

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

STUDY SESSION

Agenda Date: 1/5/2009
Reviewed by: BP

SUBJECT: Study Session on Economic Development

REPORT BY: Judy Lieberman, Assistant City Administrator

STAFF RECOMMENDATION

Review, discuss, and provide interim guidance, if any, on the Economic Development Strategy and Action for Albany, Interim Report.

BACKGROUND

As part of the City Council goal setting that took place in 2007, Council identified economic development as a high priority goal. In June 2008, Council approved a contract with Neil Mayer and Associates, and with Darlene Rios-Drapkin, of Urban Transformation, as a sub-consultant. The two began in mid-July of 2008. A status update was presented to Council in October, 2008. At this time, a mid year interim report has been completed and is intended to provide both an update and a framework for future action and/or study for the remaining six months of the consultant contract.

The interim report first provides a focused analysis of the city's overall economic condition, and then addresses the separate geographical sections of the city's commercial/industrial activity. The report provides an understanding of each of these sectors and develops a series of recommendations for short, medium and longer-term actions. It should be recalled that data available at this time might not be indicative of the trend for the upcoming year or the results of the 4th quarter of 2008. However, it should be noted that this report could not come at a more timely or needed moment—all background data and suggestions for assistance and improvements to the city's commercial/industrial sector will be important in the upcoming year.

DISCUSSION/ANALYSIS

It is important to assess the City's commercial and industrial sector for two vital reasons: Businesses and industry provide direct revenue to the city to support services for the public; and a healthy commercial sector provides a vibrant contribution to the overall attractiveness of the City and sense of community. This portion of the staff report provides an overall baseline set of data that can assist in understanding Albany's commercial and industrial sector.

AGENDA ITEM # 7A

I. Revenues Provided to the City from Commercial/Industrial Sector

Albany's commercial/industrial sector is currently composed of five geographic areas. They are Solano Avenue, San Pablo Avenue, Eastshore Highway, Cleveland Avenue, and the racetrack and associated businesses at Golden Gate Fields. There are 445 brick and mortar businesses in Albany. Table 1 summarizes revenues that are generated by Albany's commercial and industrial sector, and includes a breakdown for the five geographical areas.

a) Overview: Overall, the city's commercial/industrial sector contributes approximately \$4.2 million in sales tax revenue, property tax revenue (ad valorem and parcel taxes), business license tax, and para mutual wager tax to the City's total revenues. Because some of these numbers are from 07/08 and some are projections from 08/09, a rough estimate of the contribution of the commercial sector is approximately 15% of total City revenues. It should also be noted that the commercial/industrial sector additionally contributes \$2.1 million to the Albany Unified School District through the property tax rolls, including both special parcel taxes and ad valorem property taxes.

b) Eastshore Highway, is the city's largest contributor to sales tax generation, and it can be assumed that the opening of Target in 2003 has contributed significantly. (See Table 2 and 3 to review historical information confirming this.) In addition to Target, Eastshore Highway is also home to PetSmart, a Toyota service location, and several building supply companies that also contribute significantly to sales tax revenue. (however, Toyota does not sell new cars from this location.) Businesses located on Eastshore Highway contribute approximately 38% of the total revenues generated from both sales and property taxes for the City. It should also be noted that Eastshore Highway is in our redevelopment zone, and that tax increment revenues are included in the total property tax revenues.

c) San Pablo Avenue is the next highest sales tax generator for Albany, and in fact, looking at combined sales and property taxes, is almost equivalent to Eastshore Highway as a source of revenue generation for the city. Highest revenue generating sectors along San Pablo Avenue include auto related (car sales, auto parts, gasoline); liquor stores; and building related sales (including paint and appliances). San Pablo Avenue contributes approximately 30% to the total property tax and sales tax revenues generated by the commercial sector.

d) Solano Avenue follows in sales and property tax revenues, contributing about 15% of total property and sales tax revenues. Solano Avenue sales taxes are largely related to food sales, dominated by the presence of Safeway. A variety of other food related businesses, including restaurants, wine shops, and convenience stores contribute significantly to sales tax generation on Solano. Miscellaneous retail sales play a secondary role in generating sales tax from Solano Avenue businesses, and include toys/children's clothing, drug stores and jewelry.

e) Golden Gate Fields contributes more to City revenues in property taxes and Para mutual wager taxes than in sales tax. (Sales taxes are largely from the tack shop, gift shop and

restaurant). Golden Gate Fields pays approximately \$625,000 in property taxes to the City, and \$835,000 in property taxes to the School District.

f) Cleveland Avenue is the most underutilized portion of the city's commercial and industrial district, largely because of vacancies and low value uses, in addition to industrial uses that do not generate city revenues other than property taxes. This area is part of the City's redevelopment zone, (under \$10,000 received from tax increment) and Cleveland Avenue is ripe for improvements. Cleveland Avenue redevelopment could greatly benefit the city in terms of generating additional revenues to support city services.

II. Community Benefits related to Commercial/Industrial Sector

It is important to acknowledge the qualitative values that business districts can provide to overall community life. Although there are undoubtedly many to list, a few that come to mind for Albany include:

- The desirability of Solano Avenue plays a role in attracting new residents and possibly in maintaining home values as well
- Local organizations and the city sponsor events that make Solano Avenue a community and regional gathering place.
- All ages like to hang out on Solano Avenue, making it a lively community location
- Solano and San Pablo local food shopping, service, and dining opportunities for residents that are close enough for walking and bicycling.
- Target provides a local (and low cost) department store, whereas previously residents had to travel to other cities for this type of shopping.

SUSTAINABILITY IMPACT

1. Walkability/bike-ability can reduce vehicular traffic and pollution
2. Shopping within city limits supports city services
3. Many businesses implement Green Business practices
4. Potential to develop "green" sector on Cleveland Avenue

FINANCIAL IMPACT

None for this report.

Attachments:

- 1) Tables 1, 2, 3
- 2) Interim Report, "Economic Development Strategy and Action for Albany" Neil Mayer & Associates and Urban Transformation, Inc., December 2008

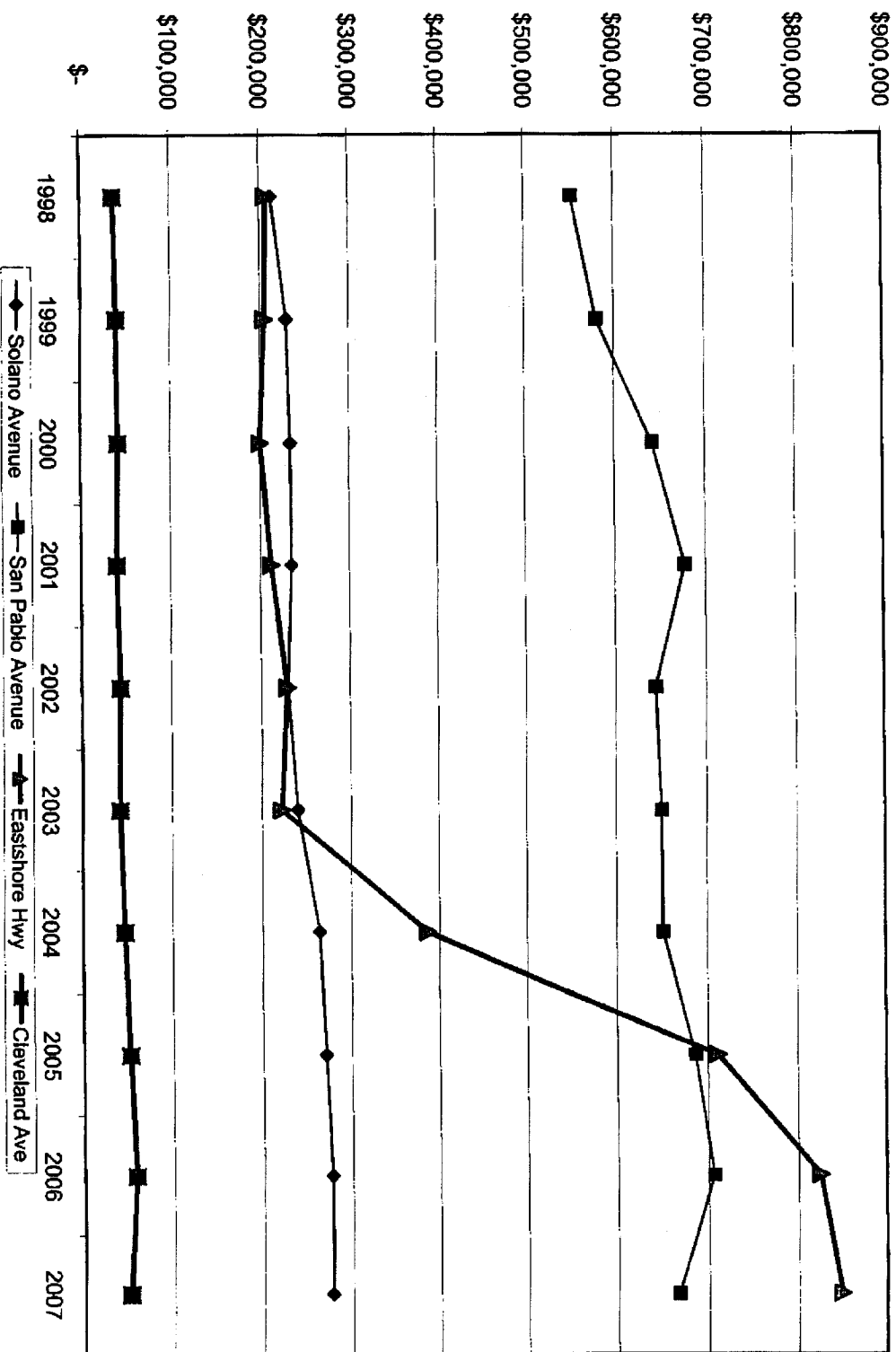
Albany Sales Tax
Revenue by Street

Albany Sales Tax by Business Street

12/24/2008

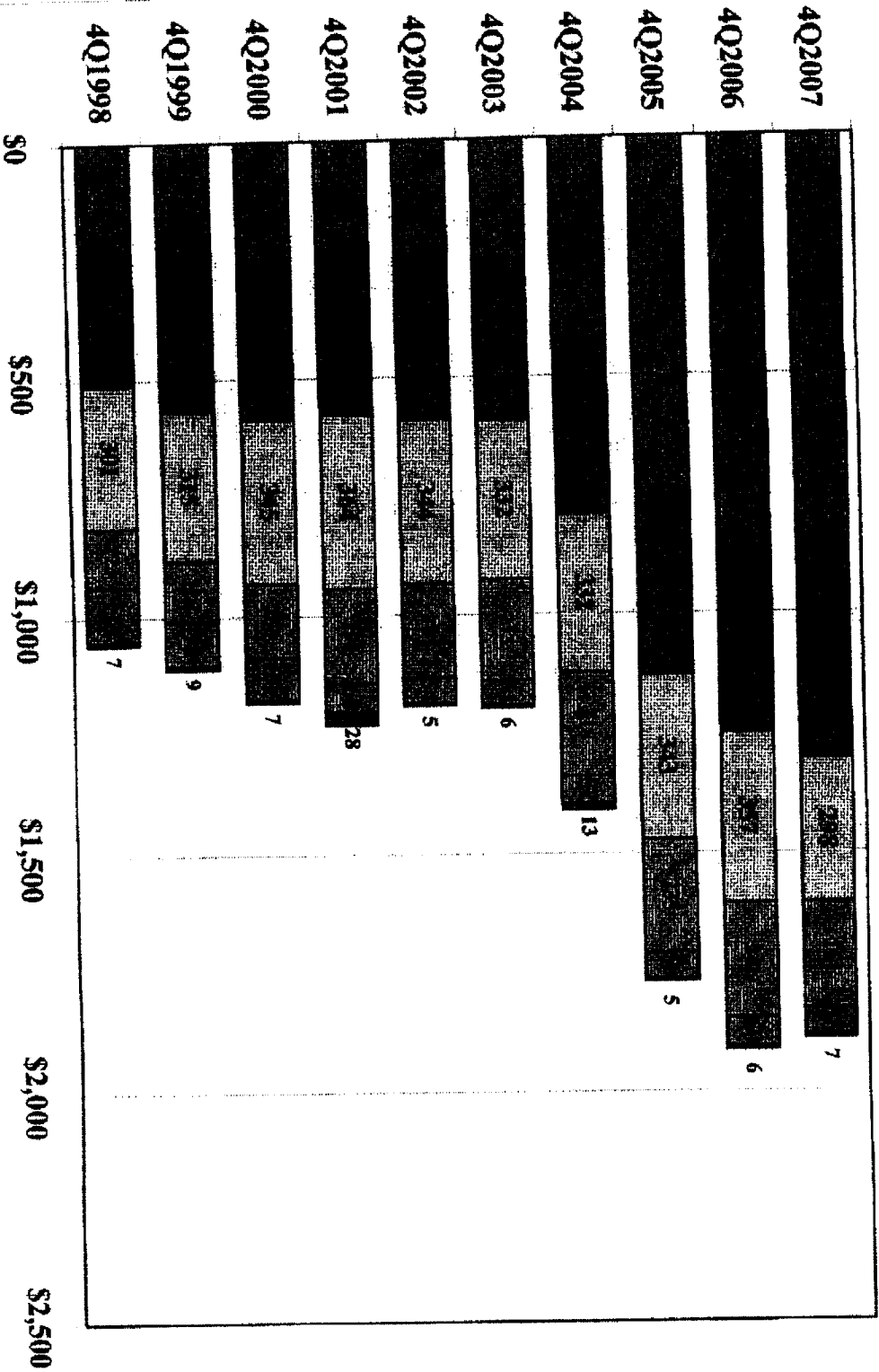
Year	Solano Avenue	San Pablo Avenue	Eastshore Hwy	Cleveland Ave	TOTALS	% change
1998	\$ 213,000	\$ 553,000	\$207,000	\$37,000	\$ 1,010,000	
1999	\$ 230,000	\$ 580,000	\$205,000	\$40,000	\$ 1,055,000	4.5%
2000	\$ 234,000	\$ 642,000	\$200,000	\$42,000	\$ 1,118,000	6.0%
2001	\$ 235,000	\$ 677,000	\$212,000	\$40,000	\$ 1,164,000	4.1%
2002	\$ 230,000	\$ 644,000	\$229,000	\$43,000	\$ 1,146,000	-1.5%
2003	\$ 240,000	\$ 650,000	\$222,000	\$42,000	\$ 1,154,000	0.7%
2004	\$ 264,000	\$ 651,000	\$387,000	\$47,000	\$ 1,349,000	16.9%
2005	\$ 271,000	\$ 686,000	\$711,000	\$52,000	\$ 1,720,000	27.5%
2006	\$ 277,000	\$ 706,000	\$825,000	\$58,000	\$ 1,866,000	8.5%
2007	\$ 277,000	\$ 667,000	\$849,000	\$51,000	\$ 1,844,000	-1.2%
% of total	15.0%	36.2%	48.0%	2.8%		

