



DOWNTOWN RETAIL VACANCY REVIEW

CITY OF MOUNTAIN VIEW,
CALIFORNIA

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Executive Summary

In July of 2024, the City of Mountain View commissioned The Retail Coach to conduct a review of vacant retail properties in Downtown. The goal of the study was to communicate with key property owners and stakeholders to better understand why their properties were vacant, and explore other factors impacting the ability to find appropriate tenants for Downtown Mountain View.

The Retail Coach conducted a retail trade area analysis in August of 2024, highlighting the demographic, psychographic, and spending patterns of the areas that visit Downtown Mountain View. These trade areas included standard drive-time and radial trade areas that are traditionally used to evaluate retail markets, but also explored consumer visitation patterns via mobile location data. These methodologies allowed The Retail Coach to evaluate the potential for retail, restaurant, and entertainment concepts to be successfully recruited to Downtown.

In conjunction with city staff, The Retail Coach identified key vacant properties along Castro Street and conducted outreach to the various property owners. In October 2024, The Retail Coach toured Downtown Mountain View and met with the property owners that expressed a willingness to participate in this study. During the site tours, The Retail Coach conducted interviews to collect site information, history of leasing/marketing efforts, and anecdotal data about the property owners' experience working with the City of Mountain View throughout the planing and zoning process.

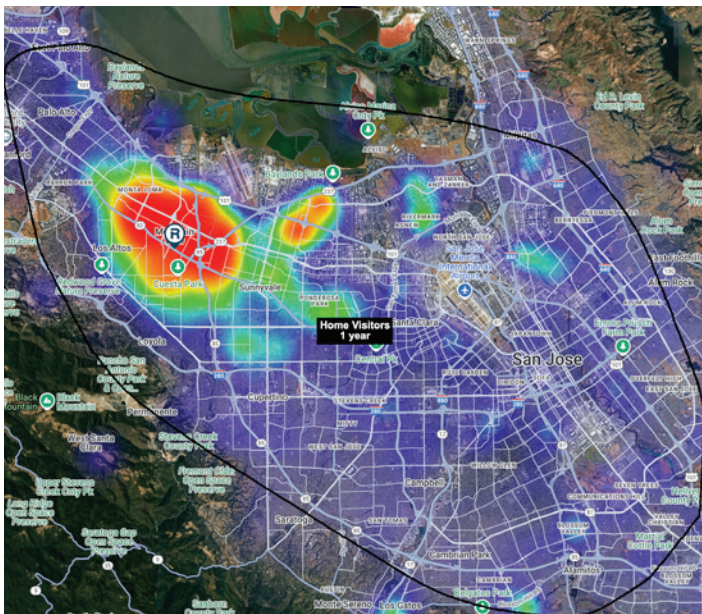
In addition to local property owners, The Retail Coach interviewed a number of regional retail real estate brokers with experience representing both landlords and tenants in the Bay Area to gather feedback on the local market. Overall, stakeholders expressed a frustration with working with the City of Mountain View or some of the local codes, but also a sense of optimism of what Downtown Mountain View could be.

This report summarizes the retail market analysis, sites controlled by participating property owners, and general feedback from an array of stakeholders and retail real estate professionals. It includes findings regarding factors to vacancy as well as recommendations to address specific issues identified by interviewed participants.

Regional Consumer Draw

One of the most important components of a retail market study is the determination of an area's Retail Trade Area. Understanding where consumers are coming from, the number of people a retail district is regular serving, and the types of people businesses and restaurants need to cater to all play a role in building an effective retail economic development strategy. Using mobile location data to track where customers come from helps identify trade area boundaries.

This data is collected from smart phone applications that users have "opted in" to providing to third-party data providers, contains no identifiable information, and is a standard practice of retail trade area analyses. Since the boundaries of Downtown Mountain View are too large for a single data query, this study explored visitation data in two sub-units: the 100 to 300 blocks of Castro Street, and the 400 to 500 blocks of Castro Street.



100-300 Blocks of Castro Street:

The pedestrian mall generates the largest consumer draw and accounts for a large portion of the visitation to Downtown Mountain View. The heat map illustrates that visitors include residents in the immediate vicinity, but also those that live in the area extending south to the 280 corridor and east to the San Tomas Expressway.

However, the overall regional draw of Downtown Mountain View is extensive, essentially reaching the entirety of the Silicon Valley.

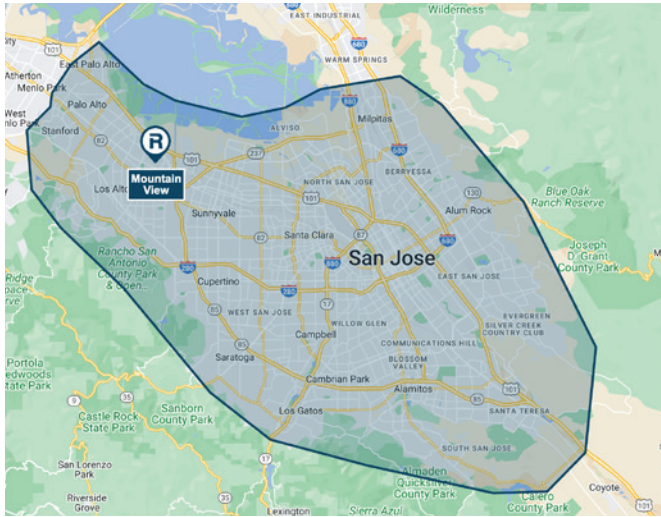


400-500 Blocks of Castro Street:

Although smaller than the trade area of the 100-300 Blocks of Castro Street, the regional draw of the businesses along the 400 and 500 blocks still extend to over most of the region.

Regional Retail Trade Area

Based on the mobile location data maps of consumers to the 100-500 Blocks of Castro Street in Downtown Mountain View, it's evident that the businesses and restaurants have a significant reach throughout the Silicon Valley region. Mountain View may not be the top destination for shopping or dining for the region, but it does attract visitors from across this boundary.



