Feasibility White Paper

Brisbane Village Precise Plan

January 21, 2016

prepared for:

City of Brisbane

STRATEGIC ECONOMICS

TABLE OF CONTENTS

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I.   INTRODUCTION

As part of the Parkside Precise Plan development process for the City of Brisbane, Strategic Economics completed this white paper to assess the feasibility of attracting and retaining desired retail uses and residential development in the Plan Area.

This white paper evaluates the retail supply currently serving Brisbane and explores the potential for new neighborhood-serving retail within the Plan Area, including specific types of stores that the community has expressed interest in having. These specific store types include grocery stores, drug stores, restaurants, and fitness centers. The retail analysis considers the general locational attribute requirements for new retail outlets; the demand characteristics for retail investment, including demographic trends; and the specific site characteristics in Brisbane where future retail activity could be located. Based on this analysis, Strategic Economics determined the potential for different retail store types to locate in the Plan Area, and proposes strategies for potentially attracting and retaining these types of tenants.

Additionally, this white paper examines the feasibility of constructing residential housing types conforming to the zoning proposed for several Plan Area properties in the City's 2015-2022 Housing Element. Strategic Economics examined housing development trends in the surrounding area and assessed the likely relative feasibility of different housing product types based on developer interviews and site characteristics. Strategic Economics also incorporated the findings of financial feasibility analyses for specific building types recently completed to support the City of Brisbane's potential adoption of a residential impact fee. The residential building types under consideration were selected to match the Housing Element's proposed densities of between 26 and 30 dwelling units per acre, and mixed-use densities between 20 and 30 dwelling units per acre. Based on the proposed densities, the analysis focused primarily on townhouses and small-scale mixed-use development. Strategic Economics also provided initial assessments of the feasibility of three- to four-story buildings with podium parking and three-story residential buildings with surface parking.

This white paper was produced in conjunction with a community outreach and visioning process to shape a holistic future plan for the Parkside District and Brisbane. The analyses build upon previous studies conducted for the area by Project for Public Spaces[1] and the Urban Land Institute.[2] Future phases of work will establish an implementation plan for this vision, based on community input and potential development feasibility.

PLAN AREA CONTEXT AND TRADE AREAS

This report examines the Plan Area within the context of several geographies:

- *Plan Area:* As shown in Figure 1, the Parkside Precise Plan area is located roughly in the center of Brisbane's city boundaries. The Plan Area is a gateway and transition zone, located immediately north of Brisbane's most intensely-developed and largely residential historic core, and overlapping with Crocker Park's industrial and job-intensive uses to the northwest. The Plan Area is also southeast of the more recently-developed housing in Brisbane's "The Ridge" and southwest of future development in the Brisbane Baylands area; however, both of these areas are separated from the Plan Area by topography and the existing road network. The Plan Area is a key gateway into Brisbane, with access to Bayshore Boulevard at Old County Road and Valley Drive, and easy

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[1] Project for Public Spaces, "Brisbane is Awesome," December 2005.
[2] Urban Land Institute, "Crocker Park Technical Assistance Panel," January 2014.

access to Highway 101. Major existing uses within the Plan Area itself include Community Park, Brisbane Village Shopping Center, City Hall, the Post Office, and light industrial buildings.

- Brisbane's *Historic Core* and *Recently Developed Areas:* The demographic analysis of this report compares trends within two distinct subareas of Brisbane, the exact boundaries of which were determined based on availability of U.S. Census data. As shown in Figure 2, the "Historic Core" largely encompasses the area south of San Francisco Avenue, in which Brisbane's historic retail and housing uses are concentrated. The "Recently Developed Areas" are composed of the remainder of the City, small portions of surrounding communities, and San Bruno Mountain State Park. The Recently Developed Areas include housing in The Ridge. The analysis therefore assesses how growth in The Ridge is shifting Brisbane's demographics, and what those shifts may imply for retail attraction. Notably, the Plan Area serves as a direct gateway to the Historic Core via the existing street network, whereas access to The Ridge largely circumvents the Plan Area.

- *City of Brisbane:* The City of Brisbane is adjacent to San Francisco, South San Francisco, and Daly City, yet is geographically isolated by industrial and vacant land to the north, water to the east, and San Bruno Mountain State Park to the west and south. This relative isolation is a key factor for considering Brisbane's retail market potential.

- *1-Mile Retail Trade Area:* A "trade area" is the area from which a retailer draws its customers. For local-serving retail – such as grocery stores, drug stores, and non-destination restaurants - the primary trade area, i.e. the area from which the retailer draws the majority of its customers, is typically about one mile. This report focuses on the Plan Area's 1-mile trade area (Figure 3), since the Plan Area's geographic isolation makes it too inconvenient for consumers to travel from longer distances to take care of the convenience related activities and shopping associated with local serving retail stores.

- *3-Mile Area:* This report also compares the 1-mile trade area to the 3-mile trade area. Brisbane is less likely to attract larger format retailers which typically draw customers from a 3-mile trade area, but the demographic characteristics of the 3-mile trade area clarify Brisbane's profile relative to its neighbors.

REPORT ORGANIZATION

This report's key findings and recommendations are summarized in Section II, immediately following this introduction. Section III provides an overview of demographic and household trends within the City and the trade area, illustrating the existing and potential demand dynamics. Sections IV and V contain detailed analysis of the existing and planned retail and residential supply, Plan Area positioning to attract these uses, and recommended strategies for incorporation in the Precise Plan.

Figure 1: Parkside Precise Plan Context Map

Figure 2: Boundaries of "Historic Core" and "Recently Developed Areas"

Brisbane City Limits

0   0.75   1.5 Miles

STRATEGIC ECONOMICS

Figure 3: Brisbane Trade Area Reference Map
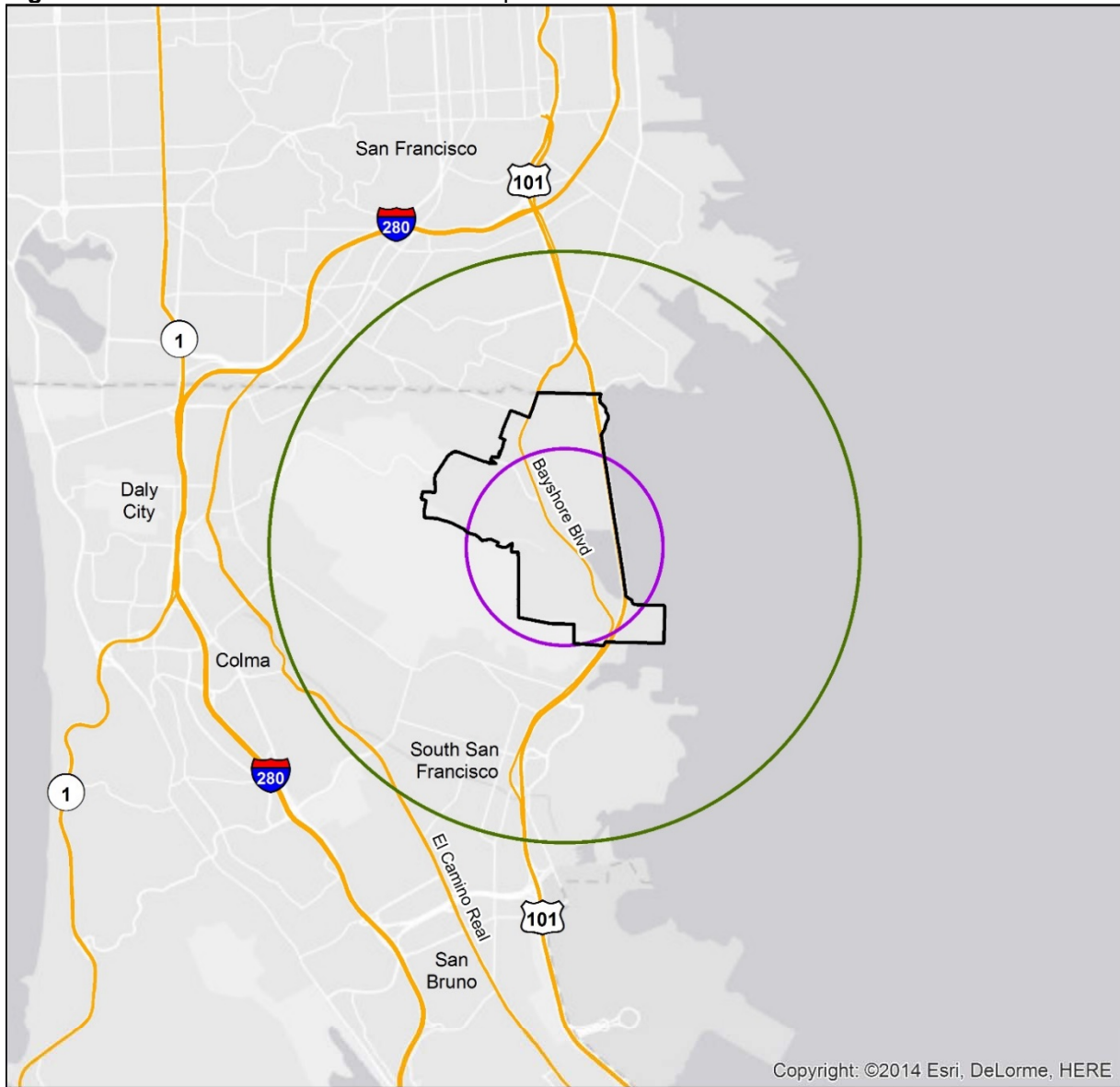
Brisbane City Limits

1 Mile Trade Area

3 Mile Trade Area

Sources: US Census TIGER Line Data, 2013;
Strategic Economics, 2015.

0   0.75   1.5 Miles

II. SUMMARY OF FINDINGS

RETAIL MARKET POSITIONING AND STRATEGIES

The Plan Area has several key characteristics that make it attractive to local-serving retailers and services (including grocery stores, drug stores, restaurants, and gyms): the Plan Area is located along high-traffic Bayshore Boulevard, is located adjacent to a cluster of workers (and therefore daytime customers) at Crocker Business Park, and is situated within a trade area with a competitively high share of households earning high incomes. The Plan Area is also adjacent to Brisbane's other major retail cluster along Visitacion Avenue, offering opportunities to function as a larger unified retail destination.

Despite these advantages, retail and restaurant activity in the Plan Area are fundamentally constrained by low residential and worker populations in the local 1-mile trade area, resulting from geographic isolation (primarily due to San Bruno Mountain State Park) and limited development. Local residents and workers form the primary base of demand for local-serving retailers. The Plan Area's 1-mile trade area includes nearly 5,000 residents and 3,000 jobs, falling far short of typical retail and restaurant preferences for 12,000 to 18,000 residents in the area. Furthermore, the Plan Area and City of Brisbane already feature a quantity of retail supply serving the trade area's limited demand, including a variety of independent restaurants, personal and professional services, and the Midtown Market grocery and convenience store.

The Plan Area is unlikely to significantly compete for customers from a larger trade area due to Parkside's limited access and visibility relative to existing nearby competitive supply. Nearby local-serving shopping centers are lined along El Camino Real and I-280 in Colma and South San Francisco. Those centers are well-positioned to capture sales from their surrounding residential and worker populations, and are located along high-traffic streets with excellent visibility and access. In contrast, Brisbane's access to this customer base is constrained by San Bruno Mountain State Park.

The current configuration and appearance of Brisbane Village Shopping Center further constrains the Plan Area's ability to capture demand for retail. Bayshore Boulevard provides high traffic volumes of potential customers, but Brisbane Village Shopping Center has poor visibility and circuitous access at Old County Road. The center's appearance is also dated.

Major new transformative developments proposed in and near Brisbane will generate significant additional demand for retail, though this demand will be tempered by inclusion of retail within the projects. Planned and proposed development projects at the Baylands, Schlage Lock, Executive Park, and Candlestick Point will potentially add thousands of new residents and workers near the Plan Area in coming decades. However, these projects also include retail components scaled to serve their new demand for goods and services. As a result, the Plan Area may continue to primarily attract sales from within a limited trade area.

Strategic Economics developed several strategies to leverage the Plan Area's strengths and address the Plan Area's weaknesses. These strategies build off the Plan Area' key strengths of high traffic volumes at Bayshore Boulevard, presence of additional existing retail at Visitacion Avenue, and nearby base of industrial businesses and workers. The strategies seek to overcome the constraints of limited trade area population and workers (and therefore demand), poor visibility/access, and Brisbane Village Shopping Center's dated format and appearance. The recommended strategies are:

- Increase retail demand, to the extent possible, with appropriate levels of population and employment growth within the Plan Area and trade area.

