

# 13 Economic Vitality

## Introduction

San Rafael's quality of life and economic health are closely linked; each supports and benefits the other. Business is drawn to San Rafael by amenities such as parks, schools, and public safety services. In turn, ~~these~~ businesses generate taxes, fees, and revenues which help sustain government services. As this cycle has shaped San Rafael, the economy itself has become one of the city's amenities. San Rafael offers an array of goods and services, convenient shopping, restaurants, health care, and entertainment, creating an environment that attracts new residents and new jobs.

Adoption of General Plan 2040 coincides with the economic aftershocks of the ~~2020~~ COVID-19 pandemic. The pandemic ~~has~~ significantly impacted San Rafael's businesses, residents, and workforce, ~~with repercussions for City revenues and service delivery~~. Low-wage workers and people of color have been especially hard hit. In the short-term, strategies are needed to facilitate recovery and provide economic assistance. Longer-term, the impacts on commercial real estate, shopping, workplaces, commute patterns, and other aspects of San Rafael's economy will need to be monitored, with policies and programs adjusted in response to evolving trends.

The purpose of the Economic Vitality Element is to create a positive environment for business and investment, support local workforce development, and enhance the character of the city's business districts. It is not intended as a financial statement or fiscal analysis, nor is it an economic development strategic plan. These are essential aspects of planning for our future, but they are addressed through other plans and programs.

Policies in this the Economic Vitality are intended to guide the city toward Element take the long view, recognizing that this is a 20-year Plan. The local economy will ebb and flow, but the long-term goals remain relevant. These goals include a healthy and resilient economy, a diverse and balanced business mix, and distinctive business districts. Economic vitality goals are complemented by policies throughout the Other parts of the General Plan that support San Rafael's economic health by improving, including land use compatibility, transportation efficiency, good urban design, and improved access to education and jobs for all residents. Further research is needed to determine the best ways to balance fiscal stability, economic opportunity, and equity goals. The Economic Vitality Element includes policy and program direction to undertake this research.

## San Rafael's Economy

San Rafael accounts for about one-third of Marin County's jobs. There are approximately 44,000 jobs in the Planning Area, including over 40,000 jobs within the city limits. Table 13-1 shows the number of workers by industry in San Rafael and Marin County in 2002 and 2018, including the percentage in each economic sector, and the percentage change during this time period. The largest sectors in San Rafael are health care and social assistance; retail trade; professional, scientific, and technical services; construction; and accommodation and food services. Industry composition in the city is comparable to Marin County as a whole, although San Rafael has somewhat higher percentages of health care, construction, and public administration jobs. During the last 16 years, the city has seen significant increases in health care, hospitality, and management employment. It has seen decreases in manufacturing, information services, retail trade, and finance. Overall, the number of jobs in the city increased by about five percent between 2002 and 2018. The County's growth rate was somewhat

~~higher, at eight percent, with the largest sectors being education, health, and social services; professional and management positions; retail trade; arts and hospitality; and public administration. Table 13-1 provides data on jobs that are located in San Rafael from the US Census Bureau. Table 13-2 shows the occupational categories of persons working in the city.~~

In December 2019, the unemployment rate in Marin County was just 2.0 percent. By April 2020 it was 11.2 percent. The COVID-19 pandemic resulted in substantial job losses as well as increased vacancy rates. Countywide unemployment had improved to ~~4.6~~ 6.5 percent by ~~April 2021~~ September, but there ~~are~~ still uncertainties about ~~the future~~ what lies ahead.

The Marin Economic Forum (MEF) notes that Marin County businesses ~~were~~ have been especially hard hit by the pandemic, in part because many of them are small (70 percent of all payroll firms in Marin County employ nine people or fewer) and serve a localized market. Small companies are less able to withstand a cash crisis, making them more vulnerable in a sudden downturn. In addition, much of the local economy is driven by personal services, a sector which ~~was~~ has been particularly hard hit by shelter in place orders. Part of making the economy more resilient is diversifying the mix of goods and services provided by San Rafael’s businesses, including industries that provide goods and services beyond county borders.

As indicated in the Framework Chapter of General Plan 2040, new strategies are needed to balance competing objectives for the City’s economy. These strategies should help the City preserve land for employment and maintain its tax base while responding to structural economic changes, fundamental shifts in retail shopping, new commute patterns and remote work, and achievement gaps for lower income communities. An Equitable Economic Development Strategy is recommended to rethink past assumptions and respond to our changing economy, demographics, and technology.

Editor’s Note: Move photo below Goal 1 after tracked changes are accepted



**Table 13-1: Workers by Industry, San Rafael and Marin County**

Industry	San Rafael		Marin County	
	Number	Percent	Number	Percent
Educational, Health, and Social Services	8,530	19.6%	26,875	21.4%
Professional, Scientific, Management, Admin, and Waste Management Services	7,305	16.8%	22,680	17.8%
Retail Trade	4,910	11.3%	14,260	11.2%
Arts, Entertainment, Recreation, Accommodations, and Food Services	3,485	8.0%	13,110	10.3%
Other Services, except Public Administration	3,320	7.6%	9,670	7.6%
Finance, Insurance, Real Estate, Rental, and Leasing	3,310	7.6%	10,320	8.1%
Public Administration	3,200	7.3%	5,390	4.2%
Construction	2,905	6.7%	8,450	6.6%
Manufacturing	2,060	4.7%	5,555	4.4%
Transportation, Warehousing, and Utilities	1,770	4.1%	3,365	2.6%
Information	1,470	3.4%	3,680	2.9%
Wholesale Trade	1,160	2.7%	3,130	2.5%
Agriculture, Forestry, Fishing, and Hunting	140	0.3%	860	0.7%
Armed Forces	4	0.0%	165	0.1%
<b>TOTAL</b>	<b>43,569</b>	<b>100.0%</b>	<b>127,510</b>	<b>100.0%</b>

Source: BAE, Census Transportation Planning Package, Table A202104 five-year sample data, 2019. Figures represent total number of jobs in each sector in San Rafael and Marin County.

**Table 13-2: Occupational Categories of Workers, San Rafael and Marin County**

Worker Occupation	San Rafael		Marin County	
	Number	Percent	Number	Percent
Sales and Office Occupations	10,625	24%	29,295	23%
Service Occupations	8,715	20%	26,325	21%
Management, Business, and Financial Occupations	8,225	19%	24,895	20%
Education, Legal, and Arts Occupations	4,720	11%	16,445	13%
Natural Resources, Construction, and Maintenance Occupations	3,830	9%	10,165	8%
Production, Transportation, and Material Moving Occupations	2,805	6%	6,530	5%
Computer, Engineering, and Science Occupations	2,365	5%	7,375	6%
Health Practitioners and Technicians	2,265	5%	6,395	5%
Armed Forces	0	0%	95	0%
<b>TOTAL</b>	<b>43,569</b>	<b>100.0%</b>	<b>127,510</b>	<b>100.0%</b>

Source: BAE, Census Transportation Planning Package, Table A202107 five-year sample data, 2019. Figures represent total number of jobs in each occupational category in San Rafael and Marin County. Totals may differ slightly from other sources due to independent rounding.