Population

2020	1,827,411
2024	1,767,366

Age

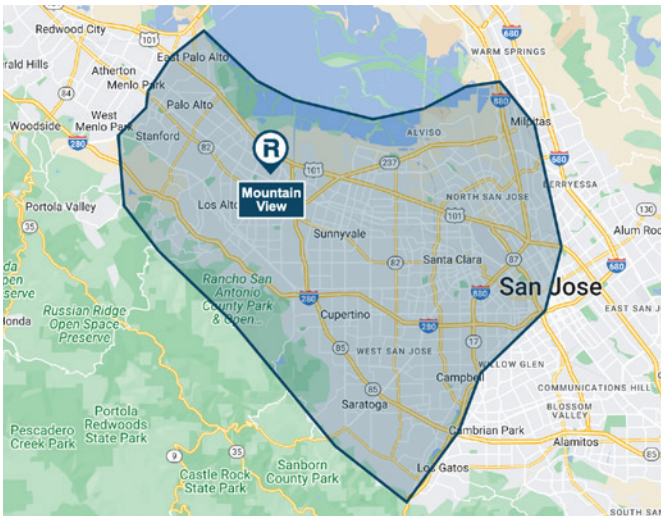
Median Age	38.91
Average Age	39.78

Income

Average Household	\$222,618
Median Household	\$155,221

Primary Downtown Retail Trade Area

The Primary Downtown Retail Trade Area reflects the population that frequents Downtown Mountain View the most. They may work in the vicinity of Downtown, or they just live close enough to visit the district more than just a few times per year.



Population

2020	958,548
2024	935,385
2029	936,871

Age

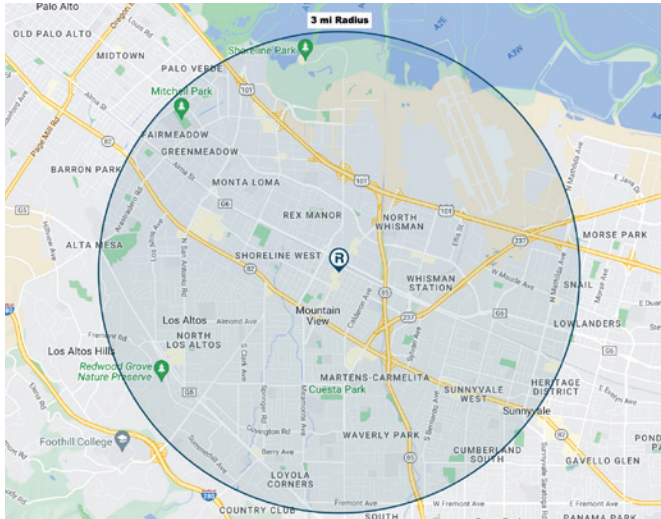
Median Age	37.75
Average Age	39.33

Income

Average Household	\$239,512
Median Household	\$171,018

3-Mile Retail Trade Area

Residents within three miles of Downtown Mountain View create the core Retail Trade Area. This standard metric is commonly used by retailers and restaurants to evaluate sites and illustrates the density and high incomes that merchants in the Downtown have immediate access to.



Population

2020	163,194
2024	158,507
2029	158,162

Age

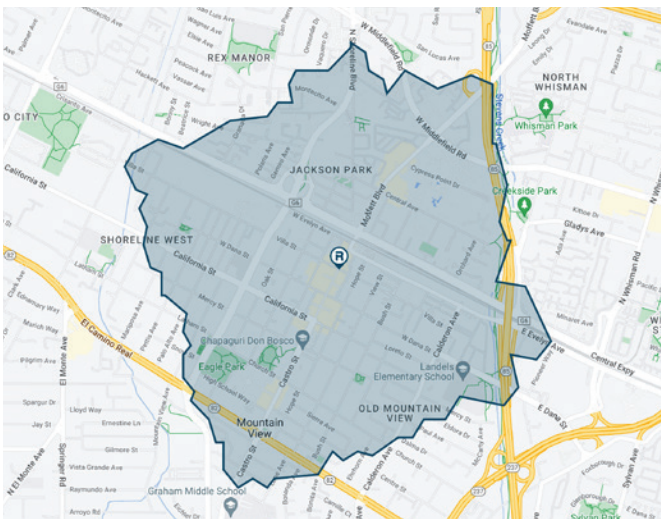
Median Age	38.11
Average Age	39.62

Income

Average Household	\$222,618
Median Household	\$155,221

15-minute Walk-Time / Pedestrian Trade Area

Although not commonly used in terms of retail and restaurant recruitment, pedestrian sheds can be useful for illustrating the type of neighborhoods that directly surround a destination district. Having a high population density withing walking distance provides strong talking points to the narrative when the goal is attracting new, high-end shopping and dining concepts.



Population

2020	14,854
2024	14,426
2029	14,352

Age

Median Age	36.29
Average Age	38.19

Income

Average Household	\$263,085
Median Household	\$195,309

ESRI Tapestry Segmentation

Downtown Mountain View

Summary

ESRI's Tapestry Segmentation is a geodemographic system that identifies distinctive markets in the U.S. based on socioeconomic and demographic characteristics to provide an accurate, comprehensive profile of U.S. consumers. Each defined segment provides a detailed description of America's neighborhoods—U.S. residential areas are divided into 67 distinct segments based on their socioeconomic and demographic composition—and further classifies the segments into LifeMode and Urbanization groups.

The neighborhoods directly adjacent to Castro Street in Downtown Mountain View are classified as "Uptown Individuals" (light blue on the map below), which is largely comprised of younger, urban singles. This group is further broken down into the two main categories of residents that live in close proximity to the businesses in Downtown: Trendsetters, and Lattes and Laptops. Both groups are extremely desirable to retail businesses due to their shopping habits, activity levels, and discretionary incomes.