- Attract "omnichannel" retailers with both physical and online sales or other sales channels such as catering; these uses can leverage sales beyond those generated by local demand.
- Create a retail showroom for and supported by interested businesses located in Crocker Industrial Park.
- Create better physical integration between Brisbane Village Shopping Center and Visitacion Avenue to create a larger critical mass of retail activity and a series of walkable destinations, generating cross-shopping between stores, services, and restaurants. Connections can include improved pedestrian routes/infrastructure and signage.
- Improve the access and visibility of Brisbane Village Shopping Center from Bayshore Boulevard.
- Improve the appearance and functionality of Brisbane Village Shopping Center to make it more attractive to users and potential tenants.
- Maintain a long-term retail presence at the high-traffic corner of Bayshore Boulevard and Old County Road, regardless of future development or redevelopment.
- Assist businesses and property owners to find grants and other resources for business development, façade improvements, etc.

RESIDENTIAL MARKET POSITIONING AND OPPORTUNITIES

For purposes of this report, Strategic Economics primarily studied residential building types that typify the kinds of buildings that developers would be most likely to build to meet the density parameters specified in the rezoning proposal included in the City's recently adopted Housing Element, as well as community preferences for three-story or lower height limits. Strategic Economics focused its assessment on townhouses and mixed-use (retail and residential) housing products since they meet the proposed zoning criteria and are being built in the Precise Plan market area. Three-story surface-parked residential buildings were also considered, and Strategic Economics examined the feasibility of somewhat higher density housing products and a four-story height limit. The higher-intensity development product serves as a comparative alternative and reflects the building densities and heights that the market is currently likely to deliver.

Townhouses are a highly likely development type for Plan Area sites where the proposed zoning would allow for between 26 and 30 dwelling unit per acre (du/acre). In many cases, townhouse projects would more likely be built at the lower end of this density range because 26 du/acre approaches the maximum design density for townhouses. However, it is possible that in this specific context, developers could achieve a slightly higher density due to the proposed sites' efficient shapes and sizes (rectangular parcels of over 1.2 acres). Current local market conditions demonstrate that townhouses are feasible, with projects similar to what would be built in the Plan Area already proposed and/or under construction in several communities within the same market area as Brisbane. Townhouses are a homeownership product type, rather than a rental product.

Higher-intensity buildings – with two- to three-stories of residences above a parking podium – also currently appear feasible to construct in the market area, but typically are built at higher densities than the proposed zoning. Strategic Economics found that such a building was feasible at 32 du/acre as a rental (apartment) product in a recent study, although built densities are often higher for this building type.

It is less certain whether a three-story standalone residential building with surface parking is feasible; this is a relatively inefficient product type, with low densities driven by space dedicated to parking. Therefore, this development type is unable to support high land costs and few new examples can be found in the Brisbane market area. As a result, additional study would be necessary to determine the maximum possible density of this building type in the Plan Area, and whether it would be financially feasible given the area's land costs.

Mixed-use housing development will be challenging in the Plan Area at the proposed zoning densities of 20 to 30 du/acre with heights below four stories. Mixed-use projects typically require relatively higher residential unit densities in order to cover the higher construction costs associated with this building type. These costs are partly driven by higher costs for ground-floor garage or "podium" parking – when included – constructed of concrete (in contrast to town houses which are built out of less expensive building materials) in order to meet fire safety standards. Retailers also prefer high floor to ceiling heights, and have other unique needs that add additional costs to the ground floor construction. Revenues for a mixed-use project will also be constrained by the fact that the placement of these mixed use buildings in the Plan Area are not ideal for retail tenants and would therefore be likely to only achieve rental rates below what would be necessary to cover construction costs.

Regardless of broader market dynamics, additional factors need to be taken into account when considering redevelopment of Plan Area properties for residential projects:

- Redevelopment will be driven by individual property owner investment decisions; each owner has unique financial considerations, including risk tolerances. Although residential uses are likely to provide higher value than the industrial buildings, the existing Plan Area industrial space is highly desirable for its access to the region's high-density concentrations of residents and workers, and does serve an important role in Brisbane and the region's economy. Therefore, property owners who are satisfied with their current returns will be less motivated to redevelop than if the market for industrial space was weaker, as it was during the most recent recession.
- Housing is likely to remain a desirable and market-preferred use over the long-run, but feasible product types and market strength will vary over time as multiple market cycles occur during the Precise Plan's time horizon.

Strategic Economics recommends the following housing development strategies for the Plan Area:

- Allow – but do not require – mixed-use housing development: Removal of a mixed-use requirement is likely to improve development project feasibility and encourage earlier housing development. Housing can help support nearby retail and contribute to a vibrant district, if it meets requirements that are integrated within the area and features pedestrian-friendly design.
- Encourage the creation of a "horizontal mixed-use" district: Regulatory and policy controls should encourage the creation of a cohesive district that provides the benefits of "vertical" mixed-use, even if individual residential buildings do not include retail uses. This can be accomplished through appealing and easy pedestrian circulation that connects residents to existing and future retail, dining, and service amenities.
- Consider re-zoning properties at and near Brisbane Village Shopping Center to allow housing development as part of a larger project including retail uses: The City should consider re-zoning additional sites for housing development – particularly those adjacent to and including Brisbane Village Shopping Center – coupled with requirements that retail uses must be included at Old County Road and Bayshore Boulevard, and/or along Bayshore Boulevard.
- Allow increased development densities if mixed-use buildings are required: Developers will find it challenging to deliver mixed-use projects at currently proposed densities and site locations. Higher allowable densities should be considered if mixed-use housing development is a community goal for the Precise Plan.

III. DEMOGRAPHIC AND HOUSEHOLD TRENDS

This section describes demographic conditions and trends within Brisbane and the trade areas surrounding the Plan Area. As explained in the Introduction to this report, retailers base location decisions largely on the characteristics of the population within the primary trade area from which they will largely draw their customers. This section describes several of those key characteristics, including population and household counts, family types, ages, incomes, and educational levels.

The analysis is divided into two parts. First, for reference, the demographics for Brisbane itself are shown, including a comparison between the Historic Core – which is closest to and best served by the Plan Area – and the Recently Developed Areas (including The Ridge housing development) (see geography descriptions in the Introduction). The second part of the analysis then examines the City and 1-mile trade area characteristics, and compares them to characteristics of the 3-mile area. The second part illustrates how retailers evaluate the Plan Area for their location decisions.

BRISBANE DEMOGRAPHIC AND HOUSEHOLD TRENDS

Brisbane functionally has two residential subareas: The Historic Core is tightly linked with the Plan Area, while the Recently Developed Areas are more distant, yet still constitute demand for retail and services in the Plan Area. This section discusses how Brisbane and its environs are growing in the Historic Core compared to the Recently Developed Areas.

The Recently Developed Areas comprised nearly two-thirds of population growth in the Brisbane area between 2000 and 2013 (**Figure 4**). New development in the Recently Developed Areas, such as The Ridge project, are bringing substantial new growth to Brisbane. With 775 new residents, the Recently Developed Areas account for over 65 percent of new population since 2000.

Figure 4: Population and Household Trends, 2000 to 2013

	Historic Core	Recently Developed Areas
Total Population		
2000	2,835	949
2013	3,245	1,724
Total Households		
2000	1,252	426
2013	1,542	615
Household Growth		
% Change, 2000-2013	14.5%	81.7%
Average annual household growth, 2000-2013	1.1%	6.3%
Average Household Size		
2000	2.3	2.2
2013	2.1	2.8

Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

The Recently Developed Areas have more young working age families with young children than The Historic Core. As shown in Figure 3, Thirty percent of households in the Recently Developed Areas are comprised of families with children, and just 25 percent of households are single adults. Additionally, 34 percent of the population in the Recently Developed Areas is between the age of 25 and 44 (Figure 6). In comparison, 50 percent of Historic Core households are householders living alone, while just 18 percent of households are families with children.

Figure 5: Household Type in Brisbane, 2009-2013

Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.
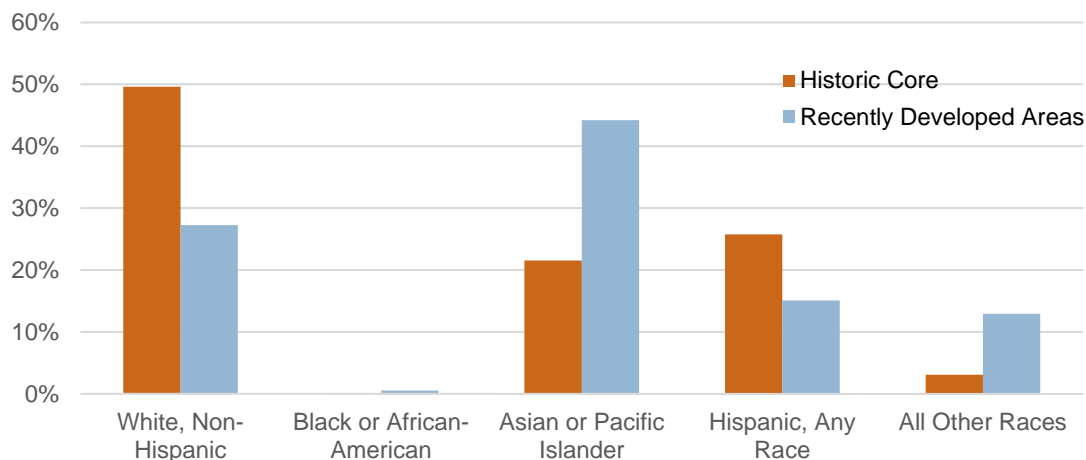
Figure 6: Age Distribution in Brisbane, 2009-2013
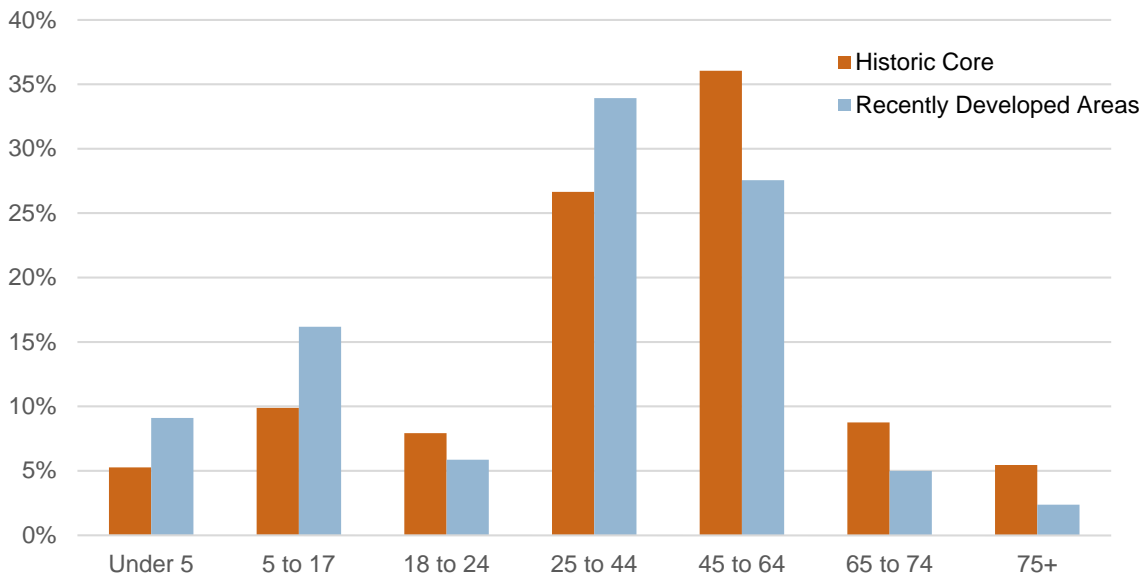
Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

The population in the Recently Developed Areas includes a significantly larger Asian population compared to The Historic Core. Forty-four percent of the population of Recently Developed Areas identifies as being of Asian race/ethnicity, with just 27 percent of the population identifying as White (Figure 7). In contrast, 50 percent of the population in the Historic Core is White, with 22 percent of the population identifying as Asian or Pacific Islander.

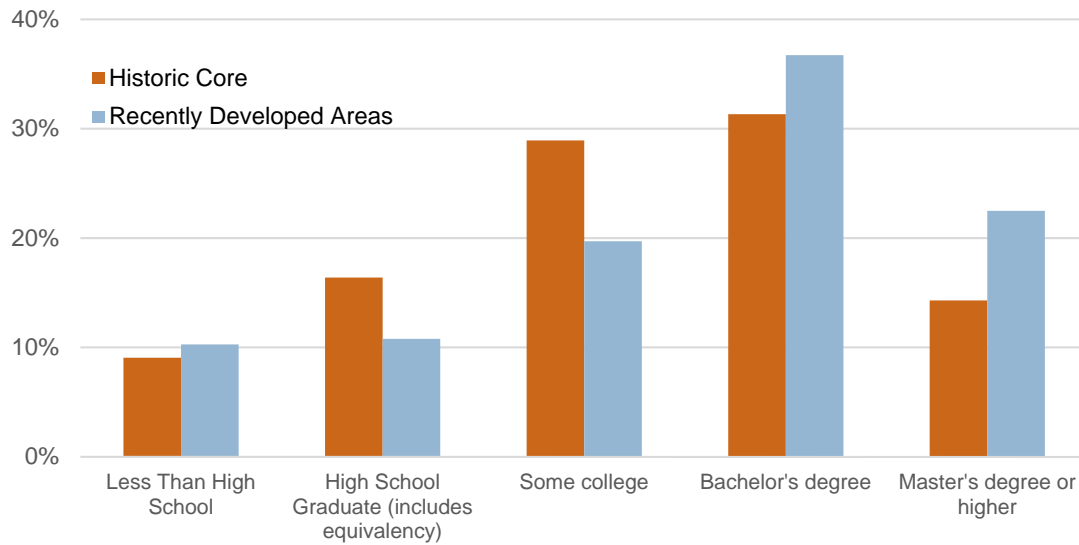**Figure 7:** Race and Ethnicity in Brisbane, 2009-2013

Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

The Recently Developed Areas have relatively higher incomes and rates of education attainment. While both The Historic Core and the Recently Developed Areas both have high rates of residents aged 25 years and older holding Bachelor's degrees – at 31 and 37 percent, respectively – residents in the Recently Developed Areas have higher rates of holding advanced degrees, with 22 percent of the population holding a master's degree or higher (Figure 8). Household income in the Recently Developed Areas is similarly

high, with 48 percent of households earning $125,000 or more. In comparison, 39 percent of the Historic Core's households earn less than $50,000 dollars.

