



COUNCIL REPORT

DATE: April 23, 2024
CATEGORY: New Business
DEPT.: Community Development
TITLE: **Economic Vitality Strategy**

RECOMMENDATION

1. Adopt Economic Vitality Strategy Action 2A.3—Develop absorption targets for commercial and residential growth in update to the Downtown Precise Plan and Action 2D.3—Conduct outreach to downtown businesses to spur participation and representation in a Parking Benefit District oversight committee.
2. Adopt the remainder of the Economic Vitality Strategy for the City of Mountain View outlining the Economic Development goals and work program for the next five to 10 years (Attachment 1 to the Council report).

BACKGROUND

On [September 26, 2023](#), the City Council held a Study Session to review the draft Economic Vitality Strategy (EVS), which is a Priority B project in the Council’s Fiscal Years 2023-25 Work Plan. At this Study Session, staff and Community Attributes, Inc. (the City’s consultant), provided an overview of work completed on a Landscape Assessment and the draft EVS. The Study Session showcased the community engagement undertaken, data compiled as part of the research process, and draft vision, goals, strategies, and actions for Economic Vitality. The purpose of the Study Session was to receive guidance and direction from the City Council on the draft vision, equity approach, goals, and actions associated with the draft EVS.

Council’s feedback on the vision and equity approach is summarized below:

- Revise the Vision Statement to make it more specific to the City’s values surrounding economic development.
- Revise the Equity Statement to remove strong language and replace with more practical language; revise to equity lens.
- Include action items related to equity in the City’s Race, Equity, and Inclusion Action Plan.

Council’s feedback on the goals, strategies, and actions is summarized below:

- Create measurable quantifiable goals with milestones.
- Create an Implementation and Action Plan table with immediate, short-term, medium-term, and long-term timelines listed at the action level.
- Expand Goal 1 to be Citywide.
- Prioritize Strategy 4.3 with immediate timeline for creation of a rapid response team to help businesses with permitting.
 - Please note: This item has now been renumbered to 5C.1 and is now stated as: “Create a dedicated business ambassador response team to handle permits for designated critical development areas (e.g., downtown, San Antonio Center, major industrial areas).”
- Use Vacancy Tax as a last resort to reduce vacancies.
- Add creation of an Enhanced Infrastructure Financing District (EFID) as an action item; would not be short-term or immediate; and provide additional information to help Council decide on priority.
- Add Placemaking—Branding differentiation for downtown and other Village Centers and new districts created in Precise Plans, such as North Bayshore, East Whisman, and San Antonio, as an action item. Include upgraded signage, facade improvements, and design assistance.

Revised Economic Vitality Strategy

Attachment 1 provides an updated EVS document. It has a refreshed look and feel, including more white space throughout the document. Revisions to language have been made to add clarity and improve readability. New graphics have been added to enhance and align with the content within the EVS. All action items now include a timeline and cost designation as well as an identification of those actions focused on equity.

Goals have been adjusted to reflect both Council and additional business and community feedback since the September 2023 Council Study Session. In summary, the revised EVS has 39 net new action items along with one additional goal. Total goals, strategies, and action items for the first and current drafts are shown below (Table 1).

Table 1: March 2024/September 2023 Draft Strategies Comparison

Draft Economic Vitality Strategy No. 2 March 2024	Draft Economic Vitality Strategy No. 1 September 2023
Vision Statement	Vision Statement
	Equity Statement
Five Goals	Four Goals
25 Strategies	25 Strategies
164 Action Items	125 Action Items

ANALYSIS

Following the City Council Study Session in September 2023, Community Attributes, Inc., and staff undertook additional research and conducted more interviews to further refine the EVS. The revisions to the EVS are described below.

Vision Statement

As directed by Council during the September 2023 Study Session, a refined vision statement was developed to better align with established City Council strategic priorities and more concisely focus on Economic Vitality.

Updated Draft Vision Statement

Mountain View seeks to create a thriving community where small businesses, innovation, entrepreneurship, and diversity are encouraged and flourish. We aim to be a global leader that balances economic growth with the health and well-being of our community and the environment.