	TAPESTRY SEGMENTATION / URBANIZATION GROUP	MOUNTAIN VIEW HH %	CUMULATIVE %	US HH %	CUMULATIVE %	INDEX
1	Trendsetters (3C)	24.3%	24.3%	1.1%	1.1%	2,297
2	Enterprising Professionals (2D)	21.0%	45.3%	1.5%	2.5%	1,440
3	Laptops and Lattes (3A)	17.4%	62.7%	1.1%	3.6%	1,636
4	Urban Chic (2A)	10.1%	72.9%	1.3%	4.8%	802
5	Metro Renters (3B)	8.5%	81.3%	1.8%	6.6%	475
	Subtotal	81.3%		6.8%		

LifeMode Groups

+ L1 AFFLUENT ESTATES

Established wealth — educated, well-traveled married couples

+ L2 UPSCALE AVENUES

Prosperous, married couples in higher density neighborhoods

+ L3 UPTOWN INDIVIDUALS

Younger, urban singles on the move

3

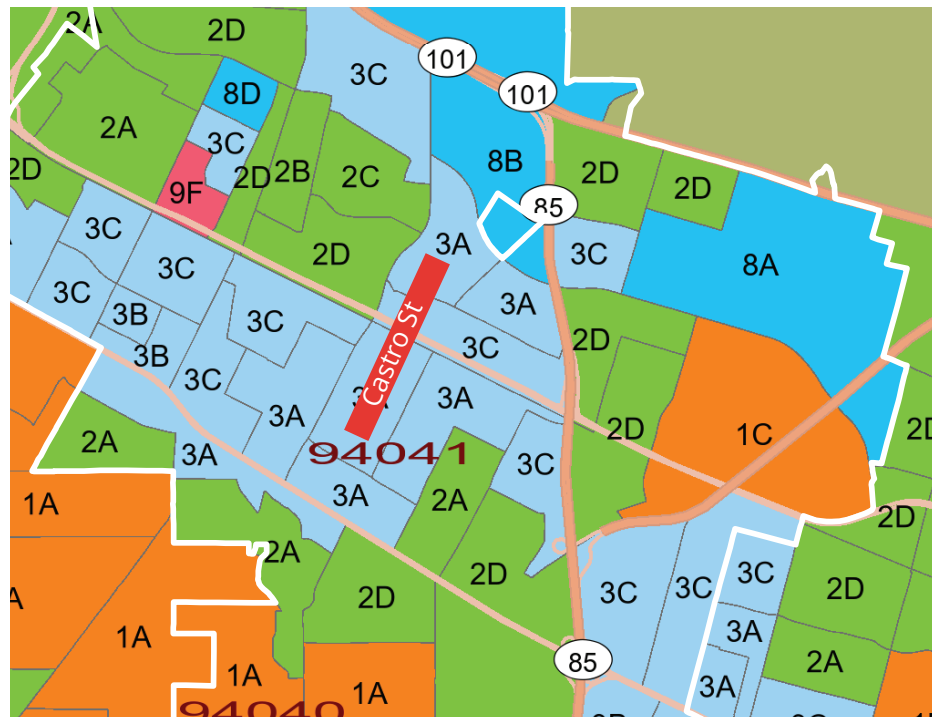
+ L8 MIDDLE GROUND

Lifestyles of thirtysomethings

+ L9 SENIOR STYLES

Lifestyles reveal effects of saving for retirement

Map of LifeMode & Urbanization Groups



ESRI Tapestry LifeMode Group: Uptown Individuals

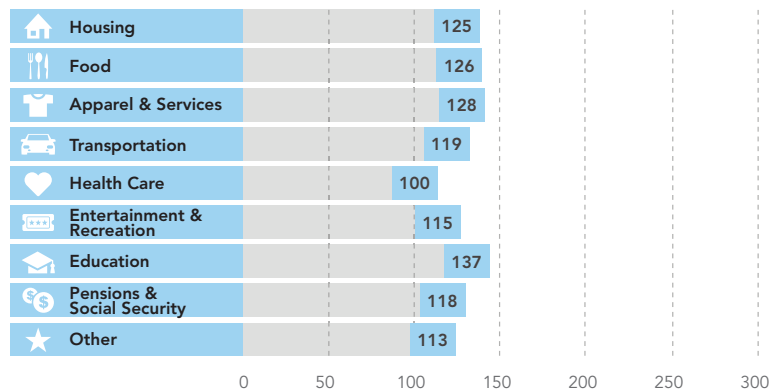
3C: Trendsetters

Summary

Armed with the motto “you’re only young once,” Trendsetters residents live life to its full potential. These educated young singles aren’t ready to settle down; they tend to not own homes or vehicles and choose to spend their disposable income on upscale city living and entertainment. Dressed head to toe in the most current fashions, their weeknights and weekends are filled discovering local art and culture, dining out, or exploring new hobbies. Their vacations are often spontaneous, packed with new experiences and chronicled on their Facebook pages.

AVERAGE HOUSEHOLD BUDGET INDEX

The index compares the average amount spent in this market’s household budgets for housing, food, apparel, etc., to the average amount spent by all US households. An index of 100 is average. An index of 120 shows that average spending by consumers in this market is 20 percent above the national average. Consumer expenditures are estimated by Esri.



Key Market Characteristics

- Not only do Trendsetters residents spend freely on fashionable and branded clothing, they also own the latest in cell phones and tablets.
- Particularly for residents that often work at home, wireless Internet access is a must. Many are fans of Mac computers.
- To keep up with their busy social calendar, they are always connected. Texting is their preferred form of communication, but they also dedicate time to social media, recounting their experiences via Facebook and Twitter.
- Trendsetters residents seek out new adventures—explore local arts and culture, take on new hobbies such as drawing or painting; often make last-minute travel plans.
- These avid readers embrace e-books and e-newspapers but do prefer hard-copy versions of women’s fashion and epicurean magazines.
- Trendsetters residents jog, run, or walk for exercise and occasionally attend a yoga class.
- These consumers shop at Whole Foods or Trader Joe’s and buy organic when they can; however, their cart is more often filled with prepared or ready-to-heat meals.
- To suit their urban lifestyle (and parking options), the cars they own are subcompact.

