



# 8

## ECONOMIC DEVELOPMENT

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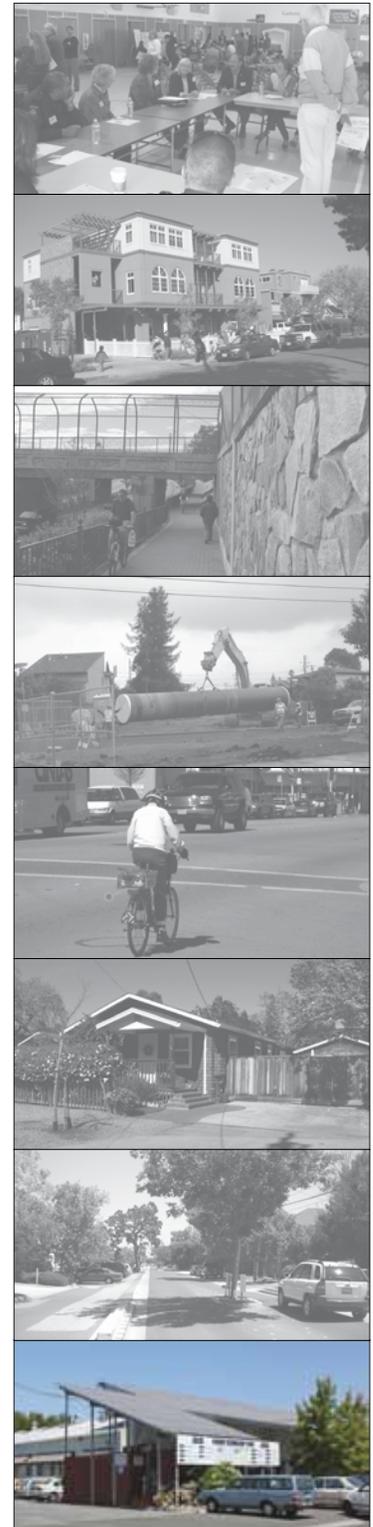
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# *chapter 8* economic development

Creating new economic opportunities in North Fair Oaks is one of the central goals of the Community Plan. Economic development, broadly, includes the creation of new jobs, helping prepare residents for new and existing jobs, and supporting and enhancing local businesses and opportunities for business creation and expansion. Creating an economically stable and robust community is a key component of broader social and economic development, and an integral part of a vision of North Fair Oaks as a diverse, vital, livable community in the short and long term that provides full opportunity for residents of all skill levels, education levels, and income levels.

Improved land use and zoning policies, physical infrastructure, and transit facilities can all play a role in boosting the local economy. Through implementation of the Plan, economic development can bring enhanced job opportunities for residents, increased support for local businesses and entrepreneurs, and incentives for property owners to reuse or repurpose vacant or underutilized land.



One of community's most important assets is its strong entrepreneurial spirit, as exemplified by the range of small and mid-sized retail and service businesses along Middlefield Road and at key nodes such as El Camino Real and 5th Avenue. North Fair Oaks also has one of the few remaining significant concentrations of production, distribution, and repair (PDR) uses in this part of San Mateo County with convenient access to rail and highway connections that link this industrial node with regional markets. Perhaps most importantly, North Fair Oaks is located in one of the most economically dynamic regions in the United States, with robust long-term prospects for growth and development in the leading-edge sectors of the economy. In order to address persistent challenges like high unemployment and the presence of underutilized commercial properties, this chapter builds on the community's many assets to pave the way for sustainable economic development and revitalization.

This chapter contains the following sections:

**8.1 Overview of Economic Conditions**

**8.2 Priority Economic Development Needs**

**8.3 Economic Development Goals and Policies**

## 8.1 OVERVIEW OF ECONOMIC CONDITIONS

This overview summarizes existing economic characteristics and issues in North Fair Oaks. A more complete analysis of economic conditions and needs is included in Appendix A.

