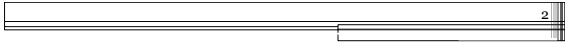


**Vibrant Downtown**  
The Heart and Soul of America's  
Communities

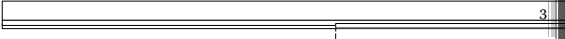
Reaching the Boiling Point

Presentation by Clifton Consulting Group  
California Downtown Association  
October 1, 2010



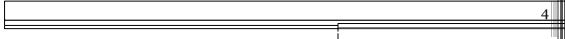
**Vibrant Downtown**

*Who is the Clifton Consulting Group?*  
• Ted & Jerry Sorensen



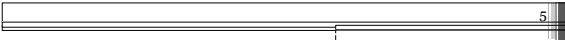
**Vibrant Downtown**

*Who is the Clifton Consulting Group?*  
• Ted Sorensen  
• Attorney  
• 15+ years real estate development  
• Master Degree in Engineering  
• Transportation/economic planning



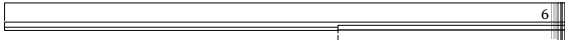
**Vibrant Downtown**

*Who is the Clifton Consulting Group?*  
• Jerry Sorensen  
• 25+ years real estate  
• Market Center management/development  
• Vibrant Buildings  
• Trade Shows  
• Management Consulting



**Vibrant Downtown**

*Why the interest in Downtowns*  
• The Question?  
• "How many more people are we talking about?"



**Vibrant Downtown**

*This Study Session*

- Why vibrant downtowns are important
- Metrics for downtowns
- Economic Levers
- The Economic Model
- Parking the key lever
- Village Feel v. Mass & Bulk

## Vibrant Downtown

- Redevelop Downtown
- Revitalize Downtown
- Reenergize Downtown

Why is it Important?

## Vibrant Downtown

*Why Downtowns are important!*

A Vibrant Downtown Could...

- Increase retail/Restaurant choices
- Increase residential property values
- Protect historic resources

## Vibrant Downtown

*Why Downtowns are important!*

- The pulse of a community
- Community pride
- Quality of life

## Vibrant Downtown

*Why Downtowns are important!*

- Attracts new businesses
- Local jobs

## Vibrant Downtown

*Why Downtowns are important!*

Did you know?

A Vibrant Downtown Could Contribute...

- \$3 Million Annually to MVLA
- \$3 Million Annually to LASD
- \$4 Million Annually to City

\$10 Million/yr incremental tax revenues!

## Vibrant Downtown

*What it means to us!*

*Assessed Value for Los Altos Property Tax*

- \$10 Billion

Assessed Value for Downtown Los Altos

- \$200 Million

## Vibrant Downtown

### *Metrics for Downtown!*

- If you don't know where you are!
- If you don't know where you're going!

Any Road will get you there!

## Vibrant Downtown

- Where are we?
- Inventory the town
  - Parking Stalls, public/private
  - Parking demand, public/private
  - Parcels
  - Buildings
  - Uses
  - Owners

## Vibrant Downtown

### *Why Downtowns are important!*

*What is the vibrant downtown experience?*

*“What attracts people most, it would appear, is other people”*

Walkable Streets

## Vibrant Downtown

- Parking demand
- = People

2,200 People

## Vibrant Downtown

### *Metrics for Downtown!*

*How do we define vibrant?*

- How many people?
  - 1,000 people/hr
- William Whyte  
“Rediscovering the center city”

## Vibrant Downtown

### *Metrics for Downtown!*

*How do we define vibrant?*

*People on the Street? – 12:30-1:30*

- 475 Castro Street
- 512 California Ave
- 709 University Ave

- 800+ Castro Street – 9:00-10:00

## Vibrant Downtown

*Metrics for Downtown!*  
How do we define vibrant?

*How does Los Altos compare?*

- 225 2<sup>nd</sup> & Main
- Location • Location • Location
- “Where would you open your retail store?”  
475/800 – 500 – 700 or 225

## Vibrant Downtown

*Metrics for Downtown!*  
*Metric one-people*

- Know how many people
  - In your downtown
  - & on your main street

What is this ratio?

## Vibrant Downtown

*Metrics for Downtown!*  
How do we define vibrant?

- 225 people
- = 25% vibrant
- = Lack of sales
- = Lack of rent
- = Diminished retail environment
- = Second hand shops – salons – other services

## Vibrant Downtown

*Metrics for Downtown!*  
How do we define vibrant?

- Metric two
- Retail Rents

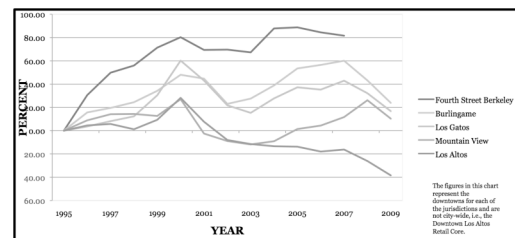
## Vibrant Downtown

*Metrics for Downtown!*  
How do we define vibrant?