Figure 8: Educational Attainment in Brisbane of Residents Age 25 Years and Older, 2009-2013

Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

Figure 9: Household Income Distribution in Brisbane, 2009-2013
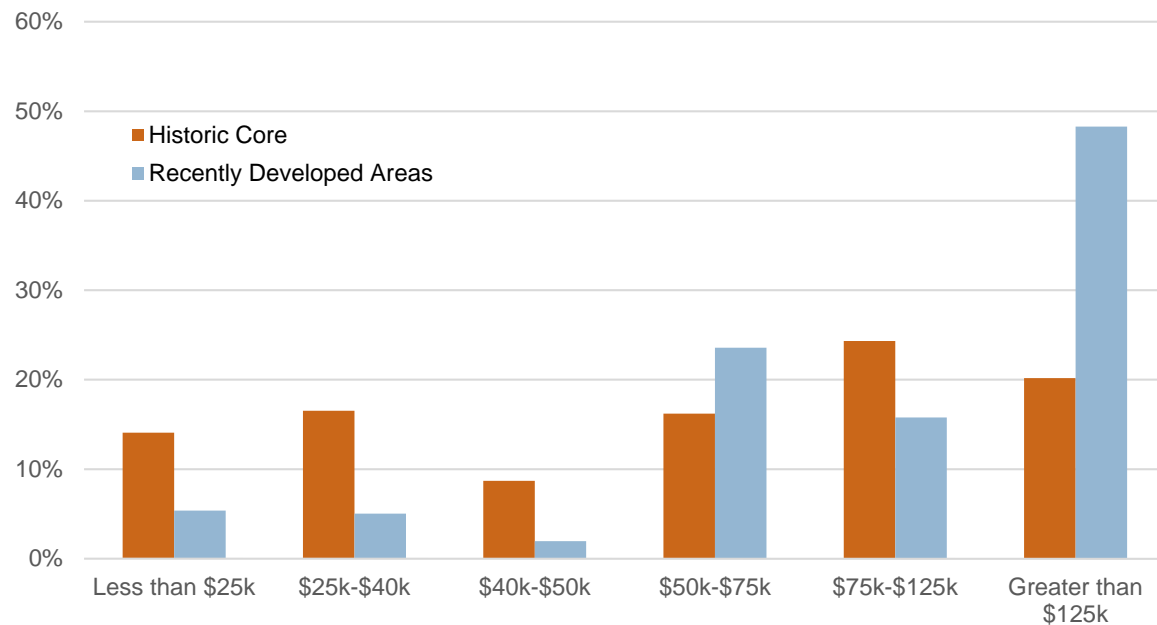
Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

CITY AND TRADE AREA CHARACTERISTICS

Brisbane and the 1-mile trade area surrounding the Plan Area feature a very similar demographic profile. The City is surrounded by the physical barriers of San Bruno Mountain State Park to the South and West, San Francisco Bay to the East, and largely vacant or undeveloped industrial land to the North. As a result, the portions of the 1-mile trade area that extend beyond the City limits contain few residents. Retail in the Plan Area will depend heavily on populations and households within the City itself. This section assesses how the City compares to the 1-mile trade area around the Plan Area. It also compares these areas to demographic characteristics in a 3-mile radius in order to understand how Brisbane is similar and dissimilar from nearby communities.

The City and 1-mile trade area have smaller households and fewer children than the surrounding area, as shown in Figure 10 and Figure 11. With an average household size of 2.2 and 2.3 respectively, the City and 1-mile trade area have smaller households than the larger 3-mile area, with an average household size of 3.4. Additionally, the City has fewer children compared to the 3-mile trade area, with only 17 percent of the population under 18 in Brisbane, compared to 21 percent in the 3-mile trade area.

Figure 10: Population and Household Trends, 2000 and 2009-2013

	Brisbane	1 Mile Trade Area	3 Mile Trade Area
Total Population			
2000	3,597	3,784	163,650
2013	4,330	4,969	174,909
Total Households			
2000	1,620	1,678	47,616
2013	1,944	2,157	51,872
Household Growth			
% Change, 2000-2013	20.4%	31.3%	6.9%
Average annual household growth, 2000-2013	1.6%	2.4%	0.5%
Average Household Size			
2000	2.2	2.3	3.4
2013	2.2	2.3	3.4

Sources: U.S. Census, 2000; U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.
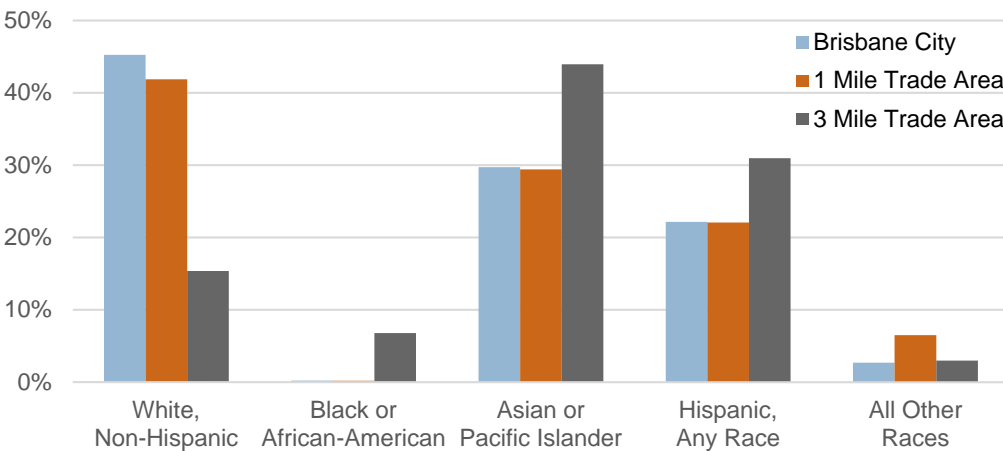
Figure 11: Age Distribution, 2009-2013
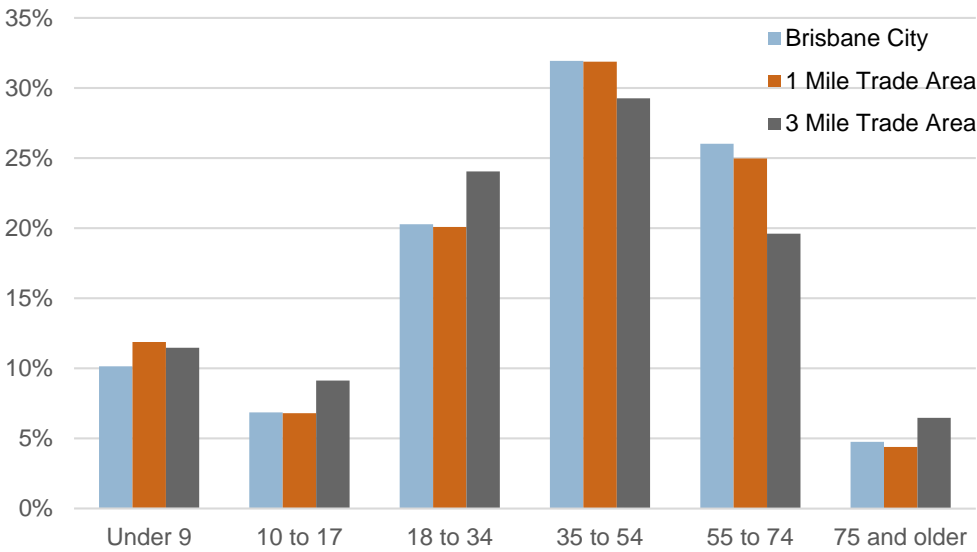
Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

Brisbane and the 1-mile trade area are less racially diverse than the surrounding area, although they are rapidly diversifying. With 44 percent of the population identifying as Asian, 31 percent identifying as Latino, and 15 percent identifying as White, the 3-mile trade area is more racially diverse than Brisbane and the 1-mile trade area (Figure 12). In comparison, Brisbane and the 1-mile area are 30 percent and 29 percent Asian, 22 and 22 percent Latino, and 45 and 42 percent White, respectively. Figure 12 shows the racial and ethnic percentage change between 2000 and 2009-2013.

Figure 12: Race and Ethnicity, 2009-2013

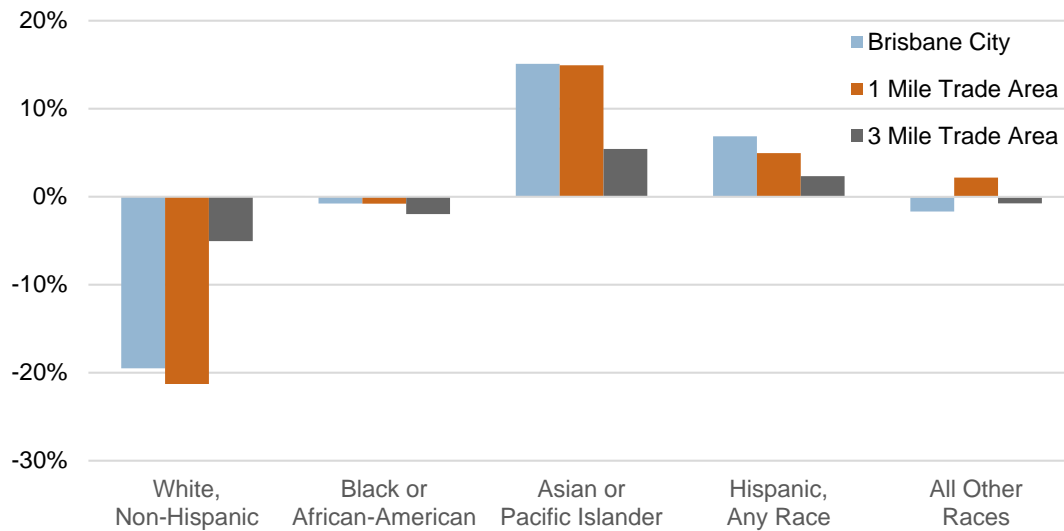Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

Figure 13: Racial and Ethnic Percentage Point Change, 2000 and 2009-2013

Sources: U.S. Census, 2000; US American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

As Figure 14 and Figure 15 show, Brisbane and the 1-mile trade area have greater levels of educational attainment and higher incomes than the 3-mile trade area. Within Brisbane, 52 percent of the population has at least a bachelor's degree. In the 1-mile trade area, 50 percent of the population has at least a bachelor's degree. In the 3-mile trade area however, only 26 percent of the population has a bachelor's degree or greater. Additionally, more than 65% of the households in Brisbane and the 1-mile radius earn more than $50,000 a year, with median incomes of $78,542 and $77,599.

