



THE CITY OF  
NOVATO  
CALIFORNIA

922 Machin Avenue  
Novato, CA 94945  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

Mayor  
Eric Lucan  
Mayor Pro Tem  
Denise Athas  
Councilmembers  
Pam Drew  
Pat Eklund  
Josh Fryday

City Manager  
Regan M. Candelario

## ECONOMIC DEVELOPMENT ADVISORY COMMISSION MEETING

to be held at

City Administrative Offices  
WOMACK CONFERENCE ROOM, 2<sup>ND</sup> FLOOR  
922 MACHIN AVENUE

March 28, 2019 - 3:00pm

### Commissioners:

**Chair:** Rick Wells; **Vice Chair:** Anne Russell  
John Williams; Coy Smith; Harry Thomas  
Michelle Mahoney; Peter Pelham  
Ex-Officio Members: Sylvia Barry, Tim Howard

## AGENDA

### A. CALL TO ORDER & ROLL CALL

### B. APPROVAL OF FINAL AGENDA

### C. PUBLIC COMMENTS

*Anyone wishing to speak on non-agenda items will be recognized at this time. These items can legally have no action as they are not on the agenda. There is a three minute limit.*

### D. GENERAL BUSINESS

1. Development Update – Vicki Parker
2. CoStar Retail, Industrial & Commercial Real Estate Update – Warren Weber, CoStar
3. Parklet Policy Update – Russ Thompson
4. Tenant Improvement Program Discussion – Jessica Deakyne

### E. COMMISSIONER COMMENTS

### F. STAFF UPDATES

### G. ADJOURNMENT

#### AFFIDAVIT OF POSTING

I, Jessica Deakyne, certify that on March 25, 2019, I caused to be posted the agenda of the Economic Development Advisory Commission on the City Community Service Board in the Police Department and on the City's website at [www.novato.org](http://www.novato.org).



## Economic Development

***Commercial Real Estate – by the numbers***

***March 2019***

***Presented by:***



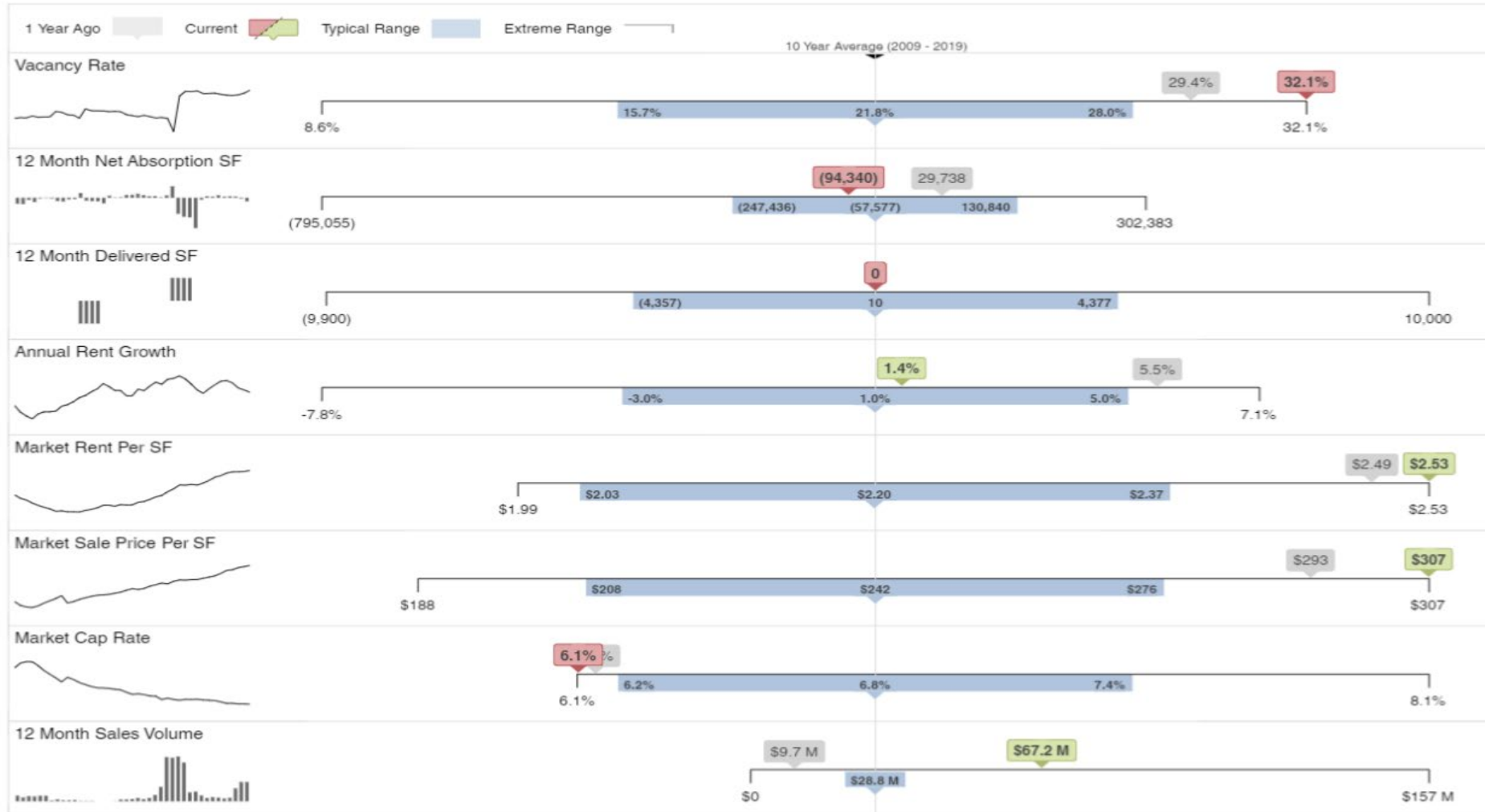
# Novato Office numbers:

INVENTORY SF <b>3.4 M</b> <span>0%</span> Prior Period 3.4 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>(94.3 K)</b> <span>-397.3%</span> Prior Period 31.7 K	VACANCY RATE <b>32.1%</b> <span>+2.7%</span> Prior Period 29.4%	MARKET RENT/SF <b>\$2.53</b> <span>+1.4%</span> Prior Period \$2.49	MARKET SALE PRICE/SF <b>\$307</b> <span>+4.9%</span> Prior Period \$293	MARKET CAP RATE <b>6.1%</b> <span>0%</span> Prior Period 6.1%
--	--	--	---	---	---	---

