

**ECONOMIC DEVELOPMENT STRATEGY AND ACTION
FOR ALBANY, CA**

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Peter Chen - Happy Produce
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EXECUTIVE SUMMARY: DIRECTIONS FOR ECONOMIC DEVELOPMENT ACTIVITY IN ALBANY

Albany has a generally healthy economy, although its performance is not immune in the short term to the current downturn. It has not as a City government had a comprehensive strategy for further strengthening the local economy and sustaining its good health, nor staff or, in recent time, consultants assigned to economic development strategy-making and action. But it has supported other stakeholders' efforts, notably the business-district-promotion focused work of the Solano Avenue Association and the Chamber of Commerce.

Neil Mayer & Associates and Urban Transformation were retained in July, 2008 to develop, over the course of a year, proposed strategic and programmatic directions for Albany action in this arena. The project focuses on approaches to building further the prosperity of Solano and San Pablo Avenues and of the City's Reinvestment Area along Cleveland Avenue and Eastshore Highway. It involved assembling and analyzing data and other forms of information; talking with businesspeople, associations, and other stakeholders; and bringing to bear experience in other communities and with similar efforts. This report concentrates on the conclusions and especially the recommendations from that effort, building on the analysis previously presented in our Interim Report.

Because the Albany economy is on a longer-term healthy trajectory, the recommendations lay out directions to help retain that strength, plug gaps and address challenges, and chart parts of a course for future sustainability in both environmental and prosperity terms. Those recommendations, in extremely abbreviated form, follow. Their substance and rationale are detailed in the full report.

Albany's is an economy of modest size and substantially built-out development potential. The result is that Albany must use its developed space well, filling it with successful enterprises that attract residents and outsiders and aim for well-targeted uses when development opportunities arise. And as a smaller city, Albany should continue to take advantage of resources available in the wider community—both within the city and region, not solely in City government itself—to forward its economic goals.

The city's Reinvestment Area has benefitted from the arrival of new firms since its establishment, notably the Target store but others as well; and it currently has little vacant space. The Area and parcels on San Pablo Avenue nearby house a number of businesses in the building supplies, home improvements, and furnishings (BSHIF) sector. Given limited space and a cluster of firms already in place, the City should concentrate on building on that existing sector in this area.

More specifically, it can pursue the community's (business and resident) interest in forwarding sustainable/green enterprise, by highlighting Albany—most notably the Reinvestment Area and San Pablo Avenue-- as a location for meeting needs for goods for "building it green." Business retention and attraction efforts, and customer attraction, in that direction should take advantage of similar assets in neighboring communities and potentially the emerging work of the East Bay Green Corridor regional collaborative among area cities.

The Solano and San Pablo Avenue combination benefits from the small-town, community center atmosphere of the former and the traffic flow on the latter. Past efforts to encourage economic activity have focused on promotion, with less than equal attention to business retention and attraction and physical improvement, although parts of Solano have benefitted from recent public infrastructure investment. Joint effort by the City and business associations should aim for a more comprehensive approach including all of the major elements of the Main Street model. San Pablo and Solano Avenue business can also be part of the sustainability emphasis, and one very concrete action area is to renew the effort to have firms' own operations be certified as green.

A number of forms of business assistance would support Albany prosperity without regard to specific location or sector. We recommend that the City sponsor efforts to maintain easily accessible lists of vacant commercial properties, provide good directional signage to area businesses, shape its website toward welcoming business as well as presenting regulatory information, provide referrals to other sources of business assistance, develop materials advertising Albany assets to businesses and consumers, and make periodic contacts with existing firms to identify any problems and build loyalty.

For Albany to follow up on a significant share of this report's recommendations, it will need to engage additional participants—some paid by the City and others not. Part of that need should be met by involving additional private investors and volunteers, through mechanisms discussed in the full report. Part will need to be met by some combination of staff and consultants, the exact configuration of which depends in some part on availability of time from current staff to commit to economic development. The report recommends that at least a substantial part of the activity be undertaken by consultants, or by consultants coupled with staff, in order to meet flexibly the needs for diverse and changing services from an inevitably small in-house staff base. In either case, money will need to be found for pursuit of a share of the tasks.

There are some resources available, and others potentially available, to pay for the kinds of actions we have recommended. Most readily accessible is the unencumbered portion of the Reinvestment Area's tax increment, which may range to \$250,000 per year less discretionary capital project uses. It is rather restricted to use for forwarding that Area's goals; but, given overlapping economic activity and programming across city commercial zones, may still be helpful elsewhere. However new revenue sources as suggested in the report—particularly special-district approaches—will be necessary over the long term to pay specifically for the additional functions of more comprehensive Solano/San Pablo economic development. Like tax increments, these should be investment dollars returning public and private "profits" from their effective use.

In sum, Albany has good opportunities to build on its strengths in business activity, community engagement, consumer and real estate markets, and the increasing interest in sustainable enterprise, goods, and services. The recommendations contained in the full report provide concrete paths for that building process.

I. Introduction

This report summarizes the findings and recommendations from our effort to devise strategies and actions for strengthening the Albany economy and, subject to City approval, to begin their implementation. It is the final report from a one-year project effort. The project focuses on approaches to building further the prosperity of Solano and San Pablo Avenues and of the City's Reinvestment Area¹ along Cleveland Avenue and Eastshore Highway. It involved examining and analyzing available data about Albany, its commercial areas, and the wider economy; augmenting data with direct observation, conducting discussions and meetings with key stakeholders; review of City documents and website; interviewing managers and owners of individual businesses; and bringing to bear experience in other communities and with other similar efforts.

This report focuses principally on recommendations for strategy and action, including City policy, priorities, and program or project direction. Much of the data and analysis that helped form the basis for our recommendations was reported in our Interim Report submitted in December, 2008 and discussed at the City Council meeting on January 5, 2009. We do not repeat that lengthy material here but instead make reference in brief to key findings where they are especially relevant to our conclusions. A limited subset of the recommendations from that report are already in partial implementation and we note those as appropriate.

Fortunately, the overall longer term state of the Albany economy is strong. The recommendations lay out directions to help retain that strength, fill in gaps, and chart parts of a course for future sustainability—the last both as a measure of continuing prosperity and of the character of the economy as a contributor to the broader environment and community.

The remainder of the report is in 6 sections. It briefly reviews Albany's economic assets and cites some challenges to increasing economic activity. It then summarizes conditions in the Reinvestment Area and presents recommendations for strategy and action there and in conjunction with San Pablo Avenue. Next it reviews conditions on Solano and San Pablo Avenues and recommends approach and projects and programs for those vital corridors. Finally, the report addresses means for continuing implementation of economic development activities, sponsored by the City but potentially undertaken by various stakeholders and actors, in the future.

II. Albany Assets and Challenges

The economy of the city of Albany is of modest size because the city is small but also because it is primarily a residential rather than employment center. Still, there are about 450 businesses in the city, with about 3,250 employees and payrolls totaling \$93 million in 2006. And employment has been

¹ The area is formally a Redevelopment Area in terms of state-delineated powers and regulations. We will use both Reinvestment and Redevelopment designations below, referring to precisely the same geography.

growing at least until the current recession, the number of enterprises has been steady, and vacancies until very lately were few and remain modest amidst recession.

The Target facility has made department stores the largest and fastest growing retail component, driving rapidly expanding total citywide sales until the most recent year. Building materials sales, restaurants, and miscellaneous (some specialty) retail are next, well behind in a group of very similarly sized sectors. The city is a net exporter in sales to residents of other communities coming to Albany to buy goods (compared to external sales to Albany residents), with the department store, building materials, restaurant, and liquor store sectors leading the way in this “leakage in” to the economy.

Each of the main business corridors of the city—Solano Avenue, San Pablo Avenue, and the Reinvestment Area-- is healthy. Solano Avenue has by far the largest number of businesses, though most are small. Service providers exceed retailers on Solano, and retail sales in mostly small shops are only 15 percent of the citywide total.² Easily Solano’s largest retail sales share is in restaurants, followed by food for home consumption and other necessities and then specialty retail. The vacancy rate into fall of 2008 was very low. Retail sales grew fairly rapidly, net of inflation, and departing businesses were replaced by new arrivals at least through the period of latest available data.

San Pablo has the second most retail sales of the three at 35 percent of the citywide total, with many auto and related uses, again significant restaurant and liquor sales, and building materials, home improvement, and furnishing companies. Like Solano, it has more service establishments and workers than retail. Total sales have been nominally flat, moderately down in real terms, because of declining auto-related volume; but other important sectors have been growing. Vacancies have been modest and again new arrivals have nearly matched departing firms through fall 2008.