Albany Sales Tax
Revenue by Street



**CITY OF ALBANY
ANNUAL SALES TAX BY BUSINESS CATEGORY**

(in thousands of \$)



General Retail
 Food Products
 Transportation
 Construction
 Business To Business
 Miscellaneous

**ECONOMIC DEVELOPMENT
STRATEGY AND ACTION
FOR ALBANY**

Interim Report
December 17, 2008

**Neil Mayer & Associates
Urban Transformation, Inc.**

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I. INTRODUCTION AND OVERALL ECONOMIC PICTURE

This report summarizes the status of our effort to devise strategies and actions for strengthening the Albany economy and, subject to City approval, to begin their implementation, at the 4.5 month point of the one-year project. The project focuses on approaches to building further the prosperity of Solano and San Pablo Avenues and of the City's Redevelopment Area along Cleveland Avenue and the Eastshore Highway. It involves examining and analyzing available data about Albany and the wider economy, augmenting data with direct observation, conducting discussions and meetings with key stakeholders, review of City documents and website, and bringing to bear experience in other communities and with other similar efforts. The report describes status and findings of a work in progress and, by design, does not yet—with a few exceptions—make final recommendations. Instead, it poses options, from which the City may eventually select directions and actions to pursue, and among which it can choose priorities.

The remainder of this section of the report discusses economic characteristics of and conditions in Albany on a citywide basis. Section II focuses on San Pablo and Solano Avenues, including both analysis of conditions and options for strategy and action. Section III focuses on conditions and options for the Redevelopment Area along Cleveland Avenue and Eastshore Highway.

a. Citywide Economic Conditions

Overall Scale and Mix

Recent data about the overall Albany economy, from the U.S. Census Bureau's County Business Patterns (CBP), are available at the zip code rather than city level, but fortunately zip code 94706 corresponds to Albany. Albany had 444 non-farm business establishments in 2006¹, the latest year with data available (see Table 1). In aggregate the firms employed 3,264 people, with combined payroll of almost \$93 million for the year. The employment figure reflects the city's largely residential nature. The number of Albany residents who are employed (in Albany or somewhere else) is over 2.5 times as

¹ CBP data exclude self-employed people with no other employees. Using Albany business license figures, there are 553 total Albany firms including those cases.

large as the number of people from any location (including Albany) whose workplace is in the city.²

The largest numbers of establishments are in health care and social assistance and professional, scientific, and technical services. Following closely behind are retail trade and accommodation and food services (restaurants).

² The employment of residents figure necessarily relies on the 2000 U.S. Census. Estimates suggest that the number has not changed in any substantial way that would qualitatively change this comparison.

Albany (L& Kensington) Business Patterns 2001, 2006 (Zip Code 94706) – Table 1

Industry	2001		2006		#Change btw 2001 & 2006	
	# establishments	employ	# establishments	employ	# establishments	employ
Total	435	3052*	444	3284*	9	212
Construction	28	139	39	205	11	66
Manufacturing	6	24	5	57	-1	32.5
Wholesale trade	11	28	15	71	4	43
Retail trade	54	438	57	510	3	71.5
Transportation & warehousing	3	8	3	8	0	0
Information	10	62	12	59	2	3
Finance & insurance	19	149	22	114	3	35
Real estate & rental & leasing	20	136	23	147	3	11
Professional, scientific & tech services	60	313	57	198	-3	-115
Management of companies & enterprises	1	175	1	35	0	540
Admin, support, waste mgmt, remediation ser	18	54	15	140	-3	85.5
Educational services	14	148	11	221	-3	72.5
Health care and social assistance	65	452	62	415	-3	36.5
Arts, entertainment & recreation	15	707	17	673	2	66.5
Accommodation & food services	49	480	52	558	3	78
Other services (except public administration)	50	324	48	283	-2	41
Unclassified establishments	12	39	4	10	-8	29
2001:	2006:					
Number of establishments: 435	Number of establishments: 444					
Number of employees: 3,052	Number of employees: 3,284					
First quarter payroll in \$1,000: 20,439	First quarter payroll in \$1,000: 21,844					
Annual payroll in \$1,000: 83,734	Annual payroll in \$1,000: 92,923					

* The industry level employment figures are estimated from data on employment ranges and do not add to the citywide totals provided by the Census.
 Note: yellow-highlighted items indicate reduction in establishments or employees.

SOURCE: COUNTY BUSINESS PATTERNS, NEIL MAYER ASSOCIATES

Based on estimated employment, the largest sector is arts, entertainment, and recreation with nearly 675 workers. This figure, while estimated from data generated by the Census, seems suspect. The City's business license data does not appear to identify as many relatively larger enterprises as are counted (but not named) in the CBP data.³ The next two largest employment sectors, accommodations and food services (restaurants) and retail trade, each have over 500 employees. They are followed by "other" services and education services (Table 1).

The mix of Albany businesses, as measured by numbers of establishments, is in many ways typical for the region. We compared Albany's mix to Alameda County (Table 2). Albany's largest sector, health care and social assistance as noted above, constitutes 14 percent of all city firms. That is modestly greater than the 11 percent for the County, but is probably offset by the small scale of the Albany enterprises.

The next two largest Albany sectors, retail⁴ and professional and technical services, each constitute 13 percent of total establishments. Each of those figures is only one percentage point different from its Alameda County counterpart. By this rough measure of activity, Albany is typical in the extent of its retail business relative to other economic activity. Restaurants and accommodations are somewhat more concentrated in Albany than the county, with 12 percent compared to 9 despite the lack of hotels in the city. "Other services," which include but are not limited to personal services like haircutting and nail salons, have a slightly higher share in Albany than the county as a whole.

Manufacturing and wholesale trade are the two categories that are substantial in the county but not in the city, of course reflecting accurately the tiny portion of Albany land devoted to such uses.

In terms of change in the economy, Table 1 shows little difference in aggregate figures between 2001 and 2006. Albany experienced an increase of only 9 businesses out of 444 over the five years (2 percent) but a more robust growth in employment at 212 employees (7 percent). Dollars of total payroll grew 11 percent, but that was about the same as than the increase in the consumer price index in the same period.

Consider next the changes in the mix of businesses within the various sectors. The biggest increase in numbers of firms was in construction (11), while waste remediation

³ We shall attempt to resolve this question by the time of the final report for this project. Various possibilities, including mis-categorization, inclusion of employees from a non-Albany establishment of an Albany company, the complications of including Kensington data, and others may explain the differences.

⁴ Not including restaurants.

gained the most employment despite a reduction in firms. The loss of a small number of apparently larger professional and technical services firms and one management services company produced the largest employment losses.

The number of retail stores increased by 3, as did restaurants (each about 6 percent), while "other services" fell by 2. All other categories except unclassified gained or lost between 2 and 4 establishments. Thus, there were no great shifts in the economy's composition over the 5 years at least

Mix of Sectors in Albany and Alameda County -- Table 2				
Industry	Albany 2006		Alameda County 2006	
	# establishments	% each categ	# establishments	% each categ
Total	444	100%	37511	100%
Construction	39	8.78%	2862	7.90%
Manufacturing	6	1.13%	2106	5.61%
Wholesale trade	15	3.38%	2924	7.80%
Retail trade	57	12.84%	4435	11.82%
Transportation & warehousing	3	0.68%	921	2.46%
Information	12	2.70%	832	2.22%
Finance & insurance	22	4.95%	1992	5.31%
Real estate & rental & leasing	23	5.18%	2035	5.43%
Professional, scientific & tech services	57	12.84%	5232	13.95%
Management of companies & enterprises	1	0.23%	270	0.72%
Admin. support, waste mgt. remediation	15	3.38%	1687	4.50%
Educational services	11	2.48%	632	1.68%
Health care and social assistance	62	13.96%	4182	11.15%
Arts, entertainment & recreation	17	3.83%	464	1.24%
Accommodation & food services	52	11.71%	3230	8.61%
Other services (except public administration)	48	10.81%	3427	9.14%
Unclassified establishments	4	0.90%	134	0.36%

SOURCE: COUNTY BUSINESS PATTERNS, NEIL MAYER ASSOCIATES

among these broad categories covering the entire economy. Whether residents and businesses are satisfied or not by the current mix (at least as measured in 2006), it is not the result of sharp recent change.

From the point of view of using available space for commerce, Albany shows good health according to the data we have generated. Vacancies citywide were counted by combining data from a windshield survey of spaces advertised for sale or lease, listings on the EBEDA website, and property owners' responses to a City invitation to include their spaces available. These totaled 28, compared with nearly 450 businesses in place, for a vacancy rate of only 5.9 percent.⁵ And at least through September of 2008, this situation remained healthy. The City's business license listings for firms opening and closing for the first 9 months of the year reveal 34 establishments opening and 36 closing, leaving the vacancy rate little changed. And within the period, closings were lower and openings higher in the second half compared to the first.

Retail Activity

We can look in more detail at the retail part of the economy in particular, using taxable retail sales data for stores.⁶ These include a broader definition of retail, including restaurants, service stations, and other sales locales not included in retail in its narrowest terms (see Table 3.a. for categories). Albany taxable sales totaled over \$192 million in the year ending at the close of March, 2008 (Table 3.a.). Department stores comprised the largest sector by far, with one third of the total taxable sales. That category was followed by restaurants at 11 percent (one third of the department store figure) and miscellaneous retail at 10 percent. If retail and wholesale building materials are added together, they slightly outstrip restaurants for second place (12 percent). It is worth noting that because food in supermarkets is not subject to sales tax, the sales in food stores are understated in 3.a.

⁵ The more conventional and precise concept of vacancy is not just a count of vacant and filled spaces but includes the size of the spaces. We do not have the data available to make that computation and there are no external secondary sources.

⁶ These State data are available for Albany alone, without Kensington. All the retail sales figures below apply to just Albany.

In Table 4, we compare the mix of Albany retail with that of Alameda County. Department store sales as a share of all city sales dwarf that for the county, by nearly a factor of five. Restaurants, building materials sales, and liquor stores are the next three categories in which a larger share of Albany's sales total is concentrated than is true for the county, all in the vicinity of a 5 percent point differential, and miscellaneous retail is close behind. However, concentrating just on retail stores and disregarding other types of outlets with taxable sales, Albany is about even with the county as a whole in concentration in those categories, with the exception of liquor stores. The primary categories in which Albany is less concentrated than the county are apparel, new autos, and computers and office equipment.

