CITY OF LAGUNA BEACH

retail use memos

task 1.5: evaluate retail uses

task 2.2: evaluate commercial areas outside of dsp for future analysis

task 2.10: provide recommendations regarding retail uses

prepared by MIG, Inc. November 2015

OVERVIEW

Under this cover, MIG has included tasks 1.5, 2.2, and 2.10. The deliverables for each task are provided separately. See contents below.

Task 1.5: evaluate retail uses	Development of key questions and brief outline summaries of stakeholder interviews Development of comps to other relevant downtowns (one page summary of other downtowns) Development of Survey Instrument (this deliverable was completed as an online survey; results are included)
Task 2.2: evaluate commercial areas outside of dsp for future analysis	Recommendations for how to integrate and complement the commercial uses within the Downtown Specific Plan (DSP) area with the four commercial areas of North Laguna Village, South Laguna Village, HIP (Historic and Interesting Places) District, and Pearl District
Task 2.10: provide recommendations regarding retail uses	Recommendations regarding strengths, weaknesses, opportunities, and competitive challenges for retail uses in the DSP area

There are five different deliverables included in this document. The deliverables are presented together because they are all related to retail and commercial uses. When combined together, they inform the recommendations regarding retail uses for the Downtown Specific Plan policies and plan area.

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TASK 1.5: EVALUATE RETAIL USES

Task 1.5 includes three deliverables. The objective with this task was to develop an understanding of various factors that impact Downtown's retail potential.

Development of key questions and brief outline summaries of stakeholder interviews

Below is a brief outline summary of stakeholder interviews. Stakeholder interviews included sessions with commercial developers, residential home builders, business owners, property owners, leasing agents, and business managers.

Reoccurring Themes

1. The Conditional Use Permit (CUP) process is a barrier for potential tenants
2. There is a perception that Downtown Laguna Beach is a difficult place to do business
3. Parking is a problem for businesses and is often the trigger for CUPs
4. Businesses are controlled by the City trying to regulate retail mixes, which limits business expansion and economic success of businesses
5. There is a lack of affordable dining options and limited variety of stores
6. Chain retailers should be allowed, but the design of storefronts should be regulated
7. Downtown needs a signage and wayfinding program
8. Absentee land owners are creating rundown buildings
9. Sales leakage is occurring to other areas and shopping centers due to the retail mix not meeting desires of varying age groups and demographic profiles
10. The needs that downtowns must meet are changing

The reoccurring themes reflect the comments received during stakeholder interviews. The comments have not been modified but are quotations captured from the stakeholder interviews.

General Comments (Comments are from stakeholder interviews and reflect the same words originally used)

- Positives: weather, beach, physical situation
- Everyone you'll talk to is in an age group that starts in their 50's; creates an issue of accessibility for an aging population, difficult to be mobile around town, decent now but needs to be improved upon
- Not many people with little kids, used to be able to run around as a kid, but now there are homeless people and homeless people cornered in a public restroom
- A lot of out-of-town commercial landlords do not up-keep or refresh their buildings; the City cannot presently do anything for enforcement, they don't encourage care
- Unfortunately, Irvine is developing closer to us
- It's difficult to cross Coast Highway; need some sort of central parking and transportation
- Too many "just say no" people in the community
- Maybe close Downtown to everything but golf carts
- "Rents too high" means something is working, not just three months, parking not too detrimental
- Nothing goes anywhere with all of these studies
- What are the goals of economic development? Not jobs but there are a few key vacant spaces (e.g. Royal Hawaiian, Mosun) but have memories of those places and are now dead
- What can we do to fill vacancies? Really bothers people-they want it fixed; low vacancy but high turnover, weak performers, not catalyzing or thriving, not embed itself, become active in the Chamber or the community, just trying to survive (largely due to high rents, costs of starting a business here because of the CUP process), want them to generate jobs, revenue and buzz, help neighbors, perception that the City is a hindrance to business startups, how can it be faster?
- Huge disconnect between landlords and tenants, three or four really large property owners, merchants rarely own their spaces, just trying to get by and pay the (high) rent, not really engaged; some of the landlords do not "need" the rent…
- Population trends not due to school district (#2 test scores in Orange Co., next to Irvine), a result of high property values so people hold on to property; rise in vacation homes (even higher than Carmel, CA), probably here for six months, previously occupied by full-time residents; some teardowns of duplexes and triplexes and replacement with larger homes
- Newer arrivals are very wealthy families with higher expectations of service, everyone wants a view and a giant house, not that liberal/hippie town that it used to be, property values require money - representative businesses include Robin's Jean (changed the façade, L.A.-based), Rock Etiquette, Broadway, Tortilla Republic (used to be Javier's, then went fancy), The Deck (see all of the O.C. plastic surgery); Driftwood was The Beach House, was pretty iconic but was heading downhill
- What is the role of government to provide landscaping (versus private property owner), marketing, etc.? There should be a B.I.D.
- There is a BID but $$$ goes to fund Visit Laguna, arts organizations and an Art Study completed last year
- Property owner of a lot of property in the HIP District developed that name; it was never a City initiative
- No Eco Dev Strategic Plan City has been working with the Chamber and with Hotel Laguna, took it to Council in 2013 and it was approved; not much has happened due to turnover in leadership; still the Action Plan, until 2015
- City will not be there for you in time of need, provide no recourse; not worth my time to push the issue, and/or need to keep the working relationship
- Irvine residents might come on occasion, for a date, take wife to dinner, but otherwise you have to really want to go Downtown-have to spend 30 min to an hour from door to door