Prior Draft Vision Statement

Mountain View is a vibrant community and home to world-changing and locally rooted companies in the heart of Silicon Valley. Residents and visitors flourish in our neighborhoods, where they enjoy convenient shopping and dining at businesses by and for diverse communities. Our business and industrial centers attract skilled and talented workers from across the region who join iconic brands and start new ventures. The regional workforce and families choose to live in Mountain View for its sustainable and walkable neighborhood amenities, goods, and services, with Downtown Mountain View the centerpiece among them. Quality of life is foundational to Mountain View residents, even as our economy works in global markets to make the world a better place.

Equity Lens

At the September 26, 2023 Study Session, Council provided feedback that the EVS actions associated with equity be incorporated in the Council-adopted Race, Equity, and Inclusion (REI) Plan, rather than having a separate equity action plan in the EVS. To apply an equity lens to the EVS, as directed by Council, equity action items are denoted with the following symbol:



Upon adoption of the EVS, staff will ensure that EVS equity action items are incorporated and acknowledged within the REI Plan. Consequently, the equity statement in the former draft of the EVS has been removed.

EVS Goals

Goal 1 to be Citywide

Feedback from Council during the Study Session was to expand Goal 1, which was originally focused on downtown, to be applicable Citywide. Goal 1 in the EVS has been revised as follows:

Old Goal 1: Establish downtown Mountain View as a vibrant center of commerce and a community gathering space.

New Goal 1: Establish centers throughout Mountain View as commercial hubs and community gathering places.

Goal 1 retains many of the original action items that were not specific to downtown.

New Goal 2—Downtown

Staff received significant feedback from interviews and the community engagement process that downtown is an important commercial and community center with some unique needs. Highlights of some specific challenges and current actions in downtown include:

- **Castro Pedestrian Mall**—Castro Street is experiencing major change both in its physical appearance and levels of activation. To date, 30 businesses are participating in the new Outdoor Patio Program, and more businesses are applying for their outdoor patio areas in the public right-of-way. With the rainy season coming to an end, the City has installed new interactive games and public seating options along with a colorful palette of flowers.

Decorative fencing has replaced the yellow barricades at the intersections, and Music on Castro has returned.

- **Economic Activity**—Downtown continues to evolve from the effects of the pandemic. Overall, sales tax figures for the Downtown Specific Plan area remain slightly down from prepandemic levels (down 2%).
- **Downtown Vacancy Rates**—The vacancy rates for office and retail throughout downtown is approximately 25% and 8.5%, respectively, while the office and retail vacancy rates Citywide are 20% and 4%, respectively. There remain 18 vacant ground-floor spaces along Castro Street; however, eight have tenants lined up, which will reduce the retail vacancy rate. In benchmarking with other nearby cities, downtown office and retail vacancy rates are currently higher than these other areas (Attachment 2). The City has been assisting in marketing available spaces and is obtaining the services of a retail consultant to aid in understanding both the marketability and tenant opportunities that exist for the vacant spaces downtown. The consultant work will involve comparing market demand to the supply of the existing spaces to see whether there is alignment with market needs. This will help guide how to market certain spaces to select tenants.
- **Downtown Precise Plan Update**—The City is undertaking a comprehensive update to the Downtown Precise Plan that will present opportunities to promote economic vitality for the downtown through changes to land use plans and permitting requirements. Because this effort will take around three years to complete, staff is also working to bring forward an amendment to the Precise Plan to update uses in Area H to change some retail/restaurant uses that currently require a provisional use permit into permitted uses. Staff anticipates bringing this update for Council consideration in early fall 2024. These changes could help support filling first-floor vacancies.
- **Enhanced Communication**—To help residents, business owners, and visitors stay informed about ongoing, current, and future downtown initiatives and projects, the City has launched a new monthly electronic newsletter, the *Downtown Digest* (see Attachment 3 for the first edition). In addition to the newsletter, a new redesigned downtown website is available at mountainview.gov/downtown.

In recognition of the special role downtown plays for businesses and the community, staff recommends that there continue to be a goal for downtown to capture all the actions that are unique and specific to Downtown. Goal 2 was developed to support those specific action items.

New Goal 2: Reinvigorate downtown Mountain View as a premiere destination for pedestrian-scale shopping, dining, and social engagement.