Figure 14: Educational Attainment, 2009-2013
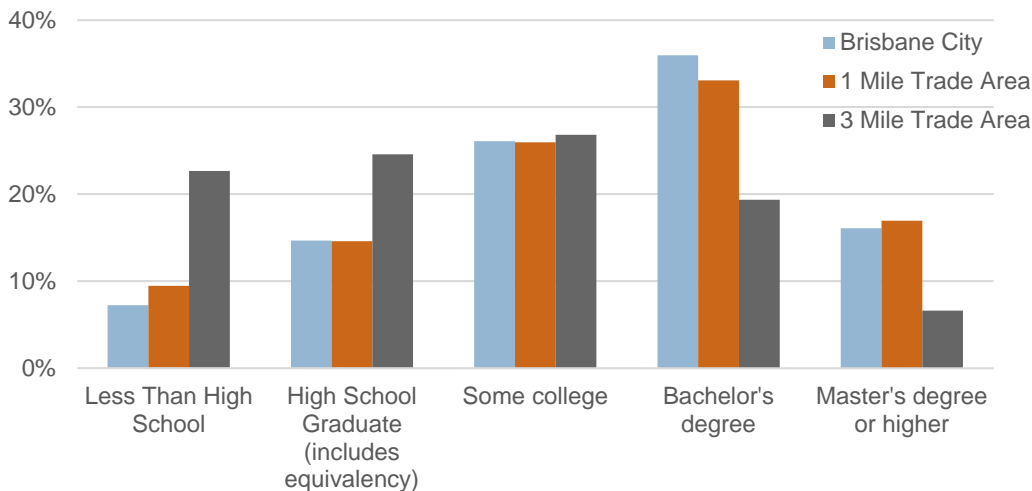
Master's degree or higher includes master's degree, professional school degree or doctorate degree.
Sources: U.S. Census, 2000; U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

Figure 15: Household Income Distribution, 2009-2013

Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

IV. RETAIL MARKET ASSESSMENT
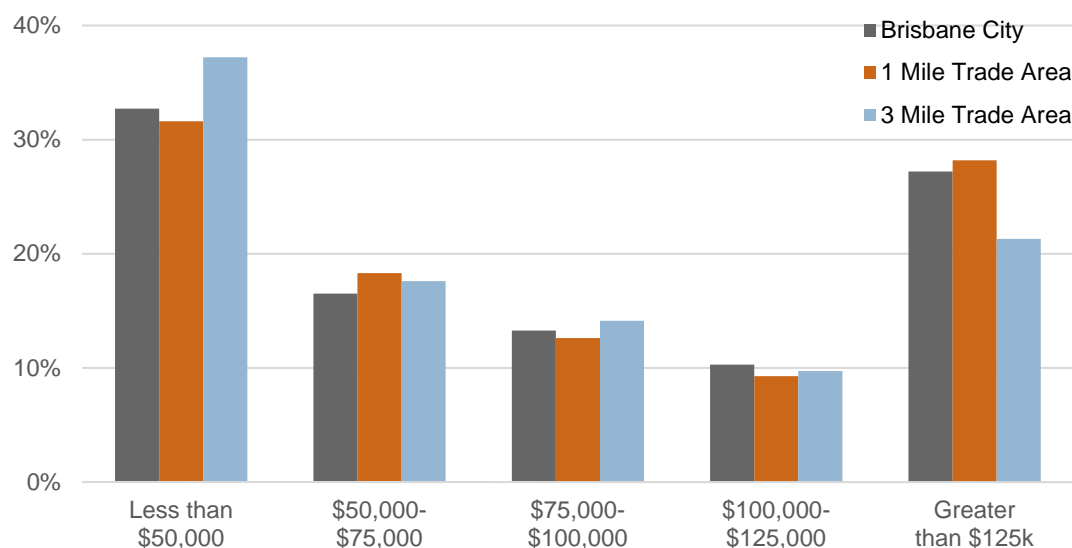
Brisbane envisions the Plan Area as a gateway to the community, with neighborhood serving retail and new residential development creating a vibrant district that connects to the City's Historic Core, but also serves residents of housing in The Ridge. The goal of this section is to assess the Plan Area's general retail competitiveness and potential for new retail. This analysis focuses on neighborhood-serving retail generally, as well as several specific retail or restaurant types that were identified from community input gathered in workshops conducted by MIG. These retail types include grocery stores, drug stores, fast casual dining (quick service restaurants with high-quality ingredients and upscale interior decor), and fitness.

Strategic Economics assessed the Plan Area's general retail competitiveness and the area's potential to attract the preferred store types by identifying and mapping nearby local-serving retail concentrations (existing competitive supply), researching major retail trends, and researching retail location criteria by store type. Strategic Economics then compared the Plan Area's location and trade area attributes to nearby retail centers which also constitute the competitive retail supply, and conducted interviews with local real estate brokers.

To ground the discussion in the fundamental principles of retail market analysis, the first part of this chapter begins with a discussion of key factors for successful retail locations, followed by an overview of shopping center types, a summary of recent retail trends affecting location decisions for chain retail, and an assessment of store-specific location preferences. The second part of this chapter examines local conditions and opportunities, including a description of existing retail in the Plan Area and an assessment of the competitive supply in nearby locations. This chapter concludes with an assessment of the Plan Area's positioning for attracting local-serving retail and discussion of strategies for attracting and retaining desired retail uses.

RETAIL LOCATION PREFERENCES AND TRENDS

Factors for Successful Retail

This section provides an overview of factors that make retail successful. Strategic Economics derived these insights through interviews with local retail brokers and from Strategic Economics' experience with retail development in numerous communities. These factors are important regardless of the form of the retail, whether in a pedestrian-oriented downtown environment or an auto-oriented suburban environment.

1. **Critical Mass**. Retailers like to cluster with other retailers. A concentration of retail activity creates a destination that offers variety and selection to shoppers, while retailers benefit from synergistic effects with other retailers. Scattered retail is unlikely to be as successful in attracting foot traffic.

2. **Anchor tenant**. In addition to providing critical mass, successful shopping districts are typically anchored by a large, name-brand retailer that drives business to smaller retailers in the same center. A cluster of similar businesses, such as restaurants, can also act as an anchor. Occasionally, neighborhood-serving centers without a traditional anchor can use a smaller destination business such as a popular restaurant as an anchor. Non-anchored strips can also be successful, but depend more upon synergy between complementary retailers.

3. **Access and visibility**. More so than other commercial uses, retail is extremely location sensitive. Retail space must be visible to prospective shoppers and offer convenient routes for pedestrian and auto access and egress. In automobile-oriented environments, convenient access includes readily available parking in proximity to shops.

4. **Well-trafficked location.** Retailers typically prefer to locate in locations with high automobile traffic counts on one or more adjacent streets. Local-serving retailers generally seek a minimum average daily traffic level of roughly 20,000 trips, although criteria are flexible for locations with high foot traffic.

5. **Appropriate space**. Retailers have very specific requirements for the kind of space that they occupy; the lack of appropriate space can preclude certain types of tenants from considering a given location. For example, national retailers seek large, prominent storefronts, while restaurants require utility connections and ventilation improvements.

Types of Shopping Districts

The importance of clustering retail around an anchor tenant has led to the formation of specific increments of retail "groupings" at different scales. Brisbane Village Shopping Center clearly functions as a "Neighborhood Center." However, the hierarchy of shopping center types helps to clarify the scale of uses which could be located in the Plan Area, and why Strategic Economic primarily focused on the 1-mile trade area – i.e., the area from which the center primarily draws its customers – surrounding Brisbane Village Shopping Center.

Downtown Shopping Districts developed primarily in historic, pre-war business districts with retail along two sides of a main street, sometimes with residential or office uses on upper stories. The core retail district typically extends for two to three blocks, for a total length of approximately 1000 to 1,300 feet. Tenants tend to be smaller, independent retailers, where the "anchor tenant" may be a cluster of restaurants.

Neighborhood Centers provide convenience-oriented goods and services, i.e., stores that sell goods and services people may require on a frequent basis, to a local market within 1 mile from the shopping center.

Typical anchors are supermarkets and drug stores, although neighborhood centers sometimes lack anchors and instead rely on a complementary cluster of retailers. Neighborhood centers range from 30,000 square feet to 125,000 square feet.

Community Centers offer a wider range of merchandise than neighborhood centers, such as apparel and other soft goods. These centers typically have two or more anchors, which can include supermarkets and drug stores, as well as discount department stores, home improvement and other big box retailers. The store mix in community centers include goods that people may need periodically, but not on a daily or weekly basis. Community centers typically range in size from 125,000 square feet to 400,000 square feet. Community centers serve a trade area within a roughly 3-mile radius. Community center store types can include clothing, hardware and home improvement, sporting goods, crafts, etc.

Regional Malls are anchored by department stores or other fashion apparel stores, and provide a wide range of merchandise and services, with a total area ranging from 500,000 to 1.5 million square feet. Regional malls serve a trade area of 5 or more miles. The tenants in regional malls tend to sell "comparison goods" which are items that may be purchased infrequently and where the shopper wants to compare from a selection of the same item before making their purchase.

Lifestyle Centers have emerged in the past decade as a new type of retail format that mimics the pedestrian-oriented main street. These centers range in size from 150,000 square feet to 500,000 square feet and feature fashion and apparel stores, restaurants and entertainment. Anchor tenants are more likely to be large specialty retailers and movie theatres rather than department stores. Santana Row in San Jose and Bay Street in Emeryville are examples of lifestyle centers in the Bay Area.

National Retail Trends

Strategic Economics researched recent trends in retail that impact store format and location decisions, with a goal of understanding how these trends may create new opportunities to attract retail to the Plan Area. The results of this research are summarized below and applied in this chapter's later assessment of retail opportunities in the Plan Area.

Online shopping is competing with traditional retail based on convenience, resulting in retail centers increasingly focusing on "experiential retail." Online shopping competes most effectively with hard goods that require limited in-person comparison, such as books, music, office supplies, and electronics. As a result, sectors that are most resistant to online competition are those that offer an experience that online sales cannot duplicate, such as dining, entertainment, and fitness.[3]

Retailers are adapting to online competition by becoming "omni-channel" retailers, engaging with customers both online and in brick and mortar stores in a complementary way. While e-commerce is on the rise, many retailers still find brick and mortar stores to be essential in sales. These retailers are combining their brick and mortar stores with online formats to convert the value of their stores into more sales, such as Best Buy offering online sales of products displayed in its stores. This is called omni-channel retailing, which refers to engaging customers on multiple retail 'channels.'[4]

Retailers are shifting to smaller stores with nimble stock, requiring shallower retail spaces with lots of storefront. As retailers shift towards experiential and omni-channel retailing, the stores are designed to

[3] Brown, Garrick, "Retail Real Estate 2015: The New Frontier," DTZ, May 2015.
[4] ATKearney, "Brick-and-Mortar is the Foundation of Omnichannel Retailing," ATKearney.com, 2014.

focus more on product discovery and trial, and with smaller inventories of stock on-hand. Additionally, faster distribution allows retailers to respond to local preferences by maintaining a small, nimble stock, and shipping bulk or bulky items directly. As a result, even national big-box retailers are beginning to experiment with smaller format stores.[5]

Some chain grocery and drug stores have begun experimenting with smaller format stores in urban areas. In the case of drug stores including Walgreens and CVS, increased drug prices and added emphasis on customer accessibility has led to shifts towards more, smaller stores.[6] [7] Additionally, in recent years, there have been several experiments in smaller grocery stores.[8] Some stores focused on fresh produce and limited specialty items, like Trader Joes and Aldi, have been successful in stores between 15,000 and 25,000 square feet. Others, such as Whole Foods and Lidl, are planning to add small format stores. However, most smaller format stores are in very high density locations, where there is significant population density within a small area, and there are virtually no spaces or sites available to accommodate large grocery stores.[9]

Store-Specific Location Criteria and Trends

Looking beyond general retail positioning, Strategic Economics conducted targeted research to assess the location criteria specific to several store types identified as priorities by the Brisbane community. This section briefly discusses the individual store location preferences.

Grocery Stores. Grocery stores come in a range of formats, from 5,000 square foot neighborhood markets to full service 40-50,000 square foot supermarkets. Full-service grocery stores typically have a 1-mile trade area with a population of 12,000 residents, and 25,000 or more residents within a 3-mile radius. They generally prefer sites of at least 1-acre with high visibility and efficient ingress and egress. In recent years, some national grocery store chains have experimented with smaller format groceries, but these are primarily in areas with high population density, such as urban neighborhoods.

Pharmacies / Drug Stores. National chain drug stores seek high-visibility, high trafficked locations, such as a corner with a traffic light. These retailers generally target a population of 18,000 people within a 1-mile radius. Many national chains have recently undergone acquisitions and have slowed expansion during the transition. There are still some independent pharmacies, but these are typically independently-owned legacy businesses, are increasingly rare, and tend to operate as strictly pharmacies.

Fast Casual Restaurants. Upscale, fast-casual dining is a quickly growing market segment that supports larger trends emphasizing in-person experiences rather than online transactions. Fast-casual can include local quick-serve lunch options, regional destinations, or businesses that have complementary side businesses such as mail-order sauces or catering. Chains seek locations of high daytime traffic, "hip" patrons, and co-location with complementary uses, such as entertainment uses. These chains prefer high-visibility corners with high foot traffic, but will locate in strip centers or in-line shops. Independent operators are more likely to locate in less desirable locations, but still require high traffic to succeed. Examples of typical chains include Chipotle, Baja Fresh, and Panera Bread, all of which market themselves as providing a healthier and more upscale option compared to quick-serve restaurants such as McDonalds

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[5] IRi, "The Changing Face of Retail: Adapting to Smaller Formats and Embracing E-Commerce," *Point of View*, May 2015.

[6] Chen, Cherice, "Walgreens Combats Shrinking Margins with Size," Covering Companies, December, 2014.

[7] Trefis, "Why Shrinking Drugstores are Good for CVS, Not So Good for Walgreens," DailyFinance.com, July, 2011.

[8] Stuart, Samuel, "Is the Shift to Smaller Formats Finally Underway?" Supermarket News, October 2015.

[9] Wise, Warren, "Smaller Format Grocery Stores Aim to Tap into Convenience," The Post and Courier, June 2015.

and Burger King. By emphasizing a high-quality dining experience, these chains encourage customers to linger and engage.

