

Arguments in Favor of Retaining Neighborhood-Serving Retail Shopping as the Primary Use of Alma Plaza

Presented by:

Friends of Alma Plaza

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FRIENDS OF ALMA PLAZA

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FRIENDS OF ALMA PLAZA

WHO ARE FRIENDS OF ALMA PLAZA?

I. Who are Friends of Alma Plaza?

Friends of Alma Plaza is a grassroots group of south Palo Alto neighbors who wish to preserve neighborhood-serving retail shopping as the primary use of Alma Plaza as per the City's Comprehensive Plan. This effort is widely supported by new and longtime residents of the changing neighborhoods surrounding Alma Plaza as demonstrated by the over 500 (and growing) signatures on the petition to preserve neighborhood-serving retail at Alma Plaza.

The Friends of Alma Plaza believes:

- The City's Comprehensive Plan established Alma Plaza's neighborhood-serving retail designation, and the City should support the neighborhood's historical expectations of this designation.
- Despite claims to the contrary, Alma Plaza was and is a viable retail location.
- The City needs the increased retail tax base of a revitalized Alma Plaza.
- The City must carefully evaluate zoning changes that increase housing to the detriment of the neighborhoods, schools, public facilities, and the Comprehensive Plan.
- The City must carefully evaluate the Planning and Transportation Commission's 5-2 vote *against* the developer's initial Alma Plaza proposal (the follow up proposal is virtually unchanged).

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PLANNING AND TRANSPORTATION COMMISSION 5-2 VOTE

II. Planning and Transportation Commission 5-2 Vote

On April 26, 2006, the Planning and Transportation Commission voted 5-2 on a Consensus Recommendation stating that the Alma Plaza project should:

- Be true mixed use with less housing than currently proposed
- Have retail comparable to other existing neighborhood centers
- Remain zoned as a planned community
- Provide better transition to residential neighborhoods regarding design, FAR and density
- Consider signalization of a turn into Alma Plaza
- Clarify the easement issues with the site's office development
- Have pedestrian and bicycle access
- Base parking be based on existing code
- Reference Palo Alto Housing Corporation's memo for their identified BMR issues
- Require the applicant to look at a variety of housing types compatible with the City

Friends of Alma Plaza's Positions

1. We recognize P&TC's expertise on the City's public review of land use and zoning issues, and we support its vote on Alma Plaza.
2. We seek less housing and more retail than currently proposed. Retail space should be comparable to that of other Neighborhood Centers
3. We support Alma Plaza zoning which will assure long term community retail uses of the Neighborhood Center. We oppose a Development Agreement.
4. We respectfully request that City Council carefully weigh the deliberations of the P&TC before voting on the applicant's next proposal. As citizens, we find it illogical and unacceptable that the City Council weighed in on the developer's opening proposal without adequate time to review the land-use-informed deliberations of the P&TC's 5-2 Consensus Recommendation vote against it. We further find it inappropriate that City Council weighed in on that issue before hearing comments from the public.
5. We wholeheartedly support P&TC's stewardship and application of our City's Comprehensive Plan with its community-building concept of Neighborhood Centers such as Alma Plaza.
6. We support P&TC's emphasis that parking be based on existing code, that the project has adequate pedestrian and bicycle access, and on the need for turn signalization into Alma Plaza.

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GRASSROOTS PETITION TO KEEP ALMA PLAZA PRIMARILY RETAIL

III. Grassroots Petition to Keep Alma Plaza Primarily Retail

A grassroots petition campaign of neighbors who want more retail in Alma Plaza than the applicant's current proposal has garnered over 500 signatures to date.

An online version is available for additional electronic signatures at <http://www.petitiononline.com/AlmaPlaza/>.

The coalition of neighbors supporting preservation of the values of the Neighborhood Center at Alma Plaza is diverse, committed, and made up of fresh faces new to the issue.

The language of the petition is included below:

To: Palo Alto City Council and Planning & Transportation Commission

As Palo Alto residents, we are concerned about the current and future state of Alma Plaza – a neglected, but important neighborhood-serving retail center.

South Palo Alto neighborhoods need this retail. Alma Plaza is one of only four neighborhood-serving retail centers in Palo Alto. There are numerous reasons to retain Alma Plaza as primarily retail space. Many people depend on walking to meet their retail needs, especially for groceries.

Neighborhood retail meets this local need, encourages walking and biking, and reduces car traffic. And with significant new housing development in South Palo Alto, convenient neighborhood retail will be even more critical.

