Office of the City Manager

01
Worksession Item

WORKSESSION
May 21, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: Michael Caplan, Economic Development Manager

Subject: Economic Development Worksession

SUMMARY
In this Worksession, the Office of Economic Development will provide Council with an economic overview of the Telegraph commercial district. Staff seeks to help identify significant trends and conditions and clarify some of the revitalization challenges and opportunities. Staff intends to provide Council with information that will be helpful in its ongoing policy deliberations regarding Telegraph and to receive input regarding priorities for the FY 2014 Work Program.

CURRENT SITUATION AND ITS EFFECTS
Despite the fact that Telegraph Avenue is a campus gateway commercial district and at one time was known as one of the most vibrant retail areas in Berkeley and the region, the Avenue, and its adjacent commercial district (See Attachment 1), experienced significant economic challenges over the last two decades that are well known and are of great concern to local businesses, residents and City officials.

Commercial Vacancy Rates Are Up

Commercial vacancy rates in the Telegraph District are presently at approximately 20% (See Attachments 2 & 3). This means that of a total space inventory of approximately 432,300 square feet, approximately 86,500 square feet is currently vacant. This rate is several points higher than it has been in recent years, which had been more in the 15-17% range. Staff believes this increase is probably due, at least in part, to the dislocating effects of the Sequoia fire that occurred in November, 2011.

Gross Sales and Tax Receipts Have Declined Since 1990

Total taxable sales in the Telegraph District (in constant dollars, i.e., inflation-adjusted dollars) have declined approximately 46 percent over the last 22 years since 1990 (see Attachment 4). City-wide taxable sales have also declined over this period, but by a lesser amount. A few commercial areas have increased in sales over this period

attributable to unique factors such as a substantial increase in retail square footage (4th Street) and/or or a substantial change in the existing tenant mix (Elmwood).

While Retail Sales Declined, Restaurant and Food Service Remained Constant

It is important to look at the performance of the retail sector versus the food service sector since 1990. Food sales (full service restaurant, quick service and take out) have remained more or less constant, even slightly increasing over this period (see Attachments 5 - 9). In contrast, retail sales have declined a dramatic 56%. Food service increased from approximately 21% of total taxable sales to nearly 40% of total sales. This is significant in that it shows that restaurants and food service uses in the area have been attracting a core customer base that is probably fairly diverse. Citywide, restaurants generated approximately 20 percent of retail sales tax revenue. It is significant to note that Limited-Service Restaurants are strongly clustered in the first two blocks south of Campus which underlines the role that area has historically played in serving the food needs of U.C. students.

The success of Off-the-Grid over the last year has further demonstrated that food is a significant draw to the neighborhood that creates opportunities for people to gather and enjoy a special Telegraph experience -- even further south from campus. Staff believes that quality food service uses represent both an existing economic strength of the District, and an opportunity for future diversification and growth.

Trends in Retail Sub-Sectors

A couple of key trends stand out in the retail sales data for the Telegraph District (see Attachment 10).

Sales from Books, Music, Sports and Hobby Stores have declined dramatically in recent years. This cluster of store types was historically the strongest retail sub-sector on Telegraph Avenue. Books and Music in particular were the core retail identity of the District and perhaps the greatest attraction to shoppers visiting the area. In 2007, this cluster made up approximately 43% of total retail gross receipts. By 2013, it declined to approximately 21%. Internet sales and digital downloads had been increasing for many years, but really soared over the last five years and negatively impacted businesses in those categories.

Today, Clothing (apparel, accessories and shoes) stores are the strongest retail sub-sector on the Avenue. It is a significant cluster, made up of 25 separate stores that are well distributed geographically throughout the District (see Attachment 11). These stores take up nearly half of the District's retail square footage and generate approximately 40% of all retail sales (excluding food sales). Even when food uses are included, Clothing stores generate approximately 22% of the Telegraph District's taxable sales. This is a very high proportion, especially given the fact that Clothing

stores produce only about 4% of taxable sales City-wide. Staff believes this strong Clothing cluster is a positive attribute of the District that has the potential to grow and develop further if appropriately anchored and promoted.

Retail Density and Sales are Greater Closer to Campus

The area's pattern of retail and restaurant sales shows that sales density is greatest near the edge of campus and declines as one heads south (see Attachment 12). Walking the streets day or night reveals a large number of students and others with obvious campus connections. Of course, this is not surprising as there are many students living in the area – 4,963 people currently living in U.C- owned residences according to staff from their Residential and Student Service Program. This includes 406 current residents at the new Maximo Martinez Commons on Haste Street across from People's Park. So students are obviously a key market factor.

Significantly, this data confirms the fundamental importance of the campus itself as a source of customers for the district – most of whom access the district on a regular basis across Bancroft from the north. This information underlines the potential value of proposed public improvements, including the decorative overhead lighting, that are designed to attract people onto Telegraph off of campus by making the Avenue's streetscape more attractive.

Another important point here is that even though the campus' student population shows little formal income, its buying power is significant and represents a customer opportunity that has not been fully tapped. Recently, this was demonstrated by the temporary relocation of the Cal Student Store from the ASUC building into the former Ned's on Bancroft. The ASUC store does a huge amount of business and has significantly higher sales than its predecessor. Since the store moved to Bancroft so recently (the 3rd quarter of 2012), it is too early to predict the longer term implications, especially since the store will move back to campus after completion of the Lower Sproul project. However, it is a reflection of the importance of the campus market to the Bancroft edge of the District and perhaps an indication of the area's strong Clothing cluster – especially when robust sales at the Bancroft Clothing Company, American Apparel and other campus edge clothiers are considered.

Local businesses say that the Telegraph District serves a wide range of customers. There are U.C. students, faculty, workers, campus visitors, tourists, area residents and shoppers from other areas of town. Sometimes people come to the area because they are drawn to a particular business or restaurant destination. However, it is clear that a core consumer market for Telegraph is U.C.-related and that this could and should be further developed in the future.

Market Analysis

Staff reviewed market information for the Telegraph Neighborhood to clarify and confirm its understanding of the economic and demographic attributes of the area. Here is what we found:

1. *Market Area Demographics*

   Staff looked at economic and demographic data for two trade area distances from the center of the Telegraph District (see Attachments 13 & 14) and found the following:

   - The neighborhoods surrounding Telegraph Avenue are densely populated. Approximately 9,150 people live within a ¼ mile distance of the corner of Haste and Telegraph Avenue and approximately 51,000 live within a mile. So there is a large market of both student and non-student residents who could be potentially attracted to the area for shopping, dining and recreation.

   - Approximately 3,900 households show income of over $100,000 per year indicating substantial buying power.

   - Approximately 4,500 household show income between $50,000 and $100,000 per year.

   - Approximately 10,600 households show income below $50,000 per year. Many of these households, particularly the lowest income ones, reflect students who show little or no income – there are 4,650 households that report less than $15,000 per year. It is very important to note that despite the fact that these students have little income, they do have significant buying power and can have a meaningful impact on the local retail and food economy if they are given choices that they like. For example, a substantial number of students with lower incomes still need household furnishings on an annual basis as they set up their homes in residence halls or in off-campus dwellings. Food and entertainment are daily, or at least weekly, needs. And many of these same students report a preference for brand name clothing options that don't yet currently exist in the area.

   These demographic data help us clarify several key points:

   - There are a huge number of potential resident shoppers within a very close distance of Telegraph Avenue.
   - The nearby market is student rich and so Telegraph District businesses would benefit by finding ways to adapt and meet their changing needs and wants.

- Despite their low income status, students have considerable buying power for daily and annual living expenses generated from savings, parental assistance, loans or other sources of support.
- There is also a substantial nearby non-student population with considerable buying power who might be lured to the Telegraph District if there were a reason for them to go.

2. *What Do Students Want?*

There have been a number of studies in recent years regarding student preferences and shopping patterns. The most recent study was a survey of undergraduate students living in U.C. residence halls done in January of 2012 (see Attachments 15-19). These students mostly live in the Telegraph Area and are an obvious market for area businesses.

This survey was interesting and revealed several important facts. The Cal Student Store at ASUC was a significant source of textbooks and school supplies – although in neither case was the most reported source. Amazon was the biggest supplier of textbook materials which also suggests why book sales in general have declined in the Telegraph area. Target was the biggest supplier of school supplies, which means that many students are leaving Berkeley to find the materials selection they need at a cost they want to pay.

The survey also revealed that many of the items that students require on a regular basis are just not provided in the Telegraph Commercial district. Some of these unmet needs are not surprising – there is no major grocery retailer in the Telegraph Area. There are also few significant sources of residence hall/apartment supplies in the area so the students head off to big box stores like Target, Bed Bath and Beyond, and Costco to get the things they need.

It is significant to note that undergraduate students are shopping for most of their clothing outside of the neighborhood despite the Telegraph District's strong cluster of clothing stores. Out of 817 responses, only two local stores – Urban Outfitters and Bancroft Clothing Company, ranked as a significant source of student clothing supply. Students indicated that in addition to Target, they shop a lot at Forever 21, H&M and Old Navy -- in addition to various other well known stores.

Review of Other Campus-Linked Commercial Districts

To determine some common themes pertaining to the college-town tenant mix, staff looked at several campuses in other cities that have a main commercial street linked to them or associated with them. These include:

- University of North Carolina at Chapel Hill (Franklin Street)
- University of Wisconsin in Madison (State Street)
- Brown University in Rhode Island (Thayer Street)

Similar college towns with a commercial street linked to campus, but with a strong shopping or entertainment district several blocks away include:

- University of Texas at Austin ("The Drag" or Guadalupe Street, as well as 6th Street)
- Cornell in Ithaca, NY (College Ave just off campus and State Street nearby).

Staff found that many of the commercial districts closest to these campuses have some common attributes with Telegraph and typically had a reputation for being linked to both student life and counter-cultural activities such as street vendors, tie-dyed t-shirts, and street musicians.

We made several other significant findings:

1. *Districts Shared Similar Economic and Social Challenges*

   College-linked commercial districts in other cities often face the same pressures that Telegraph does, i.e., declining retail sales and an increase of homeless or street youth and panhandlers. It is likely that the on-line purchasing pattern of students and young people has had the same sorts of impact on bricks and mortar stores as they have had here in Berkeley.

2. *Independent Businesses Thrive with a Common Set of National Chains*

   The commercial districts examined all tend to host a large percentage of independent businesses. All the districts contain a mix of smaller, independent shops selling books, new and vintage clothing, sportswear and sporting goods, gifts and jewelry, flowers, beauty products and salons, groceries and market items, and CDs. "The Drag" in Austin is known for the Co-Op, where students can buy everything from textbooks and school supplies to clothing to University of Texas apparel and gifts, similar to the Cal Student Store. State Street in Madison, Wisconsin is host to three bookstores, while Franklin Street in Chapel Hill has the Lucky Star Market which offers upscale groceries, coffee, snacks, and bike accessories. College Avenue in Ithaca, the commercial street closest to Cornell, offers more food and drink choices than shopping, which is clustered along the nearby State Street.

   Most of the districts examined contain a similar set of national chain stores to Telegraph: a Walgreens or CVS pharmacy, Urban Outfitters, Chipotle, and often a Jamba Juice or Starbucks. The major exception is Franklin Street in Chapel

Hill, which has only one major retailer, Walgreens, and a few national chain eateries such as Chipotle.

3. *Food and Drink Serves the Campus and the Broader Community*

   Most of the campus-linked commercial districts offer a wide range of food and drink choices to students, locals, and visitors. These districts offer many inexpensive food choices such as bakeries, pizzerias, frozen yogurt shops, bagel shops, and sandwich shops, as well as more expensive sit-down restaurants serving a diverse range of cuisine. The upscale eateries in these districts tend to feature locally sourced, artisanal fare, such as the Moosewood Restaurant in Ithaca, NY.

   Coffee shops feature heavily in most of the districts, especially State Street in Madison, Wisconsin. A cursory count using Google Maps shows no less than eight coffee shops on or near the street, especially close to the UW campus. Chapel Hill's main coffee shop, next to the UNC campus, is Carolina Coffee Shop, which has been serving as an important gathering space for students and others for more than 50 years.

   Bars, pubs, and restaurants/grills serving alcohol also tend to feature highly in the campus-linked commercial districts. Using State Street in Madison as an example again, a cursory count shows approximately 14 bars or pubs in the commercial district, while the commercial district closest to the Cornell campus along College Avenue hosts at least 10 bars or pubs, as well as nightclubs such as the Level B Bar where students and others can lounge and dance long into the night. Food establishments serving alcohol appear to act as important gathering spaces and are likely a key draw that attracts people from outside the district.

4. *Entertainment Is an Essential Part of the Mix*

   All districts examined serve as important entertainment destinations. The venues themselves vary and include small theaters showing art and independent films, art museums or galleries and live music venues. The art deco theater, Avon Cinema, on Thayer Street in Providence, Rhode Island screens independent, art house and foreign films, and also hosts film festivals. The $3 entrance fee to the Varsity Theatre in Chapel Hill brings students and locals to Franklin Street to watch independent or classic films. A variety of venues in various cities offer live music and dancing, which definitely appeals to young people.