Parking

- "De-couple" parking from uses-parking code very restrictive, precludes anything new; only exceptions to the parking code is when renovating a historic building,
- Model should be park in Downtown and then visit a few businesses, not accounted for in Downtown
- Just started with implementation of Parking Management Plan last summer, has resulted in dramatic reductions in traffic volumes just because of a couple of strategic initiatives (e.g. trolley service, friendly service at parking lots, way-finding for lots, etc.), almost felt like a slow summer, has been "night and day," put the issue to sleep
- Biggest problem is parking, existing municipal parking code makes accomplishing anything difficult; businesses cannot grow, expand, move or come to Laguna Beach, they cannot afford to build and/or physically create the parking required and if they do, no one uses it anyway, spaces are too small, in alleys behind – we need more parking structures, the only successful one is on Glenneyre; actually affects operations
- In July/August in Downtown, you drive in at 10:00 a.m. to park
- Opposed to parking structures within the entire city limits, would rather have satellite lots connected to Downtown by bus; more parking closer in, wider roads will only bring more cars
- Coupling of the parking has provided a tool for us to keep some influence over the retail mix, otherwise we would just have restaurants – "make money but do not serve the community," the ones who pay the property taxes (larger share than the business expenditures); part of our vision for Downtown is one which offers locals a place to go, where they can meet their needs
- Negatives: traffic/circulation, parking restrictions (coupling), street layout, pedestrian crosswalks and navigability/connectivity (a lot of interstitial parking), need to put parking somewhere else
- Barriers-to-entry for food-serving businesses: primarily about parking; desire for a high-end butcher or a fish market but they trigger the parking requirements

Business Development and Permit Process

- Most successful businesses here are successful in spite of everything, was difficult to get established initially
- Everything requires CUP in Downtown. Even signage has to go to the Planning Commission and requires a public hearing, more attention paid to aesthetics and use, to make sure that there are not too many of this kind of use; needs to be a uniqueness to new arts uses (e.g. Nat'l Geo gallery); also, discourages office space on the ground level
- We have all been to vibrant CA shopping destinations, e.g. Abbot Kinney; one of the issues is the CUP for opening up any business in Downtown, allows competitors to block that (through public hearing, can give their opinion about how it would impede business, usually carries the day), goal is for one of every type (e.g. jewelry); process is also lengthy and meanwhile a landlord has to hold space without rent, and spend a lot of time keeping the prospective tenant from bolting
- Would be nice to offer more freedom to property owners to lease to the businesses that they want, more interesting hybrid concepts (e.g. whiskey/cigar bar), allows for surprise and unpredictability; retail quota system, e.g. only ten ice cream shops allowed, designed to avoid too many tee-shirt shops, etc.
- Downtown has developed a reputation in the tenant community, "do not even bother;" a lot of merchandise creep, objective of variety is not even met
- There is a formula retail ordinance; chain restaurants (e.g. BJ's, Johnny Rockets, etc.) have lines because they are more affordable (e.g. for families)
- People are not necessarily opposed to chains but rather a chain-like look; Tommy Bahama's, for instance, fits into the fabric of Laguna well, and Whole Foods, fits with the demographic; Rubel Jeweler has two or three stores all over California -why isn't that considered a chain?
- Need Coastal Commission permission to do anything on Pacific Coast Highway

