and related uses could include around 500,000 square feet of retail/commercial space in the North End.
- Strategy is to attract additional destination retailers in the North End, supplementing the retail district in the Valdez Triangle and expanding shopping opportunities in Oakland.
- The North End also provides opportunities for retaining auto dealers in the area and for the eventual, northward expansion of the Valdez Triangle retail district across 27<sup>th</sup> Street. The northerly blocks near I-580 offer opportunities for accommodating uses supporting the major medical centers nearby.

**◆ Anchor Tenants and a Broad Mix of Retailers.**

Recognized anchor tenants are critical for attracting shoppers and as a starting place for attracting a mix of retail tenants to Oakland, given the absence of an existing retail base. At least two major anchors, preferably two department stores offering comparison/fashion merchandise in the mid and upper-middle price ranges are highly desirable along with other recognized anchor tenants. A number of mid-size and minor anchor tenants are also important for attracting shoppers, as are clusters of similar retailers that create unique attractions.

A larger, walkable retail district as envisioned for the Valdez Triangle area would accommodate both anchor tenants and a broad range of other retailers around their strategic locations, including national and local retailers and stores appealing to a range of ages including younger and older shoppers. Emphasis on apparel and related shopping will be particularly important for recapturing the large leakage of retail spending to shopping areas outside of Oakland.

A larger-format retailer, potentially a value or discount retailer, would also be a strong anchor, particularly for development on the larger sites north of 27<sup>th</sup> Street. Anchor tenants on larger sites in the North End will be important in attracting other retailers and smaller tenants to nearby locations in both new and existing buildings.

**◆ Attractive New Development That Creates a “Place”.**

The developments’ physical characteristics are also very important in creating a desirable “place” and a strong image that attracts shoppers and retailers to new



development in the Project Area. The development should be uniquely Oakland and externalized, embracing the street and public spaces. Desirable characteristics, particularly for a lifestyle retail district in the Valdez Triangle include: pedestrian orientation, high-quality architecture and construction, attractive landscaping and public spaces, active sidewalks, and sunlight on the street. Attention should also be given to making sure that development on large sites in the North End is pedestrian- and street-oriented and not turned inward.

◆ **Other Related Tenants.**

A mix of other related uses should combine with retail stores to add interest and attractions, increase time spent in the area, and help circulate people both vertically within buildings and horizontally within the area. Examples include the following types of tenants:

- Eating and drinking, some with outdoor seating and orientations to the public spaces;
- Commercial entertainment and recreation uses;
- Arts and cultural uses; and
- Smaller convenience retail and personal service uses.

◆ **Auto Dealerships.**

Although auto industry trends and the economic recession are reducing auto-related businesses in the Project Area, stronger dealerships are likely to remain viable and continue to value Broadway locations for their businesses. There are locations along Broadway that could remain in use by auto dealers and be consistent with the overall objective for destination retail in the area. Depending on the strategy for new destination retailing, existing properties just north of 27<sup>th</sup> Street may provide the best locations. Successful new destination retailing nearby could be of benefit to auto dealers (increasing visibility and attracting more people), and the auto dealers would represent another type of destination retailing that adds to the mix of attractions in the area. In the future, auto dealers remaining in the area are likely to adapt to more urban forms of operation, with smaller footprints and less land devoted to auto display and storage on-site.

### **Residential Market Potentials To Support Retail/Mixed-use Development**

#### **Housing Development Could Help Support Retail Development, Although There Are Feasibility and Timing Concerns**

The *Upper Broadway Strategy* (2007) recommended major retail development in a mixed-use context with housing over retail to increase density and enhance overall project feasibility. With the strong housing market of the mid-2000s, housing over retail would support land values above those for solely retail development. Since that time, however, the housing market has taken a substantial downturn, new housing is currently not feasible to develop, and there is a long

pipeline of already approved housing projects on-hold, awaiting improved market conditions. While market potentials for housing development in Central Oakland are good over the long-term future, market recovery will take time and has implications for mixed-use development in the Project Area in the nearer term.

The timing for housing market recovery is uncertain. When the market recovers, already approved projects could be built before other new housing developments occur. It could take eight to 10 years for the market to recover and for approved projects in the Project Area and nearby areas to be built and absorbed, depending on how many projects remain viable. Potential developers for retail/mixed-use development will likely consider other upper-floor uses in the nearer term as well as options for developing housing in later phases on nearby sites. The retail development may be able to proceed before residential development, as the retail market support currently exists based on the large leakage of retail spending.

### **Longer-term Potentials for Housing Development**

There has been increased interest in housing development in Downtown Oakland, and this trend had begun to extend northward into the Project Area, just prior to the market downturn. Forty-eight (48) new units were built in the Project Area from 2000 to 2009. As of 2009, there were another 670 units in three approved projects in the area, although it is now uncertain if those projects will actually be built.

Over the longer-term future, potentials for more housing development are good throughout Downtown and Central Oakland. The potentials for housing development in the Project Area and the amount of housing that could be built and absorbed depends on the development pattern for new comparison goods retailing, and on the timing of housing market recovery *vis-à-vis* the timing for retail development. Potentially, for planning purposes, new housing in the range of 800 to 1,500 units could be included as part of retail/mixed-use development in the Project Area. To meet the City's objective for new destination retailing, however, the retail development needs to be the priority for development in the Project Area, and residential and other development should be included where appropriate as supporting uses. In addition, to provide financial support for the retail development as anticipated in the *Upper Broadway Strategy*, the new housing needs to be developed at the higher end of the range of housing prices/rents for locations in Central Oakland and Downtown.

### **Already Approved Projects Raise Issues**

All three of the approved residential projects in the Project Area are located in the Valdez Triangle area identified as the preferred location for a lifestyle retail district. The residential projects were not designed as part of a retail shopping district and do not include spaces for major retail uses. Consideration should be given to whether and how those projects might be incorporated into a larger mixed-use concept for major retail, so as to accommodate major retail uses in appropriate locations, supporting a new retail district in the area.

### **Potentials for Smaller, Office Uses on Upper Floors**

There are potentials for smaller, professional office uses in the Project Area. Smaller-scale offices could be developed as upper-floor uses over retail, in lower and mid-rise buildings. The smaller-scale office space would provide an alternative to the large, office buildings nearby in Downtown. The demand for smaller offices is likely to be evidenced once the retail district is begun and will grow after it is established. Potentially, about 50,000 to 150,000 square feet of upper-floor office space could be included in a new retail district in the Project Area. Examples of the types of tenants likely to be attracted include smaller professional firms, medical and related professionals and services, real estate/finance/insurance offices, non-profits, and smaller technology companies and related services.

Major medical office growth is anticipated to occur within the nearby medical center areas. Both Alta Bates Summit and Kaiser Permanente propose to expand their medical center campuses. Within the Project Area, the large sites on Broadway adjacent to Pill Hill (at the northern end of the Project Area) could be attractive for medical-related development as part of larger retail/mixed-use projects, if there were demand to expand outside the current Pill Hill campus area.

### **Potential for Boutique Hotel**

There will likely be potential for a hotel in the Project Area, in later phases after the retail district is becoming established. Potentially, a smaller, boutique-style hotel with 150-250 rooms could be attracted. Stronger locations for a hotel include those at the southeastern end of the Project Area near Lake Merritt or on Broadway at the southern end near Downtown. Potentially, a taller hotel structure at the southeastern end could offer views of the lake.

### **Development Programs Identified**

Tables at the end of the report identify the potential ranges of space that could be included in development programs for the Project Area, focusing on parameters for the desired retail development. See Tables 15-18 and the related text.

### **Development Issues with Implications for Market Success, Project Feasibility, and Implementation**

There are a number of development issues with implications for the overall market success of major new retail development, for the feasibility of new development, and for the planning and implementation of the Specific Plan. They include the following issues, which are further discussed in the text.

- ◆ **Destination Retail Must Be the Priority for Development.** New destination retail development as desired by the City, is complicated and has to be done well to be successful. Thus, the retail needs to “drive” the development. The Project Area has been identified as the city’s *single best opportunity* to capture destination retailing. Other land uses have location options elsewhere in Oakland.

- ◆ **A Critical Mass of New Retail Is Essential Given the Absence of a Retail Base in Oakland.** A certain scale and critical mass of new comparison goods retailing is needed to attract shoppers, change shopping habits, and sustain successful retailing over time.
- ◆ **Successful Major Retail Needs To Be Planned, Developed, Financed, Leased, and Managed as a Unit; It Will Not Happen Incrementally.** Attracting retail tenants and developing/maintaining an overall merchandising strategy needs to be done for the retail district overall, particularly as recommended for the Valdez Triangle. In addition, the revenue stream to support the development needs to combine revenues from the anchors that attract shoppers and pay less for space, with revenues from the other retail stores/shops that benefit from locations near the anchors and generate more of the revenues for the project overall.
- ◆ **Site Control Is Very Important.** A new retail district requires a large site area under the control of a master developer or development group, so that the major retail can be developed, leased, and financed as a unit. Site control could be a major factor determining the feasibility for development of a new retail district in the Valdez Triangle.
- ◆ **There Are Financial and Other Benefits from Mixed Use. The Benefits Can Be Captured Best on an Area-wide Basis.** Not every site can accommodate a mix of uses or the same mix of uses. Further, both horizontal (across different buildings within the area) and vertical (within the same building) mixed use are possible. Some buildings may be wholly retail or primarily retail, while others could have retail on the ground floors and other uses on the upper floors.
- ◆ **Successful Major Retail Requires Both Public Sector and Private Sector Participation.** Successful projects of equal complexity, makeup, and public value have required significant public sector participation.

# **MARKET DEMAND ANALYSIS FOR PREPARING THE BROADWAY/VALDEZ DISTRICT SPECIFIC PLAN**

## **1. INTRODUCTION, PURPOSE, AND APPROACH**

### **1.1 Objective for Broadway/Valdez District Specific Plan**

In 2006, the Oakland City Council decided to make retail recruitment and development a high priority for the City. A consultant team led by Conley Consulting Group was hired to evaluate retail enhancement opportunities and create an action plan to implement retail revitalization activities across the City. In 2008, the *Citywide Retail Enhancement Strategy* was completed. In 2007, the *Upper Broadway Strategy* was released as the first component of the citywide strategy.<sup>1</sup> The *Upper Broadway Strategy* was reviewed and then adopted by the City Council.

The City Council has given high priority to re-establishing destination retailing in Oakland. The objective is to reverse the high rate of retail leakage by creating a critical mass of comparison retail shopping in Oakland that will attract residents and others to shop within the City instead of in nearby communities. The *Upper Broadway Strategy* identifies the Broadway/Valdez District (Project Area) as the City's single best opportunity for developing new destination retailing in Oakland to capture comparison goods spending, and it defines strategies for such development.

The City's desired strategy for the Project Area is the concept of *Urban Mixed Use With Major Retail*, as described in the *Upper Broadway Strategy*. The primary intent is to create successful comparison goods retail shopping in Oakland. Restaurants, entertainment, and other related uses should be included with the retail. A mix of other uses, possibly including housing, offices, and a hotel also are desired in the area to add activity and increase density so as to enhance the feasibility of the retail development. The *Upper Broadway Strategy* provides the direction for preparing the Broadway/Valdez District Specific Plan.<sup>2</sup>

### **1.2 Purpose of the Market Analysis**

The purpose of the market analysis summarized in this report is to provide market-based input and direction for developing the Specific Plan and achieving the City's primary objective for major new retail development in the Project Area. The market analysis focuses on the demand for comparison goods retailing, because of its primary importance. Consideration also is given to other, related retail/commercial uses, and to residential, office, and hotel uses that could help support the retail development and provide a mix of new uses and activities in the Project Area.

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<sup>1</sup> *Upper Broadway Strategy, A Component of the Oakland Retail Enhancement Strategy*, prepared for the City of Oakland by Conley Consulting Group, JRDV Architects, Strategic Economics, and Colliers International, September 2007.

<sup>2</sup> The area referred to as Upper Broadway in the 2007 effort is now known as the Broadway/Valdez District, and is also referred to as the Project Area.

### **1.3 Approach**

Key aspects of the approach for this market analysis are highlighted below. Overall, it addresses *future market potentials* for new development in the Project Area to meet the City's objectives. The analysis focuses on providing market inputs for developing the Specific Plan and builds on existing, available data and analyses, particularly the market analysis prepared for the *Upper Broadway Strategy*. The study areas, time frames, and data sources are specific to the land uses and markets being addressed.

#### **♦ Builds on Retail Market Analysis for *Upper Broadway Strategy***

The earlier retail market analysis for the *Upper Broadway Strategy* provides the basis for this effort. That work was reviewed, updated, and summarized so as to confirm and explain that a market exists for new comparison goods retailing in the Project Area. The data sources and methodology for this effort are the same as in the earlier analysis with updates provided in some cases. Additional effort was focused on identifying factors and development program parameters that are important for achieving successful major retail development so as to provide input for developing the Specific Plan. The latter includes identification of related uses (eating and drinking, entertainment, commercial retail and services, etc.) that can be part of major retail developments.

#### **♦ Assesses Demand for Other Uses**

Focused analyses also address the market demand for other uses in the Project Area, focusing on possible upper-floor or nearby uses that could increase density and enhance the feasibility of major retail development. These include residential, office, and hotel uses.

Given the downturn in the housing market since the *Upper Broadway Strategy* was prepared, the residential market analysis herein focuses on housing absorption trends and the pipeline of already approved projects that will affect the amount and timing of housing development in the Project Area in the future. This analysis uses data and housing project lists from the City of Oakland, the City's recently updated Housing Element, the Association of Bay Area Governments (ABAG), and citywide growth scenarios developed for other Oakland efforts.

Assessments of the office and hotel markets focus on identifying those submarkets (i.e. types of office and hotel uses and market niches) that could be attracted to the Project Area as a result of the competitive advantages of this location, assuming development of major comparison retail shopping here in the future. These assessments draw from an understanding of the larger market context for office and hotels in Oakland and the Inner East Bay, as available from other efforts and many years of study by Hausrath Economics Group (HEG).

There also is consideration of auto dealerships remaining in the area in the future, drawing from the earlier analysis of existing conditions and trends in the Project Area.

♦ **Draws From Major Retail Developments in Other Cities and Consultants' Expertise**

The market analysis draws from the experience of successful comparison retail developments in other cities, particularly in an urban context comparable to the Broadway/Valdez District. A separate report presents the consultants research into some of the most successful retail developments that have occurred on the West Coast in recent years and that might serve as precedents for the Broadway/Valdez District (see *Retail Precedents: Case Studies*, October 2009).<sup>3</sup> The market analysis also draws from the consultant team's expertise and many years of project experience with urban developments providing major retail in other U.S. and Canadian cities.

♦ **Builds on Existing Conditions and Trends That Provide the Local Market Context**

The market analysis in this report focuses on the *potentials for new development* in the Project Area to meet the City's objectives. It draws from an understanding of existing conditions, trends, and recent changes in the Project Area and nearby and surrounding areas. An earlier report describes the local market context upon which this market analysis evaluates future development potentials (see *Chapter 3: Local Market Context, Existing Conditions Report*, May 2009).<sup>4</sup>

♦ **Recognizes Recession and Assumes Return to More "Normal" Market Context**

In general, the market analysis assumes a more "normal" economic and real estate market context compared to the recessionary conditions existing at the time of the analysis in 2009. The assessment generally takes a longer-term view, and assumes an improved market context in the future. However, there is still uncertainty as to the timing, nature, and extent of market recovery. Comments regarding the recession are included where relevant in later sections of the report.