CITY OF ALBANY -- Table 3 A							
CITYWIDE							
QUARTERLY SALES DOLLARS							
GENERAL RETAIL	93,424,900	48.59%	22,417,400	25,684,500	21,675,100	22,647,900	21,364,200
FOOD PRODUCTS	39,736,000	20.67%	9,339,000	11,057,700	9,422,000	9,917,300	9,367,300
TRANSPORTATION	30,243,400	15.73%	7,087,100	7,336,700	8,210,900	7,709,100	6,909,900
CONSTRUCTION	22,513,300	11.71%	4,905,700	5,156,200	6,033,000	6,416,400	4,853,200
BUSINESS TO BUSINESS	5,613,100	2.92%	1,462,500	1,410,300	1,305,400	1,434,900	1,305,900
MISCELLANEOUS	751,600	0.39%	152,900	271,100	127,400	194,200	124,300
	192,282,300						
ECONOMIC SEGMENT			2008Q1	2008Q2	2007Q2	2007Q1	2007Q1
DEPARTMENT STORES	62,806,800	32.66%	14,330,100	18,660,300	15,695,700	13,920,700	14,410,000
RESTAURANTS	21,834,800	11.36%	5,403,000	5,581,600	5,196,700	5,663,500	5,573,600
MISCELLANEOUS RETAIL	18,956,000	9.86%	5,324,700	4,900,900	3,084,900	5,646,600	4,149,700
BLDG.MATLS-RETAIL	14,282,500	7.41%	3,063,600	3,420,800	3,927,000	3,641,100	2,985,200
AUTO SALES - NEW	13,546,000	7.04%	3,178,600	3,130,200	3,960,200	3,257,100	3,130,900
LIQUOR STORES	11,447,500	5.95%	2,443,900	3,505,300	2,727,100	2,771,200	2,369,300
SERVICE STATIONS	10,905,500	5.67%	2,555,700	2,736,300	2,755,900	2,857,500	2,243,100
BLDG.MATLS-WHOLE	8,260,800	4.30%	1,842,100	1,737,400	2,106,000	2,575,300	1,898,000
FOOD MARKETS	6,432,600	3.36%	1,492,100	1,969,700	1,498,200	1,492,600	1,434,400
FURNITURE/APPLIANCE	5,101,100	2.67%	1,408,200	1,524,500	1,632,200	1,536,200	1,395,500
AUTO PARTS/REPAIR	5,257,000	2.73%	1,225,300	1,264,400	1,362,000	1,405,300	1,280,700
RECREATION PRODUCTS	3,066,100	1.59%	741,200	767,300	669,700	806,900	683,100
LIGHT INDUSTRY	2,691,100	1.09%	461,100	632,300	457,700	520,000	538,200
LEASING	2,019,200	1.05%	475,100	440,600	583,600	519,900	463,700
DRUG STORES	1,568,800	0.81%	431,500	383,000	366,700	377,300	368,200
BUSINESS SERVICES	1,121,600	0.58%	431,500	227,300	180,400	282,400	192,900
HEALTH & GOVERNMENT	594,700	0.30%	126,400	219,900	104,900	134,500	89,300
AUTO SALES - USED	534,900	0.28%	127,600	106,800	112,400	189,100	166,200
FLOREST/NURSERY	481,400	0.25%	95,700	117,300	110,900	157,500	115,900
APPAREL STORES	456,000	0.24%	86,000	131,300	115,000	123,700	241,600
OFFICE EQUIPMENT	365,000	0.19%	74,600	107,900	75,100	107,400	111,100
MISCELLANEOUS OTHER	166,900	0.09%	32,500	52,200	22,500	89,700	36,200
HEAVY INDUSTRY	16,200	0.01%	200	2,200	8,600	5,200	-
FOOD PROCESSING EQP	1,100	0.00%	-	1,100	-	-	-
CLOSED ACCT-ADJUSTMT	-	-	-	-	-	-	-
MISC. VEHICLE SALES	-	-	-	-	-	-	-
	192,282,300						

SOURCE: MUNISERVICES, LLC; NEIL MAYER ASSOCIATES

CITY OF ALBANY – Table 3 B

SOLANO AVE

QUARTERLY SALES DOLLARS

ECONOMIC CATEGORY	2007Q1	% of Total	2007Q1	2007Q2	2007Q3	2007Q4	2007Q1
FOOD PRODUCTS	20,844,900	69.88%	4,896,100	5,424,900	4,716,600	5,907,300	4,874,600
GENERAL RETAIL	7,208,300	23.13%	1,575,700	2,124,800	1,737,000	1,771,600	1,587,200
BUSINESS TO BUSINESS	1,003,900	3.50%	339,400	237,800	165,800	260,900	196,900
MISCELLANEOUS	277,400	0.97%	72,600	66,000	69,600	69,200	59,300
CONSTRUCTION	124,300	0.43%	30,500	35,100	31,300	27,400	32,900
TRANSPORTATION	24,100	0.08%	7,200	7,500	2,500	6,900	5,100
	28,682,900						
ECONOMIC SEGMENT			2008Q1	2007Q4	2007Q3	2007Q2	2007Q1
RESTAURANTS	12,264,300	42.76%	3,117,000	3,092,200	2,874,600	3,180,300	3,157,000
FOOD MARKETS	6,365,600	22.19%	1,484,700	1,917,100	1,487,600	1,476,400	1,426,900
MISCELLANEOUS RETAIL	2,759,100	9.62%	589,800	900,800	568,200	529,300	507,900
DRUG STORES	1,558,600	5.43%	431,900	383,600	356,700	377,300	368,200
LIQUOR STORES	1,414,800	4.93%	294,400	415,600	354,200	350,600	290,700
RECREATION PRODUCTS	1,362,500	4.72%	261,300	343,200	383,600	364,400	291,500
FURNITURE/APPLIANCE	838,700	2.92%	175,900	220,200	243,800	196,800	190,500
LIGHT INDUSTRY	634,200	2.21%	211,700	144,200	96,000	182,300	138,100
APPAREL STORES	371,900	1.30%	62,200	114,600	96,200	98,900	156,600
BUSINESS SERVICES	368,600	1.29%	127,700	92,500	69,800	78,680	58,800
FLORIST/NURSERY	325,500	1.14%	55,000	82,200	78,000	111,300	72,400
HEALTH & GOVERNMENT	277,000	0.97%	72,600	66,000	69,200	68,200	59,300
BLDG. MATLS-VISBLE	124,300	0.43%	30,500	35,100	31,300	27,400	32,900
AUTO PARTS/REPAIR	24,100	0.08%	7,200	7,500	2,500	6,900	5,100
DEPARTMENT STORES	1,100	0.00%	-	-	500	600	700
OFFICE EQUIPMENT	1,100	0.00%	-	1,100	-	-	-
MISCELLANEOUS OTHER	400	0.00%	-	-	400	-	-
AUTO SALES - USED	-	-	-	-	-	-	-
FOOD PROCESSING EQP	-	-	-	-	-	-	-
	28,682,900						

SOURCE: MUNISERVICES, LLC; NEIL MAYER ASSOCIATES

CITY OF ALBANY - Table 3 C

SAN PABLO AVE

QUARTERLY SALES DOLLARS

	2007Q1	2007Q2	2007Q3	2007Q4	2007Q1	2007Q2	2007Q3	2007Q4
TRANSPORTATION	28,413,800	42.12%	6,631,800	6,779,700	7,750,400	7,251,900	6,363,600	
FOOD PRODUCTS	19,187,400	28.44%	4,353,400	5,428,800	4,652,600	4,752,600	4,359,600	
GENERAL RETAIL	18,072,500	14.93%	2,343,800	2,567,600	2,519,600	2,641,500	2,419,700	
CONSTRUCTION	7,029,400	18.42%	1,341,300	1,632,100	2,122,800	1,933,200	1,397,200	
BUSINESS TO BUSINESS	2,685,300	3.98%	614,100	627,400	750,700	693,100	635,000	
MISCELLANEOUS	68,300	0.10%	10,300	35,500	8,500	14,000	7,800	
TOTAL	67,455,900							
ECONOMIC SECTOR			2008Q1	2007Q4	2007Q3	2007Q2	2007Q1	
AUTO SALES - NEW	13,546,800	20.08%	3,178,500	3,130,200	3,980,200	3,257,100	3,130,900	
SERVICE STATIONS	10,905,500	16.17%	2,555,700	2,736,300	2,755,800	2,857,600	2,343,100	
LIQUOR STORES	10,032,700	14.87%	2,149,500	3,088,700	2,372,900	2,420,600	2,868,600	
RESTAURANTS	9,092,500	13.48%	2,159,400	2,290,100	2,274,500	2,328,500	2,286,400	
BLDG.MATLS-RETAIL	7,029,400	10.42%	1,341,300	1,632,100	2,122,800	1,933,200	1,397,200	
MISCELLANEOUS RETAIL	5,394,000	8.00%	1,254,700	1,347,000	1,338,500	1,453,800	1,276,800	
FURNITURE/APPLIANCE	3,731,500	5.53%	857,300	1,010,200	982,600	981,400	905,300	
AUTO PARTS/REPAIR	3,711,300	5.50%	861,500	890,000	938,100	1,001,700	899,200	
LEASING	1,496,400	2.22%	349,100	321,400	446,200	379,700	328,100	
LIGHT INDUSTRY	851,500	1.26%	200,100	201,600	234,500	215,300	209,200	
RECREATION PRODUCTS	792,200	1.17%	191,100	175,400	185,600	240,100	194,100	
OFFICE EQUIPMENT	330,700	0.49%	64,900	97,700	70,000	98,100	97,700	
AUTO SALES - USED	250,200	0.37%	35,300	23,200	56,200	135,500	90,400	
FLORIST/NURSERY	154,800	0.23%	40,700	35,000	32,900	46,200	43,500	
HEALTH & GOVERNMENT	68,300	0.10%	10,300	35,500	8,500	14,000	7,800	
FOOD MARKETS	62,200	0.09%	4,500	49,000	5,200	3,500	4,600	
BUSINESS SERVICES	6,700	0.01%	-	6,700	-	-	-	
APPAREL STORES	-	-	-	-	-	-	-	
BLDG.MATLS-WHOLE	-	-	-	-	-	-	-	
DRUG STORES	-	-	-	-	-	-	-	
MISCELLANEOUS OTHER	-	-	-	-	-	-	-	
TOTAL	67,455,900							

SOURCE: MUNSERVICES, LLC; NEIL MAYER ASSOCIATES

CITY OF ALBANY – Table 3 D

EASTSHORE HIGHWAY QUARTERLY SALES DOLLARS

ECONOMIC CATEGORY	Last 4 Qtrs Total	% of total	2003Q1	2007Q4	2007Q3	2007Q2	2007Q1
GENERAL RETAIL	74,662,000	86.83%	18,236,400	21,616,100	17,063,400	17,746,100	17,984,600
CONSTRUCTION	10,142,100	11.80%	2,279,300	2,059,400	2,575,900	3,167,900	2,339,100
TRANSPORTATION	689,100	0.80%	188,100	173,000	163,400	164,600	163,300
FOOD PRODUCTS	412,800	0.48%	73,300	174,400	35,500	129,600	112,400
BUSINESS TO BUSINESS	77,900	0.09%	6,200	25,000	2,600	44,100	28,300
	85,983,900						
ECONOMIC SEGMENT			2003Q1	2007Q4	2007Q3	2007Q2	2007Q1
DEPARTMENT STORES	62,806,700	73.04%	14,338,100	18,968,300	15,695,200	13,920,100	14,409,300
MISCELLANEOUS RETAIL	9,535,800	11.09%	3,254,400	2,225,900	849,900	3,205,600	2,184,600
BLDG.MATLS-RETAIL	5,188,600	6.03%	1,294,500	1,215,700	1,295,400	1,382,900	1,198,900
BLDG.MATLS-WHOLE	4,953,600	5.76%	964,000	883,700	1,288,100	1,806,000	1,148,200
FURNITURE/APPLIANCE	1,469,700	1.71%	373,100	292,300	425,300	379,000	299,100
RECREATION PRODUCTS	850,800	0.99%	278,800	237,600	93,000	241,400	191,600
RESTAURANTS	412,800	0.48%	73,300	174,400	35,500	129,600	112,400
AUTO PARTS/REPAIR	404,400	0.47%	95,800	90,400	107,200	111,000	98,500
AUTO SALES - USED	284,700	0.33%	92,300	82,600	56,200	53,600	64,800
BUSINESS SERVICES	77,900	0.09%	6,200	25,000	2,600	44,100	28,300
MISC. VEHICLE SALES	-	-	-	-	-	-	-
	85,983,900						

SOURCE: MUMSERVICES, LLC; NEIL MAYER ASSOCIATES

Mix of Albany and Alameda County Retail Sales -- Table 4

Alameda County			Albany		
Type of Business	2007 (\$)	% of Total	Type of Business	2007 (\$)	% of Total
Apparel Retail Group	146,787,000	4.86%	APPAREL STORES	241,800	0.57%
General merchandise stores	438,013,000	11.80%	DEPARTMENT STORES	14,000,000	33.86%
Drug stores	82,024,000	2.23%	DRUG STORES	360,200	0.86%
Food stores group	178,166,000	4.83%	FOOD MARKETS	1,434,400	3.37%
Eating and drinking group	471,902,000	12.81%	RESTAURANTS	5,573,500	12.85%
Home furnishings and appliances	194,353,000	5.27%	FURNITURE/APPLIANCE	1,396,500	3.28%
Building materials	366,487,000	9.95%	HOME IMPROVEMENT WHOLESALE	4,887,200	11.47%
			BLDG.MATLS-RETAIL	2,985,200	
			BLDG.MATLS-WHOLE	1,898,000	
New motor vehicle dealers	580,710,000	15.78%	AUTO SALES - NEW	3,130,900	7.35%
Used motor vehicle dealers	51,226,000	1.39%	AUTO SALES - USED	155,200	0.36%
Automotive supplies and parts	50,203,000	1.36%	AUTO PARTS SUPPLY	1,500,700	3.51%
RV and all other vehicles	35,466,000	0.96%			
Service stations	406,217,000	11.02%	SERVICE STATIONS	2,243,100	5.27%
Sporting goods	38,373,000	0.99%	SPORTS EQUIPMENT	1,100,000	2.54%
Florists	11,272,000	0.31%	FLORIST/NURSERY	115,900	0.27%
Office supplies, computer stores	223,911,000	6.13%	OFFICE EQUIPMENT	111,100	0.26%
Packaged liquor stores	32,874,000	0.89%	LIQUOR STORES	2,500,000	5.83%
Miscellaneous retail (other specified)	371,144,000	10.07%	MISCELLANEOUS RETAIL	4,184,900	9.63%
Retail Stores Totals	3,084,978,000	100.00%	Retail total	42,570,900	100.00%
Totals All Outlets	6,012,388,000		TOTAL	43,000,000	
Albany % of Albany					
Alameda %					

SOURCE: STATE BOARD OF EQUALIZATION; MUNISERVICES, LLC; NEIL MAYER ASSOCIATES

Leakage

Economists use the term leakage to refer to the amount a community's residents spend on goods (and sometimes services) outside their own community, above or below what residents of other locales are spending into that community. We can estimate the retail sales leakage out or into Albany by comparing purchases per resident within the city to that of a wider area in which most purchases are expected to take place, here Alameda County. The assumption is that Alameda County is big enough and diverse enough in its shopping supply that its sales level represents at least roughly what the typical consumer is spending throughout his/her market area (area of bricks-and-mortar store shopping). If sales per capita in Albany exceed those in the county, then there is some net purchasing coming into Albany compared to that going out.

