

MENLO PARK

COMPARATIVE ECONOMIC ADVANTAGE STUDY

NOVEMBER 2014

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01

**EXECUTIVE
SUMMARY**

01 EXECUTIVE SUMMARY

What is the purpose of this study?

This comparative study is the foundation for the next phase of UP's work for Menlo Park, the preparation of a draft Economic Development Plan. Accordingly, this study does not propose goals, objectives and policies, but instead identifies Menlo Park's comparative economic advantages, opportunities and constraints. Once the Economic Development Plan Stakeholder Group has reviewed and commented on this draft study, UP will finalize it and begin work on the Economic Development Plan (the Plan). It is important to emphasize that UP's work on the Plan must be guided by the Advisory Group's direction on the City's values and goals. While UP is capable of drafting a smart strategy to pursue value-based goals, the City first needs to clarify its values and goals in light of the economic opportunities highlighted in this report. We believe that this two-step process—and informed conversation—will result in the best possible Economic Development Plan.

Key conclusions from the study:

- With one of the most educated populations in the Bay Area, highest average household incomes, and largest share of local workforce employed in the innovation sector, Menlo Park is an extraordinary beneficiary of the regional innovation economy.
- With some of the lowest office vacancy rates and highest monthly rents in the region, Menlo Park is well positioned to capture greater public benefit by leveraging its unique regional real estate advantage.
- However, the good luck of being situated at the center of one of the world's most

dynamic innovation clusters can also lead to complacency in regard to planning for future economic success.

- Menlo Park is failing to capture many of the economic multipliers that innovation sector jobs can bring to local economic development.
- More specifically, Menlo Park is missing out on retail businesses, jobs and their associated sales tax revenue and public amenity value. It has one of the lowest retail per office job ratios in our peer review group, very low retail vacancy rates and very low per capita sales tax revenue.
- A growing share of innovation jobs, tech employers and venture capital are moving to walkable, compact and transit-oriented urban centers like San Francisco. The now-aging millennial generation has a strong preference for these same walkable urban places.
- Menlo Park has one of the lowest Walk Scores of its peer group, reflecting its relatively low density, automobile orientation, and poor walking access and proximity to resident and employee-serving amenities like retail and professional services.
- For Menlo Park to remain economically competitive and resilient over the next 25 years, it needs support land use and development plans that encourage denser, walkable mixed-use neighborhoods in transit-rich locations.
- Menlo Park could also capture a larger portion of retail and service businesses and jobs if it pursues progressive land use and urban design policies that encourage such growth.

- Policies that support walkable urbanism are also great economic development strategy. Such policies simultaneously enhance livability and public health for families while generating higher sales tax revenue and long-term economic competitiveness and resiliency.
- Many Bay Area cities have adopted land use plans that encourage walkable urbanism around fixed transit with the express intention of capturing innovation sector jobs.
- Menlo Park needs to view better connections to regional transit as a vital tool for the City's long-term economic development.

02

FINDINGS

PART I 11

PART II 16

02 FINDINGS

Part I compares Menlo Park to a broad list of cities in the Bay Area based on their basic demographics and how well these cities are currently capturing the benefits of the regional innovation economy.

Part II explores whether Menlo Park is well positioned to capture the future benefits of the regional innovation economy by comparing it to smaller peer group in regards to tax revenue, land use, office space capacity, and transit services.

All tables and maps cited in the findings are located in the Appendix. A set of case studies summarizing successful upzoning and placemaking efforts has also been included to demonstrate the array of strategies being employed by various cities across the region.

Part I Comparison Group: Part I of the study looked at a list of cities 22 in the Bay Area that are likely to create innovation sector jobs in the medium term. Innovation sector jobs are important to Menlo Park because they generate significant economic multiplier effects on the local economy. The comparison cities were chosen based on three criteria:

- (1) they already have clusters of innovation-economy jobs;
- (2) many residents are in their twenties and thirties; and
- (3) they are walkable¹.

Comparison Group Cities:

Alameda	Palo Alto
Berkeley	Redwood City
Brisbane	Richmond
Burlingame	San Bruno
Cupertino	San Carlos
Daly City	San Francisco
Emeryville	San Jose
Foster City	San Mateo
Fremont	Santa Clara
Mountain View	South San Francisco
Oakland	Sunnyvale

¹ The cities chosen have significant clusters of jobs in NAICS sectors 51 and 54; have a 12% or greater share of population between 20 and 34; and have a Walk Score from walkscore.com of at least 40.

Part I Findings

High Degree of Regional Integration: Menlo Park's economy is tightly integrated into the larger Bay Area economy. Like many cities in the region, the majority of workers in Menlo Park commute from outside the city, and the majority of Menlo Park residents travel to other Bay Area cities to work. These commuters follow the transportation network. They come south from San Francisco and other points on the Peninsula; north from San Jose and Sunnyvale; and across the bridges from Hayward and Fremont. Menlo Park residents travel to the same cities to work (Maps 1 & 2).

Low Population, but Average Demographics:

When considering the importance of innovation sector jobs, it is important to look at local demographics because many start-ups rely on the talent of young people (and their willingness to take risks) to fuel early growth. Compared to its peers, Menlo Park has fewer people aged 20-35 than most of the other cities (Table 1). That difference shrinks when we measure resident between 20 and 35 as a share of total population, but Menlo Park still has a lower share of young workers than many other cities. When we look at other age groups, Menlo Park is not an outlier – the share of residents under 20, between 35 and 55, and over 55 are average for the peer group (Tables 2-5).

High Average Household Income: At \$109,209, Menlo Park enjoys one of the highest average household incomes among the comparison group (Table 6).

High Educational Attainment: Menlo Park has a higher share of residents with a bachelor's degree or higher than nearly all the other cities in the comparison group (Table 7), and also has a higher share of residents with graduate or professional degrees (Table 8). A hallmark of the innovation-economy is a well-educated workforce.

A large share of Menlo Park's employment is in the innovation sector, but these jobs are only a small share of the all Bay Area innovation jobs: Menlo Park's cluster of innovation sector jobs is not among the biggest in the Bay Area, but it's not small either (See Table 9). It's in a "third tier" behind giants like San Francisco and San Jose, and behind medium-large clusters like Palo Alto, Mountain View and Sunnyvale. At the same time, Menlo Park is very conveniently located to access to many neighboring clusters of innovation-economy jobs, like Palo Alto, Mountain View, and Sunnyvale.

Although Silicon Valley remains the world leader in fostering tech startups and innovation sector jobs, a significant portion of the innovation economy is shifting to large cities nearby. San Francisco now attracts more venture capital investment than Silicon Valley, and it holds the headquarters of Twitter, Yelp, Pinterest, Uber, Lyft, Dropbox, Salesforce, Instagram, BitTorrent, Zynga and BitTorrent. Technology companies are engaged in fierce competition for the most skilled workers, and these workers are increasingly interested in living in cities.

This trend does not pose an immediate threat to Menlo Park, as tech employment in the City is currently strong (See Table 10). Menlo Park has a higher percentage of jobs in the innovation sector than most other cities. However, the City should be considering its place in a future where technology

WHAT IS THE INNOVATION ECONOMY?

The innovation sector is defined by industries that require human capital and ingenuity like bio-tech, hi-tech, prototyping, social media, information technology, and the venture capital that supports these ventures.

companies increasingly seek downtown locations with an energetic and walkable urban environment.

Menlo Park is failing to capture its retail and service sector potential: Menlo Park lacks retail services in many neighborhoods, which inconveniences City residents. It also leads many highly-paid workers in the City to spend their money in Palo Alto, Redwood City, or San Francisco instead of spending it in Menlo Park. This reduces sales tax revenues. Menlo Park now hosts a considerable number of innovation-economy employees, but many of these employees likely spend their money in Redwood City, San Francisco, and Berkeley because of the lack of retail. One solution would be to densify employment centers in Menlo Park. Research has shown that as employment density increases employees have more opportunities to shop near their workplace, if land use regulations allow it.²

At the same time, the May 2014 *Economic Trends Report* found that little vacant retail space remains in the City.³ This suggests that increasing retail services will require crafting land use policies to permit more retail. It will also require an effort to generate a more lively and walkable urban

² Chatman, D. G. (2002). The Influence of Workplace Land Use and Commute Mode Choice on Mileage Traveled for Personal Commercial Purposes. Presented at the TRB 2003 Annual Meeting, Transportation Research Board.

³ BAE Urban Economics. (2014). Menlo Park Economic Development Strategic Plan Phase 1: Economic Trends Report.

One reason that the innovation sector is important for the local economy is that it has a higher multiplier effect. This is because local economies are interconnected through a complex web of transactions. Each new worker helps support local jobs by going to restaurants, shopping at the grocery store, getting car repairs, visiting the dentist, and so on. The company that hires a new worker also pushes more money into the local economy in various ways, from buying office supplies to engaging the services of outside professionals like lawyers and consultants, or even yoga instructors.

These are called **multiplier effects** – and innovation-economy jobs have higher multiplier effects than most jobs. Berkeley economist Enrico Moretti has estimated that each new high-tech job in a metropolitan area leads to the creation of five more jobs outside of the high tech sector. A multiplier is a number showing how changes (jobs, earnings, or sales) in one sector will propagate to other sector in a regional economy. For example, a jobs multiplier of 3 means that a change of 100 jobs in that sector would lead to a total change of 300 jobs ($3 \times 100 = 300$) in the larger regional economy. This 300 includes the original 100 jobs, meaning the additional change is 200. As Moretti emphasizes in his book *The New Geography of Jobs*,

With only a fraction of the jobs, the innovation sector generates a disproportionate number of additional local jobs and therefore profoundly shapes the local economy. A healthy traded sector¹ benefits the local economy directly, as it generates well-paid jobs, and indirectly as it creates additional jobs in the non-traded sector.

What is truly remarkable is that this indirect effect to the local economy is much larger than the direct effect... for each new high-tech job in a

metropolitan area, five additional local jobs are created outside of high tech in the long run.

[And] it gets even more interesting. These five jobs benefit a diverse set of workers. Two of the jobs created by the multiplier effect are professional jobs — doctors and lawyers — while the other three benefit workers in nonprofessional occupations — waiters and store clerks. Take Apple, for example. It employs 12,000 workers in Cupertino. Through the multiplier effect, however, the company generates more than 60,000 additional service jobs in the entire metropolitan area, of which 36,000 are unskilled and 24,000 are skilled. Incredibly, this means that the main effect of Apple on the region's employment is on jobs outside of high tech.

However, these multiplier benefits are not necessarily captured in Menlo Park. They are regional: they are likely to cluster nearby, but nearby could be in the next town or ten miles away. Partly, this depends on where the new innovation sector workers end up spending their high wages – and this depends on what shopping or service offerings are available in each city. A new tech workers' money is likely to be spent wherever they find the largest, most vibrant most convenient and, perhaps, most walkable concentrations of shops and services.

These regional shopping destinations are likely to be downtown neighborhoods that are mixed-use and medium-density to high-density, with access to transportation services. It is no accident that these high-amenity urban neighborhoods are increasingly attracting Millennials and tech startups.

¹A traded sector is one that sells to outsiders, bringing in outside money into the region, while a non-traded sector is one that serves the residents of the region.

atmosphere in the City center. More people walking and biking on downtown streets – and more people living downtown – will support a more lively retail district. Consider the most successful shopping districts in the region – places like Palo Alto, Redwood City, and San Francisco. They don't just have stores – they have a busy, exciting atmosphere that comes from having more people on the street. In each of these locations, medium-density and high-density housing in central locations has played a key role in establishing thriving retail centers (See Case Studies for examples of successful retail districts in the region). Of course, it would be misguided for Menlo Park to try to become any of these communities. However, the City can use the experience of these local examples to develop its own template for success.

A Low Retail to Office Jobs Ratio: So how is Menlo Park doing when it comes to capturing the local economic benefits from tech economy growth? There is no simple way to measure this, but one way is to count how many retail jobs there are for every office job.

Menlo Park has fewer retail jobs per office job than most of the cities in the comparison group (See Table 11). Measured in this way, it seems like Menlo Park may be leaving some benefits of the tech economy on the table for neighboring cities to capture. It's important to note, however, that two cities that have similar ratios of retail jobs to office jobs are not necessarily similar in other ways. A city could have a high ratio because it has a lot of retail jobs – or it could have a high ratio because, while it has a moderate number of retail jobs, it doesn't have many office jobs.

It might be time to turn Facebook inside out: In Silicon Valley, many tech companies try to make their workplaces more comfortable and inviting by offering goods and services that their employees can take advantage of without leaving the office. Facebook has installed a 9-restaurant food court, a candy

shop, a bicycle repair shop, a video arcade, and a barbershop.

It is important to keep in mind how this affects the local economy. On an average street in Menlo Park, a collection of shops like this would feel a lot like a real “main street,” which would likely attract nearby residents and non-Facebook employees, driving greater sales and creating employment opportunities—extending the multipliers outward. In sum, turning the campus “inside out” would likely generate greater positive externalities⁴ than closing the doors and recycling existing wages in a closed system. Instead these services are currently “internalized” on a closed campus, which in turn reduces the need of employees to seek services in the surrounding neighborhood.