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<sup>3</sup> City of Oakland, *Broadway/Valdez District Specific Plan, Retail Precedents: Case Studies*, prepared by WRT/Solomon E.T.C., Hausrath Economics Group, and Lowney Architecture, October 2009.

<sup>4</sup> City of Oakland, *Broadway/Valdez District Specific Plan, Existing Conditions Report, Chapter 3: Local Market Context*, Chapter 3 prepared by Hausrath Economics Group, May 2009.

## **1.4 Organization of the Report**

The sections that follow summarize the market analysis in the following order:

- ◆ Comparison retail market potentials, and market challenges for successful new retail development
- ◆ Housing market demand groups, and absorption factors and trends affecting housing development in the Project Area
- ◆ Potential markets for office and hotel development and for convenience retail and services in the Project Area, and consideration of auto dealerships remaining in the area
- ◆ Development program overview, focusing on retail development

The last section summarizes the potential amounts of space of each type that could be included in development programs for the Project Area, focusing on the parameters for successful new retail development.

## **2. COMPARISON RETAIL MARKET DEMAND**

This section addresses the market for destination retail in the Project Area. First, it identifies retail spending potentials and the large leakage of dollars because of a lack of shopping opportunities in Oakland. It concludes that a market exists for new comparison goods retailing in Oakland and in the Project Area, a large, growing, and potentially lucrative market. Second, it addresses the factors that are important for establishing successful comparison goods retailing in Oakland. The real challenges from a market perspective are in the planning and execution of significant, new development to create a retail destination that attracts shoppers and sustains high volumes of activity over time.

### **2.1 Large Leakage of Retail Expenditures and Limited Options for Comparison Goods Shopping in Oakland**

Oakland represents one of the most under-retailed major cities in the United States. There are limited options for comparison goods shopping, in particular, and large leakage of retail expenditures to stores in other communities. In addition, most shopping options outside the City are not close or convenient for Oakland residents. Thus, there is likely unrealized spending potential in addition to the leakage of expenditures to other communities.

The following summarizes key findings from the market analysis for the earlier *Upper Broadway Strategy* which describe the market for comparison goods retailing in the Project Area. In addition, the following also presents analysis done for this project to update and expand upon the earlier analysis.



### 2.1.1 Residents' Spending Power and Large Leakage of Retail Expenditures

The residents of the City of Oakland comprise a large and potentially lucrative market for retail goods and services. Retail demand in the City is generated by approximately 420,000 City residents who occupy approximately 160,000 households, as summarized in Table 1. Oakland's households span a range of incomes, and per capita income overall has been similar to the California average. Oakland's population has been growing, spurred by substantial new housing development in the downtown area and throughout the City. With the growth of households and population, there has been growth of incomes and increases in the purchasing power of City residents. With the growth occurring in Oakland, incomes have been rising more quickly than in many other parts of the Bay Area.

<b>TABLE 1</b> <b>CITY OF OAKLAND, 2007 DEMOGRAPHICS</b>	
Population	420,000
Households	160,000
Average Household Size	2.6 persons
Average Household Income	\$67,500
Estimated Per Capita Income	\$26,000
Median Age	36 years
Median Housing Price	\$510,000
Source: Upper Broadway Strategy, Conley Consulting Group and Claritas, Inc., August 2007.	

The *Upper Broadway Strategy* market analysis estimated the retail expenditure potential of Oakland residents at \$1.6 billion for comparison goods shopping, a category that includes products sold in stores offering apparel (clothing, accessories, shoes), home furnishings and appliances, specialty goods (gifts, jewelry, books, stationery and cards, sporting goods, etc.), and department and other general merchandise stores. As shown in Table 2, sales by Oakland comparison goods retailers represent only about one-third of residents' comparison goods expenditures. The comparison of expenditure potentials and actual retail sales indicates that over \$1.0 billion in potential sales, or about two-thirds of comparison goods expenditures are not captured by Oakland stores and can be referred to as "retail leakage". Most of that leakage is lost to stores in other communities. It also is likely that Oakland consumers spend less for comparison goods than other similar Californians due to a lack of convenient shopping opportunities. They may also do more of their shopping online. Among comparison goods retailing categories, leakage as a percentage of expenditures is largest for apparel and department and other general merchandise stores (see Table 2).

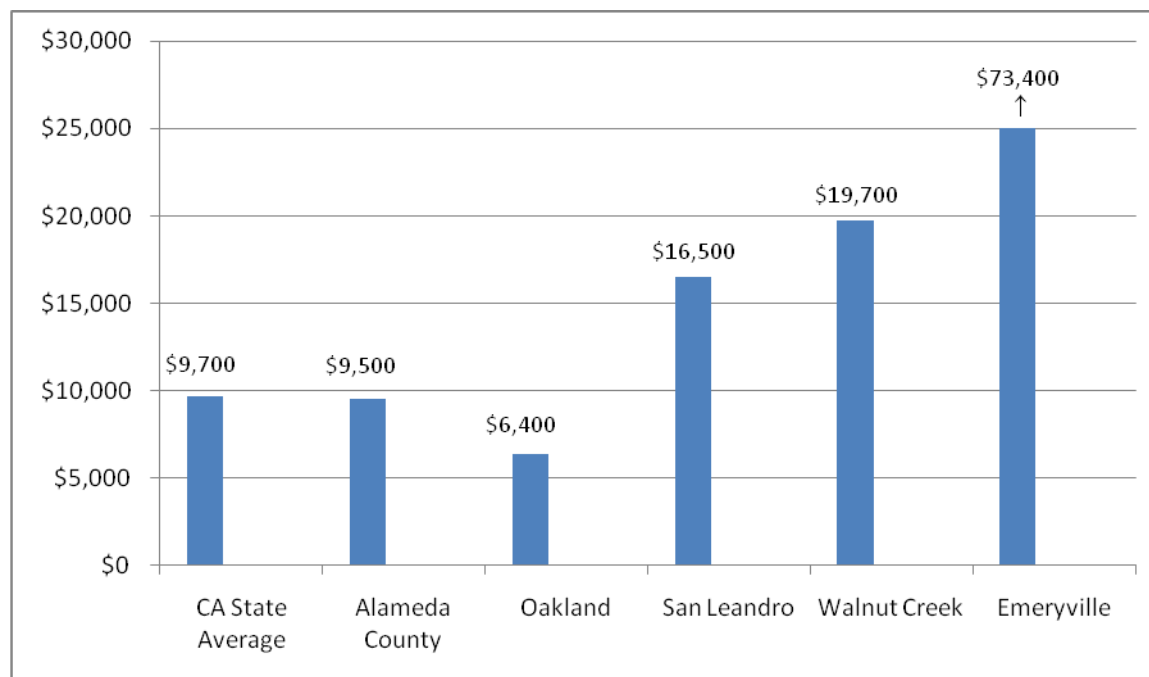
**TABLE 2**  
**OAKLAND EXPENDITURES, SALES, AND LEAKAGE**  
**FOR COMPARISON GOODS RETAILING**

	<b>Apparel</b>	<b>General Merchandise</b>	<b>Home Furnishings/ Appliances</b>	<b>Specialty</b>	<b>TOTAL</b>
Total Expenditure Potential for Oakland Residents (\$)	209,930,000	597,420,000	195,080,000	587,610,000	\$1,590,040,000
2005 Retail Sales for Stores in Oakland (\$)	63,880,000	61,270,000	121,250,000	340,680,000	\$587,080,000
					37%
<b>Net Sales Leakage (\$)</b>	<b>146,050,000</b>	<b>536,150,000</b>	<b>73,830,000</b>	<b>246,930,000</b>	<b>\$1,002,960,000</b>
<b>Percent of Expenditures</b>	<b>70%</b>	<b>90%</b>	<b>38%</b>	<b>42%</b>	<b>63%</b>
Source: <i>Upper Broadway Strategy</i> , Conley Consulting Group, Claritas, Inc., August 2007.					

### **2.1.2 Oakland Captures Significantly Lower Retail Sales Than Neighboring Cities or the State Overall**

The citywide retail market study further identified that, compared to the state as a whole, and to neighboring cities, Oakland captures significantly less per capita for retail goods sales overall (all types of stores), as shown in Table 3. Given the similarities in per capita income with the state as a whole, the expenditure potential of Oakland residents should be at least on par with state averages. However, the average sales per capita for Oakland is substantially below the statewide average.

**TABLE 3**  
**2005 RETAIL SALES PER CAPITA**



Source: *Upper Broadway Strategy*, Conley Consulting Group, Claritas, Inc., August 2007.

As the largest city in the East Bay, in terms of both employment and population, Oakland should be capturing sales from residents of neighboring communities including those who work in Oakland. Instead, Oakland exports sales and the associated jobs and sales tax revenues to other cities. Existing shopping areas in the East Bay and San Francisco that attract much of the comparison goods retail spending of Oakland residents are listed in Table 4.

There is large leakage or loss of retail spending in the middle and upper-end market categories, as there are few comparison shopping opportunities for those consumers in Oakland. The Bay Area shopping areas competing for those market segments are concentrated in Walnut Creek and San Francisco, and also include shopping opportunities in Berkeley, Emeryville, and San Leandro.

**TABLE 4**  
**COMPARISON RETAIL COMPETITION OUTSIDE OAKLAND,**  
**IN THE EAST BAY AND SAN FRANCISCO**

Alameda	Alameda Towne Center
Berkeley	Fourth Street Gilman Street & San Pablo Avenue Elmwood
El Cerrito/Albany/Richmond	Target Costco Solano Avenue Hilltop Mall El Cerrito Plaza
Emeryville	Bay Street Powell Street Plaza East BayBridge Center IKEA
San Francisco	Union Square Market Street/San Francisco Centre Fillmore Street Hayes Valley Mission Valencia Corridor
San Leandro	BayFair Mall Marina Square Mall West Gate Shopping Center
Walnut Creek	Broadway Plaza and surrounding retail
Source: <i>Upper Broadway Strategy</i> , Conley Consulting Group; Hausrath Economics Group.	

## **2.2 Market Opportunity in the Project Area**

As described in the introduction, the Broadway/Valdez Project Area has been identified as the City's *single best opportunity* for developing new destination retailing in Oakland to capture comparison goods spending. The following are reasons behind that conclusion:

- The area offers the opportunity to create a major retail environment at/near the center of Oakland, along Broadway, the city's Main Street, and in proximity to Downtown.
- There is significant land area potentially available for new development, a high percentage of which is surface parking and underutilized property.
- The area is centrally located for destination uses serving citywide and regional markets.
- The area offers opportunities to take advantage of both local and regional access by car, transit, and bicycle.

### **2.2.1 Objective of Re-establishing Destination Retailing in Oakland**

The City's objective is to reverse the high rate of retail leakage by creating a critical mass of retail selection in the Project Area which would attract residents and others to shop in Oakland for comparison goods. The mix of retail tenants and the scale and design of new development will be very important to the competitive success of new retailing. The market orientation should appeal to upper middle and middle market segments, consistent with the consumer profiles of trade area residents.

### **2.2.2 Large Trade Areas for New Retail Include Substantial Spending Power**

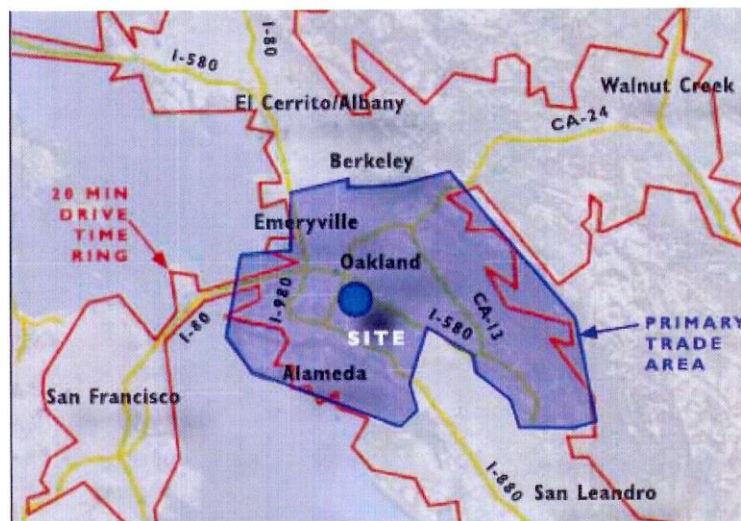
Trade areas were defined for new retailing in the Project Area. Four concentric areas were identified, relating to proximity to the Project Area and the likelihood of attracting residents of each area to shop at new retail destinations.

#### ***Primary Trade Area***

A Primary Trade Area was defined as extending from the southern border of the University of California campus in Berkeley to Oakland's southern boundary, except for a portion of East Oakland below MacArthur and east of Fruitvale (those residents are assumed to be more likely to patronize retailers along I-880 and to the south). It extends from the East Bay Hills to the Bay, including the cities of Alameda and Piedmont in their entirety. The residents of this area live the closest to the Project Area. Some could walk to new retailing, and those who drive could reach the area in about 10 minutes or less. Figure 1 provides a map of the Primary Trade Area.

The residents of the Primary Trade Area comprise a large and potentially lucrative market for retail goods and services which could be provided in new retail stores in the Project Area. There are about 400,000 residents in the Primary Trade Area, who occupy over 160,000 households (see Table 5). The average household income of trade area residents is \$76,000 (2007), with per capita income at \$32,000 per year, 25 percent above the statewide average.

**Figure 1**  
**Primary Trade Area Map**



Source: *Upper Broadway Strategy*

### ***Inner East Bay***

In addition to the Primary Trade Area as defined above, residents of other parts of the Inner East Bay also represent potential customers for new retailing in the Project Area. The Inner East Bay trade area is a somewhat larger area that includes all of the residents of Oakland, Piedmont, Berkeley, Albany, Emeryville, and Alameda. For some retailers, the Inner East Bay area can also be considered as the Primary Trade Area. This larger area includes about 640,000 residents in 250,000 households and is projected to continue to grow. It also is a large and potentially lucrative market for new retailing.

### ***Other Potential Customers from Surrounding Areas***

In addition to the Primary and Inner East Bay Trade Areas, residents of surrounding areas also represent potential customers for new retail stores in the Project Area. Within a 15-minute drive of the Project Area, there are an estimated 810,000 residents with an average household income of \$74,000 (2007), and this population is anticipated to continue to grow. Within a 20-minute drive, there are 1,640,000 people with average household incomes of \$82,000. Market data for all of the relevant trade areas are summarized in Table 5.

**TABLE 5**  
**TRADE AREA POPULATION FOR COMPARISON GOODS RETAILING**  
**IN THE BROADWAY/VALDEZ PROJECT AREA**

	Primary Trade Area /a/	Inner East Bay /b/	15-minute Drive Time /c/	20-minute Drive Time /c/
<b><u>Population</u></b>				
2012 Projection	400,000	660,000	830,000	1,670,000
2007 Estimate	390,000	630,000	810,000	1,640,000
Growth 2007-2012	1.8%	4.8%	2.5%	2.1%
2007 Est. Per Capita Income	\$32,000	n/a	\$30,000	\$33,000
2007 Est. Average Age	38.4	n/a	38.2	38.9
<b><u>Households</u></b>				
2012 Projection	170,000	259,000	335,000	670,000
2007 Estimate	160,000	248,000	325,000	660,000
Growth 2007-2012	1.5%	4.4%	2.2%	1.7%
2007 Est. Avg. Household Income	\$76,000	n/a	\$74,000	\$82,000
2007 Est. Avg. Household Size	2.3	2.5	2.4	2.5
/a/ From retail market analysis in <i>Upper Broadway Strategy</i> . Primary trade area includes most of Oakland, the southern half of Berkeley, Piedmont, and Alameda as described in the text. /b/ Added for this analysis, using CA Department of Finance data for 2007 and <i>ABAG Projection 2007</i> as the basis for 2012. Comparable income and age data are not available. Inner East Bay includes the cities of Oakland, Piedmont, Berkeley, Albany, Emeryville, and Alameda. /c/ From retail analysis in <i>Upper Broadway Strategy</i> .				
Source: Hausrath Economics Group 2009; <i>Upper Broadway Strategy</i> , Conley Consulting Group and Claritas Inc., August 2007.				

