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FINAL

Colma Economic Development Plan

Phase 2: Economic Development Opportunities and Strategies

August 22, 2012



bae urban economics

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Ms. Laura Allen
City Manager
Town of Colma
1198 El Camino Real
Colma, CA 94014

Dear Ms. Allen:

Enclosed please find the Draft Phase 2 Report: Economic Development Opportunities, for the Colma Economic Development Plan. This report was initially issued in May 2012 for review and comment by the Colma Town Council. It was slightly revised per your request, on August 16, 2012, regarding the technical process for achieving a future cardroom expansion.

Please let us know if you have any questions or comments.

Sincerely,



Janet Smith-Heimer, MBA
Managing Principal

San Francisco
1285 66th Street
Second Floor
Emeryville, CA 94608
510.547.9380

Sacramento
803 2nd Street
Suite A
Davis, CA 95616
530.750.2195

Los Angeles
5405 Wilshire Blvd.
Suite 291
Los Angeles, CA 90036
213.471.2666

Washington DC
1346 U Street NW
Suite 403
Washington, DC 20009
202.588.8945

New York City
121 West 27th Street
Suite 705
New York, NY 10001
212.683.4486

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I. INTRODUCTION

Purpose of Study

The Town of Colma has a unique history and an unusual land use pattern. Originally developed as the site of cemeteries relocating from San Francisco to northern San Mateo County, Colma was incorporated in 1924. Today, the Town has approximately 1,600 residents, more than 3,700 daytime workers, over 800,000 square feet of retail space, a thriving licensed cardroom operation, and eleven dealerships representing 14 brands of new automobiles.

This convergence of a small residential household base, combined with a relatively large business base, means Colma has long operated as a Town with a strong fiscal foundation. Colma collects high per-capita tax revenues, primarily driven by its strong taxable retail sales derived from both merchandise and auto sales, as well as revenue collected from a cardroom. At the same time, much of its land area is devoted to a mix of for-profit and non-profit cemeteries, which utilize large land areas without extensive direct fiscal contributions to the City.

The elected officials and staff of Colma have paid close attention to this fiscal situation, ensuring that the Town of Colma operates within its means. These efforts have been very successful in light of the recent economic downturn and the relatively more dire situations faced by many other communities in Northern California. Nevertheless, Colma's revenues have been impacted, as retail and automobile sales declined in the past few years across the region.

The Economic Development Plan is an initiative by the Town of Colma to take a longer-term view of its business / economic base, fiscal revenues, and development opportunities, in order to consider strategies to enhance existing businesses and future development to reinforce a strong fiscal foundation.

Economic Development Planning Process

The Economic Development Plan process has three phases, as follows:

- Phase 1: Evaluate Existing Economic Conditions and Trends – completed in Fall 2011
- Phase 2: Identify Economic Development Opportunities and Potential Strategies – this report
- Phase 3: Full Economic Development Action Plan – will include lead entity, timing, and estimated cost for each action

The Phase 1: Existing Local Conditions Report for the Colma Economic Development Plan analyzed numerous demographic and economic trends, along with a review of Colma's General Fund budget, taxable retail sales trends, automobile dealerships, and other economic sectors. This report builds on prior analysis, and takes a comprehensive approach to profiling Colma's economic strengths, challenges, and economic development opportunities. This report includes additional research and

analysis for several specific items that were not included in the Phase 1 Report. These new items include:

- Survey of cemetery-related visitation (conducted by BAE)
- Analysis of potential hotel market demand (conducted by BAE)
- Update of automobile dealerships in Colma and “holes” in the mix given the constraints placed on dealerships to be located at least 10 miles apart from the nearest related manufacturer’s dealership

Data and analysis for each of the above items is included in the Appendices to this report.

This report also describes steps the Town can take to protect, support or expand its primary revenue producers (auto dealerships, shopping centers, and the Lucky Chances cardroom) as well as attract new complementary businesses (e.g. home furnishings). In addition, the report explores new concepts for the Town to consider in order to further diversify its revenue base, including a restaurant and entertainment district, a hotel, and a Town Center.

Relationship of Economic Development Plan to Other City Policies

The overarching Town policy which guides this Economic Development Plan is the Town’s expressly stated goal, which is to manage Town land use and its General Fund to ensure maximum fiscal revenues and quality of life for its residents and businesses. Colma faces the unusual position of a small resident base, combined with a relatively large retail and business economic base: these circumstances mean that the Town needs to ensure continued fiscal stability through concerted economic development efforts.

The Town of Colma relies on its General Plan and related ordinances to govern most of its physical development. Related ordinances include design review, zoning code, and parking requirements. The Town is currently preparing to update its General Plan to reflect recent development and ready the Town for future contemporary development concepts. The Town’s FY 2012-2013 budget includes funding to initiate the General Plan update process.

This Economic Development Plan is a first step towards laying the groundwork for more refined site analysis, regulatory review, and updating of the General Plan, including its Land Use Element, Housing Element, and Transportation Element. As such, this Economic Development Plan makes note of certain physical development regulations which may require changes to implement the recommended strategies, particularly with regard to future business attraction. In addition, this Economic Development Plan recommends several new retail concepts, which will require further discussion and analysis to site within the General Plan Framework.

II. ECONOMIC DEVELOPMENT PLAN FRAMEWORK

This report identifies Colma's economic strengths, challenges, and opportunities for near- and longer-term economic development.

Economic Strengths

The Town's economic strengths include:

- Close to San Francisco
- Good freeway access
- Strong transit access via Colma BART Station and South San Francisco BART station
- City Government that is considered responsive and business-friendly
- Strategic Town investments in physical infrastructure such as streetscapes, signage, and gateway markers
- Consistent design guideline application to new development and building renovations, creating a Spanish Mediterranean ambiance and identity
- Strong private property management leading to continued maintenance and reinvestment, and generally low vacancy rates
- Beautiful open vistas and scenery
- Over 20,000 visitors monthly to local cemeteries from all over the world
- A strong historic heritage, showcased by several facilities
- Support from the Colma/Daly City Chamber of Commerce
- Fiscal stability

Economic Challenges

The Town's economic challenges include:

- Lack of a clear image and identity in the marketplace
- Limited freeway visibility in certain locations
- Lack of vacant land for new commercial development
- Dedication of substantial acreage to cemetery use which do not generate fiscal revenues
- Lack of a full spectrum of restaurants, particularly in full-service categories
- Lack of higher-end specialty retail categories
- Lack of overnight hotel accommodations, which could support visitation, extend visitors' stay in Colma to shop and dine, and could generate substantial fiscal revenues
- Lack of Town staff expertise in economic development

Economic Development Plan Framework

Colma's economic development strategies are organized around its near-term opportunities to retain and expand existing businesses, and its longer-term opportunities to capitalize on its strengths. The key strategies include:

A. Existing Business Retention and Expansion

1. Refine Town's Communications to Retain Existing Businesses
2. Strengthen Auto Row
3. Expand and Diversify Retail and Restaurant Sectors
4. Expand Cardroom
5. Create Branding and Promotional Materials for Colma

B. New Business Attraction

6. Create Retail/Entertainment/Dining District
7. Develop Hotel
8. Create Town Center

The following report describes each of these strategies and next steps to formulate Colma's Economic Development Action Plan.

III: RETAIN AND EXPAND EXISTING BUSINESSES

Opportunity 1: Refine Town Communications Program to Retain Existing Businesses

The Town recognizes that it is easier to retain a business that is already located in Colma, than it is to recruit a new business. Additionally, the Town understands that while there are opportunities to expand the economic base by encouraging local businesses to grow and by attracting new businesses in sectors which are currently less prominent in the Town, retail sales are, and will remain, a key driver of the local economy.

The Town is currently conducting several successful programs as outlined below, to retain and support expansion of existing businesses. These should continue.

Hold Mayor/Chamber of Commerce “Business Walks.” The Town and Chamber of Commerce have traditionally held annual business walks, involving the Mayor and the City Manager to introduce themselves to business owners and solicit feedback on business issues. At the conclusion of the walk, the Town staff and Chamber of Commerce representatives typically discuss possible solutions to issues raised and conduct follow-up as needed.

Partner with the Chamber of Commerce to Promote Local Business-to-Business Collaboration and Sourcing. Another way to support local businesses is to assist them in making contact with other local businesses; for retail and service businesses, these connections provide a way to market goods and services, increasing local customers. Some communities publish a full business director online, while others have initiated “Buy Local” campaigns to foster B2B networks. While the Chamber of Commerce substantially fulfills this function, this initiative should be enhanced further, based on the recommendations in this report and a structure to be determined in jointly between the Town and the Chamber of Commerce. The initial targets should be smaller local businesses, but eventually engaging with larger chain stores based in Colma is also recommended.