Fitness Centers and Gyms. Similar to fast-casual dining, fitness is proving more resilient in a more "experiential" retail setting. Fitness centers traditionally seek low-cost, large spaces of approximately 25,000 square feet, in areas of high day and nighttime populations. While some fitness centers will use smaller spaces, these chains tend to be more specialized and are more often introduced in urban areas.

Alternative Grocery Store Models

While this section's assessment of grocery store opportunities focuses on major national chain location preferences – preferences which do not align well with the Plan Area's characteristics – alternative ownership scenarios may offer potential. Alternative ownership types include: independently owned, non-profit, and co-op stores. Each of these grocery types have different requirements and potential for Brisbane.

Independent groceries require much of the same things as a chain but with additional flexibility. They require a high concentration of relatively captive households in order to maintain profitability. However, their location decisions are less stringent; motivated owners may locate in an area to which they are connected, and are more flexible in their strategy. Additionally, independent groceries are typically more responsive to local stock preferences.

Non-profit groceries have gained attention and growth more recently. They are typically located in which high demand exists, yet major chains are unwilling to locate due to low incomes, lack of adequate sites, or other factors. They most often serve lower-income areas, but still require sufficient population to support demand, or continued assistance from non-profit funders.

Co-operative ownership groceries, or co-ops, offer the benefits of community focused grocery development. As they are owned in common by shareholders, their offerings are generally in tune with local preferences, and their location decision is based upon the supporting community. In order to survive financially, co-ops do require sufficient population to generate demand. Additionally, they require a motivated board to operate them in common and communicate effectively to shareholders.

The County of San Mateo offers annual grants of 3,000 to 35,000 dollars that meet their healthy communities guidelines and serve priority populations. These grants, in addition to other funding sources, could be used to help establish one of the groceries discussed above. Additionally, there are programs run by the county and the USDA to help put healthy food into existing markets.

PLAN AREA COMPETITIVE POSITIONING AND RETAIL DEVELOPMENT STRATEGIES

Existing Retail and Services in the Plan Area and Brisbane

Existing retail activity in Brisbane is dispersed between Visitacion Avenue and Brisbane Village Shopping Center. The current business mix consists primarily of local-serving dining, limited traditional retail, and personal services such as salons. The Plan Area lacks a full-service grocery store, although there is a

neighborhood market on Visitacion Avenue, and a local, year-round, farmer's market that takes place every Thursday in the Brisbane Community Park.

The largest concentration of retail space in Brisbane and in the Plan Area is at the Brisbane Village Shopping Center, located at Bayshore Boulevard and Old County Road. Built in 1975, Brisbane Village is an unanchored, bi-level, neighborhood center of approximately 30,000 square feet. The ground floor is primarily tenanted by independent restaurants, which rely heavily on daytime/lunchtime traffic from the nearby Crocker Business Park as well as local residents. The ground floor has two current vacancies comprising 5,800 square feet. The second floor is a mixture of personal services, medical office/services, and general office spaces. Additionally, Bank of America is located on a separate parcel at the corner of Bayshore Boulevard. There is an additional undeveloped pad space along Bayshore Boulevard adjacent to the Bank of America.

Existing and Future Competitive Supply

This section assesses existing local-serving retail concentrations within approximately 3 to 4 miles of the Plan Area, with a focus on neighborhood centers. Most, but not all, of these centers are anchored by grocery and drug stores. These types of centers were included since the Plan Area's modest scale and limited nearby population are likely to only support local-serving uses, and the Brisbane community identified grocery and drug stores as desirable uses. Figure 17 shows the locations of nearby neighborhood shopping centers and Figure 16 lists anchors and sample tenants in these centers.

Nearby neighborhood centers are relatively evenly spaced from each other, located adjacent to highways and/or freeways and high capacity transit, and serve primary trade areas with populations in the 30,000 persons range. Figure 17 shows 1-mile radii around neighborhood centers within 3 miles of Brisbane Village Shopping Center. These nearby shopping centers are located in overlapping trade areas along major transportation corridors and have significant numbers of population (typically around 30,000 residents) and households within each center's 1-mile trade area.

New retail development projects are being delivered in small increments, typically in mixed-use projects serving local residents. There has been little recent retail development in Brisbane. Recent and proposed retail development in nearby areas of San Francisco, Daly City, Colma, and South San Francisco has been primarily included as a component of small mixed-use buildings. This type of retail is usually between 1,500 and 5,000 square feet, and designed to serve the day-to-day needs of local residents with amenities such as coffee shops, dry cleaners, and convenience stores.

Several large-scale residential developments that are either currently under construction, have received all of their project approvals, or are in the active planning phase could generate more demand for retail activity in Brisbane. However, the actual impact on the Plan Area may be limited since these projects also include substantial new retail development to serve their own population growth as well as Brisbane's residents. While these projects are all in various stages of planning and implementation, Candlestick Point, Schlage Lock, Executive Park, and, potentially, Brisbane Baylands could bring thousands of new residents to the bigger trade area, as shown in Figure 19 and Figure 20. New residents could provide additional demand for retail development in Brisbane. However, because several of these projects include significant increments of neighborhood serving retail – and Candlestick Point and the Baylands projects may potentially deliver large concentrations of regional serving retail – all of these new projects may create more competition, rather than support, for retail stores in Brisbane.

Figure 16: Description of Nearby Retail Supply

Center Name	Driving Distance from Plan Area	Anchor Tenants	Other Sample Tenants
Community Centers			
Serra Shopping Center	3.6 miles	Target, BevMo!, Aaron Brothers	
Neighborhood Shopping Centers			
Mills Park	4.1 miles	*Unanchored*	UPS Store, Spiral Japanese Restaurant
Brentwood Shopping Center	3.2 miles	CVS, Staples	The Golf Mart
Southwood Shopping Center	2.9 miles	7-Eleven, Designer Furniture	Sky Dragon, Designer Furniture
Fairway Plaza	2.8 miles	Pacific Supermarket	Supercuts, Bank of America
Winston Manor	3.1 miles	Grocery Outlet	Chevy's, UPS Store, Jack in the Box
Mission Plaza	3.5 miles	Lucky Stores	Sally Beauty, Starbucks, Jollibee
Brisbane Village	0 miles	*Unanchored*	Subway, Bank of America
Westborough Square	3.9 miles	Pacific Market	UPS Store, Paris Baguette, Subway, Philz
Super Regional and Power Centers			
San Bruno Towne Center	3.3 miles	Lowe's, Lucky, Marshalls, Best Buy	AT&T, Red Lobster, Subway, Popeyes
Shops at Tanforan	3.5 miles	JCPenny, Target, Sears, PETCO, Century Theaters	Old Navy, Bath & Body Works, Spencer Gifts

*Does not include strip centers as classified by CoStar.
Source: CoStar Group, 2015; Google Maps, 2015; Strategic Economics, 2015.

Figure 17: Retail Centers within Approximately Three to Five Miles of Brisbane, with Selected One-Mile Trade Area Radii

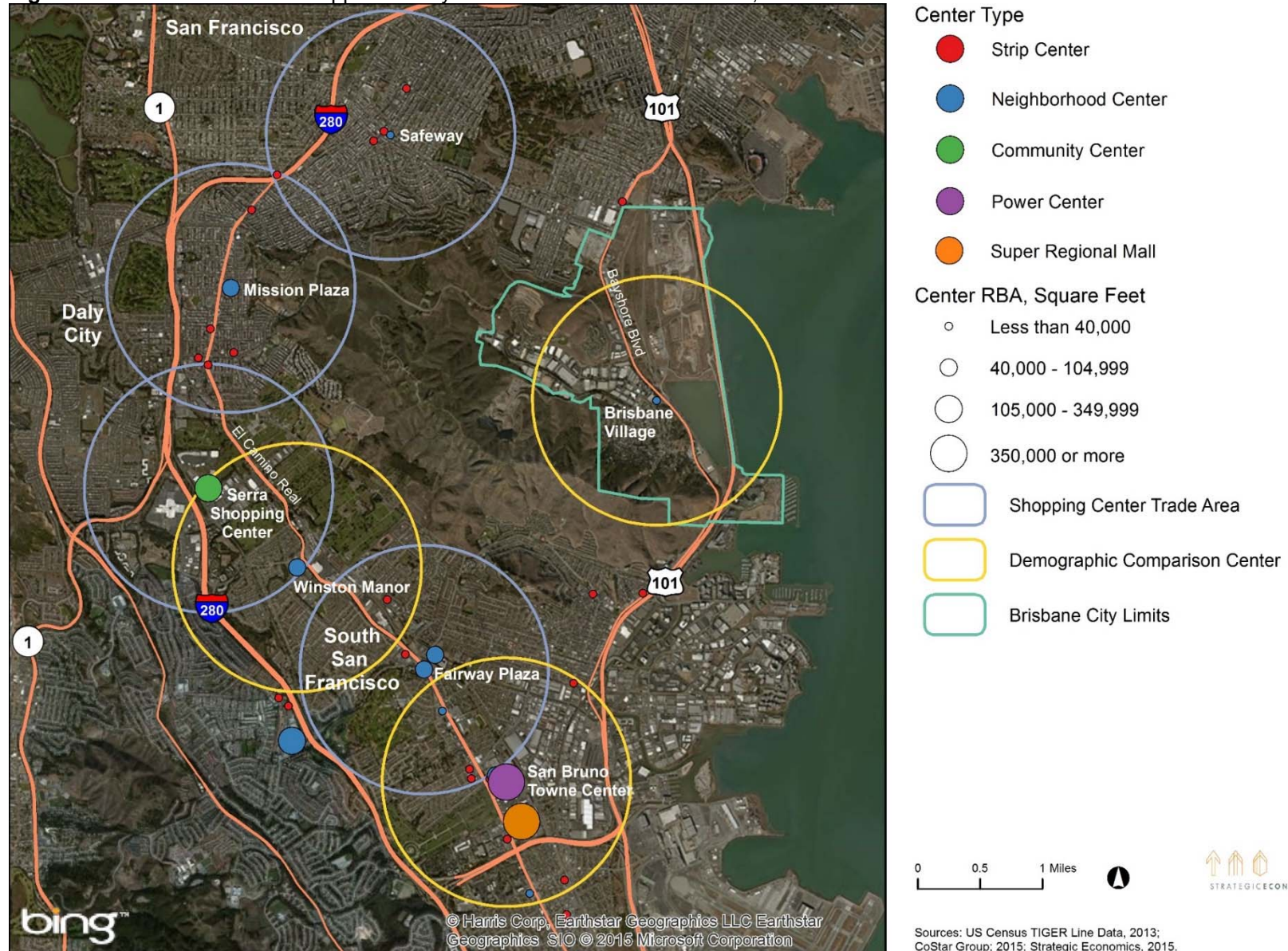**Figure 18:** Nearby Grocery and Drug Store Locations