### ***Trade Area Characteristics***

Additional information about the Primary Trade Area is summarized from the earlier market study as follows:

◆ **Desirable Lifestyle Profiles**

Based on clusters of demographic and buying behavior characteristics used to predict consumer behavior, 49 percent of Trade Area households belong to clusters grouped under the heading “Urban Uptown”, defined as the nation’s wealthiest urban consumers with the most sophisticated tastes. Those in this group are college-educated and ethnically diverse, and tend to frequent the arts, shop at exclusive retailers, drive luxury imports, and travel abroad. The diverse, predominantly childless consumers who pursue active lifestyles, called “Midtown”

Mix” represent another 23 percent of Trade Area households. These mid-scale, urban consumers are the most ethnically diverse, frequent bars, health clubs, and restaurants at high rates, drive small imports, and typically acquire the latest consumer electronics. The Primary Trade Area has three to 10 times greater concentration of households in these clusters than does the nation as a whole. (See *Upper Broadway Strategy* report for more details.)

◆ Large Spending Power

Primary Trade Area residents have an average annual expenditure potential of approximately \$1.6 billion (2007 dollars) for comparison goods, sold in stores such as apparel, specialty, home furnishings, and department/general merchandise stores. They also have annual expenditure potential for an additional \$866 million for goods sold in supermarkets, drug stores, and other convenience retail outlets. In total, their potential support for all retail stores is \$4.6 billion per year (2007 dollars).

### **2.2.3 Employment in Oakland Also Provides Market Support**

Oakland has a large and growing employment base. Of the approximately 214,000 people employed in Oakland, 110,000, or 51 percent, are employed in the Central and North Oakland areas including and surrounding the Project Area (see Table 6). Based on 2000 Census data, about 36 percent of Oakland workers reside in Oakland. The rest, 64 percent, are residents of other communities, and thus represent a potential for retail sales over and above the sales supported by City residents. Many of those employed in Oakland fall into some of the most attractive lifestyle clusters for retailers. That includes the large number of office employees working in Downtown Oakland, in close proximity to the Project Area.



**TABLE 6  
EMPLOYMENT IN OAKLAND**

	<b>Citywide</b>	<b>Central and North Oakland /a/</b>
2005	207,600	105,200
2007/2010	214,000	110,000
2010/2012	223,000	117,000
Growth	+15,400 +11%	+11,800 +11%
<p>NOTE: There is uncertainty as to the precise timing for recent and near-term future employment given the recent economic downturn. Thus, the years are expressed as ranges above.</p> <p>/a/ Oakland Planning Areas including and surrounding the Project Area:</p> <ul style="list-style-type: none"> <li>– <i>Central Oakland</i>: area bounded by I-580, Lake Merritt and the Channel, Oakland Estuary, and I-980 and Brush Street.</li> <li>– <i>North Oakland</i>: area bounded by I-580, the city boundaries with Emeryville and Berkeley, and on the east, a boundary approximated by: Broadway, the Claremont Country Club and Mountain View Cemetery, the City of Piedmont, Grand Avenue, and Lake Merritt.</li> </ul> <p>Source: Hausrath Economics Group; Oakland Cumulative Growth Scenario, as developed for Downtown Cumulative Update, June 2006.</p>		

#### **2.2.4 Evaluation of Market Share for Destination Retailing in the Project Area**

The sales needed to support new retailing in the Project Area were compared to overall expenditure potentials for the trade areas to evaluate the share of expenditures that would be required to support the new development. The results identify that a relatively small share of spending would be required to support the new development. Thus, it appears reasonable to expect that a well-designed, well-anchored, and well-merchandised retailing complex of sufficient scale could attract the spending needed for successful development.

The evaluation is summarized in Table 7, and is based on the following assumptions:

- A new retail complex of 1.0 million square feet with 800,000 square feet devoted to comparison goods retail tenants.

**TABLE 7  
EXPENDITURE POTENTIALS  
FOR COMPARISON GOODS RETAILING IN THE PROJECT AREA**

	Primary Trade Area	Inner East Bay	15-minute Drive Time	20-minute Drive Time
<b><u>Population</u></b>				
2012	400,000	660,000	830,000	1,670,000
2007	390,000	630,000	810,000	1,640,000
<b><u>Expenditure Potential for Comparison Goods Retail /a/</u></b>				
2012 (2007 \$)	\$1.62 bil.	\$2.68 bil.	\$3.37 bil.	\$6.77 bil.
2007 (2007 \$)	\$1.58 bil.	\$2.55 bil.	\$3.28 bil.	\$6.65 bil.
<b><u>Evaluation of Possible Project Area Retail Development</u></b>				
\$280 mil. Sales Needed for 800,000 sq. ft. Comparison Goods Retailing @ \$350 in sales per sq. ft. /b/				
Assumed Support for New Development from Each Area /c/	70% sales	78% sales	90% sales	95% sales
<b>Resultant Share of Potential Expenditures Needed to Support New Development, 2012 /d/</b>	<b>12% expenditure potential</b>	<b>8% expenditure potential</b>	<b>7% expenditure potential</b>	<b>4% expenditure potential</b>
/a/ The estimates of retail expenditures from the analysis in the <i>Upper Broadway Strategy</i> were updated for this analysis following the same approach and using the same data sources. The earlier analysis was done in 2007 using sales and expenditure data for 2005 (the most current at the time of the analysis). This analysis uses data for 2007, the most current in 2009. The expenditures for 2012 reflect the population growth identified above, and assume constant expenditures per capita in 2007 dollars, without inflation. /b/ Sales per square foot assumptions are by Hausrath Economics Group and Urbanics Consultants based on several sources: <i>ULI Dollars &amp; Cents of Shopping Centers, 2008</i> , ULI Case Studies for recent retail developments including the Precedent Projects, and in-house expertise. /c/ Assumptions reflect likely market support as assumed for each area. /d/ Shares shown result from calculations based on assumptions and data above. For example: for the Primary trade Area, 70% (assumed as reasonable support from primary Market Area) of \$280 mil. sales needed for new development represents \$196 mil. which is 12% of primary trade area expenditures of \$1.62 bil. for 2012. Thus, the market share required would be 12 percent for the Primary Trade Area.				
Source: Hausrath Economics Group; Urbanics Consultants; Conley Consulting Group and <i>Upper Broadway Strategy</i> .				

- Comparison goods retail sales of \$280 million (2007 dollars) for the new complex, assuming average sales per square foot of \$350.
- Most of the sales would come from residents of the Primary Trade Area (up to 70 percent), with additional sales from residents of the surrounding trade areas (other Inner East Bay areas and surrounding residents, most within the 15-minute drive time area). The shoppers residing outside the Primary Trade Area would include people working in Oakland.

The comparisons indicate that the large support for new retailing from Primary Trade Area residents would require a market share of about 12 percent of total expenditure potential for comparison goods. That share is very reasonable given the high leakage of spending. It would reflect changes in shopping patterns (spending in Oakland instead of outside the city) as well as the full realization of expenditure potentials that may not have been realized with more limited shopping opportunities in Oakland. Sensitivity analysis of different assumptions, indicates that the market share percentage of 12 percent could vary from 9 percent to 17 percent, remaining within a reasonable range. These are very reasonable percentages/market shares given the high leakage of comparison goods retail spending that currently exists.

Beyond the immediate, Primary Trade Area, the market shares needed to support new development in the Project Area are lower and decline as the size of the trade areas increase. The results in Table 7 show the following:

- Market share of 8% for Inner Bay Area cities;
- Market share of 7% for the 15-minute drive time area; and
- Market share of 4% for the 20-minute drive time area.

### **2.3 Conclusion: Market Exists for New Comparison Retailing in the Project Area**

The earlier and current market analyses confirm that the market exists for new comparison goods retailing in Oakland and in the Project Area. There is a large and potentially lucrative market, and it is growing.

Within that context, the real challenges are in developing and marketing the right type and scale of new retailing that will successfully attract shoppers and their spending.

The rest of this chapter addresses the factors that will be important for establishing successful new destination retail development that can attract shoppers and successfully compete with existing retail shopping in surrounding areas. It provides direction from a market perspective, as input for the planning efforts to follow.

## **2.4 The Market Challenges Are In Developing New Retailing That Can Successfully Attract Shoppers**

As described above, the market currently exists for new comparison goods retailing in Oakland and in the Project Area. Within that context, the success of new development in achieving the City's objective for re-establishing destination retailing in Oakland will depend on:

- The development,
- The tenants, and
- The ability to attract shoppers

The real challenges from a marketing perspective are in the planning and execution of new retailing that can attract shoppers and successfully compete with existing retail shopping in surrounding areas. The factors that are particularly important for establishing successful comparison goods retailing in the Project Area include:

- Critical mass of new retail development;
- Development locations and configurations;
- Tenant mix;
- Place-making and design; and
- Accessibility, parking, and security.

Each of these factors is discussed below.

### **2.4.1 Scale and Critical Mass**

Scale and critical mass are particularly important, given the significant attraction of existing retailing in surrounding areas, particularly in Downtown San Francisco and in Walnut Creek, as well as other competition (Emeryville, Berkeley). A certain scale or critical mass is needed in Oakland to attract shoppers and change shopping habits. Although new retailing in the Project Area will be closer and more conveniently located for residents of Oakland and surrounding cities, proximity alone is not nearly enough to attract shoppers.

In terms of scale, a minimum of around 1.0 million square feet is recommended to establish and sustain successful comparison goods retailing in Oakland. The amount of space could grow over time to up to 1.25 or 1.5 million square feet. While the comparison goods retailing component is clearly the most important, the total amount of "retail" space is also likely to include other complementary uses and activities, such as eating and drinking, commercial entertainment/recreation venues, arts and cultural facilities/activities, and various convenience retailing (specialty food, drugs) and commercial service tenants.

In addition to scale, *per se*, the question of critical mass can also be defined from a market and merchandising perspective. In this regard, there are various strategies. In the past, regional shopping centers typically had at least 50 percent to 60 percent of their leasable space devoted to four or more department store anchors. With the expansion of national and international

specialty retailing interests (anchors and small shops across the entire range of price points), the amount of space devoted to full-line department stores has declined. While the scale of projects may not have contracted significantly, the shape and makeup of larger retail districts and centers has changed. Levels of attraction can now be realized through a broader range of alternative merchandising approaches, especially in urban, downtown contexts, where other land uses and development activities contribute to the evolution of a project/district that has regional “reach” and sustained volumes of shoppers.

Recognizing the trends described above, and in the context of other important development-related factors (discussed below) that will contribute to the desired levels of attraction, if not critical mass, *per se*, it is recommended that establishing an attraction of at least two department stores (such as Macy’s and Nordstrom) is very important for establishing a competitive, comparison shopping experience in Oakland. There are very few large, full-line department stores in the Inner East Bay currently, and the competition in surrounding areas includes these retailers.<sup>5</sup> The existence of these department stores would provide substantial market impact for establishing first-phase development. These stores would not only act as critical traffic-generators, but they are also important for developing a project scheme overall, that attracts and accommodates a broad range of specialty tenants around their strategic locations.

In addition to the minimum two department stores, there could also be other larger stores and anchor tenants. Other factors that could contribute to creating a suitable critical mass for retailing include the accommodation of specialty retailing clusters and/or merchandising themes, as described below under “tenant mix”. In addition, the development’s physical characteristics, as discussed under the heading “place-making”, will also be important in achieving and sustaining a retail district of significant reach and market penetration.

## 2.4.2 Locations, Configurations, and Preferred Development

The locations and configurations for new comparison goods retailing in the Project Area will be important. Assuming comprehensively planned retail development in a mixed-use context and providing significant critical mass, a site area of at least 20 acres and up to 25 acres is desired, preferably in a configuration to support pedestrian- and street-oriented development. To provide the desired development in the Project Area, a two-part retail strategy is preferred and includes:

- Creation of a significant **retail district** in the Valdez Triangle area south of 27<sup>th</sup> Street, at the southern end of the Project Area, supported by additional new retail along Broadway north of 27<sup>th</sup> street, in the more northern parts of the area.

The two retail concepts complement and support each other and respond to the location and site characteristics of each part of the Project Area.

The following describes the recommended approach.

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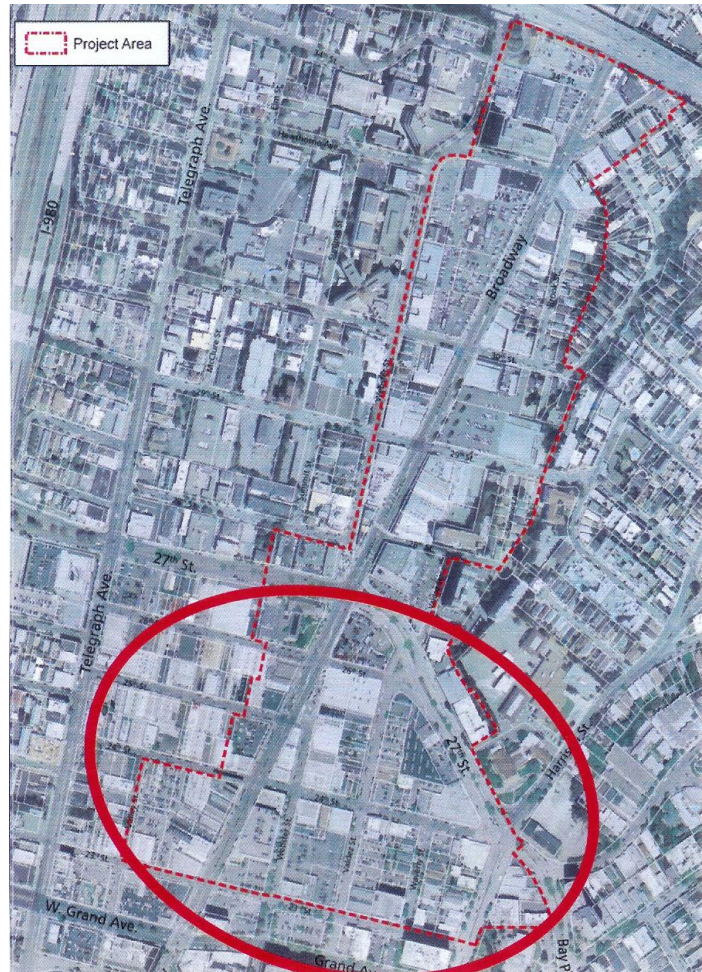
<sup>5</sup> In Oakland, there is Sears in Downtown and McCaulou’s in Montclair although the latter is not a full-line department store. Now there is Kohl’s in Alameda. There are no department stores in the other Inner East Bay cities (Berkeley, Albany, Emeryville, and Piedmont).