The Reinvestment Area, with only a very small number of businesses, has 48 percent of the city’s total retail sales.³ Its retail sales have the fastest growth rate, thanks particularly to the Target store blossoming from opening, heavily in department stores (dominant), miscellaneous retail, and building materials categories. A substantial minority portion of acreage is occupied by manufacturing uses in two plants and an industrial storage site, all on Cleveland Avenue.

The city has a popular and reasonably pedestrian-oriented (though a bit long) commercial district on Solano Avenue and along San Pablo near the intersection with Solano, which serves in various ways as a community center and gathering place. By many measures, residents, customers, and businesspeople are in spirit and fact making efforts toward a sustainable future, reflected in policies regarding building with green design and materials/features, qualifying businesses for green certification, and voting with dollars and in elections for sustainability.⁴ An active Solano Avenue Association (Albany and Berkeley)

² The Safeway and Seven-Eleven stores would raise Solano’s sales shares but do not show as significantly in the data because many food items are not subject to sales tax.

³ Forty-five percent on Eastshore and 3 percent on Cleveland.

⁴ Kahn, Matthew et. al., “Green market Geography; The Spatial Clustering of Hybrid Vehicle and LEED Registered Buildings,” UCLA Center for Real Estate, 2008.

and Chamber of Commerce provide for significant promotional activities. The streets are clean and safe, and basic City services seem to enjoy a good reputation among members of the business community.

There are some fundamental challenges to economic growth, though they need not necessarily interfere with prosperity. The Albany consumer market by itself is small in numbers and low in density, so that local businesses must draw from well beyond city borders and immediate walking distances to reach sufficient markets. The number of people working in Albany—people who might be potential customers—is very limited. Many more Albany residents commute out of the city to work than do outsiders work in the city.

There is very little undeveloped space outside the waterfront.⁵ Existing zoning allows for only modestly more density on commercial streets than exists now, and small parcels combine with parking requirements to make even the allowed level of development difficult. At least in the past, residents have been reluctant to change policy to expand the development envelope.

The result is that Albany must use its developed space well, filling it with successful enterprises that keep Albany residents coming to them and entice outsiders; and aim for well-targeted uses when a development opportunity arises.

III. Reinvestment Area Conditions

Albany's Reinvestment Area consists of the properties on Eastshore Highway north from the Berkeley border (boundary at the creek) to Buchanan and on Cleveland Avenue from Buchanan north to the Richmond border (again a creek boundary). A small number of large parcels now house Target, Toyota (newly adding used vehicles sales to its service center), PetsMart, four substantial retail/wholesale businesses in the building supplies and home improvements field, two operating factories, an industrial storage site, the City's Public Works Department and yard, two auto-repair shops, a gym/exercise center, and a few smaller firms' offices in two buildings. Attachment 1 lays out the full set of properties in the Reinvestment Area and their current status.

There is one currently vacant former industrial site of 30,000 s.f.,⁶ with 25,000 s.f. of buildings, on Cleveland, and a vacant former construction yard said now to be purchased for use for storage for one of the building supplies firms. The one other developable site that would not involve displacing existing enterprises is the separately entitled parking pad at the north end of the Target parking lot, which currently has parking spaces on its 6,000 s.f. and is being marketed to a limited target set of possible buyers. Should the Public Works Department move to a site not in the Reinvestment Area, that would release the bulk of a 37,000 s.f. site with 26,000 s.f. of building (partly open-sided).

⁵ Our work was explicitly defined not to include waterfront planning, happening on a separate track.

⁶ About 2/3 of an acre.

As mentioned above, the area has prospered in terms of retail sales principally because of Target’s success in rapidly growing its business occupying an 11 acre site on Eastshore that was previously vacant. That store’s sales level is the prime factor in making Albany a net “leakage in” location in all retail sales combined. But the expanding building supplies category has also experienced significant growth in the Reinvestment area, contributing to a switch for Albany from a “leakage out” community in this sector in 2001 to a “leakage in” location currently. The arrival of Bayshore Supply at the former Bridal Store site on Cleveland will be adding a further new source of sales to that growth.

a. Obstacles and Constraints

Redevelopment activity in the Reinvestment Area faces several important constraints.

- The total area is a very small 37 acres, divided into two non-contiguous sets of a few large parcels.
- Most of the property is currently in use, often by long-term or very recent occupants; and many of the occupants own their sites.
- The City/Redevelopment Agency owns no property, and it lacks the power of eminent domain and can only purchase sites that owners are willing to sell.
- The City has accumulated very little in unused capital funds from the area’s tax increment, and the increment remains modest so that the potential to sell bonds against future revenue is limited as well. That limits land-price writedowns and major public infrastructure improvements (including parking structures), which are the two primary traditional roles of redevelopment.
- In the short-run, the market for development is restricted by adverse macro-economic conditions.
- Many higher density uses would typically involve housing, which is prohibited—except for live-work—by current zoning and, if changed, would put future residents in the path of freeway pollutants and dust. Some research and development and certainly office uses might fit in multi-story development.

Those limitations together suggest that building the prosperity of and retaining existing businesses, and complementing them with harmonious development as sites occasionally become available for re-use, ought to be central elements of strategy in the Revitalization Area. The City/Agency can contribute to that strategy, as we detail below. And it can do so in ways that involve, notwithstanding these limitations, shaping the evolving form of the area’s economic role in directions consistent with Albany values for sustainable economic activity.

b. Opportunities and Assets

The Albany Reinvestment Area has multiple advantages as well.

- It is adjacent to and visible from the freeway and has decent access that would be improved when the Central Avenue exit traffic pattern is improved.
- It is home to the retail powerhouse Target store.

- There is a good deal of destination shopping beyond Target, attracting customers from beyond Albany as well as locally. As just one example, Allied Building Products is part of an internationally prominent building supply firm and is the only outlet for the company within a wide metropolitan area region.
- Businesses and property owners show a continuing interest in the area, as evidenced by the very recent arrival of Bayshore Supply and the expansion of Toyota activities to include used car sales.
- There are a few underutilized sites, with the excellent visibility and freeway location that businesses and developers value.
- The Area includes businesses that are complementary with those in nearby locations including Albany's and adjacent portions of San Pablo Avenue.
- A number of the businesses in the Reinvestment Area and on San Pablo have growing interest in sustainable/green products, most notably but not solely in building supplies and home improvements.

These advantages provide significant opportunity to retain existing businesses, recruit additional ones, and potentially both raise the sustainability level of the firms already present and add others with green characteristics. Gradual redevelopment at underutilized sites should over time find a ready market as well. Modest actions by the City, building on the strength of private businesses and owners in the Area, can have impact in ways that many redevelopment areas, in very much weaker market circumstances, cannot expect to generate. Matching expectations to the evolution that this combination of constraints and assets suggests is possible can lead to a range of desirable outcomes.

IV. Recommendations for the Community Reinvestment (Redevelopment) Area

There is a good deal that Albany, even with a small Reinvestment Area and limited resources, can nonetheless do to strengthen business and revenue performance in the Area and serve its community values well. Our recommendations for strategy and action in the Redevelopment area follow below. (Here and in following sections of the report, the core of each recommendation is at the beginning of a bullet and is underlined).

- Maintain a focus principally on larger but still moderate scale retail/wholesale uses and, secondarily, manufacturing uses, with a potential addition of related laboratory uses and perhaps limited associated office space. These are the appropriate primary uses at the redevelopment location, given its freeway proximity and access and the size of parcels and total square footage within the area. As discussed earlier, the economic, physical, and policy conditions do not easily allow or provide for a fundamental shift of uses from those already in place in any near to mid-term. The recommended focus builds on existing sectors in the redevelopment area and along parts of nearby San Pablo Avenue, recognizing the limited availability of buildable or vacant developed space.

The City has important needs to generate revenue. Retail uses, plus wholesale sales to contractors in the building materials sector⁷, are, as sales tax producers, central to commercial area revenue where Proposition 13 sharply restricts property tax dollars. The Reinvestment Area already accounts for 48 percent of all retail sales in Albany. There seems to be no pressing need to divert properties in the area to alternative uses. The City clearly does not need to develop a community-serving, community-center type space, given the immediate proximity of Solano Avenue and to a lesser extent San Pablo for that purpose, the array of goods and services available there, and the physical circumstances of the redevelopment area. There does not seem to be a significant need, nor sufficient space, for major additional job generation in office and related use. Especially given current commercial market conditions, there is no reason to displace or discourage existing enterprises of the two primary types, retail and manufacturing, already present.