Walkability, Accessibility, and Livability Reinforce Economic Competitiveness and Resiliency in the Innovation Economy:

Measuring a neighborhood's relative level of “walkable urbanism” is difficult. In this study we assess walkable urbanism by using Walk Scores. This is a score between 0 and 100 developed by Walk Score, a company that promotes alternative transportation modes. A Walk Score is a good predictor of things like retail store concentration and density of transportation options – things that contribute to the overall convenience and appeal of a given neighborhood.

Menlo Park's Walk Score is lower than the comparison group average (see Table 12). Why is this important? One benefit of walkable neighborhoods is that they have higher property values and more economic activity. A 2012 study of neighborhoods in Washington, D.C. found that walkable neighborhoods have higher home sales prices, higher rents, and

⁴ A positive externality exists when an individual or firm making a decision does not receive the full benefit of the decision. The benefit to the individual or firm is less than the benefit to society. Thus when a positive externality exists in an unregulated market, the marginal benefit curve (the demand curve) of the individual making the decision is less than the marginal benefit curve to society. With positive externalities, less is produced and consumed than the socially optimal level. This dilemma may, among other factors, be the reason that Facebook hasn't expanded its retail and service offerings outward into Menlo Park.

higher retail sales.⁵

Walkable neighborhoods also promote health. A 2014 survey conducted in six major U.S. cities found that people who moved to a neighborhood with a higher Walk Score walked more and reduced their body mass index.⁶

Researchers and market analysts believe that homes in dense urban areas with access to good transportation and shops command higher prices, and that demand for them is rising. Homes in urban areas command a price premium of 15%.⁷ An analysis of home prices during the turbulent period from 2007 to 2012 found that homes in urban neighborhoods maintained their value better than suburban homes.⁸ Surveys have found an unmet demand for homes in urban neighborhoods: many people living in the suburbs, particularly young people, would prefer to move to more central locations with better transportation.⁹ (Of course, this just confirms what apartment prices tell us: housing is expensive in these neighborhoods because demand for it is high.)

Due to the business advantages of locating in walkable urban neighborhoods, commercial real estate there commands higher prices.¹⁰ Companies are drawn to urban locations to better know their customers and to attract well-educated employees, who prefer to live in cities. Even the technology

⁵ Leinberger, C. B., & Alfonzo, M. (2012, May). Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C. Retrieved November 13, 2014, from <http://www.brookings.edu/research/papers/2012/05/25-walkable-places-leinberger>

⁶ Hirsch, J. A., Diez Roux, A. V., Moore, K. A., Evenson, K. R., & Rodriguez, D. A. (2014). Change in walking and body mass index following residential relocation: the multi-ethnic study of atherosclerosis. *American Journal of Public Health*, 104(3), e49–56.

⁷ Song, Y., & Knaap, G.-J. (2003). New urbanism and housing values: a disaggregate assessment. *Journal of Urban Economics*, 54(2), 218–238.

⁸ Gillen, K. (2012). The Correlates of Housing Price Changes with Geography, Density, Design and Use: Evidence from Philadelphia. Congress for the New Urbanism. Retrieved from <http://www.ssti.us/2012/11/the-correlates-of-housing-price-changes-with-geography-density-design-and-use-evidence-from-philadelphia-congress-for-the-new-urbanism-2012/>

⁹ RSG. (2014). Who's on Board 2014: Mobility Attitudes Survey. Transit Center. National Association of Realtors. (2013). NAR 2013 Community Preference Survey.

¹⁰ Pivo, G., & Fisher, J. D. (2011). The Walkability Premium in Commercial Real Estate Investments. *Real Estate Economics*, 39(2), 185–219.

HOW IS THE WALK SCORE CALCULATED?

The most important element is **proximity to amenities** – the places people travel to reach. Examples include shops, schools, offices, and parks. Neighborhoods with shorter walks to nearby amenities have a higher Walk Score.

Another element is **population density**. Some trips simply go from one home to another. Where homes are closer together, it is easier to walk between them. Higher population density is also associated with other qualities that make walking easier, like good transit services.

Another element is the **design of streets and blocks**. It is more difficult to walk where blocks are longer and streets have curves and dead ends, because pedestrians are often forced to take longer indirect routes. Neighborhoods with shorter blocks and more frequent intersections allow pedestrians to choose more direct routes. These neighborhoods have higher Walk Scores.

Researchers have investigated whether Walk Scores are actually a good assessment of a neighborhood's walkability. They found that people in neighborhoods with higher Walk Scores are more likely to walk to destinations, and spend more time each week walking¹.

¹ Hirsch, J. A., Moore, K. A., Evenson, K. R., Rodriguez, D. A., & Diez Roux, A. V. (2013). Walk Score® and Transit Score® and walking in the multi-ethnic study of atherosclerosis. *American Journal of Preventive Medicine*, 45(2), 158–166.

industries that were born in Silicon Valley have begun shifting to San Francisco, which now holds the headquarters of Uber, Lyft, Salesforce, Twitter, Instagram, Pinterest, BitTorrent, Zynga, Reddit and

Yelp. San Francisco now attracts more venture capital investment than Silicon Valley.¹¹

Part II Overview

The Comparison Group: Here we narrow our focus, and compare Menlo Park to a shorter list of ten Bay Area cities. These cities are not necessarily similar to Menlo Park, except in the sense that they are all attractive places for innovation sector businesses to locate. These communities compete with Menlo Park to capture local multiplier jobs and economic activity. By analyzing tax revenue, land use, office space capacity, and transit services we get a sense of Menlo Park’s current climate and overall fitness to capture future economic benefit in comparison to these peer cities. They are:

Burlingame	Pleasanton
Emeryville	Redwood City
Foster City	San Francisco
Mountain View	San Mateo
Palo Alto	Walnut Creek

Part II Findings

Menlo Park needs more compact, walkable mixed-use urbanism: As we’ve discussed, the positive “spillovers” from new jobs and economic growth are likely to be captured in cities with vibrant mixed-use retail centers. This raises the issue of land use policies – the zoning rules that determine where retail uses, as well as offices and homes, are allowed to locate. The positive spillovers are likely to be captured in areas where land use regulations permit mixed uses at medium- to high-density. Good data about municipal land use is hard to get. One way that land use can be evaluated is by comparing the amount of commercial and industrial building space that is available in each city, and in this case we used information published by the real estate company

¹¹ Florida, R. (2014). *Startup City: The Urban Shift in Venture Capital and High Technology*. Toronto: Martin Prosperity Institute.

Colliers International (Table 13) which shows a good mix of office and industrial/Research & Development available in Menlo Park.

Another way to compare how cities use land is to measure their capacity for further housing development. In California, cities are required to estimate future housing development capacity in the housing element of their general plan (Table 14). Menlo Park has fulfilled 40% of its housing capacity, which is more than many other cities in the peer group, but still suggests room for growth.

Taken together, these two indicators suggest Menlo Park is primed for considerable compact mixed-use development at greater densities than its historic norm. Menlo Park is missing out on positive “spillovers” from new jobs and economic growth. Around the Bay Area, cities are making plans to capture coming growth. Cities from Walnut Creek to Redwood City to San Jose are making ambitious changes to land use policy, building walkable neighborhoods with excellent transportation, and hoping to attract well-educated young people and innovative entrepreneurs. (See Case Studies for examples of cities increasing density and focusing on urban design to capture the benefits of the innovation economy).

Menlo Park has succeeded in the past because it offered exactly the sort of places that innovative companies wanted to be. It needs to consider its place in a future where more companies are looking for walkable, vibrant and urban neighborhoods.

Menlo Park is missing out on tax revenue: Most city governments take in much of their revenue from three major taxes: property tax, sales and use tax, and hotel tax (also called transient occupancy tax). Looking at these revenues is a quick way to get a sense of the local economy.

Sales tax revenues in Menlo Park are among the lowest in the peer group, due to Menlo Park’s relatively low concentration of retail business. On

a per capita basis, Menlo Park sinks even further, receiving only \$18,601 per residents in sales (Table 15). This reinforces the reality that while Menlo Park is positioned in a tightly integrated regional economy, it's missing out on its share of the benefit because of a low concentration of retail business. The *right* kind of office (medium density, mixed-use) would create new retail needs which would in turn capture more tax revenue.

Menlo Park has lower property tax revenues than many of the cities in the peer group. This may seem strange, since homes in Menlo Park are fairly expensive. However, they are primarily single-family residences; property values are significantly higher in cities with densely developed office and residential buildings.

Hotel tax revenues in Menlo Park are near the middle of the peer group. These revenues are higher in cities with large or numerous hotels. (Tables 16 & 17)

Menlo Park has highly valuable office space and extraordinary demand for more: Menlo Park has a little more than 5 million square feet of office space (See Table 18). To put that in perspective, San Francisco – which hosts the largest concentration of office space in the region – has about 89 million square feet. Palo Alto has about 10 million square feet of office space, and Mountain View has about 4 million square feet.

Menlo Park's office space generates more money per square foot than anywhere else in the Bay Area. Monthly office rents are \$6.77 per square foot (Table 19). And only 5.7% of office space is vacant – nearly the lowest vacancy rate in the Bay Area (Table 20 & 21).

Taken together, these indicators suggest that Menlo Park enjoys a highly valuable office market with room to grow to increase its share of benefit in the innovation economy.

Menlo Park ranks low on access to regional transit: With the exception of Foster City, all cities in the peer group have some level of fixed-route transit

service – commuter trains or light rail (Map 3). Based on this data, we can estimate the distance to the nearest fixed-route transit station from the centroid (geographic center) of each census block group in the peer group cities. By weighting these distances by each block group's population, we can estimate the average distance to a fixed-route transit station among all residents in each city (Map 4). By this measure, Menlo Park falls low on the list for transit proximity.

This highlights the importance of location and transportation. When a business looks for a location, good transportation options – and the variety of goods and services that come with it – are a selling point. It is no coincidence that the cities with thriving innovation sectors nearly all have access to high-quality public transportation.

The San Francisco Peninsula has traditionally dominated the Silicon Valley innovation economy. However, recently more tech companies have begun to locate in San Francisco. This may indicate that the growing importance of urban amenities, including high-quality transit service.

If that is the case, then East Bay and South Bay communities with BART service, like Oakland, Fremont, and (in the near future) San Jose, may have significant potential for innovation-sector growth, while cities like Menlo Park must depend on CalTrain to connect them to the regional economy. Transit systems don't evolve overnight, however in order to be a competitive player in the regional economy, Menlo Park must view better connections to regional transit as a vital tool for the City's long-term economic development.

03

APPENDIX

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CASE STUDIES

Warm Springs Station, Fremont

The Warm Springs/South Fremont Community Plan, approved in July 2014, charts a development path for nearly 900 acres of land with 10 different planning areas, each with distinct land use plans that mix various uses. For each of these zones, the plan establishes a minimum building intensity (FAR) by use, with the goal of providing flexibility for development over time while maintaining a diversity of uses (See Table). In addition to minimum FAR, Jobs Factor and Minimum and Maximum Site Area to help reach regional goals for housing and employment.

TAKE AWAY: This ambitious plan allows for a mix of residential, office, industrial and retail uses in the area, previously been zoned for heavy industrial use. Rather than focusing on maximum FAR, Warm Springs sets a minimum building intensity paired with rigorous form-based guidelines, to ensure new development is filling in at an intensity and form that matches their vision for the area: an innovation district offering a unique opportunity for inventive, flexible development of new and expanding businesses interwoven with areas for living, learning and commerce.

Total Site Area	
900 acres	
Intensity/FAR	
Use:	Min. FAR
Industrial	0.35
Research & Development	0.5
Office & Convention	1.5
Hotel	1.5
Retail & Entertainment	2000 SF/acre
Project Targets	
Min. Gross Floor Area	11,521,526 SF
Min. Dwelling Units	2,700
Total Jobs	20,000
Public Open Spce	4 acres

Bay Meadows, San Mateo

The first Bay Meadows Specific Plan (Phase I), adopted in 1997, contemplated two specific parcels near the 101/Hillsdale Blvd. exit for redevelopment. Along with other design guidelines, the plan set an FAR for .5 and 1.34 FAR for each parcel with the goal of creating a mixed-use, walkable and bikeable “gateway identity” to the City of San Mateo. The Phase II Specific Plan Amendment, adopted in 2005, took even greater advantage of the existing and expanding CalTrain commuter rail line linking San Francisco to San Jose and Gilroy. The proximity to the new express train station provided a unique opportunity for Phase II to advance the mixed- use principles initiated in Phase I. Along with other extensive design guidelines, a maximum FAR of 2.0 and 50 du/acre was approved for mixed-use parcels and residential parcels respectively, with the combined goal of creating a compact, walkable, transit-oriented community.

TAKE AWAY: After nearly two-decades of planning, Bay Meadows is currently coming to life. It’s an excellent example of a city successfully master planning a walkable, mixed use district near transit. Once fully developed, the 83 acre Bay Meadows will boast 1,250 residential units, over 750,000 square feet of office space, 150,000 square feet of retail, and nearly 15 acres of public space.