- Retail rents  $\geq$  Office Rents
- Retail rents = 4% to 12% (8%) gross sales
- @8%, \$4.00 rent = \$600 per square foot

## Vibrant Downtown

*Metrics for Downtown!*  
*Sales Tax Trends - Los Altos Downtown Core*



Source: City Data adjusted to 1995 constant dollars by Andrea Eaton



## Vibrant Downtown

- Achieving the development Boiling Point!
- South triangle 2 to 3 stories
- Residential units in retail core
  - No parking requirement!
- 2 stories to 45' height
  - No FAR
- 4/1,000 to 3.3/1,000

## Vibrant Downtown

*Economics – the Dismal Science!*  
*Why don't properties develop?*

- Prop 13
- Property owners have been here forever
- Property owners comfortable—Don't care

No Compelling *Economic* Reason!  
 To Sell or Buy

## Vibrant Downtown

*Economics – the Dismal Science!*  
*Why will properties develop?*

- How to create the boiling point?
  - Market Conditions
  - Policy changes/city levers

## Vibrant Downtown

*Where is the Development Boiling Point?*

- Develop a proforma for specific properties
- Developed multiple proformas – testing the edge
- The Economic Boiling Point for...
  - Developer
  - Property Owner

## Vibrant Downtown

*The Economic Model*  
*Why will properties develop?*

- Policy changes/city levers?
  - Height/FAR
  - Fees
  - Use requirements (rents)
  - Parking
    - Requirements
    - In lieu Program/Fees

## Vibrant Downtown

*The Economic Model*  
*Why will properties develop?*

- Ratio Redeveloped Value/Current Value  
 = Development Pressure Index (DPI)

Greater DPI = Greater Development opportunity

## Vibrant Downtown

Achieving the development boiling point!

Additional outputs

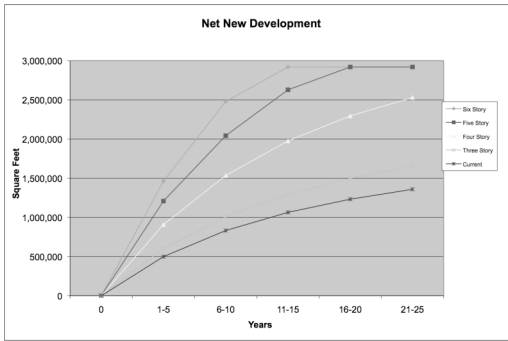
- School revenues
- City revenues
- Parking spaces required
- People on the street
- etc ↓

## Vibrant Downtown

*The Economic Model*

*Why Will Property Develop?*

- Case Study #1      2001
  - Office Rent \$7.50
  - Parking 4/1000
  - No In Lieu program

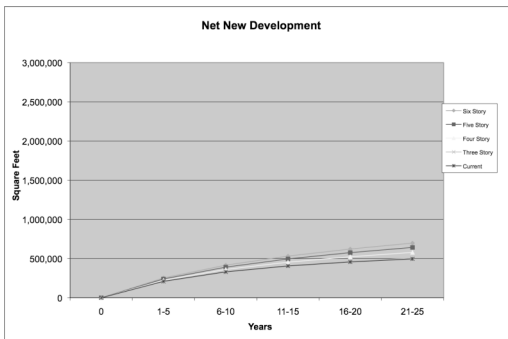


## Vibrant Downtown

*The Economic Model*

*Why Will Property Develop?*

- Case Study #2      Current Situation
  - Office Rent \$4.00
  - Parking 3.3/1000
  - No In Lieu Program



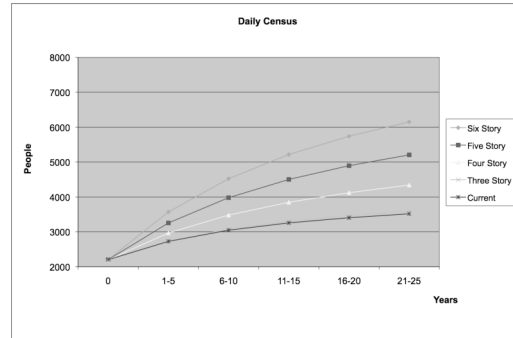
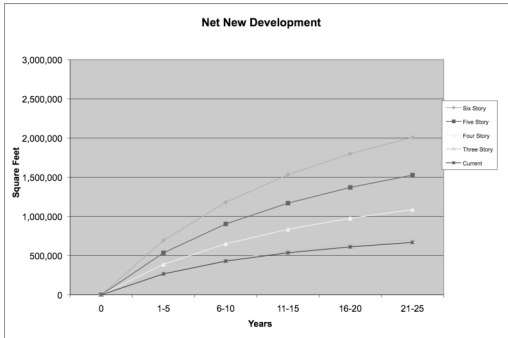
## Vibrant Downtown

*The Economic Model*

*Why Will Property Develop?*

- Case Study #3
  - Office Rent \$4.00
  - Parking 2.2/1000\*
  - \$10,000 In Lieu Fee\*\*

\*Based on 2 recent parking studies of 22 office buildings in Los Altos  
 \*\* Based on Parking, Best Practices.



### Vibrant Downtown

*Why Downtowns are important!*  
Did you know?

A Vibrant Downtown Could Contribute...

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  - \$3 Million Annually to LASD
  - \$4 Million Annually to City
- \$10 Million/yr incremental tax revenues!

### Vibrant Downtown

*Where will this development occur?*



### Vibrant Downtown

*Where will this development occur?*



Greentown Los Altos

### Vibrant Downtown

*We want a more vibrant Downtown!*

- Greater economic vitality
  - = Taller buildings/more density
- You must reach the Development Boiling Point!
- Nostalgic feel low density
  - = Diminished retail
- Excessive Parking
  - = Stunted downtown

## Vibrant Downtown

*We want a more vibrant Downtown!*

*The model*

- Informs Community
- Informs Policy Makers
- Identifies Alternatives/Tradeoffs

A Powerful tool for a community based visioning process