**Table 13-1: Workers by Industry: San Rafael and Marin County, 2002 and 2018**

Industry Classification	Workers by Sector (and percentages of total/ change over time)									
	City of San Rafael					Marin County				
	2002	% of total	2018	% of total	20002-2018 change	2002	% of total	2018	% of total	20002-2018 change
Agriculture, Forestry, Hunting, Fishing	131	0.3%	60	0.1%	-54%	646	0.6%	508	0.4%	-21%
Mining, Quarrying, Oil and Gas Extraction	0	0.0%	0	0.0%	0	134	0.1%	6	0.0%	-96%
Utilities	144	0.2%	82	0.2%	-43%	705	0.7%	794	0.7%	13%
Construction	3,379	8.7%	3,573	8.8%	6%	8,026	7.6%	7,988	7.0%	0%
Manufacturing	1,168	3.0%	869	2.1%	-26%	3,045	2.9%	4,603	4.0%	51%
Wholesale Trade	1,096	2.8%	1,075	2.6%	-2%	3,002	2.8%	2,810	2.5%	-6%
Retail Trade	5,828	15.0%	4,852	11.9%	-17%	15,107	14.3%	13,414	11.8%	-11%
Transportation and Warehousing	1,143	2.9%	1,234	3.0%	8%	1,887	1.8%	1,715	1.5%	-9%
Information	1,843	4.7%	1,013	2.5%	-45%	3,587	3.4%	2,588	2.3%	-28%
Finance and Insurance	1,872	4.8%	1,135	2.8%	-39%	6,275	5.9%	3,145	2.8%	-50%
Real Estate/ Rental and Leasing	768	2.0%	618	1.5%	-20%	2,509	2.4%	2,261	2.0%	-10%
Professional, Scientific, and Technical Services	4,231	10.9%	3,435	8.4%	-19%	10,125	9.6%	9,462	8.3%	-7%
Management of Companies and Enterprises	1,122	2.9%	1,685	4.1%	50%	2,268	2.1%	2,249	2.0%	-1%
Administration and Support, Waste Management and Remediation	1,955	5.0%	1,736	4.3%	-11%	5,685	5.4%	6,321	5.5%	11%
Educational Services	2,461	6.3%	2,795	6.9%	14%	8,733	8.3%	9,733	8.5%	11%
Health Care and Social Assistance	4,411	11.3%	7,611	18.7%	73%	12,266	11.6%	18,416	16.2%	50%
Arts, Entertainment, and Recreation	520	1.3%	616	1.5%	18%	2,331	2.2%	3,296	2.9%	41%
Accommodation and Food Services	2,216	5.7%	3,379	8.3%	52%	9,990	9.5%	12,263	10.8%	23%
Other Services	2,327	6.0%	2,355	5.8%	1%	6,003	5.7%	6,211	5.4%	3%
Public Administration	2,318	6.0%	2,596	6.4%	12%	3,247	3.1%	6,223	5.5%	92%
<b>TOTAL</b>	<b>38,933</b>	<b>100%</b>	<b>40,719</b>	<b>100%</b>	<b>5%</b>	<b>105,571</b>	<b>100%</b>	<b>114,006</b>	<b>100%</b>	<b>8%</b>

Source: US Census Bureau, 2021: <https://onthemap.ces.census.gov/>

## Goal EV-1: A Healthy and Resilient Economy

Maintain a healthy and resilient local economy that attracts investment, creates jobs, and provides services for residents and visitors.

*San Rafael will strive for an economy that adapts to changes in the business environment and remains productive over time. A diverse range of local businesses should provide the tax base and revenue needed to sustain City services and infrastructure. City policies will help local employers provide jobs and services to the community, meet new challenges as they arise, and ensure long-term business success.*

San Rafael envisions a healthy, resilient economy, driven by the community's commitment to sustaining the vitality of individual businesses as well as key industries. The City further recognizes the importance of San Rafael's cultural diversity, and preservation of its unique environment, to its economic prosperity. Achieving the goal of a resilient economy will require productive partnerships among businesses, schools, neighborhoods, government, and advocacy groups. Business organizations such as the Chamber of Commerce can continue to work in partnership with the City to facilitate business attraction, retention, and expansion, and promote San Rafael as a great place to locate, visit, and do business.

San Rafael is a business-friendly city. The City will continue to improve the local business environment through the efforts of its Community Development and its Economic Development Departments. Both Departments assist existing and prospective businesses with navigating the permitting process and understanding City regulations. Staff assists businesses with real estate project planning, and works with business organizations in the planning of special events and business development initiatives. The City also helps secure and facilitate funding for the benefit of local businesses, and partners with the private sector on projects and programs. It also helps widen public understanding of the benefits of a healthy economy and business sector.

### Policy EV-1.1: Quality of Life

Recognize the importance of a healthy economy to the quality of life, especially the ability to provide excellent schools, public safety services, public works, recreation, housing programs, and other government services.

**Program EV-1.1A: Education About the Local Economy.** *Continue to promote a business-friendly climate by educating decision-makers and the public about the inter-relationship of community life and economic vitality. This should include data on the local economy, including indicators of San Rafael's economic health, disseminated through the City newsletter, City website, social media, staff reports, and other means.*

**Program EV-1.1B: Economic and Fiscal Impacts.** *Continue to evaluate economic and fiscal impacts in reports to the Planning Commission and City Council.*

**Program EV-1.1C: 2020 Pandemic Recovery.** *Develop and implement prudent and economically viable an Economic Recovery Strategic Plan to address business and fiscal impacts created by the 2020 COVID-19 pandemic and develop measures to recover losses in City revenue resulting from the COVID-19 pandemic.*

See also Policy EV-1.7 on the importance of workforce housing to the local economy



**Policy EV-1.2: Strategic Planning**

Develop strategic plans and programs to identify economic growth opportunities, attract businesses and create jobs in desired industries, provide sustainable long-term tax revenues for the City, and close opportunity and wealth gaps for lower-income households.

***Program EV-1.3B: Equitable Economic Development Strategy (EEDS).*** Develop an EEDS that identifies the economic sectors the City seeks to grow, the mechanisms for attracting these sectors to San Rafael, the areas of the city earmarked for growth, and target estimates for wage levels and business volumes. The Strategy should engage residents, businesses, thought leaders, and community groups and be designed to address locally identified needs, challenges, and priorities.

Editor's Note: Policies EV-1.2 through EV-1.11 end renumbered as EV-1.3 through EV-1.12 due to new policy EV-1.2

**Policy EV-1.3: Relationship Building**

Strengthen positive working relationships between the business community, neighborhoods, surrounding communities, and City government. Local businesses should be directly engaged in the design and evaluation of City economic development programs, recognizing their first-hand knowledge of economic conditions and trends.

***Program EV-1.3A: Chamber of Commerce and Business Improvement District.*** *Sustain partnerships with the Chamber of Commerce, the Downtown Business Improvement District, and other business organizations to improve the business climate and support local businesses.*

***Program EV-1.3B: Relationships with the Real Estate Community.*** *Engage the local commercial and residential real estate brokerage and development community in identifying and resolving barriers to doing business in San Rafael and keeping City staff informed of business trends and changes. This engagement should occur on a sustained basis, through regular communication and events.*

***Program EV-1.3C: Marin County Economic Forum.*** *Work with the Marin County Economic Forum to analyze business trends, improve the economic health of the region, and encourage businesses vitality and profitability success in San Rafael.*

***Program EV-1.3D: Communications with Residents.*** *Regularly communicate with residents on economic issues. Maintain consistent and accessible contact through, for example, meetings with neighborhood associations, the City website, and community workshopsthe Citizens Advisory Committee.*

***Program EV-1.3E: Minority Business Outreach.*** *Work with local minority-owned businesses, business organizations, and non-profits to encourage business success and support job training and career advancement opportunities.*

**Program EV-1.3F: Housing Production Partnerships**

Continue to foster strong working relationships with Marin Builders Association, the Marin Association of Realtors, commercial property owners, and local non-profit housing developers to reinforce the development of workforce housing, and housing for lower-income residents, and opportunities to convert vacant commercial property to housing (see also Policies EV-1.8 and EV-1.9).

See Goal EDI-5 for additional policies and programs on increasing economic opportunities for lower income residents

**Policy EV-1.4: Business Retention and Support**

Create a favorable environment for business in San Rafael. Maintain ongoing communication with the business community and respond to needs and concerns as they arise.