Utilize “Colma Works” E-Newsletter to Maintain Contact with Business and Property Owners. To increase the frequency of Town outreach and contact with businesses who cannot meet in person, the Town has started *ColmaWorks*, a periodic newsletter aimed at local businesses. This effort should continue, periodically sending e-bulletins to all businesses and commercial property owners regarding economic development initiatives, new business openings, and other Town news of interest. The first edition of the *ColmaWorks* newsletter is now posted online at the Town’s website, and provides information aimed at local businesses, including contact information for Town staff. This online feature should be further enhanced with a newsletter sign-up form, and a place to add questions or comments.

Distribute “Starting a Business in Colma” Brochure. There are numerous resources that can provide assistance to small businesses which are outlined in the Starting a Business in Colma brochure. Commonly, a significant barrier to small businesses gaining access to these resources is a lack of

knowledge of services available to the small businesses. This brochure helps to make local small businesses more aware of available resources.

Use Town Website to Coordinate Existing Business Support Resources. The Town can help facilitate access to business support services by undertaking actions such as the Town's website to serve as a portal, with links to local business support services. Although the Town maintains an excellent website, it is recommended that the website be further enhanced with a special tab for "Business" which can then highlight the *ColmaWorks* newsletter, contact info at Town Hall, and the brochure on starting a business in Colma.

In addition to the continuation of existing Town initiatives, these additional steps can also help to strengthen Town communication with existing businesses:

Conduct Ongoing Outreach to Identify Retention and Expansion Needs of Local Businesses. Ongoing communication between Town staff and local businesses is critical to maintaining and expanding the Town's economic base. Ensuring that the Town is well aware of business concerns and needs is an important step in tailoring actions to create a supportive environment for business within the Town. The Town should conduct an initial survey of local businesses to determine broad business retention and expansion needs. Then, in order to keep up-to-date on business concerns and issues, the Town should conduct more targeted surveys on an annual basis in conjunction with business license renewals. This survey will determine business needs and obtain valuable feedback on economic development programs in order to fine-tune economic development efforts.

The Town should continue to support the Chamber of Commerce's business mixer/outreach events especially those focused on conducting outreach and identifying the needs of specific business sectors. The Town should also continue to invite representatives of local business support providers to have a presence at Town and/or Chamber of Commerce-sponsored business events, where these providers can get direct exposure to local business people.

Through regular communication, the Town can identify problems and work with affected parties to devise solutions before problems reach a critical state. Too often, cities learn of a business's problems only after the business announces plans to close or relocate. Even if the loss of a business is inevitable, the Town should quickly initiate efforts to minimize the period of vacancy. This regular contact with businesses will also provide valuable feedback regarding the effectiveness of various Town programs and projects. Following are a number of ways that the Town can maintain good communication:

- **Establish On-going Personal Relationships with Key Large Employers.** Town staff should aim to interview three or four key, large businesses per year. Following an initial introductory meeting, staff should place follow-up phone calls every six months to check on any issues that might have been identified in the initial meeting and report on any follow-up actions taken, and to see if any new concerns have developed.

- **Conduct Outreach / Exit Interviews with Businesses that are Moving or Closing.** This will help the Town to pinpoint any local conditions that may be hampering local business vitality. Town staff should seek an “exist interview” directly. If this is not possible, Town staff should research reasons for moving or closing, with property owners, brokers, or Chamber staff.
- **Convene Regular “Breakfast Meetings.”** On an occasional basis, the Town should invite a group of related businesses/property owners to Town Hall to meet as a group and talk about common concerns. Key Town representatives, including the Mayor, Council Members, the City Manager and other staff should attend as needed. This is a great way to demonstrate the Town’s ongoing commitment to its business sector.

Fiscal Benefits

These outreach and communications strategies form the basis of most cities’ economic development efforts. It is difficult to directly quantify the fiscal benefits of these initiatives, but it is recommended that Town staff document each outreach event, personal visit, and/or request for assistance, to establish a baseline of activity. Town staff can provide annual documentation to Town Council, summarizing its findings and results achieved from this communication program.

Key Implementation Actions

- Consider contracting for economic development implementation assistance for new programs
- Continue to work with Chamber of Commerce
- Organize regular calendar of Business Walks and Business Breakfasts
- Communicate regularly through e-newsletters
- Update Town web site to serve as business portal (including copies of available brochures)
- Review and revise “Starting a Business in Colma” brochure

Opportunity 2: Strengthen Auto Row

Summary of Strengths and Challenges

Colma has one of the premier Auto Row concentrations in the Bay Area. The following outlines Colma's auto sales sector's strengths and challenges, and describes opportunities to reinforce this key economic sector.

Strengths

- Colma currently has 11 new car dealerships representing 14 car brands located within its borders along Serramonte Boulevard. These include: Serramonte Honda, Serramonte Ford, Lexus of Serramonte, Stewart Chevrolet Cadillac, Serramonte Nissan, Serramonte Volkswagen, Serramonte Subaru, Serramonte Acura, Kia of Serramonte, and a new combined Dodge/Jeep/Chrysler/RAM dealership.
- The recession has impacted Colma's new car sales volumes, echoing trends regionally and nationally. Between 2001 and 2007, Colma dealerships sold an average of 12,300 vehicles per year. Sales dropped to a low of just 6,000 cars in 2009, but recovery started in 2010, with a rise to 6,700 sales for that year. This trend of fewer new car sales affected all dealers in California during the recession.
- Four of Colma's dealerships (Lexus, Nissan, Volkswagen, and Acura) are still ranked as the top volume sellers in their brand in San Mateo County.
- Serramonte Ford is notable as the only Ford dealership serving San Francisco (San Francisco Ford closed in 2011). Although the expanding Lincoln nameplate has not yet been added to Serramonte Ford, this represents an opportunity for future expansion if this revived nameplate strategy is successful for Ford.
- California regulations and manufacturer agreements with dealerships include a stipulation that new car dealers selling the same nameplate must be located at least 10 miles from each other.
- An updated review (since Phase 1 report) of manufacturers who do not have a dealership within a 10-mile radius of Colma, and thus could potentially be attracted to Serramonte's Auto Row includes GMC, Infiniti, Mitsubishi, and Suzuki. Ford is also reviving the Lincoln brand, selling through selected Ford dealerships.
- Several ultra-luxury brands also do not have a dealership within 10 miles of Colma (e.g., Porsche, Ferrari, Rolls Royce, and Tesla).

Challenges

- The ultra-luxury brands absent in Colma's Auto Row are not likely to locate in Colma, because their very affluent target markets are not close to the Town. CBRE, subconsultants to this study, have indicated that these brands are more likely to seek prominent San Francisco locations.
- General auto sales challenges also confront Colma's dealers, including competition from internet sales outlets (although most still require actual sales to occur through the dealerships), flat rates of auto ownership for San Francisco households (part of Colma's

trade area), and high gas prices encouraging increased transit use, also potentially impacting future ownership rates.

- Several dealers interviewed for this report indicated strong interest in a joint marketing effort to promote auto customers' visits to Serramonte Auto Row. However, Colma's dealerships previously tried to conduct a joint marketing effort that was not sustainable. BAE contacted the vendor engaged at the time, Mogo Marketing, who reported that participating dealers disagreed over the cost-formula used to allocate marketing expenses. This challenge and future opportunities are discussed in further detail below.
- Dealers interviewed for this study also indicated that Auto Row's streetscape, although well maintained, is not visible from the freeway, and is not distinctive enough to make a lasting impression. Opportunities for this challenge are discussed below.
- Dealers also reported lack of restaurants in the area as posing a challenge. Restaurants are important to dealers both as a way to occupy family members during the purchasing process, and also as a way to retain shoppers on Auto Row during extended comparison shopping trips. Leaving Auto Row to eat in another retail area outside of Colma, means that shoppers may not return and sales are lost.
- The subconsultant to this study, CBRE, noted that some dealers prefer a San Francisco location over Colma, particularly as real estate costs have declined. San Francisco offers a larger built-in customer base of residents and employees, and greater visibility for the auto manufacturers' brands.

Opportunities to Increase Sales at Existing Dealerships

During the research for this report, interviews with local dealers indicated several opportunities for increasing sales at existing Colma dealerships.