Total Site Area	
83 acres	
Intensity/FAR	
Phase	Max. FAR
Phase I	.5-1.34
Phase II	2 and 50 DU/acre
Project Targets	
Residential	1,250 DU
Office	750000 SF
Retail	150,000 SF
Public Space	15 acres

Downtown Redwood City

Redwood City's Downtown Precise Plan (DTPP), adopted in 2011 (amended in 2013), established height limits in 6 zones and a Maximum Allowable Development (MAD) guidelines for the DTPP Area as a whole (183 acres). The MAD restricts residential development to 2,500 net new dwelling units, office development to 500,000 net new square feet of gross floor area, retail development to 100,000 net new square feet of gross floor area, and lodging development to 200 net new guest rooms. The DTPP places no limit on dwelling units per acre (du/ac) and floor area ratio (FAR) on a site-by-site basis. Instead, intensity of development is guided by the form-based codes that establish design guidelines, the MAD, and height limits by zone, ranging from 3-12 stories.

Total Site Area	
183 acres	
Intensity/FAR	
6 height zones 3-12 stories	
Project Targets	
MAD	Amount
Residential	2,500 DU
Office	500,000 SF
Retail	100,000 SF
Lodging	200 DU

TAKE AWAY: With this comprehensive plan, Redwood City has approached downtown revitalization from the perspective of establishing an overall “mold” for future development and released a limited amount of developable square footage at this time to fill it. The plan has brought a flood of new development to Redwood City, so much so that the MAD limit for office has already been reached. Redwood City is now in the position to release additional square footage to fill their “mold” at the rate that they wish.

North San Jose

The North San José Urban Design Guidelines set ambitious goals for transforming the neighborhood into a more walkable and urban setting. The guidelines call for higher-density residential and commercial development; a more active public realm that encourages walking and biking; and a diverse mix of uses that provide places for living, working, shopping, recreation, and education. These goals required major changes to density and height requirements. Buildings in the neighborhood core were given a height minimum of 4 stories (1.2 effective FAR), although this was subsequently reduced to 3 stories (.8 effective FAR) based on feedback from developers. Height maximums were set at 120 to 250 feet. The plan allows for 26.7M SF office/industrial, new 32,000 homes and 1.7M SF of commercial.

Total Site Area	
4,795 acres	
Intensity/FAR	
<i>Core Area FAR was recently reduced from 1.2 to .8, height maximums are 120-250 ft.</i>	
Project Targets	
Office/Industrial	26.7M SF
Commercial	1.7M SF
Residential	32,000 homes

TAKE AWAY: San José is actively seeking to capture more employment and economic activity in North San Jose to balance the City's high concentration of housing. Effective FAR was recently reduced at the urging of developers, suggesting the city's appetite for change may be outpacing developers' ability to build profitable projects.

Walnut Creek: Locust Street / Mt. Diablo Boulevard Specific Plan

For many years, Walnut Creek has focused planning efforts on restoring its historic downtown and creating a walkable urban core with strong connections to the BART station. To City leaders, a dense and walkable downtown was seen as an economic development strategy – a way to weather the decline of auto dealerships and the hollowing out of downtown retail.

TAKE AWAY: The strategy has produced dramatic results. An area once dominated by parking lots, wide streets and auto dealerships has been redeveloped with dense housing, offices, parking structures, and pedestrian-oriented retail. Rapid commercial and residential development continues, putting Walnut Creek well along the transition to a vibrant and walkable center.

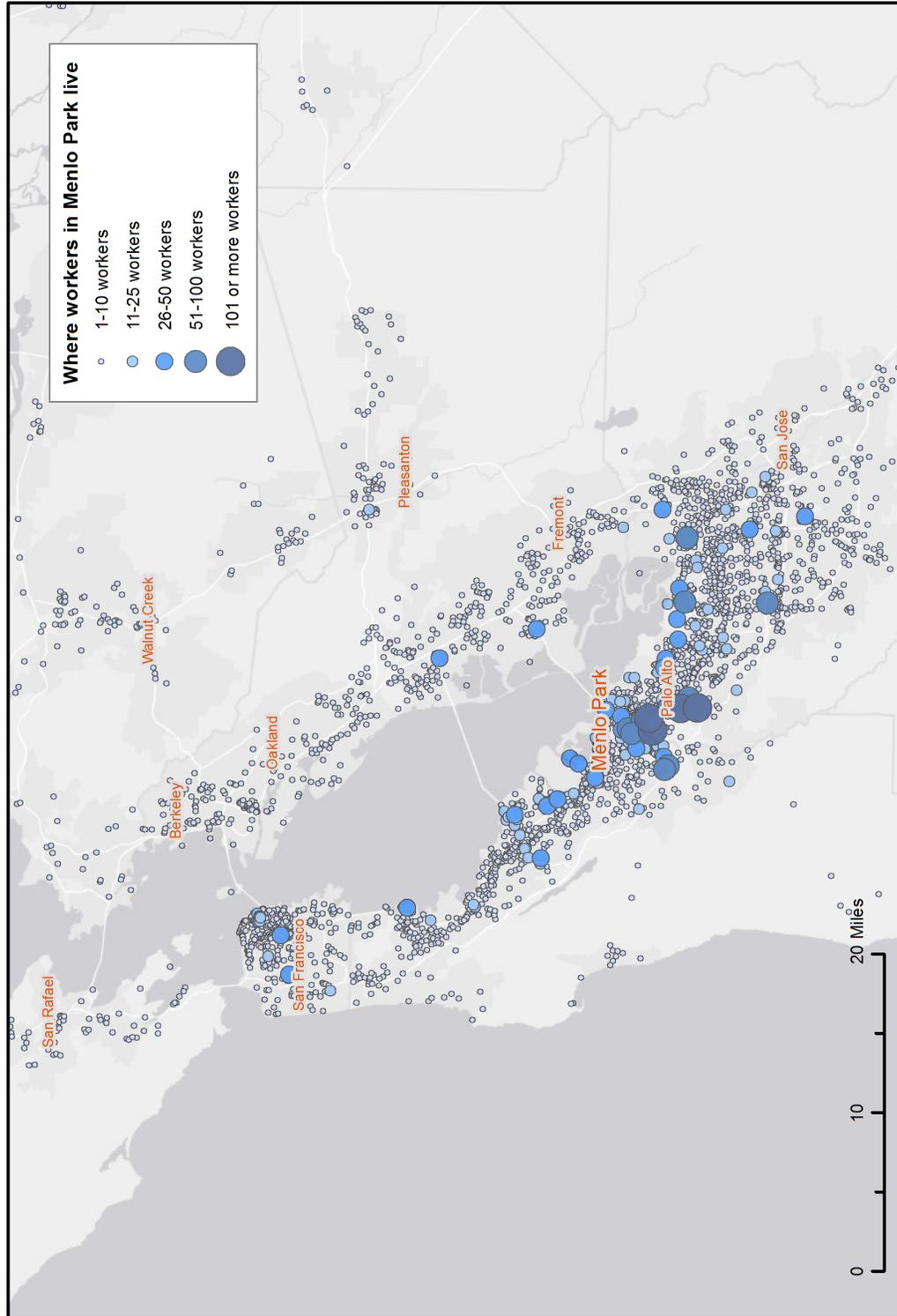
Fourth Street, Berkeley

In the 1960s, a local redevelopment agency was established to create an industrial park in Berkeley's Fourth Street neighborhood. Homes were demolished and moved, but industrial businesses did not come. After letting the land lie fallow for more than 15 years, the City abandoned its plans and allowed Abrams/Millikan & Kent, a small design-build firm, to build the Building Design Center, a small retail center selling home improvement supplies. The Fourth Street Grill came shortly after, and from this nucleus a shopping neighborhood began to grow.

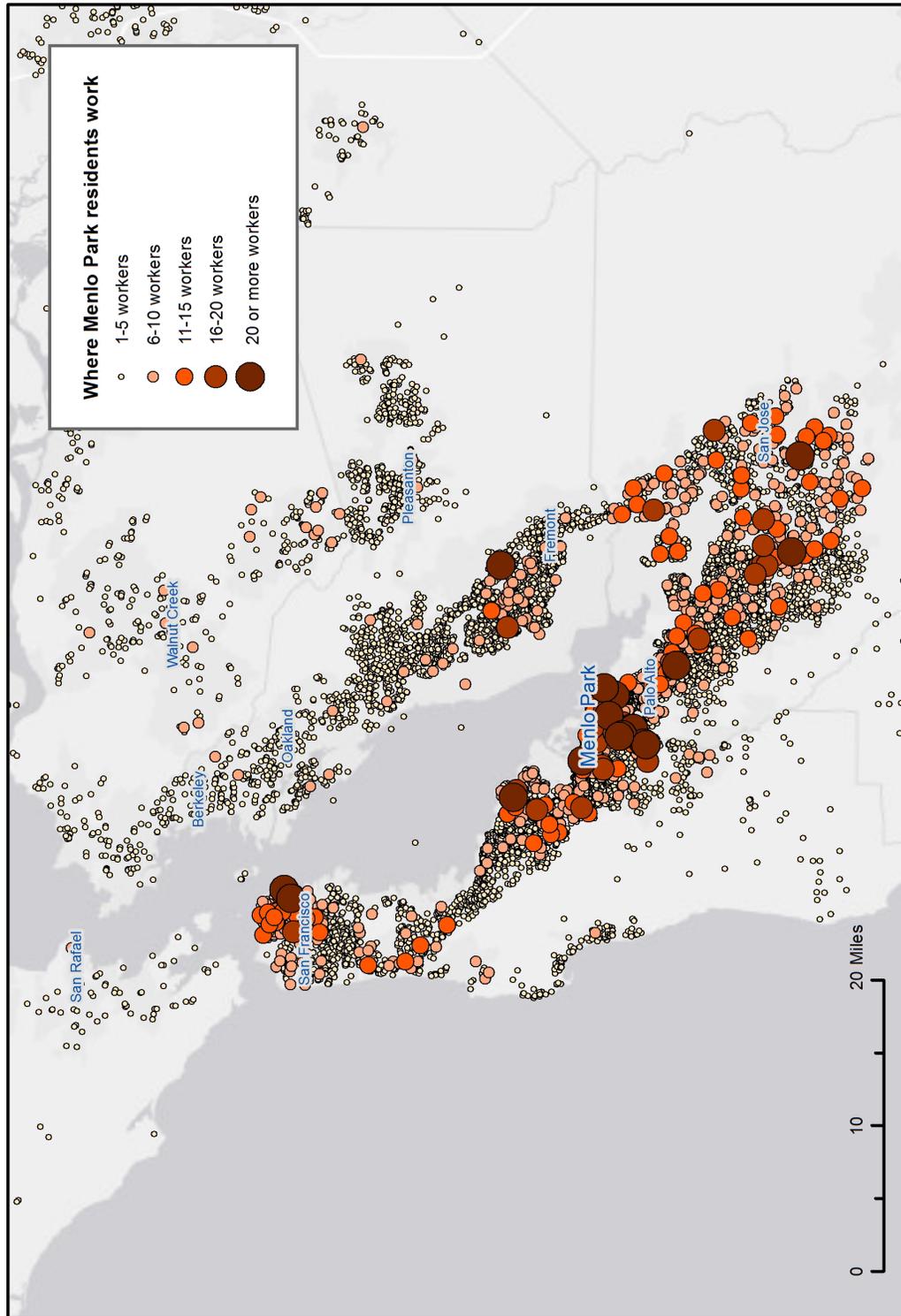
TAKE AWAY: Today Fourth Street is a vibrant shopping district that attracts visitors from throughout the Bay Area. The history of the neighborhood holds an interesting lesson for local government: not all good neighborhoods are planned. Sometimes all you need to do is get out of the way.