- Walk in Carmel and there are tons of cafes, restaurants, bakeries, etc., whereas Laguna does not have many of those, places for people to sit down, have coffee/gelato and walk around; cannot do that as a retailer, have to be a food use, retail space would need to be classified as a restaurant space and would require more parking; visitors here for the experience (café, restaurant, etc.) and not the shopping; need more use flexibility with what can be offered in a given space; an example is Casey's Cupcakes – a cupcake business wanted to expand into coffee but could not due to inadequate parking, then customers get annoyed; hard to expand or change business model
- Cannot put one mannequin outside window; table with clothes on the sidewalk, or outdoor seating, is considered an intensification of use, needs more parking; root of all of the problems, why locals get so frustrated, they cannot find stalls (during the summer at least)
- Have a locally owned juice bar, recently got some bad news health-wise and will have to shut down, approached certain others – brands – and tried to sell their business, got interest from a couple of them but then they went to the City, got the impression that it would be a uphill fight, a hassle, they were scared off
- High end retailers have talked to us about Laguna, put off by rules and regulations, lose interest, reputation within the tenant community as very difficult, an uphill battle, not a high priority
- Ordinance restricts everything and keeps anything from getting done; City refuses to consider automated parking or entered into partnerships with others (e.g. Presbyterian Church, Wells Fargo)
- Same tenants interested, coastal/artsy/high-income demographic; also Crystal Cove; consensus, however, is that there will be nothing remotely a chain, and even if not, there is a process that tenants do not fully understand, scared off, too costly and unpredictable, outside their experience, not worth the effort
- Also cannot transfer the business that is created, no 'exit' strategy; in any other city in SoCal, businesses can be sold, but in Laguna, you cannot sell your business to a chain, renders economic prosperity useless

Sales Leakage - Competing Business Districts And Shopping Centers

- Rivals include Fashion Island, South Coast Plaza and Irvine Spectrum, cannot compete with them, have to be more unique
- Younger people gravitating to the HIP District for the restaurants, e.g. Wahoo's, Sapphire Restaurant and Café, Chris Keller at The Rooftop, etc., a few anchor businesses have created a good atmosphere there
- Better connection of college to Downtown (like Orange and Chapman), so that students are moving around
- South Laguna Civic Association: do not want to drive to Dana Point, Lake Forest, Laguna Niguel, etc. for basic services (e.g. Coast Hardware), were very opinionated about that;
- Not enough family-friendly or family-affordable places, look instead to Dana Point, rent four times as much here; those restaurants are "not good," there for the tourists"
- Many have no desire to drive outside LB on a regular basis, want to live, work, recreate, shop here, an appreciation of the natural beauty and the sense of community, the small, quirky, imperfect element; business is very difficult, lots of dreams about lifestyle ("I can live here, have my business here")
- There is a missing district, most problematic in the City; two blocks from Legion to Thalia to the south (after which is the Hip District), needs the most work, some of the most rundown buildings and cheapest rents in Laguna, developed in same historical time periods; very tourist-oriented because there is no parking and no possibility for it due to topography, cannot change the use (e.g. to add a courtyard café) because parking cannot be added;
- A couple of anchors driving the outlying districts: Mozambique's; Casa del Camino/The Old Pottery Place; No Such Force in Sleepy Hollow
- So much focus is on Downtown, but the City as a whole is a walk-able place, some of our retailers want people to walk from Downtown to their districts; add a large map showing the districts in the Downtown, with directional signage; pedestrians think everything ends at Legion because you see gas stations, hotel and not much else; will also allow for a one-park visit

