



**ECONOMIC VITALITY COMMITTEE
MEETING MINUTES**

September 16, 2021

7:30 a.m.

Via Zoom – Recording Link

<https://cityofpleasanton.zoom.us/rec/share/bp2FCatGKt9Top-9Oo-ydBOeuDC8XDhyoQWK616lv9qxl5ekl8pWztzcDpyNV2MD.8PYIGnATBbOtT5MH>

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CALL TO ORDER/PLEDGE OF ALLEGIANCE

Meeting called to order at 7:33 a.m. by EVC Chair Steve Van Dorn followed by the Pledge of Allegiance.

ROLL CALL

Present: Councilmember Jack Balch, Steve Van Dorn, Brian Wilson, Daniel Watson, Ellen Pensky- McGraw, Shareef Mahdavi, Michael Li, Steve Baker, Tracy Farhad, Kelly Mokashi, Reena Gupta, Tiffany Cadrette, Steve McCoy-Thompson, Zac Grant, Will Doerlich, Sylvia Tian, and Amos Nugent. Roderick O’Brian joined the meeting after roll was taken.

Absent: Harsh Gohil and Patsy Sanquist

City staff: Economic Development Manager Lisa Adamos, Deputy City Manager Pamela Ott, and Economic Development Office Assistant Cailin Gavagan

AGENDA AMENDMENTS

No agenda amendments were made.

CONSENT CALENDAR

The August 19, 2021, meeting minutes were approved as presented on motion by Steve McCoy-Thompson and second by Will Doerlich by a vote of 17-0-0.

PUBLIC COMMENT

There was no public comment.

PUBLIC HEARINGS AND OTHER MATTERS

City Council Liaison Report

Councilmember Jack Balch provided the following updates:

- City Manager, Nelson Fialho is retiring effective November 30.
- At the September 7 meeting, the City Council:

- Approved two items regarding the Johnson Drive Economic Development Zone: (1) potential eminent domain, and (2) purchase with DSRSD for easement/widening the road.
- Approved the LPFD Fire Training Tower that has been out of commission for repair.
- Extended food delivery fee 15 percent cap for third-party food delivery services for Pleasanton restaurants and modified it to six months, instead of one year.
- Approved \$70,000 for homeless encampment clean up services on an as-needed basis.
- Provided update of drought rates/structures, and City's conformance with regional and state plans. Council will consider at its October 5 meeting.
- Received the first bi-annual Police Department report.
- Received an update for approved PFAS treatment plan – the cost is estimated at \$40-46 million, which is approximately \$10 per bill for the average user, priced per acre foot; a funding plan was approved.
- Review of amendment to the Downtown Specific Plan relative to the Active Ground Floor Use Overlay moved to the September 21 Council meeting.

Update on Sales Tax (and other) Revenues and the State of Retail Overview

A. Tina Olson, City of Pleasanton Director of Finance

Ms. Olson provided an overview of revenue sources such as property and sales taxes, and how the business community is contributing to the City's financial wellbeing:

- City sales tax revenues exceeded estimates by more than \$1 million dollars for FY2020/21
- Sales taxes comprise about 17% of the general fund revenue
- FY2020/21 is projected to reach \$5.2 million in sales tax from online shopping, which is distributed through the county pool, approximating \$1.4 million or 37% growth since FY2018/2019. 24% of the City's sales taxes are coming from the county pool or internet sales.
- The four largest sectors for sales tax receipts are: Business and Industry Tax (B2B sales) which is the highest, followed by Retail Sales Tax, Autos and Transportation, and Restaurants and Hotels.
- Business and Industry sales tax (\$4.9 million) is surpassing Retail sales tax (\$2.5 million).
- 27.4% of property taxes are from non-residential uses: \$20.1 million in FY2020/21.

EVC member questions and comments included:

- Is the \$5.2 million included in the sales tax revenues (online shopping) part of the \$21.9 million reflected on the sales tax trends?
 - Ms. Olson responded yes.
- When there's a recession or economic downturn properties, particularly commercial properties, can get reassessed. How do you track that or what trends might you see that are relative to the pandemic, if any?
 - Ms. Olson stated that she has not seen any reports yet, but this may be reflected in the 2021 Valuation Report which the City will receive in 2022. She added that the assessor reviews any appeals and determine validity so there is a one-to-two-year lag.
 - Mr. Doerlich added that the assessed value is not the market value based upon the prior sales cost. The assessed value is going to be a smaller percentage of the actual valuations, so there will not be a major swing this time. Mr. Doerlich

confirmed that the Assessor's Office is delayed 12-18 months because of the appeal process and may be delayed even longer due to offices being closed during the pandemic.

- How does the sales tax increase affect the numbers?
 - Ms. Olson responded that the City's portion of the sales tax (1%) did not increase, and that the recent sales tax increase goes to the county.
- Tracy Farhad added that corporate travel is going to take some time to come back so hotels are relying on leisure travel. The Bay Area was among the top 25 markets for travel across the U.S. and hit the hardest, so now looking at a multi-year timeframe before returning to 2019 levels of occupancy. Ms. Farhad suggested members review the Visit Tri-Valley's Annual Report at www.visittrivalley.com/partners.
- Are there any additional trends that you are seeing?
 - Ms. Olson stated that the downward trend of two-thirds revenue from hotels and delayed rebound is concerning.
- There has been a resurgence of auto sales in the last 18 months – did that offset any of the loss from hotel revenue or did that not result in a large sales tax increase?
 - Ms. Olson responded that auto sales activity offset the losses resulting from retail and restaurants rather than the hotel tax. The loss of hotel tax revenues was addressed by drawing on the City's the Rainy Day Fund.