   Annual festivals or parties also play a role in attracting locals and visitors. Two of the commercial streets, Franklin Street in Chapel Hill and State Street in Madison, host Halloween parties, and several of the streets host annual festivals such as Franklin Street's *Festifall* showcasing arts and crafts.

The campus-linked commercial districts and college towns examined tend to offer similar types of shops, restaurants, cafes, and cultural amenities, with a balanced mix of independent establishments and national chains. They tend to offer a range of entertainment and nightlife options, creating spaces for people to gather and enjoy music, drinks, art, and conversation. In general, it appears as though the trend in these commercial districts is an increase in the proportion of businesses serving food and drink while retail is in decline.

Telegraph shares many of the same qualities that make these other campus-linked commercial districts attractive for students, visitors, and locals. However, Telegraph appears to have fewer full service restaurants/bars and nightlife arts/entertainment options. If the area can address these deficiencies and create more 'gathering spaces', it will likely help it attract a greater diversity of people. A study done by the graduate student union two years ago found that many graduate students felt they had to go to Oakland or San Francisco to have a fun date night out. That is clearly a market that Telegraph is in a position to tap.

What Are the Opportunity Sub-Sectors (Based on Both Existing Strengths and Market Demand Data)?

1. *Clothing*.

   As discussed above, clothing and related supplies is already an established sector in the Telegraph neighborhood. The existing stores cater to a range of styles and designs, from new to vintage, from ethnic to specialty ware. Most stores cater to a younger demographic and taken together constitute a strong cluster. However, there are only a few brand name stores, and the neighborhood has lost demand for high-profile brands to other districts throughout the Bay Area. The survey of Cal undergrads discussed above demonstrates the demand for apparel sold at Forever 21, H&M and Old Navy. Significantly, other research done over the years indicates a similar demand by U.C. graduate students and others. While the Bancroft Clothing Company and American Apparel are important clothing anchors, staff believes that attracting one or two larger clothing anchor stores would hugely benefit the existing cluster by better serving both the existing and potential consumer base. Of course, such stores would also attract many non-students and other young professionals to the area.

2. *Food and Drink*

   We have shown that restaurants and food establishments have been the one sector that has demonstrated consistent strength and growth since 1990. The existing selection of food businesses attracts people from the Campus, the surrounding neighborhood and the rest of the community. Food is a constant --

there is always demand for it – and Berkeley in general is well known for quality and variety. Staff believes that the existing food cluster is relatively strong and has the potential to grow larger and stronger in the future.

With restaurants, a diversity of food product types and eating experiences is generally desirable to attract a range of customers – students, but also faculty, visitors, tourists and neighborhood residents. What the ideal mix might be is hard to know, but staff believes that higher quality full and quick-service establishments would likely be good for the tenant mix, and might also overlap with desirable entertainment, music and other cultural attractions.

3. *Arts/Entertainment*

Arts and entertainment venues are a critical ingredient of a vital campus-oriented commercial district and the Telegraph area would greatly benefit from more venues of this sort. In fact, the area had a long tradition of such venues but a number of those have disappeared in recent years. Blake's was perhaps one of the most well know live music venues in the City and Cody's hosted one of the region's most widely attended series of nightly book readings.

Fortunately, there are several venues in the pipeline that are looking once again at providing evening entertainment along Telegraph Avenue. The Berkeley 'Art House' project, located at 2525 Telegraph, is going through entitlements to create an arts, food and drink venue modeled on Red Poppy Art House, a well known establishment on Folsom Street in San Francisco. 'Mad Monks', is a project proposed by Ken Sarachan at the former Cody's Building that is now going through Zoning review. The proposed project calls for creation of a "multi-concept venue" with a variety of uses including a performance stage, a full restaurant and bar, a coffee counter, a small flower shop and retail sales of old records, tapes and books ("anachronistic media").

These types of venues should be encouraged and hold great promise to attract graduate students, young 'creatives' and others back to Telegraph Avenue, hopefully on a regular basis.

It should be noted that there are several successful art galleries and framing shops along Telegraph Avenue that have been important anchor businesses in the area for many years. There is also a street art vending tradition that has long been one of the Avenue's most distinct and notable features. In recent years, street events such as 'Last Sunday Fest' have also been successful in highlighting the arts and attracting people to the area. Merchants and property owners have been recently talking about possible ways to emulate the Art Murmur in Oakland that has been successful in attracting many people to Midtown and deepening that area's reputation for avant guard art galleries and

an active creative scene. In the future, events of this sort in Berkeley could be linked to the Telegraph area's arts sellers and performance venues and thereby help promote the District's economic development goals.

The Telegraph District also is a prime opportunity area for public art. With the exception of the pieces at the Berkeley Art Museum and the People's Park mural at Haste and Telegraph, the neighborhood lacks any significant public art installations. Prompted by the interest of merchants and the recent revitalization efforts, the Civic Arts Commission is now considering possible commitment of public art funds to support a Telegraph District art project. They discussed this idea at their April 24th meeting and adopted the following motion:

The Civic Arts Commission enthusiastically supports the incorporation of art and culture into the revitalization of Telegraph Avenue and will examine the Public Art budget to determine an appropriate financial allocation for this project.

The Commission looks forward to helping identify resources to enable new public art installation in the Telegraph District and support the necessary conceptual, curatorial and selection processes.

4. *Apartment/Household Supplies*

Students have indicated that they often leave Berkeley to shop for household supplies at stores such as Target, Bed Bath and Beyond and Costco. While low cost is always a competitive advantage of larger big box stores, convenience is not. Staff believes that smaller stores that cater to the household needs of residents could find a niche along the Telegraph Corridor and could appeal to both students and area residents. The greater Telegraph area is one of the most densely populated neighborhoods in the region and there is clearly unmet local demand for everyday products. A subset of these needs is currently being filled by Walgreens and Daiso, as well as higher end stores such as The Body Shop and Urban Outfitters. But it appears there is clearly room to grow, particularly in the bed and bath categories.

In the next few years hundreds of new housing units are planned for Berkeley and the presence of the University means that thousands of new households are formed in Berkeley on an annual basis. Staff believes that household goods retail represents a niche that could potentially do well in the Telegraph neighborhood and serve both unmet local and City-wide demand.

5. *Ethnic/Specialty Items*

While not a strict category per se, Telegraph has always had a variety of stores selling ethnic and specialty items. These stores can appeal to both locals and

visitors, and often reflect a certain fun, hip, creative, college town aesthetic. These stores have quite a range and actually cross over between categories: They can include Asian bakeries (Sheng Kee Bakery) or products as diverse as household items (Daiso) or Tibetan gifts (Rapten). People purchase these products for a variety of purposes: food, household decorations, gifts, etc. This is not a category that would necessarily benefit from a large 'anchor' store or from a particular tenant mix strategy – it is only mentioned here because the large number of these types of stores along Telegraph is a significant part of the District's eclectic character and should be recognized and appreciated as a desirable subset of the tenant mix.

Retail and Restaurant Employment in the Telegraph District

Most of the employment in the Telegraph District consists of retail and restaurant jobs. This is related to the fact that the District's buildings are characterized by ground floor retail and restaurant uses and some upper floor housing units. There are very few offices or non-residential commercial spaces on upper floors because such uses have been prohibited for many years.

As of the first quarter of 2013 there were 1,252 jobs in the Telegraph District, mostly in Retail and Food Service (see Attachments 20 & 21). Roughly half of those, 626, were Retail jobs and 516 were Food Services jobs. The remaining 108 jobs were an assortment of categories including Business Services and Arts, Entertainment and Recreation.

The data we have does not specify whether these jobs are full or part time, but it is likely that many of these jobs are part time. While we don't have specific figures, we know from talking to store owners that some are held by students and many aren't.

Here are a few significant facts:

1. *Of the Food Service jobs, more people are employed in limited service restaurants than full service restaurants.* There are 222 jobs held by people working in limited service restaurants, 167 in full service restaurants and 129 in snack and non-alcoholic beverage bars.

2. *'Books, Music, Sports and Hobby' has the largest number of Retail jobs.* There are 342 jobs in this retail cluster.

3. *There are 171 Retail jobs in the 'Clothing' Category.* This is a significant sector that has the potential for future growth.

4. *All Retail employment in other categories is small.* There are only 83 other retail jobs identified in other categories.

The employment data we have at this time is very limited – it is self-reported by the employers themselves in their business license renewals. Because it is somewhat unreliable, we can only draw limited conclusions. However, staff believes that the employment demonstrated in the Clothing sub-sector is significant and that going forward there may be opportunities for new jobs in that sector. Furthermore, the food sector and the various 'Opportunity Sub-Sectors' that we identified and discussed above will likely grow as revitalization proceeds.

Development Outlook

Because of weak sales and changing retail markets, the development climate on Telegraph has been challenging for many years. This is both symbolically and functionally represented by the dismal condition at the corner of Haste and Telegraph -- perhaps the single most significant challenge and opportunity for the future of the Avenue. The fire at the Sequoia Building not only displaced many dozens of people and several successful businesses, it created a true dead space on the street (see Attachment 12). The presence of two vacant corners and one empty building is a unique condition in Berkeley – and it has become a significant obstacle to attracting pedestrian traffic along the street, especially heading south from campus. The good news is that all three corners now have proposed projects actively going through the City's development review process.

1. *2441 Haste Street - Permit #: UP 13-10000015*

   The project is intended to replace in kind the five-story, 44-unit Sequoia Apartment building at 2441 Haste Street that suffered a catastrophic fire in November 2011. Café Intermezzo, Raleigh's Bar and Grill, and La Fiesta occupied the ground floor commercial area and were also destroyed by the fire. The proposed 43,000 SF replacement building will house two restaurants at grade with courtyard access and 42 apartments on four floors. The building is designed in a 'U'-shape around a courtyard with retail facades and entrances on Telegraph Avenue. The apartments are entered off Haste Street via an exterior gated forecourt.

2. *2501-09 Haste Street, 2433 Telegraph Avenue - Permit #: UP 12-10000012*

   This project would allow the construction of a 97,104 square foot, six-story mixed use building at the long vacant site of the former Berkeley Inn. It will include 80 dwelling units, 14,000 square feet of retail area, and no off-street parking spaces. It would involve demolishing 7,714 square feet of retail floor area at 2433 Telegraph Avenue and relocating the City of Berkeley Landmark Woolley House at 2509 Haste Street to another location.

3. *2454-64 Telegraph Avenue - Permit #: UP 12-10000030*

   The proposed project at the old Cody's building calls for creation of a "multi-concept venue" combining restaurant and bar, performance stage, coffee counter, flower shop and eclectic retail. Other exterior changes would include re-finished wall surfaces, new lighting and signs and replacement of the existing greenhouse structure along Telegraph Avenue.

Taken together, these three projects offer the possibility of a completely transformed corner – a change from one of the most challenged corners in the City to one of the most dynamic.

The University's Lower Sproul project is also now under construction and will eventually create a much more immediate and engaged campus street presence along the Bancroft Corridor. This project will bring retail space currently housed at the ASUC over to the street edge and those businesses will hopefully become a more functional part of the area's broader commercial mix.

New planned decorative lighting and other streetscape improvements contemplated for the area could also improve the District's retail potential. They offer the prospect of a more pedestrian and visitor friendly experience that will likely improve the area's appeal to both visitors and shoppers.

Staff believes that all these factors together point to the possibility for improved economic prospects for the Telegraph District in the future. Staff is aware of several development teams now seriously looking at the Telegraph District for investment opportunities, having been lured by the new activity and attention recently brought to the area. Staff further believes that the District is at a critical – and fragile – moment and that to successfully capture new investment, the City, the Telegraph BID, the University and other interested stakeholders will all have to work together and continue supporting the current efforts for positive change.

BACKGROUND

In the 1980's Telegraph Avenue was one of the most interesting and dynamic retail areas in the City. At that time, retail rents achieved there were some of the highest in the City and the region and there was a thriving complex of book, record, and specialty retail items that had a strong cultural focus. Andy Ross, the former proprietor of Cody's Books, referred to the Avenue as the 'Rodeo Drive for Intellectuals'.

That perception began to decline in the 1990's as other retail districts in Berkeley and the region began to actively compete with Telegraph and the area increasingly became known for its edgy and, for some shoppers, uncomfortable street scene. In addition, aging buildings and streetscape architecture, changing demographics and cultural preferences of the Cal student body and the rise of internet retail sites hurt sales for the

area's traditional book and music stores. More recently, the Sequoia building fire of November 2011 and its aftermath was a severe blow to the district and the surrounding neighborhood and has created a situation requiring new and creative approaches to spark investment and revitalization of the area.

