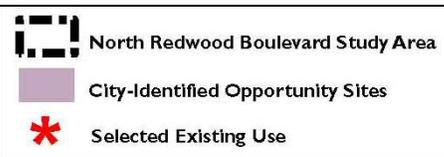
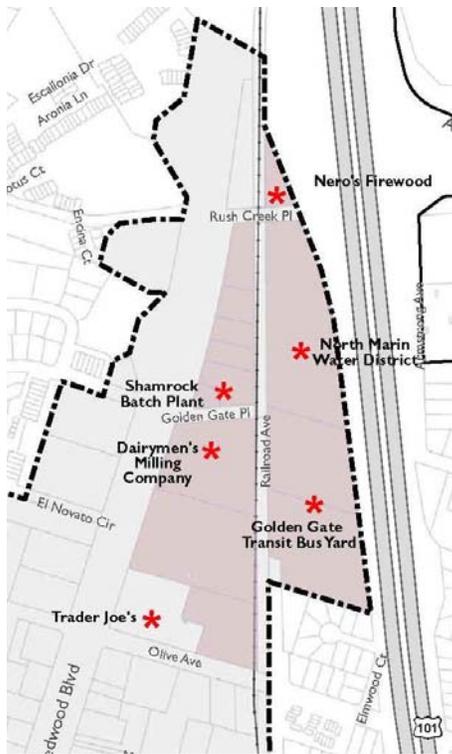




City-Identified Opportunity Site: Railroad North



Homes and Retail: A Win-Win for North Redwood Boulevard

The City of Novato has an important decision to make as it weighs the future of North Redwood Boulevard. Civic leaders are deliberating the right mix of stores and housing against a backdrop of struggling downtown retail, a future nearby SMART station, growing highway congestion, and a sizable budget deficit. How North Redwood Boulevard evolves over the next 10–20 years will have a significant impact on the City's economic, environmental and fiscal health.

Done right, development along North Redwood Boulevard can help the city achieve three of its core goals — strengthening the local economy, ensuring the success of SMART and creating a sustainable tax base — while maintaining the small-town charm valued by Novato residents and visitors. The key is ensuring that development along North Redwood Boulevard includes a strategic mix of housing and retail.

Retail Is Too Uncertain to be the Only Planned Use for North Redwood

Given the importance of sales-tax revenue, some discussions have focused on an all-retail scenario for North Redwood. Some observers have expressed interest in a major outdoor "lifestyle" shopping center — large enough to attract national chains like Crate & Barrel. Such a center would require at least 300,000 to 500,000 square feet of leasable space to draw major retailers.¹

However, strong market forces are working against a large new retail center here. When the economy recovers, retailers that expand into new locations will focus on areas with significant population growth, areas experiencing a big upswing in affluence, or highly diverse areas that contain untapped niche markets.² Retailers will also prioritize locations with extremely high traffic counts and limited competitors. Given the likelihood of only modest population growth near north Novato, given that this area is out of the way relative to large cities and towns, and given stiff competition from other locations with existing lifestyle centers nearby — such as Corte Madera and Petaluma — North Redwood faces an uphill battle attracting major retailers to a lifestyle center of its own.

¹ Interview with Julie Taylor, senior vice president, Cornish and Carey Commercial.

(www.ccarey.com/aboutcc/AgentSearch/AgentDetail.aspx?id=346:W19770).

² Nielsen, *Finding Growth in Challenging Times*: October 2008.

<http://www.scribd.com/doc/21975950/Nielsen-Retail-Growth-7-Indicators-of-Population-Growth-Whitepaper>.



North Novato's location difficulties are compounded by significant changes to the retail industry. The retail market is overbuilt right now both in Marin and statewide. Currently, Marin has more than 236,000 square feet of vacant retail, 81,000 of which is in Novato.³ Meanwhile, the national retail industry continues to shift toward online sales, making the future of "brick and mortar"

stores all the more uncertain over the next 10 years.

These external market realities matter because Novato — as it exists today — cannot support a new large retail center on its own. Even if a new shopping center were to re-capture every single retail dollar that existing Novatans spend in other cities on apparel, home furnishings, appliances, specialty retail like electronics, and dining out, a new 300,000 square foot shopping center would still need at least \$65 million per year in additional sales to keep its retail tenants. (See table below).

Sales Volume Needed to Support a 300,000 Square Foot Retail Center

Estimated shopping center size ^(a)	300,000 square feet
Average sales needed to draw tenants	\$400 per square foot ^(b)
Total required sales volume per year	\$120 million
Total sales currently lost to nearby cities in key categories (apparel, home furnishings, appliances, specialty and other retail, and eating and drinking establishments)	\$54.6 million ^(c)
Additional annual sales needed from non-Novato residents	\$65.4 million

^a Gross leasable area.

^b Estimate based on interview with Julie Taylor, senior vice president, Cornish and Carey Commercial

^c City of Novato, *Existing Conditions Report*, 2009, p. 4-34.