ESRI Tapestry LifeMode Group: Uptown Individuals

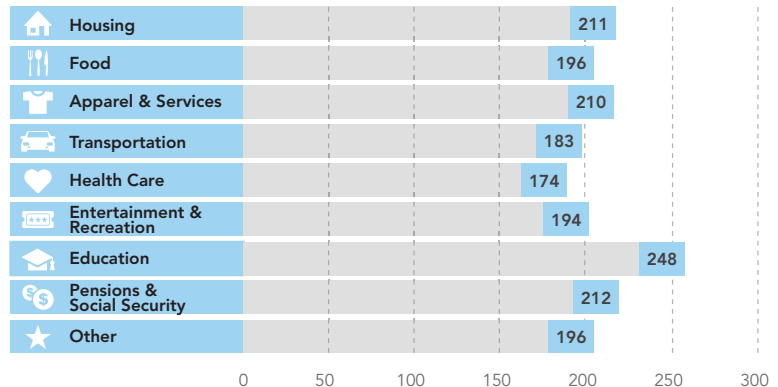
3A: Laptops and Lattes

Summary

Laptops and Lattes residents are predominantly single, well-educated professionals in business, finance, legal, computer, and entertainment occupations. They are affluent and partial to city living—and its amenities. Neighborhoods are densely populated, primarily located in the cities of large metropolitan areas. Many residents walk, bike, or use public transportation to get to work; a number work from home. Although single householders technically outnumber couples across the U.S., this market includes a higher proportion of partner households, including the highest proportion of same-sex couples. Residents are more interested in the stock market than the housing market. Laptops and Lattes residents are cosmopolitan and connected—technologically savvy consumers. They are active and health conscious, and care about the environment.

AVERAGE HOUSEHOLD BUDGET INDEX

The index compares the average amount spent in this market's household budgets for housing, food, apparel, etc., to the average amount spent by all US households. An index of 100 is average. An index of 120 shows that average spending by consumers in this market is 20 percent above the national average. Consumer expenditures are estimated by Esri.



Key Market Characteristics

- Support environmental groups, recycle faithfully, and contribute to arts/cultural organizations.
- Invest in mutual funds (bonds) and maintain retirement savings plans.
- Use their laptops, iPads, and mobile phones extensively to stay connected.
- Spend money on nice clothes, dining out, travel, treatments at day spas, and lattes at Starbucks.
- Physical fitness a priority, exercising at a club or other facility on a regular basis.
- Enjoy sports such as jogging/running, biking, tennis, soccer, skiing, yoga, and Pilates, as well as participating in fantasy sports leagues.
- Participate in leisure activities including painting, reading books or the newspaper on their iPad, watching movies rented from Netflix, hiking, backpacking, canoeing/kayaking, as well as going to bars/clubs, the beach, movies, art galleries, museums, the theater, opera, and rock concerts.
- Listen to classic rock, pop/top 40, classical, jazz, reggae, blues, folk, and alternative music.
- Favor organic food, purchasing groceries at higher-end markets.

Highlighted Properties

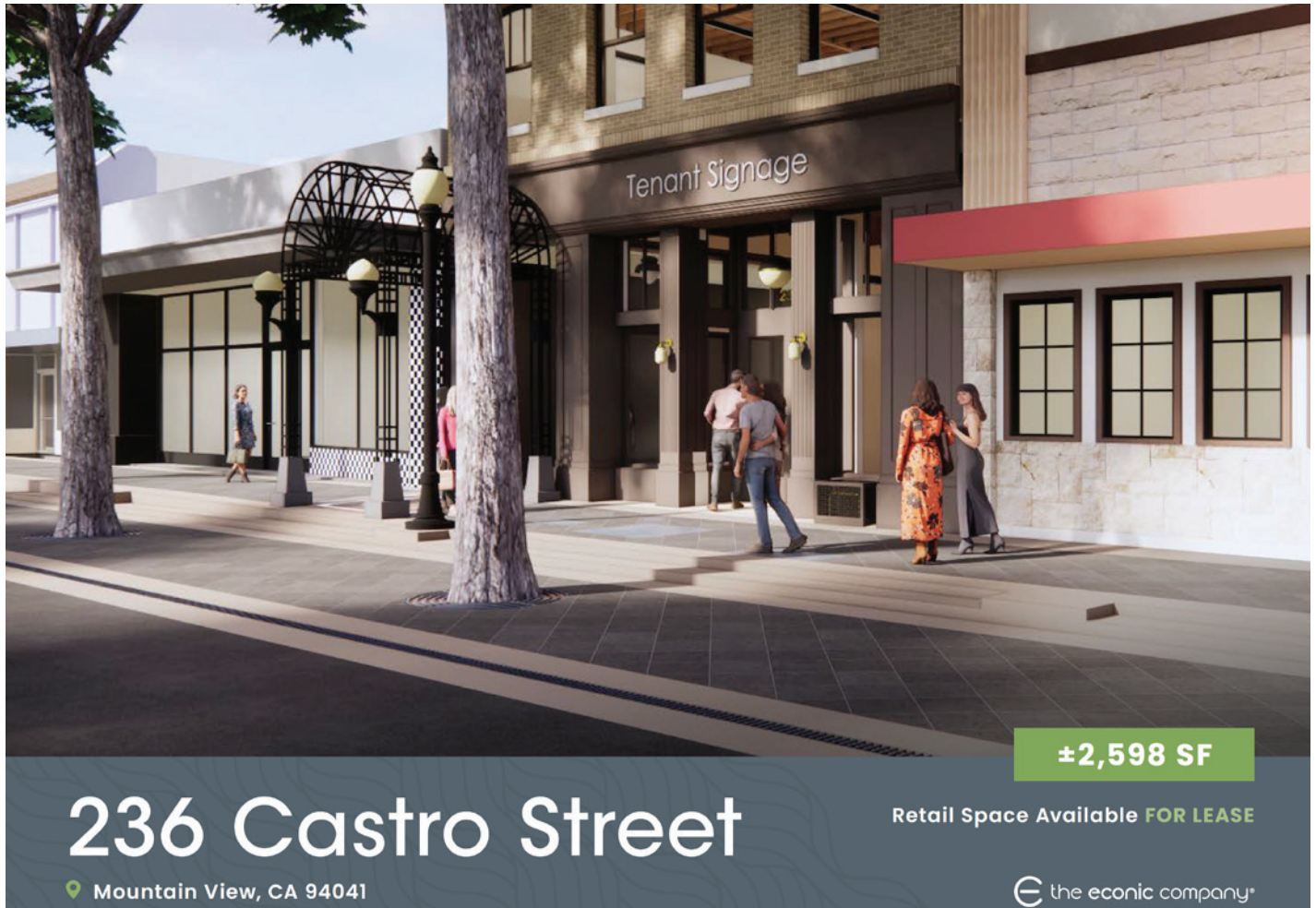
As part of the approach to collect direct feedback from stakeholders, city staff and The Retail Coach attempted to connect with more than a dozen property owners of vacant retail space in Downtown Mountain View. Ultimately, only representatives of four properties expressed a willingness to participate in the study and provide input on factors impacting their vacancy.