POSSIBLE FUTURE ACTION

In FY 2014 Economic Development Staff expects to coordinate closely with the Planning Department to develop and implement strategies to support the economic revitalization of the area. We will continue engaging with business and community stakeholders to leverage resources for this purpose whenever possible. We also intend to work with the arts and creative community to bring public art to the area and work with the Telegraph Business Improvement District on promotional strategies targeted to both its existing and potential customer base.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

It is hard to say at this time. Council may give staff direction that will require commitment of staff or other resources so this could be an impact. However, efforts to assist the Telegraph District recover economically are likely to have a significant positive fiscal impact resulting from increased permit fee payments, sales and transient occupancy tax receipts, and job creation and associated economic benefits.

FOLLOW-UP ON COUNCIL FEEDBACK FROM MARCH 5, 2013

On March 5, 2013, staff submitted a quarterly Economic Development Report to the Council that reviewed City-wide labor force, employment and retail sales trends. Council asked a series of questions including the following:

How can we improve the City's employment situation and get jobs to Berkeley residents?

This question was prompted in part by an inaccurate fact that staff reported regarding the number of Berkeley residents who were actually employed in Berkeley. We had used a data set prepared by U.C. Berkeley students that incorrectly indicated that 17.1% of the jobs in Berkeley were held by Berkeley residents. The correct figure is actually closer to 48% as per the American Community Survey, U.S. Census Bureau. Staff apologizes for this discrepancy.

Obviously, the Council's concern about local employment was prompted by more than these facts. Staff wanted to note several of the policy tools that are currently in place that are designed to do this:

- Biotech partners
- First Source Hiring Program
- Support for job training programs through Agency grants

Staff believes that the best way to ensure job opportunities for Berkeley residents is to continue to improve the business climate so that more local jobs are created, support the growth of industries that employ people with skills held by local workers, and continue to align job training programs with the changing needs of the local and regional employers.

Staff would be pleased to discuss this question further with the Council.

Can the City set a goal of increasing revenue looking at various factors including retail sales, business licenses, and development?

We should point out that OED's current Work Plan actually contains a goal to "help create conditions that grow Berkeley's retail tax revenues by 10%". Of course, cyclical factors in the business cycle can eclipse the visible fiscal impacts of a particular achievement such as a new business attraction effort or development project. But staff believes that attention to making Berkeley's 'business climate' friendly and responsive is of great long-term value to retaining and attracting businesses here. In addition, the following specific actions can have an impact:

1. Attracting larger, regionally serving retailers.
2. Retaining, growing and attracting new auto dealerships.
3. Entitling new mixed-use development projects along our commercial corridors that offer up to date and flexible retail spaces.
4. Improving the experience of businesses going through the entitlement process.

These are obviously general questions and there are no short answers. But staff would be pleased to discuss them in further detail with Council as part of the Work Session and in the future.

<u>CONTACT PERSON</u>
Michael Caplan, Office of Economic Development, 510-981-2490

Attachments:
1. Map of Telegraph Business Improvement District Area
2. Chart of historic vacancy rates in Telegraph District, 2007 Q3 – 2013 Q1
3. Map of Telegraph District Commercial Space
4. Chart: Telegraph Sales Tax Revenue, Current vs. Constant Dollars, 1990 Q4 – 2012 Q4
5. Chart: Sales Tax Revenue by Economic Category, Adjusted to 2012 Dollars
6. Charts showing Retail Sales decline and Restaurant sales constant over time
7. Charts showing Gross Receipts and Square Footage by sector as of 2012 Q4
8. Map of Telegraph District Commercial Space Use by Food &Drink Sectors

9. Map of Telegraph District Commercial Space Use by Food & Drink Sub-Sectors
10. Charts showing the Gross Receipts and Square Footage of the Telegraph District Retail Sector
11. Map of Telegraph District Commercial Space Use by Retail Sub-Sectors
12. Map of Telegraph District 2012 Gross Receipts Density
13. Table of Telegraph District Census Demographic data within ¼ mile radius and 1 mile radius
14. Map of Telegraph District ¼ mile radius and 1 mile radius
15. Chart showing results of survey of UC undergraduates, January 2010, "Where do you shop…for Residence hall apartment supplies?"
16. Chart showing results of survey of UC undergraduates, January 2010, "Where do you shop…for clothes?"
17. Chart showing results of survey of UC undergraduates, January 2010, "Where do you shop…for food?"
18. Chart showing results of survey of UC undergraduates, January 2010, "Where do you shop…for textbooks?"
19. Chart showing results of survey of UC undergraduates, January 2010, "Where do you shop…for school supplies?"
20. Chart showing Telegraph District Employment Percentage by Sector, 2012 Q4
21. Chart showing Telegraph District Employment by Sub-Sector, 2012 Employment

Attachment 1

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT: AREA

This map is for reference purposes only.

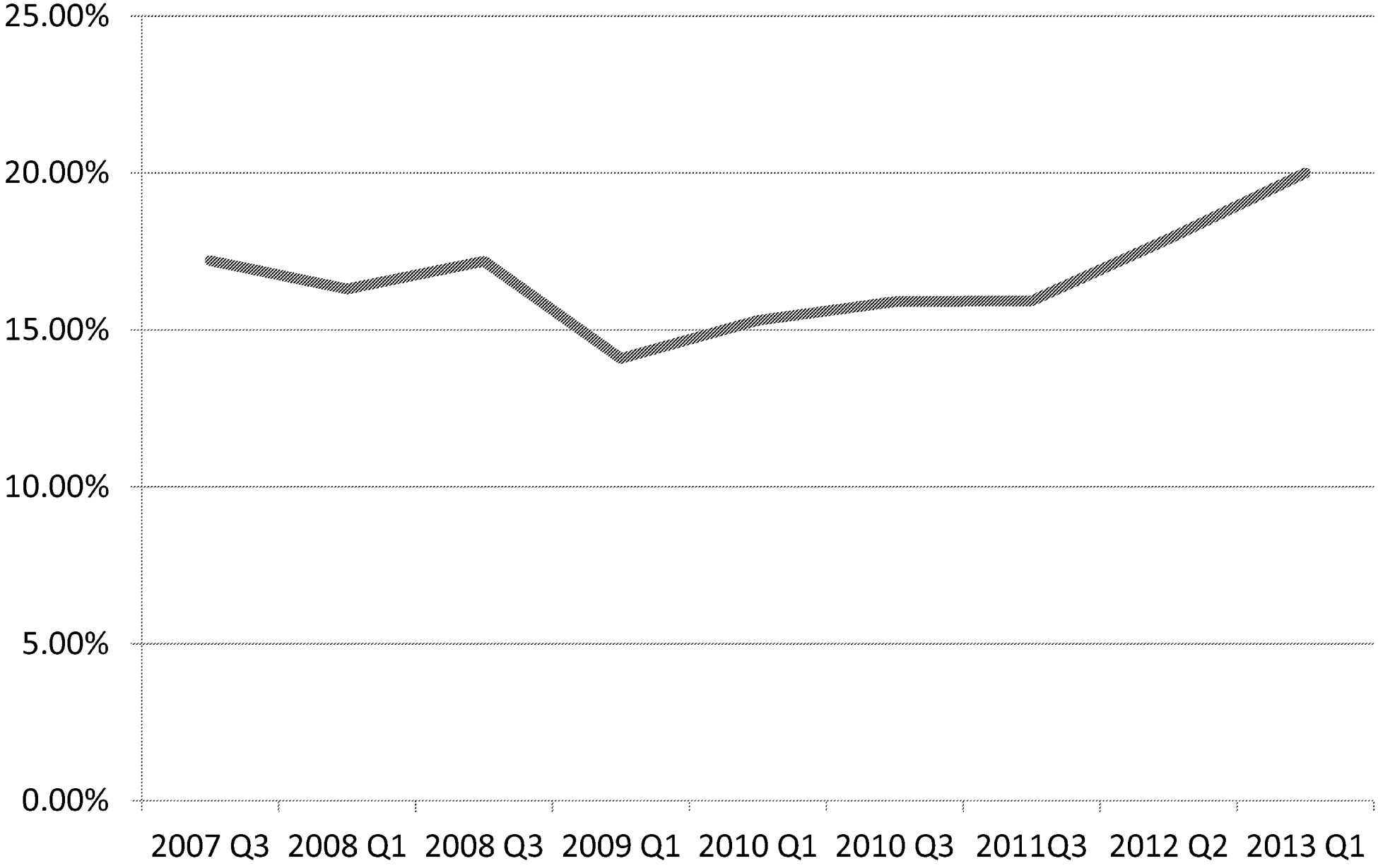
Care was taken in the creation of this map, but it is provided "AS IS". Please contact the City of Berkeley to verify map information or to report any errors.

April 2013

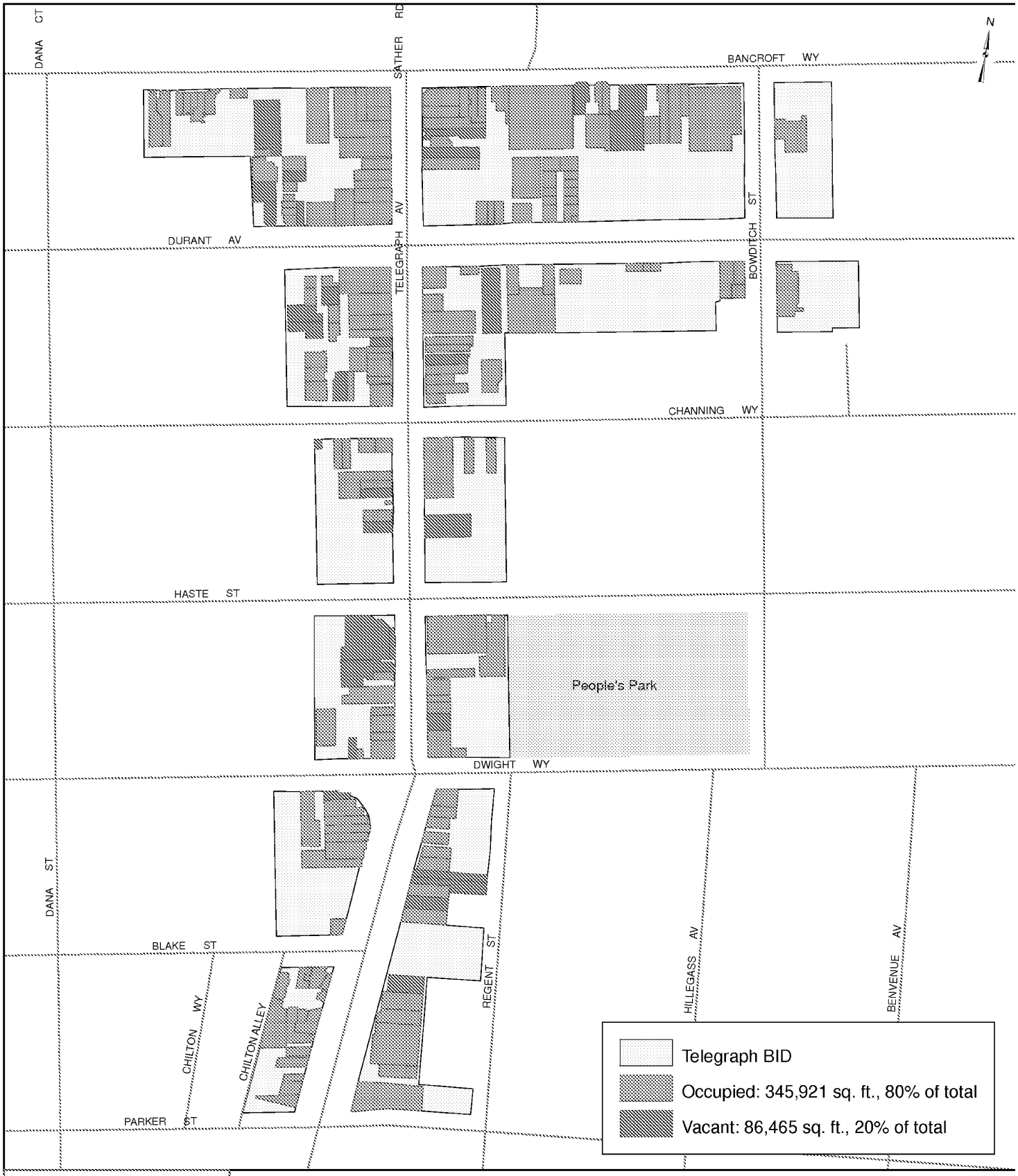
CITY OF BERKELEY

Attachment 2

Telegraph District: Vacancy Rate, 2007 Q3 - 2013 Q1



Attachment 3



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April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT
COMMERCIAL SPACE
432,286 TOTAL SQUARE FEET