Maintaining existing zoning in particular makes sense as part of that focus. It provides the flexibility to allow for these retail/distribution/manufacturing and industrial service (notably auto repair) uses that are present currently. At least for now, leaving open the existing set of possible uses is appropriate strategically, to sustain full occupancy as vacancies occur and to fill the limited current vacant space.

⁷ In most instances, sales of building materials to contractors, unlike many other business-to-business sales, do trigger the collection of sales taxes.

There are a variety of narrower and more specific actions that can be taken to pursue citizens' and policy-makers' interests in expanding the level of environmentally and economically sustainable business, within this high-flexibility policy framework. These are specified below.

- Couple the business strategy for the reinvestment area with elements of strategy for San Pablo Avenue. The size of the reinvestment area is too small to constitute a market in itself for which separate strategy should be pursued, no matter what strategy is chosen. Now that the large (including parking) and highly successful Target store is in place, and Toyota and PetSmart have located on significant sites as well, remaining space is far smaller than when the area was originally designated; and the space available at a given time is still far smaller than that. Existing businesses that own major parcels, such as Adhesive Products Inc., are unlikely to move in the foreseeable future.

It is useful in that context for Albany to consider San Pablo Avenue, with its largely auto-accessed businesses, as a part of a combined commercial area with the Cleveland Avenue and Eastshore Highway areas. This is especially true given important overlapping and related uses in sales of building materials and home improvement supplies and furnishings in the areas. Besides its auto access and complementary uses, San Pablo has some significant-sized spaces, greater vacancy rates than Solano, and perhaps the possibility of conversion of some larger auto-related uses to other types of businesses, or to greener transportation-related businesses over the long haul. It makes sense for example to couple thinking about Kelly-Moore Paint on San Pablo Avenue and Floor Dimensions flooring a few blocks away on Eastshore as within the same geographic market.

- Use the generic (not specific to a particular sector or location) business-supportive mechanisms that we recommended, in the Interim Report, be created and/or sustained, to help strengthen business in the Reinvestment and San Pablo as well as Solano areas. These include:
 - Working with property owners and managers, real estate brokers, and business associations to maintain a complete listing and description of vacant properties and offering it on the City's website. The Albany Reinvestment Area is invisible to many who might otherwise have interest in locating there.
 - Providing adequate signage. This is especially important for enabling customers to find Cleveland Avenue and Eastshore Highway, as well as for leading potential customers to the San Pablo/Solano commercial centers.
 - Reorganizing and rewriting some aspects of the City's website to suggest a welcome to businesses. Continuing to balance the easy access to rules and regulations on the City's

website, prominent in the sections on starting a business, with the tone of a user-friendly, problem-solving approach to incoming or expanding businesses.

- Including referrals to sources of technical assistance, financing, information about regulation at non-City levels on the City website and/ or providing links to them through the website and other sources of information.
 - Preparing basic materials describing Albany assets, for distribution to businesses, developers, and customers outside and inside the City.
 - Continuing to make periodic contact with major businesses already in the reinvestment and San Pablo Avenue areas, either by the city or with the assistance of the Chamber of Commerce, to identify early any problems or issues with which the City might deal, to capture good ideas for cooperative efforts, and to detect any impending departures.
- Focus on the building supplies, home improvement products, and furnishings sector in the Reinvestment area coupled with San Pablo Avenue. Citywide, this sector contributes 12 percent of total retail sales. Already key sellers within the area include Allied Building Products, Floor Dimensions, newly arrived Bayshore Supply, the Lumber Baron, some departments in Target, Kelly-Moore Paints, East Bay Paint Center, Galvin Appliances, and Albany Cabinets and Design. Indeed there are some Solano Avenue firms in this sector as well. Sales in the building materials sector have been growing in Albany at least until the most recent macro-economic downturn, and Albany is a net exporter of such products to other communities. Many of these specific Albany-based enterprises are destination stores for homeowners and contractors, attracting customers from areas well beyond Albany. The large, open buildings at some of the areas' sites should be more easily renovated for sales of products of this type.

The home improvement and repair market has suffered far less badly than the new construction market and should be expected to bounce back sooner. National data are illustrative of this broad pattern. Owner improvements grew 160 percent between the mid 1990s and 2007, a very rapid rate even though a bit slower than the 193 percent for single-family new construction. But between the 2007 peak and autumn of 2008, home improvements fell by only 16 percent, while new construction plummeted by over half. As a result, home improvements' share of all housing building and improvement expenditures together rose from 37 percent in 2005 to 48 percent in 2007.

Retaining the current firms, helping them where possible to increase their sales and profitability, and attracting additional related firms to the cluster make sense for Albany's strategic focus, in a context in which sharp change in the balance of uses is extremely difficult to accomplish.

- Hone the building supplies/home improvement/furnishings (hereafter **BSHIF**) focus to concentrate on build-it green enterprises and related products and services in the Reinvestment Area and along San Pablo Avenue. According to the interviews we conducted with a number of the local building supplies/home improvement firms, they are carrying an increasing array of green products, demand for those products has been rising absolutely and as a share of their total sales, they see this as a major growth area over the short and long term, and Albany/Berkeley area customers (consumers and the contractors that serve them) appear to be particularly strong in expressing preference and willingness to pay for these products. There appears to be great potential to position Albany and the central East Bay corridor as THE PLACE to come to find a full array of green building and home improvement products and knowledgeable providers of advice and guidance in selecting and using them. Albany, and its immediate neighbor Berkeley, are extremely well-positioned to exploit this possibility.

As a starting symbol, a City Council resolution stating that business development efforts will focus on green enterprises and products at least in the Reinvestment Area and perhaps citywide would help bring attention to the locations and to future concrete action.

- One specific dimension of an effort to further strengthen the building supplies/home improvement/furnishings sector, and explicitly its sustainability components, is to explore the possibilities for joint marketing efforts among the firms. Most of the business managers in the Albany BSHIF sector whom we interviewed expressed a significant interest when we asked them about participating in marketing efforts with their neighbors—focused either in BSHIF more broadly or green products more specifically. They expressed interest in sitting down to talk with their fellow merchants to discuss such possibilities, whether in creating events, advertising, or other means of promotion.
- There may well be particular opportunities to encourage green BSHIF business growth in a regional context, in marketing to customers and in attracting and growing firms. These should be pursued. Already the City of El Cerrito sponsors a local expo on home improvement (June 28th this year, building on past event), in which some Albany firms are participants, inviting residents and businesses to view products and attend workshops and panels on home improvement topics. We initiated conversation with City of Berkeley staff, who had themselves recently met with a small initial group of Berkeley green home improvement retailers who wanted to consider making joint marketing efforts; and Berkeley staff and we agreed on an approach of first nurturing local activity in each community, assessing private sector commitment and energy, and then considering a possible wider approach.
- A regional approach lends itself well not only for marketing to customers but for working to attract additional firms in the same sectors, potentially filling vacancies in Albany (and other

cities') properties. Attracting additional green BSHIF firms also helps bring new customers to existing firms, by adding suppliers of additional products and services to the same location and thus making trips to Albany and surroundings still more desirable. Action to attract retailers can include:

- Developing materials—hard copy and electronic-- highlighting Albany and the nearby East Bay as a place of concentrated good business in green home improvement.
 - Mailing/emailing/phoning appropriate firms. There are many companies already active in the Bay Area, California, and beyond that might be good candidates. Attachment 1 to this report provides references to some lists of specific businesses in this field that might be contacted.
 - Attending local expositions in which green products, especially BSHIF products, are being displayed. The Bay Area hosts several of these a year and many businesses that might take an interest in an East Bay location, or seek to distribute their products through existing East Bay firms, participate.
- The East Bay Green Corridor Partnership, which Albany very recently joined, can provide a natural mechanism for outreach to additional potential customers and firms in BSHIF and other green products. The Corridor effort includes a marketing committee, and reportedly some allocation of funds for marketing, both broadly defined to position and advertise Corridor cities as places to conduct sustainability-oriented business of various kinds. That committee has yet to move into action, and the Corridor effort as a whole seems to be moving toward identifying and pursuing concrete deliverables. Albany might successfully help encourage the group to include an effort to bring homeowners, contractors, and BSHIF-related businesses to the area in pursuit of build-it green building outcomes and green enterprise. If the Corridor as a whole does not choose this project, an Albany, Berkeley, El Cerrito partnership may be feasible.
 - Another important part of expanding the green BSHIF sector is to encourage BSHIF firms to expand their inventory of green products (and in some cases associated services). Providing additional educational opportunities regarding products and usage—making sure local companies are connected to Build-It Green and other appropriate websites, workshops, expos and the like-- could be undertaken at very low cost at either the city or Corridor level. The latter would probably be more time-efficient. Business owners and managers already have their own incentives and means for staying informed, but people focusing specifically on sustainable products may still be able to add information. Expanding information for residents also is a good practical method for expanding demand for green products, to which well-run businesses will respond.
 - Attention to green business in the Reinvestment Area in particular need not be limited to retail and wholesale uses, nor to BSHIF products. Important existing firms in the reinvestment area are already providing sustainable products and services, and using sustainable processes and