Image and Branding Campaign

One of the first steps that cities can take to enhance sales for their auto dealerships is to create a coordinate image and branding campaign, in order to establish the "place" in customers' minds and visually announce it to passing traffic and visitors. For Colma, this opportunity is especially acute, since local auto dealers and the business community expressed that they perceive Colma suffers from a general lack of identity and image due to its size.

A later section of this report details opportunities for community branding and image-building. If Colma undertook this process, and achieved a successful brand strategy, the ability to raise awareness and link it to both retailers and auto dealers would likely bring strong benefits to the Town and its businesses. It is recommended that a single branding campaign be undertaken, but that it is flexible enough so that Auto Row can be incorporated both visually and through the tag line. If the Town engages a consultant to undertake this task, that expert may have more refined concepts regarding how to communicate both overall image / brand and the specific features of Auto Row.

As noted by many local stakeholders, many of the existing auto dealers use Serramonte (the street location) in their company name, rather than Colma. These aspects of Colma's name and image would need to be considered and resolved in a successful branding strategy. One option may be a

dual naming feature with consistent graphics, which brands Auto Row as a component of the larger Colma logo and branding tag line.

Once the brand is formulated, a key component of the campaign would be to create signage and consistent street banners and other public displays (including on Colma's gateway signs), that communicated this brand in general, along with its associations with auto dealers. Especially critical in this strategy would be the placement of signage visible from I-280 announcing the Colma brand and the presence of Colma's Auto Row. The location of this signage will require special studies of sites and visibility patterns for all traffic passing on I-280. One option may be a joint sign initiative, that benefits the shopping centers, auto dealers, and the overall Town.

Joint Auto Dealership Marketing Program

As described above, in the late 1990s, Auto Row dealerships collectively pooled funds in a cooperative advertising campaign to jointly promote Auto Row. This strategy is a more direct marketing effort than the image and branding concept described above; and more directly linked then-existing dealers to their customers. Mogo Marketing was hired to execute a marketing strategy for the Auto Row, which included both print and television advertisements. The aim of the cooperative advertising campaign was to generate awareness of the Serramonte Auto Row as a destination, and to build a single, branded image. However, this joint marketing strategy was short-lived, reportedly due to disagreements over how to allocate the advertising fees among the dealerships. It is important to note that this effort was self-initiated among the participants; it did not involve any effort by Town staff.

There are many approaches to joint marketing among dealers, some of which can include public sector contributions to help facilitate the process and provide sustainability. For example, the City of Oakland supported an initiative to brand and promote Broadway Auto Row, including installation of street banners and street furniture, and promoting Broadway Auto Row through multiple media channels. This approach reportedly increased sales until the recession impacted nationwide auto sales volumes.

Another example of public sector support occurred in 2009 in Tracy, CA where the City funded a \$400,000 gift card program; shoppers who visited local auto row dealers received \$500 gift cards to obtain merchandise at local retailers. This program funded 800 gift cards, and was reportedly very successful in attracting car buyers to Tracy's dealers at a time during the recession when auto customer traffic was low. Other similar efforts have occurred throughout the US, funded by local merchants directly in collaboration with car dealers.

A third approach to joint marketing has been undertaken by Napa auto dealers, who joined together in 2007 to create a common website to promote each participant's used car inventory. The web site, found at: <http://napacardealers.com/>, was developed to attract local buyers who were traveling outside the Napa City area to find used car deals.

There are several challenges to structuring a successful joint marketing program. Most automobile dealers are highly competitive, and would benefit from a third-party such as the Town, facilitating the process. In addition, structuring a high-return marketing campaign may be expensive; careful planning would be needed to assess and structure a beneficial program, in conjunction with all of the dealers in Colma.

Streetscape Improvements and Restaurant Attraction

As described in Phase 1, the dealerships in Colma feel that Serramonte Boulevard is generally well-maintained. However, several dealers interviewed mentioned that an upgrade to existing streetscape features, such as more benches and landscaping, may improve visitation and retention of shoppers. In addition, most stakeholders cited the need to attract more local restaurants to help retain and lengthen the car buying period, retaining potential buyers in town.

Joint Storage and Pre-Delivery Inspection Center (PDI)

Finally, an opportunity may exist to support Colma's auto dealers by solving auto inventory storage and pre-delivery services space. Although research for this study did not include surveying all of Colma's auto dealers, several have mentioned the need to store some inventory off-site. Much of this occurs elsewhere in Colma, but occupies parcels that may have higher and better uses from a Town fiscal perspective over the long run.

Other cities including Walnut Creek, have considered this option in the past. Both BAE and CBRE have worked on developing this joint-use storage and PDI center concept, on publicly-owned lands and with some public financing support. In most of these concepts, if the land is provided at low or no cost by the community, such a center can be financed and repaid by rent payments received by each occupant dealership, improving each dealer's efficiency and ability to operate in an urban area that is land-constrained, as well as achieving some economies of scale (e.g., such as a joint car wash component). Further analysis in conjunction with the Town and its dealers would need to be conducted to identify the site, the financial structure, and the potential benefits and/or cost savings to the dealers. If designed and developed in a visible location (e.g., near I-280), this type of joint use facility can also strongly contribute to the branding / image strategy outlined above, using support from the Town to enhance and gain the fiscal revenue benefits of this public investment.

Additional Auto Dealer Attraction Opportunities

As outlined above, the attraction of additional new car dealerships to Colma is constrained by the requirement to space dealerships at least 10 miles apart from each other. A strong advantage of Colma retains is that space for new car dealerships in San Francisco (with more than 800,000 residents) is severely constrained; Colma has long served as a location for larger-parcel retail and auto merchants targeting San Francisco, with space to physically locate and still be convenient to the San Francisco population concentration. This gives Colma a strong competitive advantage due to geographic location.

The following profiles each of the identified potential new dealerships that could "fit" within the competitive landscape and be attracted to Colma. It should be noted, however, that according to

CBRE, subconsultant to this study, none of these market-void opportunities would be automatically attracted to Colma, for reasons identified below.

- **GMC** is the truck and minivan division of General Motors (the largest US auto manufacturer). Although General Motors had severe financial problems during the Great Recession, the company has recovered, with total sales running close to Toyota, the sales leader most months in the US. Although General Motors light vehicles (cars and small trucks) are sold at Stewart Chevrolet Cadillac in Colma, GMC is marketed as a full line of trucks and vans through separate dealerships. GMC's nearest dealerships to San Francisco/Colma are located in Burlingame, Richmond, and San Leandro. No GMC dealership is located in either San Francisco or Marin County, suggesting a strong opportunity to attract a dealer in Colma.
- **Infiniti**. This is the semi-luxury separate brand manufactured by Nissan, and has experienced successful sales in the Bay Area. Infiniti dealerships closest to Colma are located at 1395 Van Ness in San Francisco (approximately 18 miles northeast of Colma), and in Redwood City (approximately 25 miles south of Colma) providing the geographic "gap" in the marketplace within northern San Mateo County which Colma could fill.
- **Mitsubishi**. This auto brand has a relatively small market share in the US. The nearest Mitsubishi dealership to Colma is in San Mateo, just a few miles more distant than the 10 mile minimum. There is no dealership in San Francisco; the other Bay Area dealerships are in Concord, Oakland, and San Rafael. Due to this "hole" in the market, this dealer may be attracted to Colma, but according to CBRE (subconsultant for this study), would likely choose a San Francisco location instead if expansion were to occur.
- **Suzuki**. This auto brand also has a relatively small market share in the US. The nearest Suzuki dealerships in the Bay Area are located in San Leandro, Vallejo, and San Jose. Although there is a geographic void that could fit this dealership in Colma it is not likely that Colma would effectively compete, for reasons outlined below.

According to CBRE, subconsultant to this study, fitting the market void in a geographic sense is just the first step in attracting a new dealer. The dealership companies active in the Bay Area also need to determine if there is a profitable business opportunity, in terms of sufficient volume offset by reasonable costs, in order to open a new franchise. Moreover, the manufacturer also needs to actively agree to the specific location selected. CBRE's auto dealership expert sees some limited opportunities to attract one or more of the above dealerships, but is also very mindful of the resurgence of urban auto dealership locations, especially in San Francisco, where direct access to a larger customer base is available. The cost and availability of sufficient real estate to house auto dealerships has long been a constraint driving some dealers to consider other northern San Mateo County locations' however, due to more recent downturns in the commercial real estate market, and changes in the supply of adequate properties in San Francisco, opportunities to locate in the City have increased, meaning more competition with Colma's Auto Row for any new dealership opportunities.