Table 5 presents the leakage figures in total and by type of product sold. Adopting the convention used in a similar 2001 leakage study for Albany⁷, the negative numbers in the table signify subsectors in which Albany likely attracts more dollars from elsewhere than its residents spend outside the city. Overall, for retail stores, Albany has significant leakage inward. The city takes in more than its share by nearly 8%—roughly \$825 per person more than Alameda County averages. However, without department stores the net leakage outward is about \$1,750 per person. Albany's department store sales volume per person is three times that of the county and more than compensates for the leakage outward in sales by all other types of retail stores combined.

Albany does show a net attraction into city shopping in several other sectors besides department stores. The largest by far is in liquor store sales, both in absolute terms and in percentage difference from the county (over 600 percent higher per capita spending). The other significant sectors are building materials (32 percent), automotive supplies and parts (137 percent but on a smaller base), and miscellaneous (specialty) retail (14 percent). Perhaps surprisingly, the eating and drinking sector (restaurants and bars, not grocery stores and supermarkets) shows only a 4 percent advantage for the city, but that is consistent with the information already cited about restaurants' fairly similar share of all retail in Albany and in the county.

Leakages out are diverse as well, led by new motor vehicles, office and computer equipment and supplies, service stations, and apparel. The motor vehicle sales have the largest dollar leakage out per capita at \$788, and office equipment and apparel have the largest leakages as a percentage of Alameda County per capita sales.

Change in Retail Sales

⁷ See Ultra-Research, Inc., 2001 Retail Sales Analysis Report for the City of Albany, CA.

Retail sales grew rapidly in Albany over the past 4 years (see Table 6.a.). The annual growth rate was over 9 percent between the first quarter of 2004 and the same quarter of 2008, though slowing to 3.5 percent between the most recent first quarters and to zero for the last 4 quarters combined compared to the previous year. The total of 42 percent increase in sales during the period was nearly 4 times the rate of inflation (11 percent total for the 4 years), without any increase in city population.

Albany Retail Sales Leakage, 2007 -- Table 5						
Alameda County		Albany		Comparison	Percentage Difference	
				Alameda # - Albany #	(Alameda # - Albany #) / Alameda #	
Apparel stores group	639,218,000	\$450.22	611,800	\$36.06	4412.16	91.5%
General merchandise stores	1,956,554,000	\$1,337.63	62,866,700	\$3,812.08	\$2,574.46	192.5%
Drug stores	344,322,000	\$235.16	1,495,200	\$93.01	\$142.15	60.4%
Food stores group	787,917,000	\$538.12	6,384,900	\$397.82	\$140.30	26.1%
Eating and drinking group	1,934,265,000	\$1,321.04	22,005,400	\$1,368.92	\$47.88	3.6%
Home furnishings and appliances	822,445,000	\$561.70	6,088,400	\$378.75	\$182.95	32.6%
Building materials	1,551,407,000	\$1,059.56	22,490,800	\$1,399.12	\$339.56	32.0%
New motor vehicle dealers	2,383,568,000	\$1,627.90	13,498,400	\$839.71	\$788.18	48.4%
Used motor vehicle dealers	207,173,000	\$141.49	562,500	\$34.99	\$106.50	75.3%
Automotive supplies and parts	204,366,000	\$139.56	5,312,400	\$330.45	\$190.89	136.8%
RV and all other vehicles	169,822,000	\$115.98				
Service stations	1,731,394,000	\$1,162.48	10,582,900	\$658.97	\$523.52	44.3%
Sporting goods	169,292,000	\$109.47	3,007,000	\$197.06	\$77.59	70.3%
Florists	45,962,000	\$31.39	501,600	\$31.20	\$0.19	0.6%
Office supplies, computer stores	697,821,000	\$613.18	491,500	\$34.98	\$588.20	95.9%
Packaged liquor stores	147,433,000	\$100.69	11,382,900	\$708.87	\$608.18	603.0%
Miscellaneous retail (other special)	1,439,068,758	\$982.83	17,990,600	\$1,116.64	\$133.81	13.6%
Retail Stores Totals	15,656,993,000	\$10,693.19	185,163,000	\$11,518.69	\$825.50	7.7%
	25,684,284,000	\$17,546.32	190,766,700	\$11,867.29	\$5,681.03	32.4%
Alameda pop = 1,464,202			Albany pop = 1,6075			

SOURCE: MUNISERVICES, LLC; EAST BAY ECONOMIC DEVELOPMENT ALLIANCE; NEIL MAYER ASSOCIATES

CITY OF ALBANY - Table 6A

CITYWIDE

QUARTERLY SALES DOLLARS Percent Change Data		% Change 9/21 - 9/21	% Change 8/21 - 9/21
	9/21	8/21	7/21
GENERAL RETAIL	22,417,406	21,364,200	10,122,200
FOOD PRODUCTS	9,339,400	9,367,300	8,516,500
TRANSPORTATION	7,087,100	6,809,900	7,740,800
CONSTRUCTION	4,905,700	4,683,200	4,192,100
BUSINESS TO BUSINESS	1,462,500	1,305,900	1,202,800
MISCELLANEOUS	158,300	134,500	111,100
TOTAL	46,370,000	45,005,000	41,785,500
		4.93%	12.147%
		-0.30%	9.65%
		0.46%	-8.44%
		11.98%	17.02%
		27.63%	4.01%
		3.46%	43.03%
			9.36%
			9.23%
ECONOMIC SEGMENT	-2007C3	-2007C3	2004Q3
DEPARTMENT STORES	14,330,100	14,410,000	11,400
RETAIL MATHS	5,403,000	5,573,500	5,052,400
MISCELLANEOUS RETAIL	5,324,700	4,149,700	7,310,200
BIG MATHS - RETAIL	3,063,500	2,985,200	2,232,900
AUTO SALES - NEW	3,178,500	3,136,900	4,527,900
LIQUOR STORES	2,443,900	2,359,300	2,811,700
SERVICE STATIONS	2,555,700	2,243,100	1,808,800
BLDG MATHS - WHOLE	1,842,100	1,888,000	1,553,200
FOOD MARTS	1,492,100	1,434,400	1,452,400
RESTAURANTS	1,408,200	1,395,500	1,415,300
AUTO PARTS/REPAIR	1,225,300	1,280,700	1,353,800
RECREATION PRODUCTS	741,200	683,100	702,600
LIGHT INDUSTRY	481,100	538,200	288,100
LEASING	475,100	463,700	502,000
DRUG STORES	431,500	368,200	348,800
BUSINESS SERVICES	431,500	192,900	136,300
HEALTH & GROOMING	326,400	89,300	65,100
AUTO SALES - USED	327,600	195,200	52,800
FLOORS/MAINTENANCE	95,700	115,900	116,400
APPAREL STORES	86,000	341,600	217,300
OFFICE EQUIPMENT	74,800	111,100	273,000
MISCELLANEOUS OTHER	32,500	35,200	25,000
HEAVY INDUSTRY	200	-	9,400
FOOD PROCESSING EQUIP	-	-	-
CLOSED ACCT-AUDITING	-	-	-
MISC. VEHICLE SALES	-	-	-
TOTAL	46,370,000	45,005,000	41,785,500
		3.46%	42.29%
			9.22%

= Slight Increase

CITY OF ALBANY -- Table 6 B

SOLAWO AVE

QUARTERLY SALES DOLLARS Percent Change Data		% Change 07/01 - 08/01		% Change 04/01 - 08/01	
	2009Q1	2009Q2	Total Change	Total Change	Total Change
FOOD PRODUCTS	4,856,100	4,874,600	4,068,900	8.44%	19.74%
GENERAL RETAIL	1,575,700	1,587,200	1,502,200	-0.72%	4.89%
BUSINESS TO BUSINESS	339,400	196,500	235,700	72.37%	44.86%
MISCELLANEOUS	72,600	59,300	57,800	22.43%	25.61%
CONSTRUCTION	30,500	32,900	40,500	-7.28%	-25.43%
TRANSPORTATION	7,200	5,100	-	41.18%	-
TOTALS	6,681,200	6,755,600	6,205,100	2.45%	16.81%
ECOLOGIC ELEMENT	2009Q1	2009Q2	2009Q1		
RESTAURANTS	3,117,000	3,157,000	2,886,000	-1.27%	16.05%
FOOD MARKETS	1,484,700	1,436,500	1,203,700	4.05%	23.34%
MISCELLANEOUS RETAIL	589,800	507,500	508,200	16.13%	16.05%
DRUG STORES	431,500	368,200	326,000	17.58%	22.86%
LIQUOR STORES	294,400	290,700	198,200	1.27%	67.25%
RECREATION PRODUCTS	261,300	291,500	244,700	-10.36%	6.78%
FURNITURE/APPLIANCE	175,900	190,500	172,500	-7.66%	1.97%
LIGHT INDUSTRY	211,700	136,100	73,400	53.25%	164.33%
APPAREL STORES	62,200	156,000	217,300	-60.13%	-71.38%
BUSINESS SERVICES	127,700	56,800	76,600	177.18%	86.71%
FLORIST/RYBRY	85,800	72,400	33,500	-34.03%	65.01%
HEALTH & GOVERNMENT	72,600	58,300	57,800	24.31%	25.61%
BOOKS/MATS-MERBLE	30,500	32,500	40,500	-7.28%	-25.43%
AUTO PARTS/REPAIR	7,200	5,100	-	31.81%	-
DEPARTMENT STORES	-	700	-	-	-
OFFICE EQUIPMENT	-	-	85,700	-	-
MISCELLANEOUS OTHER	-	-	-	-	-
AUTO SALES - USED	-	-	-	-	-
FOOD PROCESSING EQP	-	-	-	-	-
TOTALS	6,681,200	6,755,600	6,205,100	2.45%	16.81%

CITY OF ALBANY - Table 6 C

SAN PABLO AVE

QUARTERLY SALES DOLLARS Percent Change Data

	12/01/00	03/01/01	06/01/01	09/01/01	12/01/01	15/01/02	18/01/02	21/01/02	24/01/02	27/01/02	% Change 07/01 - 08/01	% Change 04/01 - 06/01
TRANSPORTATION	6,531,000	6,353,500	7,477,300								4.28%	-11.12%
FOOD PRODUCTS	4,353,400	4,359,500	4,017,200								-0.14%	8.37%
GENERAL RETAIL	2,343,800	2,419,700	2,148,600								-3.14%	9.06%
COMMERCE	1,341,300	1,357,200	1,035,300								-1.00%	29.06%
BUSINESS TO BUSINESS	514,100	635,000	603,400								-3.25%	1.77%
MISCELLANEOUS	10,300	7,000	15,700								32.05%	-34.35%
TOTAL	15,792,800	15,728,900	15,299,800								0.73%	-0.05%
ECONOMIC SEGMENT	3,008,000	2,007,000	3,004,000									
AUTO SALES - NEW	3,174,500	3,130,500	4,527,300								1.52%	-23.01%
SERVICE STATIONS	2,556,700	2,343,100	1,805,900								13.30%	11.48%
LIQUOR STORES	2,149,500	2,068,600	1,812,500								3.97%	18.57%
RESTAURANTS	2,159,400	2,286,400	2,177,300								-2.81%	1.07%
BLDG.MATLS-RETAIL	1,341,300	1,357,200	966,400								-4.00%	35.78%
MISCELLANEOUS RETAIL	1,254,700	1,276,800	1,115,000								-1.73%	12.57%
FURNITURE/APPLANCE	857,300	905,300	834,200								-5.30%	2.77%
AUTO PARTS/REPAIR	857,500	859,200	1,050,500								-4.19%	-21.00%
LEASING	348,100	328,100	232,000								6.40%	19.50%
LIGHT INDUSTRY	200,100	205,200	124,100								-4.35%	4.57%
RECREATION PRODUCTS	194,100	194,100	132,700								11.20%	12.50%
OFFICE EQUIPMENT	84,900	97,700	187,300								-1.55%	44.01%
AUTO SALES - USED	36,300	50,400	52,100								-33.57%	-65.35%
FLORIST/HAIRERY	40,700	43,500	43,300								-60.95%	-32.25%
HEALTH & GOVERNMENT	10,300	7,800	15,700								-6.44%	-7.25%
FOOD MARKETS	4,500	4,500	27,400								32.00%	-34.38%
BUSINESS SERVICES	-	-	-								-2.17%	-83.58%
APPAREL STORES	-	-	-								-	-
BLDG.MATLS-NY/BL	-	-	72,900								-	-
DRUG STORES	-	-	22,800								-	-
MISCELLANEOUS OTHER	-	-	-								-	-
TOTAL	15,792,800	15,728,900	15,299,800								0.73%	-0.05%
												-0.01%