Availability		Inventory	
Vacant SF	1.1 M <span>↑</span>	Existing Buildings	148 <span>↓</span>
Sublet SF	11.8 K <span>↑</span>	Under Construction Avg SF	- <span>↓</span>
Availability Rate	30.6% <span>↓</span>	12 Mo Demolished SF	0 <span>↓</span>
Available SF	1.1 M <span>↓</span>	12 Mo Occupancy % at Delivery	- <span>↓</span>
Available Asking Rent/SF	\$2.50 <span>↑</span>	12 Mo Construction Starts SF	0 <span>↓</span>
Occupancy Rate	67.9% <span>↓</span>	12 Mo Delivered SF	0 <span>↓</span>
Percent Leased Rate	71.4% <span>↑</span>	12 Mo Avg Delivered SF	- <span>↓</span>
Sales Past Year		Demand	
Asking Price Per SF	\$260 <span>↑</span>	12 Mo Net Absorp % of Inventory	-2.7% <span>↓</span>
Sale to Asking Price Differential	5.9% <span>↑</span>	12 Mo Leased SF	184 K <span>↑</span>
Sales Volume	\$67.2 M <span>↑</span>	Months on Market	16.0 <span>↑</span>
Properties Sold	14 <span>↓</span>	Months to Lease	13.7 <span>↑</span>
Months to Sale	4.6 <span>↓</span>	Months Vacant	14.8 <span>↑</span>
For Sale Listings	6 <span>↑</span>	24 Mo Lease Renewal Rate	49.8% <span>↓</span>
Total For Sale SF	87.5 K <span>↓</span>	Population Growth 5 Yrs	2.0% <span>↓</span>

# Novato Office numbers – Key Performance Indicators

## Key Performance Indicators



# Office with out Firemans's Fund

## with Fireman's Fund:

INVENTORY SF <b>3.4 M</b> <span>0%</span> Prior Period 3.4 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>(94.3 K)</b> <span>-397.3%</span> Prior Period 31.7 K	VACANCY RATE <b>32.1%</b> <span>+2.7%</span> Prior Period 29.4%	MARKET RENT/SF <b>\$2.53</b> <span>+1.4%</span> Prior Period \$2.49	MARKET SALE PRICE/SF <b>\$307</b> <span>+4.9%</span> Prior Period \$293	MARKET CAP RATE <b>6.1%</b> <span>0%</span> Prior Period 6.1%
--	--	--	---	---	---	---

Availability		Inventory	
Vacant SF	1.1 M ↑	Existing Buildings	148 ↓
Sublet SF	11.8 K ↑	Under Construction Avg SF	- ↓
Availability Rate	30.6% ↓	12 Mo Demolished SF	0 ↓
Available SF	1.1 M ↓	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$2.50 ↑	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	67.9% ↓	12 Mo Delivered SF	0 ↓
Percent Leased Rate	71.4% ↑	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	\$260 ↑	12 Mo Net Absorp % of Inventory	-2.7% ↓
Sale to Asking Price Differential	5.9% ↑	12 Mo Leased SF	184 K ↑
Sales Volume	\$67.2 M ↑	Months on Market	16.0 ↑
Properties Sold	14 ↓	Months to Lease	13.7 ↑
Months to Sale	4.6 ↓	Months Vacant	14.8 ↑
For Sale Listings	6 ↑	24 Mo Lease Renewal Rate	49.8% ↓
Total For Sale SF	87.5 K ↓	Population Growth 5 Yrs	2.0% ↓

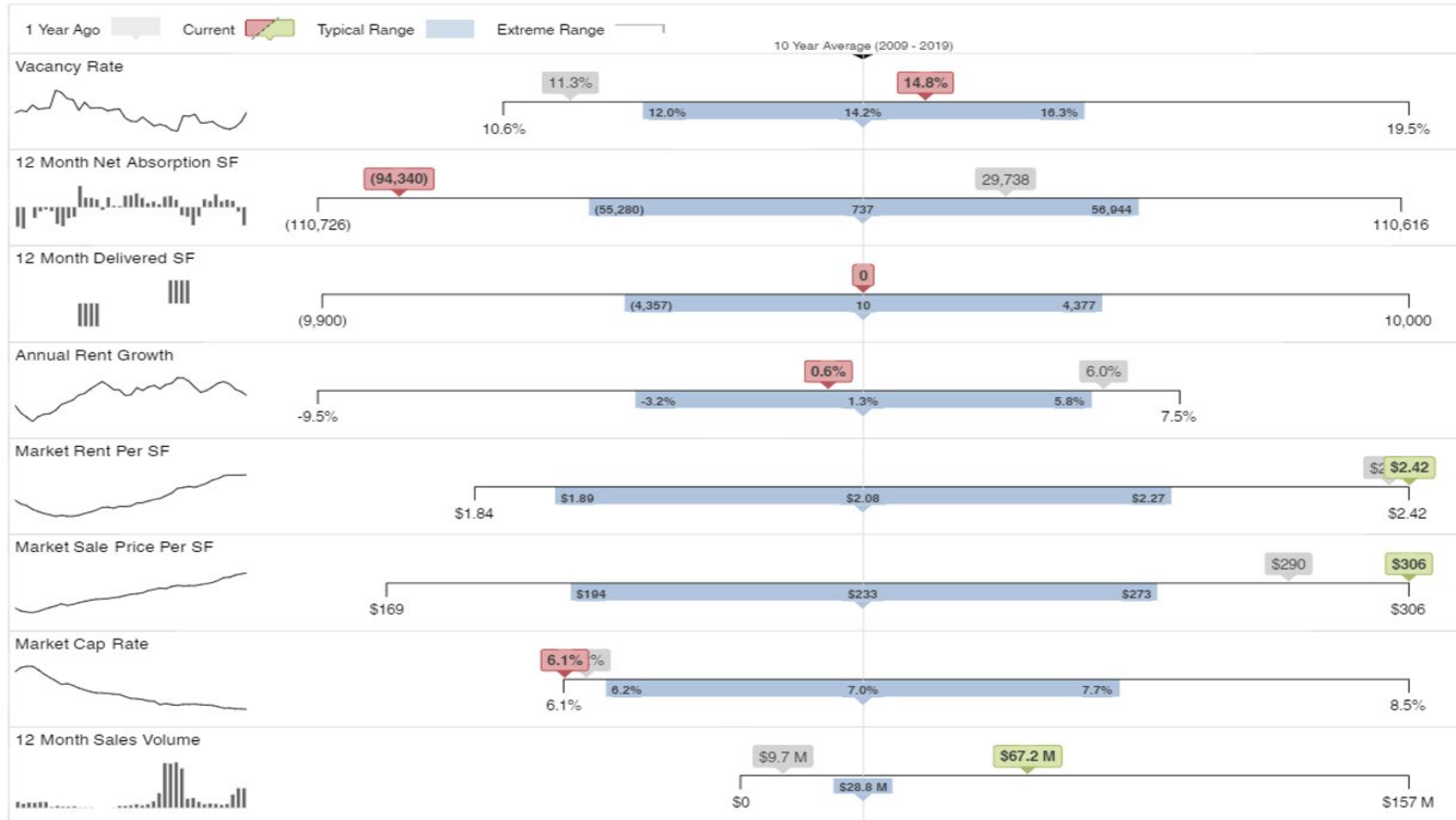
## without Fireman's Fund:

INVENTORY SF <b>2.7 M</b> <span>0%</span> Prior Period 2.7 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>(94.3 K)</b> <span>-397.3%</span> Prior Period 31.7 K	VACANCY RATE <b>14.8%</b> <span>+3.5%</span> Prior Period 11.3%	MARKET RENT/SF <b>\$2.42</b> <span>+0.6%</span> Prior Period \$2.41	MARKET SALE PRICE/SF <b>\$306</b> <span>+5.8%</span> Prior Period \$290	MARKET CAP RATE <b>6.1%</b> <span>-0.1%</span> Prior Period 6.2%
--	--	--	---	---	---	--

Availability		Inventory	
Vacant SF	403 K ↑	Existing Buildings	145 ↓
Sublet SF	11.8 K ↑	Under Construction Avg SF	- ↓
Availability Rate	12.9% ↓	12 Mo Demolished SF	0 ↓
Available SF	351 K ↓	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$2.50 ↑	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	85.2% ↓	12 Mo Delivered SF	0 ↓
Percent Leased Rate	89.6% ↑	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	\$260 ↑	12 Mo Net Absorp % of Inventory	-3.5% ↓
Sale to Asking Price Differential	5.9% ↑	12 Mo Leased SF	184 K ↑
Sales Volume	\$67.2 M ↑	Months on Market	14.3 ↑
Properties Sold	14 ↓	Months to Lease	13.7 ↑
Months to Sale	4.6 ↓	Months Vacant	14.8 ↑
For Sale Listings	6 ↑	24 Mo Lease Renewal Rate	49.6% ↓
Total For Sale SF	87.5 K ↓	Population Growth 5 Yrs	2.0% ↓