The Retail Coach met with these volunteer property owners in Mountain View to tour the vacant retail spaces and to discuss the property's history, ongoing efforts to market the available space, and any challenges hindering their ability to execute a lease. The following pages highlight these properties and summarize the status and history of the space, as provided by the property owner, along with observations from The Retail Coach team.

In addition to specific property owners and representatives, The Retail Coach also conducted interviews with commercial real estate brokers from multiple firms in the Bay Area that have experience with landlord and tenant representation throughout the region. Input from these individuals played a role in determining the highest and best use of specific space, and their general is reflected in the Discussion section of this report.



236 Castro Street



SPACE AVAILABLE

±2,600 square feet

Lease Rate: \$5.00 + \$1.70 operating expense

Highest & Best Use: Restaurant

PROPERTY INFORMATION

This property is currently under renovation by a local owner/developer that envisions a restaurant on the ground floor and offices on the second floor. Due to the dimensions of the space (i.e., “long and narrow”), this property is most suited for restaurant as retail users would have trouble leasing this amount of square feet efficiently. The additional quasi-separate space in the rear of the building creates a unique opportunity for semi-private dining/event space or speakeasy bar concept.

Delivering one of the newest Class A restaurant space should keep this location from experiencing long term vacancy. Additionally, being positioned at a breezeway connecting Castro Street and a public parking lot provides higher value for potential tenants. Owner is exploring options for utilizing the city-sponsored program to create additional patio space on the pedestrian mall.

275 Castro Street



SPACE AVAILABLE

± 3,000 square feet

Lease Rate: ± \$3.00 + \$0.75 operating expense

Highest & Best Use: Traditional Retail, Entertainment, or Office*.

PROPERTY INFORMATION

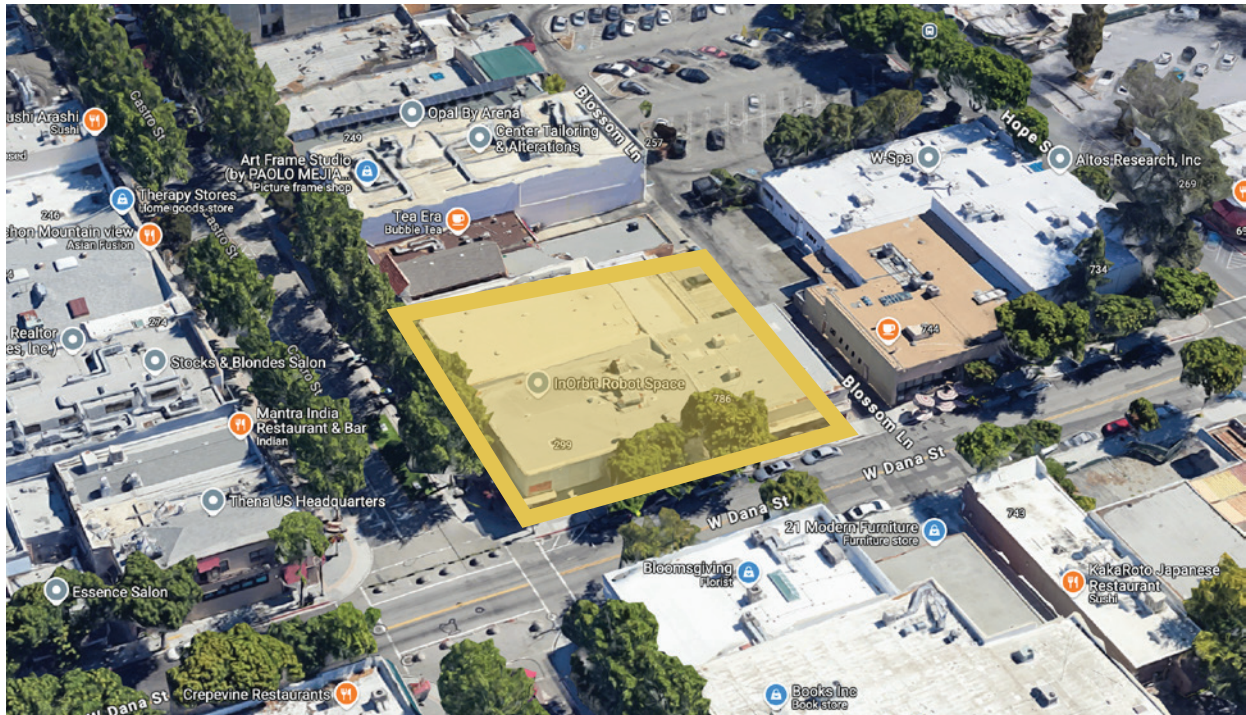
The front one-third of this property is in a vanilla shell condition from a previous tenant and is ready to be leased as-is. The remaining space is currently in a state best described as a “cold shell”, but only needing minor tenant improvements. Property owner also mentioned they would negotiate TI agreement as well.