CITY OF ALBANY - Table 6 D

EAST SHORE HIGHWAY

QUARTERLY SALES DOLLARS Percent Change Data

ECONOMIC CATEGORY	2007Q1		2007Q2		2007Q3		2007Q4		% Change 07Q1 - 07Q2	% Change 07Q2 - 07Q3	% Change 07Q3 - 07Q4	% Change 07Q1 - 07Q4
	Sales	% Change	Sales	% Change	Sales	% Change	Sales	% Change				
GENERAL RETAIL	18,236,488		17,084,608	-6.3%	6,348,800	-63.5%	2,115,400	-66.3%	6.74%	191.86%	30.71%	
CONSTRUCTION	2,279,300		2,339,100	2.6%	2,115,400	-9.1%	58,100	-97.2%	7.75%	1.88%	1.88%	
TRANSPORTATION	188,100		163,300	-13.2%	170,600	4.5%	170,600	0.0%	15.19%	91.74%	17.67%	
FOOD PRODUCTS	73,300		112,400	53.3%	11,400	-90.0%	11,400	0.0%	-34.75%	-57.83%	-19.04%	
BUSINESS TO BUSINESS	6,300		28,300	351.0%	11,400	-67.1%	11,400	0.0%	-78.88%	-45.61%	-14.13%	
TOTAL	20,773,188		19,777,408	-4.8%	20,042,200	1.3%	2,863,800	-85.8%	5.35%	148.45%	24.52%	
ECONOMIC SEGMENT	2007Q1	2007Q2	2007Q3	2007Q4								
DEPARTMENT STORES	14,338,100	14,489,300	5,514,300	5,514,300					-8.55%			
MERCELLANEOUS RETAIL	3,754,400	2,184,500	826,400	826,400					-43.99%			
BLDG. MATLS. RETAIL	1,754,500	1,138,900	1,269,000	1,269,000					7.91%			
BLDG. MATLS. WHSLE	964,500	1,140,200	1,269,000	1,269,000					-13.63%			
FURNITURE/APPLANCE	373,100	299,100	486,500	486,500					21.71%			
RECREATION PRODUCTS	278,900	191,600	334,600	334,600					45.51%			
RESTAURANTS	73,300	112,400	170,600	170,600					-24.75%			
AUTO PARTS/REPAIR	95,600	58,500	95,100	95,100					-2.74%			
AUTO SALES - USED	92,300	84,800	11,400	11,400					67.81%			
BUSINESS SERVICES	6,300	28,300	11,400	11,400					-78.85%			
MISC. VEHICLE SALES	-	-	-	-					-			
TOTAL	20,773,188	19,777,408	20,042,200	2,863,800					5.35%	148.45%	24.52%	

But the department store category, with the opening of Target, accounted for all of the growth and more. Growth in all other retail subsectors combined was a negative 2.7 percent in total for the 4 year period, and thus a negative 14 percent after adjusting for inflation. In the most recent year alone, the situation was worse for sectors other than department stores. If we compare annual sales for the year ending 2008:1 with that for 2007:1, taxable retail sales generators outside of department stores combined for sales decline of about 4 percent, before inflation.

Significant changes in sales in the past four years were experienced by a number of Albany retail subsectors (see again Table 6.a.). Besides department stores, three of the city's larger sectors grew significantly: retail building materials (8 percent annually), liquor stores (5 percent/yr.), and service stations (9 percent/yr., with rising gas prices). Other significant gains were in subsectors with smaller retail sales in Albany, including drug stores, business services, used auto sales, light industry, and health and government. Primary losers over 4 years were miscellaneous retail (down 8 percent annually though back up very sharply in 2007-2008), new auto sales (also 8 percent/yr), and the much smaller apparel sector (21 percent/yr).

Summary of Overall Business Conditions

In sum, by most aggregate measures, the Albany economy has been stable or growing in recent years, with a composition rather similar to its surrounding county. The most notable change overall is the growth in department store sales while the rest of the retail sector in aggregate has lost sales, especially in real terms. Some other sectors, notably building materials sales, are also prospering. But the decline of non-department-store retail suggests a possible need and potential for public and private action to increase the vitality of at least some of the city's commercial areas. Following sections of this report address the circumstances and potential action in those 3 geographic areas individually.

b. Retail Sales Projections under Alternative Scenarios

Total taxable retail sales in Albany stores of \$192 million in the 4 quarters through March, 2008 generated \$1.92 million in sales taxes to the City. Table 7 presents some possible scenarios for future change, over the longer haul.⁸ The first row represents annual growth in sales tax revenues at the rate of the most recent data: 1st quarter 2008 compared to 1st quarter 2007. The second row represents the flat sales corresponding to the most recent full year compared to the immediate prior year. The third row is the

⁸ We do not try to estimate immediate changes potentially triggered by the current economic downturn.

annual sales gain at the rate of the previous 4 years, which could likely only be repeated by new retail opening on the scale of Target. The fourth and fifth are the sales declines should department store sales flatten out and non-department store establishments continue to decline at their four-year pace and their latest year decline respectively.

A decline in sales growth rate from that during the period including Target's opening and ramp up would have significant short- and long-term financial impacts. In the worst case among these scenarios, the difference in sales tax change from the growth experienced since 2004 would be over \$250,000 per year.

Table 7
Additional Annual Sales Tax Revenue for the City of Albany
under Various Assumptions

<u>Scenario</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Most recent 1 st quarter over 1 st quarter sales growth rate	\$67,000	3.5%
Most recent year over year	0	0.0
Four year annual rate	176,000	9.2
Non-department store 4 yr. decline	- 13,000	-0.7
Non-department store 1 yr. decline	- 80,000	- 4.2

Source: Neil Mayer & Associates

II. SOLANO AND SAN PABLO AVENUE CORRIDORS

a. Current Economy of the Areas.

Scale and Mix

Albany's two lengthy retail and service corridors have a limited set of broad similarities but many important differences. According to the City's business license records, Solano⁹ Avenue has 343 businesses, over 80 percent more than on San Pablo. But the Solano businesses are on average significantly smaller as measured by employment, with 2.4 workers per businesses compared to 3.4 for San Pablo (Table 8), so that total employment is more similar.

The numbers of retail businesses and employees are each quite similar on the two corridors. But service businesses are much more numerous, and smaller, on Solano than on San Pablo. Over 77 percent of the Solano business establishment total is in services and only 23 percent in retail, compared to 64 percent services and 36 percent retail on San Pablo. The service to retail balance is more even between the two corridors in terms of employment, though Solano still has a smaller share in retail.¹⁰

Table 8
Businesses and Employment on
Solano and San Pablo Avenues

	<u>total</u>	<u>#</u> <u>service</u>	<u>#</u> <u>retail</u>	<u>%</u> <u>service</u>
Solano Avenue Group				
businesses	343	265	78	77%
employees	811	502	309	62%
San Pablo Avenue				
businesses	189	121	68	64%
employees	636	357	279	56%

Source: City of Albany Business Licenses, Neil Mayer & Associates

⁹ Together with businesses very close to Solano on cross streets.

¹⁰ The significant number of one-person therapy businesses on Solano and its side streets may be important in shifting the balance toward service establishments there.

On the retail side, we have much more detailed data which can be separated among Albany districts. Overall, retail sales on San Pablo are much higher than on Solano Avenue. San Pablo yearly sales totaled nearly \$67.5 million in the year ending in March, 2008, comprising 35 percent of citywide taxable sales (see Table 1.c.). The corresponding figures for the same period on Solano were \$28.7 million and 15 percent of the Albany total (Table 1.b.).

The composition of the two districts' retail sectors is very different as well. Solano Avenue is dominated by food-related retail and provision of basic necessities, comprising 4 of the largest 5 subsectors. Restaurants are the largest retail subsector at 43 percent of total Solano sales, totaling over \$12 million. Food markets follow at half that level (22 percent). ¹¹Miscellaneous retail—including book, gift, jewelry and other specialty stores—interrupts the food and necessities string, ranking third at 10 percent. Drugstores (6 percent) and liquor stores (4 percent) rank a distant fourth and fifth (see Table 3.b.).

No subsector is nearly as dominant on San Pablo Avenue as are restaurants on Solano. The leaders are auto-related. The top producer is new auto sales at 20 percent of the corridor's sales total, followed by service stations at 16 percent. Liquor stores and restaurants follow right behind at 15 percent and 13 percent respectively. But there are several other categories of consequence, including retail building materials, miscellaneous retail, furniture and appliances, and auto parts and repair (Table 3.c.). It is worth noting that on San Pablo Avenue many of the principal products available for sale would typically require that customers have vehicles to transport them easily from the stores.¹²

Changes in Retail Sales

How have sales changed over time? On Solano, over the past 4 years, total retail sales grew by 17 percent, outstripping the inflation rate of 11 percent in the same period (Table 6.b.). Solano maintained small growth 1st quarter to 1st quarter for the most recent year (2007-2008) as the economic downturn kicked in. The 4-year growth rate was highest in the small category of light industry at 30 percent a year.¹³ The other growing subsectors were led by additional smaller categories in business services and florist businesses, at very rapid 14 and 13 percent annual levels. But larger subsectors' growth per year—in liquor, drug, and food stores-- also well outstripped inflation, by two to four times the rate of price change. And the other two major sectors, restaurants and miscellaneous retail, grew by a more modest 4 percent annually over the 4 years, but

¹¹ Total sales at food stores are again very much understated by the sales tax exemption for most food at such outlets.

¹² Or have them delivered. Autos would of course be driven away themselves, and auto parts are often sold as part of an auto repair services purchase with the auto on site.

¹³ We do not know which firms on Solano constitute this surprising category.

still more than a percentage point per year ahead of prices. The primary sales loser was apparel, with an annual decline of 27 percent, moving it from sixth largest category to eleventh over the period.

San Pablo Avenue retail sales in nominal dollars were almost exactly identical at the start of 2004 and 4 years later (see Table 6.c.). Given even the modest 11 percent inflation over the period, that represented a significant drop in real dollars and goods sold. As on Solano, the most rapid growth was among small subsectors—here light manufacturing and recreation products. But among larger categories, service station and retail building materials establishments had sales growth around 9 percent annually. Fastest percentage declines were in the small office equipment and food store categories. But the more important big dollar amount declines were in sales of new autos, down 8 percent per year, and of auto parts and repair, down 6 percent per year. If we separate out the loss in new auto sales, the rest of San Pablo Avenue sales, at nearly 13 percent, did a bit better than keep pace with inflation.

Other Signals of Economic Climate

Solano Avenue has over the first 9 months of 2008 been very stable in terms of businesses (retail and service together) departing and arriving. Fourteen new businesses arrived while 17 departed, only 4 and 5 percent of the current total establishments. San Pablo was somewhat more active, with 19 businesses moving in and 19 out, 10 percent of a smaller base of establishments. Between the two streets, the largest gross increases were in therapists, nail salons, and restaurants.¹⁴ There were 4 incoming retailers outside of restaurants: a gift shop, bridal store, convenience market, and used car dealer. The higher turnover on San Pablo Avenue is not necessarily a problem, given that new businesses are replacing those moving out at least in numbers. Much depends on the quality, scale, and longevity of the businesses moving in and their contribution to overall customer traffic on the street.

Current vacancy rates¹⁵ are low, especially on Solano Avenue. The 13 Solano vacancies represent less than 4 percent of spaces and the 14 San Pablo vacancies are less than 7 percent¹⁶.

Public action may help increase the rate of retail sales and thus sales tax revenue.¹⁷ The Solano sales tax base currently is relatively small, so that a given percentage

¹⁴ We do not know the types of businesses that departed and therefore do not know the net change.