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704

Attachment 4

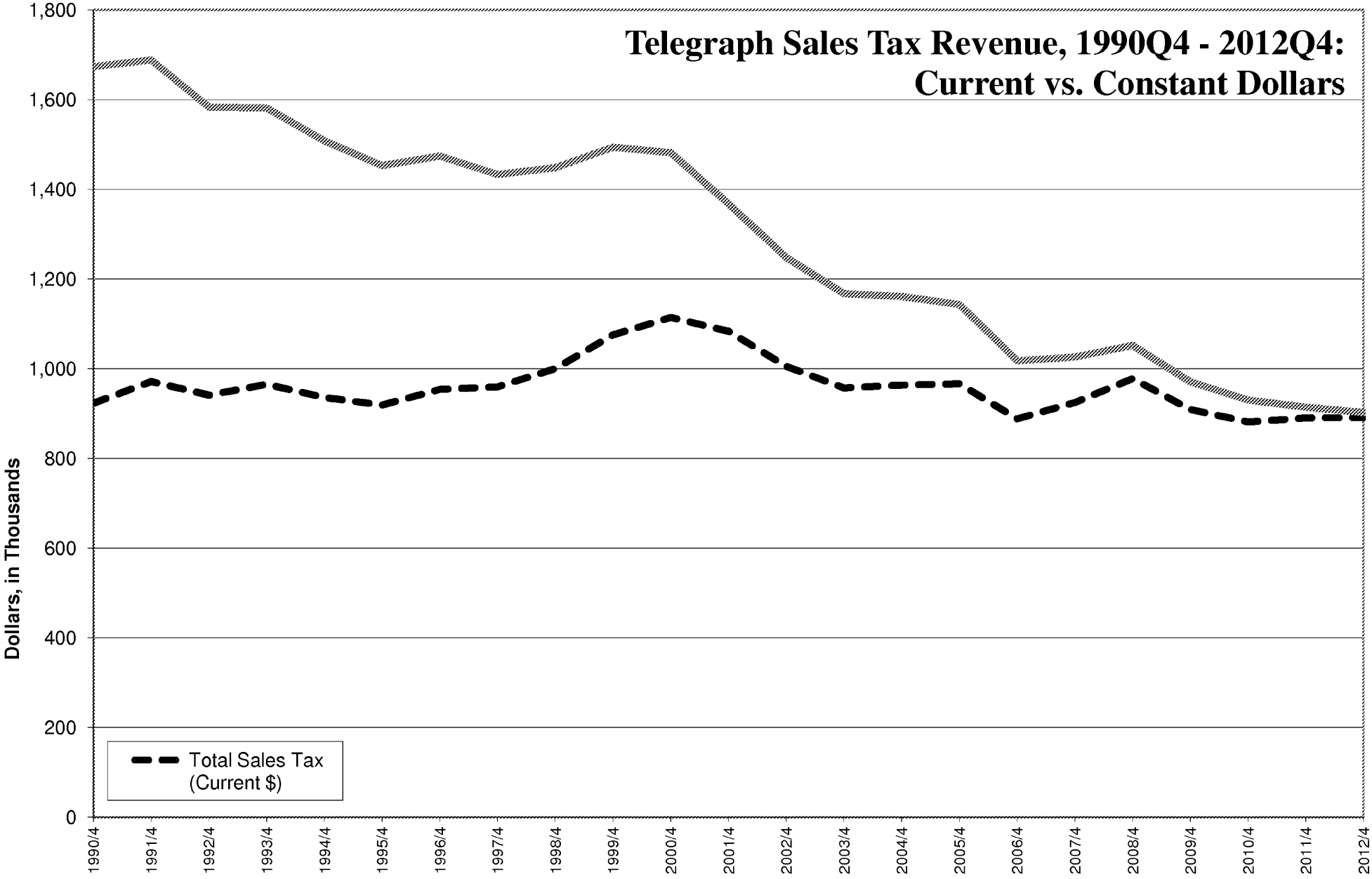


Chart produced by City of Berkeley, Office of Economic Development, April 2013
Data Source: Sales Tax Analysis and Reporting Service, MuniServices

Attachment 5

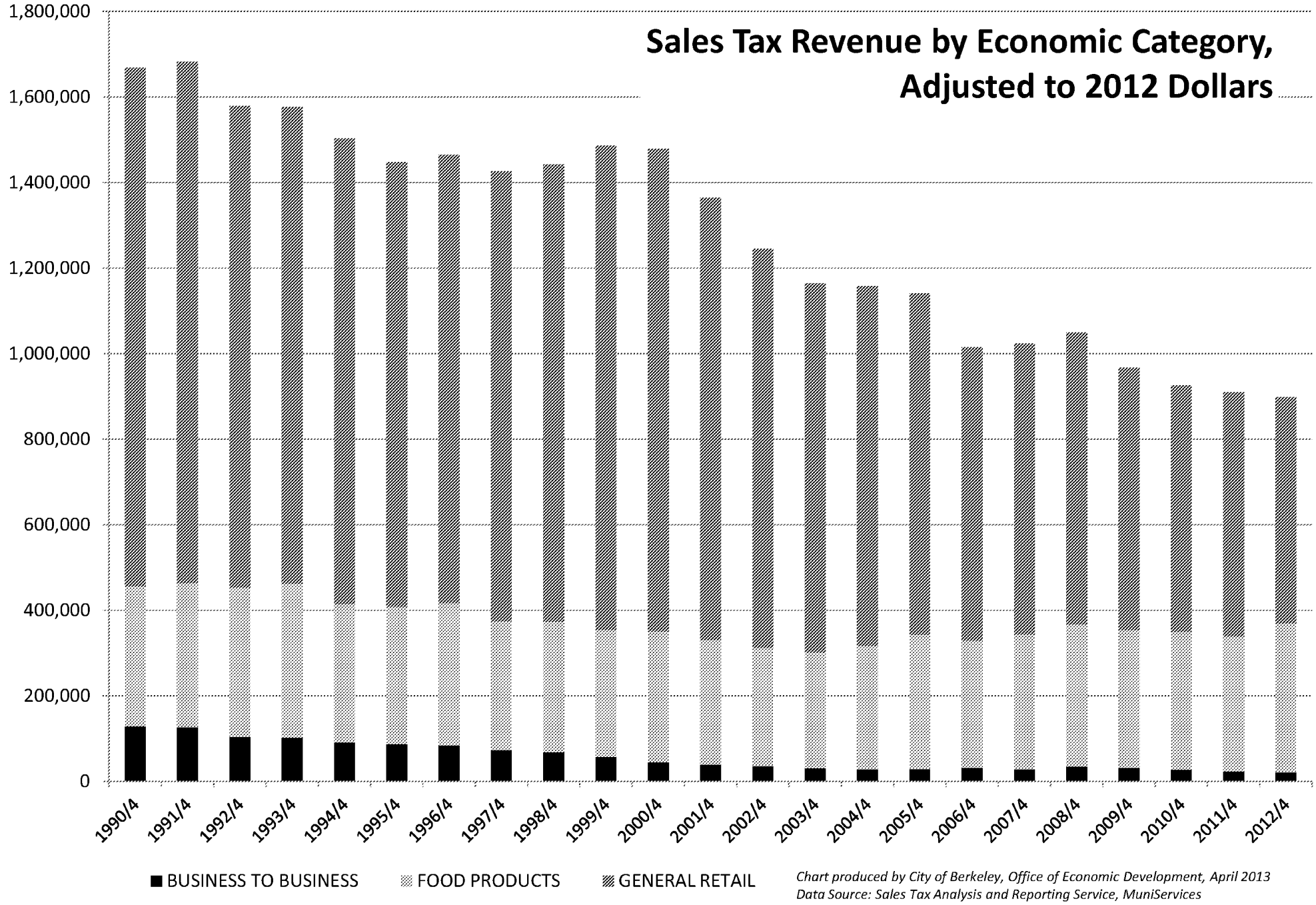


Chart produced by City of Berkeley, Office of Economic Development, April 2013
Data Source: Sales Tax Analysis and Reporting Service, MuniServices

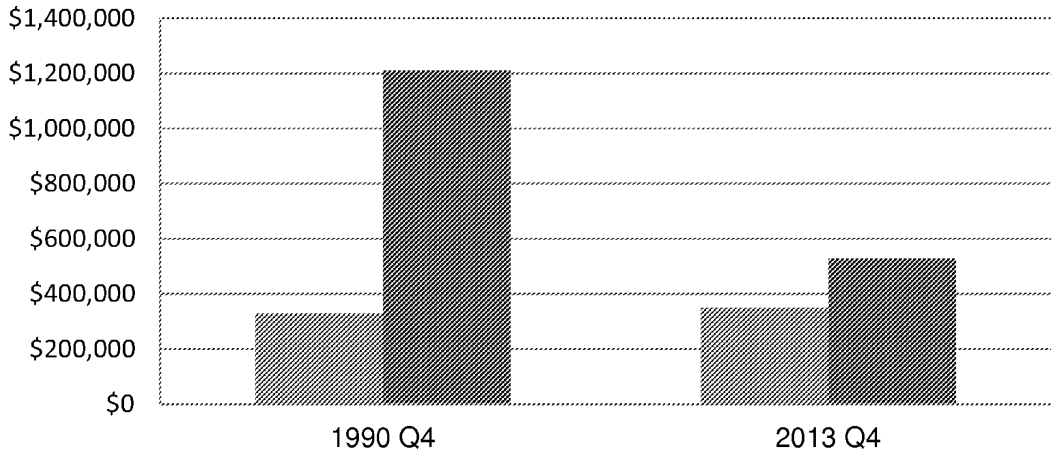
Retail Sales Declined, Restaurant & Food Service Remained Constant

Since 1990, food sales have remained constant, while in contrast, retail sales have declined a dramatic 56%. Food service increased from approximately 21% of total retail sales to nearly 40% of total sales.

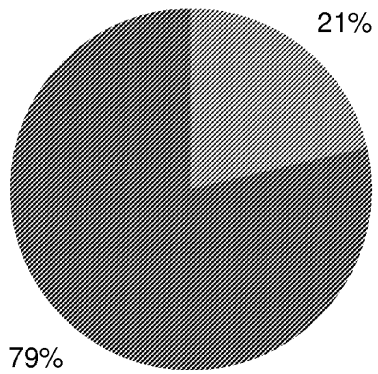
This shows that restaurants and food service uses attract a probably fairly diverse core customer base through creating opportunities for people to gather and enjoy a special Telegraph experience.

Quality food service uses represent an opportunity for future diversification and growth.

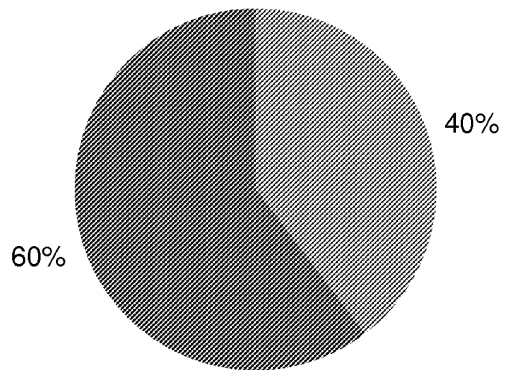
Sales Tax Revenue Comparison: Food and Retail, Adjusted to 2012 Dollars



Sales Tax Revenue as Percentage of Total Food & Retail Sales, 1990 Q4



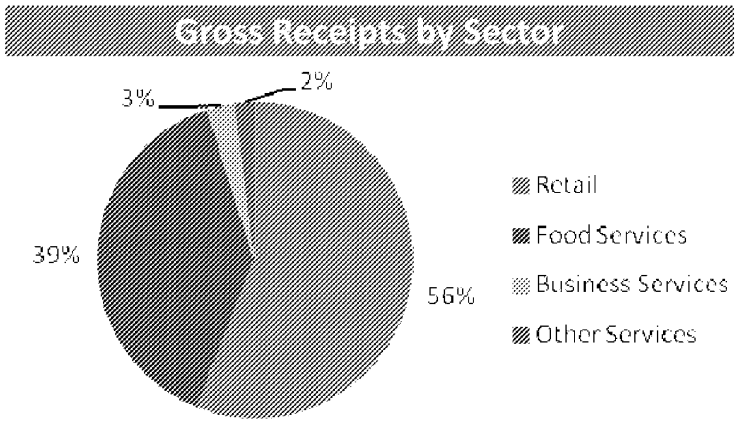
Sales Tax Revenue as Percentage of Total Food & Retail Sales, 2013 Q4

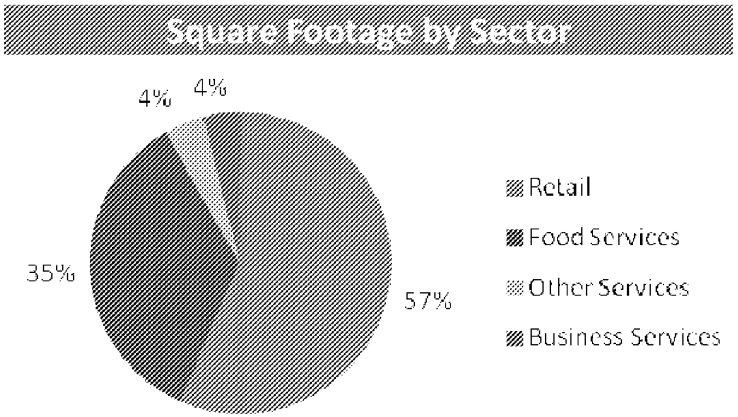


Food Products

General Retail

Charts produced by City of Berkeley, Office of Economic Development, April 2013
Data Source: Sales Tax Analysis and Reporting Service, MuniServices





The Telegraph Avenue inventory includes 210 ground-floor commercial spaces representing 422,150 square feet.