Fiscal Benefits

The fiscal benefits of the opportunities include:

- **New Auto Dealership.** If Colma were able to attract a new auto dealership similar to its average existing dealership, with a sales volume of approximately 1,000 cars per year (roughly the median sales volume of the dealerships in Colma, see Phase 1 report), and the average car sale price was \$20,000, this could generate \$200,000 or more in sales tax revenues to the Town's General Fund per year.
- **Branding and Marketing/Promotion and Other Initiatives to Increase Existing Dealership Sales.** In addition, if other measures were taken to increase sales at existing dealerships as outlined above, the 2010 level of 6,700 cars could be increased. Assuming these initiatives resulted in a modest increase of 5 percent in sales volumes above the 2010 level (an additional 350 cars), and an average price of \$20,000 a car, the increase from joint marketing, promotion, and other measures to attract and retain shoppers could generate an additional \$70,000 per year in sales tax revenues to the General Fund.

Key Implementation Actions

As a first step to implement strategies related to the above opportunities, it is recommended that the Town convene an Auto Dealers Working Group, so that local dealers can meet and discuss common needs for branding, marketing/promotion, and streetscape improvements that can be enhanced by Town support. A consultant may be needed to facilitate this process and provide ongoing Auto Row assistance.

The Town can play a key role in this process by funding and convening the Working Group. It is recommended that a process be undertaken in the near-term, to engage a consultant and initiate this process. Its goal would be to further detail the Auto Row strategy for increased sales and dealer attraction to Colma's Auto Row.

This Working Group should also be represented in the broader Colma image/branding strategy described later in this report, so that Auto Row can be integrated into the materials.

Opportunity 3: Expand and Diversify Retail & Restaurant Sectors

Summary of Strengths and Challenges

Colma depends on the strength and vitality of its retail offerings to support the Town's General Fund revenues and ability to provide municipal services. This set of economic development opportunities focuses on Colma's non-auto retail sector.

Strengths

The Phase 1 Report identified the following strengths of Colma's retail sector:

- Colma's location on I-280 near the major population centers of Northern San Mateo County and San Francisco makes the Town an excellent location for region-serving retail.
- Colma has over 800,000 square feet of retail space, including regional shopping centers, automobile dealerships, and small shops.
- Retail vacancy in Colma is relatively modest. As identified in January, 2012, vacant non-automotive retail space in shopping centers totaled just over 17,000 square feet out of 358,000 square feet, for a vacancy rate of 4.8 percent. Taxable retail sales in Colma, although declining during the recent recession, are still very strong. Total taxable retail sales including automobile dealerships in 2010 were almost \$569 million. Although taxable sales decline during 2008 and 2009, they began to increase again in 2010 with the economic and auto sector recovery, and should be further recovering for 2011.
- Taxable retail sales analysis indicates that Colma receives "injections" (e.g., more sales than expected based on local residents and worker spending) in store categories including general merchandise, clothing stores, building materials, and food and beverage stores.
- Categories with "leakage" (e.g., not as much sales revenue as potential demand suggests), include restaurants, drugstores, home furnishings, electronics, and sporting goods.
- Sales performance for Colma's national stores tends to outperform national averages. For 17 national stores with data available for Colma, the local stores performed at over 140 percent of the national average relative to other stores in each chain.

Challenges

- Vacant store spaces impact Colma's fiscal revenues to its General Fund, which can cause concern due to Colma's small size and dependency on this revenue source.
- Although concern has been expressed that online sales channels may be impacting Colma's retail base over the long term, a recent study by Harvard Business School, *Adding Bricks to Clicks* (2011), found that retailers who built physical stores noticed a limited decline in online sales from those areas, but over time saw a synergistic total increase in sales. The study indicates that the various sales channels (online, catalog, and retail stores) all serve to reinforce each other. This process is further reinforced by improved return and store pick-up policies; for example, Best Buy now enables online purchase with in-store pick-up (further expanding sales, as the pick up customer then tends to buy more items during the store visit).
- Stakeholders and local businesses interviewed for the Phase 1 Report repeatedly expressed interest in expanding Colma's restaurant offerings. Interviews conducted for the Phase 1

report indicated that auto dealers would be greatly helped by the provision of more restaurant choices, as retaining families in Colma while auto shopping is important to capturing sales. Cemeteries surveyed for this Phase 2 report, indicated that Colma attracts more than 21,000 cemetery-related visits per month (see Appendix A), suggesting a strong demand for additional restaurant and private dining spaces.

Opportunity to Attract Large Sporting Goods Store

One of the opportunities for Colma identified through the leakage analysis in the Phase 1 Report which could contribute strong fiscal benefits to Colma is the attraction of a sporting goods store such as REI, a high quality sporting goods cooperative. This retailer, which had been seeking a San Francisco location for many years, has recently located on Brannan Street. Due to the popularity of this retailer in the Bay Area market, and the lack of another REI between San Francisco and San Carlos, REI may represent a potential destination retailer for this property. REI also appears on the expanding retailer list in Appendix A.



Fiscal Benefits

If the spaces identified in Fall 2011 were re-leased, the potential new taxable sales could range from \$150 to \$300 or more per square foot, depending on the retailers attracted to the spaces. It should be noted that if one or more of the retailers were restaurants, taxable sales would also decline per square foot, as certain restaurant items are not taxable.

The Town's vacancy rate is low; the Phase 1 report identified 84,750 square feet of vacant space as of late fall 2011. Since November of 2011, several spaces have been occupied, reducing the amount of vacant space to just over 75,000 square feet of existing retail. If this space were leased to stores generating \$150 per square foot, the total addition to the Town's General Fund would be over \$112,000 in sales taxes per year. If these stores were able to generate \$300 per square foot (the upper end of the likely range), the increases sales tax revenue to the General Fund would be approximately \$225,000 per year.

The development of new restaurants could further increase this fiscal benefit, depending on the location, sizes, and types of the new restaurants. It should be noted that full-service restaurants charge sales tax on their meals and beverages, in contrast to some fast food sales which vary in their taxable sales structure.

Key Implementation Actions

- Coordinate with cemetery and auto dealerships to promote local restaurants
- Maintain Town database regarding vacant spaces suitable for new retail and restaurant tenants
- Work with Chamber of Commerce, property owners, and brokers to attract new businesses
- Identify potential locations for development of new full-service restaurants through General Plan update process
- Identify potential locations for attraction of, or development of a new large-format sporting goods store such as REI, through General Plan update process
- Promote the findings of this study, with the key visitation data and general positive business climate

Opportunity 4: Accommodate Cardroom Expansion

Summary of Strengths and Challenges

One of the key businesses in Colma, Lucky Chances, generates substantial revenue to the Town's General Fund, and attracts numerous customers from throughout the region that could also be attracted to other local businesses.

Strengths

- Colma's Lucky Chances cardroom is a key source of revenue for the Town's General Fund. In FY 2008-09, Colma received \$5.4 million in tax revenue from Lucky Chances. This declined to \$4.9 million in FY 2009-10. Tax revenues from the card room are anticipated to remain in the range of \$5 million per year for the next few years.
- One benefit of the cardroom to Colma's General Fund is that gaming revenue has historically increased during economic downturns, which has helped to offset revenue decreases from retail and auto sales.
- The outlook for Colma's future business is reinforced by legislation passed by the California legislature in 2011, which extends a moratorium on the issuance of new cardroom licenses until 2020. This law limits competition from new entrants.
- Moreover, national gaming statistics profiled in the Phase 1 report indicate a strong growth trend in cardroom revenues. If this trend continues, Lucky Chances has an opportunity to significantly increase revenues, provided it can accommodate additional customers. If this industry continues to grow, existing cardrooms, like Lucky Chances, have an opportunity to capture a growing market share. From a fiscal perspective, this also ensures the Town will likely receive a steady tax revenue stream.

Challenges

- An interview with Lucky Chances management indicated that the business obtained licenses for an additional 14 card tables several years ago, but does not have sufficient room to add these tables to its existing facility. If the new tables generated revenue similar to the existing 60 tables, this addition to the business not presently viable, could add up to another \$1.7 million to the Town's General Fund per year.
- Lucky Chances leases its space and has approximately seven years remaining on its current lease. Although the business operator reports great satisfaction with its location in Colma, the future need to accommodate additional card tables may cause it to seek a new location. The operator would like to remain in Colma, but will need to evaluate options for new locations.