Being a simple box, this location is most suitable for a retail use; however, 3,000 square feet far exceeds the amount of space most independent or even corporate retail brands are able to lease in the current real estate environment.

Property owner is willing to lease a smaller portion, however the economics of leaving vacant rear space limits tenant opportunities.

* - not currently permitted

279 Castro Street (+ Adjacent Properties)



SPACE AVAILABLE

Multiple Properties Parcels Available

Highest & Best Use: Mixed-use Redevelopment

PROPERTY INFORMATION

The property owner of 279 Castro, in addition to the other properties at the corner of Castro and Dana, expressed they do not have a strong financial need or incentive to lease out the vacant space. Instead, they have a preference to assemble the parcels and redevelop them into a mixed-use project, going vertical to introduce more square footage at the site.

The overall vision includes ground floor retail, with a office and/or retail on multiple stories above. However, the type of development, the tier of targeted business and residential tenants, ultimate use mix is difficult to plan with confidence without additional conversations with City Leadership.

444 Castro Street



444 CASTRO STREET

±6,900 SF AVAILABLE

 the econic company®

SPACE AVAILABLE

Up to ±6,900 SF; will divide

Lease Rate: TBD

Highest & Best Use: Fitness, Office, or Specialty Destination Entertainment

PROPERTY INFORMATION

The vacant ground floor space at 444 Castro is a difficult sell as a retail or restaurant space. As a single space, its size precludes many of the concepts that would consider an urban location, especially with the present access challenges.

Not having direct access to Castro Street (i.e., a main entrance facing the street) is a major headwind to retail leasing, and being elevated off street level just exacerbates the issue.

An entertainment concept such as an escape room could be possible, but the 400 block of Castro feels a bit removed from the “action” and energy of the pedestrian mall. It also feels a bit out of place in an office building.

Fitness or office are likely the highest and best use of this space that cater to / fit with the existing tenant mix and could overlook visibility/access concerns.

360-368 Castro Street



SPACES AVAILABLE

360 Castro:
Lease Rate: N/A

364 Castro:
Lease Rate: N/A

368 Castro:
Lease Rate: N/A

PROPERTY INFORMATION

The property owner of these properties did not respond to inquiries about this retail study nor made themselves available to provide additional information on the sites.

However, these vacant properties are not fulfilling their highest and best use and could be major catalyst for growth in Downtown Mountain View. The proximity to the parking structure - and access via adjacent breezeway - provide this location with value proposition in comparison to other redevelopment projects in the corridor.

Summary of Findings + Discussion

Overall State of Retail

Discussions with the property owners and brokers who volunteered to participate in the project expressed an overall optimism for growth and redevelopment in Downtown Mountain View, but also raised concerns about ongoing challenges that impede property improvement and tenant attraction/retention.

Generally, there is an appetite for investment and redevelopment activity along the Castro Street corridor, reflecting the belief that the area can continue to develop into a destination and attract higher end, desirable retail businesses, restaurants, and complementary entertainment concepts. Multiple properties currently undergoing renovation serve as additional tangible evidence.

Direct access to a large demographic of high-earning young professionals (150,000+ residents with average ages under 40 and incomes well over \$200k within 3-mile radius) provides a strong core market for businesses in Downtown Mountain View to rely on for patronage. The neighborhoods in the immediate proximity of Castro Street are largely comprised of the “Trendsetters” and “Lattes and Laptops” ESRI Tapestry Groups. The former spends roughly 25-30% more on Food, Apparel & Services, and Entertainment than the average American, while the latter spends nearly double the average in each of those categories. Very few parts of the country can boast similar demographic environments in their efforts to promote business expansion and investment.

Additionally, the Caltrain Station provides connection to Silicon Valley which is part of the employment shed for businesses within the City. Mobile Location Data illustrates the connectivity that Mountain View has with the region, supporting the mindset that local businesses can have an extended reach beyond the immediate trade area.

Furthermore, other successful downtown cores in the area serve as a “proof of concept” that a Main Street corridor can be a regional destination. Sunnyvale, Cupertino, or Los Gatos, for example, have established retail and restaurant environments that indicate consumers in the region will support a place-based local district.

Recognizing that Downtown Mountain View is well positioned to capitalize on these market characteristics, property owners and stakeholders have reason to be bullish on the growth potential for Downtown. Still, several property owners seem to lack proper motivation to fully translate this optimism into investment. Moving forward, it is essential for the City to play a role to activate and direct efforts to revitalize key parts of Castro Street.

Vision for Downtown Mountain View

A consistent theme throughout conversations with property owners and brokers was a level of frustration stemming from a perceived “lack of direction” from the City regarding what Downtown Mountain View is envisioned to be in the future. What does City Leadership desire in terms of mix of retail, restaurant, office, and residential? Is there a preference for local businesses or national chain brands? What kind of support would total redevelopment and vertical construction have? These are the types of questions property owners posed during discussions, suggesting that a “fear of the unknown” is playing a major role in the redevelopment process of Downtown.

A consensus on what direction Downtown Mountain View should take was not apparent from the discussions from stakeholders. Whether the City should aim for an environment similar to Old Town Los Gatos (where there is a strong presence of national retailers like Apple, Warby Parker, and Anthropologie) or more like Murphy Avenue in Downtown Sunnyvale (where the focus is more on independent restaurants and food offerings) is unclear, but perhaps immaterial. The fact that property owners, those in a position to drive development downtown, do not understand the overarching vision of Downtown is concerning.