**Program EV-1.3A: Economic Development Strategy.** *Develop and periodically update an Economic Development Strategy that provides guidance for maintaining economic health, fostering business success, responding to economic trends, and measuring the effectiveness of local programs.*

**Program EV-1.4A: Development Opportunities.** *Provide site location assistance to the real estate community and prospective businesses by maintaining an inventory of vacant and underutilized sites in the City, including vacant buildings. Inventory data should include allowable uses and intensity, site availability, and the potential for preferential tax treatment and other incentives due to Opportunity Zone or similar designations issues.*

**Program EV-1.4B: Permit and Technical Assistance.** *Provide advocacy services to assist local businesses in the permitting and development processes. Seek opportunities to innovate with technology to help improve service delivery. Simplify and streamline the permit process wherever feasible.*

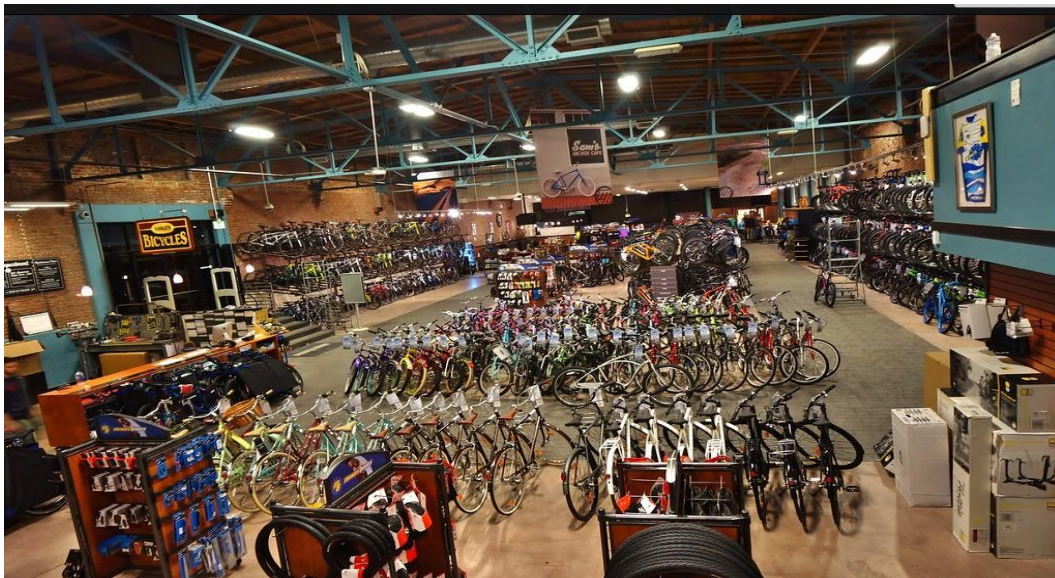


Photo Credit: Frank Johnson

**Program EV-1.4C: Small Business Support.** Partner with the Marin Small Business Development Center and other organizations to provide small business advisory and training opportunities including business plan development, marketing and social media, human resources strategies, and access to capital/investment.

**Program EV-1.4D: Business Incubation.** Encourage business mentoring, education, and incubation programs that could be undertaken in cooperation with public, institutional and/or private sector partners (for example, Marin Builder’s Exchange, College of Marin Career Education, etc.).

**Program EV-1.4E: Business Recognition.** Support recognition programs for exemplary businesses, such as annual awards programs.

**Policy EV-1.5: Business Attraction**

Build on San Rafael’s strengths, including its location, housing diversity, transportation system, weather, scenery, history, culture, and people, to attract business and private investment. The City will work with local partners to enhance and diversify the City’s economy.

**Program EV-1.5A: Industry Clusters and Supply Chains.** Identify desired industries and develop economic development programs to attract these types of businesses. Encourage supply chains for such industries and encourage business-to-business relationships.



**Marin Small Business Development Center**

The Marin Small Business Development Center (SBDC) is a nonprofit organization that advises small businesses on strategies and resources. The Center, which is hosted on the Dominican University campus, works with both new and expanding businesses. SBDC provides one-on-one advising, training and workshops, practical tools to access capital, and specialty programs such as a tech futures group and an international trade group.

**Policy EV-1.6: Monitoring**

Regularly monitor the success and effectiveness of local economic development programs. This should include evaluating the impacts of City regulations and standards on businesses and considering changes that help businesses succeed. Local programs should be adjusted as needed based on measurable outcomes and feedback from the business community.

**Policy EV-1.7: Marketing and Branding**

Encourage and support marketing and branding efforts to promote San Rafael.

**Program EV-1.7A: Media Relations.** Generate media coverage that communicates a positive image of San Rafael and increases recognition of the city as a great place to do business. Implement social media strategies that reinforce this message.

**Program EV-1.7B: Competitive Edge.** Market San Rafael’s competitive edge relative to other Marin cities and mid-sized Bay Area cities. San Rafael’s branding should highlight the City’s reputation as the business, civic, cultural, dining, and entertainment hub of Marin County.

See also Policy CDP-5.10 on historic preservation as an economic development strategy



**Policy EV-1.8: Workforce Housing**

Aggressively encourage creation and retention of housing that is affordable to low and moderate-income workers, especially those providing necessary local services, such as public safety, health care, elder care, and education.

**Program EV-1.8A: Benefits of Workforce Housing.** *Work with local partners to educate residents on the benefits of workforce housing to the community.*

**Program EV-1.8B: Public Agency Partnerships.** *Work with local school districts and other agencies to explore opportunities to build housing for teachers, public safety employees, and other essential service employees on public land.*

**Policy EV-1.9: Workforce Development**

Support workforce development programs that provide skilled labor for San Rafael businesses as well as jobs and career advancement opportunities for San Rafael residents.

**Program EV-1.9A: Workforce Development Programs.** *Support the efforts of businesses, labor organizations, non-profits, schools, and the public sector to provide job training and placement services. Consider opportunities for these initiatives to support other City goals, such as reducing homelessness (e.g., Downtown Streets Team.), building housing (e.g., Education to Career Construction Program) and improving wildlife habitat (e.g., California Conservation Corps, etc.).*

**Program EV-1.9B: Mentoring Programs.** *Continue to participate in mentoring, apprenticeship, and internship programs, including participation in programs run by other agencies and organizations.*

**Program EV-1.9C: English as a Second Language.** *Continue to support community wide efforts to provide English as a Second Language (ESL) training, citizenship, and other educational programs for the San Rafael workforce.*

*See Goal EDI-5 for additional policies and actions on workforce development*

**Policy EV-1.10: Sustainable Business Practices**

Promote sustainable business practices that reduce the consumption of non-renewable resources and support the City’s climate action goals.

**Program EV-1.10A: Green Economy.** *Support the creation of environmentally beneficial jobs and businesses.*



**E2C Program**

The Education to Career (E2C) Construction program is a partnership of the College of Marin, Canal Alliance, CareerPoint Marin, and the Marin Builders Association. It offers entry-level career training for high-demand construction jobs, including financial and personal support and counseling and assistance in job placement. The program provides a pathway to a living wage and opportunities for long-term career growth through hands-on learning.

**Program EV-1.10B: Green Business Practices.** Coordinate with Marin County, environmental organizations and the Chamber of Commerce to promote greener business practices and participation in the County’s Green Business Program.

**Program EV-1.10C: CCAP Implementation.** Work with local business to help achieve the goals of the 2030 Climate Change Action Plan (CCAP), including a shift toward renewable energy, reduced waste, increased composting, and low-carbon transportation. The potential costs, as well as the potential savings or other benefits, of CCAP measures on businesses should be important considerations as programs are implemented.

Photo Credit: North Bay Business Journal



**San Rafael Leadership Institute**

The San Rafael Leadership Institute (SRLI) is a San Rafael-based leadership development program that helps participants build skills while learning about the issues that impact Marin County. The program was established by the San Rafael Chamber of Commerce in 1989 and empowers local professionals to make a difference in their community, expand their networks, and understand San Rafael and Marin from the ground up.

Each year’s class carries out a project. The program’s group setting facilitates debate and decision making, which helps future leaders develop problem-solving skills. A critical component of the learning process is team-building, which prepares participants to become community leaders who facilitate community change. Previous projects have included a homelessness awareness campaign and street clean-up, fundraising for San Rafael first responders, and developing a commuter toolkit for businesses.

**Policy EV-1.11: Economic Resilience**

Encourage economic resilience and improved ability to function during and after disasters and other emergencies. The City should also support resilience in the face of disruptive economic events and longer-term economic change.