### ◆ Lifestyle Retail District in Valdez Triangle, South of 27<sup>th</sup> Street

The preferred location for significant, new comparison goods retailing is the “Valdez Triangle” at the southern end of the Project Area, generally bounded by the western boundary of the Project Area along Broadway, 27<sup>th</sup> Street on the north, Harrison Street on the east, and 23<sup>rd</sup> Street on the south. In this area, a significant **retail district** can be created, to combine the scale of a regional retail center with the ambiance, sense of place, tenants, and mix of uses of a lifestyle retail center/district. The creation of a significant retail district has the potential to become the primary shopping experience in Oakland and the Inner East Bay. The reasons for this recommendation are based on the characteristics of the Valdez Triangle and include the following:

- Large enough area to create a significant **retail district**. Includes an area of up to about 24 acres (net of streets).
- Multi-block area that can be developed at a pedestrian scale with street-oriented retail. Offers internal areas off of major arterials.
- Connects to Broadway in a major way.
- Proximity and connections to Downtown Oakland (office district, entertainment venues, new residential), Lake Merritt, and nearby residential neighborhoods.
- Good auto and transit access; area is surrounded by major arterials, has north/south and east/west street connections for circulation, and is closest to BART station.
- Provides locations for large anchors and smaller retailers.
- Large enough for a mix of uses in the area.
- Can build on success of Whole Foods store just to the east.

**Figure 2**  
**Retail Strategy: Part A**  
**Lifestyle Retail District in Valdez Triangle**





Retail/mixed-use development in the Valdez Triangle has the ability to represent one of the latest manifestations of “lifestyle” retailing centers or districts. The characteristics of such developments/districts are the following:

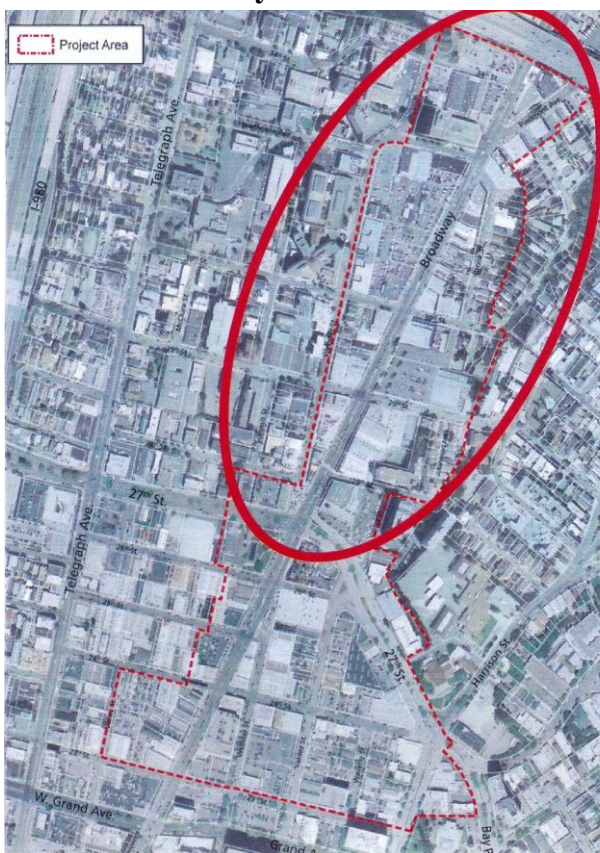
- Highly pedestrian-oriented.
- Authentic street-oriented development with high-quality architecture and public spaces.
- Focus on comparison goods retailing and often on certain retail sectors or themes.
- A blend of mixed uses.
- An overall environment for shopping, entertainment, and social pursuits. An environment with the qualities of a community as well as a shopping destination.

The new **retail district** should include 700,000 to 800,000 square feet of comparison goods retailing with total facilities including related retail/commercial uses of around 1.0 million square feet.

◆ **Additional New Retail Along Broadway North of 27<sup>th</sup> Street, in the North End**

The recommended strategy for the North End is to attract additional destination retail, supplementing the retail district in the Valdez Triangle and expanding shopping opportunities in Oakland. There are opportunities to accommodate anchors on the large sites in the North End, with smaller retailers and related uses in new and existing buildings nearby, including re-use of historic showrooms and garage buildings. The larger sites provide development opportunities for large format retailers (such as a Target store, for example). With a significant new retail district at relatively higher density in the Valdez Triangle, the retail concept for the North End could be lower density and more suitable for large-format retailers. There also is opportunity to provide for the eventual, northward expansion of the Valdez Triangle retail district across 27<sup>th</sup> street.

**Figure 3**  
**Retail Strategy: Part B**  
**Additional Destination Retail Along**  
**Broadway in North End**



There are locations just north of 27<sup>th</sup> Street that could remain in use by auto dealerships. Successful destination retailing in the Project Area could be of benefit to auto dealers, increasing their visibility and attracting substantially more people to the area. The auto dealers would represent an additional type of retailing, adding to the mix of uses and attractions in the area.

In addition, the most northerly blocks near I-580 offer opportunities to accommodate complementary uses supporting the major medical centers nearby.

There has been consideration of another retail development configuration in the Project Area. That approach would involve development of several retail nodes/developments on the larger sites in the Project Area, including sites along the northern and central parts of Broadway, and those in the vicinity of 27<sup>th</sup> Street and 24<sup>th</sup> Street. The retail experience under this type of scheme would be different from the more fine-grained, street-oriented retail district approach described above. The overall development pattern would be more linear, the distances between nodes and from one end to the other are quite long and not easily walkable, and the nodes would be located along the major arterials which are wide and busy streets. Development under this approach is likely to be less pedestrian-oriented and more auto-oriented, and shoppers would be more likely to visit each node separately. The retail development scheme identified in the *Upper Broadway Strategy* is more similar to this approach than the retail district approach described above.

In our opinion, the approach with several retail nodes and a more linear development pattern, would not be as strong as the retail district approach with a larger critical mass of retailing in a more walkable, street-oriented retail district as described above, and thus, not as successful in creating a significant and desirable retail destination for attracting shoppers and their spending and in sustaining patronage over time.

### **2.4.3 Tenant Mix**

The market analyses point out the lack of comparison goods shopping opportunities in Oakland and the large leakage of spending, particularly in the upper and middle market categories.<sup>6</sup> In this context, the mix of tenants and types of merchandise will be very important in attracting the targeted shoppers and creating the necessary critical mass for successful retailing. The following identifies the general types of tenants desired.

#### **◆ Large Anchors to Attract Shoppers**

At least two highly recognized large anchors, preferably department stores offering comparison/fashion merchandise in the mid to upper-middle price point range are highly desired, particularly for development of a retail district in the Valdez Triangle. In this context, two of the best prospects already well known in the Bay Area but not being represented in the Inner East Bay, include Macy's and

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<sup>6</sup> Market analyses include those done for the *Upper Broadway Strategy*, the *Citywide Retail Enhancement Strategy*, and for the *Broadway/Valdez Specific Plan* (summarized in this report).



Nordstrom. Typically, two large anchors of these types would occupy about 300,000 square feet of leasable space (about 150,00 square feet each).

A large format retailer, such as Target store, would also be a good addition for this part of Oakland. Such a store could locate on a larger site in the North End along Broadway north of 27<sup>th</sup> Street, providing the major anchor tenant of a retail node on Broadway, from 29<sup>th</sup> to Hawthorne.

◆ **Mix of Other Comparison Goods Retailers, Including Mid-size/Minor Anchors and Small Stores**

A wide variety of comparison goods tenants are desired with emphasis on apparel and related shopping so as to recapture the large leakage of spending in that category. A mix of national and local retailers is recommended, with possible international tenants as well. Stores appealing to a range of age groups are desirable, to attract younger and older shoppers. A number of mid-size and minor anchor tenants are important along with a broad range of smaller stores and shops. The wide range of possible merchandise categories includes women's fashions, women's accessories, men's fashions, shoes, unisex fashions, sportswear, leisure wear, maternity wear, bridal fashions, children's wear, infant wear, children's shoes, cosmetics, jewelry, gifts, household furnishings, bed and bath, kitchen boutique, furniture, floor coverings, furniture imports, electronics, sports/athletic equipment, toys, luggage, art, stationery and cards, books, music and related, florists, garden boutique, optical, and other categories of specialty retail shops.

There are opportunities to create unique and specialized retailing clusters or themes of tenants and activities that increase the attraction for targeted market groups, and help differentiate the new retailing from its competitors. Examples of possible clusters could include the following:

- ***Recreation/athletics/outdoor enthusiast/health and fitness cluster.*** Possibly including a large REI, Patagonia, Bass Pro Shops, or similar store, as well as numerous smaller stores all focused around outdoor activities, equipment, apparel/sportswear, and exercise and fitness. A fitness center, spa, wellness center, health foods center, etc. could be included, creating one of the largest such complexes in the East Bay. The new Whole Foods store could overlap with the customer base for this cluster.
- ***Apparel, accessories, shoes, and related cluster.*** Could be oriented to a range of ages, with attention to adults and to fashion, work-day, and leisure-oriented clothing. Ideally, mini-anchors and specialty apparel shops would expand on the apparel offerings of the department stores in the district. There is a significant lack of apparel stores in the Inner East Bay. A focus on the adult market with possibly some emphasis on children as well would differentiate the new retailing from that at

Emeryville's Bay Street which concentrates more on youth and younger adults.

- ***Specialty Foods and Cooking Cluster.*** There might be potential to include an emporium/market/vendors for various specialty food items (non-prepared), seasonal products, and prepared/take-out foods. These could be combined with a kitchen store, branch of a culinary school, and other complementary activities. The concept would have to recognize and build on the new Whole Foods store and the food hall and restaurant development underway in Jack London Square.
- ***Children's Marketplace Cluster.*** Group could be devoted to specialized retail shops, eating places, entertainment/recreation facilities and activities, and services catering to children, from infants to young teens.

#### ◆ Other Tenants

Like the comparison retailers and retailing clusters/themes described above, there are other tenants that can add to the attraction and expand the “dwell time” for visits to the new retail district and retail developments. The different elements also should be located in appropriate/strategic juxtapositions to help circulate people both horizontally within the area and vertically within buildings. Examples of other types of tenants are the following:

- Restaurants, cafés, pubs, sandwich shops, coffee and snack bars, ice cream/dessert places, and other eating and drinking establishments, some with outdoor seating and orientations to the public spaces.
- Entertainment and recreation facilities (cinema, music venues/clubs, bowling/billiards, or similar).
- Arts and cultural exhibits and facilities (galleries, museums, art/local history exhibits, sculpture garden, and/or multi-faceted “black box” or stage area for theatrical performance, dance, puppet theater, music events, etc.).
- Smaller convenience retail and services (fresh/specialty foods, florists/flower shop, hair salon, cosmetics salon, tailor/dress maker, etc.)

#### 2.4.4 Place-Making and Design

The developments' physical characteristics will be very important in creating a desirable “place” and a strong image that attracts shoppers and retailers. The development should be uniquely Oakland, with an intrinsic sense of local “place”. The retail development should be highly externalized, embracing the street and public spaces and providing a sense of urban connectivity with adjacent uses and surrounding areas. The design of the retail development and the public

realm improvements (sidewalks, streets, plazas, etc.) can affect the ability of the area to successfully appeal to the targeted markets from the surrounding trade areas.

The following identify desirable characteristics, particularly for a lifestyle retail district in the Valdez Triangle.

- Authentic, street-oriented development.
- Highly pedestrian-oriented.
- High-quality architecture, consistent with local context.
- Reuse of historic and other attractive existing buildings to add interest and uniqueness, as feasible.
- Beautification of public spaces.
- Vibrant and active sidewalks, streets, and public areas.
- Exploiting the value of natural sunlight, particularly in relation to sidewalks, plazas, and pedestrian circulation areas for retailing.
- A mix of uses overall, including both vertical (same building) and horizontal (nearby buildings) mixed-use development.
- An overall environment that provides a sense of community and security as well as a shopping destination.

Development of a lifestyle retail district in the Valdez Triangle area, provides the best opportunities for creating a “place” with the characteristics described above. (See earlier section discussing location/configuration/type of development.)

## **2.4.5 Accessibility, Parking, and Security**

Access, parking, and security are important to shoppers and to retail tenants.

### **◆ Accessibility**

The Project Area has good local and regional accessibility via freeway, city street arterials, AC Transit bus service, and BART. It is also within walking and bicycling distance for a large number of residents and workers. New retail development should be designed to provide easy, possibly innovative access in and out of the area via all of these modes as well as efficient circulation within the area. Bus services and connections to BART should be improved to support increased shopping activity in the area. Options such as a shuttle bus service or streetcar should be evaluated. In the future, a new BART station nearby in the southern part of the area (between the 19<sup>th</sup> Street and MacArthur stations possibly in the vicinity of Telegraph Avenue and 24<sup>th</sup> Street) would significantly improve transit access for shoppers. Innovative transit solutions, both near and long term would serve to attract major department store anchors to the area.

**◆ Parking**

The success of destination retailing depends on an adequate, well-maintained, secure supply of parking within easy access.. In an urban context, parking should be an accessible but not dominant feature of the development. It is anticipated that the retail parking would be provided on a sub-area basis, in central locations, and managed for the area overall. An overall parking strategy can standardize parking charges, take advantage of shared use of parking among different land uses, and help to encourage the pattern of retail development desired for the area.

**◆ Security**

While the Project Area is not a high crime area in Oakland, the City's historic image as having crime problems may still be a factor to contend with, particularly for attracting retailers and shoppers from outside the area. It is not as much of an issue for residents of Oakland or people working in the downtown area. Potential developers and tenants need to be assured that the public sector will be actively engaged in policing the area and responding to calls, and will support private, on-site security efforts as part of on-going management of the area. New development that faces outward with storefronts and activity on the street will help with security, as will a mix of uses that has people in the area day and night.

**2.5 Retail Development Issues with Implications for  
Market Success, Project Feasibility, and Implementation**

Related to the market demand for destination retailing and the market strategies for the new development as discussed above, there are a number of retail development issues with implications for market success of major new retail, for feasibility of new development, and for the planning and implementation of the Specific Plan. These issues and considerations include the following; while the issues are listed separately, they are related.

**◆ The Priority for Development Needs To Be Destination Retail**

Priority for development in the Project Area needs to focus on comparison goods retailing (also referred to as destination retail). This market is not now being well-served in Oakland; new retail development is complicated and has to be done well to be successful. One of the City's major retail objectives is to re-establish destination retail in Oakland. The Project Area has been identified as the City's single best opportunity to capture destination retailing. Other land uses have far more location options in Oakland than destination retailing.

**◆ Successful Retail Needs To Be Developed and Managed as a Unit**

Successful major retail needs to be planned, developed, financed, leased, and managed as a unit. Attracting retail tenants and developing/maintaining an overall merchandising strategy needs to be done for the retail district/node overall.

In addition, the financial benefits from a mix of uses need to be captured across the project overall. There also needs to be ongoing centralized management over time, for joint advertising and promotional efforts and events, for re-leasing and re-tenanting over time, and for managing parking, security, and maintenance throughout.

◆ **There Are Benefits from Mixed Use; Both Vertical and Horizontal Mixed Use Are Anticipated. The Benefits Can Be Captured Best on an Area-wide Basis.**

Although destination retail is the major objective, other land uses can help cover the costs of land and capital improvements. The benefits of a mixed-use development can be captured best over a large project area and on a district-wide or development-phase basis, as not every site can accommodate a mix of uses or the same mix of uses. Further, from the perspective of creating a successful retail district, both horizontal (across different buildings within the area) and vertical (within the same building) mixed use are anticipated. Some buildings may be wholly retail or primarily retail, while others could have retail on the ground floors and other uses on the upper floors. This further emphasizes the need to develop major retail in a mixed-use context as a unit.