Store Type

- 🔴 Drug
- 🔵 Grocery
- ▢ 1 Mile Trade Area
- ▢ Brisbane City Limits

Sources: US Census TIGER Line Data, 2013;
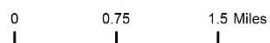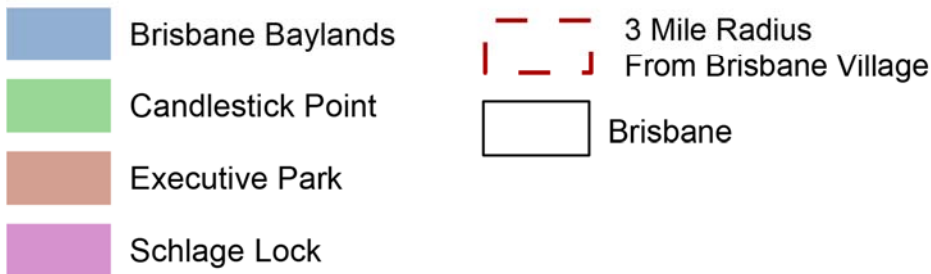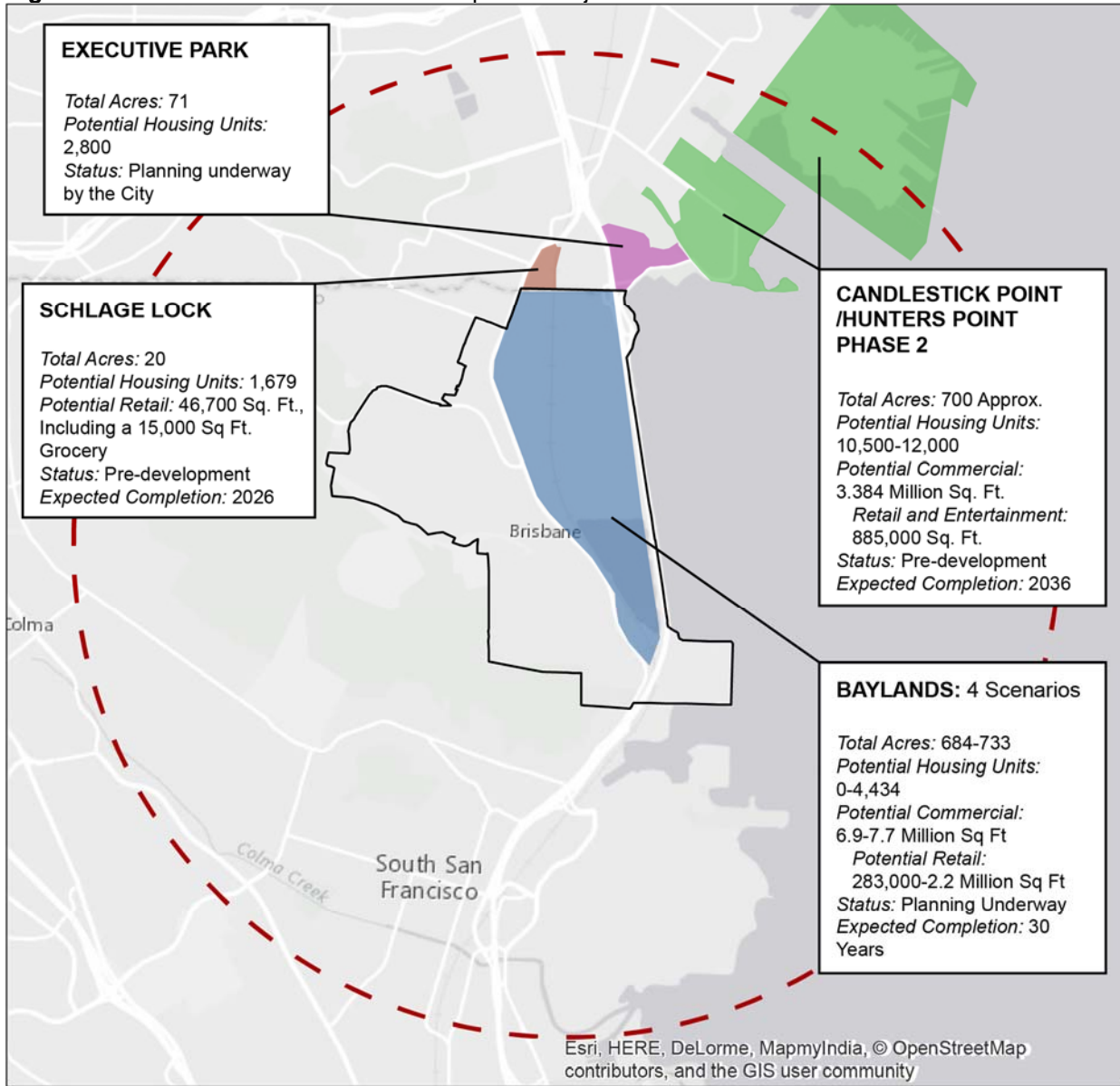Google Maps, 2015; Strategic Economics, 2015.

0   0.75   1.5 Miles

Figure 19: Potential Transformative Development Projects In and Near Brisbane

EXECUTIVE PARK

Total Acres: 71
Potential Housing Units: 2,800
Status: Planning underway by the City

SCHLAGE LOCK

Total Acres: 20
Potential Housing Units: 1,679
Potential Retail: 46,700 Sq. Ft., Including a 15,000 Sq Ft. Grocery
Status: Pre-development
Expected Completion: 2026

CANDLESTICK POINT /HUNTERS POINT PHASE 2

Total Acres: 700 Approx.
Potential Housing Units: 10,500-12,000
Potential Commercial: 3.384 Million Sq. Ft.
    Retail and Entertainment: 885,000 Sq. Ft.
Status: Pre-development
Expected Completion: 2036

BAYLANDS: 4 Scenarios

Total Acres: 684-733
Potential Housing Units: 0-4,434
Potential Commercial: 6.9-7.7 Million Sq Ft
    Potential Retail: 283,000-2.2 Million Sq Ft
Status: Planning Underway
Expected Completion: 30 Years

Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors, and the GIS user community

Brisbane Baylands

Candlestick Point

Executive Park

Schlage Lock

3 Mile Radius From Brisbane Village

Brisbane

0   1   2 Miles

STRATEGIC ECONOMICS

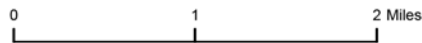Sources: City of San Francisco, 2015; Strategic Economics, 2015.

Figure 20: Description of Potential Transformative Projects In and Near Brisbane

Name		Total Project Size (Acres)	Total Residential (Units)	Total Commercial (Sq. Ft.)	Retail and Mixed Use	Active Developer?	Status	Timeline
Candlestick Point/Hunter's Point Shipyard		700	10,500 (6,225 at Candlestick)	3,385,000	885,000	Yes	Phase 1 underway, Phase 2 in planning	2036
Executive Park		71	2,800	Unknown	Unknown	No	Planning	Unknown
Schlage Lock		20	1,679	46,700	46,700	Yes	Approved	2026
Baylands (4 scenarios)	1) Developer Sponsored Plan:	684	4,434	7,000,000	566,300	Yes	Program EIR and development applications currently under review	30 years
	2) Developer Sponsored Plan-Entertainment Variant:	684	4,434	6,900,000	283,400	Yes		
	3) Community Proposed Plan:	733		7,700,000	2,209,500	Unknown		
	4) Community Proposed Plan-Recology Expansion Variant:	733		7,700,001	2,209,500	Unknown		

Sources: City of San Francisco, 2015; City of Brisbane, 2015; Lennar Urban, 2015; Strategic Economics, 2015

Plan Area Options for Future Retail Development

This section demonstrates the Plan Area's competitive opportunities and challenges through comparison of the Plan Area's 1-mile trade area to the comparable trade areas of two nearby retail centers. This section also assesses the Plan Area's retail positioning based on the specific location criteria for stores examined earlier in this section. Based on these comparisons, opportunities for retail growth and attraction of desired retailers to the Plan Area appear highly constrained.

Figure 21 compares characteristics of the Plan Area's 1-mile trade area (centered on Brisbane Village Shopping Center) versus a nearby grocery store and shopping center. The comparative trade areas are centered on the Trader Joe's store at 301 McClellan Drive in South San Francisco, and San Bruno Towne Center – which includes a Lucky grocery store – at 1202 El Camino Real in San Bruno (see the maps in Figure 17 and Figure 18, and the summary table in Figure 16). This comparison illustrates the differences and similarities between the Plan Area and sites preferred by major national retailers. The following findings describe the results of this comparison.

Figure 21: Comparison of One-Mile Trade Area Characteristics

1-Mile Trade Area Characteristic	Plan Area (Brisbane Village S.C.)	San Bruno Towne Center	Trader Joe's
Population	4,969	36,319	34,665
Households	2,157	12,743	12,005
Workers	2,842*	18,677	7,535
Average Daily Traffic	20,135	33,000	24,500
Incomes above $50k	68%	70%	73%
Incomes above $100k	38%	38%	40%
Bachelor's Degree or Higher	50%	31%	33%
Center Visibility/Access	Limited	Excellent	Good

*Brisbane is estimated to include 7,240 total jobs, but many of these jobs are at Sierra Point, just outside the 1-mile radius.
Sources: U.S. American Community Survey 5-Year Estimates, 2009-2013; U.S. Census Longitudinal Employer-Household Dynamics, 2013; Caltrans, 2014; Brisbane Baylands Final Environmental Impact Report, 2015; Strategic Economics, 2015.

Based on the needs of the retailers previously described, the Plan Area is primarily constrained by limited demand due to low worker and residential populations within its trade area. The researched store types prefer populations of at least 12,000 within a 1-mile radius. The residential population of 4,969 within a mile of Brisbane Village Shopping Center is insufficient to support significant retail, in contrast to approximately 35,000 residents near the more ideally-situated Trader Joe's and San Bruno Towne Center comparison areas. Existing and potential future restaurants in the Plan Area also depend on lunchtime business from nearby workers; the Plan Area's trade area includes fewer than 3,000 workers. The City as a whole includes over 7,000 jobs, many of which are located just outside the 1-mile trade area at Sierra Point. These workers provide additional daytime demand that can be captured in the Plan Area. However, the Plan

Area is less competitive for capturing spending by these workers since Sierra Point includes its own on-site competing dining amenities, and workers can also easily access options in South San Francisco.

The Plan Area – and particularly Brisbane Village Shopping Center – is an excellent location for capturing high volumes of passing traffic, but is constrained by poor access and visibility from Bayshore Boulevard. Average daily traffic on Bayshore Boulevard at Old County Road exceeds 20,000 vehicles; this traffic volume approaches a level necessary to support successful retail, and is not significantly lower than the 24,500 count near the comparative Trader Joe's. However, the current alignment of the intersection and lack of clear signage make it difficult for traffic on Bayshore Boulevard to see Brisbane Village Shopping Center with adequate time to turn. Accessing the shopping center from Bayshore Boulevard is also circuitous and indirect.

The proportions of households with incomes over $50,000 and $100,000 in the Plan Area's 1-mile trade area are comparable to other areas, though the median income is somewhat low. Sixty-eight percent of households in the Brisbane Village 1-mile trade area earn more than $50,000 and 38 percent earn over $100,000. This is comparable to trade areas for nearby San Bruno Towne Center (70 percent over $50,000, 38 percent over $100,000) and Trader Joe's (73 percent over $50,000 and 40 percent over $100,000); however, interviews with retail brokers revealed that the median income of $77,599 was low for such a strong market area, and would provide a challenge to attract the desired retail types.

The Plan Area features little physical opportunity to develop larger store formats. Many of the desired retail types – such as a full-service grocery or fitness center – typically require large stores and large land areas when developed by national chains. Within the Plan Area, there are few opportunities to develop larger store formats without significant redevelopment.

Competitive supply exists within convenient driving distance. As the map in Figure 17 showed, several retail centers within convenient driving distance serve Brisbane. Without additional demand, chain retail has limited incentive to develop new locations closer to the market.

Basic needs are already met by local restaurants and retail and Midtown Market. There are several local restaurants along Visitacion Avenue and in Brisbane Village that provide adequate supply for the current population. Additionally, there exists a neighborhood market on Visitacion Avenue – Midtown Market – that serves the need for smaller, convenience grocery.

Retail Attraction Strategies

Despite the fact that the Plan Area has some major challenges for attracting and sustaining retail activity, there are opportunities to improve the area's retail offerings. This section identifies multiple strategies to improve opportunities to attract retail activities identified by Brisbane community members, including high-quality shopping and dining options. The strategies are designed to work with the Plan Area's existing constraints such as very small population in the 1-mile trade area, adequate existing supply of retail space serving the trade area, and poor design/access for attracting residents, workers, and passing traffic.

To the extent possible, increase retail demand with incremental population and employment growth within the Plan Area and trade area. As is currently proposed in the Housing Element, even the relatively small increase in population within the Plan Area will create additional foot traffic and demand for neighborhood services. This new growth helps to draw the interest of more retailers to the Plan Area and Brisbane Village Shopping Center just by signaling that the community is open to new investment and improvements.

Allow flexible uses in retail space. Allowing for flexible uses – such as businesses that combine catering and restaurant service, a workshop with a retail storefront, or a store that engages in both local and online sales – could broaden the potential tenant base for Brisbane Village Shopping Center, encourage retailers of artisanal goods or unique dining who can serve as regional destination anchors, and overcome limited trade area demand through additional online or regional sales. The Plan Area overlaps with and neighbors an existing concentration of businesses at Crocker Industrial Park; while most of these businesses are unlikely to desire a retail or showroom space, some might seek such uses in the Plan Area's higher-visibility location.

Integrate Brisbane Village Shopping Center with Visitacion Avenue to create a stronger critical mass of retail and a cohesive walkable destination. As previous studies have noted, Brisbane Village and Visitacion Avenue are physically disconnected. Connecting the two areas through slight infrastructure changes and signage would create a more unified retail cluster, resulting in greater critical mass of retail options and more opportunities for cross-shopping between stores.

Improve the access and visibility of Brisbane Village Shopping Center from Bayshore Boulevard; maintain a long-term retail presence at the intersection of Old County Road and Bayshore Boulevard, and along Bayshore Boulevard itself. Brisbane Village Shopping Center lacks visibility and easy access from Bayshore Boulevard. Short-term improvements can include better signage and views of the shopping center from Bayshore Boulevard. Long-term changes can include eventual redevelopment or major renovation of the center, with improved access to Bayshore Boulevard; as part of this precise plan study, Hexagon Transportation Consultants, Inc. noted that it should be possible to provide direct access to the shopping center site from Bayshore Boulevard itself. Regardless of future changes, the intersection of Bayshore Boulevard and Old County Road is the Plan Area's strongest retail location, and a retail presence should be maintained at the intersection.

Improve the experience of Brisbane Village Shopping Center to make it more attractive to users and potential tenants Built in 1975 – and updated in the mid-1990's – Brisbane Village Shopping Center features a dated appearance and would benefit from upgrades to its façade and layout. At minimum, small changes such as attractive seating areas and a refreshed appearance could improve the user experience and make the center more attractive to retailers.