The City overall needs the tax revenue. Many South Palo Alto residents shop for groceries in Mountain View, especially after the loss of Albertson's and the All-American Market. It's of critical civic importance to provide a grocery store and other retail options to residents in Barron Park and in the projected new South Palo Alto housing developments who otherwise might spend their tax dollars in Mountain View.

Once housing, forever housing. We are very concerned about the impact that more housing in South Palo Alto will have upon our already crowded schools, streets, parks, and our financially challenged city services (police, fire, libraries, etc.). Changing present zoning to allow market-rate housing on a significant part of Alma Plaza will cost the City and the taxpayers for the long term. And this land will be lost as retail.

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GRASSROOTS PETITION TO KEEP ALMA PLAZA PRIMARILY RETAIL

The primary type of retail tenant we desire at Alma Plaza is a QUALITY, AFFORDABLE grocery store. Specifically, we seek convenient shopping for high quality and reasonably priced fresh produce, dairy, and bakery goods. JJ&F, Trader Joe's, and Milk Pail Market are good examples of this type of mid-size grocery store. Examples of additional retail services desired include a U.S. Post Office service, ATM, café/coffee shop/restaurant, dry cleaner, bakery, and sewing service (such as Jacquie's Sew & Sew).

We need and value local, quality retail and are enthusiastic about patronizing new retail in our neighborhood. We maintain that the focus for any redevelopment of Alma Plaza must follow the City's Comprehensive Plan to provide neighborhood serving retail that also benefits the tax base of the entire community.

Sincerely,

[The Undersigned](#)

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RETAIL VIABILITY OF ALMA PLAZA

IV. Retail Viability of Alma Plaza

1. Why Do We Know It's A Great Place For A Neighborhood Shopping Center?

Alma Plaza was the most successful neighborhood center.

Alma Plaza was the single best performing neighborhood-serving retail center in Palo Alto until its square footage was withdrawn from the rental market. A look at sales tax revenue per sq. ft. in the year 1989 demonstrates the point.

Sales tax figures from the Retail Trends in Palo Alto report prepared by the Finance Department show that Alma Plaza generated \$57,392 (page 19). Given the gross leasable area of 36,962 sq. ft. recorded in the 2002 report prepared by Keyser Marston Associates, we can see that the center had a sales tax revenue of \$1.55 per sq. ft. What's important is that, using the same sources, we get figures for the other two Palo Alto neighborhood shopping centers that puts Alma Plaza on top:

	Sales Tax Revenue per sq ft floor area (1989)
Alma Plaza	\$1.55
Edgewood Plaza	\$1.26
Charleston Plaza	\$1.07

Alma Plaza was the clear leader in neighborhood shopping and came in a strong third behind Stanford Mall and Downtown when all the retail shopping areas in the City were included.

Downturn is due to delayed construction, intentional withdrawal from retail rental market.

The downturn at Alma Plaza began in the early 1990s as a result of some quite unintended and unexpected consequences of otherwise well-intentioned land use planning policies. First, the efforts of the previous owner of much of Alma Plaza to construct an additional 6,000 square foot building to replace the gas station were frustrated. Next, the Planning Commission concluded that an integrated re-development of Alma Plaza would best happen if there were only one owner. Then the new sole owner decided to intentionally withdraw Alma Plaza from the retail rental market.

As long standing neighborhood residents will attest, until the new sole owners of Alma Plaza deliberately pulled it from the rental market in the early 1990s, the Plaza was a vibrant source of neighborhood-serving retail. From 1993 on, after Garner's Bicycles moved from Alma Plaza to Town and County Shopping Center, not a single lease was extended, nor a single new lease granted, nor a single dollar invested in capital improvement much less maintenance.

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RETAIL VIABILITY OF ALMA PLAZA

Alma Plaza would be successful given today's economic conditions.

The per-square-foot figures above cover sales during the worst regional recession in recent history (1988-1990). What would Alma Plaza look like now as a fully rented, well-managed retail center in today's economy?

There is no easy way to answer this question directly from current sales data because the center was pulled from the rental market more than 10 years ago. To get some idea of its potential, we can look at the sales trends at Charleston Plaza. Remember that Alma Plaza outperformed Charleston in 1989. Here's how Charleston performed out to 1996 in terms of total sales tax:

	1989	1990	1991	1992	1993	1994	1995	1996
Charleston	\$39,566	\$41,445	\$48,665	\$57,839	\$51,132	\$53,169	\$58,696	\$61,181
Alma	\$57,392							

From Exhibit F, page 19 of Retail Trends in Palo Alto, Dept. of Finance, 1996.