- Sleepy Hollow: gets a lot of traffic and noise because of the hill, complaints about sidewalks (and so Public Works has done some power-washing), Mosun closed and continuity is broken by the hotel and the Ralph's
- Only have trouble parking in the HIP District on Friday and Saturday early evenings, or mid-July/August at around the same time; not horrendous; getting to Downtown was really bad, a flow-of-traffic issue also along Coast Highway from South Laguna

Assessment Of Existing Retail Mix And Businesses near Downtown

- City should not be in the business of regulating the free market at all
- Feels like it is a three-month-a-year economy
- Casa Camino: one of the most successful restaurants in Laguna
- Have not done a good job with keeping resident-serving businesses; when I first moved here one did not have to leave town for anything besides airport or employment; there was stationery, appliances, clothing for ordinary people (did not have to be 12 years old, 76 pounds), mourn the loss of all of that; candidate said that there were 22 vacant spaces, do not know how to attract tenants or induce property owners to consider resident-serving businesses
- Have been an explosion in rooftop decks though the increase in liquor sales and the associated problems have not improved the community any, just benefits a small number of property owners – who have also driven what we have been asked to do, which is a concern
- Incentives and other ideas butt up against the high rents, only certain kinds of stores can afford the space; preference for resident-serving businesses on Ocean Avenue but landlords say that they cannot find anyone
- Feel that we express a "really strong resident point-of-view"
- Need to create more diverse and interesting retail
- Six months ago the Chamber had a group talking to a retail design consultant, becoming a lot of tee-shirts and novelties, but if there was different kind of space we could attract more upscale concepts, people would come for more than three months per year
- Tourists come in the summertime, we try to make all of our money then; residents not coming in the off season, due to the mix/parking
- Formula retail ordinance deters competition, loses some sophistication and hurts everyone, go to Fashion Island or South Coast Plaza instead; consultant pointed to Abbot Kinney Blvd / Venice Beach as something that is plausible
- We have tons of art galleries, selling almost fraudulent art; roughly eighty of them selling unbelievably bad art and we think that we are a city of art, do not support the playhouse or the art museum, very little change
- Cannot buy clothing (e.g. men's suits) in Downtown, no Levi's, need some formula retailers in here to increase options
- Big companies can better survive the up's and down's, Tommy Bahama's fits into the town, Tiffany's and Louis Vutton is in Carmel
- Mosun used to be sushi on the ground floor and nightclub upstairs, on Coast Highway in Sleepy Hollow, has been vacant for a few years
- Most do not go to Tommy Bahama's Downtown, majority go to the one at the Spectrum, only if I am here for some other reason (e.g. festival); no clothes, no sporting goods, or, perhaps due to price; no basic jeans or suits stores
- Was an artist colony, eclectic, until the MTV show; has always been about the beach (as visitor), never come to buy anything
- Offices/business-to-business upstairs can generate more tax revenue than retail, the latter can be a hit-or-miss; getting more residents to shop Downtown during the off-season; relax formula retail ordinance on resident-serving streets
- The Vault caters mostly to tourists
- The Montage and Surf & Sand have up-scaled so much, really expensive; The Ranch, does have hotel units