¹⁵ Again based on numbers of spaces, not square footage.

¹⁶ These figures may slightly overstate or understate vacancies, over because they generally count buildings for sale as vacant and, while we looked at many of them, we did not directly observe that all were empty (at least one is occupied and we counted it as such), or under because vacancies neither marked by signs nor listed with the City or EBEDA will be counted.

acceleration in sales growth produces relatively modest dollar impact. Raising growth rate in taxable sales by 1 percent in a single year would increase sales tax revenues by less than \$3,000, and even a hefty 10 percent sales increase would therefore yield \$30,000 annually. Of course the higher rate would produce significantly more compounding if accelerated growth could be sustained. The corresponding figures for San Pablo Avenue, with over twice the current sales, would be less than \$7,000 and \$70,000 respectively.

In sum, Solano Avenue business seems healthy by conventional standards we can measure, at least before the very recent economic downturn. The corridor has a very substantial service component relative to retail, which limits its contribution to retail sales taxes. The retail activity is very heavily concentrated in food and drink related businesses. Policy-makers may wish to affect either or both of those two mixes.

San Pablo Avenue has fewer firms and employees, but a larger proportion of them are in the retail sector. Its retail performance has been weaker, due to decline in new auto and some related sales. Prosperity on San Pablo may well depend on the ability of other sectors to offset patterns in car sales and service station revenues (if gas prices stay lower).

b. Short- and Medium-Term Strategies and Actions.

Based on our analysis of current data, meetings and discussions with stakeholders including especially the Solano Avenue Association and the Chamber of Commerce, direct observation and photographing of current physical conditions, and reference to successful efforts in other communities, we have identified a set strategies and actions for further strengthening Solano and San Pablo Avenues and begun working in collaboration with City staff to implement some of them. These include:

- A business attraction and retention strategy that has applicability to both Solano and San Pablo Avenues.
- Creation of a broader strategic action plan for strengthening Solano and San Pablo Avenue business and the links between them. The plan and implementation program and activities would center on Main Street program principles.
- A "Shop Local" campaign for Albany, including a potential collaboration with the existing Berkeley program.
- A citywide green certification program.

¹⁷ It could also help raise other tax bases, including property tax and business license fees, but there is no similarly convenient measure of tax base for these corridor aggregates and we have not attempted to create them.

Business attraction and retention

A crucial starting place for a business retention and attraction strategy is to make it easy, convenient, and desirable for businesses to arrive and stay in Albany. On the attraction side in particular, important initial elements include helping potential incoming firms to find appropriate space and then to meet permitting requirements.

Finding space. It is helpful for the City to be able to steer businesses interested in locating in Albany conveniently to complete information about space available in any of the city's commercial areas. We have recommended two approaches. First, add information on the City's website about the East Bay Economic Development Alliance (EBEDA) website property listings. Major spaces are usually listed there, and brokers (though not all) representing properties in Albany do regularly use them. The City has already implemented this item.

Second, request that property owners (or brokers) notify City staff of vacancies, on a standardized form containing key information about the space. That way, when a business contacts the City about its potential interest in the community, the City can inform them about spaces available, even if not listed with EBEDA, and refer them to the appropriate brokers or owners for spaces in which they may have an interest. The City has already started implementing that item, beginning by notifying every property owner of the opportunity to become part of the City's listing and then posting their responses on the City's website. Between EBEDA and the City, there is now strong and convenient coverage of property vacancies, making it easy for prospective occupants to find the available options and for City staff to direct those businesses to them. Maintaining this program and encouraging brokers and property owners to use it at both ends of the leasing/buying process should prove of value.

Revising the Doing Business web-pages. The City already provides access to extensive information about its zoning and permitting requirements on the Doing Business portion of its website. We have recommended changes to make it easier for businesses to use and less daunting. One principal recommendation is to adjust the tone of some of the information on the website to make it more welcoming and encouraging to potential businesses, and to emphasize the City's willingness to help a business navigate the regulatory route successfully. The regulatory requirements, and how to access them electronically, can still be communicated in a clear way with some revision in style that indicates the City will help firms make their way through the process of meeting standards. Additional recommendations include providing basic guidance regarding allowable uses and key requirements for City zoning classifications, and making it easier

for businesses and developers to identify the person or people on City staff who can help them with particular matters, including but not limited to identifying potential space. A fuller list of recommendations is contained in Attachment 1. City staff have already begun to implement these changes as well.

Referrals for assistance. Another element in assisting both incoming businesses and those already in place is to refer them to sources of types of business assistance that the City does not now and is not likely to itself provide. These would include sources of financing, financial incentives and grants, technical assistance, information on environmental and health requirements, and potentially others. The EBEDA site provides a good start for referrals, and the City's website can refer firms there and to other important locations and players. We will continue to identify additional sources for referral.

A recruitment packet. Albany should have a recruitment package for its primary commercial areas to distribute at least to businesses that might locate there, real estate brokers, and interested property owners. Packages elsewhere include enticing descriptions of target areas, maps, information about customer base, sales data, testimonials from existing businesses, and ways to communicate more rapidly changing information including space available, calendar of events, etc. The locus can be a brochure with inserts, website, or a combination of these and perhaps other emerging mechanisms. We will be reviewing some effective packages from elsewhere and suggesting information to be developed for use in one for Albany.

Signage. Another factor in attracting both businesses and customers to commercial areas is the quality of physical infrastructure, appearance of public and private spaces and features, and ease of access. One important component is signage, directing and welcoming people to the business district, contributing to its branding and attractiveness. We identified a series of specific improvements that could be made to identify Albany and its prime commercial corridors with improved signage. The specifics of these recommendations are provided in Attachment 2 to this report. Many other physical elements deserve review as well, as noted in the next section.

Green branding and doing green business. Albany has a possible opportunity to brand itself as a favorable place to do green business, in retail and services sectors, with possible impact in attracting further such firms and customers. Its citizens show an interest in green products, and it has received some acknowledge and publicity for its environmental consciousness. For illustration, researchers at UCLA recently named Albany as greenest city in California based on its voting for green ballot issues

translating into concrete action in high registration of hybrid cars and large number of LEED building certifications.

One way of improving the environment and further highlighting/branding Albany in this direction is to continue expanding the number of the city's businesses that obtain green certification, and then publicizing the results. Eighteen businesses have been certified through Alameda County's rigorous Green Business program that verifies businesses meeting high standards of environmental performance (see Attachment 3), somewhat concentrated among auto repair shops. Our investigation suggests that if more Albany firms indicate an interest in the certification, the County can find resources to conduct its process. The City of Albany also has 2 programs through which it has certified about 20 businesses. But there are over five hundred companies in the Solano and San Pablo corridors, leaving many more to participate. Both the firms and the corridors could earn enhanced "bragging rights" in the green arena, potentially enhancing their own markets and creating enthusiasm for other businesses to locate there.

With City staffer Nichole Almaguer, County program coordinator Pam Evans, and the Albany Sustainability Committee, we will explore this further potential in our next stage of work.

Strategic Action Plan for Solano and San Pablo Avenues

We have held a series of discussions with the Solano Avenue Association (SAA), the Chamber of Commerce and City staff to discuss a medium term approach to strengthening Albany's central commercial corridor. Currently, both SAA and the Chamber focus primarily on promotions in their activities to expand business. The consultants have raised ideas for a more comprehensive strategy for managing and encouraging increase in business activity, specifically within the framework provided by successful Main Street programs in over 2,000 communities in the country.

Main Street's proven approach is to include action in all of four major areas: design—physical improvements, organization—administration of the effort to raise commercial prosperity, promotion, and economic structuring—shaping of the mix of businesses and the ways they collaborate to enhance the attraction of customers and additional businesses. Another Main Street principle is community-driven action by a broad set of stakeholders including businesspeople, property owners, residents, public and non-profit sectors, and others.

Our discussions about the desirability of strategic planning and the notion of comprehensiveness along Main Street lines—including slideshow presentations on Main Street concepts and existing Albany conditions that could use attention— have led to

agreement by the SAA Board and Chamber to hold a "retreat" format gathering scheduled for January. It will be used to create a 3 to 5 year strategic plan, dovetailing in timing with the installation of the SAA's new board in February. Consultant team member Darlene Rios Drapkin, a leader of Main Street efforts in many localities, will provide in advance an initial blueprint for discussion. In addition, we intend to interview a small sample of successful businesspeople on Solano and San Pablo about the kinds of opportunities and concerns they identify as well.

For example, just in the design area, items for consideration can include:

Public streetscape improvements

- signage
- street paving
- sidewalks
- street lighting
- directional signs
- tree boxes and planters
- benches
- trash receptacles
- news racks
- public open spaces
- public art

Private streetscape improvements

- façade improvements
- building improvements

Design education, regulation and review

- visual merchandising

Beautification

- safety and cleanliness
- graffiti abatement

The signage recommendations in Attachment 2 provide a starting place for both signage considerations specifically and branding more broadly . It will be important to inventory the range of elements that contribute to a visually pleasing pedestrian environment, and changes and investments that might be made. One focus should be on creating a program that incorporates the work of local artists and the creative, distinguishing ingredients they bring to the district through a sense of beauty, pride, and place. Questions include how to use information and assistance, incentives, enforcement and regulation, City government staff, and private stakeholders' resources to develop and maintain the design components.

In the area of organization, Albany's core already includes two strong associations in the SAA and Chamber. A question is how to organize and engage a broad array of stakeholders, including but not limited to merchants, whose participation is necessary for pursuing a successful Main Street type agenda for Solano and San Pablo Avenues together.

In the area of promotion, Albany already has a healthy assortment of events. Additional promotional steps potentially include:

- inventorying the numerous events carried out by SAA, the Chamber, and other groups and prioritizing ones from which to build continued area visibility and attraction
- revisiting issues of identity and subsequent branding to create a consistent message
- building a strong "buy local" campaign patterned after neighboring Berkeley, which at our request has agreed to share the groundwork it has already done.

We have already begun exploring further ways to pursue "buy local" including adaptation of a gift card mechanism.

Finally, in the area of economic restructuring, Main Street issues and activities include market analysis, business assistance, business attraction and outreach. Previous sections of this report provide components of the necessary market analysis and a number of early steps in business attraction and assistance/retention. One central issue is to further identify the kinds of additional businesses that would likely make a contribution to overall economic health of the corridor and their current businesses, and to the satisfaction of residents/customers and policy-makers, based in part on the market analysis reported. That would allow business recruitment efforts to focus on particular types of firms. Albany might then also consider instruments it has at its disposal, such as zoning requirements regarding the location of retail, service, and housing uses and their density, to shape the business and development mix.

An area of possible opportunity in economic restructuring is within and nearby to the Whole Foods development on San Pablo Avenue, should it be approved. In its current form, the proposed development includes a substantial amount of retail space in addition to that to be occupied by the supermarket. And it may well be a sufficiently significant draw to help attract other retail uses to San Pablo Avenue. If economically desirable uses have been identified, the City could itself participate in their recruitment and encourage private actors to do the same. The scale of the opportunity at one moment could have a greater impact, at least in the shorter run, than efforts to place one small business at a time in smaller spaces along the corridors.

III. REDEVELOPMENT AREA

a. Current Economy of the Area

This small area, comprising 37 usable acres on Cleveland Avenue and Eastshore Highway, is currently developed as a combination of mostly retail and wholesale/distribution uses on Eastshore and mostly industrial uses on Cleveland. It was designated as a redevelopment area in 1998. It is currently zoned Commercial Mixed Use (CMX), which allows for manufacturing, warehousing and other industrial uses; retail; and office uses. Two significant-sized manufacturing firms, Adhesive Products, Inc. and Albany Steel, along with the City of Albany's Public Works Department, lumberyard Lumber Baron, and a Pacific Steel Casting storage (and very limited fabrication) yard and open structure are the principal occupants of Cleveland Avenue's parcels. A PetsMart store and parking lot, Toyota of Berkeley's repair and used car auxiliary facility, a Target store and large parking lot, distributor Allied Building Products, retailer Floor Dimensions, and Lumber Liquidators are the principal occupants on Eastshore. PetsMart, Toyota, and Target are recent re-uses of formerly industrial properties, housed in new or renovated structures.

While an area of mixed use overall, the Eastshore section of the redevelopment area is, in terms of taxable retail sales volume, the City of Albany's retail center. The area accounts for 45 percent of all retail sales in Albany (\$86 million for the most recent year)—roughly three times the volume on Solano Avenue and more than one-and-a-quarter times the volume on San Pablo Avenue (see Table 3.d.).¹⁸ The department store category constitutes nearly three quarters of total sales on Eastshore, followed at a distance by retail and wholesale building materials (12 percent combined) and miscellaneous retail (11 percent).

Driven by the addition of new retailers Target and PetSmart, and the continuing sales growth especially at Target, the redevelopment area has been the primary engine for citywide growth in retail sales. As mentioned earlier, during the last four years, the change in Albany citywide sales would have been slightly negative, instead of up over 40 percent, if not for Target growth. Data on retail sales is available disaggregated within the city through the first quarter of 2008.¹⁹ Overall, Eastshore retail was still growing at least between the start of 2007 and the start of 2008, with sales expanding 5.4 percent (see Table 6.d.). The sharpest changes among sectors of significant size in that

¹⁸ In our final report, we will integrate data from the much more limited retail activity on Cleveland Avenue in with the Eastshore section, capturing the Lumber Baron and any taxable sales from the manufacturers.