Recommended Goals

The revised five goals for the EVS are shown in Figure 1 below:



Figure 1: 5 Goals of the Economic Vitality Strategy

Measures of Success

To assess and track the effectiveness of the EVS over time, staff has developed measures of success associated with the five goals. These measures were developed using best practice findings from the International Economic Development Council (IEDC) and California Association for Local Economic Development (CALED). Several measures are applicable to multiple goals, as shown in Table 2. Some of the measures relate to workload while others are performance-based. For those measures that are performance-based, a target has been established.

Table 2: Measures of Success—Economic Vitality Strategy

Measures of Success	Economic Vitality Goal					
	Current Rates	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
Office vacancy rate in Mountain View. (target 10%)	20.2%	✓	✓	✓		
Retail vacancy rate in Mountain View. (target 5% to 7%)	4.1%	✓	✓		✓	
Downtown office vacancy rate. (target 10%)	25%	✓	✓			

Measures of Success	Economic Vitality Goal					
	Current Rates	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
Downtown retail vacancy rate. (target 5% to 7%)	8.5%	✓	✓		✓	
Percent growth in year-over-year sales tax receipts in downtown. (target 2% to 4%)	(8.5%)	✓	✓			
Number of unique visitors to Economic Development Business resources page.	TBD		✓		✓	
Number of businesses assisted by Economic Development Small Business trainings and webinars.	5		✓		✓	
Percent of Economic Development business resources translated into other languages. (target 100%)	13%	✓	✓	✓	✓	
Number of business establishments in downtown.	334	✓	✓			
New business startups as a percentage of all businesses in the City. (target 15% to 20%)	11%		✓	✓	✓	
Number of storefronts receiving design assistance for facade improvements or window activations.	TBD	✓	✓		✓	
Number of businesses receiving retention services by Economic Development staff.	9%		✓	✓	✓	
Number of square feet supporting commercial/industrial activities. (target 26 million sq. ft.)	29.1 million sq ft.	✓	✓	✓		
Percent of Economic Development assisted businesses receiving permit facilitation services.	15%	✓	✓	✓	✓	✓

Source: Costar Analytics Submarket Reports (April 2024), Mountain View Business License (December 23), HdL (Q3 2023), Economic Development team statistics.

Refined Action Plan

Each goal area includes strategies with action items specific to each strategy. Table 3 provides the list of strategies.

Table 3: Strategies for Each Goal

Goal 1.	ESTABLISH CENTERS THROUGHOUT MOUNTAIN VIEW AS COMMERCIAL HUBS AND COMMUNITY GATHERING PLACES.
Strategy 1A	Differentiate the character, mix of uses, and visual appeal of Mountain View’s mixed-use centers to shoppers, visitors, and quality retailers.
Strategy 1B	Accelerate transition of Mountain View toward increased walkability and convenient, multi-modal access to daily goods and services.
Strategy 1C	Address vacancy in Mountain View and encourage flexible, measured, and diverse growth.
Strategy 1D	Support ease of division or modification of existing retail spaces to maximize adaptability to market shifts.
Goal 2.	REINVIGORATE DOWNTOWN MOUNTAIN VIEW AS A PREMIERE DESTINATION FOR PEDESTRIAN-SCALE SHOPPING, DINING, AND SOCIAL ENGAGEMENT.
Strategy 2A	Develop an updated Precise Plan to differentiate downtown and maximize its appeal and drawing power in the City and region.
Strategy 2B	Improve connections between downtown and other major Mountain View employment centers.
Strategy 2C	Expand cultural and civic activities in downtown.
Strategy 2D	Support the Council-adopted Downtown Parking Strategy’s efforts to improve the management, supply, access, and regulation of parking benefiting downtown businesses, visitors, and workers.
Strategy 2E	Create an authentic and unique sense of place in and experience of downtown Mountain View.
Goal 3.	GROW MOUNTAIN VIEW’S PROVEN, ADVANCED INDUSTRIES THROUGH SUPPORT FOR ESTABLISHED EMPLOYERS, BUSINESS ATTRACTION, INNOVATION, AND ENTREPRENEURSHIP.
Strategy 3A	Develop targeted, highly effective business retention and expansion assistance.
Strategy 3B	Support employers’ needs for a diverse work force and make Mountain View and its business community champions for equity and shared prosperity.
Strategy 3C	Identify and cultivate new niches within advanced industries and grow and diversify other, established sectors.
Strategy 3D	Market Mountain View to businesses in specific target sectors and niches.

