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>> Mayor Arreguin: The Special Meeting of the Berkeley City Council is called to order. The first item on the agenda is roll call.

>> Councilmember Maio.

>> Here.

>> Davila.

>> Present.

>> Bartlett.

>> Present.

>> Councilmember Hahn is present.

>> Present.

>> Wengraf.

>> Present.

>> Worthington is absent. Droste.

>> Here.

>> And Mayor Arreguin.

>> Mayor Arreguin: Present. Thank you. Moving on to public comment on items on this agenda only, and there is one item on the agenda, which is conference with labor negotiator regarding our firefighter management group unit A.

If there is anyone who is here to comment on item number one in the closed session, now is the time.

Seeing none, we will now convene in closed session.

[ CLOSED SESSION ]

>> Mayor Arreguin: The clerk will please call the roll.

>> Maio.

>> Here.

>> Davila.

>> Here.

>> Bartlett.

>> Here.

>> Hahn is absent.

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Wengraf.

>> Here.

>> Worthington is absent.

Droste.

>> Here.

>> Mayor Arreguin.

>> Mayor Arreguin: Present. Thank you. The first item on our agenda is a work session from our office of economic development regarding the San Pablo Commercial District. Madam City Manager would like to open this item.

>> D. Williams-Ridley: Yes, thank you. Before I turn it over to staff to present the report this evening, I would like to acknowledge the last meeting of our economic development manager, Michael Caplan, he is a 27-year employer within the city and he is legendary. I just want to thank him for his exemplary service to our community for bringing about enormous change in the downtown areas and various communities within Berkeley. I am really proud to have had the opportunity to work with you. Certainly going to miss you. The one thing that he has done for us as a city is build a little bit of a legacy. For a small department that's hard to do. But he has managed to work very closely with his staff and prepare them and get them ready to keep us moving forward.

>> I just want to say I am honored. I have had a chance to work with all of you virtual at some point or another and I will miss being before you in the future. Working in the city where you live where you have this level of engagement and intelligence that we bring to everything in this town, especially in these times, I reflect back. It has been a privilege to work here.

So thank you all. So before I get started, I am Michael Caplan, economic development.

This is Jordan Klein, economic development project coordinator. And Eleanor Hollander, our community development project coordinator. We

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are really here to talk about San Pablo Avenue, do a workshop for you. And for those of you who are new and may not know, a number of years ago the council asked our office to do two of these workshops on economic development matters every year, and we have been doing that for a number of years now.

We really try to talk about information that is useful to you as policy makers and useful to the community as well. We have covered a wide range of material over the years. Sometimes we will do it as an economic trends and issues type snapshot of what is going on in the city. Other times we do a deep dive where we will take a look at a particular economic sector or a district like we are doing tonight with San Pablo Avenue. Just a little bit of other examples, last June we did a deep dive on Telegraph Avenue, talked a lot about updating the report we had done a number of years ago and talked about how things have changed. We last May in May of 2015 we looked at our food production wholesaling and distribution sector. So we talked about that as an emerging and important industrial sector in West Berkeley. So you get a sense of what we try to do. And when we do these workshops, we look at all the standard data sources that economic development people have access to, but we also try to do something a little more. We will do stakeholder interviews, round tables, surveys. So that we are actually getting input from the community and the stakeholders affected.

So that is what we try to do.

Tonight we will be talking about San Pablo. As you know, San Pablo is really the spine of West Berkeley. It transects the entire city from the Albany line to the Oakland line. Because it serves as a nexus, a bridge between the neighborhood districts to the east and the mixed use residential mixed use light industrial districts to the west. And in some ways that is way it is a unique district. It has attributes of both along its length. It has two very, very important economic clusters, business clusters. One is sort of home furnishings and signed and related type of

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activities that we will hear more about later, and the other is auto-related businesses, which are not allowed in much of the city's commercial districts. And provide very important services but very significantly a lot of blue collar jobs.

So finally, with the introduction, I just want to note that the neighborhoods surrounding the San Pablo Corridor are some of the most economically and racially diverse neighborhoods in the city. And like other neighborhoods in the city they are facing demographic challenges and gentrifying pressures. That is a factor that we have tried to note. And we have some information I will present to you.

And obviously San Pablo is a district of great interest and opportunity and we are excited to talk about it tonight.

With that, I'll turn it over to Jordan.

>> Thank you, Michael, and good evening, Mr. Mayor and Councilmembers.

So a quick look at our agenda for the presentation. We are going to start by looking at the study area and methodology. We are going to present data, information, and findings on a variety of topics. We are going to finish with a closer look at key findings related to existing community assets and initiatives, challenges and opportunities. And then we are going to leave time for Q and A at the end.

