



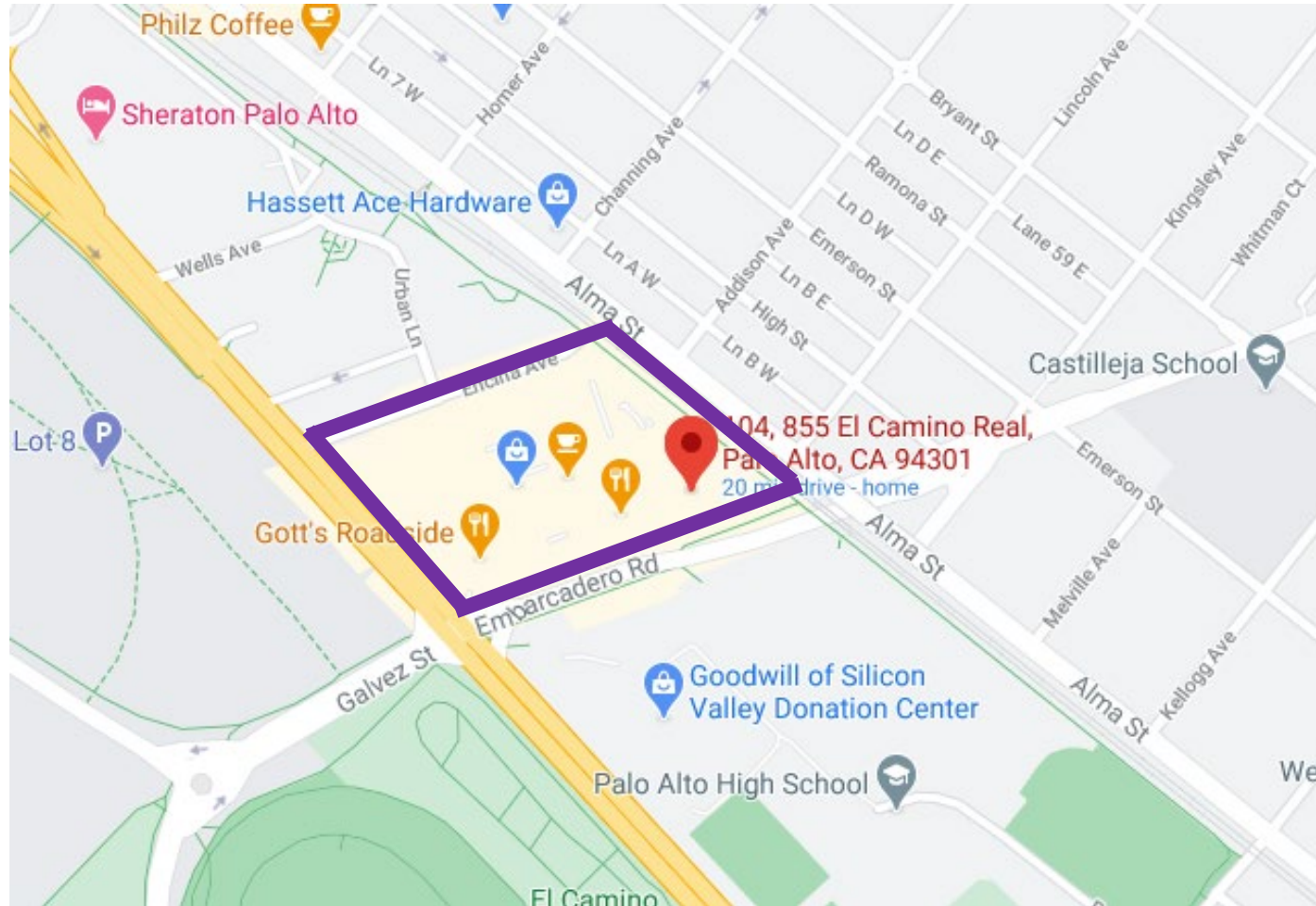
Town & Country Village

Zoning Code Text Amendment
Second City Council Hearing

June 7 2021

www.cityofpaloalto.org

LOCATION MAP



PROJECT OVERVIEW

The applicant legislative approval to replace ground floor retail and retail like uses with medical uses within the Town & Country Village



