MARKET ASSESSMENT OF RETAILING ALONG THE BROADWAY CORRIDOR IN DOWNTOWN OAKLAND

Prepared for

OBDC

SMALL BUSINESS FINANCE

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February 2013

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MARKET ASSESSMENT OF RETAILING ALONG THE BROADWAY CORRIDOR IN DOWNTOWN OAKLAND

INTRODUCTION AND PURPOSE

Market assessment was undertaken to provide input and support for OBDC's lending program focused on Oakland's Broadway Corridor. This assessment addresses *retail business activities* that occupy ground floor spaces throughout the corridor. The assessment identifies and characterizes retail activities in districts along the corridor, assesses recent trends, and identifies market potentials for additional retail businesses. Then factors and conditions affecting the realization of potentials are addressed.

Approach

This effort draws from existing studies, planning efforts, other existing resources, and from new analysis of retail sales trends for the districts along the Broadway Corridor in Downtown Oakland. The work also draws from Hausrath Economics Group's knowledge of the Corridor and experience analyzing downtown retailing over many years, and from discussions with City of Oakland retail/economic development staff.

Organization of Report

The sections that follow present the market assessment. They are organized into separate sections that address the following:

I. Types of retailing and markets served along the Corridor;
II. Trends in Corridor Retail Sales;
III. Retail Districts, Niches Served, and Trends;
IV. Spending Potentials in Support of Corridor Retailing; and
V. Retail Potentials and Strategy Considerations

Broadway Corridor/Downtown Oakland Study Area

The study area for this effort follows the Broadway Corridor from the foot of Broadway at the Oakland Estuary, northward through Downtown Oakland and Upper Broadway, to I-580, and further north along Broadway from I-580 to College Avenue. The study area includes the retail districts on either side of Broadway, including all of Downtown Oakland and the Broadway/Valdez Specific Plan area. Above I-580, the study area narrows and focuses on the commercial corridor on either side of Broadway. The map in Figure 1 outlines the Broadway Corridor/Downtown Oakland Study Area. Throughout the report, the study area is referred to as the "Corridor", the "Broadway Corridor", and the "Broadway Corridor/Downtown Area".

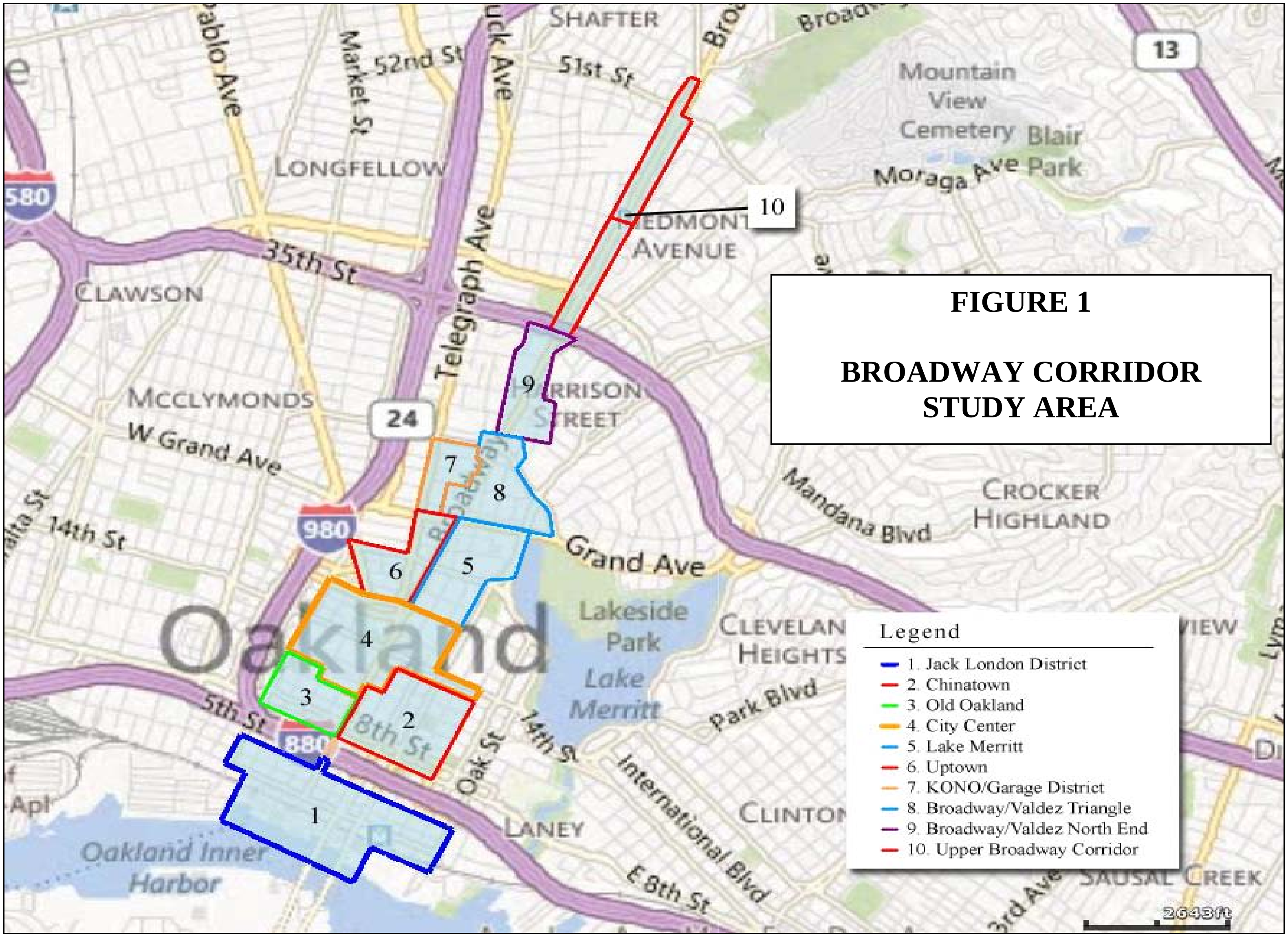


FIGURE 1

BROADWAY CORRIDOR STUDY AREA

I. TYPES OF RETAILING AND MARKETS SERVED ALONG THE CORRIDOR

The Broadway Corridor includes a mix of types of retailing along its length. There are eating and drinking places, auto-related retailers, convenience stores, comparison good shopping (sometimes referred to as destination retail), and personal and business services. These establishments serve local markets of nearby residents and workers. Many also attract customers from throughout Oakland and nearby cities.

The chart in Figure 2 on the next page describes the different types of retailing, and Figure 3 below identifies the markets served by each type along the Broadway Corridor.

Retail sales data for the Corridor show the relative strengths of different types of retailing. Comparisons with total citywide retail sales by type further highlight the strengths of Corridor retail activities. The 2011 sales data for both the Corridor and the City of Oakland are presented in Table 1. The bullet items that follow provide an overview description of the different types of corridor retailing, their level of sales, and the markets they serve.

FIGURE 3
MARKETS SERVED BY DIFFERENT TYPES OF RETAILING ALONG BROADWAY CORRIDOR

	Markets Served			
Types of Retailing	**Downtown Workers, Residents, and Businesses**	**Surrounding Areas**	**Citywide and Regional Markets**	**Ethnic Markets**
Eating and Drinking	X	X	X	X
Convenience Retail	X	X		X
Comparison Goods Shopping	X	X	X	X
Auto-related Retail			X	
Hrdw. & Bldg. Mat.	X	X		
Services	X			

FIGURE 2
DESCRIPTION OF TYPES OF RETAILING FOR BROADWAY CORRIDOR

- **Eating and Drinking*:***
  - **Restaurants, Cafés, Delis:** Eating away from home
    - Restaurants
    - Cafés
    - Delis/sandwich shops
    - Fast Food
    - Coffee houses
  - **Bars and Clubs:** Focused on nighttime activities
    - Bars
    - Clubs
- **Convenience Retail:** Shopping to meet day to day needs
    - Grocery Stores
    - Food markets; farmers markets
    - Specialty food stores and bakeries
    - Drug stores
    - Liquor stores
- **Comparison Goods Shopping:** Shopping for general merchandise of various types
    - Apparel, accessories, and shoes
    - Home furnishings and appliances
    - Specialty goods (toys, gifts, books, jewelry, art, sporting goods, music, etc.)
    - Consumer electronics
    - Office supplies, furniture, and equipment
- **Auto-Related Retail**
    - Auto dealerships
    - Auto repair, auto supply and parts
    - Auto rental
    - Service stations
- **Hardware, Garden, and Building Materials**
    - Hardware stores
    - Garden supplies
    - Building materials and supplies
- **Services*:*** including personal and business services
    - Hair styling/barber shops
    - Nail salons
    - Shoe repair
    - Dental and medical services in storefronts
    - Optometry
    - Banks
    - Copying and printing
    - Mailing/shipping services

TABLE 1
DISTRIBUTION OF RETAIL SALES AMONG TYPES OF RETAILING, 2011
Broadway Corridor and City of Oakland

	Corridor Retail Sales		Citywide Retail Sales		
	Sales (000)	Percent of Total	Sales (000)	Percent of Total	Corridor Sales as Percent of Citywide
Eating and Drinking	$138,447	**17%**	$494,559	11%	**28%**
Convenience Retail	176,484	**22%**	1,004,214	23%	18%
Comparison Goods	85,640	**11%**	594,602	14%	14%
Auto-related Retail	312,550	**38%**	1,140,728	26%	**27%**
Hardware /Bldg Materials	12,989	**2%**	235,097	5%	6%
Retail Group Total	726,110	**90%**	3,469,200	79%	**21%**
Services and Other Outlets	83,134	**10%**	933,885	21%	9%
Total	$809,244	**100%**	$4,403,085	100%	**18%**

NOTE: Sales data report taxable sales. Adjustments were made to incorporate non-taxable sales in food stores and drug stores in the convenience retail category, based on taxable sales data from the CA state Board of Equalization (SBOE) and total sales data from the U.S. Census of Retail Trade. Taxable sales are estimated to represent 30 percent total sales in food stores, and 40 percent of total sales in drug stores.

Source: City of Oakland; Hausrath Economics Group.

- ***The Corridor is Responsible for About 20 Percent of All Retail Sales in Oakland***

  Retail sales from businesses throughout the Corridor totaled approximately $809 million in 2011 and represented about 20 percent of total retail sales citywide.

- ***The Corridor Includes Oakland's Broadway Auto Row.***

  Auto-related retailing captures the largest share of retail sales for the Corridor (over $300 million in 2011, accounting for 38 percent). Broadway Auto Row serves customers and clients from throughout Oakland and nearby cities. Auto dealerships are responsible for the majority of the Corridor's auto-related retail sales. The dealerships are surrounded by a network of businesses providing auto repair services and selling auto parts and supplies. This category also includes sales from rental car agencies and service stations along the corridor.

- ***The Corridor Includes Dining and Entertainment, Ethnic Eating Places, and Other Eating and Drinking Options For Workers and Residents***

  Eating and drinking sales from the Corridor total $138 million (2011) and represent a significant share, 28 percent, of all money spent for eating and drinking in Oakland. Eating and drinking accounts for the third largest amount of sales dollars in the corridor, representing 17 percent in 2011. This category includes a large number of small businesses.

  The Corridor includes dining and entertainment options that are increasingly attracting patrons from Oakland and nearby cities in the East Bay and San Francisco. The downtown offers a range of restaurants and clubs, many in and around the Uptown District, in Old Oakland, and in the Jack London District. There are restaurants with broad market recognition including those with celebrity chefs, and bars and clubs that are particularly attractive to younger, working urbanites in the inner Bay Area. Downtown arts and entertainment venues add to the attraction of the area, including the recently renovated Fox Theatre, the Paramount Theatre, Art Murmur and the monthly festival known as First Friday, and two movie theatres.

  In addition, the Corridor includes popular Asian and other ethnic restaurants, with many located in the Chinatown and Koreatown/Northgate Districts. The Corridor also includes many restaurants, café's, lunch places, and coffee places that are supported on a daily basis by the downtown workforce and downtown residents.