This is San Pablo Avenue. For the business and employment data we looked at the avenue itself, highlighted in black. On the right we looked at the methodology. We looked at existing literature and plans related to San Pablo, a variety of data sources, demographic data from is census bureau, business and employment data from the California Employment Development Department, sales tax data, our own data collection and observation.

We conducted interviews with a dozen stakeholders, representatives from businesses, non-profit organizations, artists,

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residents and property owners, and we did a focus group from staff of a variety of city agencies.

Starting with the historic context, San Pablo Avenue originally developed as a streetcar route. In the early part of the 20th century it became a prominent regional highway. In fact San Pablo Avenue served as the final leg of the historic Lincoln highway, one of the first transcontinental automobile routes. And that historic function as a regional highway has influenced the street's urban form and development patterns throughout present day. You can see historic photos such as the steel archway that was on San Pablo across University Avenue welcoming people to Berkeley.

There are a number of past plans and initiatives that continue to shape San Pablo Avenue. The West Berkeley plan from 1993, in addition to putting into place protections for some of our manufacturing districts in West Berkeley also identified neighborhood and retail development goals for San Pablo Avenue. The 1998 San Pablo revitalization generated grants up and down the entirety of the corridor. That was a major public investment that transformed the retail environment and still benefits the district to this day.

The 2003 San Pablo public improvements plan identified community concerns about the avenue and suggested a number of public realm improvement, many of which are still relevant. And the 2013 plan Bay Area designated San Pablo Avenue as a priority development area, which means that future housing growth and transportation resources would be focused on this area.

Next we will look at the demographic composition. So here are some statistics about the people and housing. There are about 15,000 people or about 13% of Berkeley's total population on and around San Pablo. Over 7,000 housing units, about 15% of the total housing stock. About 43% of households are renters versus 57% homeowners, right in line

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with city averages. Also you can see the median income are in line with city averages.

You can see one of the differences in population is by age group. You can see that the percentage of the population that falls within the 18-24 age group in the San Pablo area is much lower than citywide. And that reflects the fact the student population is focused on the east side of town closer to campus rather than the west side of town.

This slide presents this racial and ethnic composition of census tracts adjacent to San Pablo Avenue. And the top line represents all of the census tracts together. And you can see that it is a diverse area with just under 50% of the population white and just over 50% people of color. Below the top line there is a line for each census tract with the lines from top to bottom corresponding roughly with the census tracts from north to south, or in other words, the lines closer to the top represent the census tracts closer to the Albany border to the north and the lines at the bottom represent the census tracts closer to the Oakland border to the south.

And you can see that the more northern census tracts generally have higher concentrations of white and Asian people and the more southern census tracts generally have higher concentrations of Latino and African-Americans.

And you can see again this is a diverse population, but as Michael mentioned, the demographics have been changing.

This represents 2000 to 2014. And over time the overall population increased by five% but the white population increased by 36% while the number of people of color decreased by 27%. And at the same time the median household income in the area increased 17% and that includes an adjustment for inflation. We see the San Pablo area is losing its racial and socioeconomic diversity. We will talk more about that later in the preparation.

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But for now let's move on to urban form. The urban form in the San Pablo Corridor varies. But the historic function as a regional highway has led to a roadway largely dedicated to auto uses. And even today many Berkeleyans, their primary experience of San Pablo Avenue is sitting in their car in relatively slow-moving traffic. But there are a number of areas along the corridor that are more pedestrian-friendly. And those tend to correspond with areas of higher retail density and more food services. Nearly every stakeholder we interviewed mentioned the dense tree canopy that contributes to the walkability and the urban form.

There are a number of historic resources that help to define the neighborhood's character. Here is a photo of the historic Heinz building at San Pablo and Ashby. It is also notable there are a lot of curb cuts and surface parking lots that are immediately adjacent to the sidewalk, and that really breaks up the urban form and pedestrian experience along the corridor.

While San Pablo Avenue features commercial uses along its entirety, there are locations of commercial activity at five intersections that serve as focal points for retail activity and mixed use density.

These generally serve as mixed use commercial nodes rather than traditional retail districts. And each of these nodes possesses a unique array of assets and opportunities and challenges. I'm going to go through them quickly.

From north to south, starting with Gilman Street, it features some big box retail like REI, a number of surface parking lots. The recent development of Whole Foods and some active retail destinations to the immediate west of San Pablo Avenue has really brought new life to this node.