# Key Performance Indicators with out Fireman's Fund:

## Key Performance Indicators

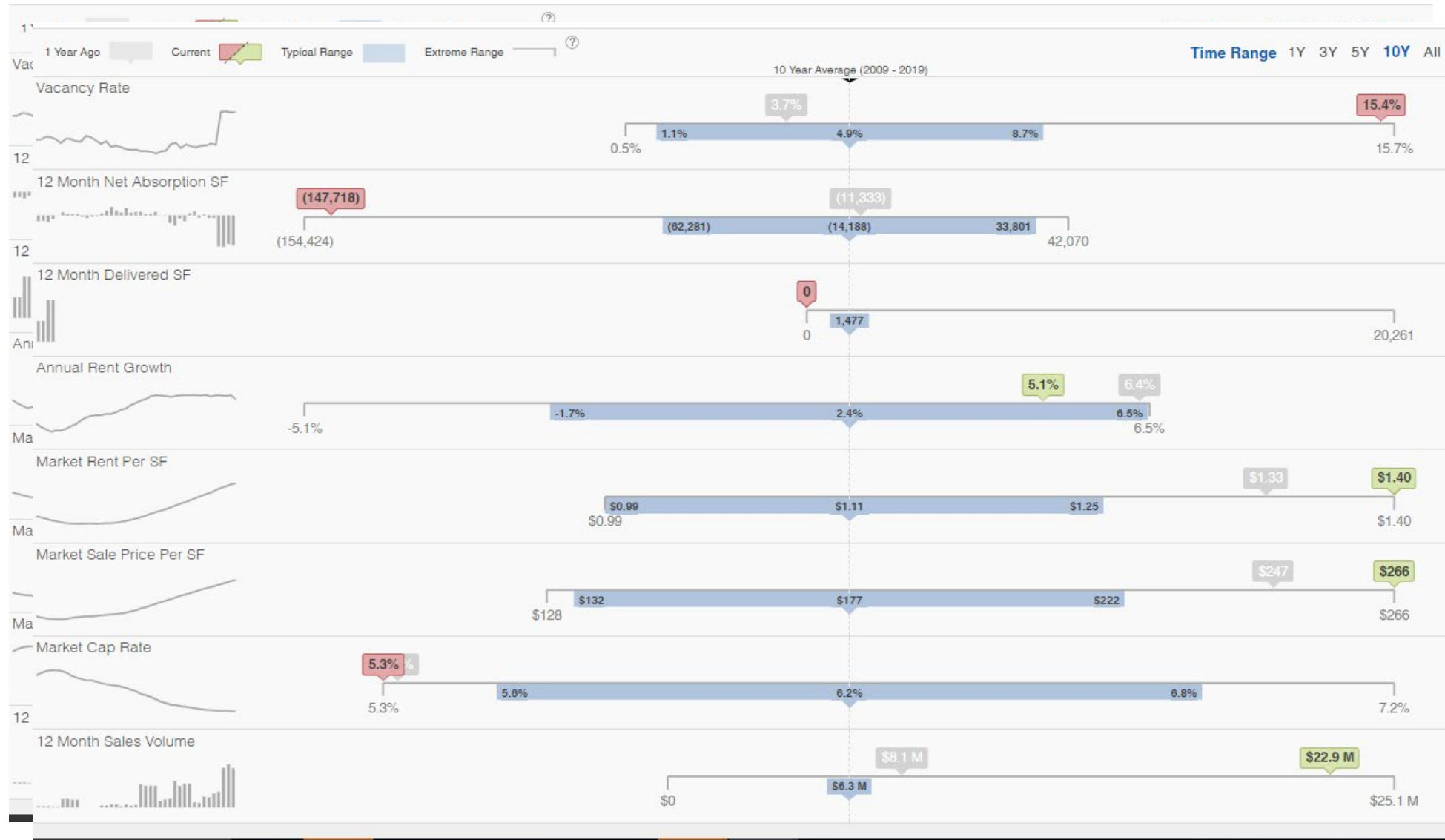


## Novato Industrial numbers:

INVENTORY SF <b>1.3 M</b> <span>0%</span> Prior Period 1.3 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>(148 K)</b> <span>-1199.5%</span> Prior Period (11.4 K)	VACANCY RATE <b>15.4%</b> <span>+11.7%</span> Prior Period 3.7%	MARKET RENT/SF <b>\$1.40</b> <span>+5.1%</span> Prior Period \$1.33	MARKET SALE PRICE/SF <b>\$266</b> <span>+8.2%</span> Prior Period \$246	MARKET CAP RATE <b>5.3%</b> <span>-0.1%</span> Prior Period 5.4%
--	--	--	---	---	---	--

Availability		Inventory	
Vacant SF	194 K ↑	Existing Buildings	76 ↓
Sublet SF	0 ↓	Under Construction Avg SF	- ↓
Availability Rate	16.3% ↑	12 Mo Demolished SF	0 ↓
Available SF	205 K ↑	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$1.05 ↓	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	84.6% ↓	12 Mo Delivered SF	0 ↓
Percent Leased Rate	84.6% ↓	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	- ↓	12 Mo Net Absorp % of Inventory	-11.8% ↓
Sale to Asking Price Differential	- ↓	12 Mo Leased SF	10.9 K ↓
Sales Volume	\$22.8 M ↑	Months on Market	13.5 ↑
Properties Sold	11 ↑	Months to Lease	1.1 ↓
Months to Sale	1.1 ↓	Months Vacant	2.1 ↓
For Sale Listings	1 ↓	24 Mo Lease Renewal Rate	46.5% ↓
Total For Sale SF	173 K ↓	Population Growth 5 Yrs	2.2% ↓

# Novato Industrial Key Performance Indicators:





# Industrial without Birkenstock:

## with:

INVENTORY SF <b>1.3 M</b> <span>0%</span> Prior Period 1.3 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>(148 K)</b> <span>-199.5%</span> Prior Period (11.4 K)	VACANCY RATE <b>15.4%</b> <span>+11.7%</span> Prior Period 3.7%	MARKET RENT/SF <b>\$1.40</b> <span>+5.1%</span> Prior Period \$1.33	MARKET SALE PRICE/SF <b>\$266</b> <span>+8.2%</span> Prior Period \$246	MARKET CAP RATE <b>5.3%</b> <span>-0.1%</span> Prior Period 5.4%
--	--	---	---	---	---	--

Availability		Inventory	
Vacant SF	194 K ↑	Existing Buildings	76 ↓
Sublet SF	0 ↓	Under Construction Avg SF	- ↓
Availability Rate	16.3% ↑	12 Mo Demolished SF	0 ↓
Available SF	205 K ↑	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$1.05 ↓	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	84.6% ↓	12 Mo Delivered SF	0 ↓
Percent Leased Rate	84.6% ↓	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	- ↓	12 Mo Net Absorp % of Inventory	-11.8% ↓
Sale to Asking Price Differential	- ↓	12 Mo Leased SF	10.9 K ↓
Sales Volume	\$22.8 M ↑	Months on Market	13.5 ↑
Properties Sold	11 ↑	Months to Lease	1.1 ↓
Months to Sale	1.1 ↓	Months Vacant	2.1 ↓
For Sale Listings	1 ↓	24 Mo Lease Renewal Rate	46.5% ↓
Total For Sale SF	173 K ↓	Population Growth 5 Yrs	2.2% ↓

## with out:

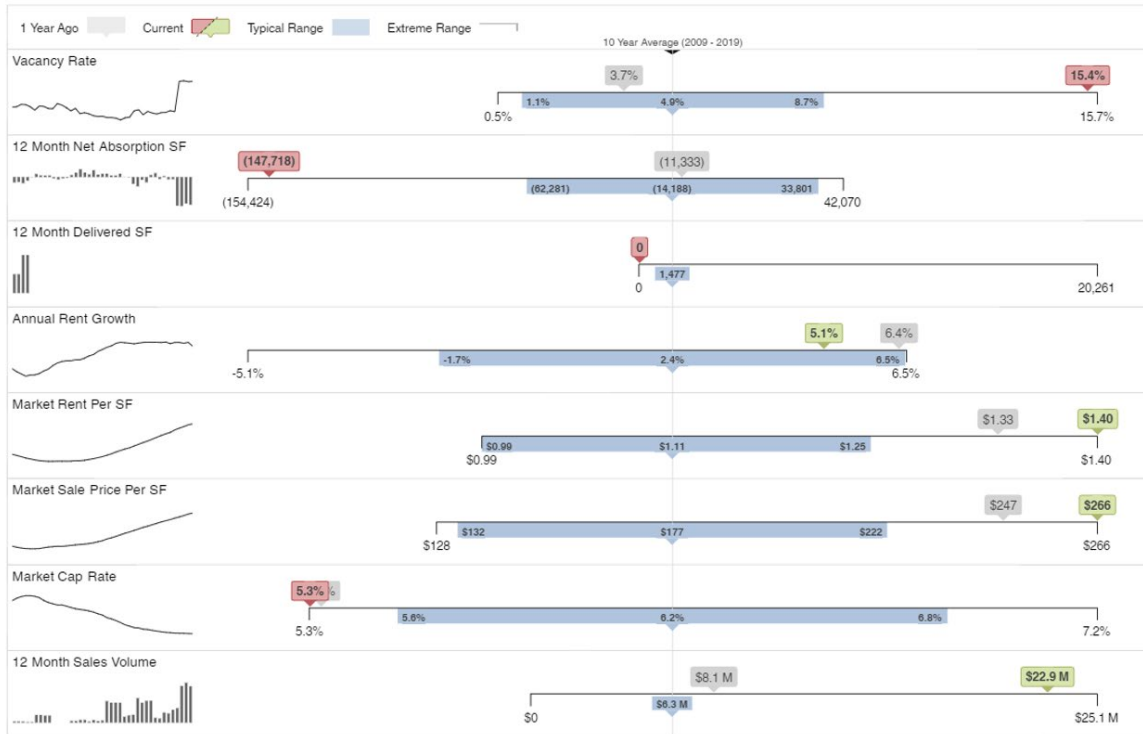
INVENTORY SF <b>1.1 M</b> <span>0%</span> Prior Period 1.1 M	UNDER CONSTRUCTION SF <b>0</b> <span>-</span> Prior Period 0	12 MO NET ABSORPTION SF <b>25.8 K</b> <span>+326.7%</span> Prior Period (11.4 K)	VACANCY RATE <b>1.9%</b> <span>-2.4%</span> Prior Period 4.3%	MARKET RENT/SF <b>\$1.48</b> <span>+5.3%</span> Prior Period \$1.40	MARKET SALE PRICE/SF <b>\$286</b> <span>+8.1%</span> Prior Period \$265	MARKET CAP RATE <b>5.3%</b> <span>-0.1%</span> Prior Period 5.4%
--	--	--	---	---	---	--

