



City of Palo Alto

City Council Staff Report

(ID # 9704)

Report Type: Consent Calendar

Meeting Date: 10/15/2018

Summary Title: 2180 El Camino Real: New Neighborhood Market

Title: Approval of a Proposed Grocery Store Related to Planning Code Ordinance Number 5069 (College Terrace Centre) Based on the Finding That the Proposed Grocery Tenant Would Likely be Comparable in Quality of Produce and Services as JJ&F as it Existed and Operated on December 7, 2009 at 2180 El Camino Real

From: City Manager

Lead Department: Planning and Community Environment

Recommendation

Staff recommends that Council approve the proposed grocery store tenant pursuant to Planned Community (PC) Zoning Ordinance No. 5069 (College Terrace Centre), adopted January 11, 2010, based on the finding that the proposed grocery tenant would likely be comparable in quality of products and services as the former JJ&F market as it existed and operated on December 7, 2009.

Background

On January 11, 2010 the City Council approved PC Ordinance 5069 for a new mixed use development at 2180 El Camino Real. The approved PC development consisted of 57,900 square feet of floor area to be developed within three new buildings over a two level below grade parking structure. The approval included 8,000 square feet for a grocery store, 5,580 square feet of other ground floor retail space, and 38,980 square feet of office space. Eight below-market-rate residential apartment units were also approved. The provision of a neighborhood grocery store on the property was one of the primary public benefits of the project. The ordinance made the grocery tenant subject to City approval, stating specifically:

“The grocery tenant, if it is a party other than John Garcia (DBA JJ&F), shall be subject to the prior approval of the City of Palo Alto,”

and further stating that the City's approval:

"shall not be withheld unless the City reasonably finds that such proposed grocery tenant is not likely to be comparable in quality of products and service as JJ&F as it existed and operated on December 7, 2009."

At the time of the original project approval, it was understood that the grocery store that operated on the property at that time, JJ&F, would continue its operation in the new project once it was built. While the developer requested JJ&F to return, John Garcia, the individual that represented JJ&F, had declined to return as the grocery operator at this site. This required the then property owner to find an alternate grocery tenant that was comparable in quality of products and services as JJ&F as it existed and operated on December 7, 2009.

The property owner returned to the City Council in August 2014 seeking approval of a new grocery tenant, J&A Family Market, DBA College Terrace Market. The prior staff report and detailed background information is available online: <https://www.cityofpaloalto.org/civicax/filebank/documents/43337>.

Approval in 2014 for College Terrace Market also included a restrictive covenant that was recorded against the property and established additional terms and restrictions for the grocery use, including assignment of daily penalties after a six month grace period should the property owner fail to provide and maintain a grocery tenant in continuous operation. After nearly six months of operation, College Terrace Market early this year closed its business. Since then, a new property owner has acquired the property and the responsibility of finding a new grocery tenant. Consistent with the provisions of the restrictive covenant, the City has been assessing daily penalties, which at the time of this report, included citations totaling \$181,440. The property has made timely payments for \$103,040 but is also challenging those fees and seeks an appeal hearing before an independent hearing officer.

Discussion

Included with this report is a letter from the property owner describing the new grocery tenant owner and operation (Attachment A). As described in the local newspapers, the Khoury family, which previously purchased the JJ&F market from the Garcia family, plans to return to the subject site and operate a new market. The name of the new market was not available at the time this report was prepared but it will not be JJ&F. The property owner has submitted application to the City to make changes to the building to improve visual access into the grocery store, add directional and business identification signs and other similar enhancements that were believed, in part, to be problematic to the success of the prior grocery tenant.

In accordance with the PC ordinance approving the development in 2010, the applicant seeks

Council approval for the new grocery tenant. The new tenant will use the same floor plan, fixtures and equipment that already exists on-site. There may be minor interior changes. As described in the property owner's letter, the core operation of the site will be a neighborhood-serving grocery store providing fresh produce, meats and groceries. The owner acknowledges the Khoury family's familiarity with the prior JJ&F operation and a commitment to provide a comparable quality and service. Additional seasonal items and flexibly stocked groceries and products are anticipated to respond to local customer interests.

Policy Implications

Should the Council find the proposed grocery tenant operator in compliance with the approved PC ordinance, it is anticipated a new market can be established within four to six weeks. Once established, daily code enforcement penalties would cease.

A finding that the proposed grocery tenant is not in compliance with the PC ordinance may cause delays in the establishment of a new market and possibly jeopardize the tentative agreement between the property owner and Khoury family.

Resource Impact

The recommendation in this report has no significant fiscal or budgetary impacts.