**Employment and Unemployment.** Compared to the surrounding County and greater Bay Area, North Fair Oaks is not a jobs-rich community. As of 2010, businesses in North Fair Oaks provided an estimated 3,900 total jobs, representing approximately one percent of all jobs in San Mateo County. The largest proportion of these jobs fell within the Health, Educational & Recreational Services sector (28.2 percent), which includes jobs in education, health care, social assistance, arts, entertainment, recreation, accommodations and food services. This part of the local economy has been increasing over time, and is expected to grow from 1,108 jobs in 2010 to 1,592 jobs by 2030. The next largest concentration of jobs in North Fair Oaks is in the Manufacturing, Wholesale & Transportation sector, which comprised an additional 25 percent of the employment base (991 jobs) in 2010.

Given the scarcity of local jobs, most residents must look outside of North Fair Oaks to find employment. Many employed residents in North Fair Oaks (28 percent) work in construction, extraction, and maintenance-related occupations, as opposed to just nine percent of all employed residents in the Bay Area. The community's disproportionate concentration of employed residents in these

occupations, which have been severely impacted by the ongoing economic downturn, helps to explain its above-average unemployment rate. According to estimates provided by the California Employment Development Department, as of March 2011 North Fair Oaks' unemployment rate was approximately 17 percent, the second-highest unemployment rate of any area in San Mateo County and roughly double the countywide rate of just over eight percent.

**Local Business Base.** North Fair Oaks has a vibrant base of small and mid-sized businesses, including a significant concentration of retailers and small professional service firms catering to the Mexican/Latino community. Although not formally organized in a Business Improvement District (BID) or local business improvement organization such as the Main Street model promoted by the National Trust for Historic Preservation, these businesses are integral to the unique character of North Fair Oaks and are celebrated in annual events such as the North Fair Oaks Community Festival.



*The largest proportion of jobs in San Mateo County include the health services sector*



*Twenty-eight percent of North Fair Oaks residents work in construction, extraction and maintenance-related occupations*



*North Fair Oaks has a large number of underutilized and vacant parcels*



*North Fair Oaks residents spend 40 million in retail dollars outside of the local economy annually*

**Underutilized Land.** Although North Fair Oaks is relatively densely populated compared to surrounding areas, the community also has a large number of underutilized and vacant parcels that represent a potential economic development opportunity. Underutilized parcels are defined as those that have a ratio of improvement value to land value that is less than 0.9.<sup>1</sup> In other words, the land is worth more than the existing buildings on it. There are 194 parcels totaling 103 acres of underutilized land in North Fair Oaks. In addition to underutilized land, there are 44 parcels of vacant land in the Plan Area, totaling 14 acres. Together, vacant and underutilized parcels represent 21 percent of the land area in North Fair Oaks. Vacant and underutilized industrial parcels are concentrated in the northern portions of the community, north of Fair Oaks Avenue, and along the Dumbarton rail corridor, while vacant and underutilized commercial (mainly office and retail) parcels are primarily located along El Camino Real and Middlefield Road, the two main commercial corridors.

**Retail Market Conditions.** North Fair Oaks residents spent an estimated \$187.6 million at retail stores in 2009. By comparison, local retailers in North Fair Oaks generated approximately \$147.1 million in sales. This represents over \$40 million in retail leakage<sup>2</sup> from the community that could be used to support existing retailers or new local-serving retail business. Sales leakage in the general merchandise category and health and personal care stores category suggests potential opportunity for a new drug store in North Fair Oaks. However, it is unlikely that the community could support a larger format store such as Wal-Mart due to existing competitors such as the nearby Redwood City Target and Costco stores and the amount of sales needed to support an additional store of that size. In addition, this is not the type of retail and commercial development appropriate for the scale and nature of the community, or for the mix of uses and transit-oriented development envisioned in North Fair Oaks. Bix box retail is not a development type encouraged or contemplated by this Plan. While North Fair Oaks sees retail leakage in other categories, including clothing and clothing accessories stores and furniture and home furnishings stores, the amount of leakage is likely insufficient to support an additional store in these categories.

<sup>1</sup> For example, a parcel with a land value of \$100,000, with a structure on it valued at only \$80,000, would have a ratio of improvement value to land value of 0.8, and would be considered underutilized.