COUNCIL DIRECTION (3/22/21)

Declined medical office but supported a 'Retail Health' concept with direction to:

- Engage the PTC on new Retail Health definition
- Establish a 2-year limit to execute any leases
- Return to Council prior to summer break

PTC RECOMMENDATION (5/10/21)

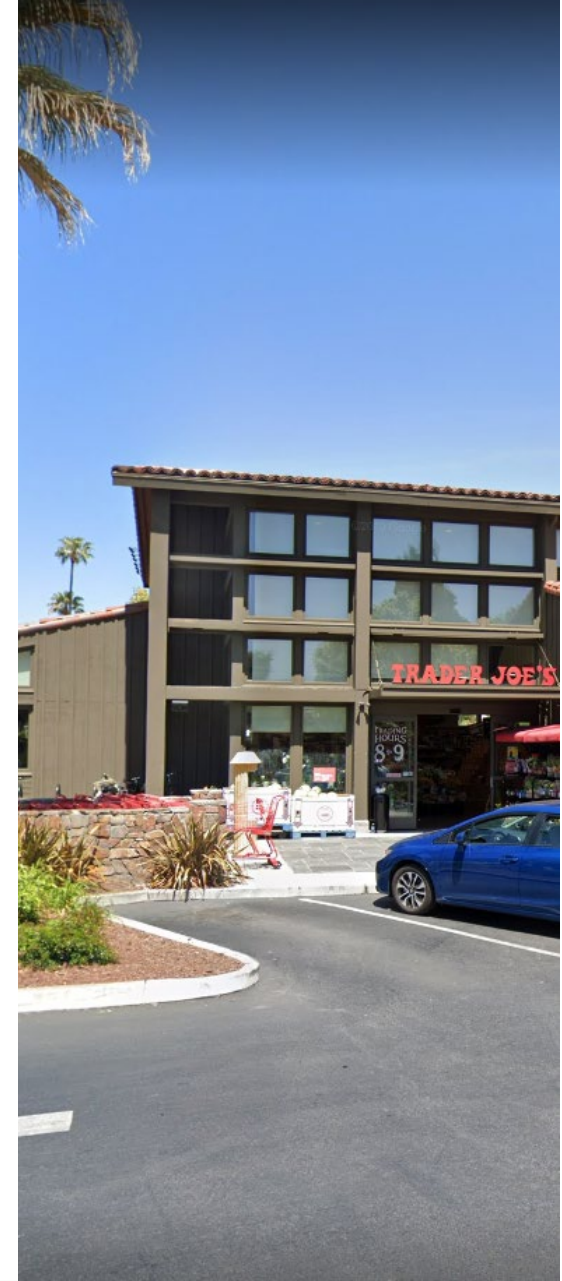
The PTC recommends:

1. New Retail Health definition that excludes:
 - Convalescence
 - Use of general anesthesia
 - Emergency services
 - Urgent care
2. Limit Retail Health to 10% of existing ground floor area (15,025 square feet) at Town & Country Village
3. No Retail Health uses directly facing El Camino Real or Embarcadero Road



PTC RECOMMENDATION (Continued)

4. Minimum Retail Health - retail sales area of 750 square feet or 20%, whichever is less
5. Require transparent storefront glazing or retail displays to a minimum depth of 3 feet
6. Restriction to establish tenant leases by December 31, 2023
7. Recommendation to Council to direct further study to extend definition to other retail areas



DISSENTING PTC PERSPECTIVE

Commissioners that voted against the recommendation cited some of the following concerns or interests with respect to the Town and Country Village:

- Retail may recover / retail and retail-like uses should be preserved
- Uncertainty regarding uses that would be allowed w/proposed definition
- Request for greater specificity of allowed Retail Health uses
- Retail Health uses may detract / harm overall retail environment
- Interest to form Ad Hoc to further refine definition

SUGGESTED CHANGE TO THE DRAFT ORDINANCE

Suggested minor change by the applicant in bold:

"Retail Health" means a Medical Office use that is 5,000 square feet or fewer providing sales, rental, service or repair of medical products and services to consumers or businesses, or providing preventative and diagnostic procedures, and other health related procedures, not requiring convalescence, general anesthesia, emergency services, or urgent care, **unless [*the urgent care is*] associated with a primary care use, [...]**