Opportunity to Expand Cardroom

The significant importance of Lucky Chances to the Town of Colma's fiscal vitality, generating \$5 million or more in cardroom taxes for the Town's General Fund per year, means that Colma would benefit from initiating discussions to accommodate the business's needs for expansion in the long-term. Moreover, the ability to help Lucky Chances expand to accommodate additional tables would also generate substantial additional revenue to the Town. If a new location in Colma could be

identified, the facility may even be able to support a hotel to complement its business, further adding Transient Occupancy Tax (TOT) revenue to the General Fund.

Identifying and evaluating sites for the location of this facility are beyond the scope of this study. However, it should be noted that one option, discussed in the next chapter, may be to combine this facility with the Town Center concept.

Constraints

The expansion of gambling is subject to state laws, which have been the subject of frequent changes, and Colma ordinances. Under current state law and Colma ordinance, Lucky Chances can add 14 tables to its cardroom by obtaining land use and gambling permits from the Colma City Council. Under state law, the Town cannot approve any further expansion beyond the 14 tables before December 31, 2020. After December 31, 2020, any further expansion would have to be approved by the residents of Colma at an election.

Fiscal Benefits

As discussed above, the expansion of the Lucky Chances business operation to accommodate 14 additional tables could generate \$1.7 million or more to the Town's General Fund. If a 75-room hotel were added to the new facility, it could generate an additional \$287,500 or more in Transient Occupancy Tax (TOT) revenue to the General Fund, similar to the hotel described in the next chapter. However, the cardroom hotel may be priced at a lower price point than the hotel described in the next chapter, which is conceptualized to serve cemetery and other visitors to Colma. If a lower price point hotel were combined with the cardroom expansion, the resulting TOT would be lower than the \$287,500 per year estimate as well, depending on the actual revenues received by the hotel.

Key Implementation Actions

- Work closely with Lucky Chances management to identify timing and space needs
- Use General Plan process to identify possible locations for expanded cardroom and possible hotel
- Hire consultants to complete feasibility analysis of expanded cardroom and possible hotel
- Assist Lucky Chances management in seeking environmental and governmental approvals
- If combined with a hotel, voter approval of Transient Occupancy Tax (TOT) in Colma, and creation of ordinance implementing TOT

Opportunity 5: Create Branding and Promotional Materials for Colma

Summary of Strengths and Challenges

Strengths

- According to stakeholder interviews conducted for this report, business leaders and elected officials are concerned that Colma suffers from a lack of identifiable image, aside from its historic legacy as a major cemetery location. While this historic image is important to the Town's residents, it may not provide the strongest image for economic development because it does not fully reflect the base of businesses with found in Colma.
- Colma has many attributes that could be captured in a community brand and logo, and many features that could build on that identify to promote Colma as a destination for shoppers, auto buyers, and other visitors.

Challenges

- A key challenge in branding and promoting Colma is its small size and limited number of residents. In addition, key locations in Colma, such as 280 Metro Center and Serramonte Auto Row, do not carry Colma in their names. Thus, the place-name is somewhat elusive, and not easily retained by non-residents.
- In addition, the diversity of Colma's attributes: extensive retail, Auto Row, cemeteries, beautiful green vistas and topography, friendly businesses, BART station access, and a well-managed municipality, are challenging to blend together into a single image.

Opportunity for Community Branding

Community branding is a process of identifying community core values, strengths, key features, or other creative concepts to describe the community for economic development purposes. This process often involves local outreach, surveys, interviews with business leaders and other research, utilized to establish creative options for the community's brand and graphic logo. Once the brand is formulated, economic developers recommend placing it consistently on websites, gateway signs, marketing brochures, letterhead, and in public spaces. The brand and logo are also used in advertising and promotional campaigns. Several examples of community branding are shown below.



SEBASTOPOL
Local Flavor. Global Vision.



santa rosa
california cornucopia

A more specific example designed for economic development promotional purposes, is the following brand/logo for Pleasanton, California:



The Town of Colma currently has a promotional slogan, “It’s Great to be Alive in Colma.” While this slogan is a tongue-in-cheek reference to the large amount of Colma dedicated to cemeteries, it does not describe the specific key industries, or other general community features that would attract more economic development. In addition, the Town does not currently have a logo to express its slogan to communicate a unique visual identity.

Due to its small size and dependence on retail, auto, and cardroom customers, it may be very beneficial for Colma to re-launch a modern branding initiative designed to establish a business location identity.

Opportunity for General Town Promotional Materials

Once a new brand and tag line have been created, Colma should create simple promotional materials and upgrade its web site. Most cities interested in economic development undertake these efforts, promoting features such as positive demographic characteristics, available sites, historic preservation, recreational facilities, and key businesses. In Colma’s case, the emphasis will likely be on retail and auto businesses, transit access, convenience to San Francisco and northern San Mateo County, business-friendly Town services, and related aspects. The Town should promote links to its history, museum, cultural aspect of its cemetery, and its monument artisans. An example of a small city’s promotional brochure can be viewed at the following link:

Dublin, CA: A Great Place to Grow

<http://www.ci.dublin.ca.us/DocumentView.aspx?DID=268>

For both the branding and promotional materials, the San Mateo County Economic Development Association may be able to provide assistance. There are also numerous consultants available to create a branding strategy and promotional materials.

Opportunity for Specific Marketing Campaigns

In addition to the general branding and promotional strategies outlined above, which would reinforce Colma as a shopping and visitor destination, while promoting the Town's name, identity, and location, the Town could also undertake more targeted marketing campaigns highlighting its retailers, its Auto Row, and/or its business base.

There are many examples of cities and towns contributing funds and / or staff time, along with merchants, to market a specific shopping district. One example is the San Mateo Downtown Marketing Association. This group of merchants promotes and markets Downtown San Mateo, following the Main Street model (which focuses on promoting downtown collections of smaller merchants). More information can be found at: <http://sanmateodowntown.org/>.

Fiscal Benefit

This set of recommendations is difficult to measure in terms of direct fiscal benefit. However, if an expert in community branding were engaged, they may be able to provide payback examples from their prior work.

Key Implementation Actions

- Prepare RFP to select branding and marketing firm

IV. ATTRACT NEW BUSINESSES

Opportunity 6: Develop Specialty Retail/Entertainment/Dining District

Based on market analysis for retail, restaurant, and hotel uses the opportunity for developing a cluster of specialty retail (particularly home-furnishings) and restaurant/entertainment appears strong over the long term. The Town should use the General Plan update process to determine the most appropriate location options for this type of district.

Home Furnishings Retail

Furniture and home furnishings were identified as leaking retail sales in the Colma trade area, offering the potential to synergize with regional retail shoppers already coming to Colma's extensive retail facilities. The Brannan Street area of San Francisco, the Gilman Corridor in Berkeley, and portions of the Fourth Street specialty shopping district in Berkeley have all attracted larger home furnishings retailers into light-industrial and service-commercial structures. Stores such as CB2, West Elm, Restoration Hardware, and Z Gallerie have all located in these types of urban, adaptive reuse districts, with new construction and rehabilitated buildings mixed into an interesting, unique district.



ROOM & BOARD STORE IN SAN FRANCISCO

Thus, this concept holds potential for Colma if a large commercial site or cluster of sites become less viable and businesses seek to relocate elsewhere. Combined with an anchor entertainment project outlined below, this larger development vision would create a one-of-a-kind shopping district with easy access to I-280. This concept could generate substantial sales tax revenues for the Town.

Entertainment / Dining

Many urban areas of California and elsewhere have experienced revitalization of former industrial, low-rise buildings into interestingly designed brew pubs, sports bars, and combination bar/restaurant districts that offer upscale nightlife to complement daytime retail districts. The concept of an anchor entertainment/dining project that could eventually lead to significant changes to an entire corridor appears feasible from a market perspective.

An excellent example of the anchor brew pub concept is the Pyramid Alehouse on Gilman Avenue in Berkeley. Here, in a corridor that once looked much like Collins Avenue appears today (e.g. mix of service commercial, vacant or underutilized land, and general “backyard” storage), the extensively redeveloped former industrial district now houses a popular large brew



PYRIAMID ALEHOUSE ON GILMAN IN BERKELEY, CA

pub, with onsite micro-brewing. In the case of the Pyramid Alehouse in Berkeley, the parking lot serving the facility has also been repurposed during the summer to show outdoor films, in a style evocative of small European villages showing community films on an outdoor screen.

This project has in turn, stimulated new construction along the Gilman corridor, including another destination restaurant (T-Rex), a small specialty outlet mall for catalog retailers, and a number of high-end specialty sporting goods retailers. New development also includes flex-space commercial loft condos.