◆ **Site Control Is Very Important**

In order to achieve successful retail development as described by the market analysis and retail strategies above, control of a large site area will be *critical*, given the need to (a) create a critical mass of new retailing, (b) develop and manage successful retailing as a unit, and (c) capture the financial benefits of mixed use on an area-wide basis. Proper planning, development, financing, tenanting, etc. for a retail district or complex requires a master developer or development partnership and cannot be expected to be undertaken by a multitude of independent developers/investors.<sup>7</sup>

◆ **Success Requires Both Public Sector and Private Sector Participation**

It is clear from other experiences around the country, that projects of equal complexity, makeup, and public value to developing major new destination retailing in the Project Area have not been realized exclusively on the basis of private sector action/investment alone. Typically, the public sector is involved in land assembly, the provision of parking, beautification of public spaces, and ensuring the proper entitlements and land use policies to encourage the desired development. With development of a successful retail district, the benefits over

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<sup>7</sup> The case studies of recent retail developments on the west coast identify that all seven project examples involved single development teams with control of large site areas for the developments. See: *Broadway/Valdez District Specific Plan, Retail Precedents: Case Studies, October 2009*.

time to the public sector and the community have been substantially larger than the costs.<sup>8</sup>

### **3. HOUSING MARKET POTENTIALS TO SUPPORT RETAIL/MIXED USE DEVELOPMENT**

The *Upper Broadway Strategy* (2007) recommended major retail development in a mixed use context with housing over retail to increase density and enhance overall project feasibility. With the strong housing market of the early and mid-2000s, housing over retail would support land values above those for solely retail development. Since that time, however, the housing market has taken a substantial downturn, new housing is currently not feasible to develop, and there is a long pipeline of already approved housing projects on-hold, awaiting improved market conditions. While market potentials for housing development in Central Oakland are good over the long term future, market recovery will take time and has implications for mixed use development in the Project Area in the nearer term.

The residential market analysis for this effort focuses on the housing absorption factors and trends that will affect the amount and timing of housing development in the Project Area and the ability of housing to enhance the feasibility of major retail development. The three subsections that follow address: (1) housing demand groups and demographic characteristics; (2) market timing and amounts of new housing that could potentially be absorbed; and (3) implications for major retail and mixed-use development as desired in the Project Area.

#### **3.1 Market Groups and Demographic Characteristics**

Characteristics of the households and population residing in the Project Area and surrounding areas and those occupying new housing in these areas highlight the market characteristics of people attracted to live in this part of Oakland. These characteristics are summarized in Table 8 and described below.<sup>9</sup> Most existing and new housing in these areas is in higher-density, multi-unit buildings. The existing housing stock is largely rental housing (88 percent rental in 2000), while new housing built in the area has included both ownership and rental housing.

##### **◆ Smaller Households.**

Households are smaller, with fewer people per unit in the central parts of Oakland (1.8 persons per household in the Project Area and Nearby Areas, 1.6 persons per household in Surrounding Areas, compared to 2.6 persons per household citywide). New housing in the Central/Downtown areas typically averages 1.7 persons per household.

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<sup>8</sup> The case studies of recent retail developments on the west coast provide numerous examples of retail developments/projects that involved substantial public sector participation and involvement. See reference in footnote above.

<sup>9</sup> See further discussion of housing in the Project Area, Nearby areas, and surrounding areas in Chapter 3 of the Existing Conditions Report.

**TABLE 8  
RESIDENT DEMOGRAPHIC CHARACTERISTICS**

	Project Area and Nearby Areas /a/		Surrounding Areas /b/	Study Areas Overall	Oakland Citywide
	<u>West of Broadway</u>	<u>East of Broadway</u>			
<b><u>Age Distribution of Population /c/</u></b>					
Under 18	17%	13%	10%	11%	25%
18 – 34	33%	36%	37%	36%	28%
35 – 64	33%	33%	40%	39%	37%
65 and over	<u>17%</u>	<u>18%</u>	<u>13%</u>	<u>14%</u>	<u>10%</u>
	100%	100%	100%	100%	100%
<b><u>Employed Residents</u></b>					
As % of Population /d/	38%	57%	57%	55%	44%
<b><u>Average Household Size</u></b>					
Persons per Household /d/	1.9	1.7	1.6	1.65	2.6
/a/ Includes the Project Area and Nearby Areas between I-580 and Grand Avenue, extending to the east/Harrison Street and west/I-980 on either side of Broadway.					
/b/ Includes Surrounding Areas in North Oakland (north to approximately 40 <sup>th</sup> Street), Adams Point/Grand Avenue, and Downtown (south to 14 <sup>th</sup> Street).					
/c/ 2000 U.S. Census.					
/d/ 2000 U.S. Census and 2005 Cumulative Growth Scenario for Oakland.					
Source: Hausrath Economics Group. Also see Chapter 3 of <i>Existing Conditions Report</i> .					

◆ **More Adults and Fewer Children.**

Housing in the Project Area and Nearby and Surrounding Areas includes proportionally more adults and fewer children than households residing in the rest of Oakland. Higher-density housing in the Central/Downtown areas is generally more attractive to younger adults, empty nesters, and households without children. Families with children, particularly those with more than one child, typically prefer lower-density housing with backyards. Focus groups to test the desirability of new housing in Downtown Oakland have confirmed these preferences.

**◆ More Younger Adults.**

The population residing in the Project Area and Nearby and Surrounding Areas includes proportionally more younger adults, aged 18 to 34. Factors supporting the desirability of living in this area for younger adults include:

- Proximity to places of employment in Downtown and the nearby medical centers;
- Good transit access, such as to San Francisco and Berkeley;
- The growing vitality of Downtown Oakland, including eating places, clubs/lounges, and art galleries; and
- The availability of a large stock of rental housing (as younger adults may not have accumulated the funds needed to purchase housing).

Younger adult households residing in the area include people who chose these Central Oakland locations as lower-cost options to housing in San Francisco.

**◆ More Employed Persons.**

Households in the Project Area and Nearby and Surrounding Areas include proportionally more employed residents (averaging 55 percent compared to 44 percent citywide). This reflects the demographic characteristics of residents and the area's proximity to places of work and its transit accessibility. In the case of new housing, it also reflects the incomes needed to pay the higher prices and rents for new construction. It is estimated that employed persons represent up to 70 percent of the population in new downtown housing.

**◆ More Seniors.**

There are proportionally more seniors living in the Project Area and Nearby Areas than in other parts of Oakland. This reflects the ability to develop high-density projects for seniors in the area. There are several high-rise senior towers. It also reflects the desirability of the area's central location and its proximity to Lake Merritt, Downtown Oakland, and the major hospital medical centers.

**Market Groups With Demand for New Housing**

The market groups and demographic characteristics described above define the consumer groups with demand for new housing in the Project Area. They include:

- Singles and partners/couples (with few children), many in younger age groups.
- Empty nesters.
- Seniors.
- People working nearby, in downtown and in the hospital medical centers.



- Those who appreciate higher-density, urban living, in proximity to eating places, arts and entertainment, and the proposed retail shopping opportunities.
- Those who value accessibility to transit (green/sustainable ethic).
- Urbanites who find Downtown Oakland as a desirable, less-costly option to housing in Downtown San Francisco.

There is demand for both for-sale and rental housing. There also is demand from households across a range of income levels for households with at least one worker, in most cases.

### **3.2 Timing and Amounts of Housing Development and Absorption**

Both citywide trends (first part) and trends for the Central/Downtown area including the Project Area (second part) are described below.

#### **3.2.1 Citywide Trends**

Since the late 1990s, there has been substantial development of new housing in Oakland. This represents a significant change from prior decades during which very little new housing was developed in Oakland. In the 1970s and 1980s, housing development bypassed Oakland and other, older urban city areas in favor of the suburbs. In the 1990s, regional trends began to change. Since 2000, strong regional housing demand, fewer remaining locations for development in the suburbs, renewed interest in center city living, and a relatively affordable land supply were all factors in favor of renewed housing development in Oakland. In addition, new housing development has been encouraged in Oakland by regional and local Smart Growth land use policies and by other local efforts such as former Mayor Jerry Brown's 10K Initiative to attract new housing development to Downtown Oakland.

##### **◆ Housing Development Resumes in the 1990s; Absorption Outpaces New Development**

From 1990 to 2000, Oakland's housing stock increased by **2,770 units**, with most new units added in the latter part of the decade (see Table 9). Moreover, the number of occupied units or households in the City grew by **6,270 households** during that period, reflecting the addition of new housing (2,770 additional units) as well as increased occupancy of the existing housing stock (3,500 additional households in existing housing), as the overall housing vacancy rate declined from 6.6 percent in 1990 to 4.3 percent in 2000.

##### **◆ Substantial Housing Development Since 2000; Absorption Lags a Bit By End of Decade**

Since 2000, the City's housing supply has increased substantially with about 4,300 new units developed by the end of 2005, and an additional, approximately 4,100 units developed from 2006 through mid-2009 (see Table 9). There also are another nearly 1,100 units under construction, including units in projects where construction has been suspended due to recent market conditions and other factors. The success

<b>TABLE 9</b> <b>HOUSING DEVELOPMENT AND HOUSEHOLD GROWTH IN OAKLAND,</b> <b>1990s AND 2000s</b>				
	<u>Housing Units</u>		<u>Occupied Units/Households</u>	
	Growth	Average Annual Growth	Growth	Average Annual Growth
<b><u>1990 – 2000</u></b>				
U.S. Census 1990-2000	2,770	<b>277</b>	6,270	<b>627</b>
<b><u>Since 2000</u></b>				
Oakland Development, 2000-2005 /a/	4,307	749		
Oakland Development, 2006-mid 2009 /b/	<u>4,090</u>	1,169		
<i>Subtotal (9-1/4 yrs.)</i>	8,397	<b>908</b>		
Under Construction, 2009	<u>1,097</u>			
<i>Subtotal (10-11 yrs.)</i>	9,494	863-949		
CA Dept. of Finance, 2000-2008 /c/			Up to 7,270	<b>Up to 831</b>
/a/ April 2000 for Census through 2005, 5-3/4 years. /b/ 2006 through mid-2009, 3-1/2 years. /c/ Estimates of household growth April 2000 through 2008 (8-3/4 years) may be high as the estimate for 1/1/09 does not account for the recent effects of foreclosures and increased housing vacancy rates.				
Source: Hausrath Economics Group; <i>Oakland Draft Housing Element 2007-2014</i> ; Oakland Cumulative Growth Scenario, June 2006 and July 2007; CA Department of Finance.				

of early projects increased developer interest in Oakland, contributing to higher rates of housing construction as the decade progressed. Most of the new housing is in higher-density, multi-unit buildings.

In the first five years of the decade, through 2005, most of the new housing was ownership housing. More recent development now includes a large share of rental housing (some of which can be converted to condominiums and sold in the future). New units cover a range of housing prices and rents, reflecting development in locations throughout the city, and the investment of public

funding for affordable housing in addition to a large amount of market-rate development.

The growth of households and occupied units in Oakland appeared to keep pace with new housing development through 2005/2006. Since 2007, the major downturn in the national housing market and the subsequent economic recession have slowed the absorption of new units. Further, the higher rates of recent housing development may have exceeded market absorption, even without the recession. Currently, there are high vacancy rates in recently built projects in Oakland. The State Department of Finance (DOF) estimates of household growth in Oakland show that household growth has lagged a little bit behind recent housing development, and the DOF estimates do not account for the effects of foreclosures and higher vacancy rates in new projects currently.

◆ **Overall Growth Rates for Housing Development and Absorption**

During the current decade, *housing development* in Oakland has averaged about 900 units per year. That rate of development is significantly higher than the overall average during the 1990s of about 280 units per year. These rates are summarized in Table 9.

*Absorption* of housing units by household growth in Oakland during the decade 2000-2010 appears to have averaged around 800 units per year. This is an increase over the average growth of households of around 600 units per year during the 1990s (see Table 9).

◆ **Implications of Recent Downturn in Housing Market;  
Timing of Recovery is Uncertain and Could Take Several  
More Years**

Since 2007, the major downturn in the housing market and the economic recession have slowed the absorption of new units in Oakland, reduced sales prices, and resulted in new for-sale housing being rented or leased, at least for the foreseeable future. *High vacancies in new projects, lower sales prices and rents, and problems securing financing, make it infeasible to develop new housing projects at the present time and for the foreseeable future.* The duration of the current recession and financial crisis, and the timing for recovery of housing market conditions is currently uncertain. The absorption of housing will be stalled until the economy recovers. After that, housing prices and rents will need time to return to levels that cover the costs of new construction and result in feasible projects. Potentially, this could take several more years.

◆ **Large Pipeline of Approved Projects and Projects in Predevelopment**

In addition to the completed housing developments in Oakland, there are a large number of approved housing projects. As of mid-2009, there are over 8,600

housing units approved, representing a slightly larger number of units than the total number built since 2000 (about 8,400). (See Table 10.) Approved projects are currently on hold, pending recovery and improvement of the economy and housing market.

<b>TABLE 10</b> <b>HOUSING DEVELOPMENT IN OAKLAND:</b> <b>UNITS BUILT AND IN THE PIPELINE</b>	
	Number of Housing Units
Built 2000-mid 2009	8,400
Under Construction, 2009	<u>1,100</u>
<i>Built and Under Construction 2000-2009</i>	9,500
Approved, as of mid 2009	<u>8,630</u>
<i>Built, Under Construction, and Approved</i>	18,130
In Predevelopment, as of mid 2009	9,000
TOTAL	27,130
Source: Hausrath Economics Group; <i>Oakland Draft Housing Element 2007-2014</i> ; Oakland Cumulative Scenario, June 2006 and July 2007.	

There are additional housing projects in various stages of predevelopment planning at the City. Those projects include an additional 9,000 housing units, that would be built further into the future (see Table 10).

◆ **Development and Absorption of Pipeline Projects Could Take 10 to 20 Years After Market Recovery**

When the housing market recovers, many of the large number of already approved projects in the pipeline will likely be built before other new developments occur. Similarly, projects currently in predevelopment also could be built before other developments not yet in the planning process. While it is unlikely that all of the pipeline projects will be built, it is useful to consider the timeframes involved if many of them were developed.

Potential absorption scenarios for the large number of housing projects in the pipeline indicate that after the housing market recovers, it may take 10 to 20 years for them to be developed and occupied, as summarized in Table 11. The range depends upon the rate of development and absorption of new housing in

**TABLE 11**  
**POTENTIAL ABSORPTION SCENARIOS FOR**  
**OAKLAND HOUSING PROJECTS ALREADY IN THE PIPELINE**  
**(Scenarios If All Projects Are Developed)**

	Number Units	<u>Absorption Scenarios</u> /a/		
		<b>Trends</b> @ 800/year After 2011	<b>Option</b> @ 1,200/year After 2011	<b>ABAG 2007</b> @ 1,900/year After 2011
Already Approved Projects	8,630	10.8 years In 2022	7.2 years By 2019	4.5 years In 2015-2016
Projects in Predevelopment, Mid-2009	9,000	+11.25 years In 2033	+7.5 years By 2026	+4.7 years In 2020-2021
/a/ Absorption averaging 800 units per year is a trends-based scenario that continues the rate of development and growth that occurred since 2000. Absorption at 1,900 units per year reflects the ABAG <i>Projections 2007</i> , a policy-based scenario for increased growth in Oakland in the future. Absorption averaging 1,200 units per year presents another scenario.				
Source: Hausrath Economics Group				

Oakland, from a trends rate similar to that which occurred 2000-2009 to a much higher rate as assumed in the Association of Bay Area Governments (ABAG) *Projections 2007*.

The large number of housing units in pipeline projects and the long timeframe for absorption, indicates that many of those projects may not be built as anticipated.

– Trends Continue.