KEY CONSIDERATIONS

- The draft ordinance as recommended by the PTC which includes more specifics such as the definition of retail health and regulations for retail health uses.
- The continuation of retail health uses within Town & Country after the leases have ended
- The applicants suggestion for amendments to the retail health use definition
- The expansion of retail health uses beyond Town & Country

RECOMMENDED MOTION

1. Find the attached ordinance exempt from the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15301 (existing facilities); and
2. Adopt the attached Ordinance creating a “retail health” definition allowing a limited amount of retail health uses on the ground floor at Town and Country Shopping Center; and
3. Provide direction to staff on whether to study expansion of retail health uses to other shopping centers or commercial districts.

ALTERNATIVES

In addition to the recommended action, the Council may:

- Approve a modified ordinance, or
- Deny the applicant's request for a legislative zoning code amendment, or
- Remand the ordinance back to the PTC as appropriate and with specific direction



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Town & County Village Palo Alto City Council June 7, 2021

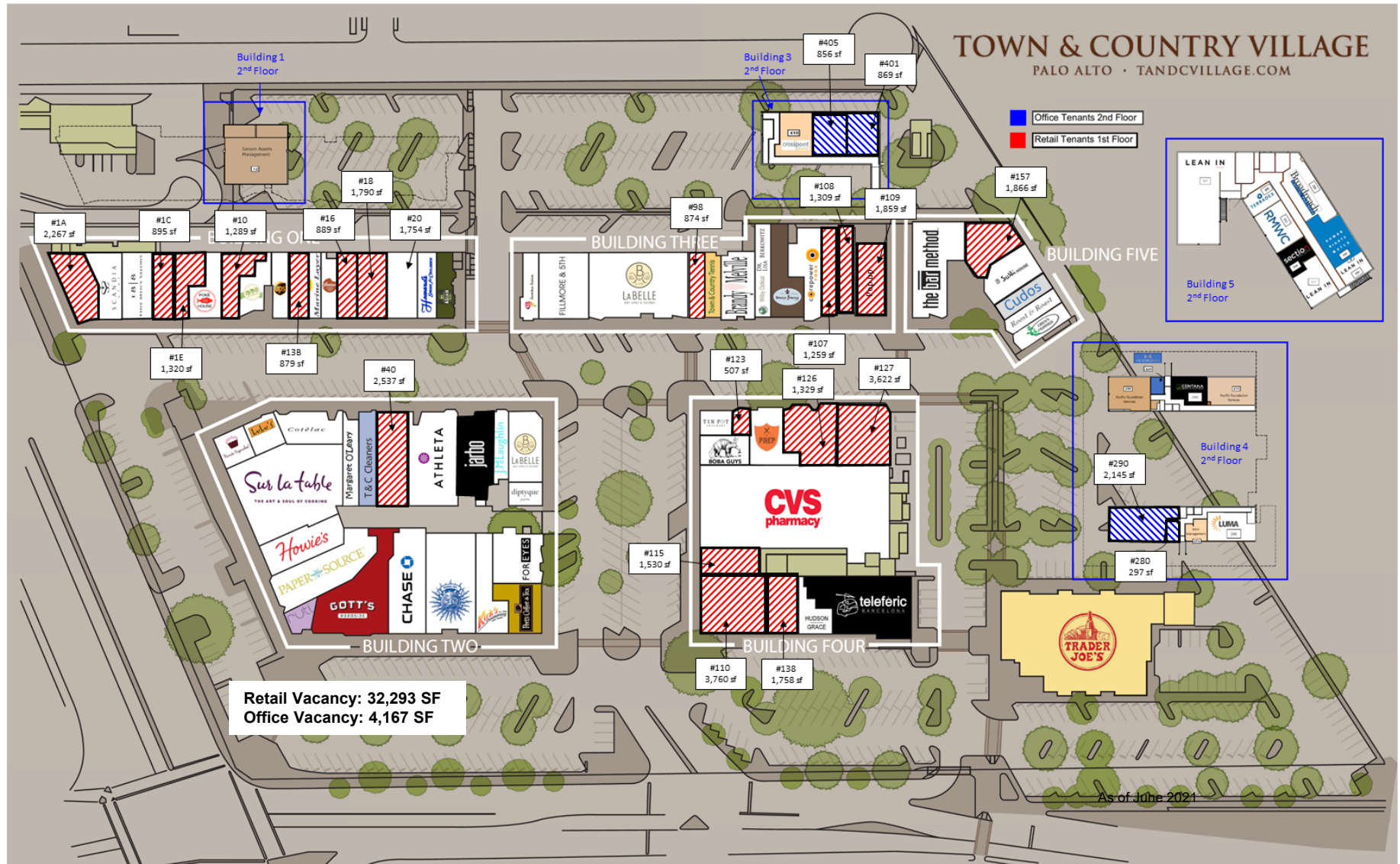


T&C Retail Zoning Change - Application History

- Sept/Oct 2020: Initial Discussions with Staff
- Nov 17, 2020: Submit Zoning Change Application
- Feb 10, 2021: 1st PTC Hearing
- Mar 22, 2021: 1st Council Hearing
- May 12, 2021: 2nd PTC Hearing
- June 7, 2021: Today's Council Hearing