Constraints to this concept in Colma may include the costs of any underlying site remediation from prior industrial use, and the interest of property owners to convert uses that may meet ongoing business needs, depending on the location selected.

Fiscal Benefits

The fiscal benefits of the identified opportunities include:

- **Home Furnishings Stores.** Assuming that 100,000 square feet of home furnishing space could eventually be occupied, this could generate \$150,000 in sales tax revenue per year (assuming \$150 per square foot average sales; home furnishing stores generally have relatively low sales per square foot due to the space-intensive display of large pieces of furniture).
- **Restaurants/Entertainment.** A restaurant/entertainment venue such as a brew pub sized at roughly 25,000 square feet (to accommodate on-site brewery facilities) could generate additional tax revenues, depending on the amount of food served and beer sales originating from the enterprise.

Key Implementation Actions

- Select location or target area through General Plan update process
- Review Town development standards and parking requirements to encourage establishment of a specialty retail and restaurant district

Opportunity 7: Develop Hotel

Summary of Strengths and Challenges

Colma's strategic location along I-280, location near San Francisco and San Francisco International Airport, its attraction of cardroom customers from a large region, and its extensive attraction of visitors to cemetery-related activities, all point to the potential opportunity for development and market support of one or more hotel projects. Hotels not only serve to support other local businesses, but contribute extensively to local government tax revenues, as described below. Additional information related to the hotel market is included in Appendix C.

Strengths

- Colma has strong visibility and access from I-280, offering the ability to attract business and tourist lodging demand from San Francisco's neighborhoods along this corridor, as well as visitors to northern San Mateo County residents.
- In addition, Colma receives more than 21,000 visitors per month associated with the cemetery sector. These visitors are not only attending funerals, but also come to Colma's cemeteries for numerous types of cultural events honoring the deceased, involving extended family members from all over the world. With an estimated five to 10 percent from distant locations, these visitors should generate strong demand for a hotel catering to their needs.
- Hotel demand may also come from customers at Lucky Chances, the cardroom located in Colma. This opportunity is discussed further in the next chapter.
- As described in Appendix C, there appears to be an undersupply of hotel rooms in the I-280 corridor. Part of this undersupply of hotel rooms is due to a large clustering of hotels located on Highway 101 which more directly serve SFO-generated demand as well as general northern San Mateo demand.
 - For this study, four hotels located near Colma were analyzed for recent market performance. The sample included Mission Inn in San Francisco near I-280, Hampton Inn and El Camino Inn located in Daly City, and Days Inn located in San Bruno on El Camino Real. This sample of hotels had a total of 221 rooms.
 - For the four hotels near Colma, occupancy rates appear to be strong. In May 2011, the latest month for which data was obtained for this study, occupancy rates in the I-280 hotels averaged 77 percent, exceeding the larger regional area's occupancy rate of 73 percent. Industry analysts consider occupancy rates above 75 percent as indicative of a strong market.
 - Average room rates for the hotels near Colma have started to rebound from their low during the recession. For the last period of data available (May 2011), room rates averaged \$83 per night for the four hotels analyzed.

Challenges

- Securing a site for a feasible hotel may prove challenging in Colma. A suitable site should be freeway-accessible, and also be able to utilize signage that is clearly visible from I-280.

- The lack of a proven hotel cluster in Colma may challenge securing the first hotel operator. However, this sector has shown good recovery in the Bay Area, and there are several hotel operators in expansion mode.
- Specific attraction of a hotel project would depend on the land price, location, and ability to obtain entitlements for a hotel.

Opportunity to Develop New Hotel

These above indicators suggest that a hotel located near I-280 in Colma, serving both business travelers and visits related to the cemetery sector, should experience strong demand. As described in Appendix C, a prototype for consideration is Hyatt Place, which can occupy a 51,000 square foot, four-story structure with 75-rooms, 1,200 square feet of meeting space, and at-grade parking spaces. This prototype in Davis, California occupies an approximately 3.3 acre site.

Depending on the location selected, constraints to the this concept may include the costs of demolition of the existing single-story commercial structures on the site, as well as related streetscape and signage improvements to direct travelers to the hotel.



HYATT PLACE IN DAVIS, CA

Fiscal Benefits

As described in the Appendix, a hotel in Colma would contribute to the Town’s General Fund if Colma adopted a Transient Occupancy Tax (TOT). Assuming a 10 percent tax rate, an average room rate of \$150 per night (based on rack rate of \$169 per night at Hyatt Place, Dublin, CA) and an average annual occupancy of 70 percent, this would yield approximately \$287,500 per year for Colma’s General Fund.

Key Implementation Actions

- Select location through General Plan update process
- Prepare RFP to select consultant to complete feasibility analysis
- Complete feasibility analysis
- Modify Town regulations to encourage construction of a hotel (this includes amendments to the General Plan and Zoning Ordinance for the use and to establish parking requirements).
- Seek voter approval of establishing Transient Occupancy Tax (TOT) in Colma
- Adopt an ordinance initiating Transient Occupancy Tax (TOT)].

Opportunity 8: Create Town Center

Summary of Strengths and Challenges

The Town does not currently have a central location for residents to mix and mingle. This concept would create such a location, using retail and restaurants as the focal point.

Strengths

- Colma residents and business owners have long desired a central focal point for the community, since it otherwise lacks a traditional “downtown.” Many envision a Town Center, with a mix of uses including retail and community uses with housing and/or office built above. The concept could also include outdoor plazas and park areas. This vision is consistent with the ongoing regional planning initiative known as the Grand Boulevard Initiative (see <http://grandboulevard.net/>).
- This concept would further expand retail and restaurant options for Colma, as discussed previously in this report.

Challenges

- The concept requires a large area.
- The Town has 30 foot setback requirements along El Camino Real which effectively reduces the buildable area of parcels along the El Camino Real.

Opportunity to Design and Develop Colma Town Center

The Town has long sought more local-serving businesses, which could offer an open-air retail and community gathering place. Some have suggested a location near Town Hall for this concept, using a design which complements the historic City Hall and new Town Police Station on El Camino at Serramonte Boulevard. This vision would create a “heart of Colma” at the crossroads of the two major streets, creating a mixed-use project with retail and community uses at ground level, and housing and/or office uses above.

The Town Center concept would pair nicely with the Grand Boulevard Initiative, a grant-funded collaborative planning effort of 19 member cities, counties, and other public agencies which have jurisdiction over El Camino Real along its 45+ mile route through San Mateo and Santa Clara Counties. This initiative aims to coordinate planning and development along El Camino, eventually offering an integrated “complete street” with transit options, transit-oriented or pedestrian-oriented mixed-use development, affordable housing to meet local needs, and a smarter development pattern. Colma is a member of the Grand Boulevard Initiative.

In December 2010, the Grand Boulevard Initiative published a consultant-authored report called “Economic & Housing Opportunities Assessment,” which summarized the land capacity that could house new residents and jobs along the length of the corridor, along with analysis of the resulting aggregated new property tax revenues and employment opportunities. The report recommends creating nodes of denser activity along the El Camino corridor; the Colma segment is not identified as a major node for targeted development in that framework. However, in between the major nodes, the report recommends seeking additional mixed-use development opportunities where possible,

and envisions new housing at 14 units an acre to 40 or more units an acre (four stories over parking). The report also shows mixed-use, with housing over retail in many locations, taking advantage of future transportation improvements including bus rapid transit, as well as proximity to BART stations.

Fiscal Benefits

The Town Center concept was not evaluated for fiscal benefits, due to the need to design the concept and determine feasible uses.

The type and size of uses could vary greatly, and may include the hotel or expanded cardroom use as discussed above. Also, the economics of the development may be driven by multi-family residential development to subsidize and support retail and restaurant uses. While the fiscal benefits of the latter would be less, the social aesthetic and community benefits may make it worthwhile for the Town.

Key Implementation Actions

- Select location through the General Plan update process
- Analyze parking needs
- Modify Town regulations to allow for this type of development and mixture of land uses.

V. NEXT STEPS

The preceding discussion outlines both near- and longer-term opportunities to expand Colma's businesses and enhance its tax revenues.

Following review by Town Council, this report will be revised and presented to a public forum to obtain resident and business input.

Next, the process will culminate with the completed Economic Development Plan, including a matrix of specific near- and longer-term actions, including approximate costs and recommended lead and support organizations.