Availability		Inventory	
Vacant SF	20.4 K ↓	Existing Buildings	75 ↓
Sublet SF	0 ↓	Under Construction Avg SF	- ↓
Availability Rate	2.9% ↓	12 Mo Demolished SF	0 ↓
Available SF	31.5 K ↓	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$1.86 ↑	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	98.1% ↑	12 Mo Delivered SF	0 ↓
Percent Leased Rate	98.1% ↑	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	- ↓	12 Mo Net Absorp % of Inventory	2.4% ↑
Sale to Asking Price Differential	- ↓	12 Mo Leased SF	10.9 K ↓
Sales Volume	\$22.8 M ↑	Months on Market	13.5 ↑
Properties Sold	11 ↑	Months to Lease	1.1 ↓
Months to Sale	1.1 ↓	Months Vacant	2.1 ↓
For Sale Listings	- ↓	24 Mo Lease Renewal Rate	81.6% ↓
Total For Sale SF	- ↓	Population Growth 5 Yrs	2.2% ↓

# Industrial without Birkenstock:

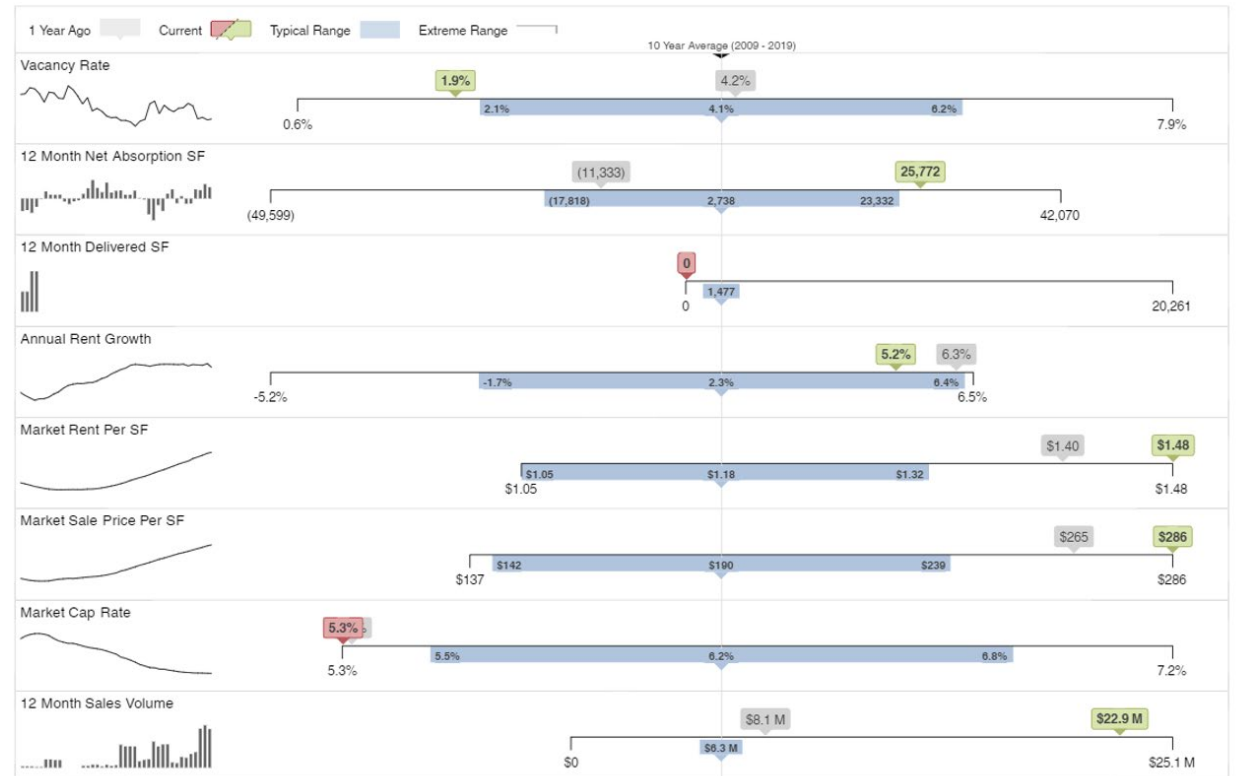
- **with**

## Key Performance Indicators



- **without Birkenstock:**

## Key Performance Indicators



## Novato Retail numbers:

INVENTORY SF

2.4 M 0%

Prior Period 2.4 M

UNDER CONSTRUCTION SF

0 -

Prior Period 0

12 MO NET ABSORPTION SF

67.2 K +252.1%

Prior Period 19.1 K

VACANCY RATE

1.8% -2.8%

Prior Period 4.6%

MARKET RENT/SF

\$2.09 +1.0%

Prior Period \$2.07

MARKET SALE PRICE/SF

\$337 +4.9%

Prior Period \$321

MARKET CAP RATE

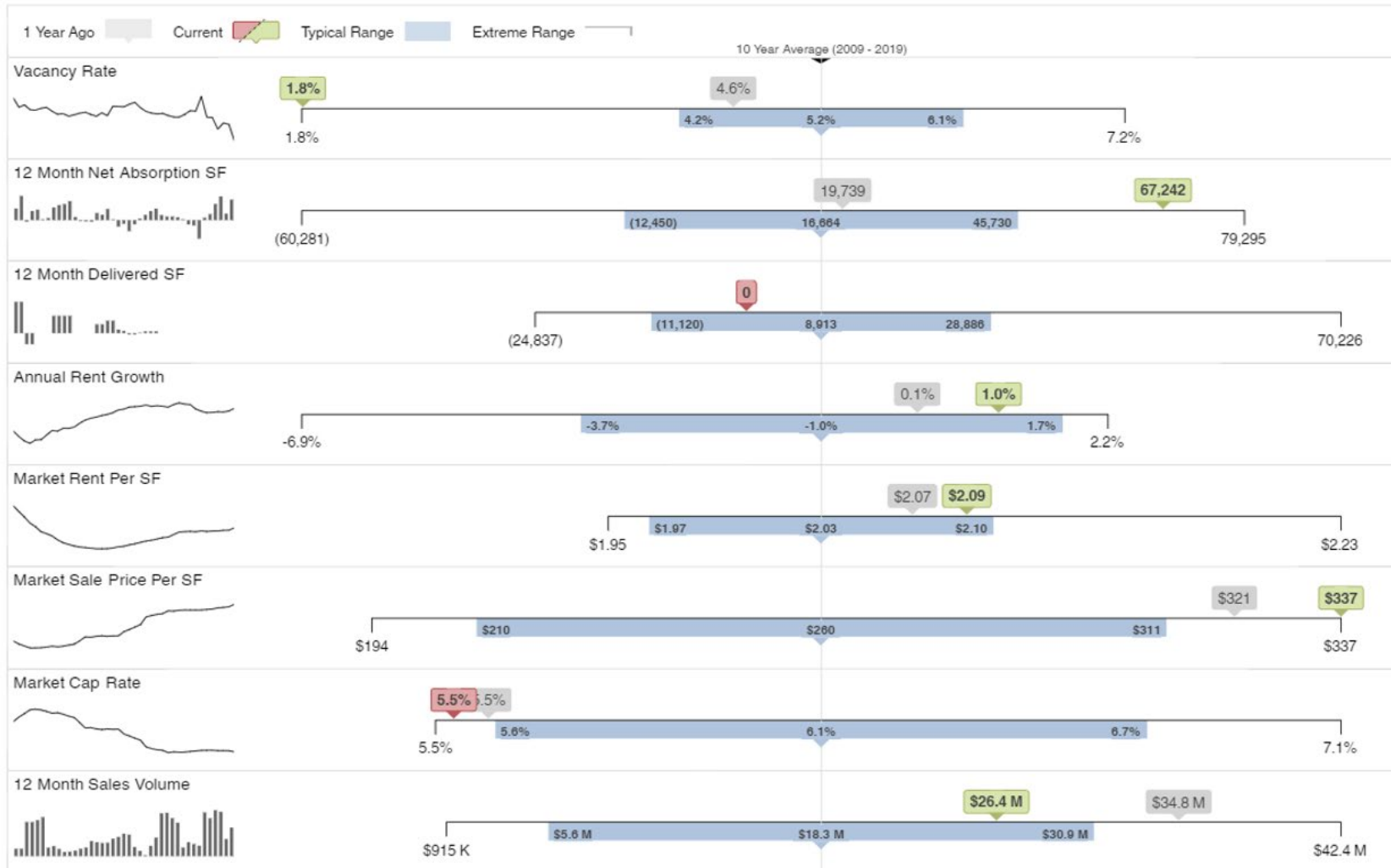
5.5% 0%

Prior Period 5.5%

Availability		Inventory	
Vacant SF	42.2 K ↓	Existing Buildings	206 ↓
Sublet SF	2 K ↓	Under Construction Avg SF	- ↓
Availability Rate	2.5% ↓	12 Mo Demolished SF	0 ↓