Town & Country Village – Vacancy Map



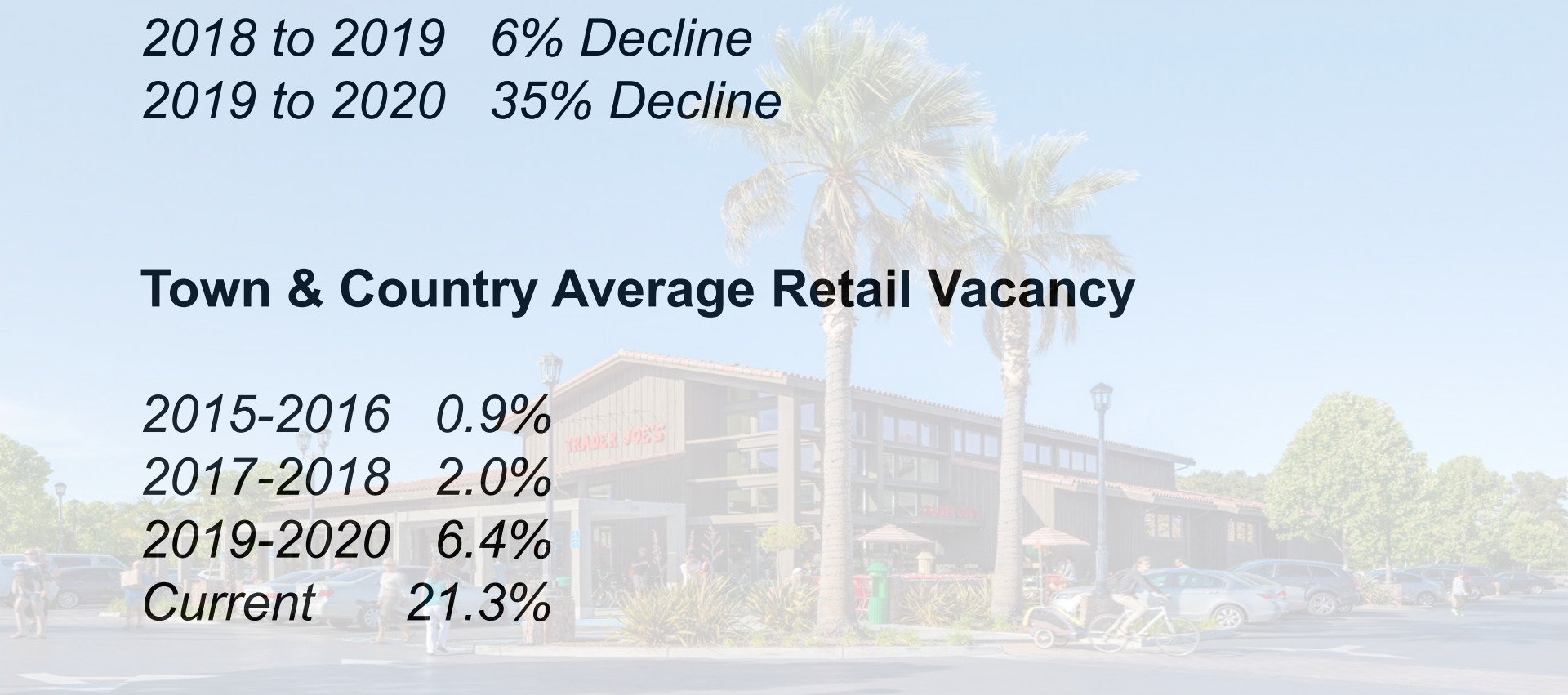
Town & Country Village – Retail Facts

Town & Country Retail Sales

2017 to 2018 2% Decline
2018 to 2019 6% Decline
2019 to 2020 35% Decline

Town & Country Average Retail Vacancy

2015-2016 0.9%
2017-2018 2.0%
2019-2020 6.4%
Current 21.3%



US Market – Retail Facts

Total Retail Sales (On-Line and Traditional)

2018 to 2019 3.4% Increase

2019 to 2020 3.4% Increase

On-Line Retail Sales

2018 to 2019 15% Increase

2019 to 2020 32% Increase



The Growth of Health Retail



CANDID



awaken^{MD}

// FORWARD

restore
HYPER WELLNESS + CRYOTHERAPY



one medical

ORANGETWIST
Your Treatment Shop

Health Retail Facts

- **69% of US Adults visited a Health Care provider located at a shopping center in 2020 (Avg 3.6 visits per year)**
- **Visits were mostly to Primary Care, Dentists, Diagnostic and Urgent Care**
- **41% of those who visited Health Care providers at a shopping center now shop there more often**
- **74% shopped at other retail tenants during a visit to a Health Care provider**

Proposed & Revised Zoning Text Change