APPENDIX A: VISITOR ESTIMATES AND TRAFFIC COUNTS

The Town relies on attracting visitors to support its main industries, which include the cardroom, cemeteries, and retail sales driven by consumer and auto retail. This Appendix provides data regarding cemetery visitor estimates from a BAE survey, and data regarding traffic volume obtained from Caltrans.

Cemetery Visitors

Cemeteries in Colma attract a significant number to visit graves and/or attend funerals. To estimate the magnitude of visitation to Colma, BAE surveyed Colma's cemeteries in November 2011. Ten of the 16 cemeteries in Colma participated in the survey. Survey participants were asked about the number of funerals and interments per year, average number of attendees, and also grave visits on typical days as well as major holidays including Memorial Day, Veterans Day, Día de Muertos, Qing Ming and Chong Yang. Estimates were provided by funeral directors, groundskeepers, and other staff.

As shown below, at least 21,000 people visit Colma cemeteries on average each month. It should be noted that the actual visitor count is likely higher than this estimate, since not all cemeteries responded to the survey.

Table A1: Estimated Monthly Cemetery Visitors, Colma, 2011

Name	Year		Monthly Visitors
	Established	Non/For Profit	
Holy Cross	1887	Non-Profit	5,200
Hills of Eternity Memorial Park, Home of the Peace, Salem Memorial Park	1889-1891	Non-Profit	840
Cypress Lawn	1892	Non-Profit	4,000-7,000
Olivet Memorial	1896	For-Profit	3,000
Italian Cemetery	1899	Non-Profit	2,000
Serbian Cemetery	1901	Non-Profit	180
Woodlawn	1904	For-profit	3,500
Greek Orthodox Cemetery	1935	For-profit	1,500
Eternal Home	1901	Non-Profit	Not available
Japanese Cemetery	1901	Non-Profit	Not available
Greenlawn	1903	For-profit	Not available
Pet's Rest Cemetery	1947	For-profit	Not available
Hoy Sun	1988	Non-Profit	Not available
Golden Hills Cemetery	1994	For-profit	Not available
Estimated Total Monthly Visitors (a)			21,720

Notes:

(a) Estimate of total monthly visitors only accounts for cemeteries that responded to the survey. The actual visitor count may be higher.

Source: BAE, 2011

Surveys with cemeteries also anecdotally revealed an unmet demand for food and drinking establishments in Colma. Many cemetery staff mentioned that visitors often inquire about banquet hall rentals and restaurants. While cemeteries frequently suggest the Colma Community Center for banquets, the restaurants they recommended were usually outside of the Town. Survey respondents named Val’s Restaurant (Daly City), Ristorante Buon Gusto (South San Francisco), Joe’s of West Lake (Daly City), Koi Palace (Daly City), Moonstar Buffet (Daly City), and Chevy’s (South San Francisco). None of the interviewees mentioned restaurants in Colma, which suggests there may be an opportunity for the Town to expand its selection of restaurant offerings to serve cemetery visitors, retail shoppers, and other the day-time employees. This finding echoes the results from the Phase 1 retail analysis that showed a sales leakage of food and drinking establishments from Colma.

Traffic Counts

Traffic counts can help gauge market demand and development potential, particularly for auto-dependent retailers. Caltrans uses electronic instruments to continuously sample traffic along state highways, and publishes data on the annual average daily traffic flows through a specific intersection. Highway 82/El Camino Real is the only location in Colma for which Caltrans maintains traffic counts. Highway 82 is situated between highways 280 and 101 and is a major arterial that connects multiple cities in the Retail Trade Area, terminating in San Jose in the south, and San Francisco in the north. In Colma, traffic counters are located north and south of the El Camino and Mission Road intersection.

This data shows that in 2010, a daily average of 31,000 cars passed the counters located north of the El Camino Real/Mission Road intersection (referred to as “ahead AADT”). In the same year, a daily average of 19,000 cars passed the counters located south of this intersection (“back AADT”). Unfortunately, Caltrans does not reveal the direction in which traffic is heading, so it is difficult to extrapolate whether there are “destination draws” along El Camino Real.

Table A2: Annual Average Daily Traffic, El Camino Real & Mission Rd, Colma, 2000-2010

Year	Ahead AADT (a)	Back AADT (b)
2010	31,000	19,000
2009	31,000	19,000
2008	31,000	19,000
2007	28,500	17,400
2006	29,000	17,600
2005	32,500	19,500
2004	32,000	19,100
2003	32,500	19,300
2002	38,000	22,500
2001	38,000	22,500
2000	38,000	22,500

Notes:

(a) Ahead annual average daily traffic (AADT) represents traffic north of the count location and is the annual volume divided by 365 days.

(b) Back annual average daily traffic (AADT) represents traffic south of the count location and is the annual volume divided by 365 days.

Sources: Caltrans, 2000-2010; BAE, 2011

APPENDIX B: EXPANDING RETAILERS IN CALIFORNIA

HDL page 1

Hdl page 2

APPENDIX C: HOTEL MARKET OVERVIEW

Colma does not currently have a hotel facility within its borders. However, this report explored the potential for new hotel development in Colma, due to both the high volumes of card room and cemetery visitors attracted to the Town, as well as Colma’s strategic location along I-280 near San Francisco and SFO, leading to potential demand from both business travelers and tourists.¹

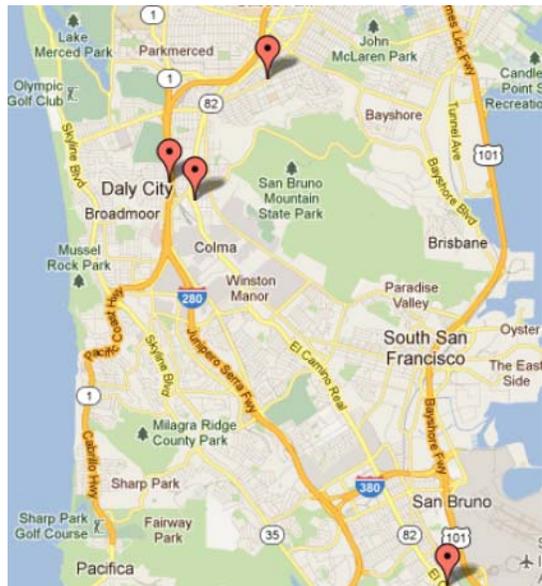
This Appendix analyzes the existing hotel market in areas surrounding Colma, with a focus on the I-280 corridor. To assess hotel market potential, BAE purchased and analyzed data from a private vendor, Smith Travel Research (STR). This independent research company collects data on lodging facilities from a subset of all hotels, providing a useful data set for participating hotels. However, since not all hotels participate in the data collection, the picture provided by STR data is sometimes not complete. For this report, the closest hotels to Colma in all directions with available data in the STR database were selected for further analysis. These four hotels, the Study Area Sample, have a total of 221 rooms². It should be noted that confidentiality rules require at least four hotels in the aggregated data in order to publish information; thus, BAE selected the four available from STR.

Highway I-280 Hotel Market

The table below shows the four properties in the Study Area Sample. The Mission Inn, Hampton Inn, and El Camino Inn are located along Highway I-280, and are the only lodging facilities on I-280 tracked by STR between San Bruno and San Francisco. The Days Inn in San Bruno was also included in the sample because it captured a local market along El Camino Real.

Table C1: Lodging Facilities in Study Area, 2011

Hotel Name	City	Number of Rooms
Mission Inn	San Francisco	51
Hampton Inn	Daly City	86
El Camino Inn	Daly City	36
Days Inn	San Bruno	48
		221



¹ Cemetery staff estimated that approximately 10 to 20 percent of visitors related to their industry sector live outside the Bay Area.

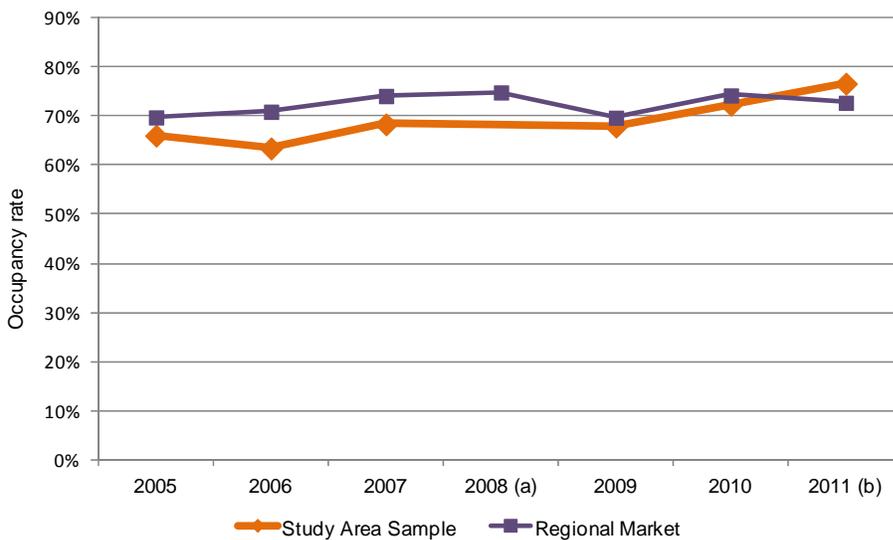
² Data for six small motels and inns in Colma and Daly City, totaling 173 rooms, are not included in the STR database.