Cedar and San Pablo, this is generally the smallest of these five nodes. It features a few cafes and eateries, a couple motels and some auto-oriented businesses. It is notable that the pending development of 1500 San Pablo Avenue will bring 170 new housing units and 11,000 square

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feet of new retail to this node. So it will represent a big expansion of that node. At university and San Pablo, the heavily trafficked node, this serves as the main gateway for visitors to the UC Berkeley campus and downtown via car. There's a cluster of south Asian restaurants and clothing stores and accessories that have really helped define the district going back to the 1980s. There is also a presence of specialty and ethnic food markets around the university that led to the designation as the international marketplace. It also has a number of great architectural resources and concentration of small businesses that make this one of the most walkable nodes. At Dwight and San Pablo about 30 years ago a property owner named Hal brandell acquired some of the brick buildings in the node. And over time he restored the brick buildings and very thoughtfully tended to them with non-profit offices like the Ecology Center, food and beverage businesses like Cafe Trieste, also design and craft businesses. And over time he transformed it into a quaint and walkable center of mixed commerce, and it is really a great example of how a community-minded property owner can really contribute positively to a commercial district.

Finally Ashby and San Pablo. Like University Avenue, this node is really characterized by its connectivity to route 80. Dominated by the Heinz building. Also home to Meyers Sound. And this node has seen development in recent years, especially with Berkeley Bowl West. I'll pass it over to my colleague Eleanor Hollander to talk about business statistics.

>> Thanks. We will switch to what it looks like to who is inside the building and is what are they up to.

The first slide is talking about our ground floor commercial vacancy rate along San Pablo Avenue. How this is collected, old fashioned shoe leather database. Our office has been out since 2008. Ground floor retail space, marking if it is vacant, and taking it back.

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You can see the vacancy rate is slightly down from 2015, down to 5.9% from 7.3%. Just to put this in a little bit of context, we have some commercial districts that have been 19 to 20% in the area since 2008 and some as low as 1% and 2%. A healthy vacancy rate is around 8%. San Pablo is a health district that sits in the middle of those two.

The next looks at ground floor space by type. You can see the vacancy rate we were talking about. Notable here is that San Pablo Avenue has 21% versus 7% citywide of trade services. Auto-oriented uses. Your brake repair shop, transmission repair place, that sort of stuff. It has a slightly less percentage of retail, 30% versus 40% in the city, and smaller food and beverage. 8% versus 13%.

This shows sales tax performance in the San Pablo Corridor from 2007 to the present. The key point is that San Pablo is tracking quite evenly with the city but has weathered the Great Recession. You see the dip in 2010. Almost better than the city as a whole. Never went below where it was in 2007.

The next slide looks at sales tax by category along San Pablo. Its generation is 10.1% of the city as a whole. That makes San Pablo Corridor our most critical highly generating sales tax street in the whole City of Berkeley. A close comp is downtown at 9%.

The two biggest buckets are transportation, gas sales and auto part sales, though not car sales, and general retail, the biggest portion of which is recreational equipment. Delving a little bit deeper into the sectors we were just talking about, auto-oriented businesses along San Pablo are well-represented and we count over 60 auto-oriented businesses that employ approximately 300 people along the corridor, which as Michael mentioned is a big source of blue collar jobs in the area. And it bears out the legacy of the Lincoln highway that first came along San Pablo.

Home furnishings are another one of our sectors along this street. There are over 47 home improvement businesses along the corridor ranging from are salvage goods, detailed home accessories, vintage

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plumbing fixtures, you name it. And the West Berkeley design group is an independently organized designed group of 30 businesses within the sector that are regionally serving and organize themselves around having support in the category, whether it is marketing or cross-promotion.

And then just to show this a little bit more detailed as sales tax piece, you can see home improvement and auto-oriented clusters along San Pablo represented over time here. The auto has been declining a little bit since 2014 where home improvement has been on the upward trend since 2013.

And now I'm going to turn it back to my colleague Jordan to talk a little bit about wages and employment on the corridor.

>> Thank you, Eleanor. So this chart represents wages and average employment from 2011 to 2015. The red line is wages. Q4 wages. Blue line is Q4 average employment. You can see average employment fell from 2012 to 2013. That is largely attributable to jobs job cuts at the Berkeley adult school in 2013. And then you can see significant growth from 2013 through 2015. And that was largely driven by the food and beverage service sector and also construction. Now we are going to talk a little bit about real estate trends. This chart represents the median sales price of single family homes in West Berkeley from 2010 to 2016. This represents actual sales of homes west of Sacramento Street. And you can see that there has been a huge increase in housing value, no surprise. In fact, from 2012 to 2015 the median sales price effectively doubled. Over the past year as more housing supply has come online locally and regionally and as job growth has cooled a little bit, we have seen the prices plateau and even dip a little bit. And really that is probably a good thing rather than to see prices increase stratospherically. But there is strong demand for housing that remains in West Berkeley. And you can see here that San Pablo has been a center for in-fill development in Berkeley. This is a graphic presentation of 11 mixed use projects that are either recently constructed, entitled and pending construction, or