techniques, in manufacturing and industrial-type services and in retail outside building materials. For example, Adhesive Products Inc. has developed a variety of environmentally safe adhesives to use in labels for food products and continues to consider a solar voltaic installation to serve its large electricity needs. The D&M auto body company has qualified as a City/County-certified green business, in part by its pioneering in the use of non-toxic paints. Toyota of Berkeley just began selling used cars, many of them mileage efficient in the Toyota brand, at its Eastshore site. More businesses might be attracted in the fields of research and development, manufacturing, and sale of sustainable products or in manufacture and service provision in sustainable ways. East Bay EDA is among the organizations that have assembled listings of Bay Area tech firms in this field from which contacts might be pursued when appropriate space is available. An example of complementary activity might include some office workspace for architects and other professionals practicing sustainable techniques.

- Business attraction in the green R&D and manufacturing sectors should be done on a multi-city or regional basis. Albany has far too few available spaces, and attraction efforts are too costly and unsure to yield results, to justify a separate city effort. There may be some promising opportunities in the Green Corridor marketing efforts to identify, for example, potential occupants for development at Western Forge once its toxics obstacles are removed, to the current Public Works site if a new location for that facility is identified, or to reuse other space should it be vacated. Michael Cohen, Director of UC Berkeley's Office of Licensing and Technology, is interested in helping University spin-offs to locate near the University, and the new technology-based firms themselves seek to retain proximity for their founders and to access faculty and student employees. Albany may want to help direct the Corridor's work in some of these directions.

Albany can use its new system for keeping track of available spaces to participate in a joint effort at providing appropriate locations for such new businesses. We can reasonably expect the Green Corridor to market the East Bay to other green R&D and manufacturing firms, in which Albany can be a partner. Many actors are unaware that Albany has a Reinvestment Area with industrial uses, so that linking information about space availability and opportunity could provide a boost in potential enterprise.

- Notwithstanding the immediately previous recommendations for regional cooperation, Albany can and should nurture its municipal-level reputation and branding as a home for sustainable business. This would build on an existing strength and make sure that Albany is a central part of the regional success in this arena. A community slogan, corresponding signage and banners, and complementary promotional materials could provide public sector support to match similar efforts in the private sector. Such efforts would logically be employed from a citywide perspective to encourage green business on Solano and San Pablo corridors as well as in the Reinvestment Area.

- Assisting all of the reinvestment area firms in increasing the sustainability of their own operations is a natural complement to focusing on green products and services. We discuss cooperating with the County in certification, as one important step in the process, later in the report under Solano and San Pablo Avenues.
- The City should pro-actively interact with owner/developers of the small number of reinvestment area properties on which it wishes to encourage further investment. The property owners and representatives with which we as consultants had contact have issues related to public policy and approach—not necessarily issues with the City itself but in which the City might be helpful. There may or may not be ways in which the City can provide assistance or can accommodate developer needs without sacrificing community standards. But it would be well worth taking the initiative to explore possible ways to remove or reduce obstacles to development in a problem-solving mode. Such a pro-active approach could also open opportunities to give encouragement or priority to sustainable enterprises as future occupants of any new development.
- One possible complementary use of developable space would be an incubator for sustainable businesses. Given at least the current significant interest and action in this type of arrangement by others in the East Bay, Albany might best limit its involvement to becoming aware (through the Corridor project) of those wishing to sponsor such a use and sharing that information with property owners, developers, and brokers for currently and potentially available sites.
- The strong general family attraction of Target , plus freeway proximity, makes a variety of other retail uses a good fit for the Reinvestment Area and San Pablo Avenue as well. Albany can use the generic business attraction and retention mechanisms discussed above to take advantage of those assets in pursuit of related businesses. None of the remaining sites, nor even foreseeable combinations of sites, approaches the size of the Target property. Thus additional retailers will be smaller than “big box” even were the City interested in another very large facility. A restaurant adjacent to Target would be one immediate possibility.
- The City has accumulated sufficient redevelopment funds in its mandated low-income housing fund to support the development of perhaps 3 low-income units. It should seek to put those funds to use as part of including affordable units within a somewhat larger development. We have not explored the specifics of potential development of housing at the same San Pablo Avenue site as Whole Foods may come to occupy, but such a project might pose an opportunity to use those funds effectively. Note that these housing funds, though generated within the Reinvestment Area, can be used anywhere within Albany city boundaries.

V. Solano and San Pablo Avenue Conditions

Solano Avenue is the heart of Albany, acting with its San Pablo Avenue intersection as the gateway to one of the most cohesive downtowns in the Bay Area. While Solano Avenue generates only 15 percent of total Albany retail sales, compared to San Pablo Avenue's 35 percent and nearly 50 percent in the Reinvestment Area, Solano Avenue's contribution to Albany is invaluable. It gives Albany much of the unique character that attracts residents to live there, with its small town feel, stores and services meeting both necessity and specialized needs, and gathering places. Solano Avenue is Albany's main community asset creating a sense of pride and place. Nonetheless, Solano Avenue is brimming with opportunity to further improve its gleam as an example of Main Street.

As noted earlier, Solano Avenue's economy has been generally in good health, with sales rising at about one-and-a-half times the inflation rate. Vacancy rates have been below 5 percent—a very strong benchmark for a commercial area-- even well into the recession, though apparently rising most recently. Available spaces are able to command high rents.

San Pablo Avenue has also retained a rather low vacancy rate, but sales levels have declined over time due to reductions in auto and auto-related sales. Other sectors have filled a significant part of the gap, keeping nominal sales about flat but not enough to keep sales growing at the rate of even the modest inflation experienced in recent years.

The overall slowdown in the economy has, according to merchants, had a significant impact on Solano and San Pablo business level for current merchants and restaurateurs. The heavy reliance of Solano Avenue on the restaurant sector and of San Pablo on autos certainly leaves them subject to recession's effects.⁸

In the longer run, the local and regional area consumers' high disposable incomes offer excellent opportunity for further prosperity. The small-town attractiveness of Solano and heavy traffic on San Pablo create positive basic market conditions. Albany's core East Bay and Bay Area location and easy freeway access are important aspects of its business strength. And, as we have seen, Albany already has a net attraction to consumers from outside its immediate boundaries.

But there are important limitations. Newly developable space has the constraints that apply generally to built-up cities with little remaining room in their zoning envelopes, though there is somewhat more room for re-use and redevelopment remain on San Pablo than Solano. The proposed development of a mixed-project on University of California land on San Pablo offers a specific growth opportunity. But much of the opportunity in Albany inherently has to do with the health of businesses already in the corridors and the drawing power of firms that will take their places in the normal course of coming and going.

Fortunately, there are a variety of steps the City of Albany and community stakeholders can take to forward the commercial health of the two central corridors.

VI. Recommendations for Solano and San Pablo Avenues

In our Interim Report to the City, we recommended a comprehensive Main Street approach to retaining and increasing the prosperity of the San Pablo and Solano commercial area. The Main Street model is based on simultaneously addressing matters of Organization/Management, Design (Beautification of facades and Streetscape), Business Retention and Recruitment, and Marketing/Promotion.

In these prime Albany corridors, past efforts have been focused heavily on one aspect of this key four-piece model, concentrating on promotion. Solano Avenue, with the famous Solano Stroll, has been in particular very effective in this dimension. It and other events have served to promote the area and raise funds for coffers in need. This focus is a common one in commercial districts. Beautification and Streetscape, Business Retention and Recruitment, and Organization/Management are often neglected or at best take a back seat. These activities require dedicated funding, constancy, and more extended continuing implementation. On Solano and San Pablo, no one has historically been charged with leading these efforts over the long-term.

a. Organization

As a consequence of our Interim Report, an Economic Development task force was formed, with meetings generally held biweekly on Tuesday. Participants have included City Administrator Pollard and/or Assistant City Administrator Lieberman, Mayor Marge Atkinson and Vice Mayor Joann Wile, representatives of the

⁸ Geographic-specific retail sales volume data have only been available through the 3rd quarter of 2008 so far, so that we do not have aggregate data by corridor but instead the observations of individual merchants and business association staff and members.

