Verbal Update & Possible Direction to Staff on COVID-19 Related to Business Recovery Efforts

City Council
Overview
Present potential actions for City Council consideration and direction to staff.

Primary Focus for Update: “Store front” businesses, primarily retail or personal service.
Will also address additional industries and business types

Topic Areas
1) Statewide Recovery Framework, Retail & Consumer Trends – Evolving and responding as reopening restrictions change
2) Survive & Thrive – Supporting Existing Businesses
3) Post Pandemic Economic Recovery – Easing the Path for New Businesses to Open
4) Long-Term & Large-Scale Recovery Strategies
Statewide Recovery, Retail & Consumer Trends
On August 28, Governor Newsom unveiled a Blueprint for a Safer Economy; a Slow Plan for Living with COVID-19.

- 4-tiered, color-coded system for each County.

- Santa Clara County entered Tier 2 “Substantial” spread of COVID-19 on September 8; an upgrade from prior week.

- Santa Clara County Health Order is stricter in some areas; and thus governs re-openings or continued closings of some industries
  - Example: Movie theaters, indoor dining remain closed

- The statewide Blueprint and County Health Order(s) will continue to govern re-opening activities.
Supporting local businesses supports the whole community.

In addition to offering goods, services, jobs, taxes, and quality of life, business districts often contribute to a sense of place and community identity.
▪ **Retail is reorienting** to more efficient platforms that give consumers one-stop shopping; retail is not dying.

▪ The shift **toward enjoying experiences more than purchasing goods** will continue to move retail stores toward selling experiences rather than selling goods.

▪ Shoppers & cities want **retail walkable from housing**.

*Source: David Greensfelder Retail Emerging Trends 2019*
Major shifts to “omnichannel” retail and diverse retail options: online, in-store pick up, delivery, contactless, etc.*

Slower recovery in wealthier zip codes; shops tend to be related to discretionary spending and may be closed.**

Brick & mortar retailers need to:***

- **Adapt protocols** and spaces to prevent spread of COVID-19.
- Offer a superior customer experience.
- Develop a digitally native online presence, optimized for mobile.

*Source: US Consumer Sentiment During the Coronavirus Crisis by McKinsey
**Source: Raj Chetty, et. al. The Economic Impacts of COVID-19: Evidence from a New Public Database Built From Private Sector Data
***Source: Denise Lee Yohn, The Pandemic Is Rewriting the Rules of Retail, Harvard Business Review
## 5 Key Effects of COVID-19 on Consumer Behavior

### Take Away

<table>
<thead>
<tr>
<th>Shift to value and essentials</th>
<th>Key Data Points</th>
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<td>• With the expectation that recovery will take 6+ months, <strong>only</strong> essential categories are showing positive net spending intent.</td>
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<td>• Most discretionary categories remain -20 to -40% net intent vs. pre-COVID, but net spending intent on discretionary categories is slowly recovering.</td>
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| Flight to digital and omnichannel | • Post COVID-19, more consumers **intend to continue shopping online** (15-30% growth in online shoppers in most categories). |
|                                 | • Many contactless services have increased during the crisis and consumer intent to continue using these services range from 40-65%. |

| Shock to loyalty                 | • Over 77% of Americans have **tried either new brands, places to shop, or shopping methods** during the crisis driven by value and convenience. |
|                                 | • Most who tried new ways **intend to continue after the crisis**. |

*Source: US Consumer Sentiment During the Coronavirus Crisis, by McKinsey*
### Take Away

**Health and “caring” economy**
- Consumers are looking for **use of masks and physical barriers** when deciding where to in-store shop; importance of visible safety is increasing.
- Company actions increase in importance (e.g., care to employees).

**Homebody economy**
- **68% of Americans are not engaging in “normal” out-of-home activities** and are waiting to see indicators beyond lifting restrictions.
- Americans have **adopted at-home solutions across categories** with an intent to continue post-crisis (e.g., wellness, entertainment).

### Key Data Points

**Source:** US Consumer Sentiment During the Coronavirus Crisis, by McKinsey
Survive & Thrive

Supporting Existing Businesses
LOCAL SUPPORT ACTIVITIES SUMMARY

- March - Free Parking in City Garages & Lots
- March - Business Support & Specific Communications
  - Bi-weekly check-in meetings, E-blast, Signage
- April - Online Permitting Services System
- April & May - Business Round Table Discussions
- May - Extension of Planning & Building Permits
- May - Business Grant Program
  - Distributed over $500,000 to 50 businesses
  - Raised $26,000+ in donations; still raising more
- June to Present – Launched Outdoor Dining & Retail
  - Parklets, Summer Streets, Parking Lots
- July - Cal Ave Twinkle Lights
ACTIONS & ACTIVITIES SUMMARY (CONTINUED)

- Continue to **evolve our approaches** based on input from the community and businesses.