<sup>2</sup> "Leakage" represents the difference in spending flowing into and out of the community, and is a general indicator of the dollars that could be spent within the community, but are spent elsewhere. Because residents spend money in many places, leakage does not necessarily indicate a significant problem, but rather is useful in helping identify areas of potential commercial opportunity.

**Industrial and Office Market.** The commercial real estate market continues to struggle despite signs of improvement in the overall economy. However, moderate employment growth projected for North Fair Oaks suggests that there will be demand for new office, industrial and research and development (R&D) space once the market recovers. North Fair Oaks currently has approximately 1,275,000 square feet of industrial space, the bulk of which, around 1,150,000 square feet, is classified as general industrial (as opposed to R&D). While many industrial, distribution and R&D facilities are vacant or underutilized, these relatively low-cost properties represent a potential opportunity for accommodating certain types of green or clean-tech uses in search of strategically located space. The office market in North Fair Oaks is notably weak, with vacancy rates of 19 percent or higher and low lease rates compared to surrounding areas. As with industrial properties, the relatively low-cost office space in North Fair Oaks could be an opportunity to incubate new small businesses and entrepreneurs seeking affordable and well-located space.



*The commercial real estate market in North Fair Oaks continues to struggle despite signs of improvement in the overall economy*



*Many industrial, distribution and R&D suitable facilities throughout North Fair Oaks are vacant or underutilized*

## 8.2 PRIORITY ECONOMIC DEVELOPMENT NEEDS



*Investment in roads, sidewalks, and physical infrastructure can improve the overall attractiveness of commercial areas*



*Mixed-use residential and commercial development can help meet local housing needs and provide additional demand for North Fair Oaks goods and services*

Based on existing economic conditions in North Fair Oaks and community and stakeholder input, the following priority economic development needs inform the economic development goals, policies, and programs included in this chapter:

- **Jobs and workforce training** to address the needs of local residents experiencing extremely high rates of unemployment and underemployment.
- **Support for small and mid-sized businesses**, which form the core of the business community in North Fair Oaks.
- **Investment in roads, sidewalks, and physical infrastructure** to improve the overall attractiveness of commercial areas, particularly along Middlefield Road and 5th Avenue.
- **New catalytic real estate development** on underutilized and vacant sites to serve local and regional needs and support community economic development.
- **New retail development** to address the leakage of retail sales and provide needed retail amenities such as a local-serving pharmacy.
- **Supportive land use and zoning policies** to preserve production, distribution, and repair (PDR) uses in designated zones within North Fair Oaks.
- **Mixed-use residential and commercial development** to meet local housing needs and provide additional demand for North Fair Oaks goods and services.
- **New transportation, circulation, and parking policies** to resolve the scarcity of retail parking spaces on Middlefield Road and address conflicts between retail and automotive repair uses.

### 8.3 ECONOMIC DEVELOPMENT GOALS AND POLICIES

The following goals and policies establish a framework for building economic capacity in North Fair Oaks through small business assistance and workforce training, while also linking North Fair Oaks to the larger regional economy in order to spur reinvestment and development in key economic sectors. Each major goal is supported by policies and programs intended to promote one or more of the identified priority economic development needs in North Fair Oaks. These goals, policies, and programs are meant to supplement, rather than to replace, existing and potential future economic programs and initiatives that may be sponsored by the County or by private business and nonprofit organizations.

The section includes goal, policies and implementation programs that:

- Provide specific guidance to discretionary approval authorities in making decisions on proposed development projects, proposed regulatory changes, and other proposed actions;
- Complement changes that are incorporated in other parts of the Community Plan, and
- Will require creation and adoption of new economic development programs, ordinances, and regulations, including zoning and land use regulations.





**Goal 8.1: Create new employment opportunities for North Fair Oaks residents.**

**Policy 1A:** Expand workforce training efforts to help prepare North Fair Oaks residents to compete for quality, living-wage jobs in growing industry sectors.

**1A.1:** Collaborate with employment assistance organizations, local employers, and educational institutions to create a coordinated workforce training program targeted to North Fair Oaks residents.