- ***Corridor Convenience Retailing Serves Nearby Residents and Workers, Includes Large Stores Serving Surrounding Areas, and Offers Ethnic Food Markets***

  Convenience retailing (grocery stores, food stores and markets, drug stores, liquor stores) in the Corridor include larger stores (Whole Foods Market, Grocery Outlet, Smart & Final, BevMo, Koreana Plaza) that serve area residents and workers as well as residents from surrounding areas of Oakland. It includes drug stores (Walgreens, RiteAid, and CVS) and smaller corner markets and liquor stores that primarily serve nearby workers and residents. In addition, the ethnic food markets in Chinatown and Koreatown are popular with nearby residents as well as people from surrounding areas. Convenience retailing totals $176 million (2011) and accounts for the second largest amount of sales in the Corridor, accounting for 22 percent of total sales. The larger stores and chain drug stores in this group account for the majority of sales in the convenience category.

- ***The Comparison Goods Shopping Role Of Broadway Corridor In Downtown Oakland Has Been Declining***

  Comparison shopping in areas along the Corridor represents the fourth largest category, and accounts for about $86 million and 11 percent of total Corridor retail sales (2011). Among types of comparison goods stores, Corridor sales are distributed as follows:

– Specialty goods	46%
– Home furnishings, electronics, and appliances	23%
– Office supplies, equipment, and furniture	14%
– Department, variety, and general merchandise	12%
– Apparel and footwear	5%

  The Corridor includes many smaller stores offering a variety of specialty goods. It also includes a few larger, anchor stores offering general merchandise and home furnishings, including Sears, Bed, Bath and Beyond, and Cost Plus World Market. Comparison shopping stores are located in several parts of the Corridor and are not concentrated in one major shopping area. Comparison retailing downtown serves downtown workers and residents, and downtown businesses (the office supply, equipment, and furniture stores). It also includes stores that attract shoppers from throughout Oakland and nearby cities, including the larger, anchor stores identified above, specialty stores like Oaklandish and Best Music, and the Asian specialty stores in Chinatown.

  Overall, the Broadway Corridor is no longer the major destination shopping area that it once was. Today it includes comparison goods retailers that attract shoppers to different parts of the Corridor, including the Jack London District, Chinatown, City Center, and the Uptown District. Retailers serving office businesses and workers downtown are concentrated in the City Center and Lake Merritt office districts. There also are small specialty retailers in Old Oakland.

- ***Small Presence of Hardware and Building Supply Stores Along the Corridor***

  The Corridor also includes stores offering hardware and plumbing and electrical supplies. These are smaller stores serving markets along the Corridor areas.

- ***Services and Other Businesses Located In Ground Floor Spaces***

  There are numerous service businesses throughout the Corridor providing personal and business services including hair styling and cutting, nail salons, dry cleaning, shoe repair, optometry, banking, copying, mailing, and other services. These typically small businesses serve nearby markets. In addition, there are other non-retail businesses along the Corridor such as marijuana dispensaries, small contractors, and others. The retail sales data show about 10 percent of Corridor sales from businesses in these groups. As the data are based on taxable sales, total operations for these types of businesses in the Corridor represent a somewhat larger share of business activity if both taxable and non-taxable activities are counted.

- ***Distribution of Retail Establishments Along the Corridor Shows Many More Businesses In Eating and Drinking and Comparison Goods Retailing Than In Convenience and Auto-Related Retailing.***

There are about 1,300 retail business establishments along the Corridor, responsible for the over $809 million in retail sales (see Table 2). The majority of those businesses, 58 percent, are in the *eating and drinking and comparison goods* shopping categories, which account for 28 percent of retail sales indicating that there are more, smaller businesses in those retail groups. Conversely, businesses in the *convenience and auto-related retail* categories represent 15 percent of the businesses and account for the majority or 60 percent of the sales, indicating more larger businesses in these groups. The distribution of businesses by size and type of retailing is relevant when considering a loan program for businesses in the Corridor.

TABLE 2
RETAIL SALES AND NUMBER OF ESTABLISHMENTS BY TYPE OF RETAILING ALONG BROADWAY CORRIDOR, 2011

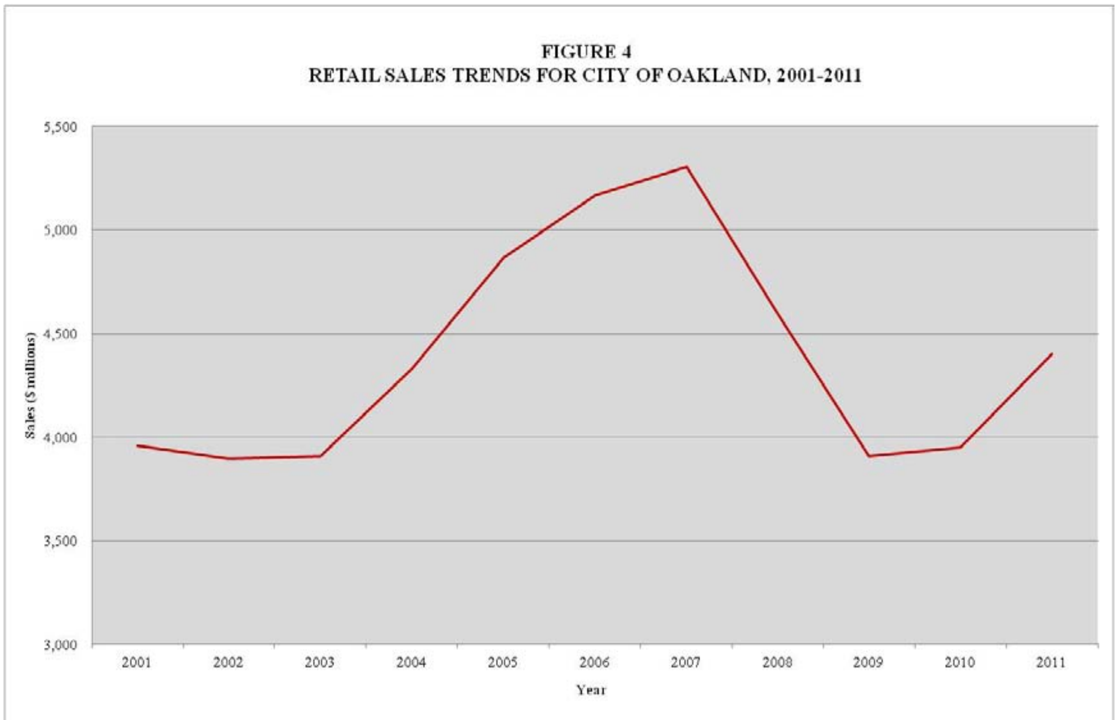
	Retail Sales		**Establishments** Reporting Retail Sales	
	Dollars ($000)	Percent of Sales	Number	Percent of Sales
Eating and Drinking	$138,447	**17%**	367	**28%**
Convenience Retail	176,484	**22%**	89	**7%**
Comparison Goods Shopping	85,640	**11%**	381	**30%**
Auto-related Retail	312,550	**38%**	108	**8%**
Hardware/Building Materials	12,989	**2%**	14	**1%**
Retail Group Total	$726,110	**90%**	959	**74%**
Services and Other Outlets	83,134	**10%**	333	**26%**
TOTAL	**$809,244**	**100%**	**$1,292**	**100%**

Source: City of Oakland; Hausrath Economics Group.

II. TRENDS IN CORRIDOR RETAIL SALES

Broader Economic Context and Citywide Trends

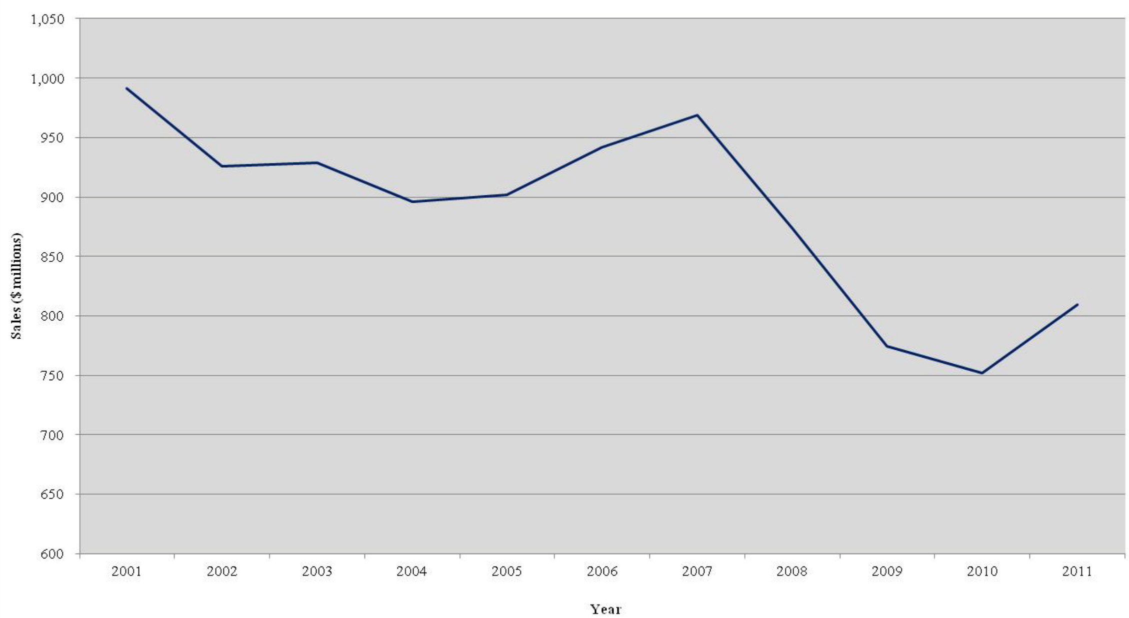
The country's major economic recession in 2007 has had an impact on retailing and the sector is still recovering. In Oakland overall, retail sales had been relatively flat from 2001 to 2004, increased notably from 2004 to 2007, declined with the recession in 2008 and 2009, and have been increasing again in 2010 and 2011 (see chart in Figure 4). In 2011, citywide retail sales ended up about 11 percent higher than sales in 2001, despite the effects of the great recession. Eating and drinking and convenience retailing have shown the largest increases and strongest recovery, while comparison shopping and auto-related retail sales have lagged and have not recovered as quickly. Retail sales are anticipated to continue growing over the next several years as the economy and consumer confidence continue to recover and grow.



Corridor Trends

Retail sales in the Broadway Corridor follow the broader trends and also reflect factors specific to the Corridor. For the Corridor, retail sales were relatively steady with small, overall decline through 2007, followed by large recessionary declines through 2010, and an upturn in sales for 2011, as shown in Figure 5. In 2011, Corridor total sales are below earlier levels, 18 percent lower than sales in 2001. The pattern varies by type of retailing with eating and drinking and convenience retail showing growth over the past decade despite the recession, and comparison goods and auto-related retailing showing declines made worse by the recession.

