FINAL REPORT OF THE AD-HOC CONTIGUOUS RETAIL COMMITTEE (PHASE I)

DATE: July ___, 2012

TO: City Council

FROM: Councilmember Ron Packard, Chairman
Mayor Pro-Tem Jarrett Fishpaw, Vice-Chairman
Deborah Hope, Committee Member
Scott Riches, Committee Member
Gabrielle Tiemann, Committee Member

SUBJECT: **AD-HOC CONTINGUOUS RETAIL COMMITTEE**

RECOMMENDATION

1. In General:

    - Of all the blocks within the CRS zone, the block containing Plaza 6, surrounded by Third Street, Main Street, and State Street (the "Triangular Block") contains the highest number and percentage of nonconforming uses, and is the least attractive from a shopper's point of view. The Committee recommends that it be used as a test for possible collaboration with the various property owners, business owners, and the City, and that the City engage an experienced developer to come up with ideas and meet with the various parties.

    - As part of that collaboration, the Committee recommends that the City give serious thought about the possibility of selling/leasing a portion of Plaza 6 that faces State Street, to be developed into retail, and use the proceeds for parking replacement. The Committee also recommends that the City share this Final Report with the parking consultant to be engaged by the City.

2. Banks: Separate from a possible collaborative effort, the City should begin discussions with Bank of the West and/or the landlord regarding possible "pop-up" uses by the City and/or others for the empty drive-thru site. It could be used as open space, gathering area, or a site of outdoor vending. The Committee also recommended that the zoning be amended so that non-conforming banks on large parcels could legally move to another nonconforming location which is smaller. -

3. Masonic Lodge: Separate from a possible collaborative effort, the City is recommended to work with the Lodge and explore possible cosmetic improvements

to the outside of its building facing Main Street.

4. Costume Bank. The current definition of "retail" is somewhat ambiguous, but it has been interpreted by the City so as to allow rental services of the Costume Bank to be conforming. The definition could be clarified to be more specific (qualifying or disqualifying rental as retail), but at the present time the Committee recommends no change.

5. Travel Agency, Law Office. The Committee recommends the collaborative effort for the Triangular Block, which entails these uses.

6. Nail/Beauty Salons. A prior beauty salon was just replaced with a retail store. The City should make sure that after 120 days or retail use, a salon cannot be reinstated. If this conversion trend from salon to retail continues, then the nonconforming salons will slowly be replaced. If the trend stops, then the City may consider an amortization, beginning with all or phased amortizations with the last in first out. The successful salons, of course, can relocate within the CRS zone on the side and plaza locations.

7. The Committee should be thanked and concluded, subject to reorganization after the work of the developer as to the Triangular Block.

BACKGROUND AND DISCUSSION

For many years there have been various City statements and recommendations to look at a possible amortization of non-conforming uses in the CRS zoning district of downtown Los Altos. As a result, during the March 13, 2012 regular meeting of the City Council, Councilmember Packard and Mayor Pro-Tem Fishpaw were authorized to form a five-member ad hoc committee consisting of themselves, and three others, to consider such a possibility. The goal of any such amortization program would be to increase the retail vitality of downtown by providing more contiguous retail, but without any pre-judgment of whether any such program would ultimately be desired. At the April 24, 2012 City Council meeting, the five-person Committee was completed with the appointment of Los Altos residents Deborah Hope, Scott Riches, and Gabrielle Tiemann.

The Committee met six times, reviewing all the non-conforming uses within the CRS zone. These include several banks, a number of nail/beauty salons, Masonic Hall, a travel agency, and a law office. Committee members meet with the owners or representatives of each of the non-conforming uses, other than the nail/beauty salons, to discuss their property plans and alternatives. Polite yet robust discussions were had on each use, with property owners, business owners, real estate leasing agents, and others participating. In addition, the Committee was influenced by the June 2012 "Downtown Planning Survey" completed by Godbe Research. Of particular importance to the Committee were the finding that (a) 68% of the Los Altos residents are very satisfied, and some 96% are generally satisfied with the quality of life in Los Altos, (b) 68% are generally satisfied with the Los Altos downtown, (c) 66% find parking downtown to be generally convenient, (d) a majority strongly agree, and 77% generally want to maintain the current look (whatever that means) of Main Street, and (e) for 71% of the residents, the primary reason for going downtown is dining and shopping, with banking only 6.5%, and work only 1.4%. At the same time, there was general agreement that it would be beneficial to have more cross-analysis of the survey results, particularly with regard to age groups.

The Committee also recognized that much of the non-conforming uses, and the lowest retail experience, is the Triangular Block. There was a discussion regarding each use within this small Triangular Block, which is (a) parking and the Costume Bank on the State Street, (b) the side of the Costume Bank, parking, and the side of Bank of the West on Third Street, and (c) two banks, a travel agency, law office, beauty salon, and the Masonic Lodge taking up the majority of the Main Street side.

In order to provide some benefit to future councils and committees that may want to re-consider our conclusions due to changes that normally occur with the passage of time, we will provide a brief analysis and recommendations of each type of use, and thoughts regarding the Triangular Block.

Banks.