¹⁹ Throughout our analysis, we computed changes by comparing first quarter of 2008 to first quarter of other years.

year were a rise of nearly one half in sales within miscellaneous retail and a drop of 14 percent in wholesale building materials. Over a four year period, however, miscellaneous retail declined sharply, and retail building materials grew by more than half.

Our leakage analysis, introduced in Section I, does not treat the various portions of the city separately, because they are too small individually for a leakage computation to be meaningful in terms of net sales in and out of the community. However we can look at the sectors citywide for which Eastshore and Cleveland are the dominant locations within Albany, as a close proxy for leakage analysis for the redevelopment area alone. As mentioned earlier, the arrival and success of Target result in a very large net "leakage" of sales into the city in the department store category. Department store sales per capita are about three times as high in Albany as in Alameda County as a whole, at nearly \$4,000 (see Table 5). The other business category which is readily identifiable with the redevelopment area and which has significant leakage in is building materials. Albany's sales of nearly \$1,400 per capita in 2007 are one third greater than that of the County. This is a switch in leakage status: in 2001 Albany showed a leakage in building materials expenditure out of the city. In sum, two major redevelopment area business sectors are, from a city viewpoint, significant and growing exporters of goods and importers of dollars that generate sales tax revenue.

In terms of immediate opportunity to bring new businesses and development to the redevelopment area, there are promising possibilities; but space availability imposes at least a short-term constraint. At the moment, there is only a limited set of properties in the redevelopment area not occupied by operating businesses, and even less real estate is actually on the market. Vacancies on Cleveland include a largely undeveloped 10,000 square foot, narrow triangular parcel at the south end (not yet on the market but expected to be so very soon), a 14,000 square foot retail and ancillary uses space (formerly a bridal store for a brief time) currently being marketed, and a shell structure adjacent to the Public Works facility and being considered currently as a site to be acquired for the future home of that department. The one property actually testing the market, the retail building, is being offered for lease at \$1.50 per square foot (gross). The triangular lot is expected to be marketed at a bit over \$50 per square foot of land.

On Eastshore, the one significant vacancy is a 6,000 square foot pad within the Target parking lot, undeveloped but already entitled for separate use. Target expects to put that parcel up for sale at the start of the new year. Its attractive location next to the Target store, with use of the ample parking on Target's site, is likely to produce an asking price per square foot several or even many times that of the vacant land on Cleveland.

If Public Works were in fact to move to its next door property eventually, that would open its current site of about 37,000 square feet of land and 26,000 square feet of building (partly open-sided). The other properties in the area are in the main leased for lengthy terms or owned by the occupant manufacturers. Nonetheless, other opportunities may of course emerge over time. We discuss some options for engaging them as they occur, catalyzing them, or undertaking more direct action to bring them about, in section III.c. below.

b. Projections of Sales Tax Revenue

Of special interest for Albany is the generation of additional tax revenues within the redevelopment area. A variety of uses of property could generate some additional property tax revenue. The main difference-maker among them would be the potential for expanded retail store use, sales, and therefore sales tax revenues.

In Table 9, we estimate very roughly the additional sales tax revenue that would be generated by various alternative scenarios for the mid-term Eastshore/Cleveland future. The most pessimistic option is a repeat of change in sales by businesses other than department stores (those sales assumed to flatten after rapid growth since arrival of Target), producing a reduction of \$50,000 per year, because overall other sales have been declining. Growth with department stores included at their most recent year pace reverses that result to a gain of almost the same amount.²⁰ The other four figures, ranging from \$12,000 per year to \$95,000, reflect the additional impact (beyond one of those two trend figures) of filling with retail the major site currently on the market and one that may become available. None of these figures reflects the likely immediate future: some level of response to the worsening overall economic environment which we, like others, cannot yet estimate.

Table 9
Additional Annual Sales Tax Revenue from the
Redevelopment Area under Various Assumptions

<u>Scenario</u>	<u>Dollar Change</u>	<u>Percent Change</u>
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²⁰ We do not show 4 year growth with Target as an option, because that would follow the track of a new store with Target's size and growth—meaning replacing all existing uses on Cleveland Avenue at once. The overall growth rate was nearly 25% per year in that period between Target's opening and the first quarter of 2008.

Reproducing annual growth in 2007-2008	\$	46,000	5.4 %
Annual growth 2004-2008 w/o dept stores		- 50,000	- 5.8
Filling Public Works site at high sales/s.f.	95,000	11.0	
Filling Public Works site at low sales/s.f.	22,000		2.6
Filling 14,000 s.f. structure at high sales/s.f.	53,000		6.2
Filling 14,000 s.f. structure at low sales/s.f.	12,000	1.4	

Source: Neil Mayer & Associates

The table suggests that public and private action that, at least in the longer run, sustains recent growth trends, strengthens the performance of non-Target firms and sustains Target, and/or fills current or future available structures with successful retail uses can be of significance in terms of sales tax revenue.

c. Short-Term, and Medium-and Long-Term, Strategies and Actions

This section lays out some preliminary options for increasing business activities and revenues in the redevelopment area. As in Section II.b. for Solano and San Pablo Avenues, we at this stage pose options for strategy and action, not final recommendations. We are at an interim stage in our work. The exception is that we have already recommended some free and low-cost activities for the City to undertake that are important regardless of the specifics of other choices, also introduced in Section II.

Broad attraction and retention. One approach to policy toward the redevelopment area is to leave its further growth and development essentially to the market forces of the private sector, concentrating on low-cost ways to make it easier for an existing firm to do successful business and for an incoming or new business to start up when vacancies occur. We have already recommended three components of such an approach, and these pieces are in various stages of implementation. All three are applicable citywide and have been described already in Section II of this report and in the attachments to which it refers. In brief review, those three are:

- Making it easier for business owners and real estate developers to know what space is available in the redevelopment area;
- Improving the Doing Business portion of the City's website to make it more user friendly; and

- Improving signage for street access. The redevelopment area in particular, and Cleveland Avenue most specifically, are very difficult to find by following existing street signs. Signage is needed to make it easier to head toward the two streets, Cleveland and Eastshore, and to know where and how to actually enter them. The details of signage needs for this area are included in Attachment 2. City staff have already begun developing recommendations about taking on some of this work.

Another valuable component of a limited approach to redevelopment area action is to work to retain existing firms—both industrial and retail/wholesale— by meeting needs they may have. Especially in an economic downturn, but even at other times, it is much easier to retain existing firms, which after all have previously chosen Albany for some reason and have costs to moving, than it is to attract new ones. A good starting centerpiece for that component is to meet at least once with each significant business in the area, inquiring about any needs the City can help meet or helping them in identifying other sources of assistance. The small number of firms involved makes that task relatively manageable. The mix of potential needs may vary widely, for example from picking up old mattresses dumped by others onto streets and private properties, to financing for expansion. The City will not be able to respond to all, but it can likely respond to some. Sometimes more important is to use the contact to start creating an interactive relationship, which might encourage firms to later speak up about their needs before making plans to depart, or encourage them to stay.

Note that this limited approach does not try to direct property usage in a particular direction, meaning that industrial uses may both remain in place and continue to occupy spaces as they become available. Perhaps surprisingly to many, industrial space in the East Bay overall remained in strong demand, with a vacancy rate of only 5.1 percent through the second quarter of 2008.

Building supplies focus. If the City wants to choose a focus on retail uses for the redevelopment area, it may have to re-zone the district to limit industrial uses to those already present or use redevelopment funds to acquire properties as they become available and then re-sell for specific uses—specifically in the case of Cleveland Avenue. Given the weakened market for retail uses in the current economic environment, limiting potential use to retail that would be a risky approach for the short term.

A more aggressive and somewhat longer-term strategy for the redevelopment area is to pursue specifically its existing strength in the building supplies sector, perhaps extending to home improvement and furnishings. As our listing of individual firms in the

area indicates (see Section III.a. above), retailing and wholesaling of building materials is the business of a substantial share of the companies on the combination of Cleveland and Eastshore. And indeed there are further firms in this sector to the north of the Albany border on Cleveland (as it becomes Jacuzzi Avenue).

The sector is by multiple measures already a strong one in Albany. The retail and wholesale sales of building materials comprises 12 percent of Albany's taxable sales (\$22.5 million), the second largest source of sales tax revenue after department stores. Over the four years ending the first quarter of 2008, sales taxes from and sales of building materials grew 4 percent a year within existing Albany businesses, without bringing in additional firms of this type. As mentioned earlier, the building materials sector has become a strong exporter: Albany sales per capita, at a third higher than that for Alameda County, indicate that more shoppers outside Albany are coming in to purchase these goods than are local residents and businesses going outside to buy them.

Existing structures on vacant or potentially vacant properties, industrial in nature, may require lesser renovation to fit building supplies sales and home improvement/furnishings businesses than other uses. Moreover, potential incoming firms may well recognize an advantage to co-locating with other suppliers. There is a natural linkage to sellers of various products more thought of as home improvement and furnishings (carpets and flooring for example—already represented in the redevelopment area), as a way of expanding the breadth of the sector. The study that preceded adoption of the Albany Redevelopment Plan suggested a home furnishings center as one option for future direction for the area.²¹

There are a variety of actions the City can take or encourage to promote development of this sector, as properties become available for re-use. Choosing to pursue these actions can be partly a near-term and partly probably a mid-term strategy. Weakness in real estate construction and the overall economy makes growing this sector immediately a challenge, though we might expect home renovations and improvements to perform better than new construction. In the short-term, the non-sector-specific strategies discussed above in this section apply well to this existing sector's firms and potential entrants. The City might add to that an encouragement to the building and improvements suppliers to do joint marketing in the Cleveland/Jacuzzi and Eastshore area. Building supplies are also a significant component of Albany's San Pablo Avenue sales, with a possible further opportunity for collaboration in marketing.

²¹ Bay Area Economics et. al., "Economic, Land Use, and Market Analysis of Albany Development Opportunities.

In the longer term, the City could consider a combination of continuing those items and such possibilities as: targeted marketing efforts to attract additional firms of these types, emphasizing the current concentration of firms; indication to real estate brokers and property owners of the City's interest in promoting the sector and perhaps expediting permit processing to do so; zoning revision to favor retail/wholesale firms over manufacturers; and highlighting the sector in broader City promotional efforts, to help attract customers.

An advantage to promoting this sector is that, because it is already established, when a single property becomes available it may well be possible to build on the sectoral advantages to attract an additional firm or firms. Beginning a new concentration of compatible and mutually reinforcing firms in a different sector might well require assembling multiple parcels currently in separate ownership and by no means all available at this time—a more difficult task for private or public actors. One might hope that the private sector would take on this more limited task, leaving redevelopment funds for infrastructure improvements.²²

Promoting a green building sector. Concentration on the building supplies and home improvement sectors can be a valuable part, or indeed a major focus, of a broader greening business strategy for Albany over time. The green building industry is a central part of the region's sustainable economy on both supply and demand sides.²³ Increasingly, green materials are being sought by builders/contractors, architects, and consumers—especially in the Bay Area. The upcoming federal stimulus package is expected to feature significant attention to green building in energy efficiency and other areas.

Albany might be able to link the building supplies firms already in the redevelopment area to opportunities to increase the sustainable components of their inventories, either directly or through referrals to County, non-profit, and for-profit sources of information and products. The City could target its business-attraction efforts to suppliers of re-used building materials, environmentally sensitive and safe products (e.g. linoleum versus vinyl), sustainably produced products, and many other green-building elements. Suppliers of new and/or environmentally focused building and home improvement products, from efficient water heaters and appliances to solar collectors, could display and sell. Manufacture of green building products could complement the retail and wholesaling uses.

²² On some properties, public assistance may be needed for toxic clean-up. We have not conducted a study of toxics conditions.

²³ See for example Craft Consulting Group, "Developing Green Economy Industry Clusters," June, 2008, and San Francisco Planning and Urban Research Association, "Growing Green," in *the Urbanist*, September, 2008.

The suppliers and the City could then market the Cleveland and Eastshore area as a center for the provision of green building supplies. Both the efforts to attract firms in the green building sector and then to bring an expanded customer base to this primary supply locus could be linked to the regional East Bay Green Corridor effort, should it begin to function along those lines. The combination of an Albany green building supplies center with a greened Berkeley 4th Street home improvement and furnishings focus and other regional draws would provide a variety of opportunities for attracting customers region-wide. All these efforts could be complemented with similar development of green building and furnishings and related retail along San Pablo Avenue in some of its larger spaces. Our final report will be more specific about the kinds of firms that might be attracted and some ways to seek them out.

At the still more aggressive end of the spectrum of action, the City could potentially use its own redevelopment tax increment resources to purchase an area property and resell it at a somewhat reduced price to a developer or enterprise committed to installing green building supplies/home improvement uses.