1. Allow up to ~~20%~~ **10%** of the Ground Floor (up to ~~30,000~~ **15,025** sf) to be used for ~~Medical Office~~ **Retail Health** Uses
2. Increase the Site-Wide Office Cap from 15% to ~~30%~~ **21.4%** to accommodate the Ground Floor ~~Medical Office~~ **Retail Health** Uses.

Current Office Cap: 25,800 sf (15% of total sf)

Proposed Office Cap: ~~30,000~~ **15,025** sf Ground Fl Health Retail (max)

21,500 sf Second Fl Office (max)

~~51,600~~ **36,579** sf (**21.4%** ~~30%~~ of total sf)

Reduction in Allowed SF to 10%

UNDERSTANDABLE AND ACCEPTABLE

Additional Restrictions Recommended by City Council and Staff

- Limit uses to those that comply with Retail Health definition
- Retail Health uses would NOT be on El Camino and Embarcadero frontages
- Maximum square feet (SF) per tenant of 5,000 SF
- Entry/reception area required to be 15% of tenant SF
- Storefront transparency requirements

UNDERSTANDABLE AND ACCEPTABLE

A background image showing a modern, multi-story commercial building with large glass windows and a flat roof. Several palm trees are in the foreground and middle ground. People are walking on the sidewalk, and a bicycle is parked on the street. The scene is set in a sunny, urban environment.