FIGURE 5
RETAIL SALES TRENDS FOR BROADWAY CORRIDOR, 2001-2011



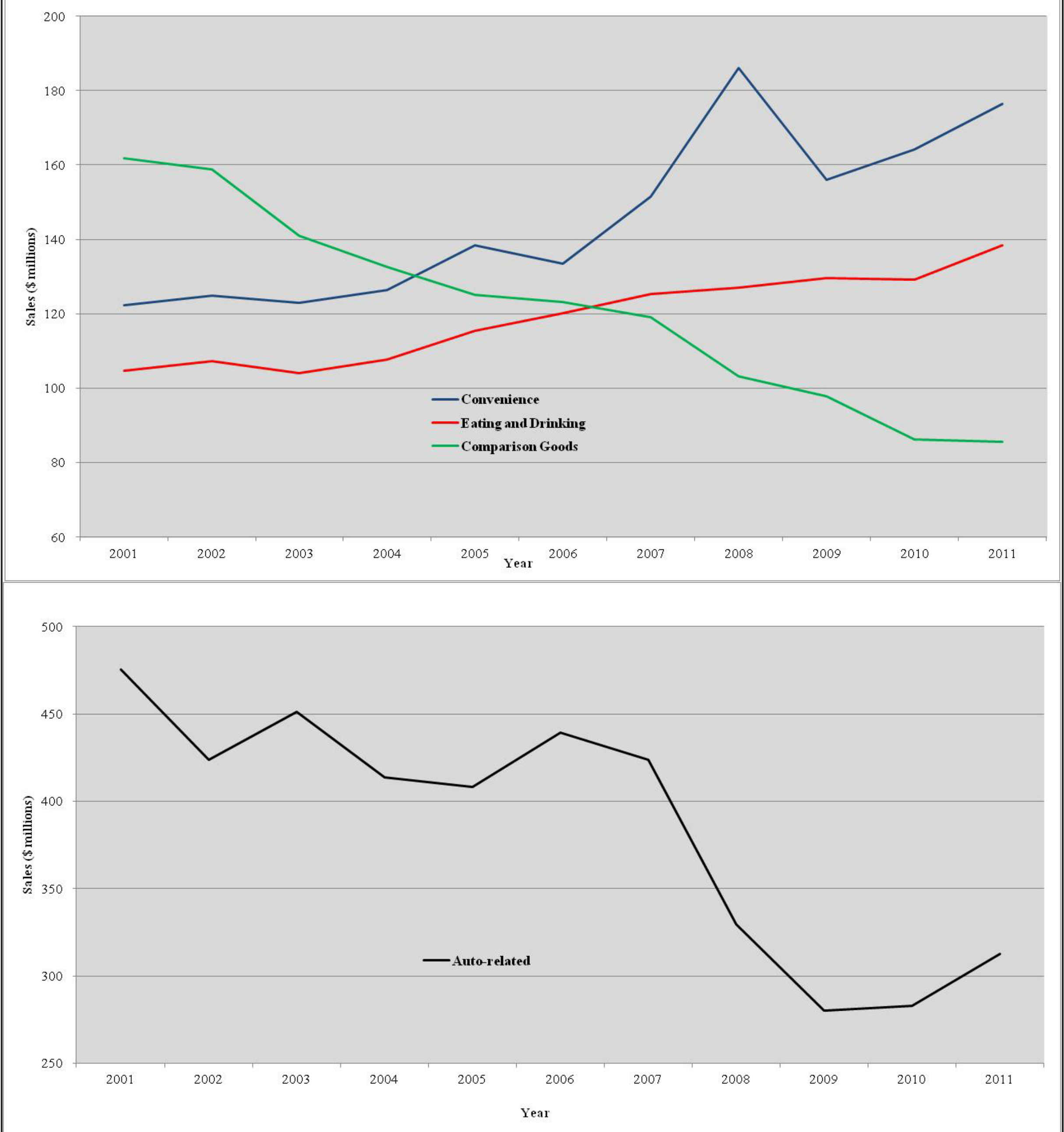
The trends in Corridor sales by type of retailing are described below and shown in Figure 6.

- ***Eating and Drinking Is Growing In the Corridor.***

  Eating and drinking sales have been growing and increased 32 percent in the Corridor from 2001 to 2011. Over that period, eating and drinking sales increased in importance in the Corridor, going from 10 percent to 17 percent of total Corridor sales. This trend is expected to continue. It reflects several factors:

  – Consumers spending a larger share of their food budgets eating out;
  – An increase in the attraction of Downtown Oakland for dining and entertainment, particularly in and around the Uptown area and among younger urbanites in their 20's and 30's; and
  – Growth in the number of residents and workers in the Corridor continuing to support growth of eating and drinking in the area;

FIGURE 6
RETAIL SALES TRENDS BY TYPE OF RETAIL
FOR BROADWAY CORRIDOR, 2001-2011



- ***Convenience Retailing Has Increased Along the Corridor.***

  The importance of convenience retailing has increased in the Corridor, with sales increasing by 44 percent from 2001 to 2011. A large part of this increase reflects development of new stores that serve larger areas beyond the Corridor. The factors behind this growth are the following;

  – Convenience retailing was less affected by the recession, as households make reductions in other spending before those for necessities like food, other grocery items, and drug store purchases;
  – Development of the large, new Whole Foods Market at the eastern border of the Corridor that serves a surrounding area much larger than the Corridor;
  – Expansion of Korean-oriented food markets in the KONO (Koreatown/Northgate) district that serve a larger area of customers attracted by the ethnic food offerings; and
  – The growth of residents and workers in the Corridor who do convenience shopping in the area.

- ***Comparison Goods Retailing Has Been Declining in Sales in the Corridor With Some Bright Spots in Specialty Retailing.***

  The role of comparison goods shopping in downtown Oakland has been declining. The Corridor lacks a critical mass of destination retailers to attract residents to shop downtown. Overall, comparison goods retail sales declined by 47 percent in the Corridor from 2001 to 2011, with declines occurring in nearly every district. The recession had an impact during this period, and comparison goods spending in general has not yet returned to pre-recession levels. However, the continuing declines reflect longer term trends beyond the effects of the recession. The following further summarizes the trends.

  – The downtown does not have a critical mass of destination retailers to compete for the shoppers goods spending of residents of Oakland and nearby cities. As a result, there is a large leakage of spending by Oakland residents to other shopping areas, including those in Emeryville, Berkeley, San Francisco, Walnut Creek, and San Leandro.
  – The Corridor has lost retailers such as the large Barnes and Noble Bookstore at Jack London Square. This loss adversely affected other, smaller merchants nearby.
  – The older Sears store in downtown has not kept up with trends, remains isolated downtown, and is in need of improvements and attention.

- The continuing expansion of high-volume, value-oriented retailers and discount stores, often in freeway locations have captured sales that would have gone to department stores, smaller chain stores and franchises, and independent merchants. Examples are the big-box stores in the Bay Bridge Center at the Oakland/Emeryville border with a new Target store, Best Buy, and other tenants.
- Despite the overall declines in comparison goods shopping, there are successful retail areas and merchants within the Corridor. However, the smaller scale and lack of agglomeration limits the ability to attract shoppers and spending from outside the Corridor areas.
- There are national retailers with stores in the Corridor, including Bed, Bath and Beyond and Cost Plus World Market in Jack London, and Radio Shack, Men's Warehouse, Footlocker, and Payless Shoes in the City Center area.
- There are numerous Asian specialty retailers in Chinatown.
- There are independent specialty retailers that have their own following of customers and that are attractions for downtown. Examples include Best Music and Oaklandish on Broadway between 14th and 19th streets. There also are small, specialty stores in Old Oakland and artisians and art galleries in the Uptown and Garage Districts.

◆ ***Auto-Related Retail in the Corridor Declined, Was Hit Hard by the Recession, and is Now on the Up-Swing***

Auto-related retailing declined 34 percent along the Corridor from 2001 through 2011. Gradual declines in the early years were followed by a significant decline from 2007 to 2009 due to the recession. Some businesses closed facilities in the area during that period, although most remained. Auto-related sales have been increasing since 2009, but have not returned to pre-recession levels, as is the case at both the citywide and statewide levels. Factors explaining the trends include the following.

- While Broadway Auto Row offers good proximity to many residential areas of Oakland and to the I-580 freeway, many of the facilities are older and do not meet modern standards. The area also lacks the type of freeway visibility and direct freeway access often desired by auto dealers.
- Earlier in the decade, there was a plan to move the dealerships to a new Auto Center to be built on the closed Oakland Army Base. That plan did not materialize. It may have discouraged improvements in existing facilities for a period of time.
- The recent recession significantly affected auto dealerships. Consumers drastically reduced auto-related spending, and lending

became difficult for both business operations and consumer purchases. Things improved significantly in 2010 and 2011 and are on the upswing. Sales have not yet returned to pre-recession levels, both locally and statewide.

– As indications of recent improvements, dealerships have expanded on Auto Row, and there are plans to modernize some facilities.

III. RETAIL DISTRICTS ALONG THE BROADWAY CORRIDOR

The Corridor includes distinct retail districts on either side of the Corridor from the foot of Broadway at the Oakland Estuary, northward through Downtown Oakland and Upper Broadway to I-580. There are nine retail districts identified in the Greater Downtown area, as shown on the map in Figure 1 (at the beginning of this report). Above I-580, retail uses occur along the commercial thoroughfare on either side of Broadway to College Avenue[1]. That part of the Corridor is split into two areas, from 580 to 41st Street and from 41st Street to College Avenue, as shown in Figure 1.

District Characteristics

The districts have retail characteristics as a function of the mix of land uses (retail, office, residential, cultural/entertainment, etc.), the different types of retail stores and activities, and the different markets that are served. Each district is characterized on the chart in Figure 7, with districts listed geographically from south to north along Broadway. The distribution of retail sales in each district among types of retailing highlights the strengths of retail activities in each area. The chart in Figure 8 and the data in Table 3 summarize and compare the mix of types of retail activities in each district.

Overall, the retail districts can be grouped into five types, as described by the following.

- ***Dining and Entertainment Districts:***

  - Jack London
  - Uptown
  - Old Oakland

  These districts also include some comparison goods shopping.

- ***Ethnic-Oriented Retail Districts:***

  - Chinatown
  - Koreatown/Northgate

  These districts include a mix of eating and drinking, convenience retail, and comparison goods retail, all oriented to the Asian communities.

- ***Retailing in Downtown Office Districts:***

  - City Center
  - Lake Merritt

[1] The study area does not include the shopping center at 51st and Broadway.

FIGURE 7
RETAIL CHARACTERISTICS OF DISTRICTS ALONG BROADWAY CORRIDOR

District/Node	Retail Sales, 2011	Characterization of Market Niches
Jack London	$94.6 mil.	• Dining and Entertainment District • Waterfront District • Anchor Retailers: Home Furnishings, Beverages
Chinatown	$57.8 mil.	• Chinese/Asian Restaurants • Convenience + Comparison Goods Retailers • Well-Known Asian District
Old Oakland	$33.1 mil.	• Eating and Drinking District • Attractive Victorian District • Small Specialty Stores • Convenience Retail Anchor
City Center	$120.3 mil	• Comparison Goods Retail + Convenience Retail + Eating and Drinking • Downtown Office District and Government Center
Lake Merritt	$70.9 mil.	• Convenience Retail + Eating and Drinking • Downtown Office District • Nearby Lake Merritt
Uptown	$37.1 mil.	• Dining and Entertainment District • Major Arts and Entertainment Venues • Growing Reputation as Hip, Edgy District Attractive to Younger Urbanites
Broadway/Valdez Triangle	$158.9 mil.	• Broadway Auto Row • Uptown Eating and Drinking at South End • Anchor Convenience Retailer on East Side • Specific Plan Under Preparation; Seeks to Attract Comparison Goods Retailing Here
Koreatown/Northgate and Garage District	$28.7 mil.	• Convenience Retail Along Telegraph • Auto Repair Garages as part of Auto Row • Eclectic Mix of Art Galleries and Second-Run Movie Theatre
Broadway/Valdez North End	$139.6 mil.	• Broadway Auto Row • Convenience Retail Anchor • Specific Plan Under Preparation; Seeks to Attract Additional Retail
Upper Broadway, I-580 to 41st St.	$17.8 mil	•Commercial Corridor Thouroughfare •Auto-Related Retail + Eating and Drinking •Kaiser Medical Center at South End
Upper Broadway, 41st St. to College Ave.	$50.5 mil.	• Commercial Corridor Throughfare • Auto-Related Retail/ Fast Food • Oakland Tech High School on Corridor

These districts include a mix of eating and drinking, convenience retail, and comparison goods shopping, all primarily oriented to serving the downtown office market (workforce and businesses).

- ***Broadway Auto Row Districts:***

  - Broadway/Valdez Triangle
  - Broadway/Valdez North End
  - Garage District

  Retailing in these districts is primarily devoted to auto dealers and related auto services with some convenience retail and eating and drinking.

- ***Commercial Corridor Thoroughfares:***

  - Upper Broadway, I-580 to 41st St.
  - Upper Broadway, 41st St. to College Ave.

  These corridors include auto-related retail, eating and drinking/fast food, and some convenience retail.

The primary markets served by each group of districts are summarized in Figure 9. In most cases, the districts in the Greater Downtown area serve both the Downtown and the larger citywide markets. The two commercial corridors along Upper Broadway north of I-580 primarily serve the nearby, surrounding areas and through traffic along the Corridor.