**1A.2:** Build on efforts by the County Human Services Agency (HSA), the San Mateo County Community College District, and other partners to create a green collar<sup>3</sup> job program tailored specifically to the educational and linguistic needs of North Fair Oaks residents.

**1A.3:** Prioritize workforce training for local youth, including continuation and expansion of existing youth jobs-training programs. Identify opportunities to create and expand space to house youth job training and workforce development programs and other youth job assistance programs. Ensure that new development does not displace, or provides for replacement or relocation of, space for existing youth workforce training programs.

**1A.4:** Identify opportunities to provide workforce training and re-training for unemployed, underemployed, or retired seniors needing or desiring employment. Identify opportunities to leverage seniors' work experience by involving senior residents in mentoring and job training programs for youth and others.

**Policy 1B:** Increase efforts to diversify the community's job base to bring a variety of job opportunities to local residents. Key sectors in San Mateo County include high-technology, general local-serving manufacturing and distribution, green and clean-technology uses, and professional and trade services.

**1B.1:** Enact land use and zoning policies that provide a sufficient supply of land for production, distribution, and repair uses along Spring Street in the core industrial area.

**1B.2:** Designate a County, nonprofit, or other community-based partner lead agency responsible for business attraction efforts in North Fair Oaks.

**1B.3:** Identify and market specific sites or underutilized properties that would be suitable for use by emerging clean or green-tech industries.

<sup>3</sup> Green Collar refers to jobs in industries involved in the production and distribution of goods and materials designed to improve the quality of the built and natural environment.

**Policy 1C:** Encourage pilot initiatives in commercial urban agriculture on vacant and underutilized sites. (See Chapter 5: Health and Wellness for goals and policies that support urban agriculture and potential locations for those activities.)

**1C.1:** Identify vacant or underutilized sites for community gardens in commercial, mixed-use and residential areas of North Fair Oaks. Seek neighborhood, community, and nonprofit partners for the ongoing operation and maintenance one or more community gardens and community gathering spaces in North Fair Oaks.

**1C.2:** Investigate the feasibility of urban farming in North Fair Oaks. Explore the initiation of a small-scale urban agriculture program by formulating a solicitation for a partner organization, which can, in turn, identify ideal sites, organize volunteers, and help to obtain grant funding.

**Policy 1D:** Promote local hiring by local businesses.

**1D.1:** Expand County outreach efforts to educate local employers on the benefits of local hiring, publicize opportunities for local hiring, and encourage companies to hire local residents.

**Policy 1E:** Support day laborers and day labor programs.

**1E.1:** Continue to provide space for day labor programs in County facilities, and support to organizations that serve day laborers.

**1E.2:** Work with day labor organizations to identify day laborer needs, and to ensure that infrastructure changes, physical development and redevelopment, and other changes contemplated by the Community Plan consider day laborer needs and potential impacts on day laborers.





**Goal 8.2: Support small and mid-sized businesses.**

**Policy 2A:** Retain and grow existing retail and service businesses by providing strategic support in marketing, building rehabilitation, and related expansion efforts.

- 2A.1:** Designate a dedicated small business liaison for North Fair Oaks responsible for ongoing communication with existing businesses. This could be through the County or nonprofit partners.
- 2A.2:** Explore the creation of a commercial beautification and façade enhancement program, for new and existing businesses, to enhance storefronts and make them more welcoming, enhance overall appearance of commercial areas, and increase business attractiveness.
- 2A.3:** Conduct a feasibility study regarding the creation of a commercial corridor revitalization program for the primary commercial areas along Middlefield Road and 5th Avenue. Such a program would provide a comprehensive suite of technical assistance services in marketing, merchandising, and tenant improvement funding for local retail and professional service firms.
- 2A.4:** Investigate the feasibility of establishing a Business Improvement District (BID) in North

Fair Oaks to support commercial revitalization and business assistance activities.

**Policy 2B:** Increase efforts to provide technical and financial support to local entrepreneurs seeking to start businesses in North Fair Oaks.