Goal 4.	HELP SMALL, LOCAL, AND INDEPENDENTLY OWNED BUSINESSES FLOURISH IN MOUNTAIN VIEW.
Strategy 4A	Develop and communicate policies and programs designed to assist small and mid-sized businesses.
Strategy 4B	Support local businesses that foster an authentic Mountain View commercial-cultural identity in the City’s neighborhoods.
Strategy 4C	Support and sustain a new generation of successful founders and entrepreneurs.
Strategy 4D	Recruit small businesses that offer products and experiences missing in Mountain View.
Strategy 4E	Support growing Latino entrepreneurial and small business enterprises in food and beverage and other industries.
Strategy 4F	Initiate a reimagined identity and business branding campaign positioning and promoting Mountain View at the intersection of Silicon Valley and community and economic vitality.
Strategy 4G	Implement antidisplacement policies that provide temporary and long-term solutions that keep businesses in place.
GOAL 5.	UPDATE MOUNTAIN VIEW’S DEVELOPMENT POLICIES TO PROVIDE CLARITY AND CERTAINTY FOR NEW USES THAT ALIGN WITH THE ECONOMIC VITALITY STRATEGY VISION AND GOALS.
Strategy 5A	Build adaptability into land use and development codes with provisions that respond to changing demands of commercial and industrial users.
Strategy 5B	Identify work force housing and supportive service challenges with critical economic development implications for prioritization and direct action.
Strategy 5C	Clarify and streamline permitting processes and nurture a business climate that clearly differentiates Mountain View from its neighbors.
Strategy 5D	Evaluate and adapt policies, regulations, and enforcement to avoid disproportionate or adverse impacts on small businesses.
Strategy 5E	Improve connections between the City’s commercial and industrial areas to foster easier access for collaboration.

There are a total of 164 action items in the draft EVS. For ease of reference, action items have been numbered using the following convention: “Goal (#) Strategy (letter).Action (#).”

For example, “1B.1” refers to Goal 1, Strategy B, Action 1. The action items in the EVS are summarized in Appendix A to the EVS (organized by timeline) and in Appendix B to the EVS (organized by goal and strategy and showing the responsible City department or division).

There are 39 new action items in the current EVS. Most of the new action items are found in Goal 2 for downtown. A sampling of some other new action items that have been refined and updated based on Council direction and business and community feedback include the following:

- Support neighborhood-serving businesses that are walkable and offer goods and services. (1B.1)
- Consider developing a formalized program or toolkit that both educates and ensures businesses are compliant with the Americans with Disabilities Act (ADA) using Certified Access Specialists (CAsp). (4A.11)
- Analyze the neighborhood distribution of commercial uses, including neighborhood versus center-based retail, and their impacts on serving various cultures/minority communities in the City. (4B.7)

In addition to adding new action items within the EVS, there were actions that were either similar or duplicative across goals and were removed.

Enhanced Infrastructure Financing District

The Council sought additional information on Enhanced Infrastructure Financing Districts (EIFD). An EIFD is a type of special financing district that uses a portion of property tax increment revenues generated by community growth within a specifically defined area to finance public infrastructure and economic development projects of communitywide significance. EIFDs impose no new taxes on residents, businesses, or visitors, nor do they result in any new taxes or fees to property owners. Property tax increment revenues are derived by using a portion of the tax increment generated by the existing 1% ad valorem property tax (City and other taxing entities portion of property tax). EIFDs are prohibited from using the portion of the tax increment that goes to schools. Infrastructure projects must provide communitywide benefit and have a useful life of at least 15 years. Eligible projects funded by an EIFD include road infrastructure, streetscapes, parking facilities, transit facilities, affordable housing, child-care facilities, and parks. Attachment 4 is a resource guide for EIFDs and provides more detailed information.

The revised action item, 1A.8, includes exploring EIFDs and other infrastructure financing options for public realm improvements. This is currently identified as a long-term item.