FIGURE 8
MIX OF TYPES OF RETAILING FOR DISTRICTS, 2011

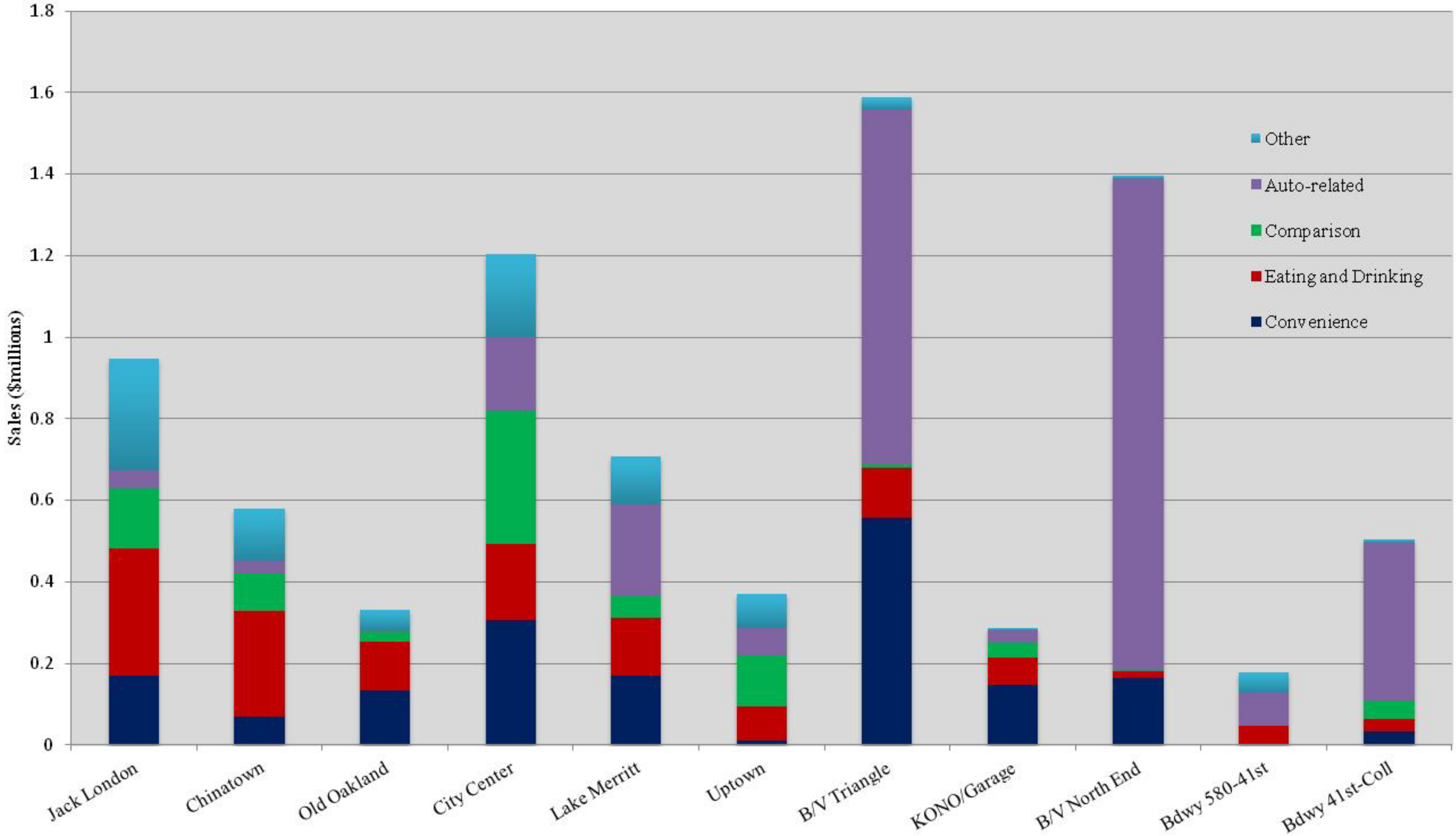


TABLE 3
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY TYPES OF RETAILING FOR DISTRICTS ALONG THE BRAODWAY CORRIDOR, 2011

	Types of Retailing						
Districts:	Eating & Drinking	Convenience Retail	Comparison Goods	Auto-related	Hrdw, Bldg. Mat.	Services & Other	Total
Jack London	**33**	18	15	5	3	26	100%
Chinatown	**45**	12	16	5	14	8	100%
Old Oakland	**36**	**40**	7	2	1	14	100%
City Center	15	**26**	**27**	15	sm	17	100%
Lake Merritt	**20**	**24**	8	32	sm	16	100%
Uptown	**22**	3	**34**	18	–	23	100%
Bdwy/V Triangle	8	**35**	sm	**55**	1	1	100%
KONO/Garage	**24**	**51**	13	10	sm	2	100%
Bdwy/V North End	1	12	sm	**86**	1	sm	100%
Upper Bdwy 580-41st	**26**	sm	sm	46	–	28	100%
Upper Bdwy 41st College	6	7	8	**77**	–	2	100%
Total All Districts	**16**	**22**	**11**	**38**	**2**	**11**	**100%**
City of Oakland	**11**	**23**	**14**	**26**	**5**	**21**	**100%**

Source: City of Oakland, Hausrath Economics Group.

FIGURE 9
PRIMARY MARKETS SERVED BY RETAIL DISTRICTS ALONG THE BROADWAY CORRIDOR

	Markets Served		
Retail Districts:	Downtown Workers, Businesses, and Residents	Surrounding Areas of Oakland	Citywide and Regional /a/
Dining and Entertainment Districts: • Jack London • Uptown • Old Oakland	X		XX
Ethnic-Oriented Retail • Chinatown • Koreatown/Northgate (KONO)	XX		XX
Retailing in Downtown Office Districts: • City Center • Lake Merritt	XX		X
Broadway Auto Row: • Broadway/Valdez Triangle • Broadway/Valdez North End • Garage District	X		XX
Commercial Corridor Thoroughfares: • Upper Broadway, I-580 to 41st • Upper Broadway, 41st to College		XX	

NOTE: See Figure 1 for a map of retail districts

/a/ Primarily Oakland and nearby cities.
Key: XX = primary market served
X = additional market served

District Retail Sales and Number of Retail Establishments

The *largest amounts of retail sales* along the Corridor occur in the districts with Broadway Auto Row (Broadway/Valdez North End and Broadway/Valdez Triangle), and in the City Center and Jack London districts that include a mix of types of retailing and cover large geographic areas. Retail sales for all the districts are summarized in Table 4 below and on the chart in Figure 10 on the next page.

The *largest number of retail establishments* along the Corridor occur in the City Center, Chinatown, Lake Merritt, and Jack London Districts. This group includes some of the larger districts geographically and a district (Chinatown) with a large number of small businesses.

TABLE 4
RETAIL SALES AND NUMBER OF ESTABLISHMENTS
BY RETAIL DISTRICT ALONG BROADWAY CORRIDOR, 2011

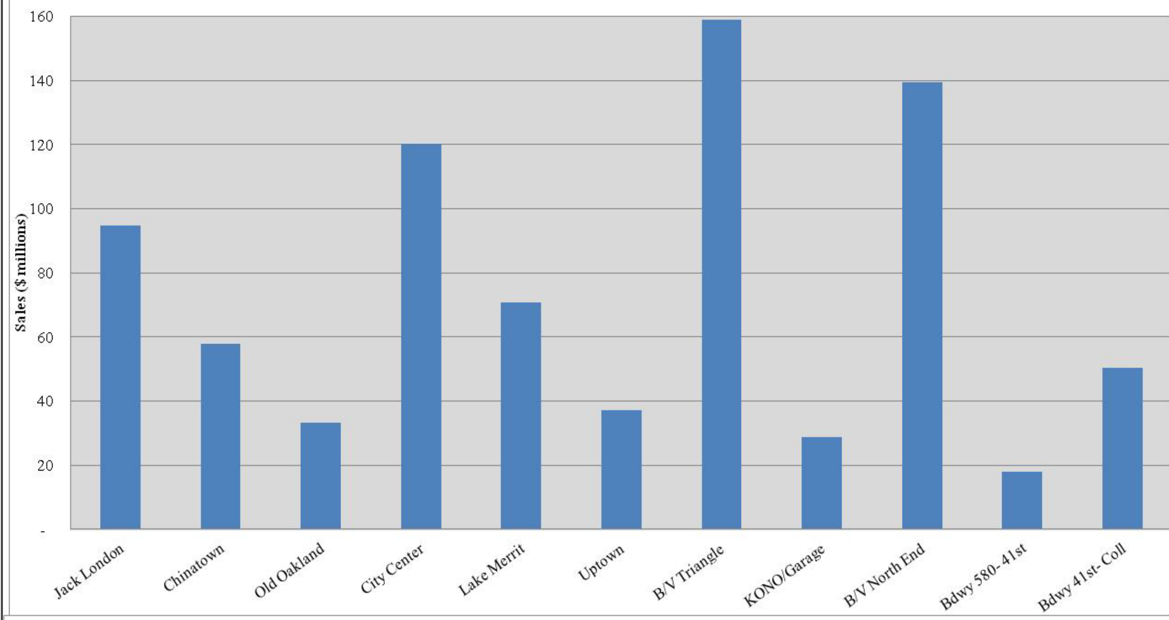
	Retail Sales ($ mil.)	Establishments Reporting Retail Sales /a/ (Number)
Jack London	$94.6	144
Chinatown	57.8	292
Old Oakland	33.1	77
City Center	120.3	303
Lake Merritt	70.9	156
Uptown	37.1	59
Broadway/Valdez Triangle	158.9	75
KONO/ Garage District	28.7	67
Broadway/Valdez North End	139.6	49
Upper Broadway/ I-580 – 41st	17.8	41
Upper Broadway/ 41st - College	50.5	29
Total All Districts	$809.2	$1,292

NOTE: Based on sales data reporting taxable sales with adjustments to incorporate non-taxable sales in food stores and drug stores. See note in Table 1.

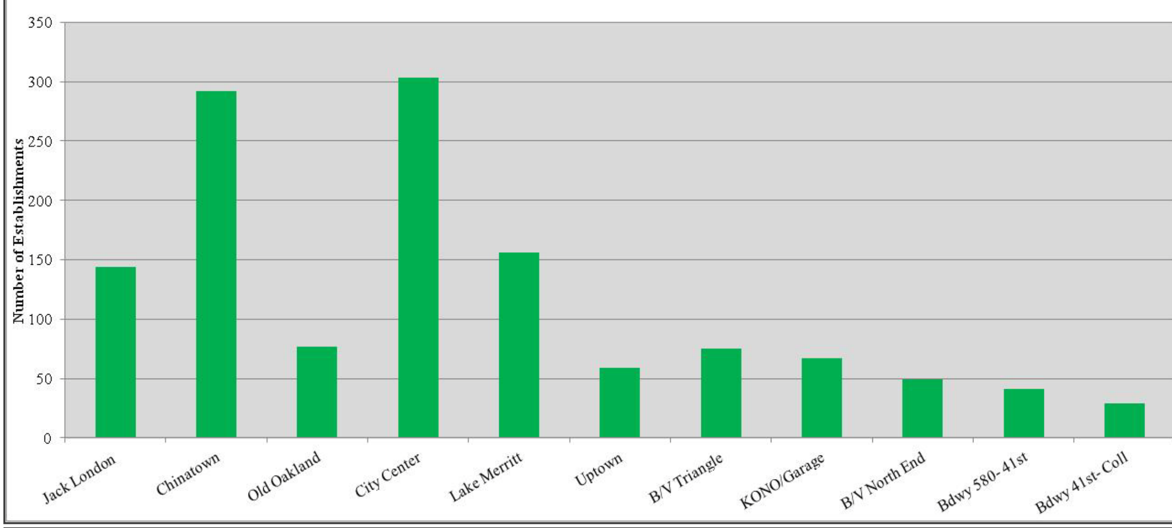
/a/ Includes establishments reporting at least $1,000 of taxable sales in 2011.

Source: City of Oakland; Hausrath Economics Group.

FIGURE 10
TOTAL RETAIL SALES BY DISTRICT, 2011



ESTABLISHMENTS REPORTING RETAIL SALES BY DISTRICT, 2011



District Trends

Trends in retail sales for the districts reflect broader trends for the economy overall and for different types of retailing as described earlier in this report. They also reflect factors specific to the districts along the Corridor. Notable trends for the districts over the past decade (2001-2011) are described below, related to the major types of retailing as relevant. Charts included at the end of this section show retail trends for the districts overall and for the major types of retailing. See Figures 11-14.