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proposed and seeking entitlement. And together they represent a total of 649 housing units and 49,000 square feet of ground floor commercial space. These totals include 44 below market rate or affordable housing units, including the 100% affordable Grayson apartments project from Satellite Affordable Housing Associates. Now we will review key takeaways, and these are based on our own analyses and observation very much from the stakeholder interviews. So first we are going to go over existing community assets and initiatives. As Michael mentioned, San Pablo is quite figuratively but also literally at the intersection of production and commerce. There are businesses on the avenue that do light manufacturing. There is certainly plenty of retail. But there are even businesses that do both. Businesses that produce in back and sell their products up front. This is a pretty distinctive thing that contributes to neighborhood character. And now when more than ever commercial districts are competing with the Internet, this is a real competitive advantage for San Pablo Avenue because it contributes to the street's sense of place and makes people want to visit there. San Pablo Avenue has a thriving arts community. On the left you see a map created by our office in 2008 that demonstrates the high concentration of arts organizations and artist studios on San Pablo if West Berkeley. Also I want to mention that KALA Art Institute is currently leading a placemaking initiative called print public whereby a number of artists are engaging directly with merchants and residents through dynamic art installations. And they have received a number of major grants for the project and it will culminate in an exhibition at their beautiful gallery in the Heinz building in early 2017. There are a number of business groups that are currently advocating for and supporting the businesses on the avenue. Eleanor mentioned the West Berkeley design loop. There is also the University Avenue association which has for decades been supporting businesses, including that strong cluster at university and San Pablo. There is a new group that has been organizing an art walk around Gilman Street. And there is very new

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organization that calls itself D side hood that is organizing the businesses around Dwight. The concentration of ethnic grocers, retailers and restaurants is another regional draw for San Pablo Avenue. It led to the designation of the international marketplace. About a decade ago our office supported a branding effort with banners. We sponsored the international food festival from 2006 to 2008 that brought thousands of visitors to the district to celebrate the unique business mix. There is also a number of pending transportation investments. The Alameda County transportation commission has designated San Pablo Avenue as a priority corridor. And that will mean rapid bus upgrades in the near term and the potential for bus rapid transit in the long term. And ACTC has designated funding for multi-jurisdictional transportation planning efforts for San Pablo Avenue that will begin in 2017. And there are a number of other investments here that we elaborate on in the report, but I'm going to keep moving.

We identified three major challenges that I want to go over now. We talked already about the loss of racial and economic diversity in the area. And this trend isn't unique to San Pablo Avenue. It is occurring in historically low-income communities around Berkeley and the Bay Area. Berkeley has a variety of measures in place that are intended to prevent displacement like rent stabilization, no fault eviction preventions and inclusionary zoning, but strong housing demand is putting pressure on the Bay Area's low and moderate income residents. In addition to these cost pressures, communities of color are experiencing a kind of cultural displacement. When the businesses and institutions that have historically served as gathering places leave the area or are displaced. So that is a major concern for this corridor.

Competing local and regional interests for transportation. I mentioned Alameda -- AC Transit and Alameda CTC has designated this as a priority bus corridor. The recently released draft of our updated bike plan identifies San Pablo as a potential corridor for dedicated bike

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lanes. It is already an important corridor for private auto traffic and also Caltrans sees San Pablo Avenue as a potential reliever of stress from route 80. Also with all this new development there will be more demand for pedestrian improvements. All of these different modes competing for a finite right of way. A big challenge.

Finally, the cluster of auto-oriented businesses. We talked about it. It is an important contributor of blue collar jobs in Berkeley. It is responsibly threatened in the long term by competing uses. Many of the businesses don't own their property and when their lease expires they might be displaced.

Finally some opportunities. And these will inform the office of economic development's work plan, the work plan for some of our partner agencies, so go through these quickly.

Leverage San Pablo's development potential to preserve and increase housing affordability. We should continue to promote the development of below market rate units through our inclusionary policy, and wherever possible pursue 100% affordable projects like Grayson apartments.

Engage regional transportation agencies. I mentioned the upcoming transportation planning effort. It is really essential for the City of Berkeley to identify our own transportation priorities for San Pablo Avenue and balance those with the regional needs and the priorities of our neighboring municipalities.