By not having a strong grasp on the type of development the City would like to have - which in turn affects the level of tenants, potential lease rates, amount of residential units, and overall ROI - developers have difficulty planning or creating high level proformas for projects. Feedback from multiple property owners echo that this “unknown” is one of the main reasons their property is both vacant and unimproved. The main questions posed is “Why should we spend money to explore the feasibility of specific redevelopment, if we do not know if the City would support that type of project?”

While it is not necessarily the duty or responsibility of the City to plan every detail of the Castro Street Corridor, it is apparent that additional conversations are needed between local leadership and property owners to gain a better understanding and consensus of how Downtown Mountain View should look in five years, ten years, and further into the future. The Comprehensive Update to the Downtown Precise Plan, currently underway, will likely provide an avenue for those discussions and the development of a shared vision.

This being a chief complaint of the development community is potentially a positive, as it presents an opportunity for increased collaboration between the public and private sector, and could lead to improved communication that may alleviate pain points elsewhere between the two groups.

Experience Working with The City

Simply put, property owners and commercial brokers have a poor opinion of working with the City of Mountain View and the departments they interact with most frequently.

Many of the property owners interviewed shared their experience spanning multiple municipalities in the region, and that Mountain View was the most difficult community to directly work with and complete projects. Adding to this, the individuals that have done multiple projects in Mountain View claim the process is getting more difficult with each project, rather than easier.

Frequent changes in points of contact in key departments, delayed and even contradicting feedback, and major delays in the permitting process were common themes across the narratives of property owners. To illustrate frustrations, specific anecdotes were shared, such as losing potential tenant(s) due to waiting months to receive feedback on whether the city would approve their permit or tenant. Another property owner shared email correspondence of a roof repair permit being delayed over six weeks.

These types of delays just aid in demotivating developers to seek out additional projects in the City, but also can create a reputation in the development community that can hinder future investment as well. Finding ways to improve communication, streamline the permitting and feedback processes, and otherwise foster a positive relationship with the private sector is essential to the long-term health of Downtown Mountain View.*

*The City of Mountain View has deployed and is actively working on a number of initiatives aimed at streamlining and supporting the business community through the permitting process.

Pedestrian Mall

The City's decision to close the 100-300 blocks of Castro Street to vehicular traffic and create a pedestrian mall is evidence that the city is willing to be creative and be an active participant in the success of Downtown Mountain View. The total scope of the project includes an array of community development activities, such as streetscaping; additional lighting, flowers and beatification projects; a tenant patio space program; public space and games; and more. Overall, the feedback from the stakeholder discussions was more positive than negative.

The main concern - unsurprisingly - was the lack of vehicle traffic in front of the storefronts. Traffic counts are a major criteria for site selection, so removing the ability to drive in front of a location can make it more difficult for landlords to secure leases. This becomes less of a headwind as a corridor becomes established and reaches a critical mass of successful shops and restaurants, but the "early adopters" to sign leases along this stretch of Castro Street are likely going to be able to negotiate lower leases, in turn making these property owner's less financially incentivized to spend money improving the space.

Also, the pedestrian mall adds additional costs to any building improvements or redevelopment projects. Instead of having the front area of the property to unload/stage materials or equipment, everything must be done from the rear of the building. Losing this space has ripple effects through the development process, (i.e., needing a larger crane to reach the front of the building) which some property owners estimated increased the overall redevelopment costs close to 30 percent.

Although there was hardly any discussion about a desire to remove the pedestrian mall, some stakeholders did express a level of regret that access was eliminated via Moffett and Central Expressway. As the roads are aligned now, it is much easier to leave Downtown than it is to enter it. Some expressed that they would like to see access restored to the north end of the corridor so that vehicles could make a right onto Castro Street from Central Expressway (then be routed to Evelyn Street and onto Bryant Street), rather than using the Shoreline Boulevard interchange. With Castro Street closed to incoming traffic, visitors traveling eastbound on Central Expressway may have difficulty getting to Downtown should they miss the [somewhat counterintuitive] left turn onto Shoreline.

Feedback indicates that property owners and brokers do not believe that any tenancing issues are solely the result of the road closure, nor that opening the road again would lead to a plethora of new tenant options. Instead, most property owners understand that a permanent pedestrian mall can be an effective strategy for place-making and creating a true destination to shop, dine, and play. However, like any strategy, results do not come immediately and there is a time period of adjustment for many of these corridors to reach their full potential.

Parking

As part of any downtown study, parking is always expected to be a discussion point. However, most property owners do not currently see parking as a major issue or impediment to the overall success of Castro Street. Of those that worked or frequented Downtown Mountain View regularly, there was a general consensus that parking availability was acceptable and was not preventing visitors from coming to the area. It was mentioned that during peak hours and special events parking became more challenging, but not more so than any other comparative destination. It was mentioned that an additional parking structure or underground parking could be a solution as new redevelopment projects are proposed.

Allowed Mix of Use / Restrictions

The current restrictions on ground floor uses was another common discussion point among stakeholders. While many understand the intent of limiting ground floor spaces to retail/ restaurant use, there was still an expressed level of frustration that the policy oftentimes left the space without realistic tenanting strategies. Of the properties included in this review, the smallest sized vacancy was $\pm 2,600$ square feet. In an environment where the emphasis is on reducing store square footage more than ever, larger spaces are less feasible than ever before.

Generally speaking, independent, boutique retailers prefer store sizes in the 800-1,000 square foot range. These concepts typically do not have the financial positioning to handle any higher overhead costs that a bigger space would require. Some property owners indicated that while they would be willing to lease only a portion of their space, it really is not very economical for them to do so. They would prefer to have some flexibility on the remaining space for other uses, rather than keeping a portion of their property “dark”.