Placemaking

Feedback was also received on incorporating more placemaking opportunities throughout the EVS strategies. To that end, *Goal 1, Strategy 1A: Differentiate the Centers (Differentiate the Character, Mix of Uses, and Visual Appeal of Mountain View's Mixed-Use Centers to Shoppers,*

Visitors, and Quality Retailers.) is focused on a range of placemaking and branding opportunities throughout the City. Numerous actions under Strategy 1A further the efforts of improved placemaking. Actions 1B.1, 1D.3, 2B.5, 2C.2, 2E.5, and 4B.7 are also relevant to placemaking efforts.

Timelines

The EVS is envisioned to be a five-to-ten year plan. The implementation timelines for the 165 actions items fall within a 10-year period. Each action item has been designated with an implementation timeline of immediate, short-term, mid-term, or long-term as defined below:

Timeline Definitions

- Immediate = Less than one year
- Short-Term = One to two years
- Mid-Term = Three to five years
- Long-Term = More than five years

The action items within each goal in the draft EVS are sorted according to the timeline implementation. In Appendix A, the 164 actions are sorted by timeline. A summary of the 164 actions by timeline are noted in Table 4.

Table 4: Number of Action Items by Timeline

Timeline Implementation	Number of Corresponding Actions
Immediate (Less than one year)	21
Short-Term (one to two years)	38
Mid-Term (three to five years)	68
Long-Term (More than five years)	37

Addressing Vacancy Rates

At the September 2023 Study Session, Council directed that a vacancy tax should be a last resort to reduce vacancies; therefore, the action item to explore a vacant space register or tax (1C.6) is given a long-term timeline. The EVS does contemplate other tools and resources to address vacancies in a more immediate fashion, including greater engagement with the broker community, small businesses, and property owners as provided in various actions in Goal 1, Strategy 1C.

Costs

Each action item also includes a cost indicator as defined below:

Cost Definitions

\$ = Estimated to be less than \$10,000

\$\$ = Estimated to be \$10,000 to \$50,000

\$\$\$= Estimated to be over \$50,000

The cost ranges include expenses for consultant support, procuring items or materials to implement actions, and other direct costs involved in implementation. They do not include the cost of City staff time associated with implementing the action items. In addition, a few of the actions shown as \$\$\$ that involve infrastructure improvements, new/revised Precise Plans, or certain other new systems (e.g., a Land Management System) will cost significantly more than \$50,000.

Current Implementation of Action Items

Staff has already begun implementing various action items which were identified in the September 2023 draft EVS. A sampling of items implemented thus far include the following:

- A specific priority identified by the City Council during the Study Session was to form a rapid response team to support small businesses. This action item (5C.1 in the current draft EVS) is being implemented. A dedicated business ambassador team has been formed with staff from the Community Development and Public Works Departments.
- The action item focusing on providing greater online accessibility associated with permitting (5C.2 in the current draft EVS) was recently implemented with the launch of the new online portal for development permits at DevelopmentPermits.MountainView.gov.
- The action item for a tracking system for business visits and meetings (3A.1 in the current draft EVS) has been implemented with the use of an online customer relationship management software being utilized by the Economic Development team.

Top 15 Action Items

Staff has identified 15 of the 164 action items as the most important and highest priority to ensuring a healthy and vibrant economy for the City of Mountain View (Table 5). The 15 action items represent some of the best practices in Economic Development and lead to successful policy and program development along with demonstrated success in supporting economic vitality. These actions range from immediate to long-term timelines. The actions listed as mid-

term and long-term are critical to creating a sustainable economy; however, they require the extended time to implement due to the complexity and resources required.