Current Market Performance

The Study Area Sample was compared to a larger Regional Market data report, including hotels in Brisbane, Colma, Daly City, Pacifica, San Bruno, and South San Francisco containing over 4,000 rooms.

While occupancy rates have historically trended slightly lower in the Study Area Sample than in the Regional Market, occupancy rates have improved in the Study Area Sample more rapidly than in the Regional Market in the past few years. As shown, occupancy rates in the Regional Market rose between 2005 and 2008, and then fell to 70 percent in 2009 due to the recession. In 2010, demand rebounded, as occupancy rates approached 74 percent. Occupancy in the Study Area Sample mirrored the Regional Market, falling between 2005 and 2006, recovering in 2009, and reaching a five-year high in 2010, at 72 percent. In the first five months of 2011, occupancy rates were higher in the Study Area than the Regional Market. In May 2011, the last month of the data analyzed for this report, the Study Area Sample had an occupancy rate of 77 percent, compared to 73 percent for the Regional Market. Industry analysts consider occupancy rates above 75 percent to indicate a relatively strong market.

Figure C1: Occupancy Rates, Study Area Sample, 2005-2010



Notes:

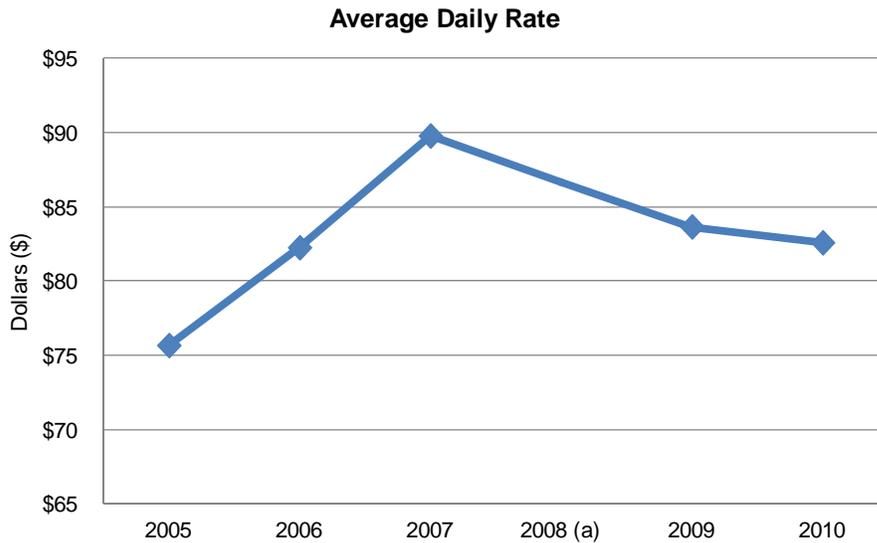
(a) Figures for 2008 were not available for the study area. The 2007-2009 change in occupancy rates is shown by a trend line.

(b) 2011 STR data only includes information for the first five months of 2011.

Sources: STR; BAE, 2011

The figure below shows average daily room rates for the Study Area Sample between 2005 and 2010. During the period, average daily rates increased, reaching a high of \$90 in 2007, then declined due to the recession, and then began to recover in 2010, reaching \$83 per night.

Figure C2: Average Daily Rate in Study Area, 2005-2010



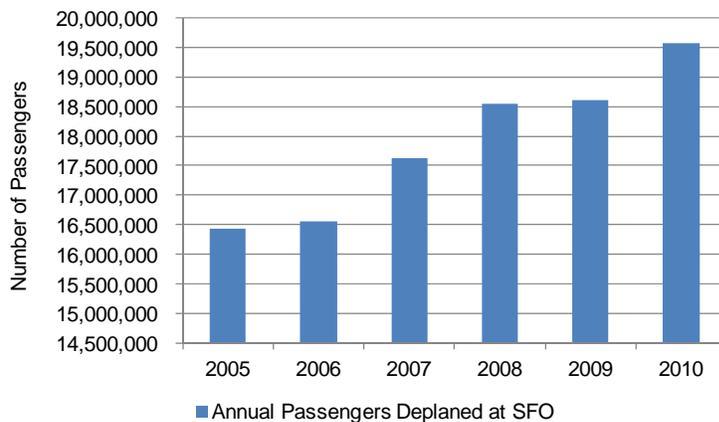
Notes:

(a) Figures for 2008 were not available for the Study Area Sample, so the line shown is trended from 2007 and 2009 data.

Sources: Smith Travel Research, BAE, 2011

Given the slow economic recovery in the Bay Area, it is difficult to estimate long-term hotel demand in the region or locally in Colma. However, a review of SFO deplaning patterns offers one harbinger of future strength in the travel industry.

Table C2: Annual Passengers Deplaning at SFO



Source: San Francisco International Airport, 2011

Development Criteria

The above findings suggest that the local market could likely support additional hotel development along the I-280 corridor in Colma. Based on the existing supply in the area and local market demographics, a three-star hotel targeted to contemporary business travelers related to freeway accessibility and proximity to San Francisco, as well as to families visiting Colma related to the cemetery sector, could be appropriate for Colma.

Brands that fit this category include the Hyatt Place and Holiday Inn Express. The table below shows features for Hyatt Place and Holiday Inn Express facilities that have been built or renovated recently in the Bay Area. The lodging facilities shown reflect a range of hotel sizes, from 60 to over 200-room hotels. Although the Hyatt Corporation does not publish typical standards for their select-service lodging facilities, a 2010 Hyatt Place development in Davis provides some guidance on development criteria, especially for a smaller format hotel.

Table C3: Sample Small Mid-Priced Hotels, San Francisco Bay Area, 2011

Property	City	Rooms	Stories	Year Opened	Facilities and Amenities				Meeting Space (sf)
					Restaurant/ café	Exercise Room	Pool	Meeting Rooms	
Holiday Inn Express	Redwood City	62	2	2006	x	x			
Holiday Inn Express	San Pablo	85	3	1999	x	x		x 800	
Hyatt Place	Dublin	127	6	1999	x	x	x	x 930	
Holiday Inn	Oakland	145	4	2008	x	x	x	x 3,000	
Hyatt Place	Fremont	151	7	2007	x	x	x	x 860	
Hyatt Place	San Jose	234	9	2012	x	x		x 6,800	

Source: BAE, 2011

The Hyatt Place in Davis, California offers an example hotel size and footprint. This Hyatt Place is a four-story, 75-room hotel that features approximately 1,200 square feet of meeting space, a restaurant, swimming pool, and 127 at-grade parking spaces. The building totals 51,000 square feet on a 3.3 acre site.³ This footprint can be used as a benchmark to assess potential sites in Colma for size and features.

³ HVS Consulting and Valuation Services, *Impact Study, Hyatt Place UC Davis Hotel*, June 2011

Fiscal Revenue from Hotel Uses

Hotel uses provide a strong source of additional General Fund revenue for cities. The table below provides a summary of hotel taxes (formally called Transient Occupancy Taxes, or TOT). If Colma were to attract one or more new hotels, the Town would need to adopt a TOT ordinance and select a TOT rate. Based on the table below, it is likely that a rate of 10 percent would be supportable, given that this rate is used by I-280 corridor communities with some distance from SFO. San Francisco is able to charge a higher tax rate, due to the strong level of tourist and convention-related demand.

Table C4: Transient Occupancy Tax Rates in Neighboring Cities, 2011

<u>City</u>	<u>TOT Tax Rate</u>
Daly City	10%
South San Francisco	10%
Burlingame	12%
Brisbane	12%
San Bruno	12%
San Mateo	12%
Pacifica	12%
San Francisco	15-16%

Sources: BAE, 2011