MAPS

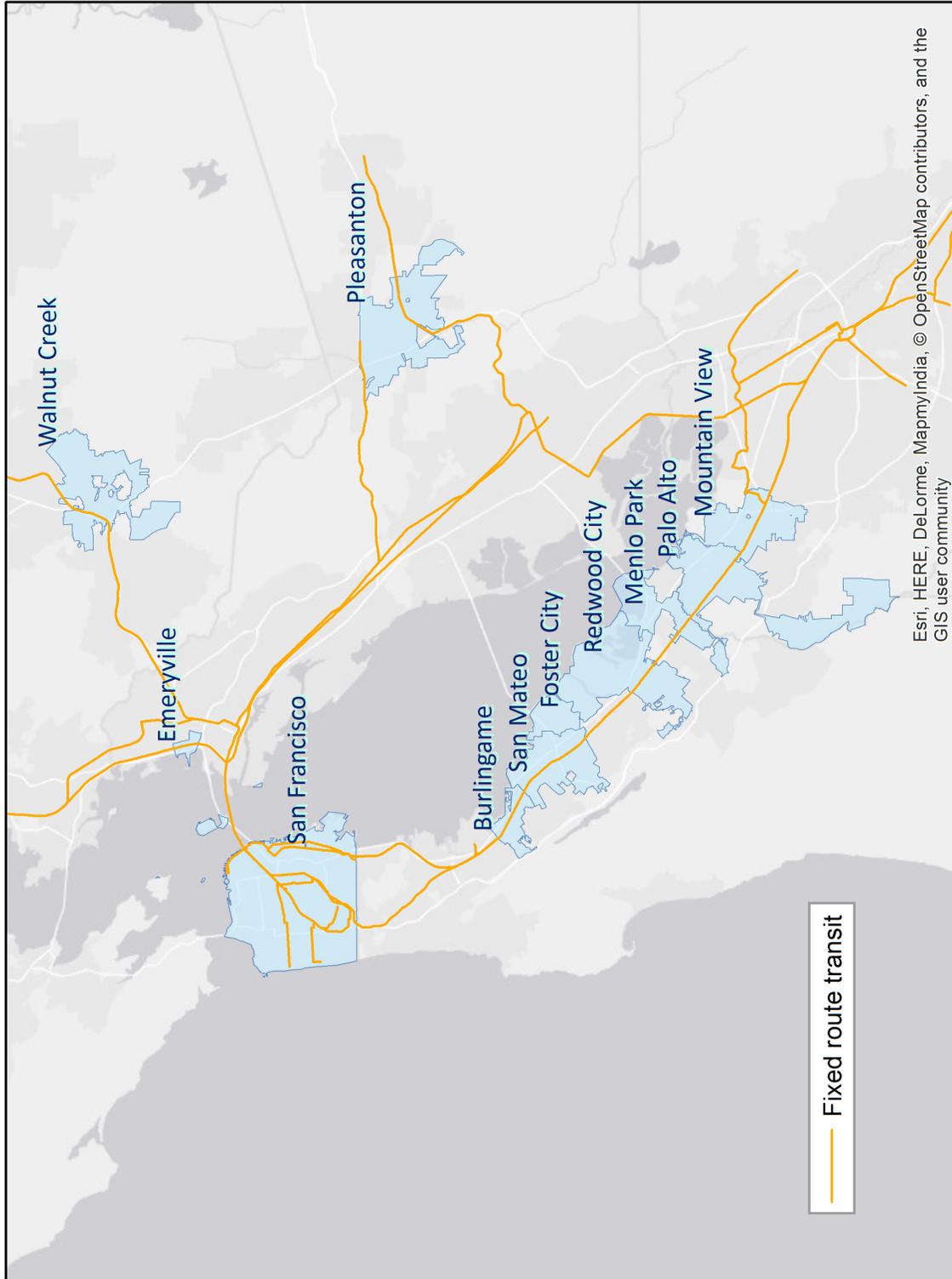
Map 1. Where workers in Menlo Park live



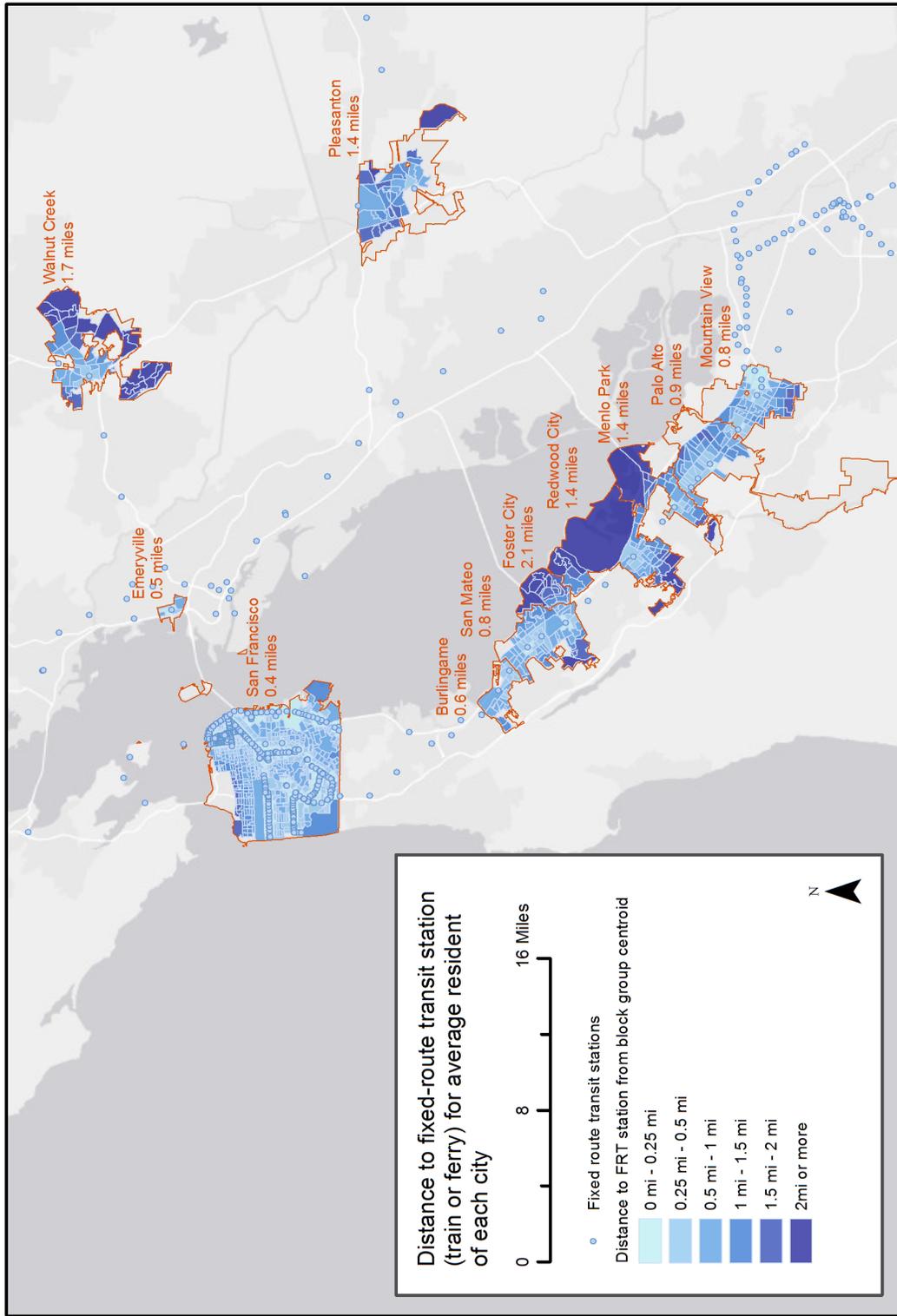
Map 2. Where Menlo Park residents work



Map 3. Fixed Route Transit



Map 4. Average Distance to Fixed Route Transit



TABLES

Table 1. Residents 20-35

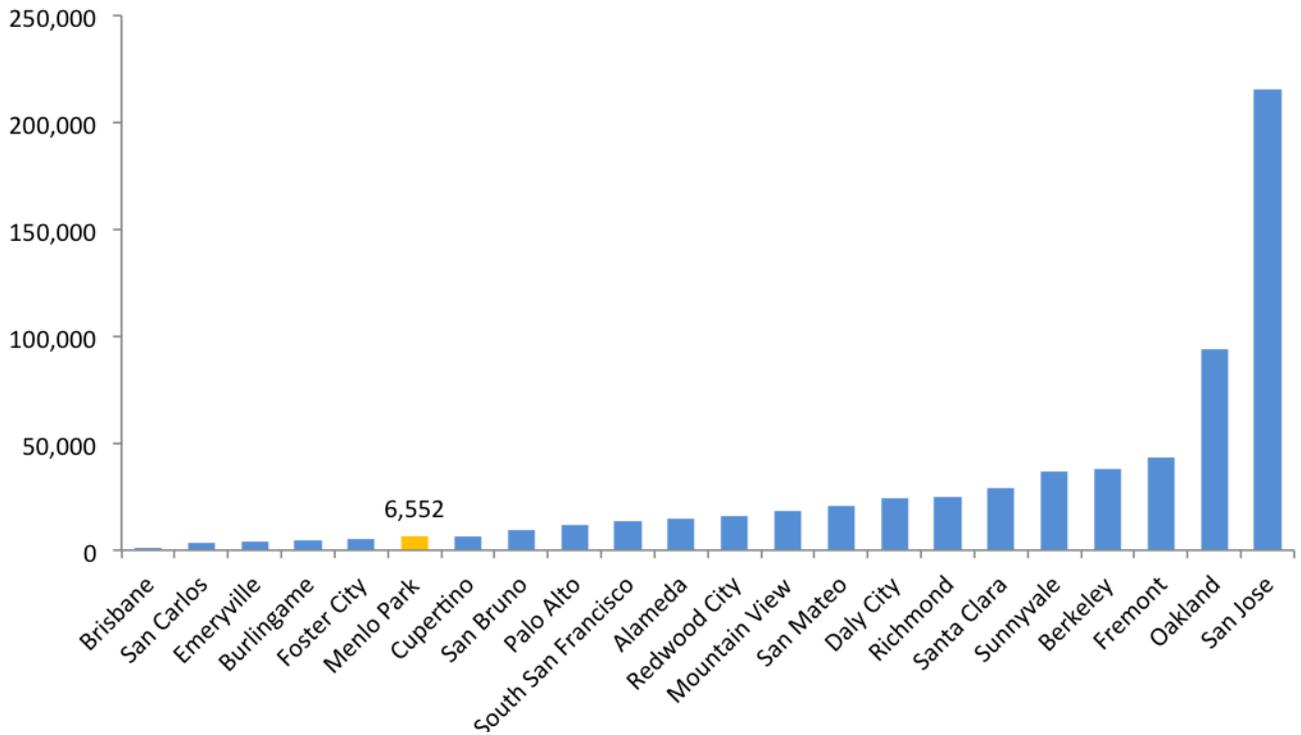


Table 2. % residents under 20

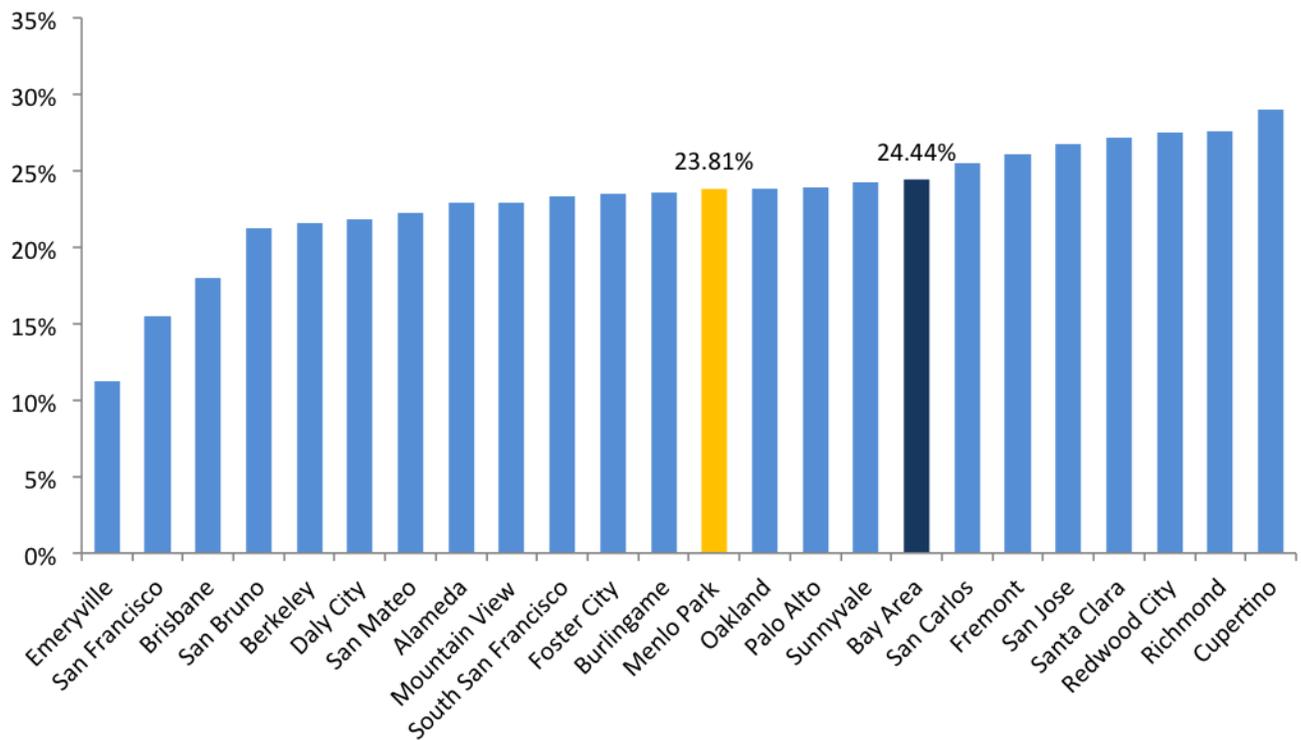


Table 3. % residents 20-35

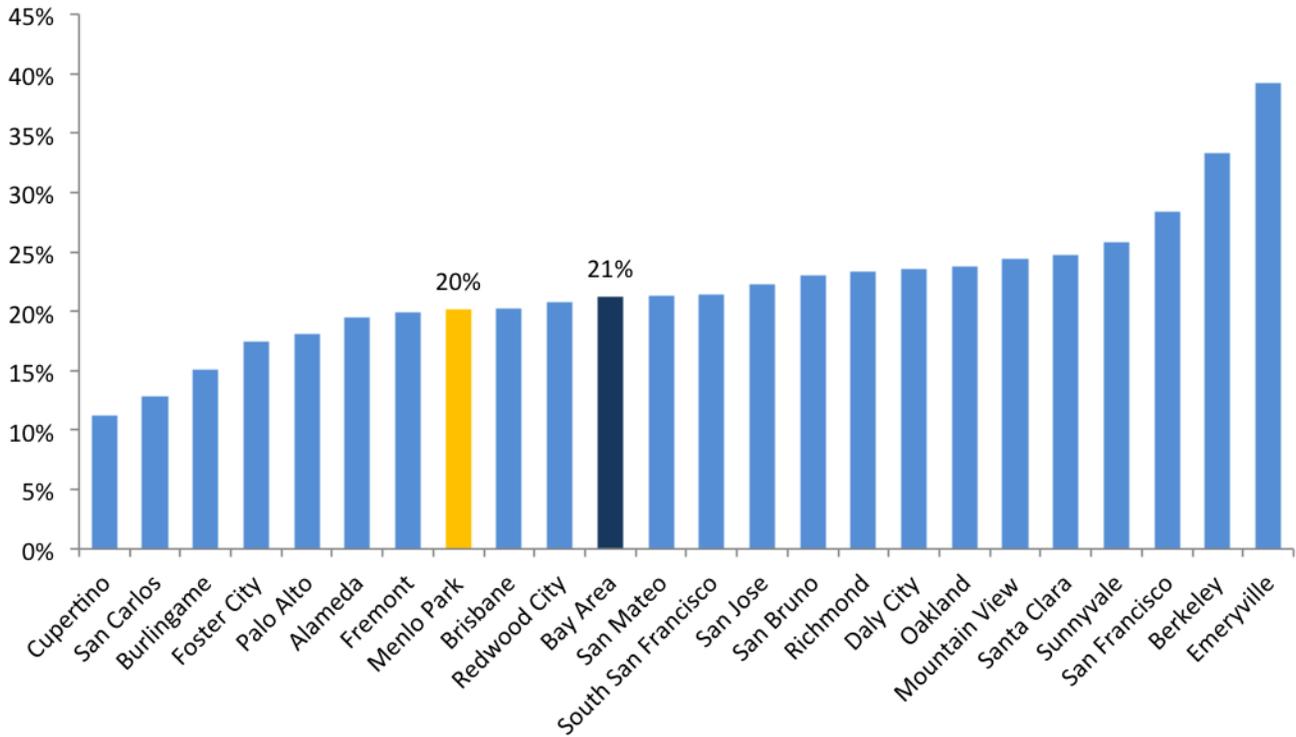


Table 4. % residents 35-55

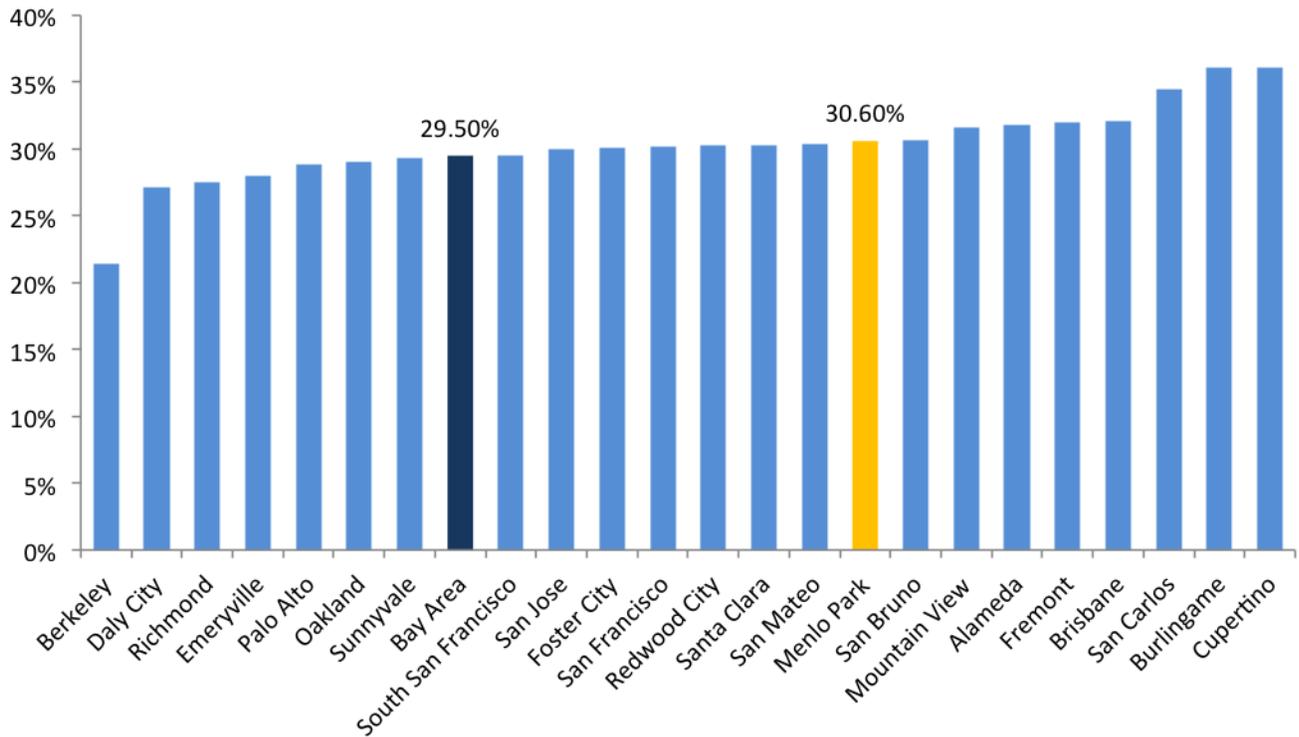


Table 5. % residents 55 and over

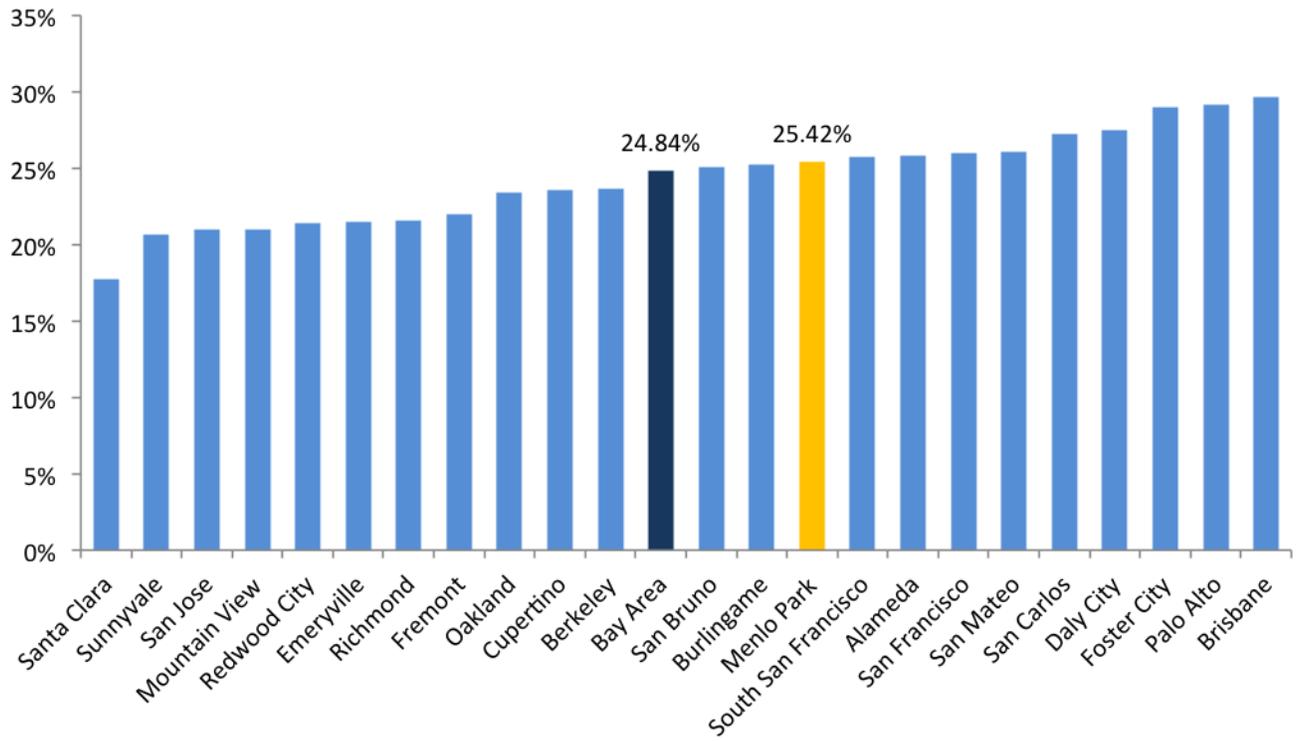


Table 6. Median household income

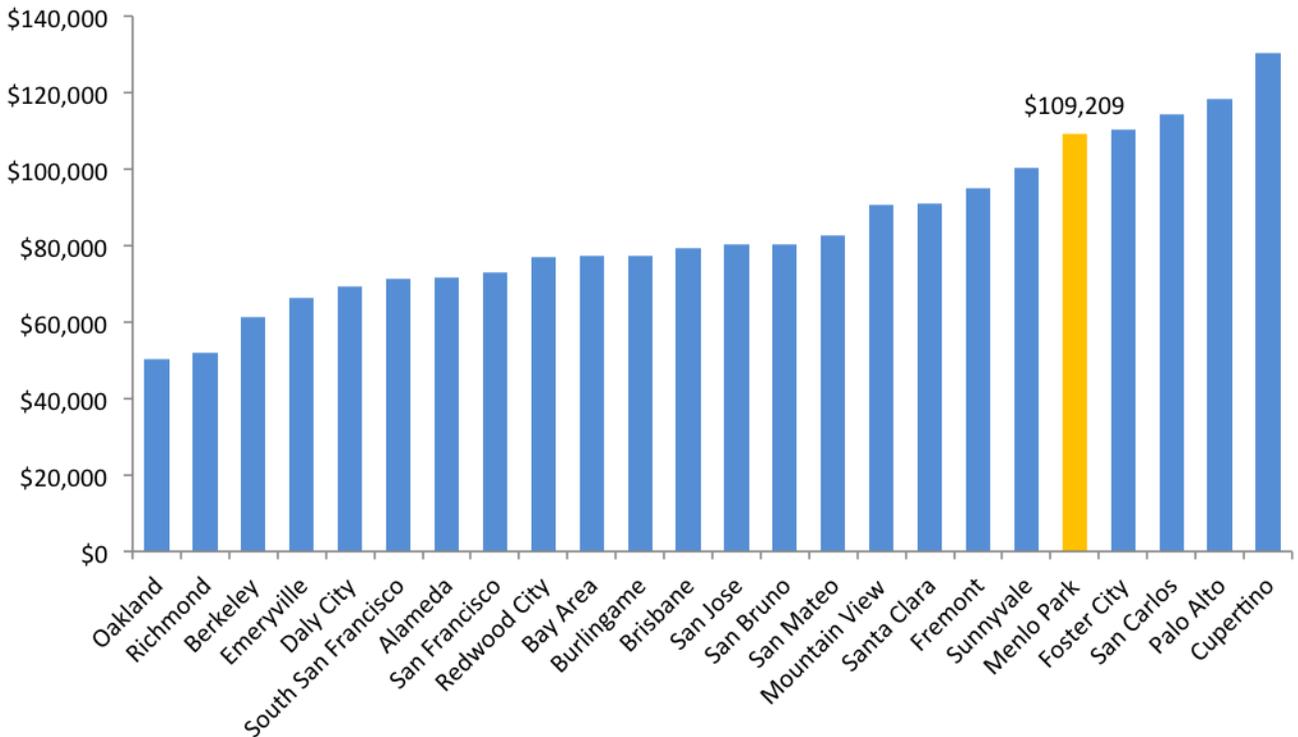


Table 7.
Percent of residents that have a bachelor's degree or higher

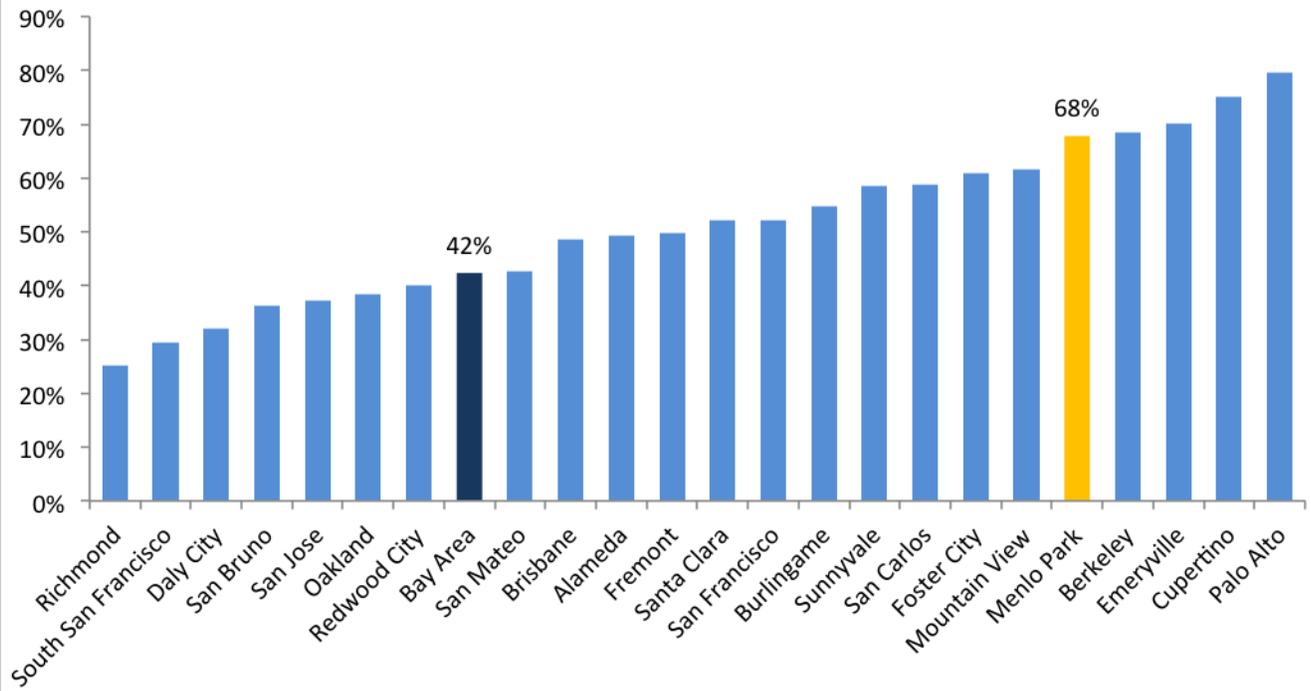


Table 8.
Graduate or professional degrees per 1,000 residents

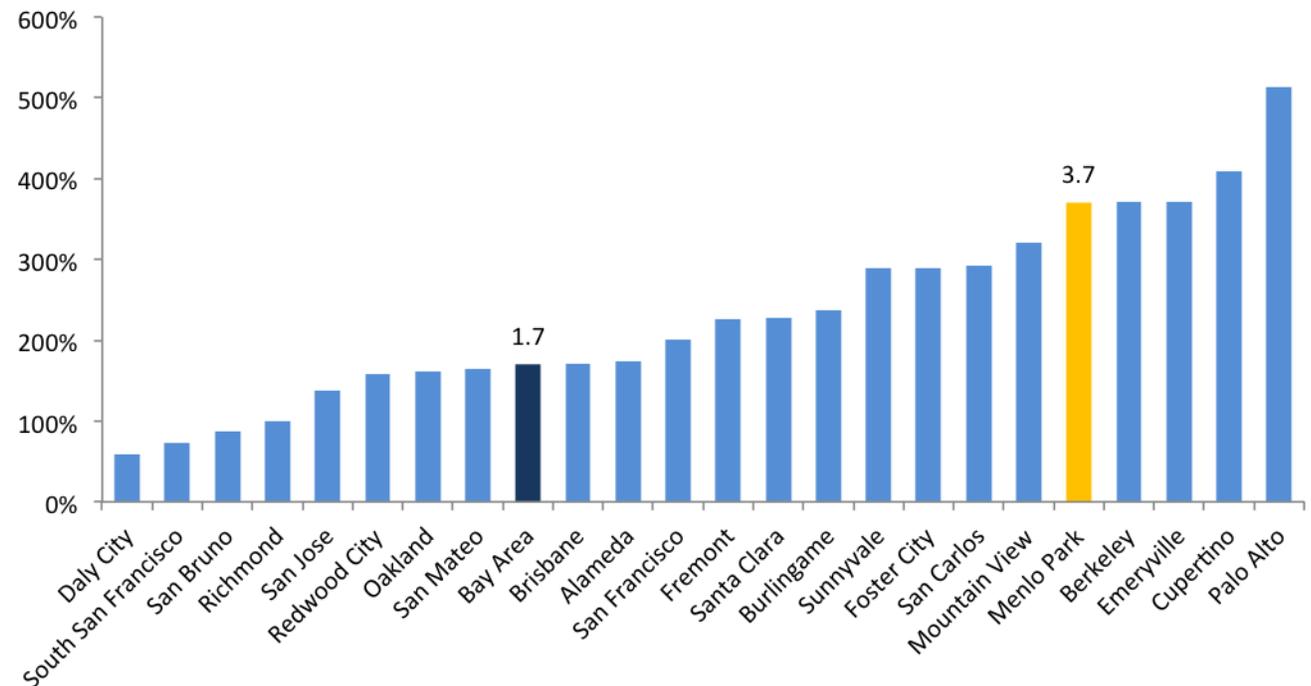


Table 9. Innovation-economy jobs

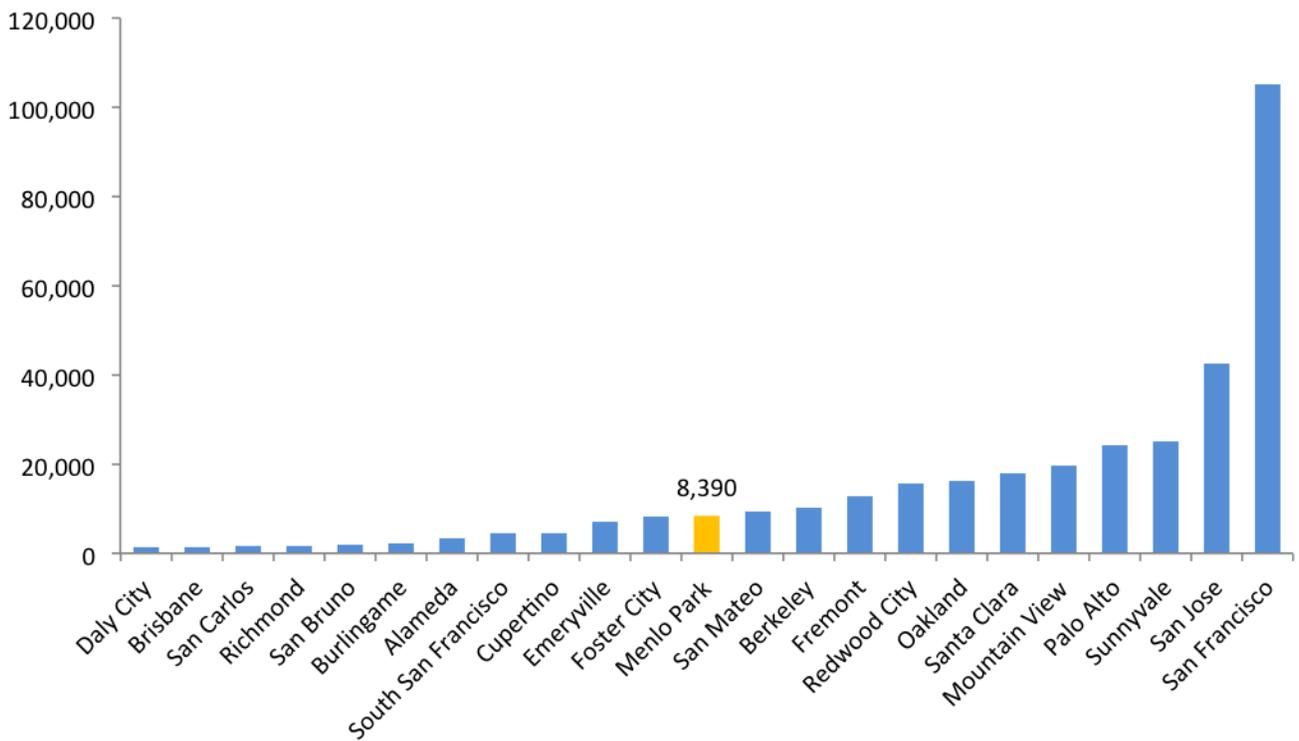


Table 10. Share of employment in innovation-economy jobs

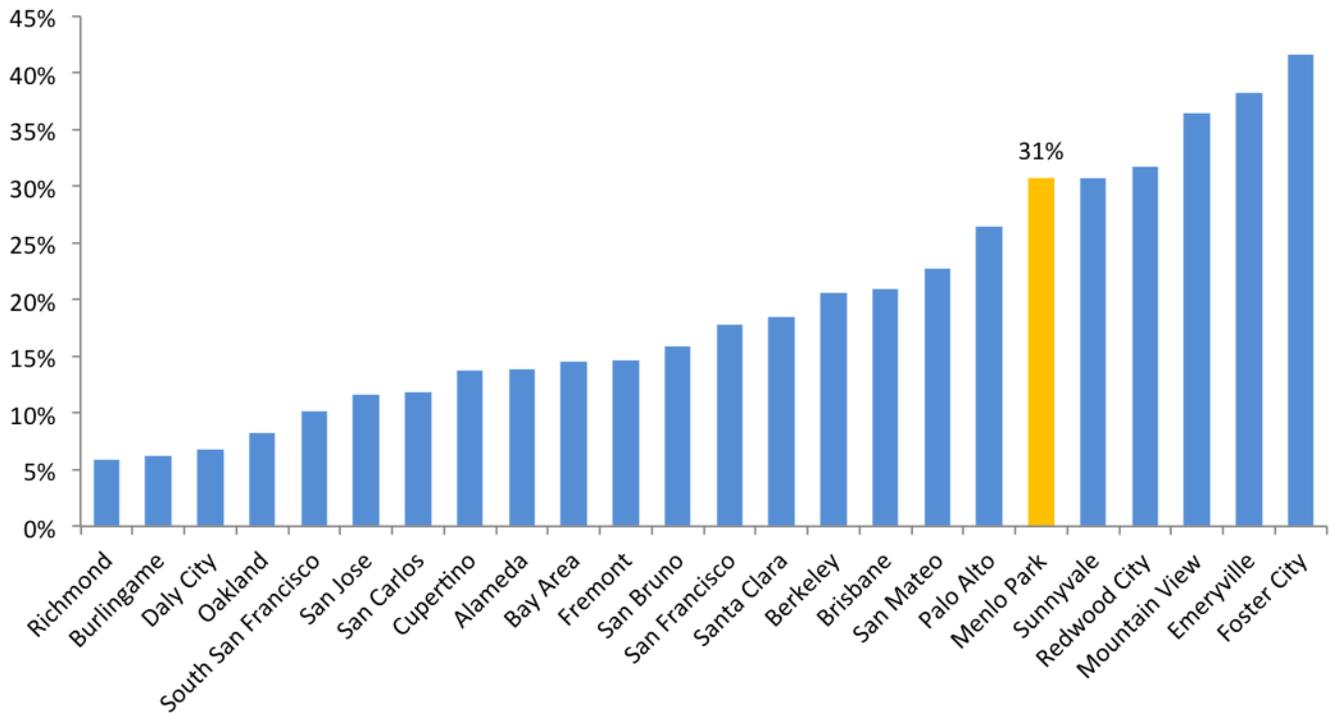


Table 11. Retail jobs per office job

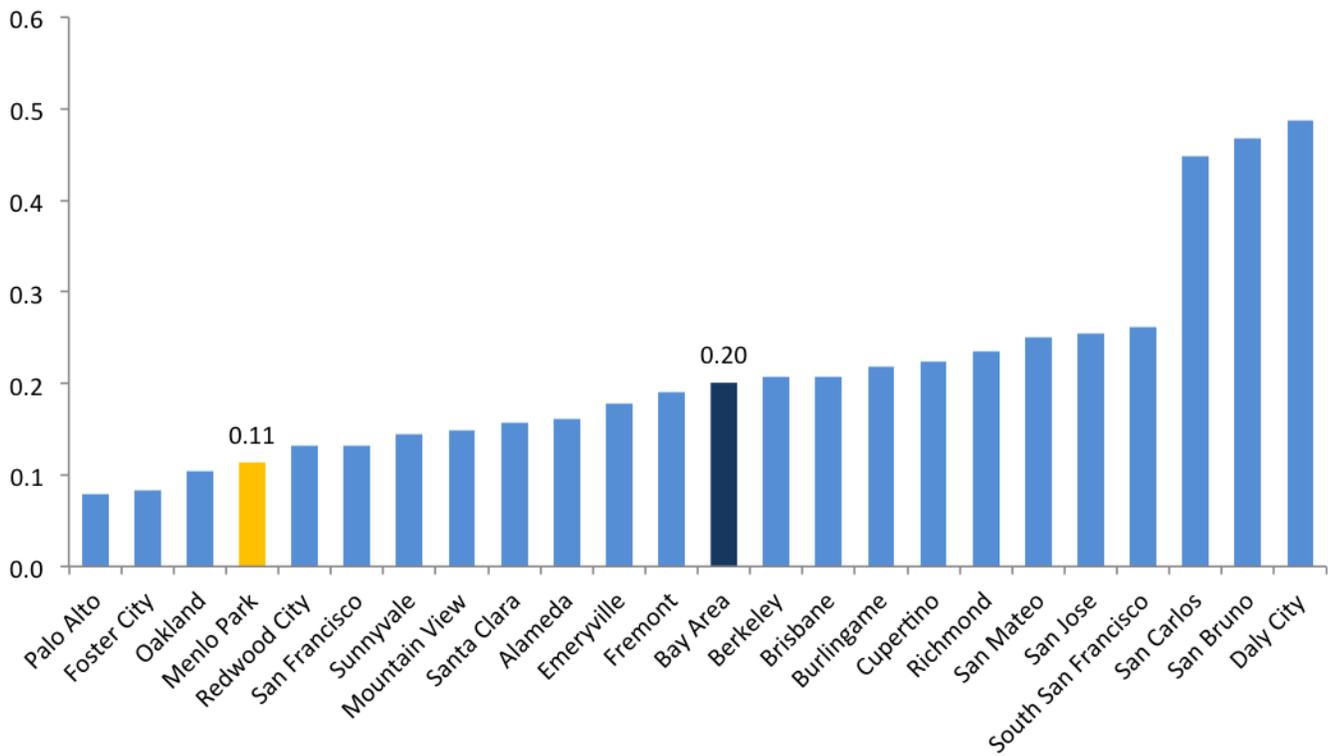


Table 12. Walk score

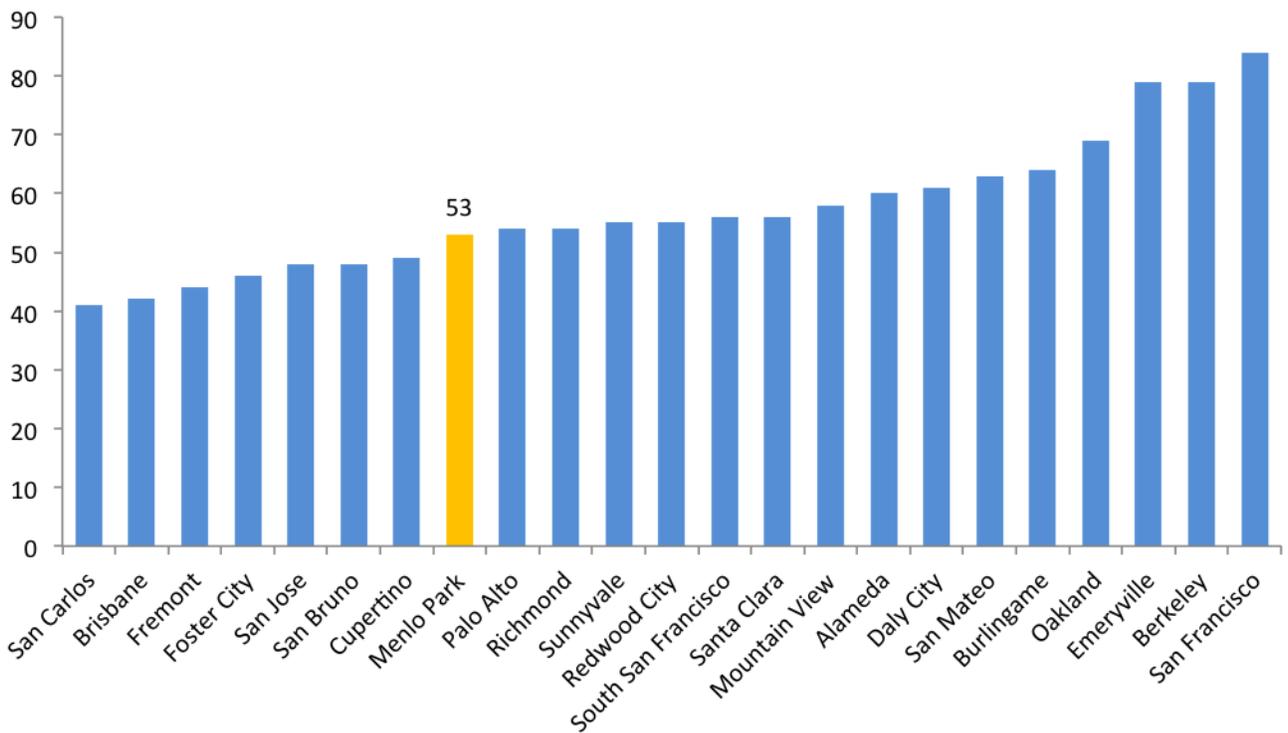


Table 13. Non-residential land uses in sqft.

	Office	Industrial + R&D	Total
San Francisco	89,213,545	*	89,213,545