Available SF	58.6 K ↓	12 Mo Occupancy % at Delivery	- ↓
Available Asking Rent/SF	\$1.73 ↑	12 Mo Construction Starts SF	0 ↓
Occupancy Rate	98.2% ↑	12 Mo Delivered SF	0 ↓
Percent Leased Rate	98.4% ↑	12 Mo Avg Delivered SF	- ↓
Sales Past Year		Demand	
Asking Price Per SF	\$384 ↓	12 Mo Net Absorp % of Inventory	2.8% ↑
Sale to Asking Price Differential	-5.5% ↑	12 Mo Leased SF	66.9 K ↓
Sales Volume	\$26.4 M ↓	Months on Market	12.8 ↓
Properties Sold	21 ↓	Months to Lease	7.0 ↓
Months to Sale	8.5 ↓	Months Vacant	8.4 ↓
For Sale Listings	4 ↓	24 Mo Lease Renewal Rate	78.4% ↓
Total For Sale SF	50.9 K ↑	Population Growth 5 Yrs	2.0% ↓

# Retail Key Performance Indicators:

## Key Performance Indicators





**CITY OF NOVATO**  
CALIFORNIA

# EDAC UPDATE ON “FINAL PARKLET CRITERIA”

EDAC MEETING – MARCH 28, 2019

# TODAY'S DISCUSSION

- Outdoor Dining Provisions of Muni Code (since 1994)
- Parklets
  - *Where are we going?*
  - *Lessons learned at Finnegan's*
  - *Brief Overview of Council Direction*
  - *Parklet's Importance to the Downtown? Parking Impacts?*



# MUNICIPAL CODE

## 19.34.130 Outdoor Dining, Display, and Sales.

### D. *Outdoor Dining and Seating Areas*

4. ***Downtown Core Retail and Business Districts.*** *Outdoor dining and seating areas may be permitted within the public right-of-way if a license agreement is issued pursuant to Section 15-4 of the Novato Municipal Code. The standards in Section 19.34.130D above shall be applicable to the establishment and use of the outdoor dining and seating areas.*