- ***Dining and Entertainment Attractions In and Around the Uptown District Increased Substantially.***

  The past decade saw the birth of Uptown as a significant dining and entertainment district in Oakland and the Inner East Bay. This trend was spurned by the opening of the renovated Fox Theatre, the development of new housing nearby, the creation of Art Murmur and First Friday Street Festival, and the development of new bars and restaurants, some by celebrity chefs. The area has become a particular attraction for younger, working urbanites from Oakland and nearby cities including San Francisco. The positive effects of this trend on eating and drinking sales occur in the Uptown District, as well as in parts of the Broadway/Valdez Triangle and parts of the KONO/Garage District. There also have been positive effects on eating and drinking sales in nearby blocks of the City Center and Lake Merritt Districts as well as in Old Oakland. See Chart in Figure 12.

- ***Retailing In The Downtown Office Districts Increased Over the Past Decade, Despite the Recession.***

  Retail sales in the City Center and Lake Merritt Districts increased somewhat over the past decade despite the recession. The growth of the downtown workforce and downtown residents have supported retail growth in these areas, as have business activities there (businesses purchase office equipment and supplies, support catering and dining in the area, use copying, printing, and other business services, etc.). The City Center District has a larger amount of retail sales (60 percent more than Lake Merritt District in 2011) and draws some retail support from the broader citywide market area. See Figures 11, 12, and 13.

- ***Jack London Remains an Important Retail District Although It Has Declined in Eating and Drinking and Comparison Goods Retail*.**

  Although this district maintains relatively high levels of sales for the Corridor, those sales have declined, primarily reflecting the loss of tenants in Jack London Square. The large Barnes and Noble store closed as did other retailers and eating and drinking places nearby. Efforts to develop a major specialty food attraction are still underway, while some new restaurants have recently opened in the area. Within the Corridor, the increase in dining and entertainment in and around the Uptown District may have shifted some energy and activity away from Jack London. See Figures 11, 12, and 14.

- ***Declines in Comparison Goods Retail Sales Downtown Have Been Significant and Affected the Jack London and Uptown Districts the Most.***

  As described earlier, comparison goods shopping has been declining in the Corridor. The recession has had a lingering impact, and the Corridor lacks a critical mass of destination retailers to attract residents to shop downtown. Declines in the Jack London District include the loss of Barnes and Noble and small retailers nearby in Jack London Square, while declines in the Uptown District are focused in and around the Sears area. There were declines in comparison goods sales in nearly all other districts as well. See Figure 14.

- ***Retailing in Chinatown and Old Oakland Remained Relatively Stable.***

  In Chinatown, eating and drinking sales increased while there were declines in convenience and comparison goods retailing. In Old Oakland, sales increased for eating and drinking and convenience goods, with a decline in sales in comparison goods shopping. See Figures 11-14.

- ***Retail Trends in Broadway/Valdez Districts Were Determined By Auto Dealers and Larger Convenience Retailers.***

  Over the past decade, auto-related retailing declined along Broadway Auto Row, was further hit by the recession, but has recently shown significant improvements in 2010 and 2011. These trends are evident in both of the Broadway/Valdez Triangle and North End Districts. The development of the new Whole Foods Market on the eastern border of the Broadway/Valdez Triangle contributed substantial convenience sales growth in that area. There also was growth of eating and drinking at the southern end of the Broadway/Valdez Triangle as a part of the growth of dining and entertainment in the nearby Uptown District. See Figures 11-13.

- ***Trends in the KONO/Garage District Reflect Growth of KONO Convenience Retail and the Influence of Trends in Uptown District and Broadway Auto Row.***

  Retail sales have grown in the KONO (Koreatown/Northgate) district along Telegraph Avenue largely as a result of the expansion of Korean-oriented convenience retailing. Eating and drinking growth in the area reflects both Korean offerings and activity that is part of the growth of the dining and entertainment in the nearby Uptown District. The Garage District remains a part of Auto Row and has seen the growth of artisans and galleries in some of the older garages. Recently, a second-run movie theatre (The New Parkway) was added in a former garage building in the area. See Figures 11-13.

FIGURE 11
TRENDS IN TOTAL RETAIL SALES BY DISTRICT, 2001 and 2011

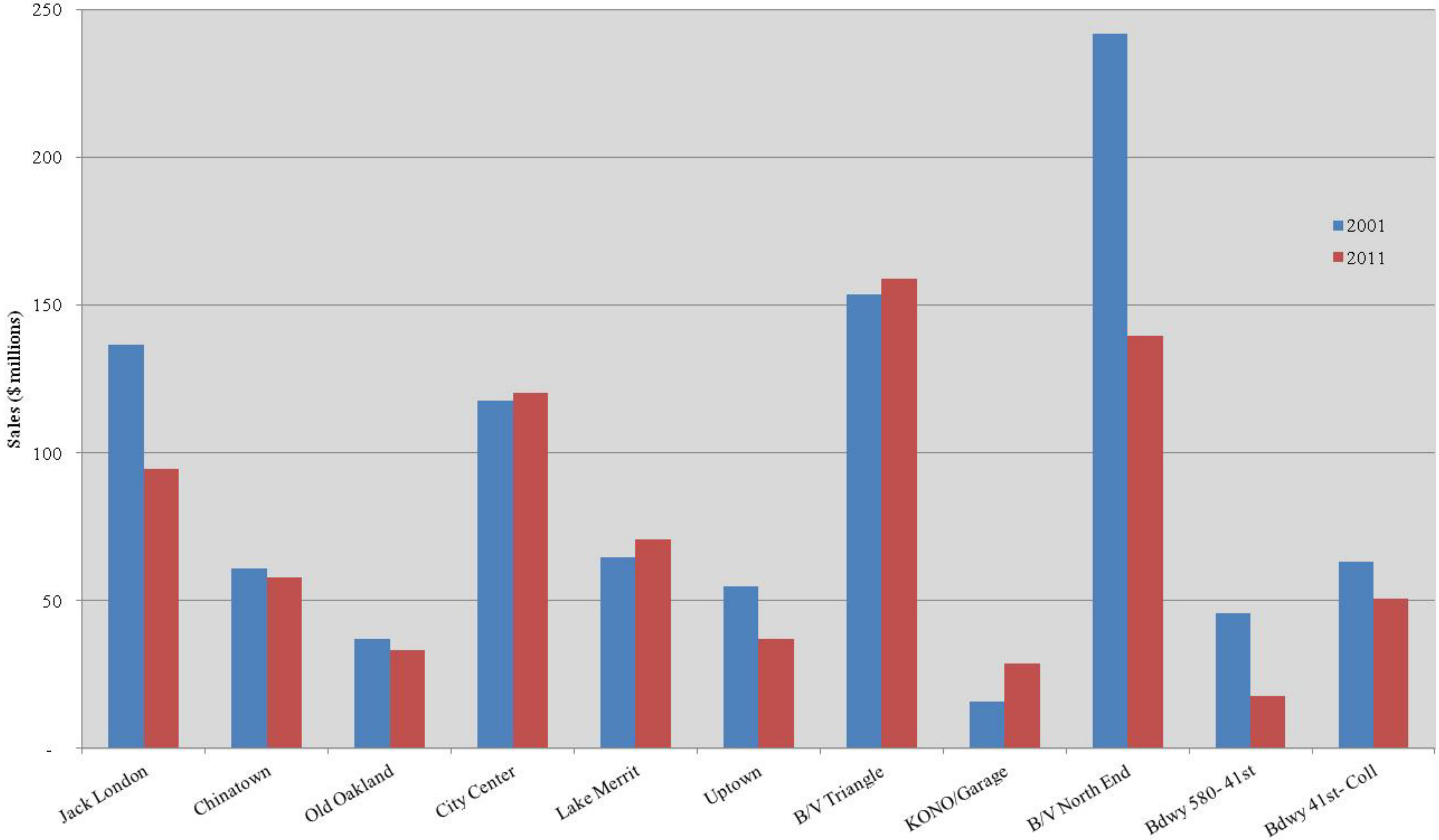


FIGURE 12
EATING AND DRINKING SALES BY DISTRICT
ALONG BROADWAY CORRIDOR, 2001 and 2011

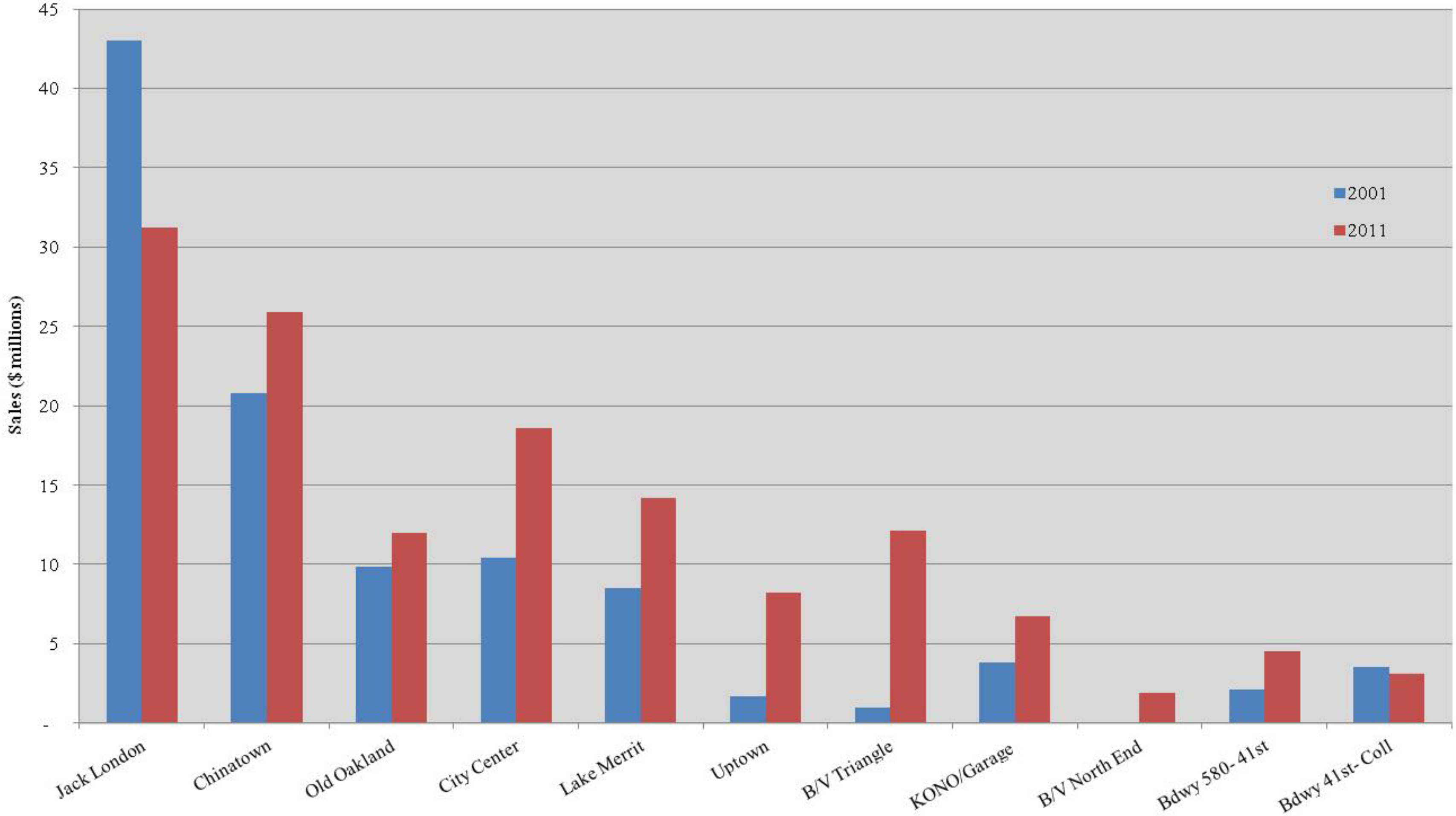
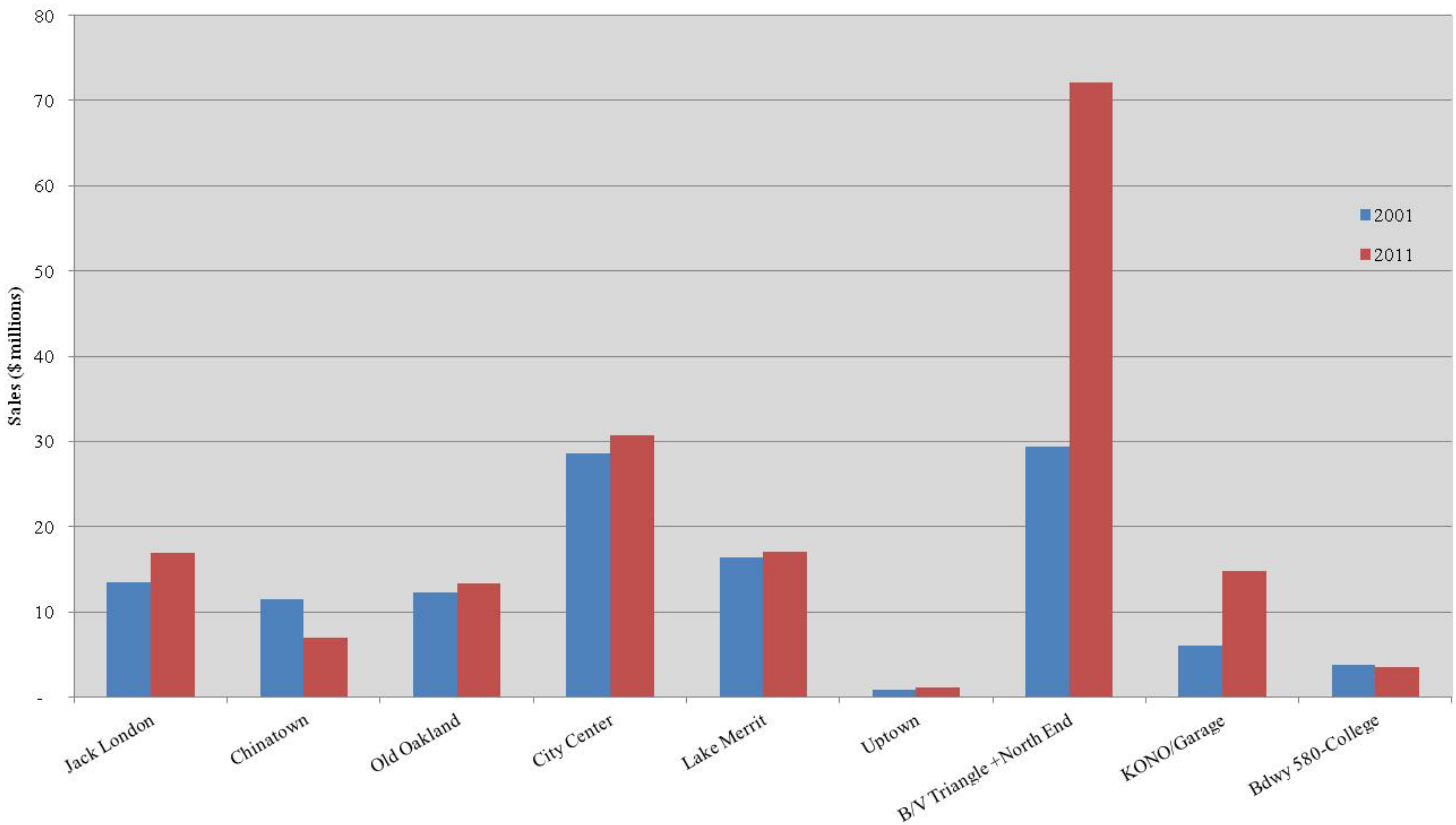