B. Jessica Mauser, Managing Principal and Co-President from Lee & Associates

Ms. Mauser provided a retail market overview, shared current retail activity in Pleasanton and offered insight and issues around retail attraction:

- Pleasanton has a 6% vacancy rate approximately, with no major increase in retail vacancy, with rent prices are similar to 18-24 months ago.
- Soft goods continue to contract, with footprints getting smaller, fewer and more efficient stores, especially for the large retailers like Nordstrom, Macy's, and Target.
- Grocery is strong in commercial real estate.
- The fitness market is going to have a harder time returning to pre-COVID activity.
- One trend is that digitally native brands – brands that begin as online-only and that control the consumers' experience from online to shipping – are beginning to move from being digital-only and are now being placed in select stores with locations based on the data collected from shoppers.
- Another trend is user experience in retail and restaurants. It is important to help these businesses create experiences, especially in a downtown area, as it provides a lot of economic value. Taking advantage of outdoor and underutilized spaces will be the key to success.
- Determining how smaller retail stores (e.g., retail stores downtown) can get their products to the consumer faster will increase those stores' sales tax.
- There will be more rehabilitation/upgrades of existing buildings for the next few years allowing for more modern uses and new ways for people to shop, experience, and spend more time at a retail location.
- Large patios and outdoor space are becoming important to restaurant groups more so than parking.

EVC member questions and comments included:

- Is the trend to do pop-up stores still viable? Have the local businesses on Main Street been successful in attracting families and if so, can we promote the different types of activities we can bring to those businesses?

- Ms. Mauser responded that pop-up stores are difficult because of cost and short-term lease, which are not preferred by property managers/owners. Pop-ups tend to come in to established businesses as a collaboration.
- Most family-friendly types of businesses were the ones that were hit the hardest in the pandemic, and that attracting families circles back to experience-based retail.
- How is the eviction moratorium affecting commercial properties? Are the commercial tenants paying rent?
 - Ms. Mauser noted there may be some loss in tenants, but most landlords and tenants have figured out agreements although the end of the eviction moratorium may determine if a business will stay or go.
- Is experience retail and dining a fad or trend?
 - Ms. Mauser responded that it is a trend that is here to stay. There is even a shift in the way landlords are choosing their tenants now (e.g., number of social media followers, etc.)
- Is there any polling with retail or service-based businesses coming in?
 - Ms. Mauser responded that there is no polling yet, but they are seeing a reduction in square footage in retail-based businesses and conversely restaurant-type businesses wanting more space.
- City Council is looking at approving an Active Ground Floor Use Overlay downtown. Is that effective?
 - Ms. Mauser responded that it does work but it must be through a thoughtful process for a defined area.
- What do you think about putting hubs of businesses together (e.g., wellness centers)?
 - Ms. Mauser responded that retailers benefit from proximity to other retailers but there also needs to be some vacancy to create these “hubs”. Before we see these trends fully emerge, businesses that are not performing well need to close.
- What about having businesses that provide just the building in downtown and other businesses can then come in and rent (e.g., Regus)?
 - Ms. Mauser responded that we may see more retail pop-up *near* business offices so that people have more incentive to go into the office. When you put retail and office together, it must be in a thoughtful manner and a better idea may be to better connect the business and retail areas.

C. Zac Grant, Executive Director for the Pleasanton Downtown Association

Mr. Grant provided an update on retail activity in downtown, and the PDA’s efforts to:

- Improve on pop-ups toward more permanent parklets.
- Continue the vibrancy downtown that was brought with Weekend on Main. One idea that retailers suggested is to partner with Etsy to create a “Makers Market”.
- Support restaurateurs and shopkeepers as they figure out how to balance the bounce back from COVID.
- Resume a block captain/neighbor type of activity, perhaps creating a “Downtown Beautiful” committee to keep our downtown crisp and clean to appeal to visitors.
- Look for an opportunity for some type of storage for restaurants that have extra tables and chairs from Weekend on Main.
- Create a consolidated shipping approach that would allow retailers to get better rates on shipping.

EVC member questions and comments included:

- How could it be shown that the experiential economy is not just for families but also for younger adults, such as having a vibrant nightlife.
 - Mr. Grant contemplated the potential viability of a music venue in downtown.
 - Ms. Ott responded there's nothing that precludes that although there needs to be attention to mitigating any impacts, depending on location.
 - Ms. Mauser further noted that Middle 8 is the first bar that has taken a space downtown in a long time, and that vacancy in the Pleasanton Hotel could also offer potential.
- Any thought about youth-oriented activities that may not need much space (e.g., arcade, old pinball machines, etc.)?
 - Ms. Ott responded that Economic Development staff approached an arcade operator for a vacant space downtown, but a lease was not signed; however, staff is aware that it could be a welcomed use for the right operator.
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Economic Development Information/Updates

Mr. Van Dorn introduced EVC member, Reena Gupta who extended an invitation to the EVC members to her first book launch at Towne Center Books on September 25.

Mr. Van Dorn noted tentative topics for upcoming EVC meetings:

- A consultant will be speaking with us about the business recovery survey at the October EVC meeting.
- The November EVC meeting will be a discussion on workforce.

Mr. Van Dorn shared the following Chamber events:

- Golf tournament on October 1 at Callippe Golf Course
- 75th anniversary celebration on October 20, recognizing 2020 community service award winners.

MATTERS INITIATED BY ECONOMIC VITALITY COMMITTEE

None were noted.

MEETING ADJOURNED

The meeting was adjourned at 9:01 a.m.