Assist businesses and property owners to find grants and other resources. While all of the above strategies will ultimately depend on private property owners for implementation, the City can work with these owners to facilitate relationships, identify funding sources, and communicate with brokers and others about the assets and opportunities for retail investment in Brisbane.

V. HOUSING MARKET ASSESSMENT

Brisbane's 2015-2022 Housing Element proposed rezoning of specific Plan Area sites for future residential development. Three properties along Park Lane are envisioned as medium density residential development to be built at between 26 and 30 units per acre; two other sites along Park Place are proposed as mixed-use development – with ground floor retail and residential units above – built at densities between 20 and 30 units per acre.

The analysis below assesses the likelihood of the market delivering projects that meet the proposed zoning based on an assessment of recently built residential projects in the general market area and interviews with developers familiar with conditions in Brisbane and the market area. Although no quantitative analysis was completed for this effort, the conclusions included below do draw heavily upon Strategic Economics' recent analyses for the "Residential Impact Fee Nexus Study" draft report prepared as part of the City of Brisbane's

process to consider adoption of an affordable housing impact fee. This fee would be imposed on all new development in the City.[10] The study included detailed pro forma financial analyses evaluating development feasibility of several residential building prototypes.

RECENT TRENDS IN LOCAL HOUSING DEVELOPMENT

Market conditions in San Mateo County are currently very strong after recovering from the recession. Median sales prices for for-sale housing in San Mateo County have rebounded strongly since the recession, increasing from a low of $643,000 in June of 2009 to approximately $959,000 in June of 2015 (Figure 22). While single family homes experienced less of a price decline overall, condominiums, which were harder hit by the recession, have also recovered and sales prices now surpass pre-recession prices. Condominiums had an average price per square foot of $542 in 2014 (the most recent year for which annual data are available), compared with $512 in 2007. Apartments are also performing well, and average apartment rents in San Mateo County are $2,517 per unit, or $2.90 per square foot, according to rental data provider Real Answers.

Figure 22: Median Sale Prices for All Home Types, San Mateo County
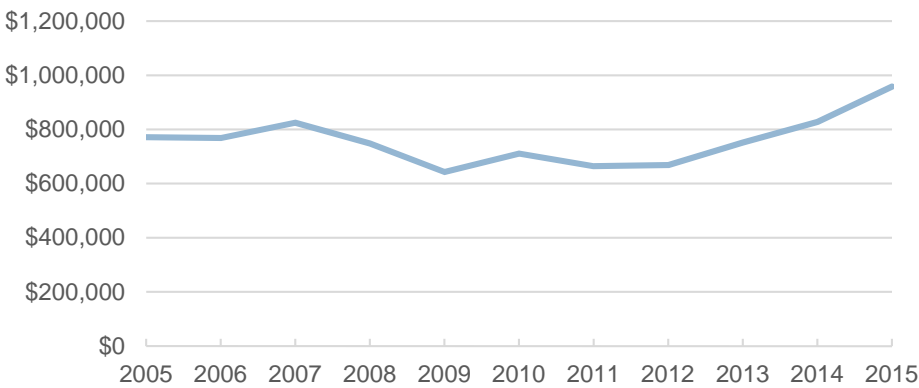
Note: Median sales prices are based off the median sales price in August of each year.
Source: Zillow Real Estate Research, 2015; Strategic Economics, 2015.

Figure 23: Median Sales Price Per Square Foot, San Mateo County
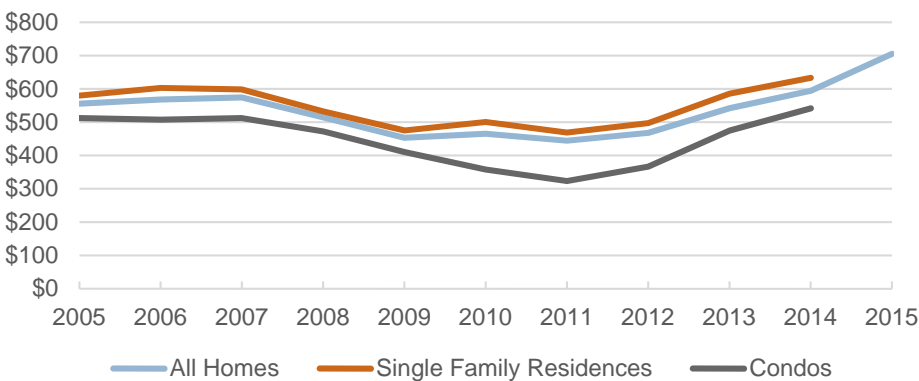
Note: Median sales price per square foot is based on median sales price per square foot in June of each year. This was not yet available for individual products in 2015.
Sources: Zillow Real Estate Research, 2015; Strategic Economics, 2015.

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[10] Strategic Economics and Vernazza Wolfe Associates, Inc., "Draft Report, Residential Impact Fee Nexus Study," Prepared for the City of Brisbane, October 2015.

Recently-completed multi-family housing projects in and near Brisbane are attracting relatively modest sales prices and rental rates compared to San Mateo County as a whole. In order to gauge prices for newer products in Brisbane and nearby San Mateo County communities, Figure 24 shows a sampling of projects and their average sales prices and rental rates. The average sales prices per square foot lag sales prices for all projects in San Mateo County, though rents per square foot – ranging from $2.50 to $3.26 – are competitive with all rental products in the county. Brisbane and surrounding San Mateo County communities provide a competitive yet slightly lower cost option when considered within the larger county context.

Local market conditions favor rental products since the recession, though condominiums are often feasible now too. The recent nexus fee study prepared for the City of Brisbane by Strategic Economics and Vernazza Wolfe Associates conducted financial feasibility analyses of low density single family housing as well as condominiums and apartments. The study found that both single family and apartment products are currently feasible in the Brisbane market area, based on current land costs (including land already developed with lower value uses, such as older warehouse/light manufacturing buildings), development costs, and current rent or sales price levels. Condominiums were also feasible to construct, although they generated the lowest return on cost and were therefore considered the least likely to be built under current market conditions. However, developers are increasingly proposing new condominium projects in Brisbane and the market area based on continued increases in condominium sales prices.

Recent and planned housing development in Brisbane consists of a mix of smaller infill projects and the large master-planned Northeast Ridge project. Figure 25 describes currently planned and under construction projects in Brisbane. As shown, developers are showing interest in eventually constructing condominium projects in infill locations, ranging from 4 units in the heart of the City to 30 to 60 unit projects along Bayshore Boulevard. Construction of a cluster of new luxury single-family homes was recently completed in the Northeast Ridge area in the "Toll Brothers at The Ridge" development.

Townhouses and mixed-use product types are moving forward in surrounding communities, demonstrating developer and market interest in these product types. As shown in Figure 26, a variety of townhouse and mixed-use housing projects are underway. These projects represent characteristics of development sought in the Plan Area, and signal current market support for these formats.

Large-scale development projects in Brisbane and nearby southern San Francisco would add thousands of new households in the surrounding market area. As previously described in Figure 19 and Figure 20, four large master-planned developments in varying stages of planning and implementation within Brisbane and adjacent southern San Francisco. While not all of these projects may be developed, they will potentially add thousands of new households in the next five to thirty years.

Figure 24: Rents and Sales of Selected Recently Completed Multi-family Projects in Brisbane and the Nearby Market Area, 2014

Address	City	Year Built	Product	Average Square Feet	Average Sale Amount	Average Price per Sq. Ft.
1 San Bruno Ave	Brisbane	2008	Condos	899	$378,563	$433.17
Plumas St	Brisbane	2010	Condos	780	$243,000	$311.54
88 Hillside	Daly City	N/A	Apartments	1132	$3,070	$2.71
Pinedera	Millbrae	2014	Apartments	1,363-1,500	$3,400-$3,800	$2.50-$2.53
Avalon	San Bruno	2007	Apartments	789-1602	$2,438-$4,231	$2.64-$3.09
Archstone/Solitare	South San Francisco	2007	Apartments	931-1,171	$3,035-$3,221	$2.75-$3.26

Sources: Dataquick, June 2014; Strategic Economics & Vernazza Wolfe Associates, Inc., 2014; Strategic Economics, 2015.

Figure 25: Current Planned, Proposed, and Under Construction Projects in Brisbane, December 2015

Name	Address	Product	Affordable?	Market Rate Units	Affordable Units	Retail Sq. Ft	Status
	23 San Bruno Ave	Apartments	Market Rate	4	0	550	Proposed
	23 Visitacion Ave	Condos	Market Rate & Affordable	22	5	0	Proposed
	3710 Bayshore Blvd	Condos	Market Rate	30	5	0	Approved
	3700 Bayshore Blvd	Condos	Market Rate	59	9	0	Proposed
	661 San Bruno	Condos	Market Rate	4	0	0	Approved
Northeast Ridge	Various	125 Single-family homes, 160 townhomes, 214 condos- all for-sale	Market Rate	499	0	0	Built

Sources: City of Brisbane, 2015; Strategic Economics, 2015.

Figure 26: Sample of Townhouse and Mixed Use Planned and Proposed Projects in the Market Area

Name	Address	City	Product	Affordable?	Market Rate Units	Affordable Units	Retail Sq. Ft.	Status
Oakmont Meadows	Westborough Blvd and Oakmont Drive	South San Francisco	Townhouses	Market Rate	21			Proposed
City Ventures	1256 Mission Rd	South San Francisco	Townhouses	Market Rate	29	7		Approved
	1309 Mission Rd	South San Francisco	Mixed Use	Market Rate	20		6000	Approved
	101 Leland Ave	San Francisco	Mixed Use	Market Rate	4			
	2785 San Bruno Ave	San Francisco	Mixed Use	Market Rate	2			Proposed
	6424 3rd Street / 1088 Key Avenue	San Francisco	Mixed Use	Market Rate	17		2121	Proposed
	2895 San Bruno Ave	San Francisco	Mixed Use	Market Rate	10		4230	Approved

Sources: City of South San Francisco, 2015; City of San Francisco, 2015; Strategic Economics, 2015.

FEASIBILITY OF SELECTED HOUSING PRODUCT TYPES

Strategic Economics studied residential building types that matched the two proposed zoning changes for the Plan Area. The first of these changes would rezone three industrial properties along Park Lane to allow residential-only buildings of between 26 and 30 dwelling units per acre (du/acre). The second proposed Plan Area zoning change would re-zone two industrial properties along Park Place for mixed-use development with ground floor retail and residential units above, with overall densities of between 20 and 30 du/acre. Both zoning changes could potentially restrict new buildings to a maximum height of three stories. In addition to these proposed zoning densities and height limits, this chapter also discusses the feasibility of somewhat higher densities and a four story height limit. These alternative criteria are included as a point of comparison and to address the building densities and heights that the market is currently likely to deliver as an alternative to townhouses, as will be discussed below.

Proposed Plan Area Zoning and Likely Building Types

The combination of unit densities, building heights, use mix, parking ratios (all as specified or considered in the proposed zoning for the Plan Area), combine with building codes to translate into particular building types. Generally, residential buildings of three stories or less with densities in the 25 to 30 du/acre range can take two forms: either townhouses – which are adjoining rowhouse units with internal garages – or three story buildings with a parking lot. The townhouses lend themselves to homeownership while the three story buildings tend to be built as apartments (rental units). Both building types are typically built with wood framing (categorized as "Type V" for life-safety construction standards) and are the lowest cost construction type for units at these densities. Buildings with four or five stories usually have parking in a ground floor structure built of concrete (Type I construction) with the additional stories above built of wood. This construction type is significantly more expensive than the simple wood frame buildings.

Mixed-use buildings can also be entirely built using wood frame construction. However, there are some practical considerations that make this construction approach less desirable. First, retailers prefer spaces with 12 to 14-foot ceiling heights. At these first floor ceiling heights, specialized high-cost lumber and possibly steel frame construction would be required. Second, the structural needs of the residential units above would dictate where supporting columns would need to be on the first floor. This typically results in a ground floor configuration that is suboptimal for the retailers. A better, but more expensive construction option is to use concrete on the ground floor, as with Type I construction, and then have the upper floor or floors built of wood. Parking is also a consideration for mixed-use buildings and must either be accommodated in the building in a Type I podium, or with a surface lot. Both parking solutions also have various implications for the number of units and commercial square feet that can be accommodated.

In evaluating the financial feasibility of any of these building types, the key is to find the right ratio between construction costs and revenues, generated by sales prices and/or rents. While it may be possible to build any of the building types consistent with the zoning types proposed for the Precise Plan area, some may not produce sufficient revenues to justify the costs. Or, a developer may decide that while the building types under consideration would have a positive return, this site is not competitive with other similar sites that can be developed at higher densities and greater building heights, even by just a few more stories. Another factor may be that the cost to purchase the sites on which these buildings can be built is too high, such that when land costs are combined with construction costs, the overall revenue potential is insufficient. And, finally, buildings may be feasible, but if current property owners are not interested in selling to a developer then it is highly unlikely that there will be any change in use.