**Program EV-1.11A: Business Engagement.** Actively engage the business community in disaster preparedness planning and recovery.

**Program EV-1.11B: Education on State Regulations.** Provide information and outreach to businesses on new (and potential) State mandates and regulations, particularly those related to climate change. Explore ways to mitigate cost impacts based on consultation with local businesses and organizations.

See the Community Services Element for policies and programs on microgrids and electrical reliability, and the Safety Element for policies on resilience to climate change and sea level rise.

**Policy EV-1.12: Innovation**

Ensure that City policies, regulations, and programs are responsive to business trends and best practices in economic development and support innovation.

**Program EV-1.12A: Innovation Working Group.** Convene an economic development and innovation working group to identify new business opportunities and prospects for innovation and diversification.

**Goal EV-2: A Diverse and Balanced Business Mix**

**Sustain a diverse and balanced local economy that provides a wide range of goods, services, and opportunities.**

*San Rafael is widely recognized as Marin’s “go to” city for shopping, dining, entertainment, and an array of day-to-day and specialized services. The city is home to major education, health care, cultural, and government facilities. It provides a full spectrum of commercial and industrial districts that meet the needs of many types of businesses. Economic diversity is part of San Rafael’s heritage and should be part of its future. This will require foresight and action, particularly to *recover from the devastating impacts of the 2020 pandemic and* respond to declining demand for “brick and mortar” retail space.*

San Rafael has a well-balanced mix of jobs in the office, retail, industrial, and hospitality sectors, providing a diverse mix of jobs, services, and tax revenues. Major sectors of the City’s economy are described below.

**Office Sector**

San Rafael has the largest concentration of office space in Marin County, with an inventory of 5.4 million square feet (43 percent of the County total). Office rents are slightly below the County average, and vacancy rates are also slightly lower. Prior to the COVID-19 pandemic, the office market was considered robust, as prospective tenants were attracted to the city’s amenities, business mix, central location, and variety of office types. During the last decade, San Rafael has attracted a number of small and mid-sized professional service firms as well as larger corporate offices.

San Rafael is home to a growing number of health care and bio-medical firms. BioMarin occupies most of the San Rafael Corporate Center and has become a major presence in the city. Kaiser Permanente is one of San Rafael’s largest employers and continues to invest in and expand their facilities in the community.

Figure 13-1 shows the distribution of office space in San Rafael. The figure identifies a significant cluster of smaller buildings in the Downtown area and along the Lincoln Avenue corridor, larger buildings in North San Rafael, and mid-sized offices throughout Southeast San Rafael along Andersen, Kerner, Francisco Boulevard East, and nearby streets.

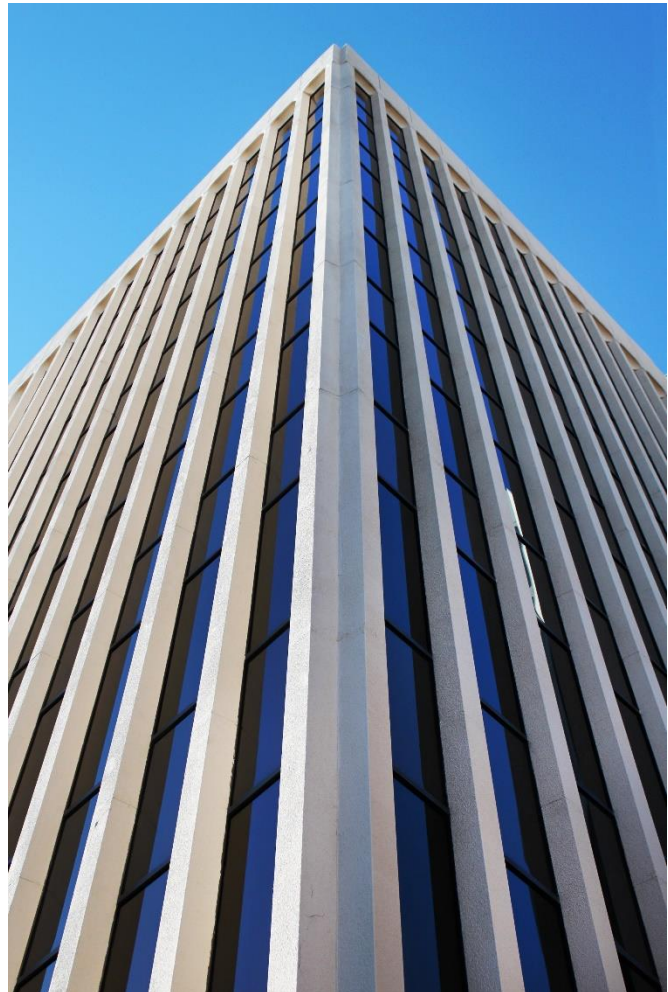
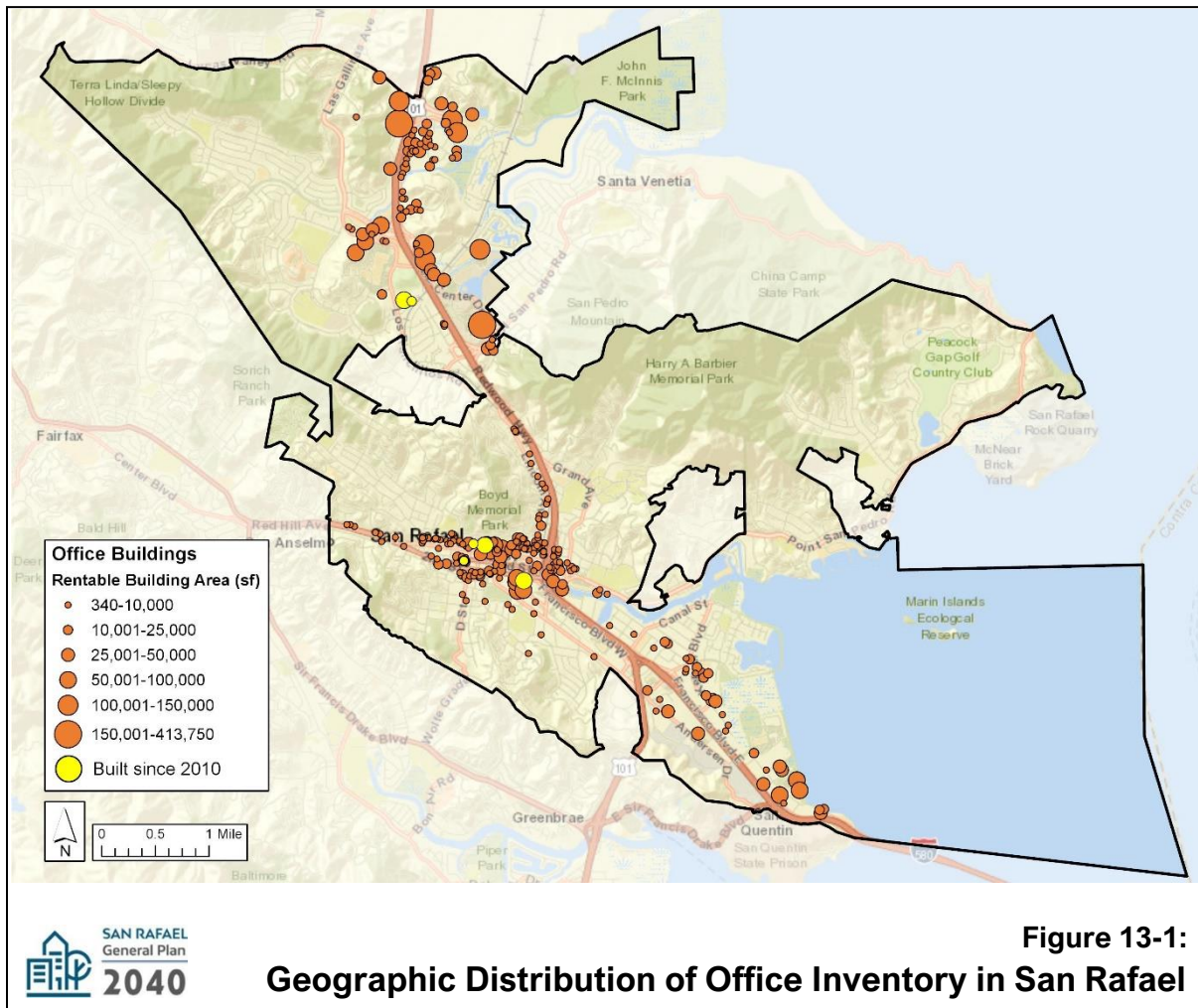


Photo Credit: Skip Moore





**Figure 13-1:  
Geographic Distribution of Office Inventory in San Rafael**

During the 2010s, demand for office space was shaped by several factors, including a shift in tenant preferences from suburban office parks to high-amenity, transit-rich locations. The past decade has also seen office growth in locations near retail, service, and entertainment activities in mid-sized downtowns like San Rafael, San Mateo, Mountain View, and Walnut Creek. Office demand has also been influenced by a trend toward open floor plans, less square feet per worker, and “green” building amenities.