If the development and absorption of new housing were to resume after recovery from the current downturn and continue at the average rate experienced 2000-2009 (average absorption of 800 units per year), it would take about 11 years to develop and absorb the housing in already approved projects and another 11 years to build and absorb the projects currently in the predevelopment process.

– ABAG Assumptions.

If the average rate of development and absorption of new housing in Oakland were to more than double after recovery from the current downturn (to an average of 1,900 units per year), consistent with the policy-based forecasts in ABAG's *Projections 2007*, it would take about five years to develop and absorb the units in already approved projects and another five years to build and absorb units in projects currently in the predevelopment process (see Table 11). This rate of growth is substantially higher than what has occurred in Oakland.

The ABAG projections, summarized in Table 12, reflect household growth from 2000 to 2010 consistent with recent trends. The forecasts increase substantially thereafter and reflect average annual growth in the next 15 years that is more than double that of the current decade. The ABAG projections were prepared in 2006, prior to the current housing market downturn and economic recession, so some adjustment for the 2007 to 2012 period will be required when the numbers are next updated.

<b>TABLE 12</b> <b>ABAG PROJECTIONS 2007</b> <b>HOUSEHOLD PROJECTIONS FOR OAKLAND</b> <b>AND EQUIVALENT HOUSING UNITS</b>				
ABAG P2007	<u>Household Forecasts</u>		<u>Housing Units Absorbed</u> <u>Assuming 4% Vacancy Rate</u>	
	Growth	Average Annual Growth	Growth	Average Annual Growth
2000-2005	3,790	758		
2006-2010	<u>5,030</u>	<u>1,006</u>		
2000-2010	8,820	882	9,190	919
2011-2025	27,810	1,854	28,970	1,931
NOTE: The ABAG projections were published December 2006 and prepared prior to the 2007 housing market downturn and economic recession that followed.				
Source: ABAG <i>Projections 2007</i> ; Hausrath Economics Group.				

### 3.2.2 Housing Development in Downtown and in the Project Area/Nearby Areas

#### ◆ Half of City's Housing Development Has Been in Central Oakland

Since 2000, 50 percent of the new housing developed in Oakland has been built in Downtown and the Upper Broadway area to the north, approximately 4,700 of the 9,500 new units built and under construction from 2000 through mid-2009, as summarized in Table 13. Demand for higher-density, downtown housing has been strong and has been a major factor supporting increased housing development in Oakland. Overall, the approximately 4,100 units built in Central Oakland from 2000 through mid-2009 reflect an *average development of about 440 units per year*.

<b>TABLE 13 HOUSING DEVELOPMENT IN CENTRAL OAKLAND UNITS BUILT AND IN THE PIPELINE, 2009</b>				
	<b>Central Oakland /a/</b>		<b>Downtown Oakland /b/</b>	<b>Project Area, Nearby Areas, &amp; Adams Point /c/</b>
	No.	% Citywide	No.	No.
Built 2000-2005	1,875	44%	1,582	293
Built 2006-mid 2009	<u>2,219</u>	<u>54%</u>	<u>1,817</u>	<u>402</u>
<b>Total Built</b>	<b>4,094</b>	<b>49%</b>	<b>3,399</b>	<b>695</b>
<b>Average Annual Units Built</b>	<b>442</b>		<b>367</b>	<b>75</b>
Under Construction 2009	<u>622</u>	<u>57%</u>	<u>622</u>	<u>--</u>
<b>Built + Under Construction</b>	<b>4,716</b>	<b>50%</b>	<b>4,021</b>	<b>695</b>
Approved, as of mid 2009	<u>2,782</u>	<u>32%</u>	<u>1,671</u>	<u>1,111</u>
<i>Built, Under Construction, and Approved</i>	7,498	41%	5,692	1,806
Predevelopment, as of mid 2009	3,620	40%	3,576	44
<b>TOTAL</b>	<b>11,118</b>	<b>41%</b>	<b>9,268</b>	<b>1,850</b>
/a/ Area bounded by I-580, Lake Merritt and the Channel, Oakland Estuary, and I-980 and Brush Street. /b/ Oakland Central to the south of Grand Avenue. /c/ Oakland Central to the north of Grand Avenue.				
Source: Hausrath Economics Group; <i>Oakland Draft Housing Element 2007-2014</i> ; Oakland Cumulative Growth Scenario, June 2006 and July 2007.				

♦ **Most Housing Developed in Downtown, With a Share in the Project Area and Nearby Areas As Well.**

The large majority of units built in Central Oakland have been developed in Downtown, including the Jack London District (4,020 units of the 4,720 units built and under construction). A notable share (about 700 units) were built in the Project Area and Nearby Areas, to the north of Grand Avenue. Interest in developing new housing in the Project Area and Nearby Areas has increased over time, with about 300 units developed from 2000 to 2005, and 400 units built from 2006 to mid-2009. Much of the new construction has been occurring at the southern end of the Project Area and Nearby Areas, nearest Downtown (in the vicinity of Broadway, Grand Avenue, and 23<sup>rd</sup> Street). Two large projects were recently completed along Grand Avenue just outside the Project Area, Broadway Grand (132 units) and 100 Grand (238 units). (See Table 14.)

**TABLE 14  
HOUSING DEVELOPMENT IN THE PROJECT AREA  
AND NEARBY AREAS**

	Housing Units		
	Project Area	Nearby Areas	Total
Built 2000-2005	-	293	293
Built 2006-mid 2009	<u>48</u>	<u>354</u>	<u>402</u>
<b>Total Built</b>	<b>48</b>	<b>647</b>	<b>695</b>
<i>Average Annual Units built</i>	<i>5</i>	<i>70</i>	<i>75</i>
<b>Approved, as of mid 2009</b>	<b>672</b>	<b>365</b>	<b>1,037</b>
Predevelopment, as of mid 2009	<u>24</u>	<u>-</u>	<u>24</u>
<b>TOTAL</b>	<b>744</b>	<b>1,012</b>	<b>1,756</b>
Existing Housing Units, 2000			3,701
NOTE: Small differences between the data above and that in Chapter 3 of the Existing Conditions Report reflect small differences in unit counts among sources and updated information.			
Source: Hausrath Economics Group; <i>Oakland Draft Housing Element 2007-2014</i> ; Oakland Cumulative Growth Scenario, June 2006 and July 2007.			



◆ **Large Numbers of Units in Approved Projects in the Project Area and Nearby Areas**

There currently are approximately 1,040 units in already approved projects in the Project Area and Nearby Areas (see Table 14). About 670 of those units are in three approved projects in the Project Area:

- |   |           |
|---|-----------|
| – Broadway/Grand Phase 2<br>Broadway bet. 23 <sup>rd</sup> and 24 <sup>th</sup> Streets                   | 367 units |
| – 2300 Broadway Phase 2<br>23 <sup>rd</sup> and Webster   | 24 units  |
| – Valdez and 23 <sup>rd</sup> Street Project<br>Valdez/Webster/23 <sup>rd</sup> /24 <sup>th</sup> Streets | 281 units |

All three projects are located in the Valdez Triangle identified as the preferred area for a lifestyle retail district in the earlier section addressing retail market demand. As currently approved, the three projects do not include major retail uses as appropriate for comparison retailing shopping.

There also are 365 units in five approved projects in Nearby Areas, all on the west side of the Project Area.

All of the approved projects are “on hold” pending recovery of the economy and housing market. As described for the citywide context above, there is uncertainty about the timing for recovery, and it could take several more years before new construction is again feasible. If the market were to recover by the end of 2012, it could take at least six years thereafter, or to around 2018, to build/absorb all of the units in already approved projects in Central Oakland (2,780 units overall at the recent rate of about 440 per year). This timeframe could apply to approved projects in the Project Area as well.

### **3.3 Implications For Project Area Development**

Drawing from the housing market context described above and in the Existing Conditions Report (Chapter 3), there are implications for Project Area development of major destination retail and housing. These are summarized below.

◆ **Market Potentials for More Housing Development Are Good Over the Longer Term. Amounts of Housing Development in the Project Area Depend on Comparison Goods Retail Development**

As discussed above, there has been increased interest in housing development in Downtown Oakland that has begun to extend northward into the Project Area.

Once the recent market downturn recovers, potentials for more housing development are good throughout Central Oakland. Thus, over the long term, housing development could contribute to the mix of urban uses desired to support major new retail development in the Project Area.

The amount of housing that could be built and absorbed in the Project Area depends on the development patterns for new comparison goods retailing, and on the timing of housing market recovery vis-à-vis the timing for retail development (see below). Potentially, new housing in the range of 800 to 1,500 units could be included as part of retail/mixed use development. However, as described in the previous section, comparison goods retailing needs to be the priority for development in the Project Area. Residential development should be included where appropriate as a supporting use. There are many other location options for housing development nearby and in Downtown, as well as in other parts of Oakland, while the Project Area has been identified as the City's single best opportunity to establish destination retailing in Oakland.

◆ **Nearer-Term, The Housing Market Downturn Continues to Impact Feasibility, and It Will Take Time for Recovery. Already Approved Projects Raise Issues.**

Vacancies in new projects, declines in housing sale prices and rents, and problems securing financing, have made it infeasible to develop new housing at the present time and for the foreseeable future. The timing for market recovery is uncertain and could require several more years, at least through 2011/2012, and possibly through 2013/2014 (four to five years out).

Already approved projects will remain on-hold for a while longer until the market recovers. Some sites may even become available for other uses. There are about 670 prospective units in three approved projects in the Project Area.

– ***Questions About Consistency With Objective for Major Retail***

All three of the approved projects are located in the Valdez Triangle area identified as the preferred location for a lifestyle retail district, in the earlier section addressing retail market demand. *The projects were not designed as part of a retail district and do not include major retail uses. Consideration should be given to whether and how these developments might be incorporated into a larger mixed-use concept for major retail, and whether changes could be made to include major retail in appropriate locations so as to support a new retail district in the area.*

– ***Effects on Timing of Other Future Housing Development***

When the housing market recovers, already approved projects could be built before other new housing developments occur. As identified above,

it could take 8 to 10 years for the market to recover and for approved projects in the Project Area and other parts of Central Oakland to be built and absorbed, depending on how many projects remain viable.

The pipeline of approved projects could affect the timing and nearer-term feasibility of mixed-use development with major retail and housing. Potential developers will likely consider other possible upper-floor uses in the nearer term as well as options for developing housing in later phases. If existing entitlements were incorporated into the plans for a larger retail district with mixed uses, retail/mixed use development may be able to proceed sooner than if it had to wait for already approved projects to be built.

◆ **Project Area Land Values Have Been Driven By the Housing Market and Encouraged By City Land Use Policies. Land Values for Higher-density Housing Are Higher Than Land Values for Major Retail.**

The increases in land values in the Upper Broadway area since the late 1990s and early 2000s through 2007 were driven by the housing market. Higher-density housing as allowed in the area by City land use policy, supported higher land values than the major retail uses desired for the Project Area can support. Primarily residential development also can have higher land values than mixed-use development with housing and major retail.

◆ **Housing Market Downturn Has Had Effects on Land Values. Developers and Agency Should Be Alert to Motivated Sellers.**

With the housing market downturn, current (2009) land values are lower than values in recent years. Land owners, however, may be hesitant to sell at lower prices, hoping for a return to higher values when the market recovers. Attention should be paid to motivated sellers in the near term, who may be willing to sell land in the Project Area based on current values. Acquisition of land at current prices could help in assembling the large site area needed for development of the desired retail district.

◆ **Appropriate to Consider How Land Use Policies Could Help Facilitate Major Retail Development As Desired in the Project Area**

As now structured, land use policies in the Project Area allow higher densities and have encouraged residential development over other land uses. Interim zoning controls for the area have been instituted to preserve and enhance retail opportunities on the ground level, pending completion of the Specific Plan. Even with these changes, the higher densities allowed support higher land values and increase the likelihood that higher density mixed use development as well as public subsidies will be required in order to make major retail development feasible. To help achieve the City's objective of destination retail in the Project

Area, more consideration should be given to further ways of using land use policies to encourage and give priority to major retail development while still allowing a mix of uses and densities to support that development. Such analysis will be done later in the planning effort as part of developing the Specific Plan.

It is important to recognize that there are many other locations for higher-density residential development in Central Oakland outside of the Project Area, as well as along the other major transit corridors in the city. Giving priority to major retail development or to major retail/mixed use development makes sense as the Project Area has been identified as the City's *single best opportunity* to capture destination retailing.

#### ◆ **Comment About Affordable Housing**

The financial benefits of residential development as identified in the *Upper Broadway Strategy*, occur when new housing: (a) generates revenues that cover all of its costs, and (b) provides additional revenues over and above costs to help support the new retail development and increase the overall land values created by retail/mixed use development. Such benefits require housing development with prices/rents at the higher end of the range for locations in Central Oakland and Downtown. Developing affordable housing as part of retail/mixed use development in the Project Area would not provide the desired financial benefits. Affordable housing requires subsidies to cover the costs of the housing development, and does not generate additional revenues/value to support the retail development.

## **4. MARKET DEMAND FROM OTHER USES**

This section addresses market potentials for other uses in the Project Area, focusing on possible upper floor or nearby uses that could increase density and enhance the feasibility of major retail development. These include office, hotel, and convenience commercial uses. The assessments of the office and hotel markets focus on identifying those submarkets (i.e. types of office and hotel uses and market niches) that could be attracted to the Project Area as a result of the competitive advantages of this location, assuming development of major comparison retail shopping here in the future. Following consideration of the office and hotel markets, this section considers potentials for smaller convenience retail and service uses in the Project Area. All of these assessments draw from an understanding of the larger market contexts for offices, hotels, and convenience commercial uses in Oakland and the Inner East Bay, as available from other efforts and many years of study by the consultants. There also is consideration of auto dealerships remaining in the area in the future, drawing from the analysis in Chapter 3 of the earlier *Existing Conditions Report*.

## **4.1 Office Market Demand**

### **Potentials for Smaller Professional and Other Offices As Upper-Floor Uses in the Project Area**

There are potentials for growth of smaller, professional office uses in the Project Area. These include smaller space users who could be attracted to locations in the area because of:

- Its central location and good accessibility;
- Proximity to new retail uses and eating places in the area (once developed);
- The attractiveness of more of a neighborhood setting than offered in the downtown area;
- Proximity to the hospital medical centers nearby;
- Proximity to downtown businesses; and/or
- Proximity to the population residing in surrounding parts of central and north Oakland.

Smaller-scale offices could be developed as upper-floor uses over retail, in lower to mid-rise buildings. The office space envisioned should provide an alternative setting and scale of development to the larger, office buildings in Downtown Oakland. The demand for smaller, professional offices is likely to be evidenced once the desired retail district is begun and will grow after it is established. An example is provided by Fourth Street in Berkeley, where office uses have been filling in around the retail development. There also are smaller professional offices in upper-floor space along College Avenue and in the newer Market Hall development. Further examples are provided by the office uses along Grand Avenue/Adams Point, Upper Grand Avenue, and in Montclair.

Overall, about 50,000 to 150,000 square feet of upper floor office space could potentially be accommodated in the Project Area, most in the upper floors of major new retail development, such as in the Valdez Triangle. The specific amounts of space will depend on the development scheme(s) for the new comparison retail shopping.