Palo Alto	9,774,654	13,260,030	23,034,684
Mountain View	4,218,743	15,265,681	19,484,424
Redwood City	9,391,589	6,561,280	15,952,869
Pleasanton	12,724,161	2,738,660	15,462,821
Menlo Park	5,048,584	6,570,314	11,618,898
San Mateo	7,257,627	**	7,257,627
Walnut Creek	6,441,160	304,664	6,745,824
Burlingame	1,812,627	4,744,432	6,557,059
Emeryville	4,351,436	*	4,351,436
Foster City	3,267,375	**	3,267,375

* Data not provided. ** Data provided only in aggregate with other cities.

Source: Colliers International.

Table 14. Projected housing capacity

	Estimated capacity	Development pipeline
San Francisco	73,728	50,200
Palo Alto	3,468	1,837
Mountain View	2,271	892
Redwood City	3,243	1,302
Pleasanton	1,752	826
Menlo Park	3,333	1,347
San Mateo	1,486	201
Walnut Creek	1,427	472
Burlingame	1,402	472
Emeryville	4,491	378
Foster City	1,854	834

Estimated capacity is based on current zoning and identified¹ opportunity sites.

Development pipeline includes homes that have been approved for² development and those already under construction.

Sources:

- City of San Francisco, 2011. *Housing Element Part I: Data and Needs Analysis*
- City of Emeryville, 2014. *Housing Element 2015-2023 [draft]*
- City of Mountain View, 2006. *Housing Element 2007-2014*
- City of Pleasanton, 2014. *Housing Element: September 2014 Draft*
- City of Foster City, 2014. *Housing Element: 2015-2023 Planning Period*