Timeline

The property owner asserts an urgency with this approval to meet initial commitments made to the Khoury family and to stem the issuance of daily penalties being accrued for not providing a grocery store in continuous operation. Staff also understands from the grocery tenant's perspective that being in operation before the holiday season is important to enhance opportunities for success. If Council finds the proposed grocery tenant in compliance with the PC ordinance, no further action is needed to establish the use, other than filing a Use and Occupancy permit with the building department.

Environmental Review

The College Terrace Center project was reviewed pursuant to the California Environmental Quality Act (CEQA) prior to its approval. The current decision regarding a specific grocery tenant would not alter the project as originally approved or analyzed, and no further review is needed.

Attachments:

Attachment A: Khoury Family Market Background Information and Grocery Plan_10-3-2018 (DOCX)

Date: October 3, 2018

Subject: Khoury Family Background Information and Grocery Plan

Papa Joe Khoury immigrated to America from Jerusalem when he was 13 years old, in 1964, and has worked in the grocery business his entire life. Hanna Khoury, Papa Joe's father, was a butcher who immigrated to America with Joe and taught him from a young age how to buy and sell food, as well as how to run a high quality, customer oriented grocery market. Papa Joe, his children, brothers, and their children have actively been involved in the grocery business for over 50 years. In total, 18 Khoury family members have worked in the United States grocery industry and more than 40 Khoury family members work in the grocery business worldwide. Papa Joe Khoury and his children look forward to re-opening a market in College Terrace.

In 2011, the Khoury family acquired JJ&F Market and operated the store on a month-to-month lease knowing that the store would eventually be demolished for redevelopment but they wanted to be ready to reopen when the new development was completed. The Khoury family was told the site would be redeveloped promptly following them commencing operations but the redevelopment stalled and they were able to operate the market until it they had to close in 2014 for redevelopment of the site. During their time operating JJ&F, the Khoury's fell in love with the customers and the location. As a result, the Khoury family appreciates the great opportunity of reopening a market in the College Terrace neighborhood and look forward to returning to the community they enjoy serving.

Having previously operated a market at this location, the Khoury family is not only uniquely qualified to run a store here but they are also very familiar with the Palo Alto community and customer base. This familiarity will help them meet the needs of their customers and, in doing so, the Khoury family is confident that they will be able to match or exceed the standards and expectations that existed previously. The Khourys also know the flaws of the prior market and the site. They know there is a need for better signage identifying parking (Exhibits A and B) and they shopped at the failed market when only the temporary signs were up. The prior tenant didn't have permanent signage up when they closed the business. The Khourys know there is a need for better site identification as the location is not a natural location for a grocer and it should have been on the College Avenue side, which is where JJ&F once was. They can't change, that, but feel they need to overcome it with better differentiation

between the First Republic office space and the market space. Maintaining customers who shop the store weekly and having a loyal following is what will overcome the lack of strong identity and differentiation between the office space and the retail space. In addition, the windows in the market are a dark tint. It is nearly impossible to tell when the store is open because even with the lights on inside, you can't see in from the outside. Therefore, there is a request to replace the glazing for the market with clear glass so it is more visible.

The Khourys plan to open in early November ahead of the holidays. They are concerned that if they are not open in early November for the holidays they will miss the season business peak and then be forced to open during the January/February downturn.

The Khourys know the importance of customer service and have told stories of customers coming in asking for something they don't have. If they are a loyal customer, the Khourys would then start stocking that item to try it out in the store to appeal to their frequent customers and bring variety to the store. They have also told stories of elderly customers wanting smaller pieces of meat or only two sticks of celery, and accommodating these loyal customers as this is a core to their business and what they believe in.

The re-opened market will feature fresh, organic, farm fresh fruits and vegetables along with a variety of other options including traditional groceries and hot and cold prepared food. Customers will have the option to buy all of the ingredients necessary for a salad or buy a prepared salad that is ready-to-go. The market will have a deli that serves sliced turkey and ham and a butcher that provide fresh cuts of beef. Seafood will also be available with such traditional selections as salmon and shellfish along with a variety of international food options to serve the diverse Palo Alto community. Fresh flowers and plants will be available for purchase to round out a meal or celebrate a special occasion in addition to seasonal merchandise, such as pumpkins. Beer and wine will also be available for sale pending a permit from California Alcohol Beverage Control (ABC).

Papa Joe Khoury and his sons have extensive experience running markets and grocery stores in the Bay Area. Currently, they own and operate Park Plaza Fine Foods in San Francisco. From 1979 to 2016, Papa

Joe Khoury and his family ran Pohley's Market in Windsor. In 2013, Mark Khoury bought a struggling market in Half Moon Bay and within a year had increased monthly sales by 300% before selling it to his cousin. In addition to grocery stores, the Khoury family has also owned and operated numerous Bay Area restaurants in cities such as San Francisco and Oakland. Currently, the Khoury family owns and operates Courthouse 2021 in Redwood City, a restaurant that specializes in steaks and farm fresh American cuisine.