Solano Avenue Association (SAA) and Chamber of Commerce (Chamber), other City staff as appropriate on specific topics, members of the public, and the economic development consultants from Neil Mayer & Associates and Urban Transformation. The meetings have principally addressed economic development (Business Retention and Recruitment), physical improvement (Design) concerns, and certain aspects of marketing and branding. In addition to addressing Solano and San Pablo concerns, they have considered Revitalization Area matters as well. They have received consultant and staff update reports, helped to select approaches to dealing with economic issues, and triggered initial implementation action by various stakeholders.

- A task force of the type utilized during the course of the consultant’s work following the Interim Report might be retained to help assess strategy and suggest policy and program, but with less frequent meetings as suited to that role. The task force might continue to function through the period in which the city establishes its continuing economic development activities.

In addition, however, the business retention and recruitment and physical improvement concerns and activities for Solano Avenue and San Pablo Avenue need a home, for defining and implementing specific actions, on a continuing, long-term basis.

- The City should, in consultation with other stakeholders, select a mechanism within existing community structure through which Design and Economic Development tasks can be addressed regularly, in direct-action. These are essential elements of a Main Street approach that do not currently receive much attention from any existing entity. Examples of activities range from volunteer maintenance of streetscape elements to representing a Main Street community in encouraging outside business to locate on the key corridors. Physical improvements and business retention/attraction are elements of a traditional Main Street program that would ordinarily be shaped and carried out by Main Street committees made up of downtown stakeholders under a Main Street umbrella. But Albany, already served by both SAA and the Chamber, should likely not be creating a further Main-Street-specific structure.
- It is essential, and smart practice, to involve diverse stakeholders, beyond just businesspeople and City staff, in efforts to take care of “downtown.” Albany should engage an array of other stakeholder groups—property owners, neighbors, employees, and civic organizations—in partnerships of volunteers for commercial area improvements and clean-up. Rotary Club, senior centers and other community institutions, residents, and schools can adopt beautification projects. We noted that previous efforts from the Solano Avenue Association and the Chamber are largely promotion-driven. It is equally important to care for Solano Avenue’s streetscape and determine a maintenance plan for items such as planters and kiosks, as discussed in ED meetings over the last few months. An organized effort is required to galvanize participants and lead these efforts over the long-term.

- Funding an existing non-governmental entity to lead some of the Economic Development and Design activities funding deserves serious consideration. A committee managed by an outside entity could galvanize a pool of diverse, talented volunteers. A small discretionary budget would need to be established for some materials and other related costs for initial, easy- to- implement beautification tasks and for materials to help attract new businesses. Funding would also be appropriate for the entity to lead these efforts.
- The Chamber of Commerce appears to be a prime candidate to take this lead. The Interim Report recommended a clearer role definition for both Solano Avenue Association and the Chamber of Commerce. In the past there were reports of strained relationships between the Chamber and SAA. Presently, that is no longer the case. Both are committed to contributing to improving Solano & San Pablo Aves in any way they can. Both SAA's Allen Cain and the Chamber's Todd Abbott attended ED meetings and collaborated with others in sharing decisions and responsibilities. Merchant interviews conducted indicate however there is still some confusion about the two organizations' distinctive roles.

SAA holds community events that promote Solano Avenue and supports retail shops and restaurants most extensively. The Association is dedicated to promoting and improving the Solano Avenue business district and to building community spirit and identity through events, marketing, and to some extent aesthetic enhancement. SAA's role is focused on organizing the Solano Stroll (its major fundraiser) and driving other activities to promote Solano Avenue. Staff director Allen Cain became a fulltime employee this year and has added aesthetic enhancement activities to his tasks. He is walking the 1¼ miles of Solano Avenue daily, detecting and correcting cleaning, maintenance and other problems when he can along the Avenue. He has also spent some time exploring potential tenants to fill Solano vacancies. The time he devotes to these essential non-promotion activities is limited, however, to down time between events earlier in the year. But Business Retention & Recruitment and Design activities require year round and long-term persistent attention.

The Chamber's members are mostly professionals citywide and management/staff from the destination businesses along San Pablo Avenue. It hosts business mixers and manages promotional campaigns such as "Find it in Albany" and "Welcome to Albany" that promote the City as a whole. It is tasked to raise money to support itself. As 501c6 organizations, both SAA and the Chamber are ineligible for grants. Both organizations find themselves in a position of needing to craft fundraising events to exist, but SAA has the well-earned advantage of hosting the Stroll.

Winkie Notar-Campbell was recently hired as Chamber staff. She brings a Main Street background to her position. The Chamber might be a good choice to manage a committee recruiting volunteers and assigning implementable tasks in the under-attended functional areas of Design and Economic Development. The City could consider providing the Chamber with some general support funding and delegating some of the Economic Development and Design tasks that the City is short staffed to complete. The Chamber could be an appropriate entity to steer an Economic Development/Design

Committee and engage community members in work under these topics, including the leadership and members from SAA when dealing with Solano concerns.

b. Funding for the Design and Economic Development Functions

- Added effort on physical improvements in public and private spaces and on business retention, expansion, and attraction, if implemented, could be sustained with new continuing revenues. We recommend that the City consider establishing dedicated funding sources for design and economic development. We suggest several options for consideration.

Option 1: Business Improvement Districts

Explore the feasibility of a property owner based Business Improvement District (BID) or Community Benefit District as a consistent source of funding for many of the streetscape, beautification and maintenance projects on Solano and San Pablo Avenues.

Nearby shopping alternatives like El Cerrito Plaza and Emeryville Bay Street are malls (faux Main Streets) run by management companies which perform common area maintenance and leasing services, using the revenues from tenant lease payments. Downtown Berkeley and North Shattuck Avenue have assessments through Business Improvement Districts that provide these similar well-rounded services. The Solano/San Pablo area could use a mechanism that provides dollars for comparable functions.

A BID is currently not considered a popular option for Albany. The recently dismantled Berkeley business-based BID on Solano left a bad taste in the business community. The success of BIDs, not just in the Bay Area but nationally too, warrants that the concept be revisited. Special assessment districts have become an increasingly accepted tool as a way for downtowns to have a consistent revenue source. A property-owner- based BID should be investigated in the future.

Property –owner based BIDs are increasingly popular compared to business- based BIDs, because they tend to raise more consistent revenue, for several reasons:

- Property-based fees are collected through property tax bills, which are more regular and dependable than business license collections used for business-based BIDs.
- When there are vacancies, there are no business license fees to be collected. Property-owner based fees still come in as part of property taxes even when vacancies occur.
- Business license fees are based on reported income, which vary more with the economy.

It is during tough times that reliable sources of income are even more important to attract business to a commercial area. Merchant associations may be wary of property-owner-based BIDs because they perceive that property owners will garner more control over the business district. Most property owners pass both control and much of the assessment through to the merchant, even though at formation time,

it is the property owners that vote for the mechanism. In San Francisco, the ten community benefit districts make sure the governing board includes an equal representation of merchants, property owners and even residents in order to distribute the Influence.

Pursuing a property-based BID will more broadly involve bringing commercial property owners into discussion and action around Solano/San Pablo matters, but this is potentially valuable on other grounds as well.. Commercial property owners are a stakeholder group that has not been regularly kept in the loop or involved in downtown activities in Albany. Neither SAA nor the Chamber communicates with the property owners as part of their regular outreach. Last year, the City followed our recommendation to send out a letter to property owners, to encourage partnering in filling vacancies by letting the City know about vacant space. Further follow- up to nurture relationships would be useful for many reasons. At a recent ED meeting it was suggested to meet with property owners to get feedback on their plans for their properties. Inviting them to participate in efforts to improve the areas surrounding their properties could provide benefits including support for a BID.

Option 2: Transportation Enhancement Funds

The City and partners should explore opportunities for Design funding from the Metropolitan Transportation Commission (MTC), which provides grants for streetscape projects periodically, about every year and half. This is appropriate since AC Transit operates on both Solano and San Pablo Avenues. The next grant cycle is supposed to come up this November, 2009. The appropriate contact, to learn more about the possibility of the City of Albany applying for a grant, is Therese M. Trivedi, Transportation Planner 510-817-5767 or ttrvedi@mtc.ca.gov. Another useful contact is the Alameda County Congestion Mgt Agency (ACCMA), specifically **Beth Walukas**, Manager of Planning. 510-836-2560x2326: bwalukas@accma.ca.gov. Option 3: Commercial Parking Benefit Districts

Parking is always an important topic in commercial districts. If shoppers have to pay for parking, will they still come? Solano Avenue is one of the few remaining commercial districts where parking is free. Many merchants wouldn't have it any other way. Some already blame lack of parking availability as a significant factor in discouraging potential customers. Adding parking meters will certainly be met with much resistance.