# CURRENT OUTDOOR DINING ON GRANT AVE

FINNEGAN's & MANTRA WINES



GRAZIE's RESTAURANT



BICYCLE BREWSTOP



CARMEN's & RUSTIC BAKERY



**CITY OF NOVATO**  
CALIFORNIA



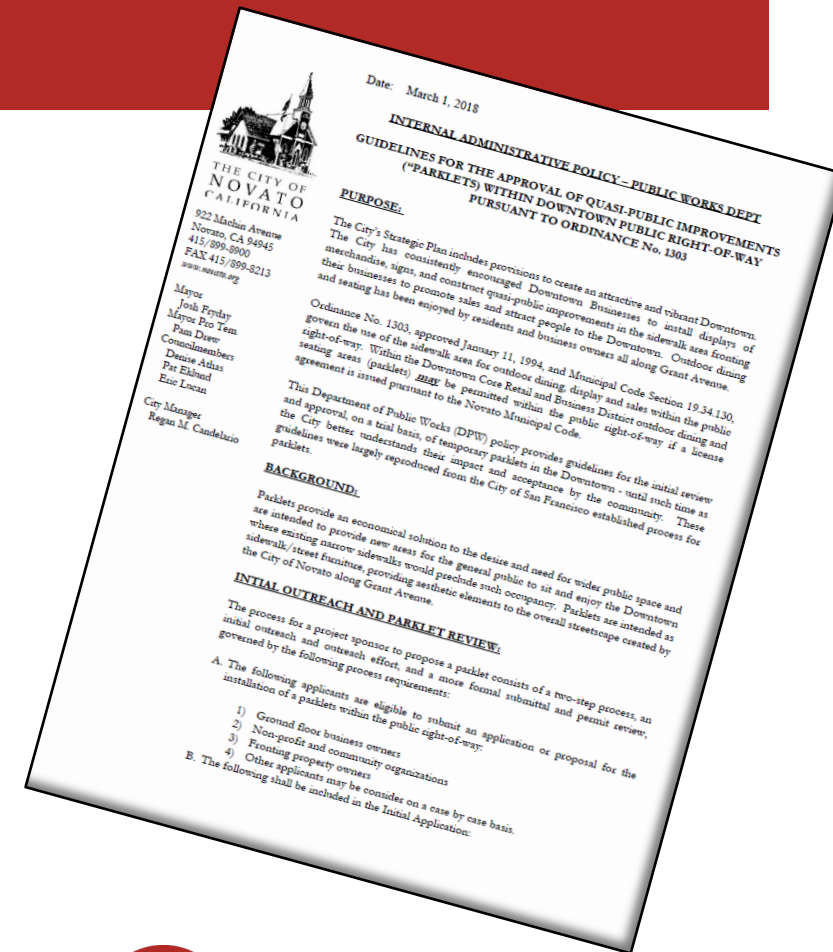
# PARKLET DESIGN



**CITY OF NOVATO**  
CALIFORNIA

# STAFF PROCEDURE IMPROVEMENTS

- Implemented on on-going basis
- Inter-departmental review
- Improved traffic for businesses, property owners, DNBA, Chamber, and opportunities for the public
- Design complimentary to surrounding buildings
- Annual inspection, fees
- Speedy process still, with appeal criteria



**CITY OF NOVATO**  
CALIFORNIA

# LESSONS LEARNED – FINNEGAN’S

- **Where** parklets can be located
  - *Property frontage, unless consent received in writing*
- Comprehensive outreach program
  - *Adjacent business and property owners*
- Parking Impact
  - *City efforts to create more, no mitigation by project*



# COUNCIL DIRECTION RECEIVED

Item	Consensus	Notes
<b>GENERAL REQUIREMENTS</b>		
Location	Grant Ave + 1 blocks north or south on side streets	
Basic Design	Limited choices, pre-approved designs / appearance, consider pre-fab units	Music and active space use OK, include templates for parking options, tie to DT Design Guidelines
General Standards - Use of Flex Space	No restriction (restaurants + retail only)	No use of Flex Space for retail merchandise
Maintenance	By applicant at their sole expense	Annual inspections by City staff
Impact to existing parking spaces	No mitigation	Include options for ODA on pavement w/o deck.
Location of mitigation parking spaces	None	



# COUNCIL DIRECTION RECEIVED

Item	Consensus	Notes
<b>DESIGN STANDARDS</b>		
Planters	Yes, as proposed by applicant, maintained by applicant	Develop concrete planter style / alternative
Fencing	Yes, with uniform standard wood, wrought iron, or concrete planter boxes per City standard, other designs via use permit & DRC review	Develop lower height alternative (see Mountain View)
Size	No limit - project frontage	
Portable Heaters	Allowable	See Mountain View allowed models



# COUNCIL DIRECTION RECEIVED

PROCESS / FEES		
Initial Review Fees	Cost recovery agreement	
Annual Electrical Service Charge	\$50	
One-time Damage Deposit	None, covered within the agreement only	
Annual ODA Permit Renewal Fee	Cost recovery agreement, \$1,000 max.	
Permits not Transferable	Transfers to new owner	
Interruptible Privilege	Yes	
PROCESS / CONTROL		
Application Processed by	PW using pre-approved standard options	One Off Designs: CDD & PW - Zoning Administrator with City Engineer review approval
Esthetic Review	Fast track internal process with CDD/PW/Building, use permits to DRC. Standards to DRC before returning to City Council	