Table 5: Top 15 Action Items

Action	Economic Vitality Strategy Project	Timeline	Cost
3A.3	Engage and follow up with key businesses to coordinate, consult, and offer resources for retention or expansion.	Immediate	\$
4A.1	Enhance education and outreach to existing micro, small, mid-sized, and ethnic businesses on the array of small business support resources, including business planning, market research, financing, incentives, work force development, as well as networking events and other assistance.	Immediate	\$
4G.1	Connect vulnerable small business owners and tenants to technical assistance consulting and resources.	Immediate	\$
5A.1	In partnership with the Mountain View Chamber of Commerce, develop a process to periodically engage business leaders on Mountain View’s planning and development policies and processes.	Immediate	\$
5C.1	Create a dedicated business ambassador response team to handle permits for designated critical development areas (e.g., downtown, San Antonio Center, major industrial areas).	Immediate	\$
2B.1	Per the existing Council-adopted Downtown Parking Strategy, support the improvement of wayfinding for nonvehicular traffic between employment centers, commercial nodes, public transportation stops, and downtown.	Short-Term	\$
2E.1	Support and leverage Castro Street Pedestrian Mall improvements, including pavement enhancement, a new central walkway, sidewalk and patio license enhancements, and cleanup of City furnishings and storm drains, to boost unique downtown programming in the public and public-private realms.	Short-Term	\$\$
4A.4	Develop a multilingual online small business toolkit to assist in navigating the City permitting processes for space development and licensing.	Short-Term	\$
4C.2	Explore partnerships with NOVAWorks, SBDC, SCORE, Foothill College, Hacker Dojo, and DeAnza College for entrepreneurship training in Mountain View.	Short-Term	\$

Action	Economic Vitality Strategy Project	Timeline	Cost
4G.2	Provide assistance to businesses, such as lease consulting or third-party master leasing of ground-floor mixed-use retail space, in areas experiencing gentrification and displacement.	Short-Term	\$\$
3A.10	Implement a land management system that allows for better tracking of property, tenants, and permits and is accessible across departments and interactive with existing software systems.	Mid-Term	\$\$\$
4A.7	Develop and track performance metrics around small business permitting process efficiency, time, cost, and outcomes.	Mid-Term	\$\$
5B.3	Work with existing and new partners to address systems supportive of employee retention, including child care, education, transportation, housing needs, and other social services.	Mid-Term	\$\$
5C.2	Allocate resources toward increasing staff to handle permitting processes more quickly and efficiently.	Mid-Term	\$\$\$
5A.4	Assess the City code to identify opportunities to revise permitted uses across employment-generating zoning designations; specifically, consider allowing a broader range of uses in retail and mixed-use areas and restricting low employment density uses in core office and industrial designations (e.g., Charleston Plaza, Rengstorff Center).	Long-Term	\$

FISCAL IMPACT

The EVS consists of 164 actions that are envisioned to be implemented over the next five to ten years. Some of the action items are funded through other City projects, such as the Downtown Precise Plan Update or Historic Preservation Ordinance Update. A proposed Fiscal Year 2024-25 budget request of \$100,000 to support contract services for the initial implementation of the EVS will be included in the Recommended Budget considered by the City Council in June 2024. Other proposed budget requests that will be included in the Fiscal Year 2024-25 Recommended Budget that support the goals of the EVS include the following:

- \$300,000 in contract services for downtown strategy consulting and to create a communications and branding plan to further establish Mountain View’s downtown as a unique and compelling destination and attract development and visitors to downtown.
- \$250,000 in contract services to fund land use planning and code implementation that will support successful development in the downtown area.

- \$75,000 in contract services for retail consulting to work with business operators to fill vacant building spaces.
- \$20,000 in contract services to provide storefront window design services.

Additional funding needs to implement EVS action items will be proposed as part of future annual budgets. No funding appropriations are being requested at this time.

CONCLUSION

The Economic Vitality Strategy recognizes the community character of Mountain View and the business environment and proposes to address the unique opportunities and challenges that coexist. Grounded in data, community engagement, and best practices, the EVS has a solid vision that focuses on specific goals with measures of success and action items to be implemented over the next five to 10 years.

ALTERNATIVES

1. Modify the EVS, including, but not limited to, the Vision Statement, Goals, Strategies, Action Items, and implementation timelines.
2. Direct staff and the consultant to conduct additional outreach and engagement and return to Council for future consideration.
3. Provide other direction.

PUBLIC NOTICING

The meeting agenda was posted on the City's website. Notice of this agenda item was also shared with members of the Downtown Committee, Mountain View Community for Sustainable Planning, and Mountain View Chamber of Commerce.

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819-04-23-24CR
203332

- Attachments:
1. Draft Economic Vitality Strategy
 2. Benchmark Vacancy Analysis
 3. Downtown Digest, March 2023
 4. EIFD Resource Guide