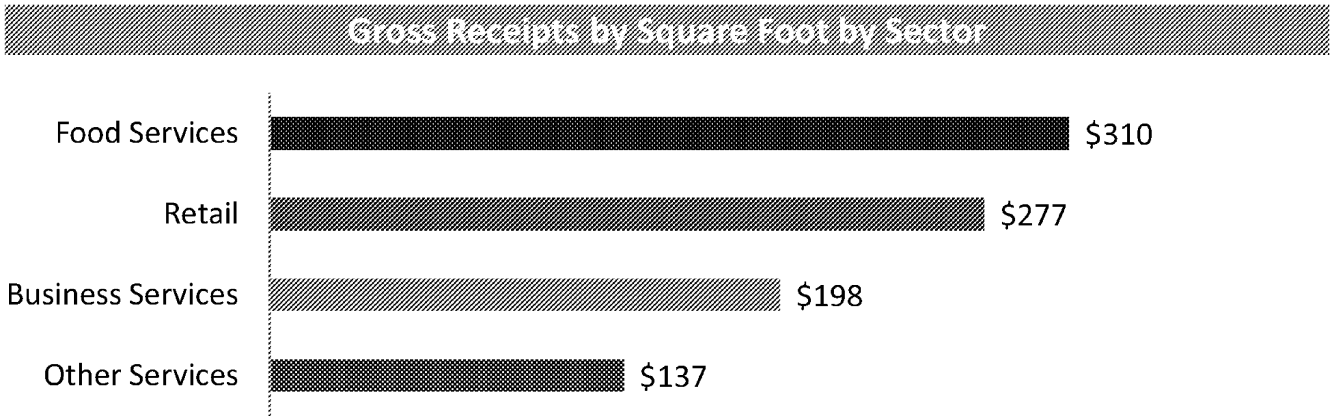
Telegraph is mainly composed of retail and food-related businesses. Except for copy shops and hair salons, other businesses are negligible.

Unlike Downtown Berkeley, there is very little office space.

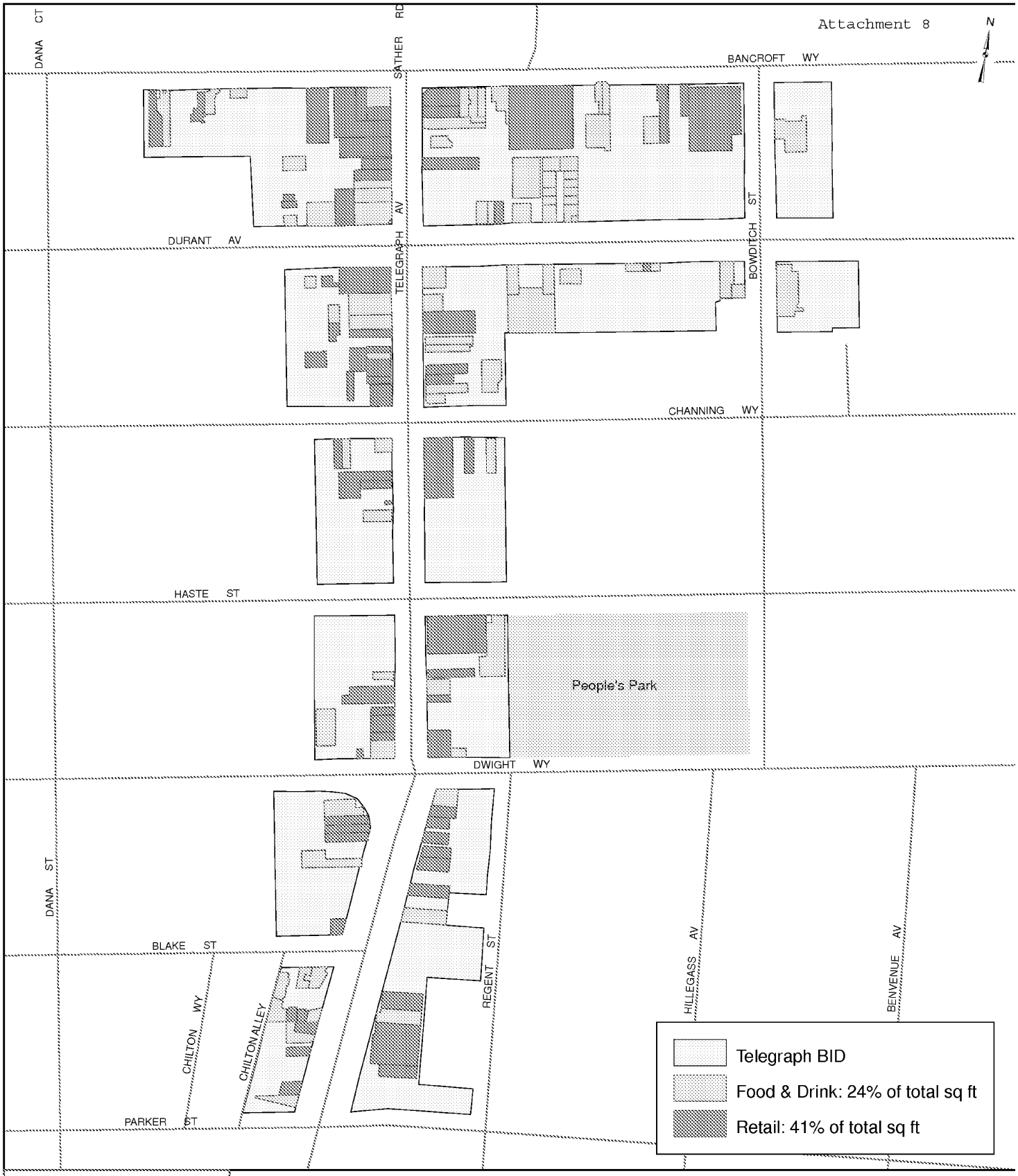
The retail sector alone contributes nearly 60% of sales along Telegraph Ave.

However, food-related businesses contribute more dollars per square foot ($310.00) than any other sector.

It is interesting to note that limited-service restaurants are concentrated near campus.



Attachment 8



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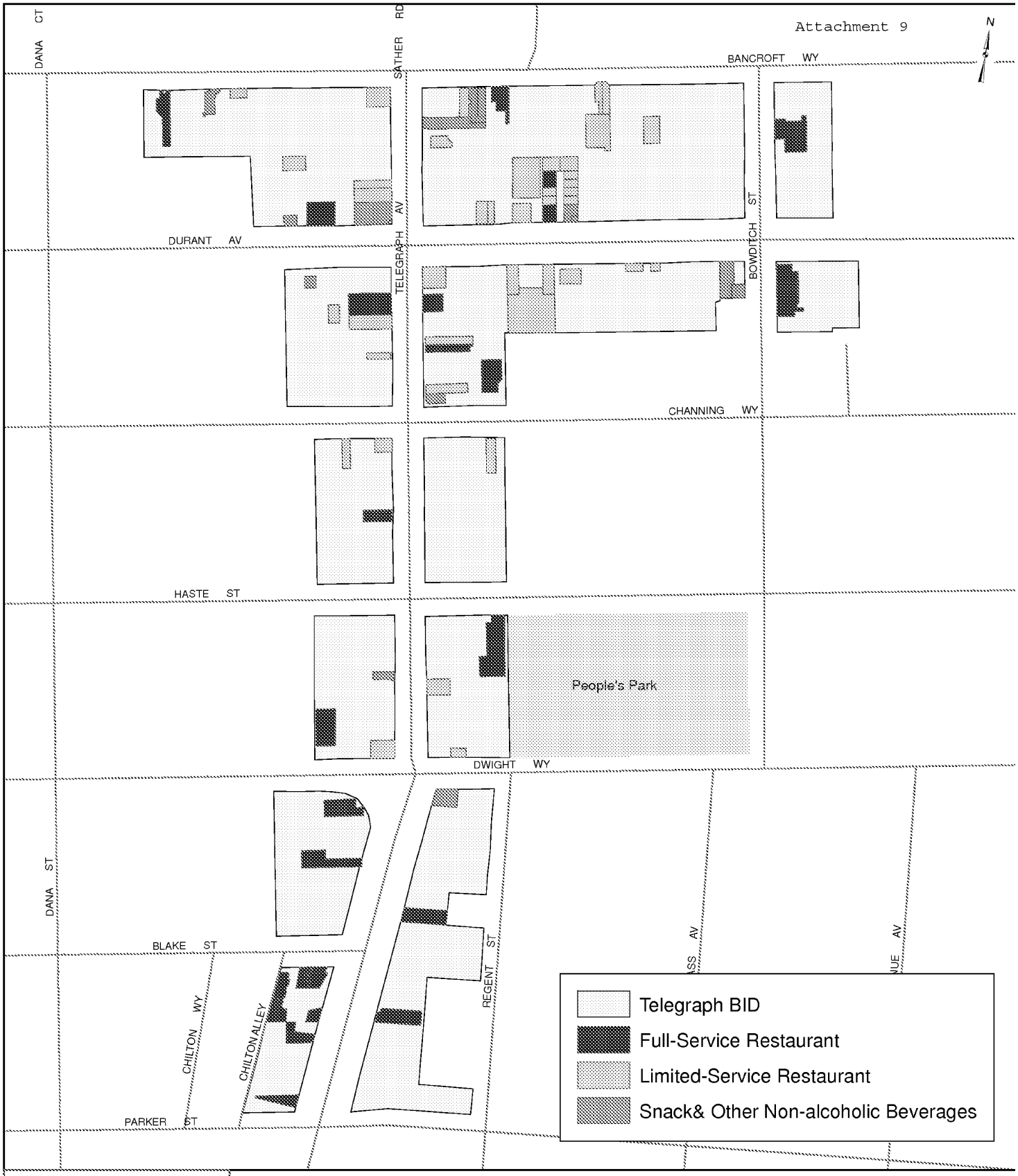
April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT
COMMERCIAL SPACE BY USE: FOOD & DRINK
281,846 SQUARE FEET OF 432,286 TOTAL

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704

Attachment 9



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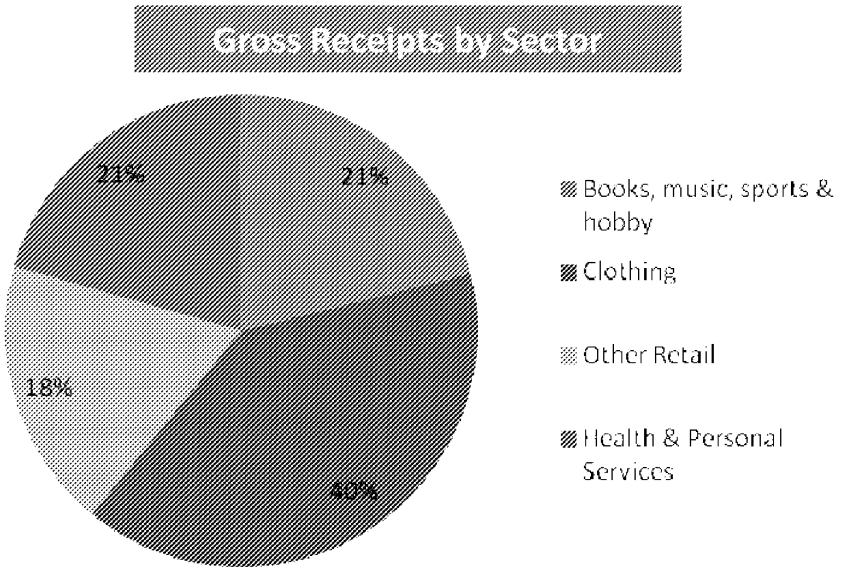
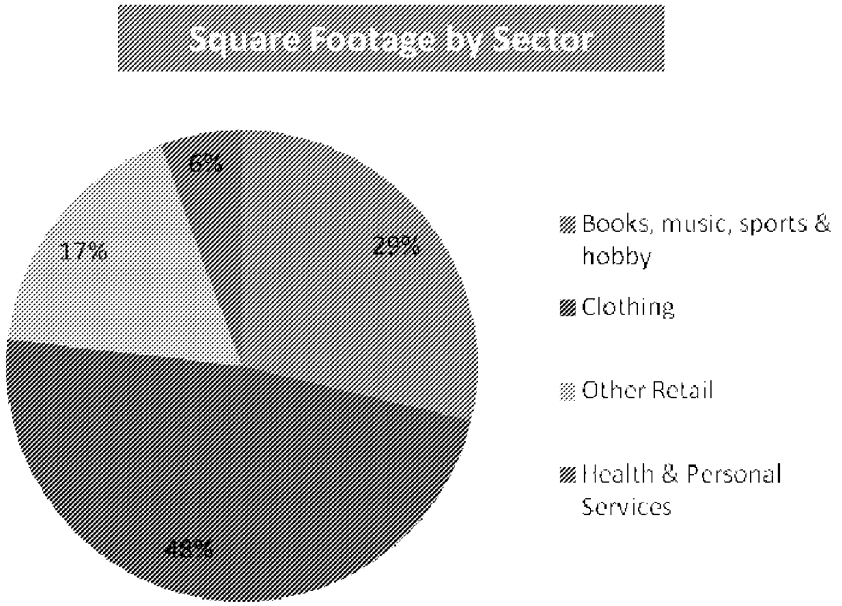
April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT COMMERCIAL SPACE BY SUB-SECTOR: FOOD & DRINK ESTABLISHMENTS

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704

The Retail Sector on Telegraph





The proximity to the University of California has historically contributed to a high volume of foot traffic in the district.