FIGURE 13
CONVENIENCE RETAIL SALES BY DISTRICT
ALONG BROADWAY CORRIDOR, 2001 and 2011



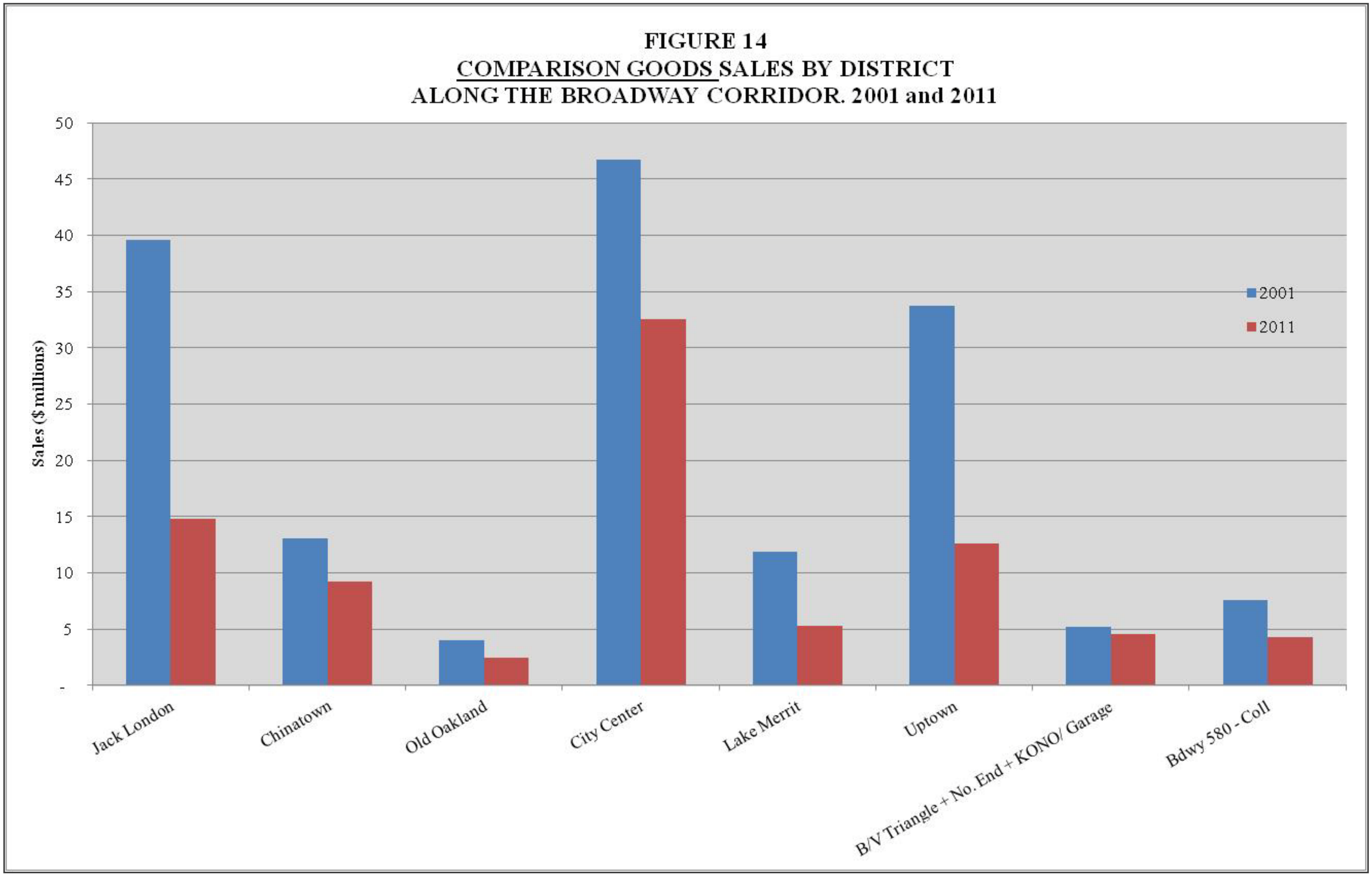


FIGURE 14
COMPARISON GOODS SALES BY DISTRICT
ALONG THE BROADWAY CORRIDOR. 2001 and 2011
Sales ($ millions)
50
45
40
35
30
25
20
15
10
5
-
2001
2011
Jack London
Chinatown
Old Oakland
City Center
Lake Merrit
Uptown
B/V Triangle + No. End + KONO/ Garage
Bdwy 580 - Coll

IV. SPENDING POTENTIALS IN SUPPORT OF CORRIDOR RETAILING

Residents and workers in the Corridor as well as the population of the larger, citywide and Inner East Bay market areas support a substantial amount of retail spending. These populations are growing. However, much of the current retail spending is not captured in the Corridor, but is instead spent in other retail areas with more retailers and stronger retail offerings. Consideration of the potentials for retailing downtown and along the Corridor should focus on how to improve and expand the retail offerings to increase their ability to attract the spending that is out there.

This section identifies the market area populations and the magnitudes of retail spending they support. It considers the role of the Corridor now in capturing market area expenditures and identifies potential market support for additional retail in the Corridor. This section draws from earlier retail market studies and planning efforts, summarizing the key findings and updating the magnitudes involved. The focus is on the greater downtown areas of the Corridor from the Estuary to I-580.

Market Area Populations

Downtown Workforce and Residents

People working and living in downtown are an immediate potential source of retail spending in the Corridor. Currently (in 2013), there are about 80,000 workers and 37,500 residents in the greater downtown area from the Estuary to I-580 (see Table 5). It can be noted that downtown Oakland has the second largest concentration of employment in the region after downtown San Francisco. About 75 percent of those working in the greater downtown area are office workers. Both the downtown Oakland workforce and resident population are anticipated to continue growing, and could reach 43,000 residents and 96,000 workers by 2020 (see Table 5).

TABLE 5
EMPLOYMENT, HOUSEHOLDS,
AND POPULATION IN GREATER DOWNTOWN OAKLAND

	2000	2010	2020
Employment /a/	80,440	76,500	96,280
Households /b/	18,040	21,210	25,430
Population /b/	32,190	36,070	43,230

NOTE Greater Downtown Oakland is the area approximately bounded by the Oakland Estuary, I-980 and Market/Brush Street, I-580, and Lake Merritt and the Channel.

/a/ Based on ABAG Projections 2009 and land use data developed for traffic analysis zones within Oakland.

/b/ U.S. Census data for 2000 and 2010; 2020 estimates based on existing housing approvals and vacancies in recently developed new housing as of 2010.

Source: Hausrath Economics Group based on sources identified above.

Oakland and Surrounding Inner East Bay

More broadly, the trade area for retailing in downtown and the Broadway Corridor includes residents of the City of Oakland and of adjacent cities of the Inner East Bay, including Albany, Berkeley, Emeryville, Piedmont, Alameda, and San Leandro. Corridor sales for eating and drinking, comparison goods, and auto-related retail draw from this larger trade area. The population of the Inner East Bay in 2010 totals 701,350 people in 277,560 households (see Table 6). Over half, 390,720 people or 56 percent, live in Oakland. About 70 percent (485,280) resides in the immediate Oakland area including Oakland, Piedmont, Emeryville, and Alameda.

Substantial Growth is Forecast for the Inner East Bay

By 2020, Inner East Bay population is anticipated to reach about 755,500 residents. Over the longer term future, the Association of Bay Area Governments (ABAG) forecasts much larger growth for Oakland and other cities in the centrally-located Inner East Bay. The population for the immediate market area of downtown residents (36,020 in Table 5) is included in the total population for Oakland (390,720) and the Inner East Bay (701,350 in Table 6). There is also some overlap with the downtown workforce that includes people who reside in Oakland and the Inner East Bay (in earlier estimates based on the 2000 Census, about half of Oakland workers resided in Oakland and the rest of the Inner East Bay.

TABLE 6
HOUSEHOLDS AND POPULATION FOR OAKLAND AND THE INNER EAST BAY

	2000 /a/	2010 /a/	2020 /b/
Households			
Oakland	150,790	153,790	166,060
Other Cities	120,610	123,770	133,480
Total Inner East Bay	**271,400**	**277,560**	**299,540**
Population			
Oakland	399,480	390,720	421,790
Other Cities	288,740	310,630	333,700
Total Inner East Bay	**688,220**	**701,350**	**755,490**

NOTE Inner East Bay includes Oakland and the cities of Albany, Berkeley, Emeryville, Piedmont, Alameda, and San Leandro

/a/ U.S. Census data for 2000 and 2010

/b/ For Oakland, 2020 based on housing absorption trends, housing approvals, and vacancies in 2010. For other cities, based on ABAG Projections 2009.

Source: Hausrath Economics Group based on sources identified above.

Potential to Capture More Spending from the Downtown Workforce

A national survey of office workers conducted by the International Council of Shopping Centers (ICSC) provides estimates of average weekly spending by office workers at/near their place of work. The results show how the spending varies according to the availability of retail opportunities for eating and shopping nearby**. *The survey found that weekly spending in areas with limited retail availability ($79.12 per week) is about one-half that of weekly spending in areas with ample retail availability ($165.21 per week).*** The survey data is summarized in Table 7.