- City of Redwood City, 2014. *2015-2023 Housing Element Public Hearing Draft*
- City of Burlingame, 2014. *2015-2023 Housing Element Public Review Draft*
- City of Menlo Park, 2014. *2015-2023 Housing Element*
- City of Palo Alto, 2014. *2015-2023 Housing Element Administrative Draft*
- City of San Mateo, 2009. *2009 Housing Element*
- City of Walnut Creek, 2009. *2009-2014 Housing Element*

15. Sales per capita

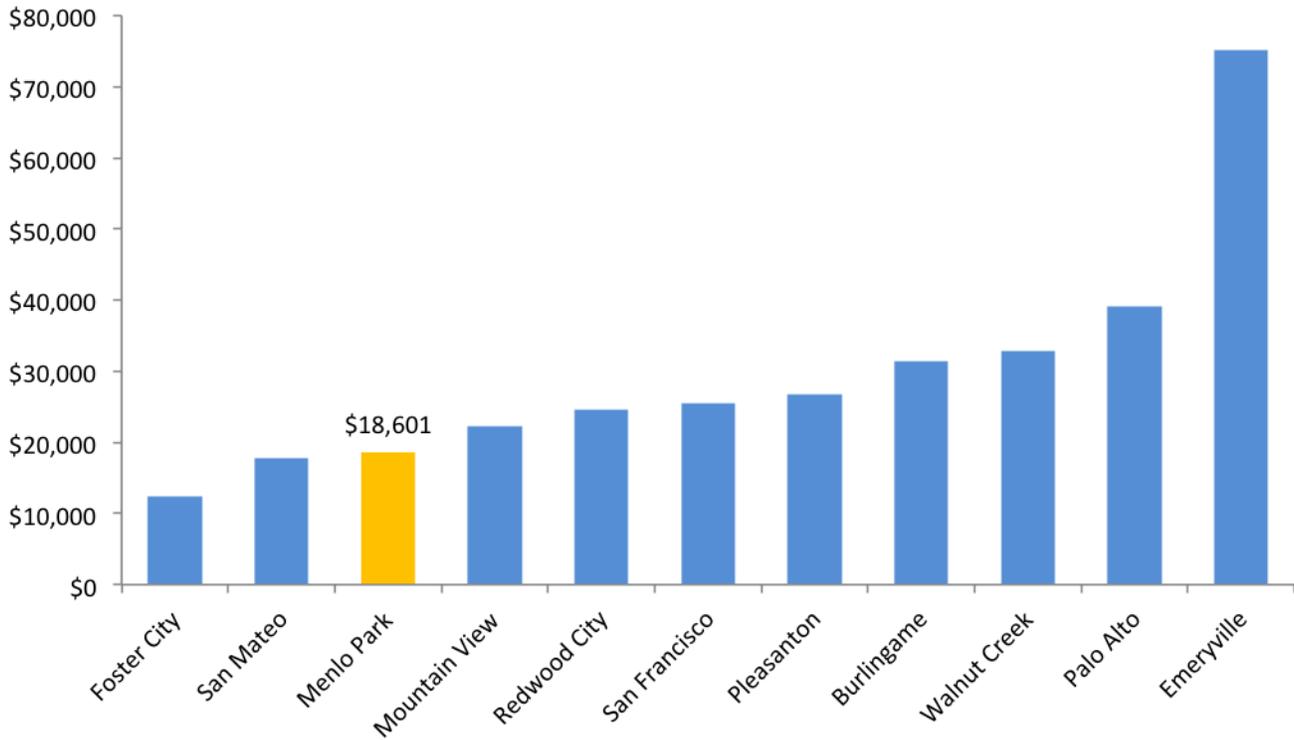


Table 16. Revenues per capita

	Property tax	Sales tax	Hotel tax	Transfer tax	Total in these categories
San Francisco	\$1,736	\$255	\$293	\$341	\$2,625
Emeryville	\$863	\$752	\$492	*	\$2,107
Mountain View	\$776	\$222	\$62	*	\$1,060
Pleasanton	\$685	\$268	*	*	\$953
Foster City	\$626	\$123	\$65	\$10	\$824
Redwood City	\$494	\$247	\$58	\$8	\$806
Burlingame	\$492	\$314	\$623	\$2	\$1,431
Menlo Park	\$484	\$186	\$107	*	\$777
Palo Alto	\$438	\$391	\$165	\$104	\$1,098
San Mateo	\$318	\$222	\$54	\$64	\$657
Walnut Creek	\$242	\$329	\$26	*	\$597

* Data not provided.

Sources: Comprehensive Annual Financial Reports (CAFRs) from each listed city.

Table 17. Tax rates and revenues

	Property tax		Sales tax		Hotel tax		Transfer tax	
	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate**	Revenue
San Francisco	*	\$1,415,068,000	8.75%	\$208,025,000	14.00%	\$238,782,000	\$5.00 - \$25.00	\$278,163,000