The COVID-19 pandemic has impacted many of these trends. During Summer 2020, more than 40 percent of the U.S. workforce was working from home, emptying much of the nation’s office space. In October 2020, commercial real estate firm Cushman & Wakefield (C&W) reported that the amount of available office space available for sublease in the Bay Area increased substantially in 2020 due to the coronavirus. C&W indicate that Marin County’s office market has not been as hard hit as some sub-markets in the region, such as Downtown San Francisco and the Peninsula.

There are anecdotal reports that Marin County is viewed as an attractive alternative for businesses and organizations considering leaving San Francisco, given the area’s proximity to the North Bay workforce, easy freeway access, ample parking, and comfortable climate. San Rafael has already seen this trend in its residential real estate market. Longer term, the City is likely to see impacts on the design of interior office spaces, potentially including an increase in square footage per employee. In some cases, older and less marketable office space may be converted to new uses such as housing.





Photo Credit: Frank Johnson

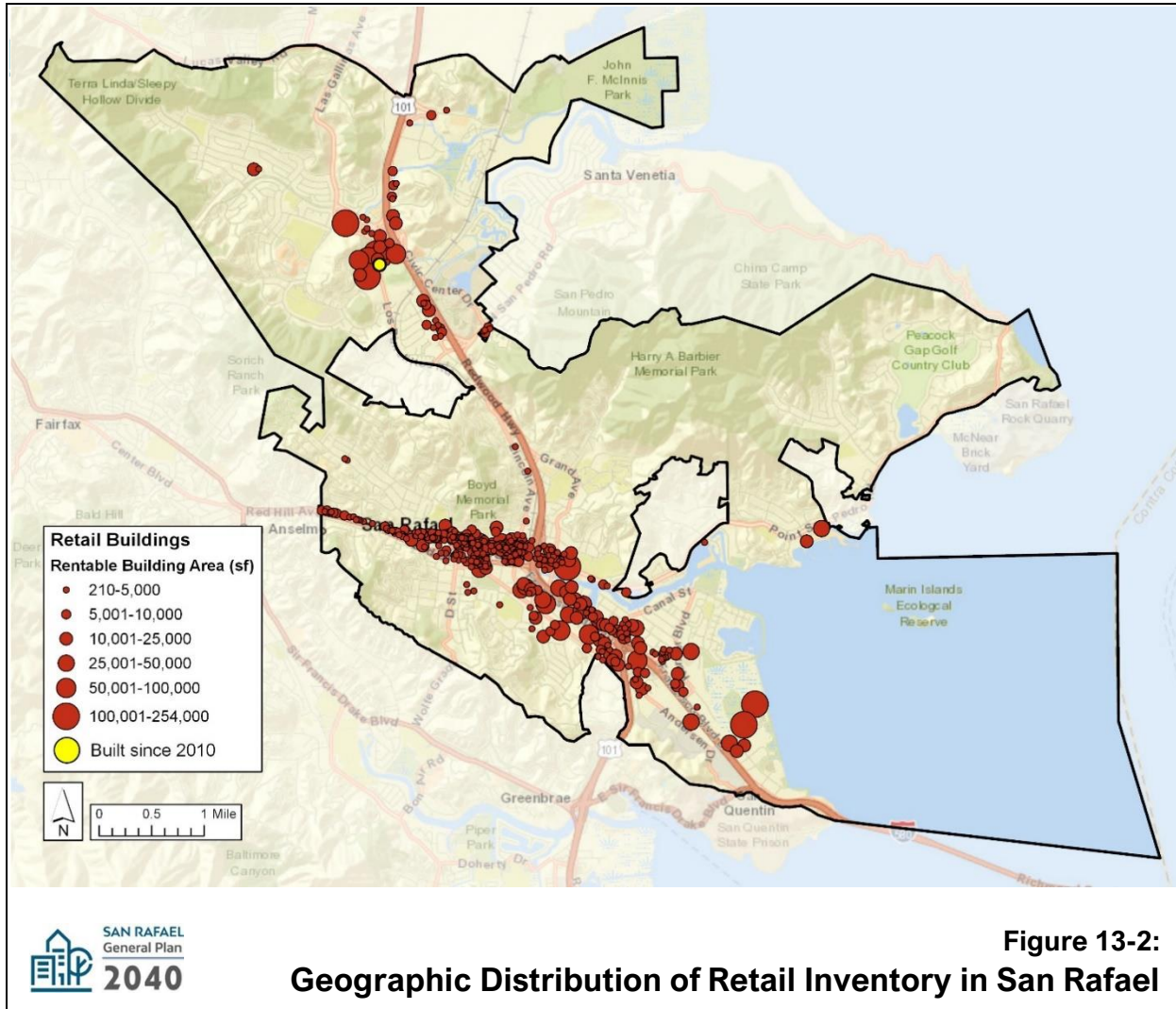
## Retail Sector

San Rafael is home to several of the County's major shopping centers and districts, including its Downtown shopping and entertainment district, Northgate Mall, Montecito Plaza, and retail/service commercial businesses along the Francisco Boulevard East and West corridors. The City's retail inventory of 4.9 million square feet represents slightly more than one-third of the total inventory in Marin County. Downtown San Rafael alone accounts for 1.6 million square feet of retail space. Figure 13-2 shows the distribution of retailers in San Rafael by square footage.

In addition to Downtown and shopping center space, San Rafael also has several large auto dealerships and big box stores including Target, Home Depot, and Best Buy. There are also small neighborhood centers, such as the Terra Linda Shopping Center and the Bret Harte Center. Prior to the 2020 pandemic, the real estate market was characterized by relatively low rental rates and low vacancy rates.

The retail sector has historically been very is particularly important to San Rafael's fiscal health. The City's 2019 Financial Report indicated that sales taxes were the single largest revenue stream in the municipal budget, generating more than \$35.6 million in revenue. By comparison, property taxes generated \$25.9 million in revenue. Sales taxes represented 42 percent of the City's general revenues and 30 percent of its total revenues. The share of municipal revenue attributable to sales tax has been consistently important over time—sales taxes also represented 42 percent of general revenues in 2000—though this share fluctuates with the economy.

The retail market faces challenges, including Downtown spaces that are not well configured for modern retail needs and relatively few evening activities in most of San Rafael's retail centers. These issues will likely persist as the City recovers from the pandemic, with the added uncertainty about long-term changes in the retail sector. Overall, the retail sector has been declining. Its growth trajectory suggests that new strategies will be needed to provide entry level jobs and tax revenue for City operations. —In the third quarter of 2020, Cushman and Wakefield reported that the retail vacancy rate in Marin County was 4.1 percent. This compared to a 15.3 percent vacancy rate in San Francisco.



While the immediate focus upon adoption of General Plan 2040 is the recovery of local retail and service businesses, there are longer-term challenges such as repurposing underperforming centers. Retail is rapidly evolving. The economy has shifted to convenience and price comparison with the rise of internet commerce and changes in consumer buying behavior. Certain types of businesses, including those providing essential services (supermarkets, pharmacies, etc.) will likely be sustained in the long run. Other retail sectors were already in decline prior to the pandemic, and some may not fully recover. Incentivizing housing in Downtown San Rafael and in its retail centers can add buying power to the consumer spending base while also allowing older commercial centers and storefronts to adapt to new uses.