To generate an additional \$65 million in annual sales for a North Redwood retail center, the Novato area would need to grow by at least 11,000 households (an increase of 20%), or an equivalent number of households who live elsewhere would need to shift the majority of their spending to North Redwood.⁴

Given these market realities, Novato should resist designating North Redwood Boulevard solely for retail use.

³ Terranomics, *Marin County Retail Report: Mid-Year 2009*, <http://www.terranomics.com/research.asp>.

⁴ This estimate assumes that new households would average \$88,000 in yearly income; spend \$9,900 per year on apparel, home furnishings, appliances, specialty retail, and eating and drinking establishments; and make 60% of their mall purchases at North Redwood.

Hedging Our Bets in Uncertain Times

Rather than have to choose between new homes or new retail at Railroad North, the City has the opportunity to "hedge its bets" by allowing space for both.



The Power to Purchase

Total purchasing power of 150 new, low- and moderate-income households?

\$4,329,150

We Can "Hedge Our Bets" with a Mix of Housing and Retail

Space exists for both new homes *and* retail along North Redwood. The sub-area known as Railroad North — with underutilized parcels stretching from Olive Avenue north to Atherton — provides the perfect place for a combination of housing and retail. At 28 acres, a mix of homes and retail could be achieved in numerous ways — including "side-by-side" mixed use. For example, 5 acres could accommodate 150 homes *adjacent to retail* at a modest 30 households to the acre. Even 3 acres allocated for new homes (and 25 acres for retail) could accommodate 150 new households, if some of the new retail buildings featured a couple of stories of housing on top.

Rather than having to choose between new homes or new retail at Railroad North, the City has the opportunity to "hedge its bets" by allowing space for both.

Housing Will Boost Existing Downtown Retail

In an uncertain retail market, the most effective thing we can do to support struggling downtown and North Redwood retail is to place new homes nearby, in strategic locations expand the local customer base. Railroad North provides a prime opportunity to build a stronger customer base for downtown restaurants, shops and services, while creating the kind of vitality that will increase the potential for future retail along North Redwood.

New households add considerable purchasing power that can rejuvenate downtown as well as other Novato businesses. Consider the additional purchasing power from a mere 150 new households of modest income:

Total Purchasing Power of 150 New Households

Number of Households	150
Average Household Income ^(a)	\$74,072
Annual Retail Purchases per Household ^(b)	\$28,861
Total Annual Retail Expenditures	\$4,329,150

^a Based on a weighted average of 100 households earning \$88,830 (e.g. *computer specialists, employment placement specialists*) and 50 households at \$44,555 (e.g. *pharmacy technicians, dental assistants, bookkeepers*).

^b Source: Bureau of Labor Statistics, *Consumer Expenditure Survey*: Tables 2 and 3, 2007. This reflects the different retail expenditures of households earning \$44,555 and \$88,830.

Like other Novatans, downtown-adjacent residents won't spend all their retail dollars locally; however, the convenience of being able to walk to nearby businesses and restaurants makes these residents much more likely to spend their income downtown. And homes within walking distance of downtown are especially helpful for retail that rely on patronage outside of traditional work hours, such as restaurants.

Potential Boost for Select Downtown Retail Categories from 150 New Households

Category	Total Annual Expenditures
Eating and Drinking Establishments	\$495,350
Entertainment	\$473,650
Groceries	\$601,900
Total	\$1,570,900

Source: Bureau of Labor Statistics, Consumer Expenditure Survey: Tables 2 and 3, 2007.)
Based on 100 households earning \$88,830 and 50 households earning \$44,555 per year.

Additional spending by downtown-adjacent residents has a multiplier effect. A larger local customer base gives downtown businesses additional incentive to stay open later. This, in turn, increases the ability of these businesses to capture more dollars from existing residents, who otherwise find it difficult to visit downtown businesses during limited hours of operation. Downtown-adjacent housing, then, can help Novato join other towns that are recognizing the economic value of a downtown that is "alive after five."

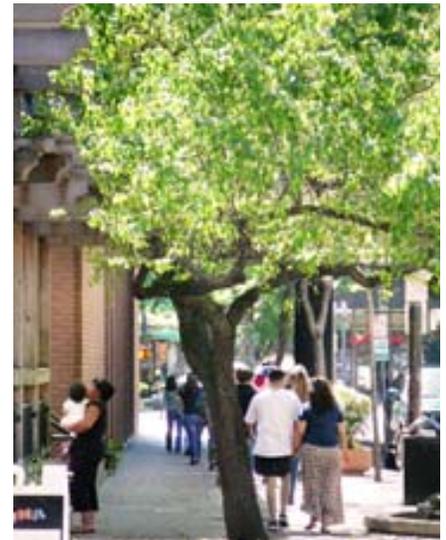
Furthermore, by building homes within walking distance of downtown retail, we increase the number of customers for downtown businesses without needing to increase parking. This saves the City and local merchants money, while helping keep downtown parking available for customers who do drive.