- Book and music stores were once the core of Telegraph's strength. But this is slowly changing.
- In 2007, books, music, sports and hobby stores made up about 43% of total gross receipts of all retail; by the end of 2012 this had declined to 21%. This sub-sector is slowly declining with higher usage of internet sites.
- Today, apparel and accessories stores are the strongest retail sub-sector, made of up 25 separate stores, mostly youth-oriented and catering to Cal students.

Attachment 11

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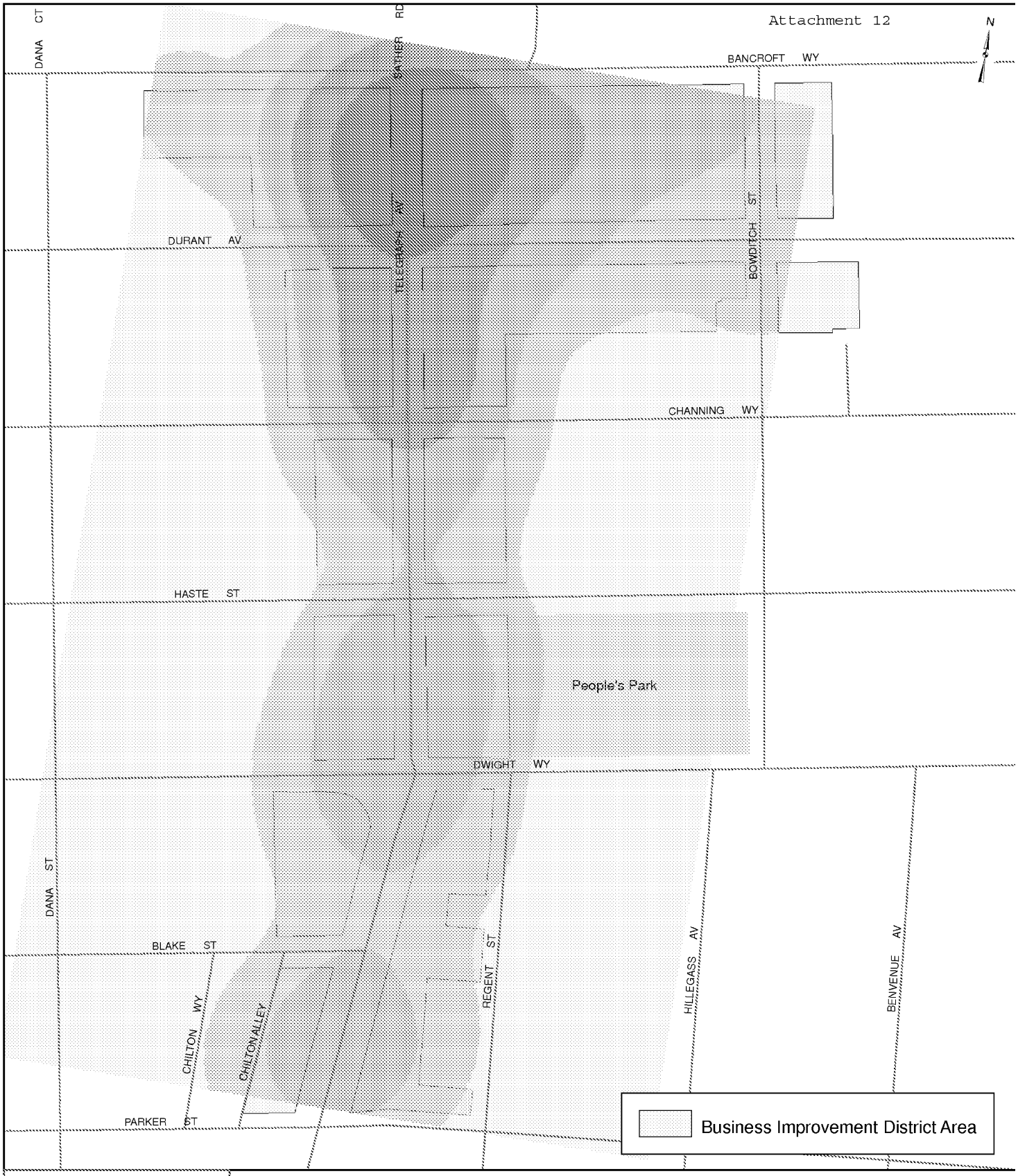
April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT COMMERCIAL SPACE BY SUB-CATEGORY: RETAIL

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704



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April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT
2012 GROSS RECEIPTS DENSITY

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704

Telegraph Business Improvement District
Census Demographic Snapshot 2013 Report
Demographics by Area

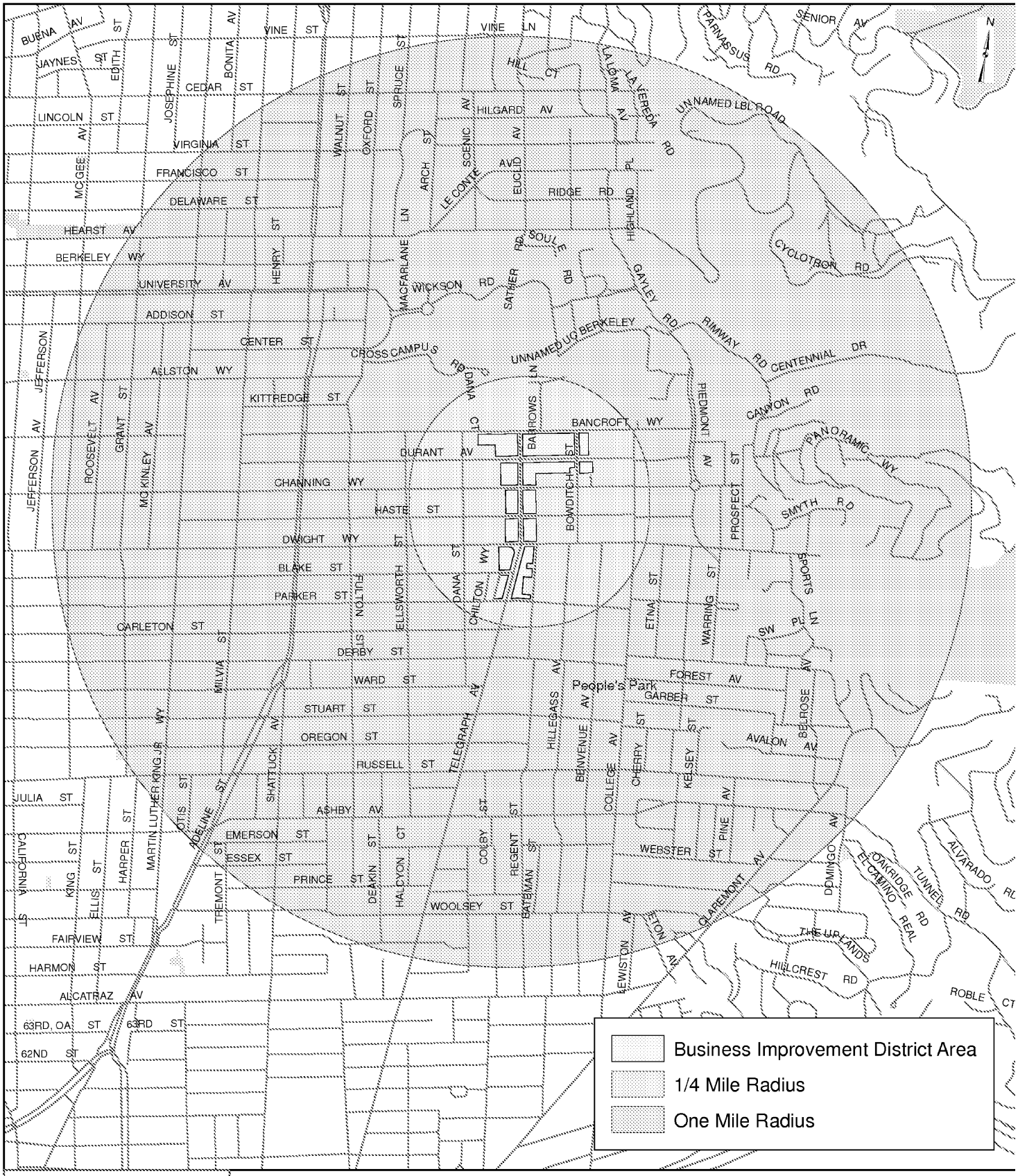
Attachment 13

	Radius from Haste Street & Telegraph Avenue			
	1/4 Mile Radius		1-Mile Radius	
	Total	Percent	Total	Percent
Population				
2018 Projection	9,162		52,843	
2013 Estimate	9,143		50,994	
2010 Census	9,147		49,916	
2000 Census	6,217		40,438	
Population Growth 2000-2010	*47.13%*		*23.44%*	
2013 Estimated *[1]* **Population by Gender**				
Male	4,458	48.76%	25,358	0.4973
Female	4,685	51.24%	25,636	0.5027
2013 Estimated Population by Age				
0-17	108	1.18%	3263	6.40%
18-24	7,485	81.87%	23,755	46.58%
25-34	759	8.30%	8,576	16.82%
35-54	483	5.28%	7,925	15.54%
55 - 64	178	1.95%	3,435	6.74%
65 and over	130	1.42%	4,041	7.92%
Total	9,143	100.00%	50,994	100.00%
2013 Estimated Median Age	*20.61*		*24.45*	
Households				
2018 Projection	1,967		19,956	
2013 Estimate	1,963		19,121	
2010 Census	1,979		18,670	
2000 Census	1,970		17,720	
Growth 2000-2010	*0.46%*		*5.36%*	
2013 Estimated Households by Household Type				
Family Households	154	2.14%	4,747	15.43%
Nonfamily Households	1,810	25.20%	14,324	46.55%
Group Quarters	5,219	72.66%	11,698	38.02%
Total	7,183		30,769	
2013 Estimated Average Household Size	*2*		*2.06*	
2013 Estimated Households by Household Income				
Less than $15,000	769	39.14%	4,649	24.38%
$15,000 to $24,999	269	13.68%	2,106	11.04%
$25,000 to $34,999	206	10.50%	1,601	8.39%
$35,000 to $49,999	271	13.80%	2,292	12.02%
$50,000 to $74,999	223	11.37%	2,830	14.84%
$75,000 to $99,999	109	5.53%	1,696	8.89%
$100,000 to $124,999	37	1.88%	1,028	5.39%
$125,000 to $149,999	32	1.63%	872	4.57%
$150,000 to $199,999	25	1.28%	843	4.42%
$200,000 to $249,999	10	0.50%	366	1.92%
$250,000 to $499,999	11	0.56%	562	2.95%
$500,000 or more	3	0.13%	226	1.19%
Total	1,964		19,071	
2013 Estimated Median Household Income	*$22,941*		*$42,720*	
2000 Tenure of Occupied Housing Units				
Owner Occupied	70	3.57%	3,970	20.82%
Renter Occupied	1,894	96.43%	15,101	79.18%
Total	1,964		19,071	

[1] 2013 estimates based on 2010 census data

Source:

Prepared On: Apr 17, 2013



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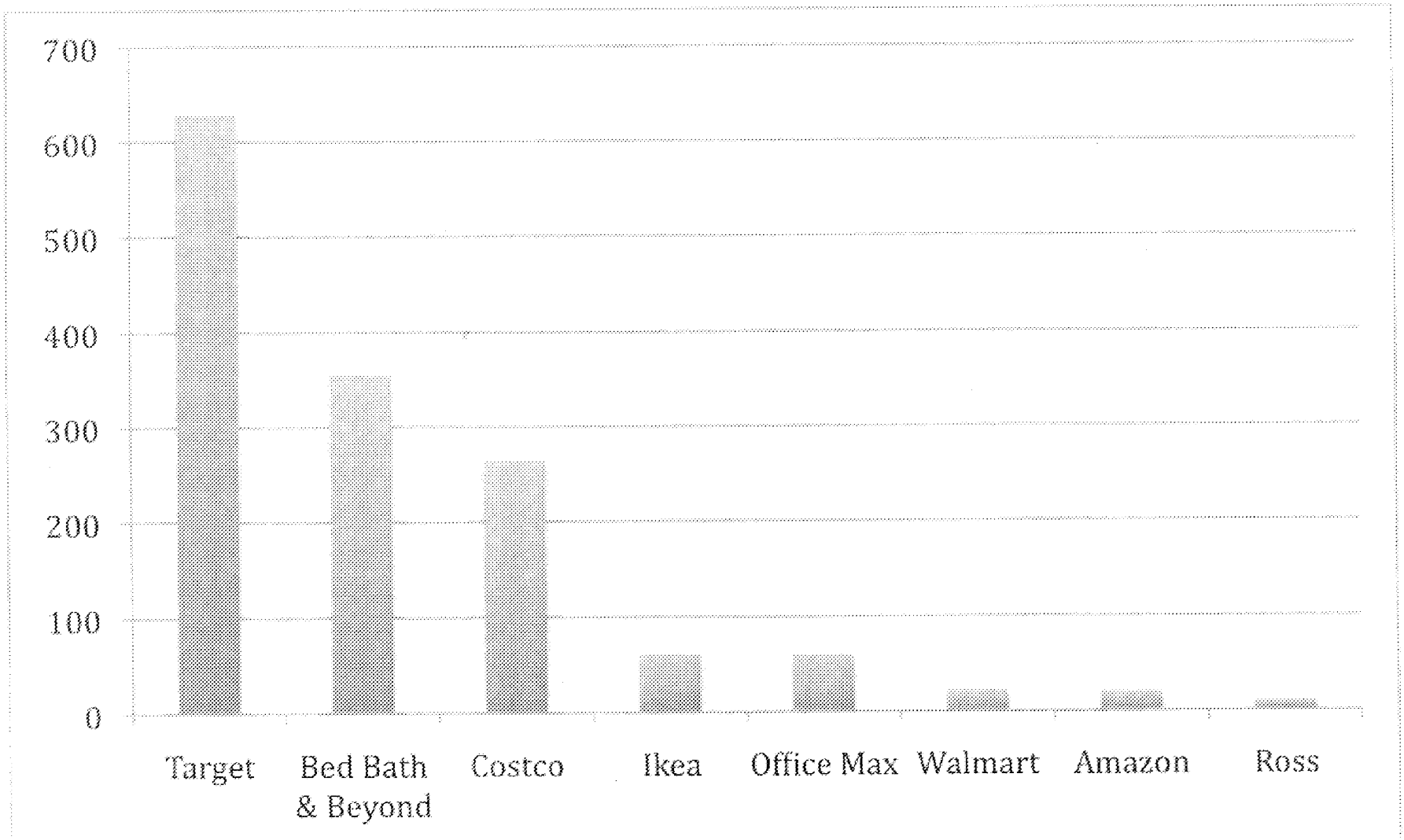
April 2013

TELEGRAPH BUSINESS IMPROVEMENT DISTRICT
1/4 MILE AND ONE MILE DISTANCE FROM APPROXIMATE CENTER OF DISTRICT

CITY OF BERKELEY
Office of Economic Development
2180 Milvia Street
Berkeley CA 94704

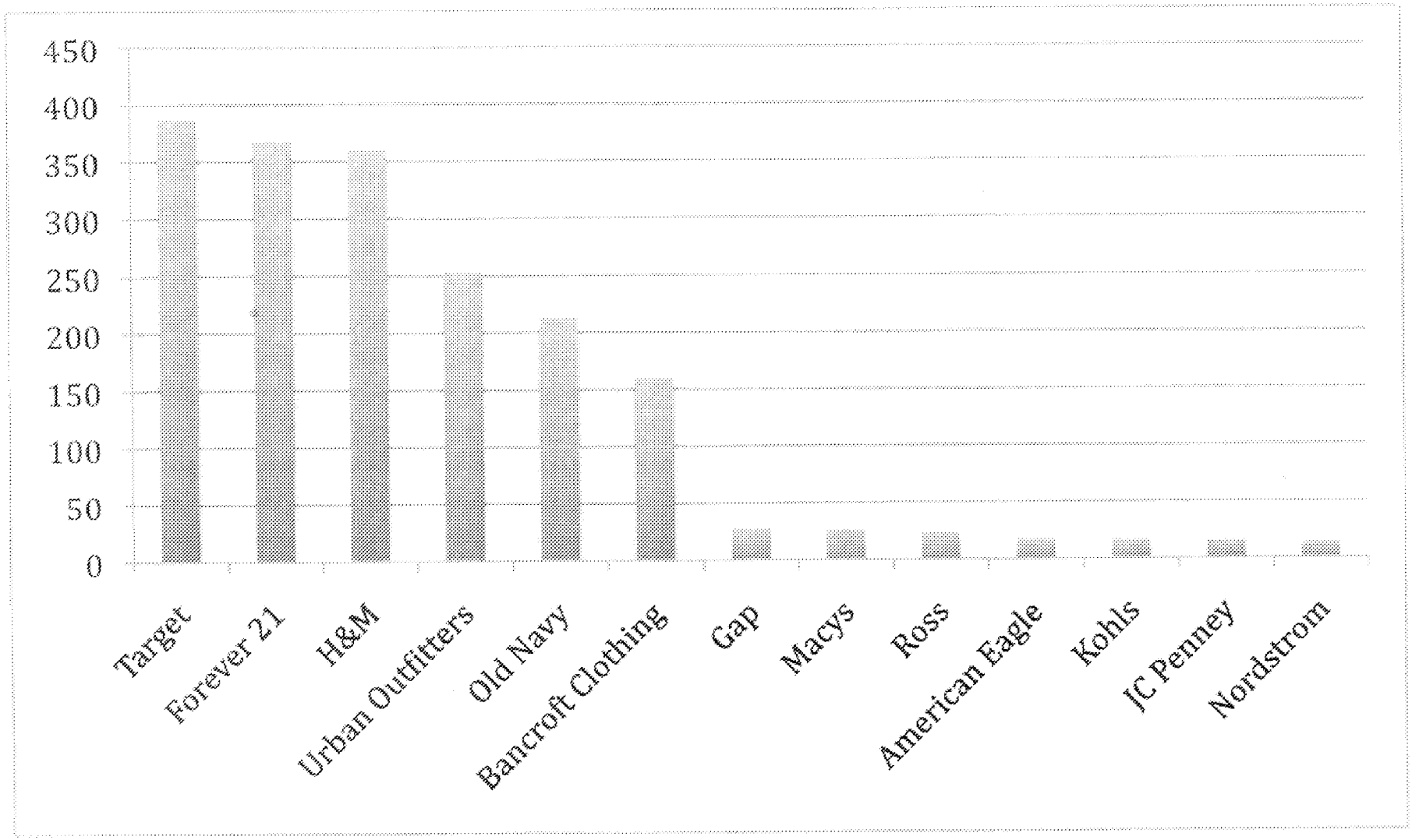
4. Where do you shop, both online and in person, for residence hall / apartment supplies?



Survey of UC undergraduates, January 2012 (817 responses)

5. Where do you shop, both online and in person, for clothes?

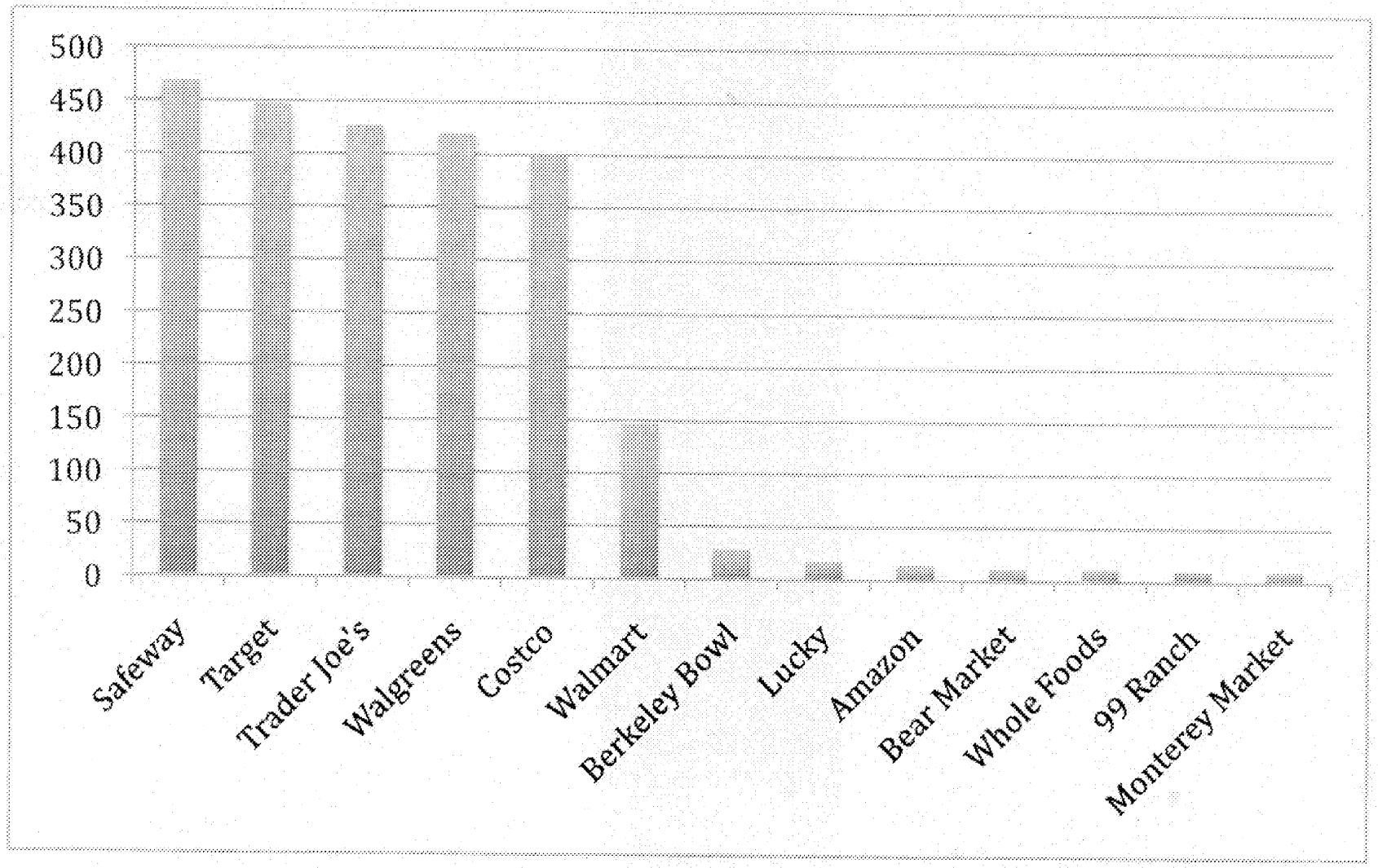
Attachment 16



Survey of UC undergraduates, January 2012 (817 responses)