Examples of the types of office tenants that might be attracted to the Project Area include the following:

- ♦ Smaller, professional firms and individuals:
  - Accountants
  - Attorneys
  - Architects/designers
  - Engineers
  - Other Consultants
  - Photographers/studios
  - Interior design studios

- ◆ Medical and related professionals and services:
  - Doctors
  - Dentists
  - Therapists/psychologists
  - Physical therapists
  - Offices of medical associations
  - Opticians
- ◆ Real estate, finance, and insurance services/offices:
  - Mortgage brokers
  - Title insurance companies
  - Insurance agents
  - Real estate companies and brokers/agents
  - Appraisers
- ◆ Non-profits
- ◆ Technology specialists and smaller companies:
  - Software and related development
  - Small business IT support services

The Project Area's proximity to Pill Hill could help in attracting medical and related professionals whose services supplement the larger and more institutional medical services more directly associated with the hospital medical centers. Opportunities for office condos might also be attractive to some medical professionals.

### **Medical Office Growth Likely to Focus Within the Medical Center Areas**

The major hospital medical centers in the area, Alta Bates Summit and Kaiser Permanente, both have seismic upgrade and master plan projects underway for the future, as described in Chapter 3 of the Existing Conditions Report (see Section 3.3.3 and Tables 3-6 and 3-7). Both propose to expand medical offices within their campuses. The Alta Bates Summit proposal for Pill Hill includes a new medical office building and new space for Samuel Merritt College in addition to improvements of the hospital facilities. With these improvements, much of the medical office growth is likely to focus on Pill Hill in the future. There also are other sites on Pill Hill and in the vicinity, outside the Project Area that could be used for development of medical office space and facilities.

Within the Project Area, the large sites on Broadway adjacent to Pill Hill (at the northern end of the Project Area) could be the most attractive for larger-scale medical office development, medical-related research or treatment facilities, and other uses related to the medical center, if there were demand to expand outside of the current Pill Hill areas. Recently, property owners of the former GM Auto site at the North End are considering mixed use development with a major medical office component. Specific analysis of the medical industry and the adjacent medical center were not included as a part of this effort.

## **Project Area Unlikely to Compete for Major Downtown Office Tenants**

After Downtown San Francisco, Downtown Oakland includes the second largest concentration of office activity in the region. Currently, there is about 19.0 million square feet of office space in Downtown Oakland, accommodating about 60,000 employees and over three-quarters of total Downtown employment of around 78,000 in 2009. Downtown office space is concentrated in three areas and includes both leased space and government-owned office buildings:

<u>Sub-markets</u>	<u>Building Space, 2009</u>
Lake Merritt-Oakland CBD /a/	7.0 mil. sq. ft.
City Center-Oakland CBD /a/	5.3 mil. sq. ft.
Jack London District	1.5 mil. sq. ft.
Government Buildings	<u>5.2 mil. sq. ft.</u>
Total:	19.0 mil. sq. ft.

/a/ Submarket areas defined by BT Commercial for purposes of their Office Market Reports. Includes office space in the Lake Merritt and City Center office areas of the Downtown Oakland CBD.

Source: Hausrath Economics Group; NAI/BT Commercial Office Market Report, First Quarter 2009.

The majority of the Downtown office space is in larger office buildings.

There are numerous sites for future office building development Downtown. There are plans and approved projects for major new office buildings in both the Lake Merritt/Kaiser Center and City Center office districts. There also are office projects and potentials in locations along Broadway between the two office districts. The downtown BART stations and bus services also are designed to serve these office areas.

It is anticipated that office growth will continue to occur in the Downtown area, expanding upon and intensifying the Downtown Oakland office district. It is unlikely that sites in the Project Area will compete for major downtown office tenants.

## **4.2 Hotel Market**

### **Could Be Potential for Boutique-style Hotel**

There will likely be potential for a hotel in the Project Area, particularly in later phases after a lifestyle retail district is established. Potentially, a smaller, boutique-style hotel with 150 to 250

rooms could be attracted to the Project Area. Stronger locations for a hotel include those near Lake Merritt (on Harrison at the southeastern end of the area) and Downtown (on Broadway at the southern end). A taller hotel structure on Harrison could potentially offer views of the lake.

### **Hotels in Oakland Will Remain Concentrated in Downtown, Along the Waterfront, and in the Airport Area**

Hotels in Oakland are concentrated in Downtown, along the Estuary waterfront, and in the vicinity of Oakland Airport. Currently, there are over 3,000 hotel rooms in 17 hotels in these areas:

	<u>No. Hotels</u>	<u>Hotel Rooms</u>
Downtown Oakland and Estuary Waterfront	8	1,485
Oakland Airport Area	<u>9</u>	<u>1,545</u>
	17	3,030

Source: Hausrath Economics Group; Oakland Chamber of Commerce 2009; *Oakland Convention Center Feasibility Study*, 2003.

In addition, Oakland's convention center is in Downtown (adjacent to the Marriott Hotel), and the master plan for Jack London Square includes a new hotel and conference facilities along the waterfront. It is anticipated that hotels in Oakland will continue to be concentrated in the downtown, waterfront, and airport areas.

Other hotels in the Inner East Bay are concentrated in Emeryville and at the Berkeley Marina, with some hotels in other parts of Berkeley and in Alameda as well. There also is the Claremont Resort & Spa in the Oakland/Berkeley hills.

## **4.3 Potentials for Convenience Retail and Service Uses**

### **Potentials for Smaller Convenience Retail and Service Uses**

There are potentials for smaller convenience retail tenants and local service uses in the Project Area, filling in over time. Such uses would be attracted to the area to serve:

- Residents of the area (existing and new);
- Employees working in the area;
- Shoppers at the destination retailing to be built in the area; and
- Those at the nearby medical centers, particularly Pill Hill (patients, employees, and visitors).

Spending by all of the groups above will grow over time, for convenience retailing and various personal and professional services.



Examples of the types of tenants and uses that might be attracted to the Project Area include the following:

- Local service tenants/small shops
  - Dry cleaning
  - Video rental
  - Shoe repair
  - Copy shop
  - Flower cart/shop
  - Newsstand
- Personal service tenants
  - Hair salon
  - Barber shop
  - Nail salon
- Eating/Food
  - Small cafés
  - Sandwich shop
  - Snack bar
  - Coffee shop

Such uses would fill in over time as the area develops. These uses will seek lower cost locations, such as on the fringes of the new lifestyle retail district or other new retail development, and on the ground floors of residential buildings in less prominent locations. Some could locate in second-floor retail space in the retail district and other new developments.

Given the presence of two major medical centers nearby, there is probably some unmet demand for late night convenience and eating/food places, as both of the hospitals have late night and early morning shifts. Similarly, there is late-night employment at the senior care residence facilities located in the Project Area, and in nearby and surrounding areas (Adams Point, Piedmont Avenue area, and North Oakland on Pleasant Valley Ave.). As an example of these markets, the Longs/CVS Drug Store on Pleasant Valley near Broadway which is open 24 hours, has notable late night business from people working at the hospitals and senior care facilities.

While there will be growth of spending for convenience retail and service uses, and there may be some untapped demand currently, there are several neighborhood commercial districts and retail areas nearby that also serve the Project Area and the hospital medical centers. These include:

- Piedmont Avenue;
- Grand Avenue/Adams Point;
- Upper Grand Avenue; and
- Telegraph Avenue/Northgate and below Pill Hill.

Although the Project Area can offer more convenient locations for area residents and employees, these other neighborhood commercial districts already have an established presence and will continue to attract at least some of the spending of those in the Project Area and medical center areas.

The ability of the Project Area to serve local convenience/service markets would be enhanced in the future by the establishment of destination retailing in the Project Area. There are two reasons. First, a lifestyle retail district would establish the area as a major retailing location, and its reputation and high activity level would be attractive to smaller convenience tenants as well. Secondly, it is possible that one or more large format retailers could be included in future retail development in the area and offer convenience goods and services in addition to comparison goods retailing. An example is a possible Target store in the Project Area. Target typically includes drug store, personal care, and food items in addition to comparison goods (clothing, household goods, and specialty items).

#### **4.4 Auto Dealerships**

From a market perspective, the future for auto dealers in the Project Area is relevant to the Specific Plan effort from two perspectives:

- How changes in the auto industry affect the availability of sites for reuse and/or new development in the Project Area.
- How dealerships remaining in the area can be integrated into the retailing strategy for the Project Area.

#### **Recent Trends Are Impacting Auto Dealers, Further Closures Are Likely, and Properties Will Become Available For New Uses**

The severity of the current economic downturn combined with longer-term automobile industry trends have significantly affected auto-related businesses in the Project Area. Auto sales are down significantly and dealerships have closed or left the area. As these changes occur, additional properties have and will become available for reuse and/or new development, possibly in the near future. Some of the larger properties in the area could be affected.<sup>10</sup>

As changes occur, there could be opportunities to gain site control for the desired retail district development (see discussion in the earlier section addressing the retail market). Developers and/or the Agency need to be alert for the sale of properties. It makes sense to option or purchase properties in the area, particularly those in strategic locations for the retail district development.

There also could be changes in tenants and uses for current auto dealer properties. Permit/development applications to the City should be reviewed and other steps taken to encourage uses and development consistent with the objectives for major retail/mixed-use

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<sup>10</sup> Also see Chapter 3 of the Existing Conditions Report for more discussion of trends affecting auto dealers on Broadway Auto Row.

development in the area. Continuation of interim land use controls for the area will be useful, while the Specific Plan is under preparation.

### **Stronger Auto Dealerships Are Likely to Remain in the Area and Can Add to the Mix of Uses and Attractions**

The stronger dealerships are likely to remain viable and continue to value Broadway locations for their businesses. Recent economic conditions could encourage dealers to remain in the area longer than they might otherwise, given the difficulties of relocating and financing new facilities.<sup>11</sup>

There are locations along Broadway that could remain in use by auto dealers, and also be consistent with the overall objective for destination retail in the area. Successful new destination retailing nearby could be of benefit to auto dealers, increasing their visibility and attracting substantially more people to the area. In addition, the auto dealers would represent another type of destination retailing, that adds to the mix of uses and attractions in the area.

While there are many uncertainties, it appears at the time of this analysis, that there could be three to five dealers desiring to remain in the Project Area, at least for a while into the future. The Specific Plan alternatives should identify locations for auto dealers within the context of (a) the strategy proposed for destination retailing in each alternative, and (b) the existing locations and property ownerships for the dealerships. Based on the benefits of establishing a lifestyle retail district in the Valdez Triangle (as described in the earlier retail market section), locations just north of 27<sup>th</sup> Street may provide the best locations for the auto dealers. Some of the dealers likely to remain are already located in this area. Over time, auto dealer activities remaining in the area could be anticipated to adapt to more urban forms of operation, with higher densities and less land devoted to auto display and storage on-site.

## **4.5. Public Facilities and Uses**

Several public uses and facilities have been suggested as possible uses within the Project Area, to expand upon the mix of uses in this part of Oakland. The suggestions include a new main public library, a senior center, childcare/early education facility, and public/private schools. To be viable, such uses would require outside funding beyond that supported by development in the Project Area. Public uses such as these would serve a broader area and could also be located elsewhere in Central Oakland and surrounding areas. The biggest concern from a market perspective, is that to achieve the City's objectives for establishing major comparison goods shopping in the Project Area, the retail development needs to be given priority for locations in the Project Area. Public facilities may be appropriate in more peripheral locations, outside of the areas desired for major retail and related commercial and residential uses.

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<sup>11</sup> When the *Upper Broadway Strategy* was prepared, an auto mall on the former Oakland Army Base was being planned to provide new, modern facilities for the relocation and expansion of Broadway Auto Row dealers. Those plans are no longer viable.

## **5. DEVELOPMENT PROGRAM OVERVIEW**

The market analyses discussed herein identify potentials for development of major destination retailing in the Project Area and potentials for a mix of other uses in addition. The tables that follow on the next several pages identify the potential ranges of space of each type that could be included in development programs for the Project Area, focusing on parameters for the desired retail development. A number of combinations are possible. The earlier text, in the retail section in particular, provides more detailed descriptions of the desired concepts and development characteristics for successful retail/mixed use development in the Project Area.

Table 15, on the next page, provides an overview of potential development programs for each part of the Project Area: the Valdez Triangle and the North End. Tables 16 and 17 then provide more detail on possible development programs for a lifestyle retail district in the Valdez Triangle, focusing on retail and related uses. Table 18 provides more detail for possible retail development in the North End, to the north of 27<sup>th</sup> Street.. Appendix A, at the end, includes a memo that provides additional input on market parameters for the retail development, addressing questions raised by the Consultant Team.

The tables that follow and the results of the market analyses presented throughout this report, provide input and direction for developing land use alternatives for the Project Area. More specific development programs will be identified for the alternatives, after blending the market information with the physical characteristics and other specifics of development sites and locations in the Project Area.

**TABLE 15  
DEVELOPMENT PROGRAM PARAMETERS**

Use	Space
<b><u>Valdez Triangle</u></b>	
<i>Concept: Creation of significant lifestyle retail district as the primary shopping experience.</i>	
<b>Retail and Related Uses</b>	<b>~1,000,000 sq. ft. desired</b>
Major Anchors (2)	300,000 – 330,000 sq. ft.
Other Comparison Goods Retailers (minor anchors and small shops)	475,000 – 620,000 sq. ft.
Other Tenants (eating and drinking, entertainment, arts and cultural, convenience retail and services)	175,000 – 250,000 sq. ft.
<b>Other Potential Uses for Retail/Mixed-Use Development</b>	
Offices (upper-floor)	50,000 – 150,000 sq. ft.
Hotel (possibly boutique)	150 – 250 rooms
Residential	400 – 750 units
<b><u>North End</u></b>	
<i>Concept: Attract additional destination retailers, supplementing retail district in Valdez Triangle and expanding shopping opportunities in Oakland.</i>	
<b>Retail and Related Uses</b>	<b>~500,000 sq. ft. desired</b>
Major Anchors/large-format retailers	220,000 – 250,000 sq. ft.
Other Comparison Goods Retailers (minor anchors and small shops)	135,000 – 200,000 sq. ft.
Other Tenants (eating and drinking, convenience retail and services)	55,000 – 100,000 sq. ft.
<b>Other Potential Uses</b>	
Auto Dealers	3 – 5 potentially remaining
Medical Offices and Related	?
Residential	400 – 750 units

**TABLE 16**  
**POSSIBLE DEVELOPMENT PROGRAM FOR**  
**LIFESTYLE RETAIL DISTRICT IN VALDEZ TRIANGLE AREA**

<b>◆ Comparison Retail Tenants</b>			
– <b>2 Department Stores</b>			
– Full-line dept. store	3 levels	150,000-180,000 sq. ft.	
– Full-line, fashion-oriented	2-3 levels	150,000 sq. ft.	
At strategic locations; possibly:			
– Blk. on west side of Broadway, 23 <sup>rd</sup> to 24 <sup>th</sup> Sts.			
– Area bounded by 27 <sup>th</sup> St./24 <sup>th</sup> St./Valdez			
– <b>Other Anchors</b>			
– Larger, 40,000-75,000 sq. ft.	1-2 levels	80,000-120,000 sq. ft.	
– Smaller, 12,000-35,000 sq. ft.	1-2 levels	160,000-200,000 sq. ft.	
– <b>Small Shops</b>			
– 4,000-15,000 sq. ft.	1 level	125,000-150,000 sq. ft.	
– 500-4,000 sq. ft.	1 level	110,000-150,000 sq. ft.	
<b>◆ Other Tenants</b>			
– <b>Eating and Drinking</b>			
	Locate on 1 <sup>st</sup> or 2 <sup>nd</sup> levels	100,000-120,000 sq. ft.	
3 larger destination restaurants @ 12,000-15,000 sq. ft. avg.			
Food court/emporium, 20,000-30,000 sq. ft.			
6-8 mid-size restaurants, pubs, etc. @ 5,000-10,000 sq. ft.			
8 smaller café, sandwich shops, coffee/snacks/ice cream @ 1,000 sq. ft. avg.			
– <b>Entertainment/Recreation/Arts &amp; Cultural</b>			
	Locate to help circulate people & expand dwell time; lower rent locations	50,000-80,000 sq. ft.	
Possibilities:	Cinema, music venues/clubs, bowling/billiards, spa/health club		
Possibilities:	Galleries, small museum or art/local history exhibit, multi-faceted “black box” or stage area for theatrical performances, dance, puppet theater, music events, etc.		
– <b>Convenience Retail and Services (smaller spaces)</b>			
	Lower rent locations	25,000-50,000 sq. ft.	
Possibilities:	– Specialty foods, fresh produce – Florist/flower cart – Hair salon		
<b>TOTAL</b>		<b>Approx.</b>	<b>950,000–1.2 mil sq. ft.</b>