Residential Feasibility Assessment

Strategic Economics assessed the general feasibility of townhouses and other residential products through an examination of recent housing trends and product types in the local market area, integration of the findings of the draft Residential Impact Fee Nexus Study for Brisbane, input from local developers, and review of land costs and sales prices and rents in the Brisbane market area.

Townhouse developers typically seek rectangular sites with good access and over 1 acre of developable land. Several site-specific criteria must be met to physically accommodate townhouse development. These projects are typically street facing, with small front yards and parking in garages off rear alleyways. Developers for these projects typically prefer rectangular sites of at least 1.2 acres, with two- or three-bedroom units of between 1,300-1,500 square feet. Reduced parking requirements or flexible requirements can allow developers to increase project densities. Townhouse projects typically target first-time homebuyers, providing a less expensive option relative to single-family homes while maintaining the benefits of home-ownership and privacy.

Sites in the Plan Area are physically well-suited to accommodate townhouse development, though their size limits the pool of interested developers. The three Plan Area sites proposed for 26 to 30 du/acre zoning are rectangular and range from 1.85 to 2.87 acres, resulting in maximum site development potentials ranging between 56 and 86 units under the proposed zoning. Projects on these sites will likely be of interest to smaller, regional developers due to their relatively low total potential unit count, which is typically too small to attract major national development firms seeking efficient, high-capital investments.

Based on current and short-term market conditions, townhouse development is likely to support sufficiently high land values to incentivize redevelopment of appropriately-zoned industrial sites – depending on property owner interest and the value of the existing uses. Based on developer input and review of recently-completed townhouse projects, development can support land prices of approximately $90 to $100 per square foot. Review of recent sales transactions in the local property zoned for multi-family uses is currently selling for $75-$150 per square foot, as shown in Figure 27. Industrial land prices however, vary widely depending on existing uses, with a handful of recent transactions in and near Brisbane ranging from $25 to over a $100 a square foot. Consequently, it is likely that townhouse development could support potential land costs on the proposed sites, depending on property owner interest.

Figure 27: Multi-Family Vacant Land Sales Transactions in Northern San Mateo County, 2010-2014

Site Address	Location	Price	Lot Area (SF)	Price/ SF Land
1309 Mission Rd	South San Francisco	$1,575,000	17,424	$90
606 Railroad	South San Francisco	$365,000	6,600	$55
6774 Mission St	Daly City	$395,000	5,278	$75
508 Peninsula Avenue	Burlingame	$750,000	5,000	$150
370 F Street	Colma	$7,000,000	43,560	$161
Summary Statistics				
Lower Quartile (25%)				$75
Median Value				$90
Upper Quartile (75%)				$150

Sources: Reproduced from the Residential Impact Fee Nexus Study for the City of Brisbane, 2015: Property appraisals; DataQuick, 2015; Loopnet, 2015; Strategic Economics, 2015.

Three- to four-story residential buildings with parking podiums are currently financially feasible to construct in Brisbane, but at densities slightly above the proposed zoning maximums. As part of its work on the Brisbane Residential Impact Fee Nexus Study, Strategic Economics previously conducted a

pro forma financial feasibility analysis of a 30-unit residential building prototype, with a density of 32 du/acre, and wood frame construction over a parking podium (Type V over Type I). The analysis found that this building type is currently financially feasible as a rental product. Review of developments throughout the market area shows that this basic building format is common in and near Brisbane, often with slightly higher densities and heights.

Three-story surface-parked residential buildings are a relatively inefficient building format and rarely built in the market area; additional study is necessary. Three-story surface-parked residential developments benefit from relatively low costs of construction, both for the structure and the surface parking lot. However, this building format uses land relatively inefficiently and is unable to deliver a high density of units relative to land area. As a result, this product type cannot support high land costs and is rarely built in the Brisbane market area. Additional study is required to determine the maximum potential density of this building format on the Precise Plan sites, and to assess the feasibility of this unusual product type in the Brisbane market.

Mixed-Use Assessment

Mixed-use projects typically require more units than can fit within a three story 30 du/acre building in order to cover higher construction costs for parking and retail space. Mixed-use projects typically consist of relatively higher-cost concrete podium construction on the ground floor to facilitate on-site parking, with three- to five-stories of lower-cost wood frame construction above. The ground-floor retail component also adds expense to mixed-use projects; retail space in mixed-use projects must be well-designed for user needs, taking into considerations factors such as sufficient ceiling heights, storefront visibility, access to trash and other facilities, and – for restaurants – appropriate ventilation, sewer, and water connections. Due to the expense of constructing parking and retail space, developers of mixed-use projects generally need to maximize density to increase revenues.

The retail component of a mixed-use development in the Plan Area is likely to generate low revenues relative to its construction costs. The new retail space in a Plan Area mixed-use development will only attract lease rates supported by local market conditions. Current asking lease rates at Brisbane Village Shopping Center are between $1.50 to $2.00 per square foot – far below residential lease rates, and unlikely to cover construction costs for new ground-floor retail.

Higher mixed-use construction costs and limited revenue from the retail space will make it challenging for a developer to deliver a mixed-use project in the Plan Area at the proposed project densities and at or below three stories in height. Given the increased costs and challenges of mixed-use development, it will be difficult for a developer to pursue a mixed-use project at the densities proposed and at or below three stories in height. As described in the following section, recent and proposed development in Brisbane and the recently completed nexus fee study for the City have shown that apartments and condominiums are in demand in Brisbane and nearby cities, and detailed pro-forma analysis conducted for the Brisbane housing impact fee study showed that multi-family rental products at 32 du/acre were feasible. While similar to the 20 to 30 du/acre range, those prototype projects did not include mixed-use components, which drive increased costs and – in the context of the Plan Area – would generate low retail lease revenues.

Housing Affordability

Housing affordability is an additional concern for the Brisbane community. This section briefly examines Brisbane's relative affordability for current residents, defines the scale of need for new affordable housing in Brisbane, and discusses factors to consider in delivering new affordable housing in the Plan Area. In this context, "affordable" housing includes lower-cost market-rate housing as well as "income-restricted"

permanent affordable housing. Income-restricted housing is legally restricted to households earning incomes below specific thresholds, with rents or sales prices affordable to those households. Income-restricted housing may be publicly-subsidized (through grants, loans, tax credits, etc.) or unsubsidized (such as housing built under inclusionary requirements specifying that a percentage of units are income-restricted). The income thresholds for income-restricted housing are determined by the State of California and based on household income levels relative to the area median income, adjusted for household size.

Brisbane's residents pay a relatively high share of their income for housing expenses compared to surrounding communities and San Mateo and San Francisco Counties. Figure 28 shows that more than half of Brisbane's households spend more than 30 percent of their income – the maximum amount considered acceptable without creating undue burden on household finances – on housing expenses, compared to 42 percent of countywide households who pay over 30 percent of their income for housing.

Figure 28: Share of Households Spending Greater than 30 and 50 Percent of Income on Housing Expenses, 2009-2013

% of Household Income Spent on Housing	Brisbane	San Mateo County	San Francisco County
Greater than 30%	52%	42%	42%
Greater than 50%	21%	19%	20%

Sources: U.S. Census American Community Survey 5-Year Estimates, 2009-2013; Strategic Economics, 2015.

The need for affordable housing in Brisbane is likely to grow as the community continues to experience upward pressures on housing prices. The "Regional Early Warning System for Displacement" mapping project – authored by Karen Chapple and Miriam Zuk, and released by UC Berkeley in 2015 – indicates that Brisbane has undergone "advanced gentrification" based on the scale of change that has occurred in the City over the past 15 to 25 years. This categorization is based on measures of neighborhood vulnerability, recent demographic change, and real estate investment in the City. Although much of this change may simply be driven by natural turnover and introduction of higher-cost housing at The Ridge, continued growth in housing prices presents a long-term risk of Brisbane losing its income-diversity.

Brisbane's recently adopted "2015-2022 Housing Element" specifies a need to accommodate a minimum of 263 housing units affordable to moderate income and below-moderate income households by 2022. The "Regional Housing Needs Allocation" (RHNA) requires the city to have sufficient zoned capacity and policies to accommodate 114 very low income households, 67 low income households, and 82 moderate income households. These numbers include 210 "shortfall" units carried over from Brisbane's 2007-2014 RHNA requirement since the City did not adopt re-zoning proposed in its previous Housing Element.

"Affordable-by-design" market-rate housing units can reduce construction costs for the developer, which can then translate into lower costs to the buyer. One reason that new housing units are so expensive is due to the high cost of construction, including labor. Reduction of construction costs creates cost savings for the developer that can be passed on to the consumer. New market-rate housing developments can deliver relatively inexpensive housing units by building smaller studios or one-bedroom units and/or reducing the number of parking spaces per unit. Developers are only likely to deliver these more affordable units if there is sufficient demand for these unit types, and developers can build at sufficient densities or unit counts over which certain fixed costs can be spread. Plan Area zoning regulations will influence the ability of developers to deliver these lower-cost units and integrate cost-saving design measures. The Plan Area can also leverage its existing public amenities (such as its recreation spaces and dog park) in order to reduce the need for private on-site amenities.

The Plan Area will need to leverage citywide tools and local property owner interests to deliver income-restricted affordable housing. As a major housing development opportunity site, the City should prioritize use of its existing and planned regulatory and funding tools in the Plan Area. These include the existing inclusionary housing ordinance, state-wide density bonuses, and possible adoption of a housing impact fee (currently under study).

Brisbane should also consider working with an affordable housing developer to construct affordable or mixed-income housing in the Plan Area. By collaborating with affordable housing developers, the City can potentially accelerate housing construction in the Plan Area and better meet its affordable housing needs. Brisbane would need to work with the affordable housing developer to streamline approvals processes, partner to pursue funding sources, and provide public funding and loans as available and appropriate.

Site-Specific Housing Redevelopment Considerations and Strategies

Regardless of market dynamics, redevelopment of Plan Area properties will be driven by individual property owner investment decisions. Individual property owners are likely to have different aspirations for their property, different levels of risk tolerance, and different return thresholds. The Plan Area is comprised of only 14 properties, and just five that are currently being considered for rezoning to housing uses. With so few property owners, any one owner's decision may impact a significant portion of the Plan Area.

Although residential uses are likely to provide higher value than industrial uses, the existing Plan Area industrial space remains highly desirable for its access to the region's high-density concentrations of residents and workers. With its close proximity to major cities and access to highways, Brisbane is an excellent location for household-related industrial uses. As housing pressure increases throughout the region and the supply of industrial space in nearby cities shrinks, Brisbane's location will become increasingly desirable. However, the relatively low rents for industrial space as compared to housing make it possible that industrial properties could be redeveloped in the long-term, if re-zoned for housing.

Housing is likely to remain a desirable and market-preferred use over the long-run, but feasible product types and market strength will vary as multiple market cycles occur during the Precise Plan's time horizon. The Bay Area is likely to remain a competitive economy over the coming decades, resulting in continued growth in demand for housing in the region and the Plan Area. However, multiple market cycles will occur over the course of the Precise Plan's implementation. These cycles may impact the timing and nature of housing development, but are unlikely shift fundamental factors dictating the impacts of density, use mix, and site characteristics on development feasibility.

Strategies to encourage earlier housing development and provide a cohesive, retail-supportive district include:

1. **Allow – but do not require – mixed-use housing development:** Removal of a mixed-use requirement is likely to improve development project feasibility and encourage earlier housing development. The housing can help support nearby retail space attract stronger tenants and contribute to a vibrant district, if this housing meets requirements that it is accessible to retail and other area amenities and pedestrian-friendly. Adding more retail space will not necessarily help attract new retail activity to the Plan Area. As was noted in the retail section, the Plan Area is challenged by limited retail demand, not limited retail space.

2. **Encourage the creation of a "horizontal mixed-use" district:** Regulatory and policy controls should encourage the creation of a cohesive district that provides the benefits of "vertical" mixed-use (i.e., a mix of uses within a building), even if individual residential buildings do not include retail uses. This can be accomplished through appealing and easy pedestrian circulation that connects residents to existing and future retail, dining, and service amenities. Tying together these uses can foster the creation of a mixed-use district in the Plan Area in which excess retail supply is not constructed, yet street life and access to amenities are still strong as residents choose to walk to nearby stores, restaurants, and services.

3. **Consider re-zoning properties at and near Brisbane Village Shopping Center to allow housing development as part of a larger redevelopment project including retail uses:** Construction of housing on the Plan Area sites currently proposed for residential zoning would result in a concentration of residents in the western plan area while the eastern area features separate retail and light industrial uses. The City should consider re-zoning additional sites for housing development – particularly those adjacent to and including Brisbane Village Shopping Center – coupled with requirements that retail uses must be included at Old County Road and Bayshore Boulevard, and/or along Bayshore Boulevard.

4. **If mixed-use products are required, then allow increased development densities:** As noted, developers will find it challenging to deliver mixed-use projects at currently proposed densities, heights, and site locations. If Brisbane determines that vertical mixed-use is a highly-desirable outcome and therefore includes this requirement in the Precise Plan, then moderately higher allowable densities should be considered.