But most parking revenues go into a City's general fund, creating no direct connection between those fees and improvements in the metered commercial district. One of the national best practices being discussed and promoted around the country is called a "Parking Benefit District". This is a program through which the city returns all or a portion of the parking revenue generated through meters or non-resident passes in an area to an entity representing the district for extra maintenance, security, beautification projects, etc. In that way, shared parking revenue can build a constituency for paid parking.

Meters charging market rates for on-street parking would help ensure that some parking spaces would always be available, and the revenue from the meters would be returned, in whole or in part, to the SAA, Chamber, or similar entity.

This has been done with great success in Pasadena, CA, where an innovative parking policy-- i.e. implementing parking meters and returning revenues to the district--has played a key role in revitalizing Old Pasadena, the historic downtown.⁹ Before the district installed parking meters, employees parked in free curb spaces and moved their cars periodically to avoid the two-hour limit, leaving customers with trouble finding places to park. Despite fears of driving customers away, once the city agreed to return all meter revenue to the district, the businesses and property owners came to support the idea. They even agreed to the relatively high rate of \$1 per hour and to operating the meters on evenings and Sundays.

The city and partnering entity (a BID in this case) established a parking meter zone with the same boundaries as the BID. When the parking meters were installed, the City borrowed money to pay for improvements, and used the meter revenue to pay off the debt. In 2001, the meters generated \$1.3 million, \$1,867 per meter. The total capital and operating costs for collecting the revenue amounted to \$383 per meter. Including investment earnings and revenue from valet parking at meters, Old Pasadena collected a net revenue of \$1.2 million, or \$1,712 per meter. That revenue goes towards paying the annual debt service on the money borrowed for improvements, increased public services in the district (some of which are provided by the city), and funding for BID activities such as added sidewalk and street maintenance and marketing. The district has been transformed into a busy and desirable shopping district.¹⁰

Over time, efficient investment of the money generated through parking meters provides an incentive to install additional meters, extend hours of operation, and raise rates (to the extent that those things help rather than hurt business), increasing total meter revenue and expanding the resources available to improve the commercial area.

c. Design Activity Recommendations

- Pursue physical Improvement priorities, using outside partners and volunteers where appropriate, and at least in the long-term using new dedicated revenue for part of capital costs. A listing of key physical improvements principally for Solano and San Pablo Avenue areas was included in our Interim Report. Assistant City Administrator Judy Lieberman has since laid out tracks for pursuing many of those improvements, in a spreadsheet (**attached**), included for convenient reference. It outlines initial steps, some cost information, and potential responsible parties for needed streetscape projects, based in significant part on the recommendations presented in the Interim Report. We have added in red on this document one additional item: work on the existing kiosk.

⁹ Donald Shoup, *The High Cost of Free Parking* (2005), Planners Press, American Planning Association. Available for purchase from <http://www.planning.org/APAStore/Search/Default.aspx?p=1814>.

¹⁰ Ibid, pp. 403-408.

This is an ambitious and very complete list of items to address. The majority of the tasks are marked in Ms. Lieberman's chart as the City's responsibilities. We encourage delegating to other parties where feasible. Some of these projects could be guided by designated organizations or partnerships and/or implemented by volunteers, as previously suggested in our discussion above about allocating tasks (and funding) to an outside partner(s).

- Prioritize Branding/Identity to create unified placemaking signage. The ED meetings included discussions of the importance of a branding/identity strategy for Albany to expand future commerce. Creation of directional and gateway signage at least at the freeway on/offramps, on Buchanan, and at San Pablo and Solano, and perhaps elsewhere, has been stalled as a result of uncertainty about the message to appear. During our year of interactions with Albany stakeholders, placemaking signage is the most consistently echoed priority. The lack of a logo or positioning makes it impossible to proceed with most way-finding and gateway signage installation and the preparation of linked marketing materials. Brian Phipps, Albany resident and specialist in corporate branding, worked with Urban Transformation to develop a quick process to hone an identity, in order that consistent gateway signage could be constructed. City officials, however, determined that specifying Albany's identity required a citywide process beyond the scope of a small committee or certainly us as consultants.

A branding/identity derived from consensus could drive many of Albany's future public spaces, art projects, way-finding signage etc., and instigate unified grassroots community efforts. The Voice to Vision project, led by Fern Tiger, is presently addressing this need. It is important for economic development purposes that a clear, definitive message, is promptly derived from this process. That will allow sorely needed signage to be installed. The same branding/identity will help in developing materials to portray Albany's desirability as a location for businesses and a destination for shoppers, as we discussed earlier in highlighting the need for such basic items for marketing to the respective groups.

- Install simple directional signage on a priority basis. We previously suggested some basic action on signs to guide people to their intended destinations that is not dependent on city identity, logo, etc.—such as the need for a sign identifying the origin of Cleveland Avenue from the south. Such items should be pursued without waiting for go-aheads for broader signage decisions, as the Assistant City Administrator Lieberman has begun to pursue.
- Undertake a short-term, and plan for a longer term, physical maintenance plan that addresses sidewalks and landscaping. The ED committee that convened the last few months has sought volunteer groups and City Public Works action to address regular sidewalk and landscape maintenance as well as deferred maintenance on street furniture. This effort may well work in the short run. Depleted City coffers and volunteer burnout make this plan difficult to sustain. The aforementioned funding options should be considered in order to provide a long term solution to Solano and San Pablo Avenue's long term health.

d. Economic Development

- Solano and San Pablo Avenues need the same delivery of standard business assistance, retention, and attraction services already delineated in the Interim Report and in this report under the Reinvestment Area discussion. These include tracking vacant properties, providing adequate directional signage, a business-friendly City website and help in moving through city regulatory processes, referrals to financing and technical assistance sources, materials and outreach about locating and shopping in Albany, and business retention outreach contacts to existing firms.

Two recent business seminars to address the current challenging economic times were spearheaded by City Council members. Future seminars of this kind have been delegated to the Chamber. To ensure that this business assistance activity continues and quality is ensured, if the Chamber were to receive funding for Economic Development and Design activities, this is another activity that could be included within their scope. It is also important to engage local resources that are available to provide one-on-one assistance as needed, from sources like the East Bay Small Business Development Center.

- Also like the Reinvestment Area, and as in its connection to San Pablo Avenue, the Solano/San Pablo Avenue area should highlight its commitment to green products, services, and businesses. One important element of that effort would to pursue certification of a greater number of Albany businesses as operating in sustainable ways themselves. The City should utilize City Sustainability Staff/Sustainability Committee/ or another entity to conduct outreach and encourage Albany businesses, to become certified.

In merchant interviews, the desire to emphasize a green theme prevailed as an important core value to unify Albany merchants. In the Interim Report, we noted that 18 Albany businesses had been certified through the County of Alameda's Green Business Program. Getting more Albany businesses on board to go through the certification process would lend greater credibility to Albany's commitment to be green. The Alameda County Green Program (<http://www.greenbiz.ca.gov/>) is prepared to certify many more Albany businesses. It operates in a responsive mode per request. Berkeley has a majority of the certified businesses, with more per capita certified than Albany.

In our most recent conversation with the County's Green Business Coordinator, Susan Sakaki, she lauded Berkeley's efforts. Jennifer Cogley, City of Berkeley Sustainable Business Coordinator (jcogley@ci.berkeley.ca.us, 510-981-7532), is responsible for concerted outreach. Conversations with her indicate the need for extensive outreach to motivate businesses to not only talk green but walk green through certification. Berkeley benefitted from applying for grants with Cal Berkeley and

through PG&E to impact the number of businesses signing up for the program. She emphasized the importance of assigning a champion to conduct outreach to get more businesses on board. In Berkeley's case it was her, specifically. Ms Cogley is very willing to share her strategy (See attachment).

- Efforts to improve the prosperity of the Solano/San Pablo area should focus in some significant part on lower Solano, through property owner outreach, visual merchandising, and promotional programming.

Solano is a long avenue with various commercial nodes. The West end is the gateway, particularly at its intersection with San Pablo Avenue. It hosts the Albany Theatre as its anchor and an assortment of contiguous historic buildings and cool eateries. It has wide sidewalks conducive to pedestrian activities. Previous streetscape improvements have made the area very attractive. There is vastly underutilized space on the sidewalks.