Pursue grant funding to conduct comprehensive land use planning for San Pablo priority planning area. Staff anticipates the next cycle from the metropolitan transportation commission will come up in 2017 and at this point we plan to apply for a grant, conduct a community planning process, that will empower local residents to develop their own long-term vision for San Pablo Avenue.

Leverage planned development, private and public sector development should be leveraged for pedestrian improvements. We will

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continue to promote walkable active frontages, especially with the nodes. And economic development will continue to support existing and emerging business associations and industry clusters.

And I want to finish by saying that San Pablo is a really wonderful and dynamic and distinctive corridor, and we expect it is going to have a lot of attention from city staff in the coming years.

Thank you so much for your attention, and we are happy to take your questions.

>> Mayor Arreguin: Thank you so much. And thank you for the excellent presentation. And before we call on the council, I just want to also take an opportunity to thank Michael so very much for his many years of incredible service to the City of Berkeley. You have really made our office of economic development and our economic development initiatives really a central part of what the city does. From the work we have done in the downtown and promoting the innovation economy in the downtown to the work in the other commercial corridors, you are leaving a lasting legacy in our community. We will wish you. We wish you all the best. And I want to thank you so very much for your many, many years of service to our community.

>> Thank you. I just want to say to the council you heard it tonight. I am confident that you will continue to get excellent professional care from our wonderful economic development staff. But I appreciate your comments. Thank you.

>> Mayor Arreguin: And I'm very confident as well. Thank you for bringing such a great team to our city.

So first Councilmember I would like to recognize is Councilmember Maio. Just before Councilmember Maio speaks I want to let the new Councilmembers know if you would like to be recognized, push your button, the request button on the parliamentarian. And you'll be in the queue.

Councilmember Maio.

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>> L. Maio: I wanted to echo Jesse's compliments. Michael and I worked on the international marketplace at San Pablo and university. It was truly transformative there. It kind of started its own then and now it is pretty thriving and bustling.

So thank you, Michael. And good luck in whatever you decide to do, because I think it is not over for you.

You have other irons in the fire.

>> I live in Berkeley so I intend to somehow stay engaged.

>> I would like to focus on the opportunity page and pursuing grant funding to conduct land use planning. Because San Pablo is really our opportunity street for what it is we want in the future.

So we have to deal with the displacement issue. And let's just look in the future where we develop some affordable housing on San Pablo Avenue using our non-profit structure. And how it is we can actually build that bridge between the existing community and housing opportunities so they don't find themselves moving someplace very far away because that's the only thing that they can afford.

And I think that is a real challenge for us because when we use public money we have to go through strict procedure of waiting lists, etc., but we have a lot of work to do to reach out to the existing communities who live there now and are facing displacement and working with our non-profits and embrace them into the future housing opportunities we hope to develop.

I consider that a really big challenge for us. Other communities have tried to create priority for existing. And there are some snags there. But I think we have to work on that. Because people would like to plan San Pablo avenue's future through a regular planning process like we did for University Avenue. And people need access to affordable groceries, for instance. If you are not far south you have access to affordable lovely Berkeley Bowl. But if you are in the north you have quite expensive opportunities. The international marketplace provides some goods, but I

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think there are areas where we really need to focus on providing goods and services for the community who live there.

And you might remember that we have had some housing projects that caused the community to come out and oppose us seriously, costing us over \$100,000 in lag time before we actually started construction. So in order to get ahead of that what we did on University Avenue was put that planning in in the first place with the community where the nodes were identified, the height limits were identified, the setbacks, etc. So that when we actually get into a project meeting with the criteria we have had some history of planning and work with the community.

And the last thing I wanted to say is I understand what you are saying about the fact people getting priced out. I also know I get a lot of complaints from neighbors about derelict cars parked on the street waiting for service on the neighborhood side of the street on the other side of San Pablo, the east side. And we have to work with these businesses to help them be better neighbors. That's for sure. But we also need them all because we need to have our cars serviced and repaired. It is one of the few places left. I don't think there is any other auto-related uses. There may be a couple on San Pablo. And I also was interested in the art walk. What is happening with the art walk on Gilman?

>> I believe it occurred in August. I have an upcoming meeting with one of the organizers. I'll have to get back to you. Next week.

>> L. Maio: I wanted to thank you so much for this compendium of information and all the work you have done to get it there. Thanks so much.

>> Mayor Arreguin: Councilmember Hahn.

>> S. Hahn: Thank you so much. I would certainly like to join myself with the comments of Councilmember Maio. Thank you. I agree with all those.

And I have two comments and three questions that are short.