Mix of Downtown Businesses

The mix of businesses in the Downtown Mountain View corridor with Castro Street frontage is certainly restaurant heavy. A large majority of the storefronts along the pedestrian mall are restaurants, with very few professional office or retail locations present. There is certainly a lack of boutique retail or entertainment concepts (ex. escape room, arcade, etc...) in the Downtown to diversify both the motivation behind coming to Downtown along with the time of day (i.e., during normal “lunch or dinner hours”). Areas with too many restaurants often experience inconsistent daytime traffic in the mid-afternoon, as visitors have nothing else to do after they eat lunch or before they go to dinner.

Storefronts for shopping, art galleries, children’s stores, and similar non-food-based businesses help bridge the gap between restaurant peak hours, but also provide other reasons to visit Downtown besides to eat. However, without having a suitable inventory with smaller footprints to cater to these types of retail concepts, this imbalance in the mix of businesses is likely to persist. Finding ways to motivate or allow landlords to divide their larger ground-floor spaces is a role the City can play to assist in creating a more diverse destination.

Key Contributing Factors to Vacancy

The main factors that seem to be driving vacancy in Downtown Mountain View is a combination of the disconnect between the available space and approved uses, with the lack of motivation for the property owners to bridge the gap. The properties toured for this study are generally too large for traditional downtown/boutique retail, and/or not equipped for restaurant use. Correcting either of those is the responsibility of the property owner, but they are not currently motivated enough as the potential return on investment to make the space more suitable does not meet their requirements. Simply put, the vacant spaces and the tenant market are out of alignment.

Several ongoing projects that have started redevelopment, including 236 Castro show promise for bringing in new tenants to Downtown. This helps illustrate that there is demand in Mountain View for space, but it needs to be appropriate space. The vacancy at 275 Castro is one that is out of alignment with the market. It’s too big for retail and it’s too expensive to convert to a restaurant. Some flexibility on land use types may be necessary for that space to sign a long term lease with a sustainable tenant(s).

On the other hand, 279 Castro (and adjacent properties) is vacant due to the property owner's desire to redevelop. Although it's been in the "planning stage" for over a decade, the vision is for a large mixed-use development on the site. With that in mind, the property owner is unlikely to spend money to improve the building or to adjust the existing tenant spaces on a temporary basis, just to ultimately redevelop the site in the long-term. This leaves the space also out of alignment with the current market.

Although the owner of the restaurant spaces at 360-368 Castro Street was unresponsive to requests to participate, the properties are pivotal to the success of Downtown and are keystone properties due to the location in the central area of the corridor and proximity to public parking. It is understood that this is a long-term vacant space, so it would imply that the vacancy is more driven by property ownership's unwillingness to lease or improve, rather than any specific market condition.

Recommendations

The relationship between the City and the developer/broker community needs to be improved. Mountain View has the demographics, retail demand, and name recognition for Downtown to reach its full potential, but the current reputation of working with the city appears to be holding back significant progress.

Many of the stakeholders involved with the vacant properties reviewed are either long-time residents or members of the business community in Mountain View. Others may be newer but have completed previous development projects in the City and have returned to take on additional projects. In either case, these stakeholders are going to be the main catalysts for creating the unique destination Castro Street should be. As such, there are ways the City can improve communications and relationships with this group.

Hosting periodical webinars or in-person events for brokers and developers to attend to learn about ways the City is growing and plans on for future growth can be a helpful way to equip those that are marketing Mountain View to the rest of the world with the right information. Keeping these individuals informed on where certain projects stand, what new projects are coming, or trends in the residential market can all be helpful for them in their efforts as brokers and developers.

Attending industry events is another way to support those investing in Mountain View. Assisting to market their projects at ICSC or other commercial development industry events promotes collaboration and goodwill. Spending more time with the real estate professionals behind potential projects in these types of settings should assist with improving public-private relationships and provide more opportunities for the exchange of ideas.

Despite the city publishing a number of strategic plans and complementary documents, there still seems to be a gap in public perception between what types of projects the city code allows and what the city leadership actually desires. Just because a downtown project is properly submitted according to the specific plan or other planning and zoning regulations, that does not mean that the concept will be fully supported by the council, staff, or the general public. Based on discussions with the local stakeholders, there is confusion around the type of projects that are truly desired creating hesitancy to improve their properties.

While it is understood that it is not the city's role (or preference) to "prescribe" projects, it is evident that stakeholders are looking for additional feedback loops to provide direction. It costs time and money for developers to explore redevelopment options, so having confidence that proposed project elements, general design features, and use-mix will be supported, they can limit necessary changes down the road.



Providing examples of desired projects, or even “pre-approved” projects, is one tool other cities have used to drive development. But laying out an example development, the city can illustrate to outside stakeholders what the vision for Downtown is. This can give a developer confidence to include (or exclude) specific features of a project, or even provide a template for certain aspects for their development. If nothing else, these examples can help communicate the overall vision for the area and can spur additional conversation with the city. Conversation and forward progress is preferable to these groups holding their property as is, awaiting direction.

Additionally, other communities have created versions of “preferred” or “successful” developer programs for entities that have completed quality projects that align with City goals. These programs include different ways to streamline the process, provide a designated point of contact with the City, or even reduced wait times for City Council agenda items. These programs are designed to create incentives for proven developers to invest in your community, rather than a competing one.

Cutting down approval or feedback times will also likely improve relationships. Finding ways to streamline these processes can save money and minimize frustrations for those trying to work in the community. Every week that passes is another week delay in getting a tenant in a building, which is how these stakeholders achieve their return on investment. Communicating a sense of urgency can go a long way in maintaining good relationships.

Despite the challenges within the pedestrian mall, parking, tenant mix, or even frustrations working with the city, property owners were steadfast in their optimism of what Downtown Mountain View can become. The potential to become a more prominent destination is clear, however a critical element is a collection of destination tenants to get people out of their cars, homes, or rail line to walk and visit Downtown. Working with property owners and developers is essential to creating the physical space that allows Castro Street to attract the type of new businesses and restaurants that make Downtown Mountain View a true destination.



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