TABLE 7
NATIONAL SURVEY DATA FOR
SPENDING BY OFFICE WORKERS
AT/NEAR THEIR PLACE OF WORK, 2011

	Average Weekly Expenditures Per Worker in Urban Areas			
Spending by Category	Total Urban /a/	Ample Availability /b/	Limited Availability /c/	Ample as % Limited
Restaurants and Fast Food	$26.29	$35.88	$19.25	54%
Goods and Services				
Convenience Stores	22.11	28.14	17.67	63%
Comparison Goods Stores	50.28	72.41	34.29	47%
Services	13.29	23.42	5.86	25%
Entertainment	3.45	5.36	2.05	38%
Subtotal	89.31	129.33	59.87	46%
Total	**$115.60**	**$165.21**	**$79.12**	**48%**

/a/ Average for all office workers in urban areas.
/b/ Average for workers in areas with ample retail availability.
/c/ Average for workers in areas with limited retail availability.

Source: International Council of Shopping Centers (ICSC), *Office Worker Retail Spending*, 2012.

Estimates of spending by workers in the Greater Downtown area of the Corridor were developed using the survey average spending patterns for areas with limited retail availability. The estimates were than evaluated by comparison with actual sales data for the Corridor. The results show that the retail spending of downtown workers near their place of work is low in Oakland and could be significantly higher with greater availability of retail offerings downtown. The comparisons are summarized in Table 8 by types of retailing and overall, and show the following.

- Downtown workforce spending for ***eating and drinking*** appears to be in the range of that identified by the survey for areas with limited availability or up to 20 percent higher than that level. It is below the level of spending for areas with ample availability.
- Downtown workforce spending for ***convenience retail*** also appears to be on the range of that for areas with limited availability or lower by about 20 percent. It is below the level of spending for areas with ample availability.

– Downtown workforce spending in Oakland for ***comparison goods shopping*** is significantly below the levels identified in the national survey for areas with limited availability. The Oakland spending is estimated to be only about 33 to 40 percent of that survey level. This finding points out the very limited availability of comparison goods shopping in proximity to the large downtown workforce.

In total, downtown worker retail spending in the range of $150 to 190 million today could be closer to $250 million or even higher with increased availability of retail options downtown (see bottom of Table 8). In addition to the potential for capturing more retail spending from existing downtown workers, the growth of employment over time will add to the retail spending potential for the downtown Corridor area.

TABLE 8
ESTIMATED RETAIL SPENDING FOR DOWNTOWN WORKERS NEAR THEIR PLACE OF WORK, 2011

	Alternate Spending Scenarios		
	Assuming: Ample Retail Availability/a/	Assuming: Limited Retail Availability /a/	Estimated Downtown Oakland /b/
Restaurants and Fast Food			
Per Worker Weekly $	$35.88	$19.25	$19.25 –22.40
Annual $	$125.7 mil.	$67.4 mil.	$67.4 – 78.5 mil. *100 – 116% of limited availability*
Convenience Retail			
Per Worker Weekly $	28.14	$17.67	$13.60 – 17.67
Annual	98.6 mil.	$61.9 mil.	$47.6 – 61.9 mil. *77 – 100% of limited availability*
Comparison Goods			
Per Worker Weekly $	$72.41	$34.29	$11.61 – 13.93
Annual $	$253.7 mil.	$120.1 mil.	$40.7 – 48.8 mil. *33 – 40% of limited availability*
Total Spending for Above Categories			
Annual $	**$478 mil.**	**~$250 mil.**	**~$156– 189 mil.**

NOTE Annual expenditures reflect average weekly expenditures times 52 weeks times the number of downtown workers. Workers in 2011 assumes 77,000 in greater downtown, 75 percent office workers and 25 percent other workers who spend one-half of office worker spending.

/a/ Spending based on national survey of office workers in areas with either ample or limited retail availability nearby.

/b/ Estimated worker spending in downtown Oakland based on survey average spending for areas with limited availability with adjustments made based on comparisons with actual sales data for downtown.

Source: International Council of Shopping Centers (ICSC), *Office Worker Retail Spending*, 2012.

<u>Large Expenditure Potentials from Residents of Oakland and Nearby Cities</u>

> *This section draws from existing market studies, and summarizes key data and findings. In some cases, the data were updated for this effort; in others, the earlier overall magnitudes of spending and the findings with implications for the Corridor continue to apply*[2].

Large Population Supports Substantial Retail Spending

Retail spending by residents of Oakland and the surrounding Inner East Bay show substantial expenditures, which will grow over time as population grows. This spending is summarized in Table 9 and described below.

- ***Eating and Drinking***: Spending for eating and drinking ranges from $375 million for Oakland residents to $674 million for all residents of the Inner East Bay. The share of this spending captured in downtown Oakland and along the Broadway Corridor has been increasing as dining and entertainment activities have grown and become more established downtown.

- ***Convenience Retail***: Spending for groceries and other convenience goods is in the range of $843 million for residents of Oakland to approximately $1.5 billion for all residents of the Inner East Bay. This spending largely occurs closer to places of residence with some also occurring close to places of work. Some convenience retail spending occurs within the Broadway Corridor now.

- ***Comparison Goods Retail***: Spending for comparison goods shopping is large and ranges from $1.4 billion for residents of Oakland to $2.5 billion for all Inner East Bay residents. Most of these dollars are spent in shopping districts (downtowns, shopping centers, neighborhood commercial districts) that offer a mix of stores in proximity and that typically include several larger anchor stores that are important in attracting shoppers. As there are limited options for comparison goods shopping in Oakland, only a share of this spending (less than half) occurs in Oakland with a small share spent along the Broadway Corridor (see next section).

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[2] Relevant existing studies include: (1) Hausrath Economics Group, *Market Demand Analysis for Broadway/Valdez District Specific Plan*, 2009/2010; (2) City of Oakland and Conley Consulting Group, *Upper Broadway Strategy*, 2007; and (3) Hausrath Economics Group, *Downtown Oakland Retail Market Assessment*, 2001.

- ***Auto-Related Retail***: Spending for auto-related retailing also is large, ranging from $1.1 billion for Oakland residents to almost $2 billion for all residents of the Inner East Bay. Most is spending for auto sales and supplies. A large share of that spending by Oakland residents occurs in Oakland including a notable share along the Broadway Corridor.

TABLE 9
ESTIMATED RETAIL EXPENDITURES
FOR RESIDENTS OF OAKLAND
AND THE INNER EAST BAY

	Retail Expenditures (millions 2010 $)	
Retail Categories	Oakland Residents	Inner East Bay Residents
Eating and Drinking		
2010	$375.4	$673.9
2020	405.3	725.9
Convenience Retail		
2010	842.9	1,513.0
2020	909.9	1,629.8
Comparison Goods		
2010	1,379.6	2,476.5
2020	1,489.3	2,667.5
Auto-Related Retail		
2010	1,091.8	1,959.8
2020	1,178.6	2,111.1
Other Retail Stores		
2010	427.9	768.0
2020	461.9	827.3
TOTAL Retail Spending		
2010	$4,117.5 mil.	$7,391.1 mil.
2020	$4,445.0 mil.	$7,961.6 mil.

NOTE Spending estimates based on per capita spending by category for Alameda County in 2010 applied to the 2010 population in Oakland and the Inner East Bay from Table 8.

Source: California Board of Equalization. California Department of Finance; Hausrath Economics Group.

Large Leakage of Comparison Goods Spending Offers Opportunities for New Retail in Oakland

Retail market studies in Oakland have focused on *comparison goods retailing* and identified that Oakland represents one of the most under-retailed major cities. There are limited options for comparison goods shopping in Oakland. As a result, a large share of potential comparison goods expenditures by Oakland residents are not captured by Oakland stores and represent "retail leakage". Most of that leakage is lost to stores in other communities. It also is likely that Oakland consumers spend less for comparison goods due to a lack of convenient shopping opportunities.

Comparisons for 2010 indicate that over $850 million representing 62 percent of comparison goods expenditures by Oakland residents are spent in stores outside Oakland (see Table 10)[3]. Among comparison goods retailing categories, leakage as a percentage of expenditures is largest for department and other general merchandise stores, apparel stores, and specialty stores. There is also leakage of spending for home furnishings/appliances. Among market categories, there is large leakage of retail spending in the upper-middle and middle income markets, as there are very few comparison shopping opportunities for those consumers in Oakland. The Bay Area shopping areas competing for those market segments are concentrated in Walnut Creek and San Francisco, and also include shopping opportunities in Berkeley, Emeryville, and San Leandro.

TABLE 10
OAKLAND EXPENDITURES, SALES, AND LEAKAGE
FOR COMPARISON GOODS RETAILING, 2010

	Apparel	General Merchandise	Home Furnishings/ Appliances	Specialty	TOTAL
Total Expenditure Potential for Oakland Residents ($)	125,038,200	412,434,500	198,689,000	634,392,500	$1,379,554,200
2010 Retail sales for Stores in Oakland ($)	57,912,200	81,262,400	120,549,100	269,443,600	$529,167,300
Net Sales Leakage ($)	**67,126,000**	**331,172,100**	**78,139,900**	**364,948,900**	**$850,386,900**
Percent of Expenditures	**54%**	**80%**	**39%**	**57%**	**62%**

Source: City Of Oakland, Hausrath Economics Group.

[3] The data in Table 10 update earlier analysis from the *Upper Broadway Strategy*. Note that the actual leakage of spending by Oakland residents is larger than identified by the "net" leakage in the table, to the extent that some of the sales in Oakland stores are made by people residing outside of Oakland, such as people who work in Oakland and live outside the city.

Downtown Oakland and Broadway/Valdez District
<u>Identified as Target Area For New Comparison Goods Shopping</u>

The citywide retail study and *Upper Broadway Strategy* identified downtown Oakland and the Broadway/Valdez District[4] as the City's best opportunity for developing successful, new comparison retailing in Oakland so as to capture comparison goods spending and reduce leakage. The intent is to create a major retail shopping environment in the center of Oakland, along Broadway, the city's Main Street, and as a part of Oakland's downtown. As the largest city in the East Bay, in terms of both population and employment, Oakland should be capturing more sales from city residents and residents from nearby communities, including people working downtown.

New Retailing Would Require Capturing A Relatively Small Market Share of Spending

The sales needed to support major new retailing in the Broadway/Valdez District were compared to overall expenditure potentials for the surrounding trade areas to find that a relatively small share of spending would be required to support the new development. Sales of $280 million to support 800,000 square feet of new comparison shopping would require capturing 7 to 12 percent of trade area spending for comparison goods as shown in Table 11 from the earlier Market Analysis for the Broadway/Valdez District Specific Plan[5]. That market share is very reasonable given the high leakage of spending. It indicates strong support, and that a market currently exists for new comparison goods shopping in Oakland and in the Broadway Corridor.

[4] The Broadway/Valdez District that is the subject of the City's Specific Plan, includes both the Valdez Triangle and the North End that are identical as two districts in this analysis.

[5] The trade areas evaluated in the earlier studies were focused on the Broadway/Valdez District, and considered various trade areas surrounding the District. As identified in Table 11, the *Primary Trade Area* includes the southern half of Berkeley, most of Oakland except for a portion of East Oakland below MacArthur and east of Fruitvale, and the cities of Alameda and Piedmont. The *Inner East Bay* includes the cities of Oakland, Piedmont, Berkeley, Albany, Emeryville, and Alameda. In addition, consideration was given to residents within a *15-minute drive time* of downtown Oakland and those within a *20-minute drive time.*

TABLE 11
EVALUATION OF EXPENDITURE POTENTIALS
FOR COMPARISON GOODS RETAILING IN THE BROADWAY/VALDEZ AREA

	Primary Trade Area	Inner East Bay	15-minute Drive Time	20-minute Drive Time
<u>Population</u>				
2012	400,000	660,000	830,000	1,670,000
2007	390,000	630,000	810,000	1,640,000
Expenditure Potential for <u>Comparison Goods Retail</u> /a/				
2012 (2007 $)	$1.62 bil.	$2.68 bil.	$3.37 bil.	$6.77 bil.
2007 (2007 $)	$1.58 bil.	$2.55 bil.	$3.28 bil.	$6.65 bil.
Evaluation of Possible <u>Project Area Retail Development</u>				
$280 mil. Sales Needed for 800,000 sq. ft. Comparison Goods Retailing @ $350 in sales per sq. ft. /b/				
Assumed Support for New Development from Each Area /c/	70% sales	78% sales	90% sales	95% sales
Resultant Share of Potential Expenditures Needed to Support New Development, 2012 /d/	**12% expenditure potential**	**8% expenditure potential**	**7% expenditure potential**	**4% expenditure potential**

/a/ The estimates of retail expenditures from the analysis in the *Upper Broadway Strategy* were updated for this analysis following the same approach and using the same data sources. The earlier analysis was done in 2007 using sales and expenditure data for 2005 (the most current at the time of the analysis). This analysis uses data for 2007, the most current in 2009. The expenditures for 2012 reflect the population growth identified above, and assume constant expenditures per capita in 2007 dollars, without inflation..