**TABLE 17**  
**VARIATION: POSSIBLE DEVELOPMENT PROGRAM FOR**  
**LIFESTYLE RETAIL DISTRICT IN VALDEZ TRIANGLE AREA**

◆ **Comparison Retail Tenants**

– **2 Department Stores**

- |                               |            |                         |
|-------------------------------|------------|-------------------------|
| – Full-line dept. store       | 3 levels   | 150,000-180,000 sq. ft. |
| – Full-line, fashion-oriented | 2-3 levels | 150,000 sq. ft.         |

At strategic locations; possibly:

- Blk. on west side of Broadway, 23<sup>rd</sup> to 24<sup>th</sup> Sts.
- Area bounded by 27<sup>th</sup> St./24<sup>th</sup> St./Valdez

– **Retail Clusters/Themes**

- |  |                                |                         |
|--|--------------------------------|-------------------------|
| Example: Recreation/athletics/outdoor/health & fitness cluster |                                | 175,000-225,000 sq. ft. |
| – Large (REI or Patagonia)                                     | 2 levels                       | (if large REI)          |
| – Smaller stores focused on theme                              | 1 level                        |                         |
| – Could include fitness center, spa, health foods store, etc.  | 2 <sup>nd</sup> level possible |                         |

Note: Other clusters/themes possible  
More likely 60,000-100,000 sq. ft. without large anchor like REI

– **Other Anchors**

- |                         |            |                         |
|-------------------------|------------|-------------------------|
| – 12,000-50,000 sq. ft. | 1-2 levels | 115,000-175,000 sq. ft. |
|-------------------------|------------|-------------------------|

– **Small Shops**

- |                        |         |                         |
|------------------------|---------|-------------------------|
| – 4,000-15,000 sq. ft. | 1 level | 100,000-125,000 sq. ft. |
| – 500-4,000 sq. ft.    | 1 level | 100,000-125,000 sq. ft. |

◆ **Other Tenants**

– **Eating and drinking**

- |   |                         |
|---|-------------------------|
| Locate on 1 <sup>st</sup> or 2 <sup>nd</sup> levels | 100,000-120,000 sq. ft. |
|---|-------------------------|

3 larger destination restaurants @ 12,000-15,000 sq. ft. avg.  
Food court/emporium, 20,000-30,000 sq. ft.  
6-8 mid-size restaurants, pubs, etc. @ 5,000-10,000 sq. ft.  
8 smaller café, sandwich shops, coffee/snacks/ice cream  
@ 1,000 sq. ft. avg.

– **Entertainment/Recreation/Arts & Cultural**

- |   |                       |
|---|-----------------------|
| Locate to help circulate people & expand dwell time; lower rent locations | 40,000-75,000 sq. ft. |
|---|-----------------------|

Possibilities: Cinema, music venues/clubs, bowling/billiards  
Possibilities: Galleries, small museum or art/local history exhibit, multi-faceted “black box” or stage for theatrical performances, dance, puppet theater, music events, etc.

– **Convenience Retail and Services** (smaller spaces)

- |                      |                       |
|----------------------|-----------------------|
| Lower rent locations | 25,000-50,000 sq. ft. |
|----------------------|-----------------------|

Possibilities: – Specialty foods, fresh produce  
– Florist/flower cart  
– Hair salon

**TOTAL**

**Approx. 955,000-1.225 mil. sq. ft.**

**TABLE 18**  
**POSSIBLE DEVELOPMENT PROGRAM FOR**  
**MAJOR RETAIL NORTH OF 27<sup>TH</sup> STREET**

♦ **Comparison Retail Tenants**

– **Large-format Retailer(s)**

Ex: Target store

1-2 levels

150,000 sq. ft.

Other larger retailer

1-2 levels

70,000-100,000 sq. ft.

– **Other Anchors**

12,000-40,000 sq. ft.

1-2 levels

60,000-90,000 sq. ft.

– **Small Shops**

– 4,000-15,000 sq. ft.

1 level

40,000-60,000 sq. ft.

– 500-4,000 sq. ft.

1 level

35,000-50,000 sq. ft.

♦ **Other Tenants**

– **Eating and Drinking**

Locate on 1<sup>st</sup>  
or 2<sup>nd</sup> levels

25,000-30,000 sq. ft.

2 mid-size restaurants @ 7,500 sq. ft. avg.

5 smaller cafés, sandwich shops, coffee/snacks

@ 2,000 sq. ft. avg.

– **Convenience Retail and Services** (potentially some larger spaces)

Possibilities: – Drug store/pharmacy

1 level

20,000-40,000 sq. ft.

– Hair salon, barber shop, copy shop, cleaners

Lower cost  
locations

10,000-30,000 sq. ft.

**TOTAL**

**Approx. 410,000-550,000 sq. ft.**



## **APPENDIX A**

### **ADDITIONAL INPUT ON RETAIL MARKET PARAMETERS FOR LAND USE ALTERNATIVES**



## ***MEMORANDUM***

**Date:** July 2, 2009

**To:** Broadway/Valdez District Specific Plan Consultant Team

**From:** Hausrath Economics Group and Urbanics Consultants

**Subject:** **Additional Input on Retail Market Parameters for the Alternatives**

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This memo transmits more detailed input for developing the alternatives and seeks to respond to questions that have been raised. It focuses on the retail components of development. Typically, the development program parameters get refined by working on a site plan, locating major anchors, and seeing what seems to work by combining the specifics of the area/sites and the market parameters for the development. We anticipate doing that type of interaction in helping to develop the alternatives. The input in this memo is a starting point.

### **Possible Retail Development Programs**

There are three tables at the end of the Market Demand Report that provide detailed parameters for the types and sizes of retail uses that could be anticipated. The tables in the Market Report identify amounts of space by the type of retail, the types of tenants envisioned, and the range of typical sizes and the number of levels of development likely for the type of retail development program envisioned.

- ◆ Table 16 and Table 17 identify possible development programs for a lifestyle retail district in the Valdez Triangle Area. The differences between the charts relate to whether a fairly large themed retail cluster is included. The development programs assume a site area of 20 to 24 acres.
- ◆ Table 18 identifies a possible development program for the areas north of 27<sup>th</sup> Street, referred to as the North End. New development to accommodate larger-format retailers could be developed on the larger opportunity sites, with smaller retailers and related uses nearby in new and existing buildings.

There are other possibilities. These examples illustrate the relationships involved, and provide ranges for typical sizes, for beginning the process of developing land use alternatives.

## **Discussion About Market Parameters That Guide the Development**

There is no “formula”, *per se*, that we are looking for here. This should be a “grown in Oakland” development. However, there are characteristics, magnitudes, and relationships that are important. The questions raised by the Team are good ones. Some explanation follows, addressing the questions and issues regarding alternatives. The focus is on development of a lifestyle retail district in the Valdez Triangle Area (development programs in Tables 16 and 17).

## **Types and Scales of Lifestyle Centers and Relevance to Oakland Market**

Question:

*“Are there different scales for lifestyle centers? If so, what is their general composition in terms of anchors?”*

*In my review of a number of projects, there seem to be lifestyle centers in the 500,000-600,000 sq. ft. range that have a single major anchor, and then some that seem to be twice that big with two anchors. Are there any rules-of-thumb that we should be aware of?”*

### **◆ Lifestyle Centers and Major Anchors**

- For this project, the major relevance of “lifestyle center” or “lifestyle district” as used in our Market Report, is in the ambiance and the “place” that is created, and in the mix of tenants and land uses. The larger scale (amount of space and number/types of tenants) recommended here is similar to what is often included in regional retail centers and downtowns. We see the development as having the scale and anchor tenants of a larger center with the ambiance and other tenants of a lifestyle center. The *Upper Broadway Strategy* refers to “destination, comparison goods retail in a lifestyle or regional retail center format”. We are both considering a blend of the more “pure” concepts.
- Lifestyle centers are relatively new and are evolving. The ULI/textbook definitions focus on the following characteristics:
  - pedestrian-friendly
  - open-air
  - main street-like development
  - high-quality architecture
  - focus on retail sectors, in some cases
  - blend of mixed uses
  - create a sense of community as well as a shopping destination
  - include amenities, restaurants, and other uses/activities in addition to shopping that encourage consumers to visit and stay longer
  - are less dependent on department stores alone to attract customers, than traditional shopping centers

- typically oriented to up-scale customers
- typically higher density than traditional shopping centers.

There are examples of lifestyle centers at different scales and with and without department stores. They all have ***anchors***, but not all have *department store anchors*. For example, the anchors at Santana Row include Crate & Barrel, the Container Store, and Best Buy. Entertainment venues like a multi-screen cinema also are anchors, as are destination restaurants.

The types of anchors for particular centers depend on the ***market context***. Many lifestyle centers are located near another retail center or within a larger retail complex or downtown area, so that the department store majors are already located nearby, or elsewhere in the market area. This is the case for Santana Row (San José), Paseo Colorado (Pasadena), and The Americana at Brand (Glendale), for example. Lifestyle centers also can be oriented to other retail sectors besides apparel and department store merchandise, like Fourth Street in Berkeley which focuses on home furnishings and related retailers for anchors.

#### ◆ **Anchors and Overall Scale/Critical Mass for Oakland**

- *Focus Here Is On Comparison Goods Retailing and Department Store Anchors*

The market analysis highlights the large leakage of comparison goods retailing and the lack of major department stores and other comparison goods anchors in the Inner East Bay. It also identifies a market orientation to the upper middle and middle market segments. To serve the target markets, the new development should include department stores like Macy's (full line) and Nordstrom (fashion-oriented) to provide the merchandise and shopping options that will attract shoppers and compete effectively with retailing in surrounding areas. Thus, department stores are much more important here than in many other lifestyle centers.

- *Critical Mass and Scale are Important*

For the reasons described above, two department stores at a minimum are important. Further, we are looking to an overall amount of total retail and related uses of around 1 million square feet, for the reasons discussed next and in our Market Report.

- *Ratios of Department Stores/Majors to Smaller Stores and Other Tenants in the Recommended Program*

For a lifestyle retail district in Oakland with two major department stores, the overall size of 1 million square feet reflects the following factors:

- The department stores are major attractions for the development. They need to be “enticed”, and are typically supported by revenues from the other tenants. Thus, there needs to be a relatively/large number of smaller tenants (smaller anchors and small shops). In the development programs we identify (Tables 16 and 17), the department stores represent about 30% of the total space, which reflects a lifestyle district version of a shopping center. More traditional centers have three to four department stores and represent at least half of the space in the center. (The lower ratio of 30% of the space results in a more financially attractive project.)
- Because of the lifestyle center emphasis, in a street-oriented downtown setting, the other uses and the ambiance/place overall also are important and must contribute to the “attraction”. The department stores can only be a smaller percentage of total space than in a more traditional retail center if there is a large and strong mix of other uses and a unified, attractive shopping environment.

#### ◆ Question of Smaller Lifestyle Center As An Alternative

Possibly, the question raises the issue of a smaller lifestyle center (500,000-600,000 sq. ft.) with one department store/major anchor, as an Alternative to the recommended program. Our thoughts on that are the following:

- For the Oakland market context, the larger overall scale and two majors are important. This lifestyle district will be *the* shopping destination. It is not in addition to another shopping center or other downtown stores nearby.
- It may be difficult to attract only one major department store given the lack of other retail nearby. Potentially, one might be attracted if there were other larger anchors and/or a larger retail cluster with an anchor (like in Table 17) and a very attractive shopping environment overall. If so, the total scale is still likely to be more than 500,000-600,000 sq. ft. because of the need to *establish* retail in Oakland.

#### Relationship of Major Anchors, Other Anchors, and Small Stores

Question:

*“Is there a rule-of-thumb re: the proportion of small/mini anchors to anchors? Of small stores to majors? For example, the Upper Broadway Strategy alternative that we are using as a starting point has a 2:1:1 relationship between square footage in anchors, mini anchors, and small shops, or approximately the same amount in smaller-format stores as in the anchor(s). Is this a typical pattern we should look to replicate?”*

The proportions vary depending on the nature of the development and the markets served. The relationships for the development programs in Tables 16, 17, and 18 are summarized below.

### Proportions of Space By Use and By Size

	<b><u>Lifestyle Retail District Valdez Triangle Area</u></b> (Tables 16 and 17)	<b><u>Major Retail North of 27<sup>th</sup> Street</u></b> (Table 18)
<b><u>By Use and Size</u></b>		
Department Stores	29%	--
Other Larger Anchors	9%	52%
Mid-size Anchors	17%	15%
Small Shops	25%	18%
Eating and Drinking	10%	5%
Entertainment/Recreation/Arts & Culture	6%	--
Convenience Retail	<u>4%</u>	<u>10%</u>
TOTAL	100%	100%
<b><u>By Size Groups</u></b>		
Large Spaces (Dept. stores and large anchors)	38%	52%
Mid-size Spaces (other anchors, destination restaurants/entertainment – 2/3, convenience)	27%	26%
Small Spaces (small shops, small eating & drinking, arts & culture – 1/3, convenience)	<u>35%</u>	<u>22%</u>
TOTAL	100%	100%

### **Input Regarding Alternatives**

#### **Location Options**

There are options for locating the retail development programs within the Project Area. In the Valdez Triangle Area, the locations for the department stores/major anchors are important and set the “structure” for the other uses. The major anchors need to be in strategic locations. The development should extend to Broadway as well. Our suggestions for the department stores include:

- Block on west side of Broadway, 23<sup>rd</sup> to 24<sup>th</sup> Streets (Negherbon/Signature).
- Area bounded by 27<sup>th</sup> St./24<sup>th</sup> St./Valdez (Acura/Masri).

Other options are possible.

Major retail development north of 27<sup>th</sup> Street seems to work best on the large sites on either side of Broadway, at the northern end.

The locations in between (just north of 27<sup>th</sup> Street) could retain auto dealers, at least for a while, transitioning to more retail in the longer term. Any significant public uses could go in this area as well.

### **Scale Options**

This is very difficult. Changing scale changes the type of retail development, and changes the markets served and the ability to attract retail tenants and shoppers. This is particularly the case for the scale of the lifestyle retail district (Valdez Triangle Area). With smaller-scale development (in total or in several smaller nodes), it becomes likely that the result will be retail development like that in Alternatives 2 and 3 in the Upper Broadway Strategy, neither of which is preferred by the City:

- Nodes focused around large-format stores, which are themselves the attraction, rather than creation of a unified shopping district environment.
- Mixed Use (primarily residential and maybe office) with secondary retail on the ground floors, along the major streets. The retail will be primarily convenience and eating and drinking.

The consideration of smaller scale as the basis for an alternative needs to be evaluated very carefully. As the scale changes, the type of development, type of retailing, and markets served all change.