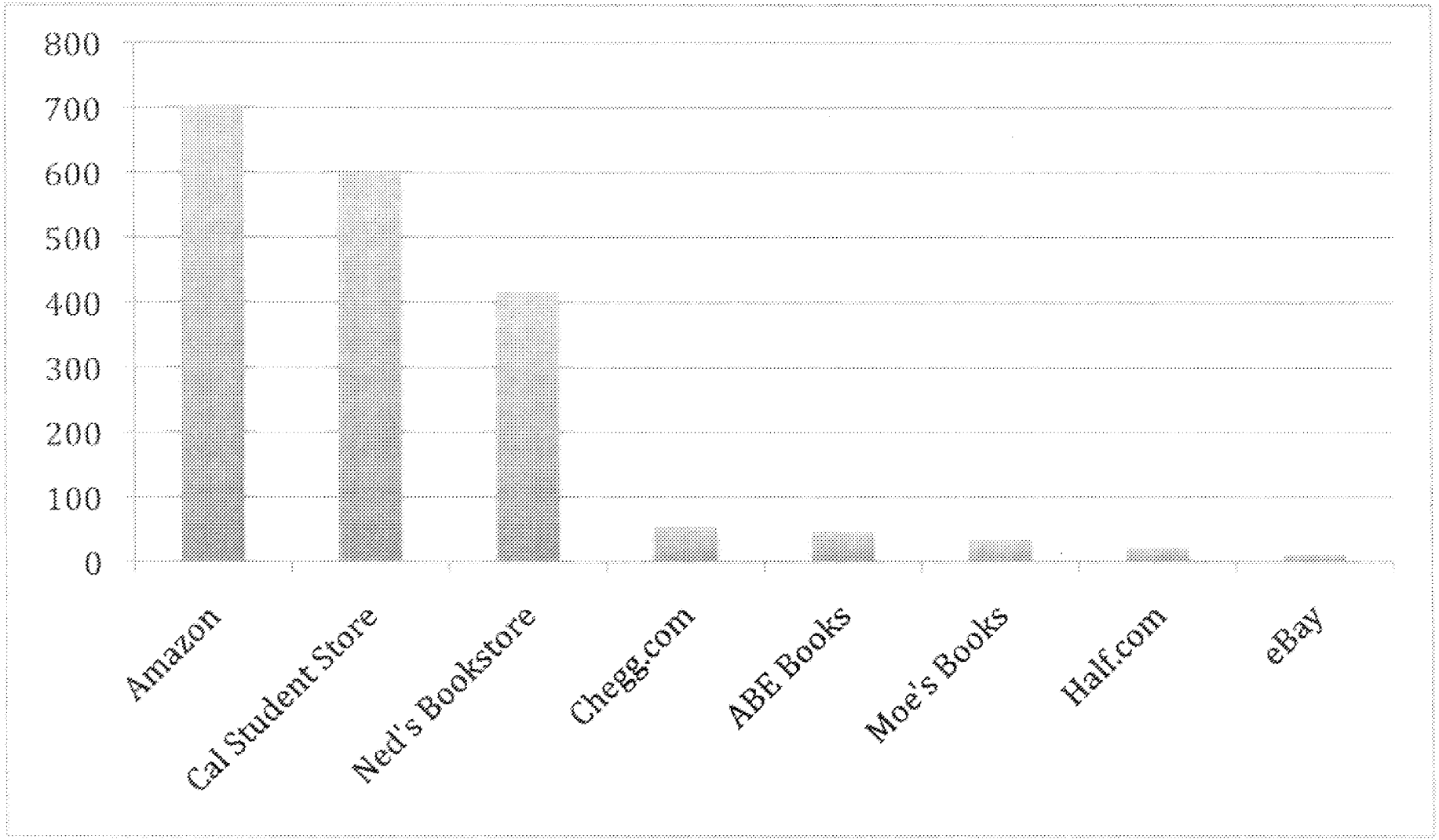
1. Where do you shop, both online and in person, for food?

Attachment 17



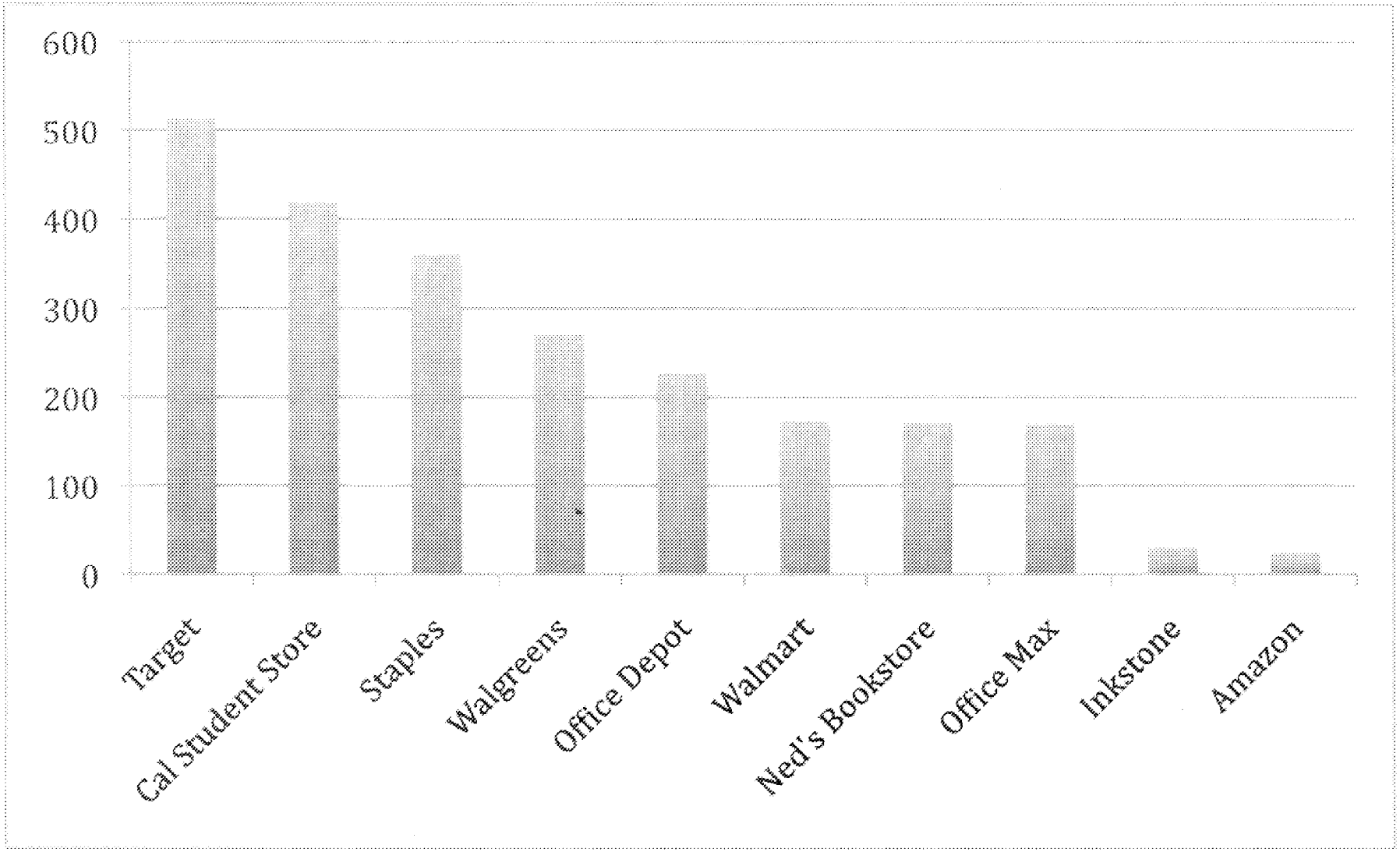
Survey of undergraduates in UC housing, January 2012 (817 responses)

2. Where do you shop, both online and in person, for textbooks?



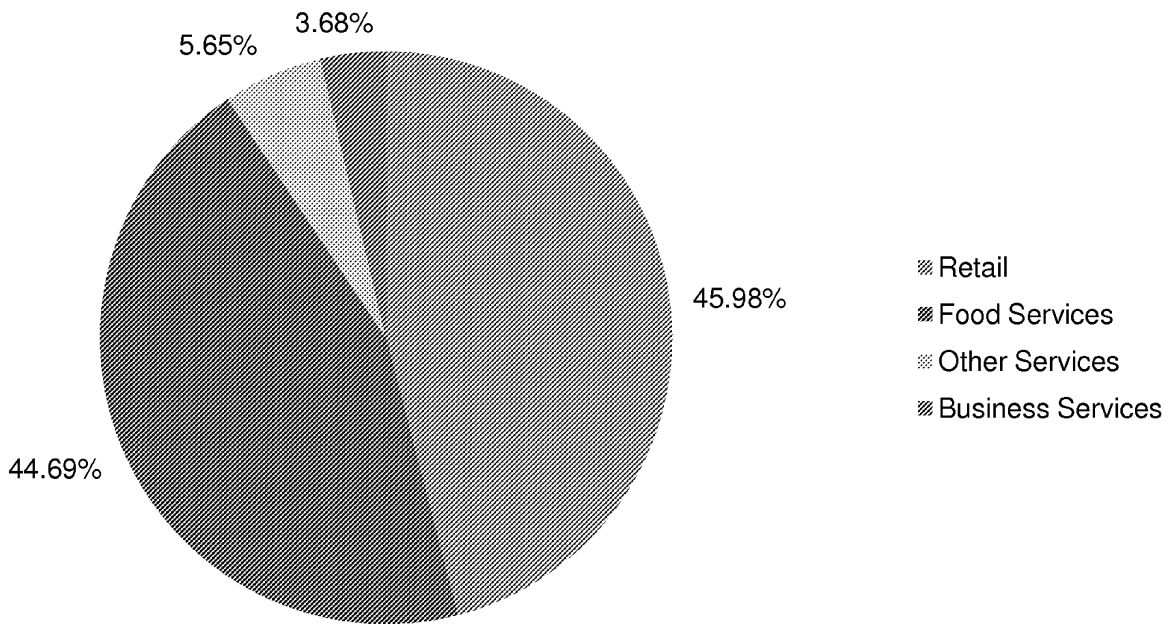
Survey of undergraduates in UC housing, January 2012 (817 responses)

3. Where do you shop, both online and in person, for school supplies?



Survey of UC undergraduates, January 2012 (817 responses)

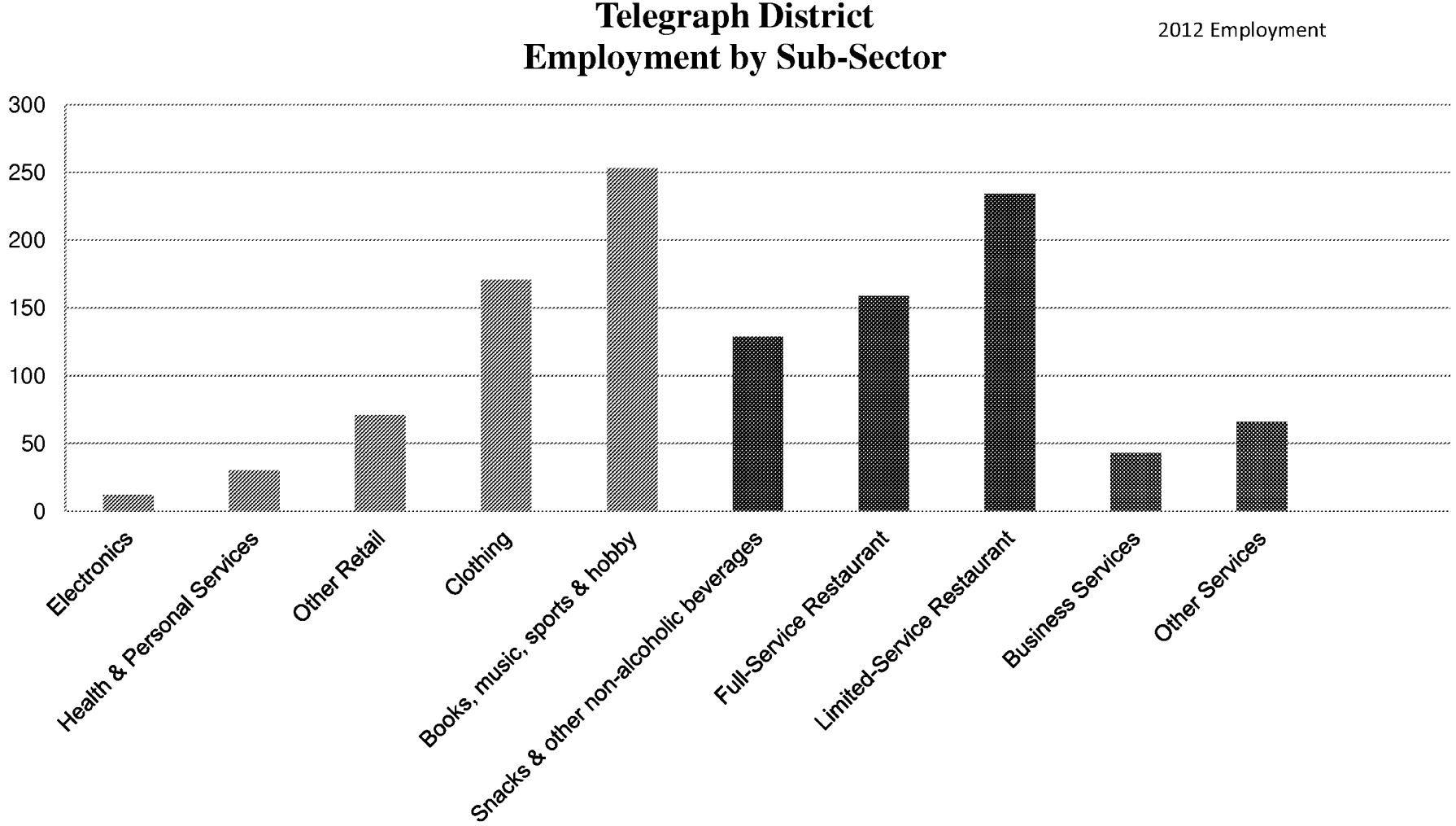
Telegraph District:
Employment Percentage by Sector, 2012 Q4



This chart shows the percentage of employment for each sector in the district as of the end of 2012.

Data was gathered from self-reported business licenses and the EDD. Businesses reporting none or zero are excluded.

Telegraph District
Employment by Sub-Sector



This chart shows the sum of employment for each subsector in the district as of 2012.

Data was gathered from self-reported business licenses and the EDD. Businesses reporting none or zero are excluded.