Charleston Plaza clearly is an example of how a south Palo Alto neighborhood shopping center can grow and succeed in today's regional economy when managed properly. Alma Plaza outperformed Charleston Plaza in 1989, and by 1996, Charleston Plaza had increased its total sales tax by 150%. Since Alma Plaza outperformed Charleston Plaza when it was itself managed better, it is easy to visualize a successful Alma Plaza in the hands of qualified management (*tax figures: Retail Trends in Palo Alto, Dept. of Finance, 1996*).

Support from Recent Reports on the Site

-- *Sedway group 2000 report*: "Sedway Group believes that the City can improve its neighborhood-serving retail base ...through successful implementation of some of the strategies outlined in this report," where the recommended strategies involved reversing the years of mismanagement and the intentional withdrawal from the retail rental market.

-- *Thompson Associates 2000 report*: after accounting for all the competition, Thompson Associates concludes that an expanded grocery at Alma Plaza had the potential to outperform even the Safeway on Middlefield, a regional leader in sales per square feet.

-- *Planning & Transportation Commission January 2003 Staff Report* recommends approving plans for a 29,00 sq ft store at Alma Plaza, and states that "a larger store at this site would be beneficial to the community and would probably consolidate vehicle trips overall. A larger store would also help to concentrate shopping dollars in the City of Palo Alto."

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RETAIL VIABILITY OF ALMA PLAZA

2. Why Do We Know That Gruen & Gruen Leads To The Wrong Conclusions?

It contains critical errors in the facts, a weak and unperceptive analysis, and a recession-era outlook on the region's economy.

Critical errors in fact – wrong sales tax revenue per sq ft

The 1992 Gruen & Gruen report uses the incorrect floor estimate of 55,510 sq ft, instead of the actual 36,000 sq ft (*Keyser Marston Associates, 2002*). This is a gross error that has a large impact on revenue per sq ft, and hence distorts the overall picture of viability of the rental center: it appeared as the worst-performing neighborhood shopping center, when it was in fact the best-performing.

Critical errors in fact – overstated parking requirement

By overstating the parking requirement (6+ spaces per 1000 sq ft, as opposed to the correct 4 spaces per 1000 sq ft of office space and 5 spaces per 1000 sq ft of retail space), they incorrectly analyzed the amount of land needed to support a neighborhood-serving retail shopping center.

Critical error in facts – ignoring critical closings

In its effort to analyze sales tax revenues at Alma Plaza over a mere three-year period of time, the 1992 Gruen & Gruen Report failed to discuss the closing of the filling station and the re-location of Garner's Bikes. In other words, they mistook two episodes in the normal comings and goings of merchants at a shopping center for evidence of a core, intrinsic downward slide of Alma Plaza.

Critical error in facts – cosmetic updates waiting expansion work

The report ignores the fact that the Center owners were trying to expand the retail and were waiting for City approval of the project before undertaking maintenance and updates.

Three Years Do Not Make For a Trend

The 1992 Gruen & Gruen report examined only three years (88-90) to perform a trend analysis, in spite of the significant up and down year-to-year variations in the interval for the centers studied. No serious study of economic trends would limit its analysis to so short a period, especially of markets with such complex yearly variations.

Recession-era Outlook

The Gruen & Gruen report was done during a recession which preceded some of the best economic times in Palo Alto history. The report has a consistently pessimistic outlook tainted by its times and by a negative view of neighborhood-serving retail. The current success of Midtown and Charleston Plaza makes statements in the report such as "it will be difficult for many of Palo Alto's existing neighborhood centers to avoid becoming increasingly obsolete" seem far from today's reality.

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RETAIL VIABILITY OF ALMA PLAZA

Current Conditions

Today's reality does not at all reflect predictions made by Gruen & Gruen. It is time to put that report on the shelf as a mere historical document and then move on to more appropriate analyses.

Recently, retail developments have been expanding in Palo Alto, not contracting. There are few vacancies along El Camino, stores have been opening or relocating in the California Avenue and Downtown shopping districts, and retail rents have been increasing. The new owner of Town & Country is increasing rents significantly and seems confident that if present tenants leave, they will be replaced by others willing to pay the new higher rents. Sales tax revenues are increasing and residents continue to object to lack of local grocery stores and adequate neighborhood shopping.