# EDAC CONCERNS?

1. Parking
2. Costs
3. Impact on brick & mortar businesses?
4. Other issues?





**CITY OF NOVATO**  
CALIFORNIA

# QUESTIONS?

FINAL PARKLET DESIGN STANDARDS







**CITY OF NOVATO**  
ECONOMIC DEVELOPMENT

Tenant Improvement Grant Program  
3.28.19

# WHAT IS A TENANT IMPROVEMENT GRANT?

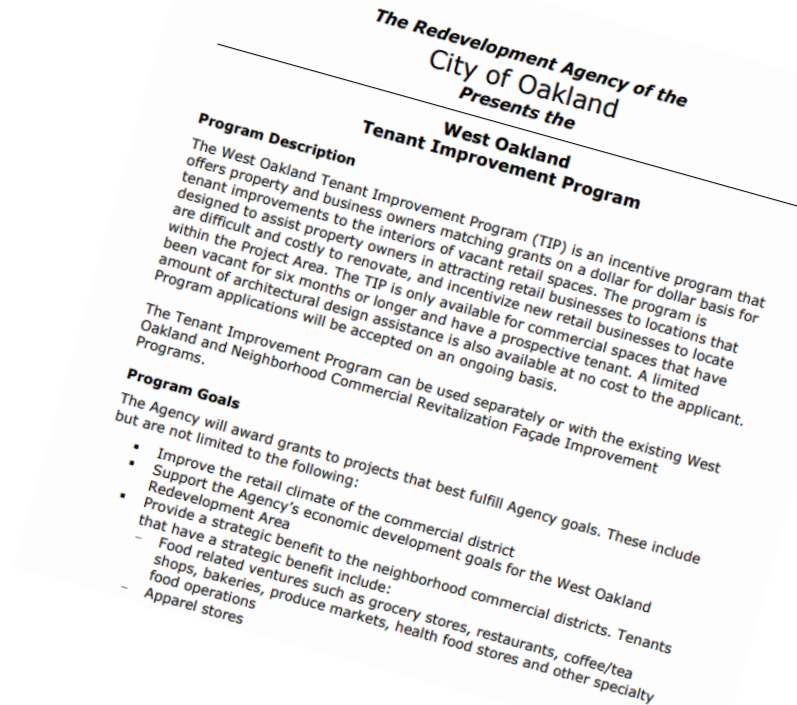
TIGs provide capital for property owners and tenants to build out customized interior alterations

**\$150,000 Budgeted for Grants in FY18/20 –  
will carryover unspent funds for 1 FY**



# EXAMPLES OF TIG'S

- Riverside, CA
- Clearwater, FL
- Los Angeles County
- Portland, OR
- Tigard, OR
- Oakland, CA\*
- Henderson, NV
- Carrollton, TX



# WHY A TIGP AND NOT.....SOMETHING ELSE?

This program intends to help attract and expand restaurant and beverage establishments by offsetting costs of real, permanent property improvements which is something businesses frequently ask for help with...

....and Council has asked for a vibrant Downtown in the Strategic Plan



**CITY OF NOVATO**  
ECONOMIC DEVELOPMENT

# STRATEGIC PLAN: GREAT PLACES

G2/O3: “Facilitate a vibrant downtown that enhances community and entertainment spaces, restaurant options and the retail environment”

G3/O1: “Actively recruit retail, restaurants and other businesses and develop retention plans and strategies”



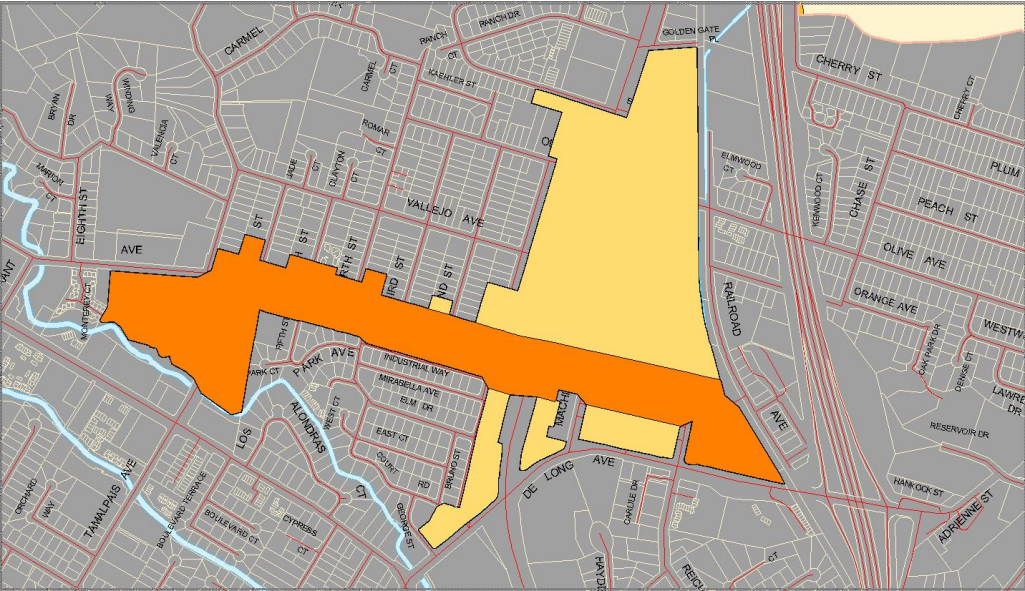
# THINGS WE'RE LOOKING FOR FEEDBACK ON

- WHERE: Should this be focused solely on Downtown?
- WHO: Should we restrict the types of businesses that can apply?
- HOW MUCH: What should the amount of the grant be?
- WHAT: Should we expand or limit the eligible improvements?
- HOW: Throughout the year? First come-first served?



# WHERE?

Greater Downtown?  
Shopping Centers?  
All restaurants/beverage city-wide?



# WHO?

Restaurant – grease traps, extra fees for County approvals, sinks and other food service req's

Beverage – keeps people downtown

Entertainment – future of retail is experiential

Retail?

Others?





# HOW MUCH?

Too small = no one applies/not beneficial

Vs.

Too large = only a few benefit/program ends quickly



# WHAT EXPENSES ARE ELIGIBLE?

- ADA
- Demolition
- Electrical
- Hazardous materials abatement
- Historic restoration
- Interior finishes (i.e. flooring, painting, casework)
- Mechanical
- Plumbing
- Safety (i.e. seismic, fire-suppression)
- Shell construction



# HOW – WHAT'S THE GRANT CYCLE?

Post now and see what we get?

Launch in FY19?

Year-round applications vs. apply by dates?



**CITY OF NOVATO**  
ECONOMIC DEVELOPMENT

# NEXT STEPS

- Review TIG with Commission – ***CHECK!***
- Return with DRAFT Tenant Incentive Grant Program
- Program applications open with legal and departmental approvals – money allocated already in the budget