- 2B.1:** Partner with appropriate agencies and organizations to create a focused entrepreneurship program for North Fair Oaks.
- 2B.2:** Partner with the Small Business Administration and local financial institutions to publicize the availability of federal, State and private resources for micro-enterprise seed funding.
- 2B.3:** Create a technical advisory service for small entrepreneurs in North Fair Oaks to provide information and training on resources available to new and emerging micro-enterprises.
- 2B.4:** Provide interested parties with comprehensive information in a single, easily digestible format on requirements and opportunities for starting businesses in North Fair Oaks, including information on regulatory requirements, procedures and fees, local sources of support, available resources, potential business locations, and other information.

**Goal 8.3:** Support business expansion efforts, and promote retention of existing businesses.

**Policy 3A:** Identify expansion needs and provide support for existing businesses to expand without relocation out of North Fair Oaks.

**3A.1:** Identify infrastructure, space, and other expansion needs for existing business to expand while remaining in current locations.

**3A.2:** If expansion in place is infeasible, help businesses identify potential appropriate expansion sites at other locations within North Fair Oaks.

**3A.3:** Support creation of new childcare locations in North Fair Oaks, including childcare space as part of new large-scale developments, and smaller-scale childcare in appropriate locations throughout North Fair Oaks, in order to support local workers in need of easily accessible childcare.

**Goal 8.4:** Plan to accommodate new industrial, office and mixed-use development.

**Policy 4A:** Plan for and appropriately modify regulations to support the expansion of industrial, flex and research and development (R&D) uses in the Industrial Mixed-Use areas of North Fair Oaks.

**Policy 4B:** Provide opportunities for mixed-use development in the Industrial Mixed-Use areas to provide flexible space for a range of commercial, institutional and residential (by conditional use permit) activities and revitalization of underutilized and vacant land.

**4B.1:** Allow live-work and related mixed-use product types in the Industrial Mixed-Use areas with a conditional use permit.

**4B.2:** Permit recreational and community facilities uses in the Industrial Mixed-Use areas with a conditional use permit provided that such uses are compatible with nearby production, distribution and repair activities.





**Policy 4C:** Encourage intensive commercial and mixed-use development at key nodes such as the potential multi-modal transit hub on Middlefield Road at the Dumbarton railroad crossing and along El Camino Real at 5th Avenue.

**4C.1:** Identify opportunity sites (sites that are vacant or underutilized, and/or appropriate for significantly greater intensities of development) near planned transit facilities, in order to support transit usage and leverage increasing long-term demand for office, retail and residential development located near transit hubs. Promote and assist in redevelopment of appropriate identified sites.

**4C.2:** Promote multifamily residential development and the development of new housing product types on key sites and in mixed-use areas as described in the Chapter 6: Housing and Chapter 7: Design Standards and Guidelines.

**4C.3:** Identify remediation needs for potential opportunity sites that may require clean-up, as described in Chapter 5: Health and Wellness, and identify responsible parties and potential sources for remediation assistance.

**Goal 8.5:** Expand retail services in North Fair Oaks.

**Policy 5A:** Concentrate new retail development at key nodes and along Middlefield Road, 5th Avenue, and El Camino Real that already have existing concentrations of local-serving serving retailers.

**5A.1:** Provide regulatory and financial incentives for the commercial redevelopment of vacant and underutilized parcels along El Camino Real and Middlefield Road to build on the synergy of these well-established retail corridors.

**Policy 5B:** Attract new retail businesses that will complement the existing mix of local businesses and fill gaps in local retail services.

**5B.1:** Actively recruit a new full-service pharmacy to capture retail sales that are currently leaking from North Fair Oaks in this category. Identify one or more potential sites for a new pharmacy or for a mixed-use development with a ground floor pharmacy use. Potentially partner with an experienced commercial brokerage or nonprofit economic development agency to develop a targeted outreach effort for a new pharmacy.

**Policy 5C:** Remove barriers to new retail development, including parking constraints and barriers to mixed-use development, by exploring innovative parking strategies described in the Chapter 3: Circulation and Parking and amending land use regulations to allow for higher densities and zoning to encourage retail and a mix of uses in designated areas within North Fair Oaks.

**5C.1:** Conduct and implement a commercial parking utilization study and parking program for North Fair Oaks commercial areas based on the policies in Chapter 3: Circulation and Parking.