Additional Restrictions/Clarifications Recommended by PTC on May 12

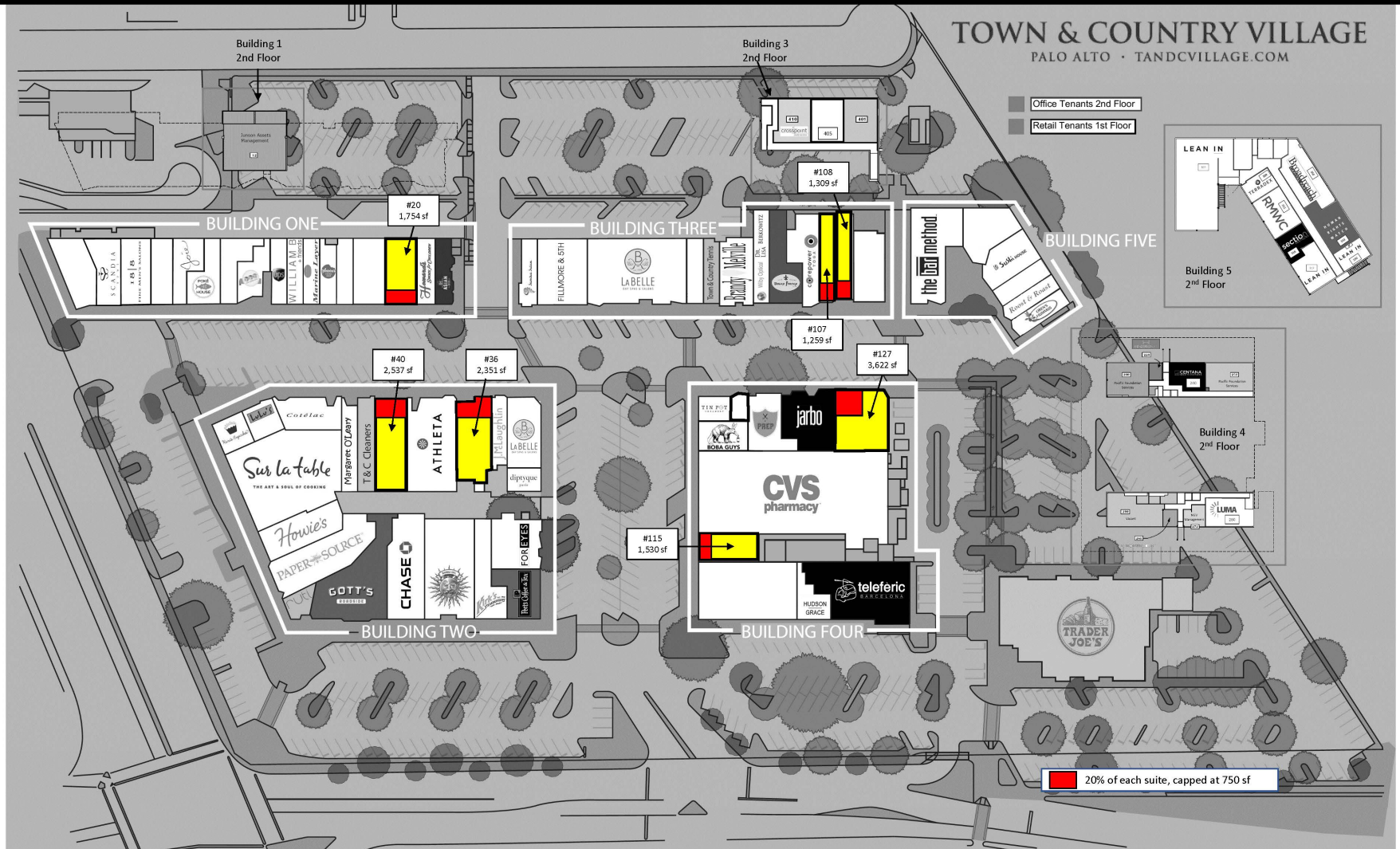
- Further limit Retail Health definition to exclude Emergency Services and Urgent Care
- Require that Front of House be a Retail Sales Area, and not just a reception area
- Increase Retail Sales Area to 20% of tenant SF
- Clarifications regarding re-leasing Retail Health spaces

UNDERSTANDABLE AND ACCEPTABLE, with one minor requested change:

- Allow Urgent Care services, **if associated with a Primary Care use**

Example of Potential Site Plan with 15,000sf of Health Retail

Example of 15,000 SF



Potential Impacts to Palo Alto Sales Tax Revenue

- Average Annual Sales Tax Revenue from Town & Country*: \$637,000
- Potential Reduction in Annual Sales Tax Revenue if ALL ~~30,000~~ **15,025 sf** was leased to Health Retail: ~~\$78,000~~ **\$39,000** (Worst Case)
- Worst Case Reduction in T&C Sales Tax: ~~12%~~ **6.1%** (39k/637k)
- Worst Case Reduction in City-Wide Sales Tax: ~~<1%~~ **<0.5%**

Health Retail tenants would drive much needed foot traffic to T&C and, in the absence of other new tenants, will boost retail sales, prevent more tenant failures and increase sales tax revenues!

Thank You!