Economic conditions and neighborhood appetites are poised to make a success of a well-managed retail center at Alma Plaza. Early this year, the City Council acknowledged the need to protect existing retail from excessive conversion to non-retail uses such as housing. It was recognized that retail operations in town provide sales tax revenues and serve the local community with needed goods and services. A separate subcommittee to study ways to enhance retail vitality is being established. When adequate retail services are provided locally, residents do not have to drive to stores in other cities, reducing traffic and air pollution from vehicles. As the Council continues to study ways to preserve neighborhood-serving retail and the possibilities of in-fill housing, they should make Alma Plaza the prime candidate for revitalization as a neighborhood-serving retail shopping center, with any housing occupying one or two stories above the stores, not as the major occupant of the site.

FRIENDS OF ALMA PLAZA

THE COMPREHENSIVE PLAN'S VISION FOR ALMA PLAZA

V. The Comprehensive Plan's Vision for Alma Plaza

The City's Comprehensive Plan established Alma Plaza's neighborhood-serving retail designation, and the City should support the neighborhood's historical expectations of this designation. The Planning and Transportation Commission's 5-2 Consensus Recommendation vote included many basic concepts found in the City's Comprehensive Plan. When the Comprehensive Plan was last updated, no one envisioned that housing would supplant commercial and office uses as the most profitable redevelopment of land. Hence many of the Comp Plan policies were directed at integrating housing into commercial uses wherever possible. However, in the last few years we've seen such a loss of retail and such a boom in housing developments that it's time to review what the Comp Plan actually intended for neighborhood centers.

Comprehensive Plan Vision

The introduction to the Comprehensive Plan states that it: "strives to build a coherent vision of the City's future from the visions of a diverse population. It integrates the aspirations of the City's residents, businesses, neighborhoods, and officials into a bold strategy for managing change." It also notes that "a key concept in the Plan is the idea of a Vision for Palo Alto – a shared dream of Palo Alto in the future."

The Land Use and Community Design Vision states: "All Palo Alto neighborhoods will be improved, each to have public gathering spaces, essential services and pedestrian amenities, to encourage less reliance on the automobile."

One of the major themes of the Comprehensive Plan is meeting residential and commercial needs: The "City is committed to retaining existing businesses, maintaining vital commercial areas, and attracting quality new businesses."

The Municipal Code (Section 18.41.010) is also quite clear about what a Neighborhood Center is: "The CN neighborhood commercial district is intended to create and maintain neighborhood shopping areas primarily accommodating offices, personal service, and retail sales uses of moderate size serving the immediate neighborhood, under regulations that will assure maximum compatibility with surrounding residential areas."

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THE COMPREHENSIVE PLAN'S VISION FOR ALMA PLAZA

Comprehensive Plan Vision of a Neighborhood Center

The core of the vision for Alma Plaza is what the Comp Plan envisions for a Neighborhood Center.

Goal L-4: Inviting, Pedestrian-scale Centers That Offer a Variety of Retail and Commercial Services and Provide Focal Points and Community Gathering Places for the City's Residential Neighborhoods and Employment Districts.

Neighborhood Centers are small retail centers with a primary trade area limited to the immediately surrounding area; often anchored by a grocery or drug store and may include a variety of smaller retail shops and offices oriented toward the everyday needs of surrounding residents. Selected streets provide walking and biking connections from adjacent neighborhoods. Palo Alto's four Neighborhood Centers are Midtown, Alma Plaza, Charleston Center, and Edgewood Plaza.

POLICY L-37

Maintain the scale and local-serving focus of Palo Alto's four Neighborhood Centers. Support their continued improvement and vitality.

Neighborhood Centers are smaller than Multi-neighborhood Centers and have more limited service areas. They should be pleasant, attractive places that provide opportunities for shopping as well as social contact with friends and neighbors. These three policies and three programs apply to all Neighborhood Centers. Because Midtown's parcel pattern is more complex and because the Center is bisected by two principal streets, it is the subject of additional, more focused policies and programs.

PROGRAM L-36:

Evaluate current zoning to determine if it supports the types of uses and scale of buildings considered appropriate in Neighborhood Centers.

PROGRAM L-37:

Encourage property owners within Neighborhood Centers to prepare master plans, with the participation of local businesses, property owners, and nearby residents.