### San Rafael's Largest Shopping Centers

Name	Leasable Square Feet
Northgate Mall	755,677
Montecito Plaza	130,500
Northgate I	115,000
Marin Square	82,000
Northgate III	71,300
Shamrock Ctr (Staples)	62,500

Source: Costar, 2019 (excludes freestanding retailers such as Home Depot and Target)

An economic analysis performed in 2019 as part of General Plan 2040 made the following conclusions for San Rafael's retail sector:

- Retail in San Rafael is supported by the high spending power of residents, residents of nearby communities, and workers.
- Consumers desire places that are conducive to social interaction and connection to community. Authenticity—such as the historic context of Downtown San Rafael—is a desired commodity.
- Effective placemaking and greater diversity of uses can improve the long-term viability of centers such as Northgate.
- Facilitating upgrades and renovations to existing storefronts and shopping centers—and ensuring that new spaces meet contemporary needs—could draw additional tenants, especially Downtown and at Northgate.
- Downtown faces retail challenges, including lack of activity during evenings and weekends, a relatively small population and employment base, issues related to homelessness, and competition from other cities and centers.
- Driving retail traffic from e-commerce to brick and mortar shopping can be facilitated by “hyper-localization” (retail branded as “local”) and an immersive retail environment that provides an experience for the consumer as well as goods. For example, cooking stores may offer classes, book stores may offer lectures, and so on.
- For underperforming shopping centers, the City could encourage mixed uses, including new multifamily rental and for-sale housing. Housing at these locations can add buying power to the consumer spending base and enliven these centers.
- A small amount of ancillary supporting retail uses in industrial areas, such as coffee shops, casual and to-go restaurants, and food trucks, could help to support the existing industrial uses in these areas.

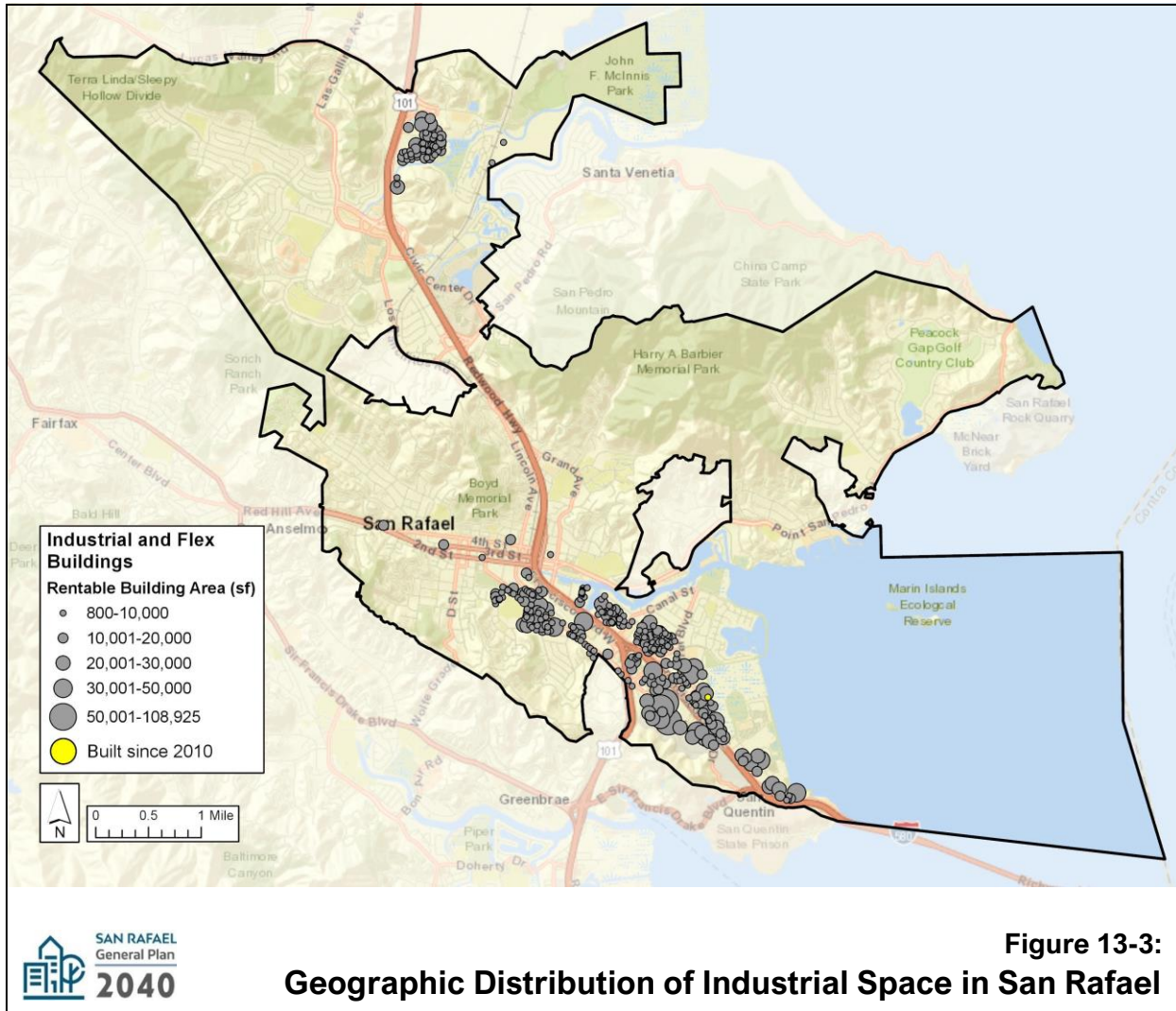
In the post-pandemic environment, shoppers will likely place a priority on safety as well as convenience. Retailers, restaurants, personal services and other businesses will need to adapt to shifting priorities and rethink past business practices. This makes versatility and flexibility critically important.

## Industrial Sector

San Rafael accounts for more than half of the industrial/flex space in Marin County, with 4.2 million square feet of floor space in the city. As shown on Figure 13-34, the major clusters of industrial space are in the Northgate Business Park and in Southeast San Rafael, extending from Downtown to the Richmond-San Rafael Bridge. In 2019, the vacancy rate for industrial space in the city was just 1.2 percent and demand for this type of space was very strong. Given the limited amount of industrially zoned land in Marin County, it is anticipated that this sector will remain strong in the future. Industrial uses require large floor plates and loading areas to accommodate truck access, as well as flat sites and good access to freeways, making San Rafael's inventory of industrial land an important regional asset.

City policies have historically discouraged or disallowed residential uses on or adjacent to existing industrial sites. Industrial properties tend to have relatively low values, creating an incentive for redevelopment to higher-value uses such as housing when allowed. Additionally, conflicts between residential and industrial uses can hamper industrial operations, making them less viable over time. A similar dynamic exists with non-industrial tenants, such as fitness studios and churches, seeking to lease affordable space in industrial buildings. The City will evaluate these types of operations carefully, ensuring that they do not have a negative impact on adjacent industrial operations. More flexibility may be appropriate for industrial space that is obsolete or hard to market, or spaces that are close to Downtown San Rafael, where transit and other services are nearby.





### Hospitality Sector

San Rafael had an inventory of nearly 800 hotel rooms in 2020 and was well positioned for an expansion of its hospitality sector. A new 140-room AC Marriott is under construction Downtown, and a 185-room hotel has been approved on Francisco Boulevard East at Bellam. These will be the first hotels constructed in San Rafael in more than 12 years. During the last few years, hotels have been complemented by short-term rentals (STRs), creating another option for visitors. The City permits STRs through a registration program, subject to specific operating requirements including payment of Transient Occupancy Taxes (TOT).