The bottom line is: With strategically placed homes, we have the opportunity to strengthen our exiting retail while seeding the potential for future retail at North Redwood.

Boosting Downtown Retail

Potential boost for select downtown retail categories from 150 new households?

\$1,570,900



The Bottom Line

Strategically placed homes give us the opportunity to strengthen our existing retail, while seeding the potential for future retail at North Redwood.



New Homes Will Support Transit and Create a Cleaner Environment

In addition to supporting downtown retail, housing at North Redwood helps ensure the success of the SMART train. SMART has great promise to get people out of their cars, ease congestion along Highway 101, and reduce greenhouse gas emissions and air pollution. But to succeed, SMART stations must be conveniently accessible to a significant number of riders, ideally within walking distance from riders' homes. Studies have shown:

- People who live within ½ mile of transit are 5 times more likely to ride than those who do not.
- People whose home *and* workplace are each within ½ mile of transit are 10 times more likely to ride.⁵

BEST BET

Emerging Trends in Real Estate, 2009

Transit-Oriented Development

"Increasingly, people want to drive less and seek subway, commuter railroad, or light-rail alternatives. Developers can't miss securing project sites near rail stops and train stations."

Novato's Atherton SMART station will be built just north of Redwood Boulevard — less than ½ mile from the Railroad North sub-area. This makes housing at Railroad North particularly important. With most of the ½ mile around the station already developed at a very-low density, the area around Railroad North is one of the last opportunities for Novato to support SMART by adding households nearby in order to maximize ridership.



⁵ Robert Cervero et al, Transit Oriented Development in America: Experiences, Challenges, and Prospects. Transit Cooperative Research Program, Report 102, 2004.



Promoting a Cleaner Environment Through Jobs-Housing Fit

Too few of Novato's local employees can afford to live here. As a result, many are forced to commute to Novato from outside the County, clogging freeways and polluting the air with their cars. Studies show:

- 67% of greenhouse gas emissions in Novato come from transportation.⁶
- In the past decade, though the population grew by only 5%, Marin has seen a 25% increase in daily vehicle miles traveled (VMT) per person, primarily because our workforce is commuting in from farther and farther away.⁷

If retail is created on North Redwood Boulevard without homes that working families can afford, the environmental problems we are currently trying to reverse will be exacerbated. To become a sustainable community, Novato must achieve a good "jobs-housing fit" by balancing the types of new jobs created with the types of housing needed by new employees. It can do so with a mix of compact housing choices at Railroad North.



Strengthening Local Employers

By including homes for Novato workers at Railroad North, Novato also has an opportunity to benefit local employers. Many small business owners find it challenging to retain valuable employees, who often find similar work closer to home. To attract skilled employees, business owners frequently must offer higher wages to compensate for long commutes, making their companies less competitive in today's

challenging market. A better jobs-housing fit benefits Novato's employers by increasing their ability to retain employees — reducing costly turnover — while also increasing the reliability and punctuality of employees.

⁶ City of Novato, Draft Climate Change Action Plan, 2009, p.26.

<http://www.cityofnovato.org/Modules/ShowDocument.aspx?documentid=4455>

⁷ Global Footprint Network, Measuring Marin County's Ecological Footprint, (prepared for the County of Marin Community Development Agency), 2007.

http://www.co.marin.ca.us/depts/CD/main/pdf/BEST_pdf/eco_footprint_final2007-01-24.pdf

What Would Housing at Railroad North Look Like? Who Would Live There?

Novato's unique charm and character is valued by both residents and visitors alike. New homes should respect and reflect this value through appropriate scale and good design. Any housing combined with retail should blend with Novato's current low-rise skyline (two to three stories). Homes should be attractive and compact so as to use land efficiently and reserve enough room for adjacent retail.



In addition to market-rate housing, a portion of new homes at Railroad North should be priced for Novato's workforce. This includes teachers, healthcare workers, business sector employees and retail managers. With rents aimed at 30 percent of local employees' monthly salaries, Novato can free up more of these residents' purchasing power to support local retail, entertainment and eating establishments.



All Novatans Will Benefit from a Strategic Mix of Housing and Retail

Novato's existing downtown businesses deserve the best-possible chance to survive the current economy and come back to thrive. Novato's residents and visitors deserve a vibrant community with easy access to retail and public transit and a variety of new restaurants, shops, and entertainment. Novato taxpayers want to see SMART succeed and enjoy a cleaner environment with reduced greenhouse gas emissions.

It is possible for Novato to achieve these goals by including compact, attractive homes and space for new retail at Railroad North. In doing so, Novato's businesses, residents and visitors all win.

**This report was prepared by the Non-Profit Housing Association of Northern California
and Housing California on behalf of:**

Grassroots Leadership Network

Novato Housing Coalition

Greenbelt Alliance

Sustainable Novato

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