There are also opportunities to enhance many of the business uses there, some of which are neither prospering themselves nor enticing customers to other neighboring uses. Not many businesses at that end of the street are much involved in promotional activities of either the SAA or the Chamber. We interviewed four "challenged" businesses identified by the ED Committee. They all indicated their business had dropped dramatically over the last few years, and particularly this last year. (See attachments). Three of these four businesses are located in pivotal locations on Lower Solano between San Pablo Avenue and Stannage.

As part of both exploring what opportunities for improvement may exist and early implementation of Interim Report suggestions, several businesses located in pivotal locations are being given an opportunity to get visual merchandising assistance, regarding their facades, windows, and overall appearance on the street. ED Committee efforts led to hiring Edward Dahl, from After Science, an instructor for ten years at the Fashion Institute of Design and Merchandising. He provided visual merchandising recommendations for three businesses (one on the corner of San Pablo & Solano, the other two on the West end of Solano). SAA agreed to pay the consultant and will present the recommendations to the affected merchants and determine their willingness to work towards implementation. Suggestions for implementation include appealing to community volunteers and organizations such as Rotary for a type of "Extreme Makeover" scenario utilizing Albany High School's media art lab, although this may be a more ambitious project than is necessary. The main objective however is to instill urgency and provide incentives to act for the merchants who received visual merchandising assistance.

- Expand program activities on the West end of Solano. Because of the gateway importance, and the streetscape dollars that have already been invested to improve the area, inciting activity on this end of Solano Avenue, between Stannage and San Pablo, is important. A weekly Farmer's Market is an option. Many downtowns program farmers' markets on week nights to encourage activity on an otherwise slow evening. The City should at least consider doing an occasional event there (invite

music and arts and crafts vendors who can utilize the beautiful wide sidewalks and bulbouts), even if initially the merchants are unwilling to participate. This will:

1. provide an opportunity to gauge the possibilities here, drawing attention to this area in need of being activated.
2. connect residents with this concentrated high potential area.
3. gauge commitment from merchants interviewed, located in this area, who complain of the need for more programming.

The arts and crafts vendors might be merchants further up Solano as well as outside vendors. This activity should be led by SAA, as part of its continuing focus on promotional events.

- Because several properties on this West-end portion of Solano Avenue are sorely underutilized, the City should sponsor or co-sponsor meeting(s) with the property owners on Solano Avenue between San Pablo Avenue and Stannage to assess their needs and future plans.

It is important to establish how receptive these businesses are to investing in their businesses to improve their chances for survival. At the most recent ED Committee it was agreed upon that Vice Mayor Wile will meet with the property owners to establish rapport. In the process the City will gain information about the arrangements they currently have with their tenants. Many of these businesses have been in lease agreements for well over a decade. Some may be surviving with lower levels of business activity in part because of historically established low lease rates. It is a disservice to lower Solano and to the businesses themselves to have them operate at less than an optimum level. The City should explore ways to collaborate with the property owners to encourage their tenants to invest in increasing revenues from and customer traffic at their businesses.

- Consider mandating retail-only, rather than retail and service uses, at least at certain key nodes along Solano Avenue, in order to expand foot traffic, continuity of shopping, and product-mix attraction. Where retail potential is strong, the City has an interest in focusing on uses that bring tax revenue-producing customers to the area and maximize the numbers of customers potentially frequenting the streets and buying at other nearby locations. The policy could be instituted on a “grandfathered” basis so that no existing business is displaced, and a time-limit might be placed on the restriction at a given site if vacancy persists.
- Implement a formalized, well-thought-out Shop Local Strategy.

Some observers are skeptical about the value of Shop Local campaigns. They’re quite ubiquitous and sometimes overused. In some locations and with some products and services, shop-local promotion may be futile because it’s certainly not always easy to find what you need in your downtown. However our view is that a downtown can’t afford to not engage in some sort of consciousness raising, reminders, and even incentives, to get residents to think twice about where to spend their dollars—given that competing localities are making these efforts. Reminder campaigns need to happen on a regular basis. Jennifer Cogley, City of Berkeley, Sustainable Business Coordinator, is also

responsible for a Shop Local campaign <http://buylocalberkeley.com/> reflecting the fact that shopping locally is itself a greening strategy. She is tracking the success of their Shop Local efforts. Berkeley is finding the program has not necessarily increased sales revenues. She has found it to be more of a *maintenance* program necessary to ensure residents think twice before shopping outside of City limits. Shop local campaigns serve as one more way of instilling a sense of pride and place and keeping dollars from leaking to nearby communities. (See attachment for an example of shop local).

- Explore Mixed Use development with owners at additional sites on Solano and San Pablo. Residential use on upper floors has become increasingly popular as people seek urban living. Mixed use provides needed density as customers for downtown businesses. In our merchant interview with Stephanie Taylor, owner of Five Little Monkeys she noted she has had with Main Street Properties <http://www.mspsinc.com/> to explore mixed use projects for Solano Avenue, particularly with the Albany Unified School Districts and YMCA owners.

- Maintain a proactive business recruitment strategy.

The City should identify brokers to whom it and other stakeholders can feed leads of desired businesses for the area and expect active effort to find them Albany locations. Attraction efforts should include approaching appealing businesses in other neighborhoods which may be considering, or be enticed to consider, moving or adding a location. As previously emphasized, it is also important to establish relationships with property owners who can report vacancies and encourage promising tenants. It is particularly important to engage the West end Solano Avenue property owners, since they own key pieces of property that are currently not achieving maximum use. Stephanie Taylor of Five Little Monkeys volunteered that she knows many of the property owners and could encourage them to attend discussion about their challenges and ways to address common goals in strengthening that area's attraction of strong businesses.

- Another activity that could be delegated from the City to the Chamber is assisting businesspeople interested in doing business in Albany with the process of starting a business here (obtaining zoning approvals if needed, applying for licenses, finding appropriate locations). The Chamber might be tasked to assist interested parties through the process, particularly for businesses that have been identified as ones that would be special assets to the area. Previously the City implemented our recommendations to revamp its "Doing business in Albany" section. It is important to maintain this section and to continue proactive strategies to fill vacancies occurring throughout the City with the optimal business mix.
- Benefit from Main Street program principles and assistance without seeking certification. The Main Street emphasis on a comprehensive effort that covers all 4 of its major elements of concern¹¹ is an

¹¹ Organization, promotion/marketing, design (physical improvement), economic development (business retention and attraction).

important one for Albany to reflect in its efforts on Solano and San Pablo Avenues. We have highlighted approaches to all 4 elements within and among many of our recommendations. It is no longer critical to obtain official Main Street certification. There are no financial resources that come with designation and no technical assistance and information resources that can't be accessed regardless of membership. Solano and San Pablo Avenues will benefit from the Main Street philosophy that expounds the need for comprehensiveness and invites community wide involvement in downtown's vibrancy.

City staff, SAA, and the Chamber would benefit from affiliation in the California Downtown Association (CDA) and conference attendance (<http://www.californiadowntown.com/>). There is also a list-serve to get answers on day to day questions from other CA communities. In addition to a Main Street track, CDA conferences also cover current trends in downtown management.

VII. Continuing Implementation of Economic Development Activities in the City of Albany

a. Economic Development Functions, Roles, and Expertise

The City of Albany currently has no staff person specifically delegated to focus his/her work on economic development, although Assistant City Administrator Judy Lieberman has done an energetic job to begin implementing some of our early-action recommendations in addition to her other responsibilities. Nor has there been a continuing consulting function in this area. The work of staffer Allen Cain at the Solano Avenue Association is central to important promotional efforts and other work maintaining the strength of Solano Avenue commerce and to maintaining a sense of community among their members. The Chamber of Commerce sustains some similar roles though with a part-time staffer, newly hired Winkie Notar-Campbell. But many of the recommendations in this report require some additional kinds of work, including:

1. **Business** retention and attraction, for the Reinvestment Area, San Pablo Avenue, and Solano Avenue. Meeting with businesses, identifying any solvable problems for current businesses, helping to enable expansion, and identifying and helping to entice appropriate additional firms to the city with local and regional mechanisms.
2. Maintaining the vacant commercial property inventory and **interacting** with owners and brokers in connection to filling spaces.
3. **Defining**, undertaking and/or overseeing special projects, in cooperation with other City departments, such as improving signage and infrastructure, or revising the City website and producing materials highlighting advantages of doing business in Albany.
4. **H**
elping to convene businesses, or ideally to support private-sector-driven convenings, around matters such as joint marketing in the BSHIF and green BSHIF sectors.
5. **Participating** in the East Bay Green Corridor effort and other inter-city cooperation to accomplish shared objectives in expanding sustainable business and the BSHIF sector.