Analysis: An invitation was made to each of the non-conforming banks to participate in a Committee meeting to be dedicated to review the bank situations. In addition, a few retired bankers were also invited. During the committee meeting, a number of current and retired bankers were present, and there was a general discussion about the trends of banking, the bank space needs, and alternatives. The bankers presented their concerns that (a) there is a very high demand in Los Altos for safe deposit boxes, which take up considerable space, (b) there is also a need for a walk-in safe, which each bank has and would be extremely expensive to move, and (c) the older population of Los Altos value privacy when doing financial transactions, which requires space (d) that many of their specialists (mortgage, etc.) only work in these branches 2 days per week, leading to a large number of vacant desks during the rest of the week. One banker who is not located on Main Street indicated that being so located would be an advantage. There was general agreement that banking trends are going toward requiring less space, yet a current non-conforming bank on Main Street cannot downsize on another location on Main Street, since their non-conforming use is tied to their existing location. There was extensive and focused discussion regarding the unused drive-thru next to Bank of the West (which is a separate parcel), and whether an amortization for banks over 60 feet along Main Street should be amortized so as to allow the bank but require alternate use of the parking lot.

Recommendations: In general, the Committee felt that the concerns expressed by the bankers had validity, although the trends may continue with less and less space required in the future. Some Committee members felt that the bankers were overstating their space required, and could downsize so as to allow some of their space to be used for retail. Nevertheless, the Committee felt that at present it is best to focus on the Triangular Block, which contains two of the four non-conforming banks. The Committee recommends that the City engage a professional developer to meet with the various landlords and tenants of the Triangular Block, consider the block as a whole, to determine if there are any win-win approaches to increase the retail space. In the interim, the City should begin discussions with Bank of the West and/or the landlord regarding possible “pop-up” use by the City and/or others for the empty drive-thru site. It could be used as open space, gathering area, or a site of outdoor vending. The Committee also recommended that the zoning be amended so that non-conforming banks on large parcels could legally move to another nonconforming location which is smaller.

Masonic Lodge.

Analysis: The Masonic Lodge, located at 146 Main Street, is also within the Triangular Block. A walk-through of the site and facilities evidenced several factors: (a) there is considerable room in the front of the building that is not being used, or is used for an above-ground planting area not well maintained, (b) the sanctuary does not come up to the front wall, but instead is some 20 to 30 feet behind the front wall, separated by an office and hallway, (c) there is a portion in front facing Main Street that leads to a stairway that is no longer required, and (d) there are a number of cosmetic improvements in the front of the Lodge that could greatly improve its appeal. The Masonic Lodge is still paying off the costs for the elevator it installed several years ago.

Recommendations: The Committee recommends that the City engage a professional developer to meet with the various landlords and tenants of the Triangular Block, consider the block as a whole, to determine if there are any win-win approaches. In the interim, the City is recommended to work with the Lodge and explore possible cosmetic improvements to the outside facing Main Street.

Travel Agencies.

Analysis: There are two jointly owned travel agencies located at 146 Main Street, and occupy two normal storefront sites. Committee members had detailed discussions with the current agency owner, who recently executed a new lease, which requires the landlord to make a number of very much needed basic improvements to the property. The current business owner indicated that over the years various retail businesses have located in one of the front offices, but each time it had difficulty surviving. He indicated that his travel agency could survive with having only one of the two storefronts, but thinks that the other space as currently configured cannot easily accommodate retail. The property manager, representing the property owners, expressed his opinion that the property cannot be used for retail without tearing it down and rebuilding.

Recommendations: The Committee recommends that the City engage a professional developer to meet with the various landlords and tenants of the Triangular Block, consider the block as a whole, to determine if there are any win-win approaches. Requiring retail for all or half of this two storefront property at this time may pose a challenge, but if the entire Triangular Block underwent a contiguous retail transformation, the economics and desirability of retail at this site would likely change dramatically.

Nail/Beauty Salons.

Analysis: There are a number of nail/beauty salons along Main Street, but fewer than one may otherwise expect. Only one is within the Triangular Block, and several are on the first block of Main Street, opposite the Triangular Block. The real estate leasing broker present said that in today's market she could relet any salon vacancy within a day, but that the market forces are slowing driving them out. Apparently, the rent chargeable to retail is now higher than the rent chargeable to a salon. As a result, one salon has been replaced with retail, and after 120 days, the non-conforming use is lost.

Recommendations: The Committee recommends that the City allow the market forces to continue to operate. If, over time, it appears that the current trend continues, than the salons along Main Street and State Street will slowly disappear on their own. If, however, the trend ceases, then the City may wish to reconsider an amortization of nonconforming salons on those streets. One approach could be to phase in the amortization beginning with the last in for each block.

Triangular Block.

Analysis: Of all the blocks within the CRS zone, the Triangular Block is the one that contains the most nonconforming uses, and the least attractive from a shopper's point of view. The Committee recommends that it be used as a test for possible collaboration with the various property owners, business owners, and the City. As part of that collaboration, the Committee recommends that the City give serious thought about the possibility of selling/leasing a portion of Plaza 6 to be developed into retail, and use the proceeds for parking replacement. Plaza 6 is already oddly shaped and arranged, and a combination of more retail and/or open park space may be an attractive alternative. The Committee also recommended that the parking consultant to be engaged by the City for the Master Plan be given a copy of this Final Report, and pay particular attention to this possibility.

Conclusion.

Change is always difficult, and an amortization program is a strong but slow arm for change. As such, it should be used sparingly, and not at all if collaborative efforts can achieve the same results. The Committee was interested in aggressively pursuing collaborative efforts with the understanding that the City may revisit amortization options in the future should this collaboration not achieve the desired result. It has been important for the Committee to exist and explore the various nonconforming uses within the CRS zone, and prepare this Final Report for future reference.