Emeryville	*	\$8,600,000	9.00%	\$7,500,000	12.00%	\$4,900,000	\$12.00	
Mountain View	*	\$58,515,000	8.75%	\$16,744,000	10.00%	\$4,668,000	\$4.40	
Pleasanton	*	\$48,900,000	9.00%	\$19,100,000	8.00%		\$1.10	
Foster City	*	\$19,566,168	9.00%	\$3,848,768	9.50%	\$2,015,909	\$1.10	\$315,962
Redwood City	*	\$38,484,044	9.00%	\$19,240,290	12.00%	\$4,526,424	\$1.10	\$599,316
Burlingame	*	\$14,390,000	9.00%	\$9,200,000	12.00%	\$18,240,000	\$1.10	\$49,724
Menlo Park	*	\$15,731,889	9.00%	\$6,043,870	12.00%	\$3,468,256	\$1.10	
Palo Alto	*	\$28,700,000	8.75%	\$25,600,000	14.00%	\$10,800,000	\$4.40	\$6,800,000
San Mateo	*	\$31,287,521	9.25%	\$21,821,391	10.00%	\$5,326,759	\$6.10	\$6,307,133
Walnut Creek	*	\$15,700,000	8.50%	\$21,400,000	8.50%	\$1,700,000	\$1.10	

* Property tax rates vary in different neighborhoods within each city; however, property tax is broadly set at 1%, plus any voter-approved tax increases in local jurisdictions.

** Transfer tax rates are per \$1,000 assessed value. Transfer tax revenues are shared with counties.

Sources: City and County of San Francisco Office of the Controller, City of Emeryville, City of Mountain View, City of Pleasanton, City of Redwood City, Ballotpedia (Foster City, Menlo Park, Palo Alto), City of San Mateo, CA State Board of Equalization (sales tax rates), californiacityfinance.com (transfer tax rates).