At this time, Papa Joe and his five sons – Mark, Chris, Ronnie, Johnny, and Issa – all plan to work at the store along with a number of other family members who plan to work there on a more limited basis. They will also be hiring the for the following positions: dedicated butcher, produce manager, grocery manager, deli manager, and wine sommelier. The market will also feature a custom onsite menu prepared by Daniel Sanchez, formerly of the renowned Greek restaurant Evvia Estiatorio in downtown Palo Alto.

Having both previously operated at this site before the redevelopment and observed the operational issues encountered at this site after the redevelopment, the Khoury family, in conjunction with the property owner, is taking a number of additional steps to ensure there is a successful business at this location. First, a greater emphasis on the outdoor components of the store will occur to create a more welcoming environment such as improved patio seating along with outdoor produce and flower displays. Second, once customers enter the store, the Khoury family will utilize a store layout that is close to the floor plan below (Exhibit C) although there will be a few changes such as a relocation of the coffee bar.

The Khoury family looks forward to re-opening its doors and to once again serve the College Terrace neighborhood as well as the greater Palo Alto community and beyond.

Exhibit A

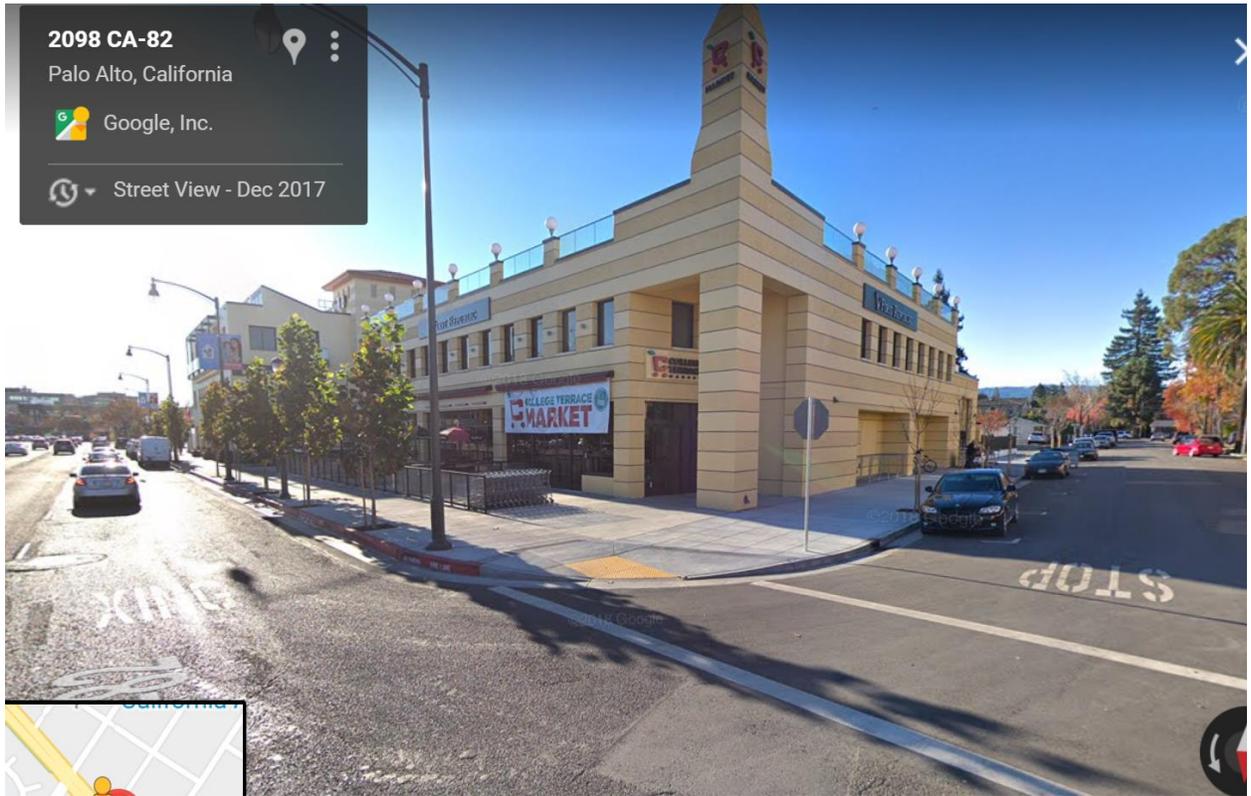


Exhibit B



Exhibit C