/b/ Sales per square foot assumptions are by Hausrath Economics Group and Urbanics Consultants based on several sources: ULI *Dollars & Cents of Shopping Centers, 2008*, ULI Case Studies for recent retail developments including the Precedent Projects, and in-house expertise.

/c/ Assumptions reflect likely market support as assumed for each area.

/d/ Shares shown result from calculations based on assumptions and data above. For example: for the Primary trade Area, 70% (assumed as reasonable support from primary Market Area) of $280 mil. sales needed for new development represents $196 mil. which is 12% of primary trade area expenditures of $1.62 bil. for 2012. Thus, the market share required would be 12 percent for the Primary Trade Area.

Source: *Market Demand Analysis for Broadway/Valdez District Specific Plan* 2009/2010; *Upper Broadway Strategy* 2007.

New Comparison Goods Retailing Needs To Be Significant and Competitive To Successfully Attract Shoppers

Within the strong market context described above, the market challenges for Oakland will be in developing new comparison goods retailing that can attract shoppers and successfully compete with existing retail shopping in surrounding areas. The new development needs to be of significant scale, well-anchored, well-designed, and well-merchandised to be successful. The following summarizes the market recommendations for successful retail development in the Broadway/Valdez Districts, focused in Broadway/Valdez Triangle.

- ***A Critical Mass of Retail.***

  The scale of new retail comparison goods retail development needs to be large enough to attract shoppers, compete with other, existing shopping areas, and sustain successful retailing over time. A minimum of around 1.0 million square feet of retail and related uses is recommended to establish and sustain successful comparison goods shopping in Oakland. Most of that space should be devoted to comparison goods retailing, with other complementary activities also included, such as eating and drinking, entertainment, arts and cultural facilities, smaller convenience retail, and services.

- ***Anchor Tenants and a Broad Mix of Retailers***

  Recognized anchor tenants are critical for attracting shoppers and as a starting place for attracting a mix of retail tenants to Oakland, given the absence of an existing retail base. At least two major anchors are highly desirable along with other recognized tenants. A number of mid-size and smaller tenants are also important for attracting shoppers, as are clusters of similar retailers that create unique attractions.

- ***Attractive New Development That Creates a "Place".***

  The physical characteristics of the district are also important in creating a desirable "place" and a strong image that attracts shoppers and retailers to the area. New developments should be uniquely Oakland and externalized, embracing the street and public spaces.

- ***Other Related Uses***

  A mix of other related uses should combine with retail stores to add interest and attractions and increase time spent in the area. Examples include eating and drinking, entertainment and recreation uses, arts and cultural uses, and smaller convenience retail and personal service uses.

Broadway/Valdez District Specific Plan Under Development With Comparison Goods Retail Objective

The Broadway/Valdez District Specific Plan has been under development for several years with the objective of implementing the city's comparison goods retail strategy in that area. The focus has been on a two-part retail strategy:

- Creation of a significant retail district in the Valdez Triangle. The district could combine the scale of a regional retail center with the ambiance, sense of place, and mix of uses of a downtown district. The original intent was to focus the new retailing on a 20-acre, multi-block area in the Triangle.
- Accommodate additional new retail and retain active auto dealers along Broadway, north of 27th Street, in the North End.

After several years of the planning process, it appears that it may be difficult to satisfy the requirements for creating/developing a new comparison goods retail district in the Broadway/Valdez Triangle. There is limited control of sites in the area, and potential public funding resources to support new retailing have been reduced with the loss of California Redevelopment in 2012. There also have been competing interests advocating for major emphasis on residential development instead of comparison retail. In addition, the recession dampened retail industry interest in expansion, although that situation should improve.

Despite these factors, the Specific Plan is proceeding with consideration of taking a more incremental approach to developing comparison goods retail over time. From a market perspective, such a strategy may not be able to create significant enough attractions to be successful in attracting comparison goods retailers, attracting shoppers, and changing shopping patterns.

V. RETAIL POTENTIALS AND STRATEGY CONSIDERATIONS

Potentials Exist for Additional Retailing along the Broadway Corridor

As described in the earlier sections, there are potentials for additional retailing along the Broadway Corridor. Analyses show that retail spending captured downtown and along the Corridor is low and could be significantly higher with greater availability of retail offerings downtown. In addition, spending potentials will increase in the future with the growth of workers and residents downtown and the growth of households and population in Oakland and surrounding cities.

Thus, the extent that market potentials are captured along the Corridor will depend on additional retail offerings, their number, and the types of goods and services they offer. Other factors including safety and security downtown, as well as maintenance and upkeep of properties and public rights-of-way will also influence the Corridor's attractiveness to both businesses/retailers and shoppers and patrons.

OBDC Loan Program Is Beneficial And Can Be Strategic

OBDC's loan program can continue to play a beneficial role in supporting businesses and property owners along the Corridor, many of them small businesses with less access to sources of funds. The dedication of an amount of funding for lending in the Corridor provides the ability to be strategic so that the aggregate effects of loans in the Corridor will encourage and support the success of the Corridor overall and of districts within it. The loan program could be strategic in its focus on certain types of businesses (market focus) and/or certain locations and districts (geographic focus).

The development of a loan strategy or strategies for the Corridor would benefit from coordination with key city staff to clarify and even refine the city's objectives and strategies for retailing along the Corridor. The loan program and city objectives and efforts should be in sync.

Strategy Considerations

The following are aspects of a retailing strategy for the Corridor that could be considered when creating and implementing a loan program to support overall objectives.

- ***Build on Retail Market Niches and Trends for Districts Along the Corridor. Preserve and Strengthen Integrity of Districts.***

  Earlier in the report, the retail characteristics of districts along the Corridor are described (see Figure 7, Figure 8, and Table 3 and associated text). The types of new retail businesses sought for each area should be ones that are supportive of the characteristics and market orientation of the districts in each case.

Among districts along the Corridor, some are fairly established already so that new businesses are desired to strengthen and support the existing characteristics of retailing in the district in terms of types of retail and markets served. There are other districts that are evolving and where changes over time can influence the retail character of the area in the future. These latter districts are the ones where a retail strategy could be most beneficial. The chart in Figure 15 identifies the districts in each group. The next two bullet items address strategic issues that will influence the latter group of districts.

FIGURE 15
RETAIL DISTRICTS THAT ARE ALREADY ESTABLISHED AND DISTRICTS WHERE RETAILING IS STILL EVOLVING

Downtown Districts Where Retail Characteristics are Already Established:

Chinatown	•Asian-oriented retail •Eating and drinking, convenience, and comparison goods
Old Oakland	•Eating and drinking •Small specialty stores and convenience retail
City Center	•Serves downtown office district •Comparison goods, convenience, and eating and drinking
Lake Merritt	•Serves downtown office district •Convenience and eating and drinking

Downtown Districts Where Retailing is Evolving in Parts of District:

Uptown	•Dining and entertainment •Declining comparison goods retail
Broadway/Valdez Triangle	•Edge of Uptown eating and drinking •Broadway Auto Row •Plan for comparison goods retail district
KONO/Garage District	•Korean convenience retail; eating and drinking •Part of Auto Row •Art galleries and second-run movie theatre in former garages
Broadway/Valdez North End	•Broadway Auto Row Convenience retail •Plan for additional retail and mixed use development
Jack London District	•Dining and entertainment •Anchor comparison retailers •Vacancies in Jack London Square

- ***Address Appropriate Strategy for Expanding Comparison Goods Retailing Downtown***

  Coordination is needed with the City regarding the objectives and an overall strategy for expanding comparison goods retailing downtown. As described in the text, such retailing needs a critical mass of retailers and the right mix of types of stores to successfully attract shoppers. Earlier studies have identified the need for new development to attract anchor tenants to serve this market as well as the ability to occupy existing building spaces. It makes sense to primarily focus on one major location along the Corridor, where comparison goods retailing would be the priority. The following are comments related to possible options:

  - *Broadway/Valdez Triangle*: The Specific Plan for this area is focusing on development of a comparison goods retail district and is developing a retail strategy for meeting that objective.
  - *Uptown Area*: Potentially, efforts could be focused on upgrading and expanding comparison goods retailing in and around the Sears store/property and on the nearby parts of Telegraph Avenue and Broadway.
  - *Jack London District*: There might be interest in expanding comparison goods retail around the home furnishings stores there (Cost Plus and Bed, Bath and Beyond) and/or in attracting new retailers for Jack London Square area in and around the former Barnes and Noble site. That area needs to be repositioned and re-leased.

  OBDC lending efforts should be consistent with the comparison goods strategy to be pursued by the city. In the Broadway/Valdez District, for example, the need for large site areas for new retail development should be considered within the context of leasing existing properties.

- ***Consider City's Strategy for Broadway Auto Row***

  After the effects of the recession, Auto Row is now on the upswing. Although auto-related retail activity there is below past levels, the retail sales there are still significant. They account for the largest share of retail sales along the Corridor, and they support substantial sales tax revenue for the City. The auto dealers and repair shops provide convenient options for many of Oakland's residents.

  As consideration is given to new uses in the Broadway/Valdez and Garage Districts, the strategy for Auto Row should be clarified. While some older auto-related facilities are underutilized or vacant, many others have active businesses. Care is needed to consider the implications for Auto Row of infill by other commercial uses and of possible new development, particularly mixed use development. So far, the Broadway/Valdez District Specific Plan has not fully addressed this issue.

- ***There Can Be Constraints on Reuse of Existing Ground Floor Spaces That are Vacant or Underutilized. OBDC Loan Program Could Help Facilitate Property Reuse.***

  The older building stock along the Corridor contributes to the sense of place downtown and includes many historic buildings. In some cases, the buildings are old and have not been updated for modern retail uses. Weak demand for ground floor spaces along portions of the Corridor has meant that property improvements and upgrades can be costly relative to the income from new uses. The City has had a façade improvement program that has facilitated several upgrades to facades along the Corridor. As that program phases out, there is a role for a loan program that could assist property owners with improvements to facades and building interiors.

  In some cases, existing ground floor spaces in office buildings are large and deep, and not well suited for mid-size and small retail businesses seeking storefront spaces. OBDC's loan program could work with property owners to find solutions. Recent new retail tenants in ground floor space of an office building on Broadway provide a good example. There, ground floor spaces were set up for retail sales areas in storefronts with windows on the sidewalk, and also provided space for manufacturing/production functions to be located behind the storefront spaces[6]. With this approach, the property owner was able to maximize the use of existing ground floor space, and the retail tenant was able to lease storefront space for selling and interior space for manufacturing and support functions.

- ***Other Improvements Downtown Also Are Important***

  The success of OBDC's loan program and of retail strategies for downtown districts will be enhanced by other participation that maintains and improves physical conditions downtown as well as safety and security in the area. These factors are particularly important to businesses considering a location downtown. They also are important in attracting shoppers and patrons from outside the immediate area. Examples include: maintenance and upkeep of streets and sidewalks, public plazas, and private properties; continuation of the Free B Shuttle along Broadway; and continuation of the safety ambassadors program downtown. These efforts

[6] As examples, Oaklandish sells its shirts and other products in the storefront and prints/produces the shirts in the interior space. Similarly, Bittersweet Chocolate operates a café and sales counter in the front, and roasts coffee for its stores (on site and elsewhere) in the back.

are carried out by the City and the Business Improvement Districts (BIDs) that exist in the Downtown. The BIDs are funded by property owners and provide services that supplement those provided by the City.