Table 18. Net office space (square feet)

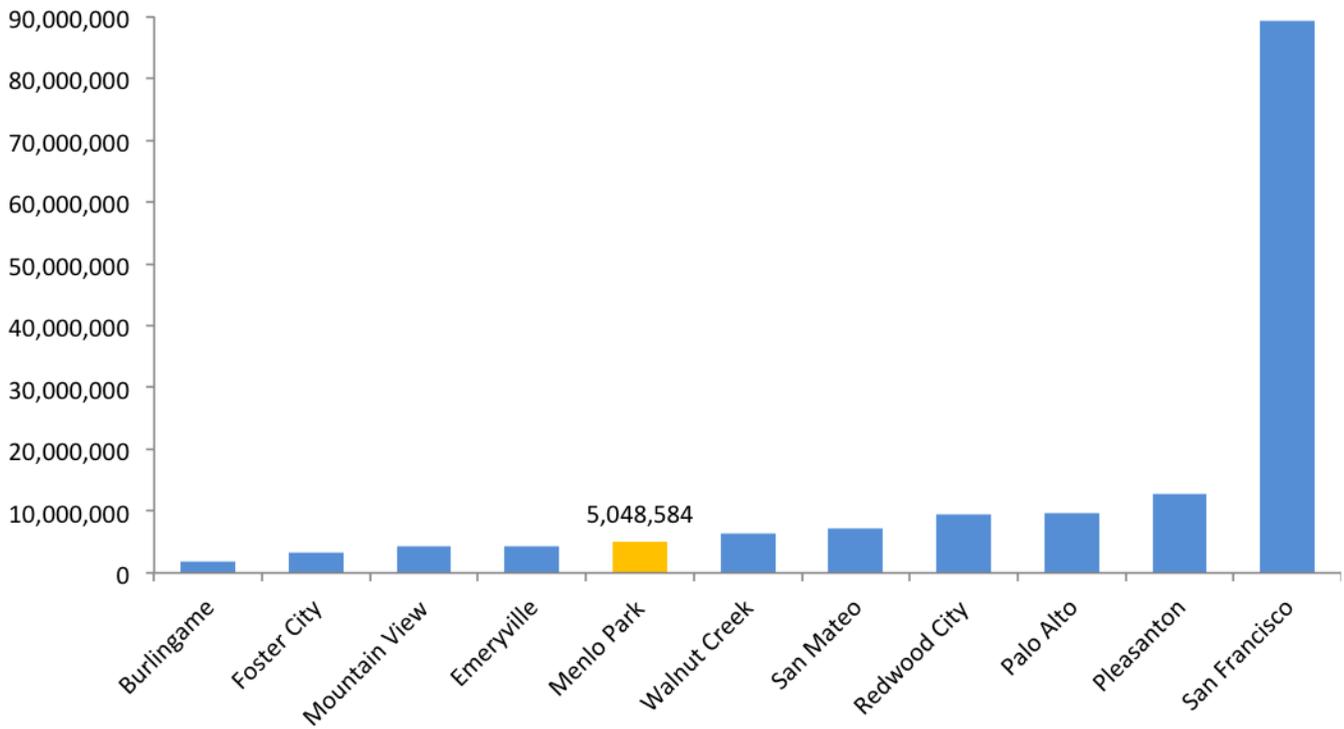


Table 19. Vacant office space (square feet)

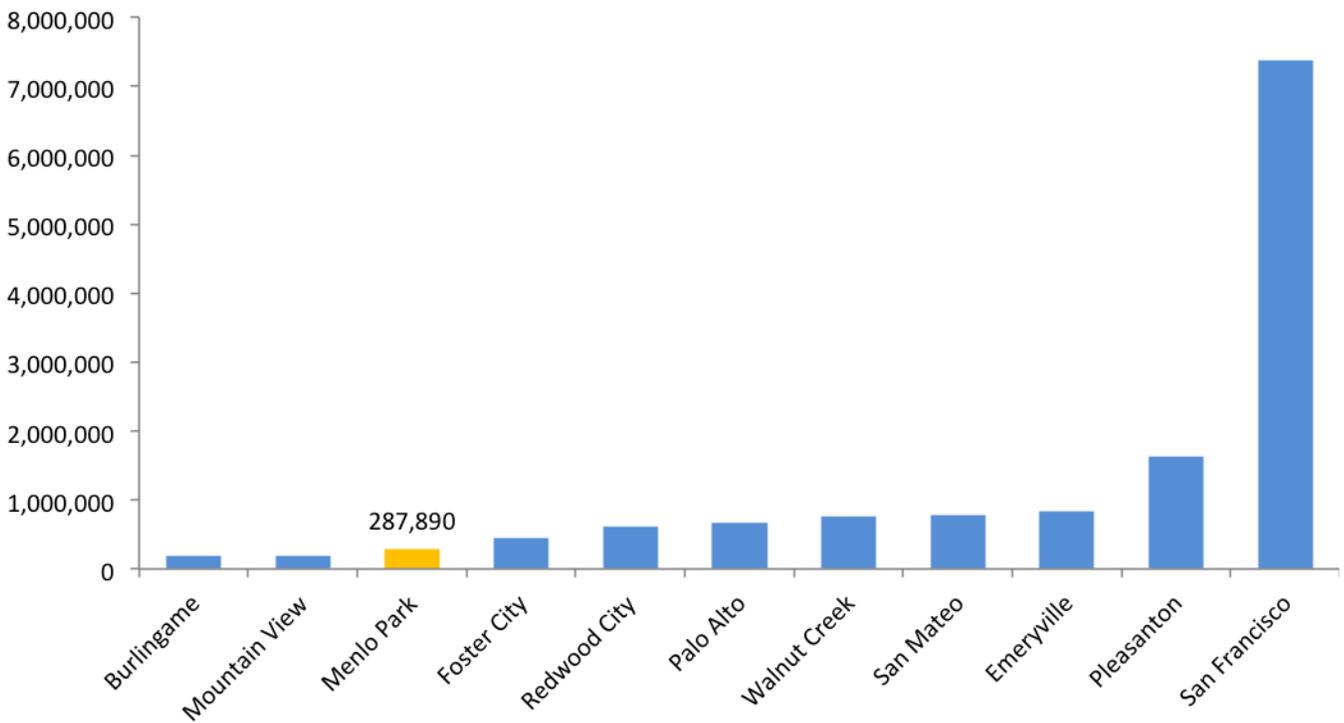


Table 20. Office vacancy rate

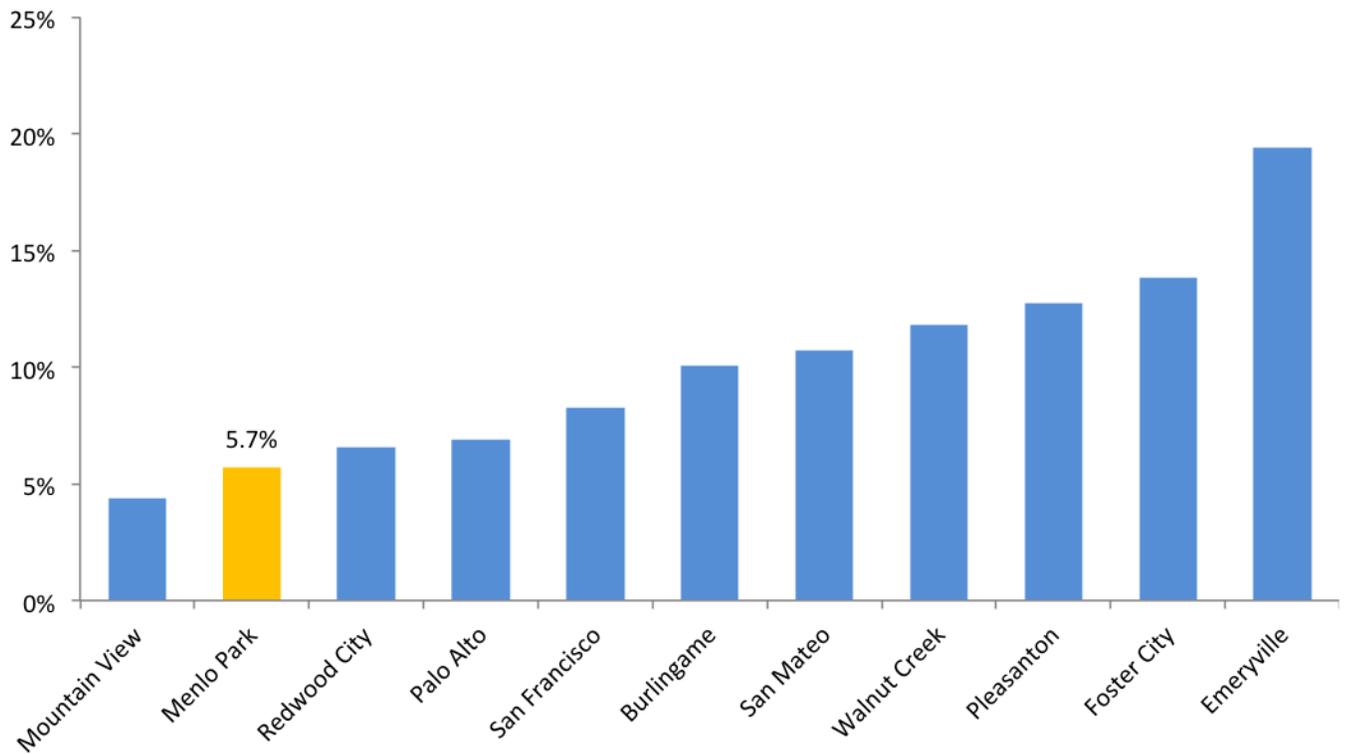
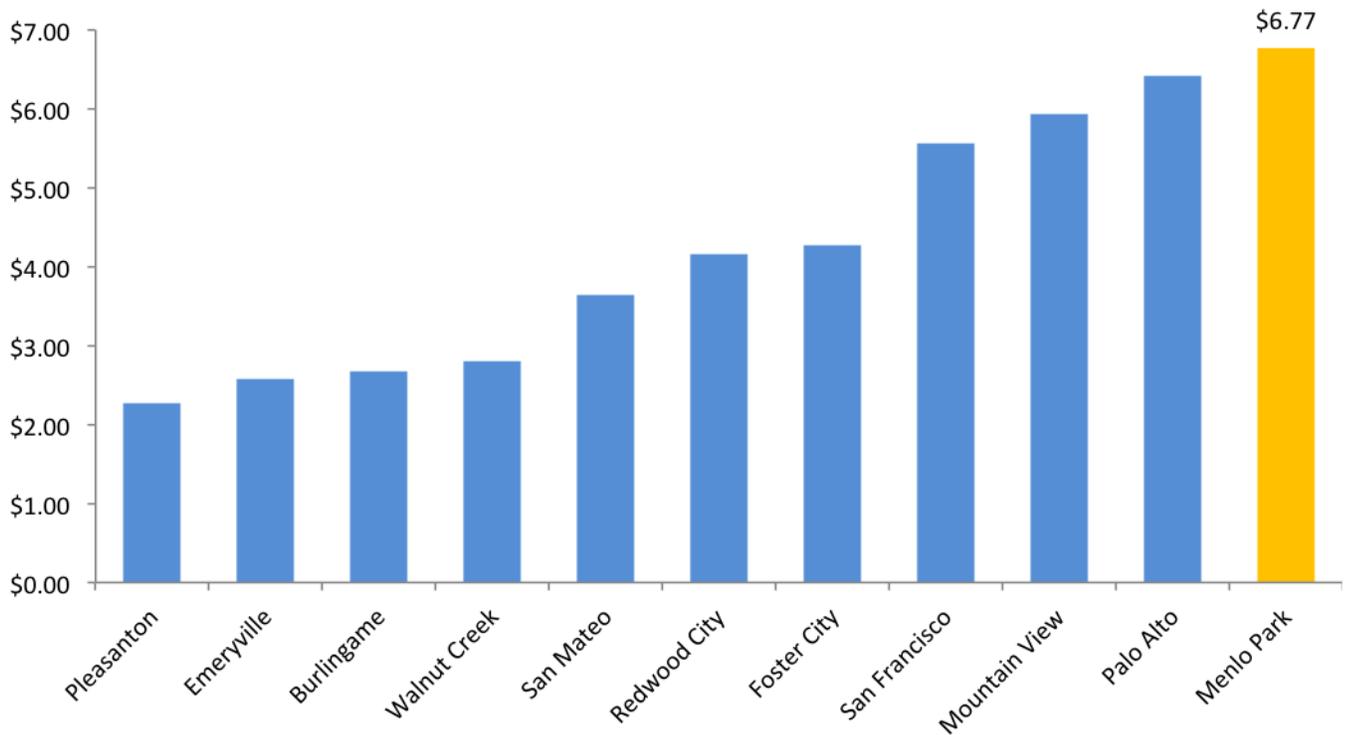


Table 21. Average monthly office rent per sqft.



SOURCES

City and County of San Francisco

City of Emeryville

City of Mountain View

City of Pleasanton

City of Foster City

City of Redwood City

City of Burlingame

City of Menlo Park

City of Palo Alto

City of San Mateo

City of Walnut Creek

Ballotpedia

Californiacityfinance.com

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Prepared by:



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