Business travel has been the primary driver of hotel demand in the city, but the potential for leisure-based demand is strong. The city is convenient to major attractions within Marin County, such as Muir Woods, Mount Tamalpais, and Stinson Beach. It is also a relatively short distance from San Francisco and the Napa and Sonoma wine regions. There may also be untapped potential for San Rafael to host visitors to special events, arts and entertainment activities, and conventions. Transient Occupancy Taxes (TOT) and potential sales taxes from visitor spending make hotels a particularly attractive use from a fiscal perspective. TOTs generated \$3.2 million in municipal revenue in 2019, roughly doubling over the last 10 years.



**Policy EV-2.1: Retail Sector**

Respond to changes in the retail sector so that San Rafael’s commercial areas can adapt and remain an integral part of the City’s economy. The City should support owners of vacant retail space in efforts to transition to new uses where retail is no longer viable, and work proactively to avoid potential net losses in tax revenues (see text box, following page).

**Program EV-2.1A: Retail Evaluations.** Periodically evaluate the performance of the City’s retailers. Use the data to help improve retail performance or assist centers with attracting other compatible uses.

See the Land Use Element for additional policies and programs on neighborhood shopping centers and retailing.

**Policy EV-2.2: Promoting Local Purchasing**

Encourage purchasing of San Rafael goods and services by residents, workers, businesses and City government in order to cycle dollars back into the San Rafael economy, support local businesses, and generate revenue for the City.

**Program EV-2.2A: Local Shopping Campaigns.** Support campaigns to “Shop Locally” and raise awareness about the benefits of supporting local businesses rather than purchasing on-line.

**Program EV-2.2B: Event Promotion.** Continue to promote events that bring people to Downtown, Northgate and other community commercial centers to support local businesses.

**Program EV-2.2C: Local Preference.** Where other factors (such as price) are equal, the City should give preference to purchasing goods and services from both local vendors and minority-owned businesses.

**Program EV-2.2D: Day and Evening Visitors.** In the Downtown and North San Rafael Town Center areas, attract a variety of retail businesses to encourage patronage during both day and evening hours.



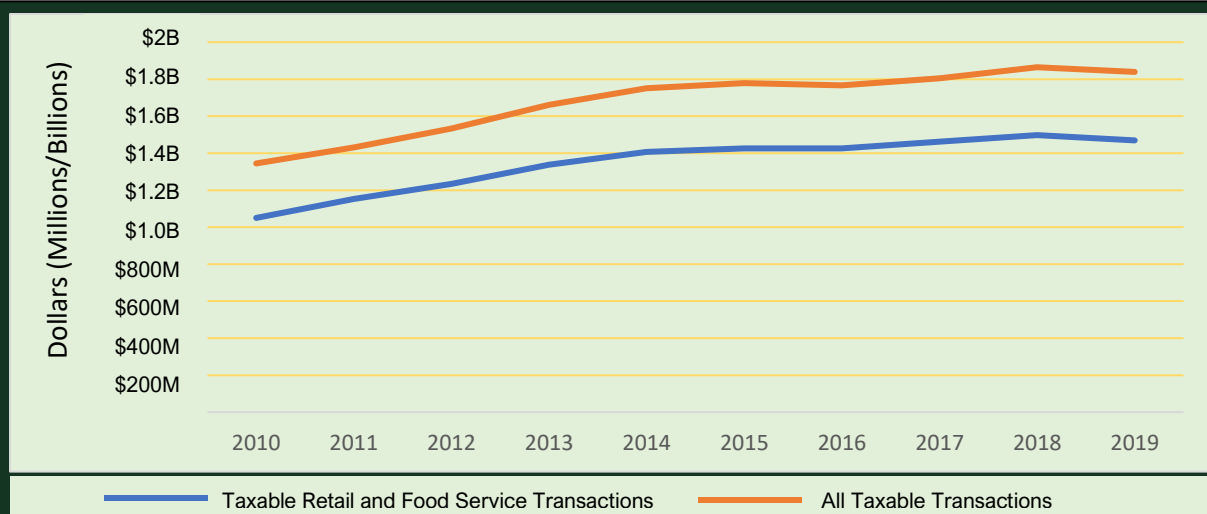
Photo Credit: Skip Mppre

### Six Ideas for Adapting Retail (\*)

- Malls could become community experiences (exercise, movies, food, medical, and education). Remove the roof and let the weather in to freshen spaces.
- The future of big retail needs to be friction-free and focused 100% on the customers' experience.
- Specialty retailers need to narrow choices to core offerings in order not to carry high inventory numbers.
- Big box retailers may repurpose indoor space into housing, or turn indoor space into outdoor space
- We could see micro fulfillment centers like mini Amazon warehouses.
- Curated inventory and experiences will drive brand value. Factors like ethics and inclusion, sourcing, and the environment will become essential parts of the purchase decision.



*\*Adapted from Forbes Magazine: The Real Future Of Retail. An Independent View of 2030 from the Lens of 2020 (9/29/20). The ideas shown here are not intended to represent City policies.*



### Sales Tax and the City

The chart above shows annual taxable transactions in San Rafael from 2010 to 2019. The blue line indicates retail and food service transactions, while the orange line indicates all taxable transactions. Three industry groups—autos and transportation, building and construction, and general consumer goods—account for most of the transactions. Taxable transactions increased by 32 percent between 2010 and 2015, but slowed to just 3 percent between 2015 and 2019 Most of the growth in tax revenues over the last 10 years has been driven by auto sales, building and construction, and restaurants and hotels. Other sectors, such as food and drugs, fuel and service stations, and business and industry, have been flat or have slightly declined. Between 2015 and 2019, total growth in both categories shown in the chart was just 3 percent. In 2019, San Rafael reported approximately \$1.8 billion in taxable sales. Sales tax provides a vital source of revenue for municipal operations.

**Policy EV-2.3: Industrial Land Supply**

Preserve the City’s supply of industrial land.

**Program EV-2.3A: Industrial Zoning.** Maintain zoning for industrial areas to prevent a loss of industrial businesses (see also Program LU-2.4A on industrial zoning).



**The Future of Our Industrial Land**

Many cities in California are facing a dilemma: how can they deal with an acute housing shortage at the same time they support industrial land uses requiring large land areas in premium locations. This issue confronts San Rafael, where industrial land uses occupy roughly 420 acres, including some sites that are walking distance from premium public transit. While some cities in the region have decided to rezone such areas for housing, San Rafael has recognized the strategic value of this land for the local economy and the services it provides to Marin County. The General Plan 2040 Steering Committee was divided on this issue, recognizing the pros and cons of different approaches. General Plan 2040 acknowledges that a limited number sites adjacent to Downtown and existing residential areas may be appropriately converted, but generally favors a strict preservation policy for industrially zoned sites.

**Policy EV-2.4: Office and Technology Market**

Maintain San Rafael’s position as a regional office center, providing space for a diverse range of businesses as well as a source of revenue and local job opportunities. Encourage opportunities for new office development in transit-served locations such as the Downtown Transit Center area.

**Program EV-2.4A: Responding to Workplace Trends.** Work with local office building owners, managers and tenants to respond to changing workplace design requirements (including those related to public health) and to adapt to trends such as increased telecommuting and co-working.

**Policy EV-2.5: Tourism and Hospitality**

Recognize and support tourism and hospitality as a significant contributor to San Rafael’s economy.

**Program EV-2.5A: Tourism Strategies.** Explore strategies to enhance local tourism, improve hotel and conference facilities, attract destination restaurants and stores, and support tourism programs of the Chamber, Downtown Business Improvement District, and Marin County Visitors Bureau.

**Program EV-2.5B: Downtown Arts District.** Support the Downtown Cultural Arts District through marketing, programs, and partnerships (see also Program AC-1.8A).

**Program EV-2.5C: Special Events.** Encourage special events and festivals that draw visitors to San Rafael, showcase its vibrant arts and cultural scene, and have net positive effects on local businesses and City revenues. Work with local retailers to ensure they can remain open and easily accessible when these events take place (see also Policies AC-1.7 and LU-3.11).

**Program EV-2.5D: Transient Occupancy Taxes (TOT).** Explore ways to increase economic development program funding through TOT revenues.