6. **Assisting** existing businesses in expanding the explicitly sustainable portions of their products, services, and operations, in collaboration with experts in that field.
7. **Helping** to develop the Albany brand as a good place to do business and center for sustainable business in particular.
8. **Working** with owners/developers on larger sites as they come available, or on developed sites as reuse is considered, to find development strategies that meet multiple city goals.
9. **Working** with property owners and businesses to strengthen specific retail nodes on Lower Solano and elsewhere.
10. **Reworking** some land-use policy such as mandating retail uses at certain locations.
11. **Finding and/or creating** new funding sources for economic development and related activity.
12. **Recommending** adjustments to strategy as conditions change.

The City should draw where appropriate and feasible on the activity of actors other than any economic development specialists of its own in such efforts. Areas in which others can be helpful, with some in which they will be in fact the leaders, could include the following elements.

- The vacant commercial property inventory should be an accumulation principally of data provided by brokers and property owners, no doubt with a bit of City prodding.
- Some special projects will be built into and undertaken as part of existing City departments' and outside contractors' regular work, say in improving streetscapes.
- Business associations, especially SAA, should maintain their lead role in promotion activity and remain a key part of the business retention and attraction information and action network, collaborating with the City and others on many of our recommended actions.
- We have recommended that the Chamber of Commerce lead in maintenance/clean-up/beautification on Solano and San Pablo and carry out a variety of business attraction/retention tasks on those corridors.
- Businesses should be encouraged to undertake new efforts principally based on their own energy and shared self-interest, as in the case of joint marketing—with the City playing a catalytic function.

- Citizens and businesses will help shape city branding.
- The resources of the East Bay Green Corridor and its other members should be drawn upon for joint functions.
- Other designated agencies should continue to be drawn upon for green certification and related sustainability improvements.
- Private owners/developers should be leading any major property re-use efforts, with policy and regulatory guidance from the City Planning division.
- The City should draw on sources of information and technical assistance available to many cities and businesses, such as CDA or ESBDC, to augment its own internal and external Albany-specific expertise.

Still, the list of functions 1 through 12 earlier in this section contains catalytic, strategic, analytic, project oversight and management, information-providing, outreach, negotiating, guidance, and implementation roles for staff and/or consultants with economic development focus and, in at least a good share of cases, with specific expertise.

For some functions, the City may be able to designate existing staff, depending on availability, once a particular recommendation's path to implementation is laid out. A straightforward example is the vacant building inventory (item 2. above). Once the activity was identified in early recommendations, and the information to be obtained identified, implementation was carried out effectively by current staff (augmented by consultant legwork on low-visibility vacancies). The key issue there is obviously the availability of existing staff for work outside their current functions. The Assistant City Administrator undertook this effort, with clerical support; but she may not have the time to oversee the continuation of that item or take on others we have recommended be part of the City's strategy..

For at least parts of other functions, economic development expertise and experience would be highly beneficial. Items in that category in the numbered list above are marked in **green**.

Some require another kind of expertise, such as knowledge of energy efficiency and other sustainability elements, marked in the list in **red**.

Others, including the variety of special projects, may well require a combination of economic development and other expertise. These are marked in **yellow**.

b. Staffing and Consultant Options

If Albany decides to pursue the recommended strategies and actions in this report, it can choose between hiring staff, contracting with consultants, and coupling the two-- to obtain economic development and other expertise which it does not presently have among current employees and for which it cannot fully draw on volunteers. Our recommendation is that the consultant and combined staff and consultant options be given most serious consideration, for the following reasons.

- There is a significant diversity of skills that will be needed to pursue the recommendations in this report, to carry out the functions listed in this section, and to serve well the very different geographical subareas within the city. Resource constraints suggest that hiring more than one new expert economic developer could be difficult, and hiring two or more might be more than the workload would justify at least in some time periods. A team of consultants, which can include people with different specialties to which additions and subtractions can be made as specific projects are addressed, could well be a better match in this small and built-up city context. The person who excels at helping merchants think about joint marketing strategy may not be the same one who can best analyze the development potential and strategy for a newly available major site.
- Some of the needed skills—developing a brochure highlighting Albany assets, figuring out how to help local firms green their operations, or developing a branding strategy as examples—may not be within the expertise of economic development professionals in general and nearly impossible to hire in the person of an economic development staffer. Specialists with other skills will be needed, who might be provided as subcontractors through the economic development consultant or independently, but in either event on a short-term basis .
- At least some of the most important work, in strategizing, analyzing projects and approaches, building successful partnerships, and catalyzing economic activity, would most appropriately be performed by quite seasoned economic development professionals; but other tasks could more efficiently be performed by less senior people. The consultant team option allows for assigning the appropriate level person to this mix of tasks. In addition, it may be challenging for Albany to hire a strong senior professional in a one or two person economic development office.
- In a city of modest size and one already mostly developed, the volume of economic development tasks may easily rise and fall significantly over time as specific projects or activities are addressed. Consultants can be retained on a basis in which work time adjusts directly with workload variation.

On the other hand, some managers find directing the work of staff easier than directing consultants. Availability may be steadier with the staffing option, if a key consultant team member is heavily booked. Administration of contracting processes may be reduced, although some specialized skills would likely still need to be acquired outside. Even in the consultant case

Our judgment is that the advantages and disadvantages in this situation net out substantially better for the consultant or staff/consultant combination approach. Hiring a single staff person and adding consultants as needed may be an option worth further pursuit, if the City can find resources sufficient for that combination. The exact alignment is sensitive to the availability of senior City staff already on board. If for example Assistant City Administrator Judy Lieberman, who has worked closely with Neil Mayer & Associates and Urban Transformation to date, had some significant time available for continued work in the area with outside consultants, then there would be less need for adding a high level economic developer to staff to guide consultants and others.

c. Potential Resources for Economic Development Efforts

The most readily available immediate resource to fund economic development action in Albany is the tax increment generated by the Reinvestment Area. From our discussions with Finance Director Adams, we obtained an estimate of uncommitted funds of \$250,000 per year generated by the Area, after basic operating costs, required passthroughs, the mandatory low-income housing funds set-aside, and any repayment of debt to the City. The operating costs immediately past apparently include some of the funding for the consulting contract for this report and related effort, so that the \$250,000 estimate may actually be low. On the other hand, this uncommitted fund amount can of course vary, for several reasons. One imminent issue is action by the State of California in its budgeting to require certain payments by redevelopment agencies that reduce the state's burdens. Until the state budget is finalized, the size in 2009-2010 of any such requirement is unknown.

The tax increment must be spent for advancing the goals of the City in the Reinvestment Area. That means it could pay for staff/consultants working on Area-specific activities (say an opportunity to encourage and guide reuse of the vacant Western Forge site). It could also support efforts to develop activities with a substantial benefit to Area firms but serving others as well. For example, work to organize an approach to joint marketing by BSHIF businesses, which are present in significant force in the Reinvestment Area, could be supported at least in substantial part by the tax increment dollars. Similarly, work with the East Bay Green Corridor to attract green firms to the region, and specifically to Albany, could be an eligible use.

Part of the increment might be accumulated for possible capital improvements or land purchase and writedown within the Area, rather than spent on staff or consultant expenses. The City's share of expenditures for improving access to Eastshore Highway was drawn from this resource.

In addition, we have identified 3 specific options for generating funds for Solano and San Pablo Avenue economic development and related physical improvement activities. These include:

1. A property-owner Business Improvement District.
2. Transportation Enhancement Funds through the MTC.
3. A Commercial Parking Benefits District.

Another source may be federal stimulus and 2009-10 budget funds designed to spur sustainability, if the City decides to pursue the green focus recommended above. Sorting out which pot of funds might be appropriate and how that would best be sought was not part of the scope of our work, but a variety of opportunities may be worth pursuit. In case such funds require a match, Reinvestment Area tax increment dollars might be used, perhaps resulting in a federal fund allocation that could then be used outside the Area.

Important resources should come from other stakeholders, both in kind and in cash. Section VII.a. above lists a number of places from which such resources could be obtained.

Finally, the City might decide to invest general fund dollars in economic development activities, on the premise that additional business activity resulting from the economic development efforts will produce dividends in added tax revenues. As just one example of this approach, the neighboring City of Berkeley early on in its Main Street effort allocated general funds for its operation and then required and examined annual reports of how much new revenue could reasonably be attributed to the programmatic efforts, to make sure that the City was a net beneficiary.