- Recent changes seek to **maximize University Avenue** pedestrian only areas where restaurants are and balance curbside pickup areas to support retail and other business sectors reopening plans.

- Hosted **retail focus group** to respond to new reopening opportunities and developing retail support strategy.
A campaign to uplift the whole community by supporting local retail, dining, & services.

- Collaborative **Holiday Shopping** Campaign(s)
- Coordinated marketing
- **Outreach** to shopping districts city wide
- **Empty storefront windows**
- Support shopping districts as **destinations**

Supporting the community and businesses through expanded outdoor dining & retail options

For more go to www.cityofpaloalto.org/upliftlocal
POTENTIAL MEASURES TO SUPPORT LOCAL ECONOMY

- Facilitate outdoor business through **fall & winter weather guidelines**
- **Business liaison & outreach**
- **Testing** (and rapid testing)
  - Available 2x monthly in Palo Alto thru October
- **Support compliance** with health orders
- **Help business adapt physical spaces**
- **Adjust signage requirements** (on premise, A-frame, etc.)

- Temporary **cap on delivery fees**
- Host **industry specific** outreach (e.g., car dealerships, office, hotels, etc.)
- Review how state and county **eviction moratoria** impact commercial tenants
- **Business & worker support programs** (technical assistance, e-commerce coaching, essential worker childcare, etc.)

*Gray text indicates items that have limited feasibility or over which the city has limited influence.*

*Green text indicates items underway.*
IDEAS FROM BUSINESS ROUNDTABLE (long and short term)

Land Use and Transportation Planning
• Close streets for outdoor dining/seating (for social distancing)
• Relax parking permitting & fees
• Strategy to reconcile demand for parking w/social-distancing retail space
• Redesign “Palo Alto Process” to make it easier for businesses
• Strategy for vacant properties
• Revisit retail zoning

Financial Support
• Financial aid for small businesses: loans, grants; utility bill “forgiveness” (using public/private funding sources)
• Belt-tightening by City
• Reduce minimum wage ordinance
• Reassess property taxes

• Community Engagement and Convening
• Convene a business network
• Create ongoing business roundtable engagement structure

Gray text indicates items that have limited feasibility or over which the city has limited influence. Green text indicates items that have been/are being addressed.
IDEAS FROM BUSINESS ROUNDTABLE (long and short term)

Cont’d
• Facilitate purchasing commitments among Palo Alto “ecosystem”
• Coordinate PPE/Sanitation supplies (e.g. sanitizer)
• Create “ask/offer” platform for B2B exchange
• Engage landlords to strategize on rent relief

• Partner with Stanford to develop/publish “gold standards” for cleaning, health monitoring and social-distancing protocols for businesses

Advocacy and Education
• City advocates for policy changes / stimulus package
• “Keep it local,” B2B campaigns
• Preliminary social distancing design guidance for offices and retail

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Post Pandemic Economic Recovery

Easing the Path for New Businesses to Open
POTENTIAL MEASURES FOR POST PANDEMIC RECOVERY

- Adjust Retail Preservation Ordinance
- Adjust Parking Requirements
  - In specific areas (Cal Ave)
  - No additional parking for change of use in existing commercial areas
- Adjust zoning/code to recognize experiential retail w/multiple uses in one location

- Adapting code to “update” with other uses that are new/have changed
- Reconsider formula retail restrictions
- Allow non-conforming uses to re-establish w/in 12 – 18 months
- Encourage pop-up shops/temporary uses

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Long-Term & Large-Scale Recovery Strategies
1. **Increase local customer base** by growing the city’s population and by planning for more walkable, mixed-use neighborhoods with housing, retail, and services (e.g., NVCAP, Downtown Plan, El Camino Real, etc.).

2. Support experience retail through **destinations and placemaking** in downtown and other shopping districts.

3. Retain major employers, producers, and start-ups to continue drawing workers to Palo Alto.
STAFF RECOMMENDATION

Received direction from the City Council regarding strategies and measures Council would like to have staff explore and potentially advance.