*See the Land Use Element for policies on home occupations. See the Mobility Element for policies on telecommuting, flextime, and other strategies to reduce peak hour commuting. See the Arts and Culture Element for additional discussion of the arts and entertainment sector.*

### **Policy EV-2.6: Health Care**

Expand the health care sector to meet the growing needs of an aging population, ensure access to health services for all residents, and improve readiness in the event of future public health emergencies.

*See Goal EDI-2 for additional policies and programs on access to health care and medical facilities.*

### **Policy EV-2.7: Government and Education**

Sustain San Rafael's role as a countywide government and education center.

**Program EV-2.7A: Civic Center Modernization.** Support County efforts to update the Marin County Civic Center and expand its capacity to host conferences and special events.

**Program EV-2.7B: Higher Education Partnerships.** Cultivate relationships with Dominican University and other Bay Area institutions of higher learning to facilitate local economic development. Consider opportunities for Dominican to increase its visibility in the community, including occupying underutilized space in Downtown or Northgate Town Center buildings.





### Goal EV-3: Distinctive Business Areas

Sustain vital, attractive business areas, each with a distinctive character and emphasis.

*Downtown, Northgate, West Francisco, East San Rafael, and the Miracle Mile each play a unique role in the City's economy and maintain the community's position as a full-service city. These districts are complemented by attractive, convenient neighborhood centers that provide local services and gathering places.*

Each of San Rafael's business districts has a unique economic role that contributes to and helps maintain San Rafael's position as a full-service city.

- **Downtown San Rafael** is the historic center of the city and has its highest employment densities and concentration of businesses. Fourth Street has a pedestrian-oriented scale and historic character that attract residents, visitors, and workers. The City has worked to activate this area during evenings and weekends by strongly encouraging restaurants, entertainment venues, and new housing. Downtown's building inventory includes approximately 1.5 million square feet of office space and 1.6 million square feet of retail space.
- **North San Rafael** has a number of services found nowhere else in the city, including San Rafael's largest shopping center (Northgate Mall), its major medical facilities (Kaiser Hospital), its largest hotel (Embassy Suites), and the County government center. North San Rafael also has the largest concentration of office space in the city, exceeding Downtown San Rafael's inventory and accounting for about half of the City total. The area east of US 101 between Freitas Parkway and Smith Ranch Road is one of the city's major light industrial districts and includes a large inventory of office-flex space.
- **Southeast San Rafael**, which extends from Downtown's southeast edge to the Richmond-San Rafael Bridge, contains 28 percent of the city's jobs and generates roughly two-thirds of San Rafael's sales tax revenue. The area includes a mix of older manufacturing businesses, office parks, big box retailers, auto dealers, auto service businesses, construction and building materials businesses, and other general commercial and industrial activities. Southeast San Rafael is also home to several neighborhood commercial centers, some of which primarily serve the Latino community. There are also a number of utility and transportation-related businesses. The area includes a number of sub-districts, including Francisco Boulevard West, the Andersen/Woodland corridor, the Bellam corridor (Marin Square, Kerner), East Francisco/Canal, and the Shoreline Parkway area.

The City also includes a number of secondary business districts, including the Miracle Mile/ West End area along Fourth Street between San Anselmo and Downtown, the Lincoln Avenue corridor between Downtown and Puerto Suelo Hill, the Terra Linda Shopping Center, and smaller markets and convenience centers in Sun Valley, Loch Lomond, Bret Harte, and other neighborhoods. Dominican University is another job provider in the city, with approximately 350 employees.

Photo Credit: Downtown BID



### Downtown San Rafael Business Improvement District

In 1979, approximately 125 businesses along Fourth Street between Lincoln Avenue and E Street established a Business Improvement District (BID). The BID enables businesses within the District to pay an annual tax assessment that covers improvements and activities benefitting the Downtown business community. In 2013, the City Council expanded the BID boundaries to extend east to Hetherton, south along B Street, and west of E Street to include the West End Village.

The BID is managed by a full-time staff and an Advisory Board comprised of local business representatives. Their mission is to promote the common interests of Downtown business owners and to attract shoppers and visitors. The BID undertakes activities throughout the year promoting Downtown as a great place to visit and do businesses. They organize beautification initiatives, collaborate on special events like the May Madness car show, and work with the City and local businesses to address parking, safety, marketing, and branding. The BID provides a means for businesses to network, communicate, fund-raise, and collaborate to make Downtown more successful.

### Policy EV-3.1: Business Areas

Strengthen the positive qualities of each business area in San Rafael to create a stronger sense of place and brand identity.

**Program EV-3.1A: Zoning Regulations.**

*Ensure that zoning and development regulations for each business area support their success and contribution to the City's economy.*

**Program EV-3.1B: Quality of Life Programs.**

*Implement and support programs to improve the safety, security, cleanliness, and convenience of San Rafael's business districts so that they are places where customers want to shop, dine, and visit. Providing a comfortable, enjoyable experience for residents, workers, and visitors is an important part of remaining competitive.*

### Policy EV-3.2: Revitalization

Support and encourage redevelopment and upgrading of commercial and industrial properties while retaining economic and business diversity. The City should work with property owners, businesses, and business organizations to address issues such as parking, beautification and landscaping, streetscape improvements, and circulation and access.

**Program EV-3.2A: Business Improvement Districts.**

*Support the use of BIDs to improve services to business districts and provide a funding source for localized improvements.*

**Program EV-3.2B: Public Private Partnerships.**

*Encourage public/private partnerships as one means of revitalizing deteriorated and underdeveloped area (see also Policy CSI-5.6).*

**Program EV-3.2C: Business Assistance Programs.**

*Explore the feasibility of programs to assist local businesses with property improvements, such as landscaping, signage, façade improvements, and design assistance.*



Photo Credit: Skip Moore

### **Policy EV-3.3: Economically Productive Use of Land**

Encourage the use of the city's commercial and industrial land supply in a way that creates positive fiscal impacts, economic opportunities for local businesses and property owners, employment growth, and services for San Rafael residents.

### **Policy EV-3.4: Water-Dependent Businesses**

Ensure that commercial properties along San Rafael's shoreline, including the San Rafael Creek/Canal, leverage their waterfront locations [and include public amenities such as shoreline walkways](#). The City supports the continued [use](#) of these sites for water-dependent activities such as boat sales, boat repair, marinas, and water-oriented restaurants. [Plans for Canalfront properties should also align with broader economic development and anti-displacement programs for the Canal community.](#)

*See the Mobility Element for policies on water transportation, including water taxis. See the Conservation and Climate Change Element for policies on boating and water quality. See also Policy CSI-4.11 on canal dredging.*

### **Policy EV-3.5: Business Infrastructure**

Support investment in telecommunications infrastructure so that San Rafael's business districts remain economically competitive and can meet changing business needs and technology requirements.

*See the Infrastructure Element for policies on fiber optics communication and similar services*

### **Policy EV-3.6: Mutual Support Between Business Areas and Adjacent Neighborhoods**

Promote productive relationships between residential neighborhoods and adjoining business areas.

**Program EV-3.6A: Business/Neighbor Collaboration.** Seek innovative ways for businesses and their residential neighbors to work together toward a mutual vision that is beneficial to the community. ~~collaboratively solve mutual concerns. Encourage conflict resolution between business and neighbors.~~

### Policy EV-3.7: Business Access

Improve access to and from the East San Rafael business district, including freeway and ramp improvements, local thoroughfare improvements, improved transit service and access to Downtown, and safer bicycle and pedestrian routes.

See the Neighborhoods Element for additional policies and programs on East San Rafael.

### Policy EV-3.8: Creative Infill

Encourage creative infill development and redevelopment that maximizes existing resources and makes the best use of limited available space. Expedite the development review process by establishing clear expectations for design, and effectively involving the community.

**Program EV-3.8AC: Pre-Submittal Process.** Improve the efficiency and speed of the development review process by updating revisiting neighborhood notification and meeting procedures and improving updating the pre-submittal process to identify initial concerns and encourage higher quality applications.

Photo Credit: Frank Johnson