POLICY L-39

Facilitate opportunities to improve pedestrian-oriented commercial activity within Neighborhood Centers.

Additional Policies for Centers

Although many Comp Plan goals and policies are cited in the staff report, those most relevant from a neighborhood point of view include:

POLICY L-7

Evaluate changes in land use in the context of regional needs, overall City welfare and objectives, as well as the desires of surrounding neighborhoods.

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POLICY L-18

Encourage the upgrading and revitalization of selected Centers in a manner that is compatible with the character of surrounding neighborhoods.

PROGRAM L-15:

Establish a planning process for Centers that identifies the desired character of the area, its role within the City, the locations of public gathering spaces, appropriate land uses and building forms, and important street and pedestrian connections to surrounding Residential Neighborhoods.

POLICY L-21

Provide all Centers with centrally located gathering spaces that create a sense of identity and encourage economic revitalization. Encourage public amenities such as benches, street trees, kiosks, restrooms and public art.

PROGRAM L-16:

Study the feasibility of using public and private funds to provide and maintain landscaping and public spaces such as parks, plazas, and sidewalks within commercial areas.

In addition, the Comp Plan's Business and Economics Element states "*the emphasis is on economic vitality with a diversity of services while maintaining compatibility with residential neighborhoods.*"

- **Policy B-6:** Maintain distinct neighborhood shopping areas that are attractive, accessible, and convenient to nearby residents.
- **Policy B-27:** Support the upgrading and revitalization of Palo Alto's Neighborhood Commercial Centers. The primary concern of these Centers is revitalization.

Why Retail Alma Plaza Primarily as a Neighborhood Serving Center?

- Alma Plaza is specifically noted as a Neighborhood Commercial center in the Comp Plan.
- Benefits of viable retail at the site include community-serving retail, walkable neighborhoods, reduction of the need for people to drive to shops, traffic reduction, compliance with the City's goal of improved retail vitality, addition of sales tax revenues, and minimal increase service costs.
- As residents in Palo Alto age, the need to be able to walk to shopping areas is increasing.
- The City needs more retail business and needs to retain its retail-designated areas.
- In addition to generating retail sales, neighborhood centers are also gathering places. They provide open space and a sense of place, they draw people together, and stated in Policies L-15 and L-21 of the Comp Plan.

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THE COMPREHENSIVE PLAN'S VISION FOR ALMA PLAZA

What About Housing?

POLICY L-19

Encourage a mix of land uses in all Centers, including housing and an appropriate mix of small-scale local businesses.

While Neighborhood Commercial allows housing and retail—mixed-use—this project subdivides the property, with less than 20% of the site devoted to retail and the rest to be sold for market-rate housing.

- The City's Housing Sites Inventory that identifies the site for a minimum of eight units and even staff's report notes that "the proposed 59 housing units exceed the objective" and that "the City will have to consider the economic consequences of allowing residential on an existing commercial site and thereby reducing the square footage available for sales tax generating retail use in the city."
- The Comp Plan's desire to include housing in a neighborhood center did not intend the property to be subdivided. Rather, it envisioned integrating and *intermingling* housing with retail as a true mixed-use development.
- Retail can always be converted to housing, but the converse is not true. Under this proposal, particularly with housing above existing retail, there is absolutely no room for retail expansion. We should have learned this lesson from the results of selling off seemingly excess schools.
- The mixed-use design standards to ensure that development is compatible and contributes to the character of the street and neighborhood have not yet been developed.
- Goal H-1 of the Comp Plan is for "a supply of affordable and market rate housing that meets Palo Alto's share of regional housing needs." Along with that goal is Policy H-1: "meet community and neighborhood needs as the supply of housing is increased. Ensure the preservation of the unique character of the City's existing neighborhoods."

According to recent reports, the City is at 150% for market-rate housing; what it needs is more lower-income housing.

Summary

The Comprehensive Plan is the primary tool for guiding the future development of the City. Major themes of the Comprehensive Plan include: Building Community and Neighborhoods, Reducing Reliance on the Automobile, and Meeting Residential and Commercial Needs. Alma Plaza should be retained as a neighborhood center because:

- It is designated as such in the Comprehensive Plan and the intention of the CN zone is defined in the Municipal Code.
- The City needs to retain existing businesses and attract new businesses.
- The City does not need additional market-rate housing.
- Any rezoning of a retail site must be looked at carefully and only in context of a larger area plan, not based on a developer's desires or what would be most expedient in replacing a run-down site.