Building on Eastshore success. A different direction for growth is to take advantage of the strong regional attraction power of Target, by encouraging redevelopment on Eastshore Highway itself. Most of the Albany property along Eastshore is owned by a single property owner who has expressed interest in partnering with a developer to undertake its long-run redevelopment. Encouragement of such investment, creating additional space for sale of a variety of consumer goods of interest to Target and PetsMart customers, could be another revenue generator. The City's potential action to solve creek drainage problems could contribute to this development opportunity.

Cities logically often are interested in attracting additional auto dealers to their communities, because of the potentially high sales tax revenues. Encouraging the development of a multi-dealership auto mall to the redevelopment area does not seem to be a realistic possibility in short or medium term. The current decline in auto sales, together with possible demise of one or more manufacturers, is one short-term inhibiting factor. More long-lasting is the limitation on even potential space. The total acreage of all properties along Cleveland Avenue is about 11 acres. Auto malls require at the very least 10 acres, and in most cases several times, often many times, that amount with room for many nameplates' dealers. Even if every property along the Albany portion of the Cleveland were simultaneously available, by happenstance or through active acquisition by the City/Reinvestment Agency or a private developer, the space would be barely adequate for the smallest-end mall. In the past, there has seemed to be some possibility of attracting the new car sales of the Berkeley Toyota

dealership to its current Cleveland site for repair services and used car sales. Specific obstacles stand in its way, but it is worthwhile revisiting that possibility as part of our next steps in exploration of revenue-generating alternatives.

Some additional directions for exploration. We expect to explore additional possibilities for the redevelopment area during the next part of our effort. One part of that work will examine other aspects of the green economy that might have potential in addition to green building and furnishings. Another will be to assess additional sectors, not already strong in Albany, that have shown promise in the region. Also, the redevelopment agency annual tax increment appears to offer a significant, as yet not fully tapped, resource. We shall be looking further at the annual funds and their potentially capitalized value²⁴ in relation to choices for using those investment dollars.

²⁴ The City can borrow against the future tax increment through various means.

RECOMMENDATIONS FOR
STARTING A BUSINESS ON ALBANY WEBSITE

The website as it stands has many strengths. It provides a clear statement of what steps and permits are needed to start a business in Albany; links conveniently to contact departments, documents and reference materials; and also links conveniently to outside-of-City Hall websites such as for utilities.

There remains room to make it easier and more inviting for people to get a rough picture of what is required before digging into full detail; to add to the resources available at or accessible through the site; and to correct a few pieces of information and technical problems.

An overall notion that Darlene particularly has wisely underlined is to make the material itself be more welcoming to businesses. Included could be an opening statement emphasizing the desire to bring businesses into the City. *Start off with an introduction that says, "Albany gladly welcomes entrepreneurs. The City of Albany is committed to helping you navigate through our process if you would like to make us the place you call home for your new business."*

A good edit throughout from the point of view of improving friendliness could be worthwhile. Darlene illustrated this with a modest re-write of a Plan Check section which nonetheless provides a quite substantial change in tone and sense of welcoming (see immediately below for her recommended text and contrast to the web location cited). Some of the current material reads a bit like what an exasperated City staff member would say to an applicant who'd proved stubborn about following the rules, rather than what one would want to say to a businessperson with whom the City wishes to nurture a relationship. Darlene's more affirmative rewrite reads:

Example taken from the page on "PLAN CHECK"

<http://www.albanyca.org/index.aspx?page=411>:

-
- Please be sure to provide all of the required information at the time of application in order to avoid a processing delay
 - Be sure all your documents are final since documents marked "preliminary" or "not for construction" will not be accepted

- Building plans, as required by State Licensing Boards, shall bear the seal and signature of the architect or engineer responsible for their design
- Be sure all requested information has been provided, and the required plan check fees have been paid. Otherwise, applications cannot be processed or routed for any reviews
- It is possible that additional plans, calculations, supporting data, or other information may be required as a part of Plan Review to confirm compliance with all applicable Codes
- Contact the Fire Prevention Bureau at 528-5775 as soon as possible (prior to finalizing your plans) to find out the Albany Fire Department requirements specific to your project or improvement

All building permit plans are reviewed by a third-party consulting firm. The following companies provide this service for the City of Albany. They look forward to assisting you. Click on the following links to learn more about them:

- [The Phillips Group](#)
- [Building Department Services](#)

Other specific items for potential change are enumerated below.

1. I see that listing Judy as economic development and location-finding contact is already accomplished, as recommended. The next step would be to make the form on which businesspeople seeking to locate their firms in Albany indicate their space needs available on the website. Although Judy can even without that also send it to people who contact her, it would be good to provide both options.
2. It would be useful to give a businessperson (or property owner/representative) two routes for quickly obtaining at least a rough outline of their zoning situation at one or multiple possible sites for their businesses. Currently, they are directed to the Community Development Department for information on zoning, from the Starting a Business page. If one stays with the website options, a person can go to brief descriptions of various units of the Department, of permitting processes, and of documents. But to take even the first step on understanding Albany zoning on one's own, you have to go to the zoning ordinance and read through its appropriate sections.

We recommend two routes for getting a businessperson or broker a better first picture of the zoning situation. One is adding the name or names of Planning

staff people (or at least categories of titles) with whom one could have a preliminary conversation about the nature of zoning categories (and their location) and the primary zoning requirements and concerns that could be relevant to a particular use (is it allowed in an area or on a site, whether a use permit is required and likely primary permit issues/questions, parking requirements, FAR if a development is proposed, and other basics). In the Redevelopment area, one is immediately directed to Jeff and Judy by the website (assuming one finds his/her way to Redevelopment). Specific names for staff for people interested in the other commercial streets and for those who don't get to the "Redevelopment" page would be good.

A second route would be a narrative about zoning for commercial uses, available from the CD web page. To illustrate in concept:

Albany has ___ commercial zoning designations. Designation A___ applies mainly to Solano Avenue. It allows uses principally in the ___ categories and prohibits___. There is a parking requirement of ___ for restaurants and ___ for others. Another major consideration is often ___.

Designation B.....

With a LOUD caveat that if you are interested, contact _____ re: your specific situation.

This might save City staff and the businesses some time and effort, while simultaneously allowing somebody from the outside to include Albany in an easy first-level review of possible locations.

3. We want to add to the set of business resources available to existing and incoming firms. The East Bay Economic Development Alliance website provides a good set of links to assistance on financing a business, technical assistance and education on elements of successful businesses, etc. The only way I see to get to EBEDA from the Albany website is by going from "Doing Business in Albany" to "Business Associations" and then seeing that EBEDA is an option and selecting it. That's an improbable path for someone seeking financing, for example: they won't know to go to business associations. I went there because I was interested in that topic, not EBEDA. A couple of sentences about using EBEDA to identify

sources of the types of assistance they reference, at the initial point of "Doing Business," would get people there more easily.

If the City wants to pursue that, I'll have my assistant follow the multiple EBEDA web-page tracks to enumerate the kinds of services one can find described (with links) there. We would also check whether there are categories of assistance on which the EBEDA site is weak and, if so, identify other links to assistance.

4. Three items concern timing of processes.
 - a. The Plan Check page at <http://www.albanyca.org/index.aspx?page=411>, accessed through Building Department and then Plan Check, says that most plan check processes through to building permit take 3 months. That could be discouraging for a business wanting to make some modest tenant improvements and be open in a timely way. Only if you make it to the Flow Chart for plan check do you learn that the 3 months is an estimate for major projects involving building additions and new construction and that for most projects approval is much faster. A clarification on the Plan Check page would be helpful.
 - b. The page on Use permit process also estimates a three-month period. Is that a solid estimate or are there categories of matters of limited complexity that move faster which could be noted?
 - c. The page describing the Business License Application tells you that you need sign-off from a series of departments/people. It does not indicate whether you can carry your application around to them and accomplish what is needed in one visit or what the process is. It would help to clarify.
5. At least on November 12th, there are some links within Starting a Business that do not function and need repair. Two links to further pages in particular with problems are the connection from Community Development Department to some of its sub-units and the link to the general plan from CD documents. They come up as "invalid host name."

6. At least some of the forms available on the website list Judy's address or some department location as 1000 San Pablo (including the zoning application). It may be worth combing through them. Also Judy's address as listed with EBEDA needs an update (that is, on EBEDA's website).

7. Finally, EBEDA has a very strange Latin (yes) narrative at its link to "Local Business Financing," although there are other ways to get to financing sources on the site. When I inquired, they said they haven't gotten to that page yet. But there is an alternative route into the appropriate material and we can specify it in 3. Above.

Attachment 2

SIGNAGE

REDEVELOPMENT AREA

Both Cleveland Avenue and Eastshore Highway are very much in need of improved signage.

There is currently no way to know how to find Cleveland Avenue without a map at either Buchanan or Central Avenue ends. At Central, the only sign is a standard street sign at the corner saying Jacuzzi Blvd. Nothing whatever makes mention of the fact that Jacuzzi becomes—and is the only north-end access to—Cleveland. A sign indicating “to Cleveland Avenue” and of more prominent size and type would be good. Even the Jacuzzi sign is buried at the extreme west corner and hard to identify even from the intersection, and to cars just emerging from the freeway exits.

At the south end of Cleveland, entrance involves avoiding the Buchanan overpass and proceeding west to its right, and then turning right. Again there is no sign to direct one there. A sign further east on Buchanan—before the overpass— should direct drivers to keep right for Cleveland, a further sign just as the overpass heads upward might be helpful, and then a sign indicating Cleveland to the right. That’s probably overkill, but it illustrates what should be accomplished.

The entrance to Eastshore Highway from Buchanan from the east deserves signs to get people into the left turn lane. That might mean a sign saying keep left for Eastshore. It definitely means a sign before the left turning lane appears with posts separating it from the ordinary left lane. At present, the only sign near the actual Eastshore roadway is the normal street sign on the west side of the turn onto Eastshore. It is difficult—for many drivers impossible—to see it soon enough to get into that left-turn lane.

From the west on Buchanan, which includes the people coming from the freeway, there is again no sign for Eastshore except the ordinary street sign at the actual turn intersection. Some advance indication, or at least a larger sign at the intersection, would definitely help.

SIGNAGE ON SOLANO AVE & SAN PABLO AVENUE

There are excellent opportunities to brand Albany's shopping possibilities through targeted gateway signage. Hiring a firm to create the design and branding is one option. Another is to commission its resident through a contest to come up with catchy, colorful ideas.

SOLANO

OBSERVATIONS

- A "Welcome to Albany" an austere and bland sign at Neilson next to Safeway greets drivers and pedestrians. Albany starts, four blocks earlier on one side only (the north side), earlier at Tulare, to include not only residential, but also Albany One Hour Photo, AT&T, Law Offices, Solano Cellars, Nana, Cugini's, and Solano Cyclery. Consider placing a sign there instead.
- There is inconsistent streetscape:
 - upgraded street signs at west end closer to San Pablo
 - the banners depict Solano Stroll on the upper end and 100th anniversary on the lower end.

SAN PABLO

- Non-descript Cal Tran Signs are in place at Dartmouth and Brighton on San Pablo Avenue at the Albany borders. Replace these signs with customized signs.
- There is a "Welcome" to Albany" Sign at San Pablo Ave and Marin next to its community organizations. Unfortunately the welcome sign faces the West end as you leave Albany.
- Solano and San Pablo is the "Heart". Add distinctive pavement treatment at the four corners and/or an archway or outstanding marker.
- The banners are sporadically placed on SPA with no continuity. They are small. They could be more colorful to make them easier to distinguish.

@ Dartmouth and @ Brighton

- The existing signs are "Cal- Tranny". They are easy to miss and graffitied. They do not give you a sense of pride and place.

BUCHANAN

Signage is needed on 80 freeway to indicate the exit for Albany's Solano Shopping district. Once off Buchanan, wayfinding signage towards Albany's heart, Solano, is also needed. When driving up Buchanan, you dead end at San Pablo Avenue and Buchanan. Signage is needed to indicate to turn left to Solano Avenue.

Attachment 3

County Certified Green Businesses in Albany

Company	Address
Albany Community Center (City of Albany)	1249 Marin Avenue
Albany YMCA	924 Kains Avenue
Berkeley Motor Works	736 San Pablo Avenue
BZBdesigns.com	846 Santa Fe Avenue
Dana Meyer Auto Care	660 San Pablo Av.
European Motor Works	618 San Pablo Ave
In Motion Center	813 San Pablo Avenue
Innate Chiropractic & Wellness Studio	916A San Pablo Ave
Nina Homisak Hair Design	1580 Solano Avenue, Suite C
Nippon European Motors	730 San Pablo Ave
R.A.W. Concepts Architecture and Interiors	1650 A Solano Avenue
Serves You Right Catering	1249 Marin Avenue
Solano Community Church	1249 Marin Avenue
Steve's Auto Care	744 San Pablo Avenue
Sue Oda Landscape Architect	617 Evelyn Ave.
Five Little Monkeys	1230 Solano Avenue
I Song Orthodontics	1183 Solano Avenue