- Umami Burger always empty; no Vietnamese food; getting Peruvian (old Sundried Tomato), Japanese (Mosun); have a lot of low/middle/high-end Mexican; need an awesome butcher/deli (Umami Burger and Mosun are closed).
- Not many unique stores in Laguna, technically unique (independently owned) but all art galleries and tee-shirt shops
- Hotel Laguna on Coast Highway and Goodyear Tire on Broadway/Cliff all owned by Merrick family
- Our complex is resident-serving, e.g. post office, café, florist, salon, (juice bar (now closed)), etc., those businesses have done well and there is interest, would be even more if regulatory framework was revamped
- Juice & Shakes opened up 3 ½ months ago, gets a diverse crowd, a mix of tourists versus locals but probably more of the latter, even though the location would seem to be tourist driven but not as much because of lack of name brand (Juice & Shakes is now closed)
- Marine Room has been an institution since the 1930's, the trade (e.g. plumbers) hung out there in the '30's, '40's and '50's, we took it over at end of 2011, was the exact same bar that it had been for 25 years, had that '80's dive bar vibe, was super cool, demographic had aged and shrunk, countless numbers of people would come up to me and say that is where they met their spouses (from 40 to mid 50's), met ten to twenty years ago, used to be a biker bar and become rock-n-roll now an over-40 bar, we had to reset the clock and get the 20-somethings in; did a bit of a makeover inside, a social-media rebrand of who we are and what we serve (including the quality of the products), now we have a mix, over 55 year olds who have been coming for 25 years as well as the 40 to mid 50's crowd, now the majority since the start of 2014 is the upper 20's / low 30's, expanding more to the low to mid 20's, initially the kids of Laguna parents, coming for the cool bands and good beers on tap, then the word-of-mouth spread, Marine Room the hip and cool spot that draws outsiders, from, say, Newport Beach, Costa Mesa, etc., Newport talked about in somewhat disparaging terms; locals (including immediate surroundings) 70%, out-of-town 30%
- Also residents/people go to Hennessey's (much younger, low to mid 20's) because of sports bar and 2nd level club, Ocean Avenue Brewery (same, for the "club" thing), groups will make it a night in Laguna
- The Sandpiper (for classic "dive bar")
- The Rooftop closes early; more of a first stop but the crowd there is probably more mature overall so they do not end up at the Marine Room
- Mozambique has taken the late 30's / 40's crowd and capitalized on it, with the type of entertainment they have, the facility, etc., do a great job all around, a destination in itself, would not be as much as one without the free lift from anywhere;
- Nick's and Carmelita's consistent with good pricing, hit all of the key points, do well but not easy to get to that point; value of real estate and the rents that are here, hard for those mom-and-pops to sustain those costs
- Very small leased spaces along Coast Highway (e.g. 260 and 300 sq ft), not comparable; Downtown occupancy costs between $4 and $7 off Forest, high $7's, $8 and $9's on Forest; maybe two to three months that are really busy, but what about the other eight months? Johnny Rockets has a name brand, clean facility, but it always seems so slow
- Most successful: Nick's, Coast Hardware, Starbucks Coffee

Design and Character of Downtown (Site Specific Factors)

- Importance of keeping Laguna's essence: which seems to be eclectic, artsy, funky, a bit tarnished but still charming
- Laguna loves being unique, e.g. artist colony, independent businesses
- Part of what contributes to our charm is our pedestrian scale, can walk through the streets and see the hillside, get a sense of the larger community, do not want to lose that – no buildings more than one floor, property owners asking for it, but it does not provide anything that we need, no "trade-off"
- Treat it like Chicago rather than Bordeaux (closed off the entire city to automobiles, get to the periphery and then no further); very tall buildings on Broadway (max. 36 ft high)
- Buildings in Downtown that look like "hell," are in bad shape, owned by people who do not care – versus Carmel, La Jolla; dirty streets
- Vacancies impact the character - Chamber got money from Council to develop a commercial database – for a vacancy rate – but they never did it; business community wants municipality to pursue recruitment
- Business owners would like to have more of a role with a comprehensive signage program, like in Healdsburg – way-finding to direct pedestrians to stores, more landscaping and beautifying, more sidewalk cleaning, no BID here, look to the City for it
- Visit Laguna wants better pedestrian amenities, e.g. more crosswalks
- Marine Room owned by a local Councilman for a long time, sold it to Chris Keller who has done a good job of updating it, not alienated the locals
- Cedar Creek was an icon, replaced by Lumberyard

Examples of Other Retail Areas

- Joe Hanauer created this HIP District to shift the focus from Downtown, now people think of the HIP District and now even the Pearl Street District, movement afoot to differentiate it, shops probably get more of a local crowd because there are more residents nearby but also sits in the middle of the resort district; more in the $4 range, maybe even less $3.50 to $5.00 per sq ft. HIP District businesses draw younger group and unique businesses
    - Sole Project (eco-sensitive, cool stuff, with Print in back, on-demand/custom-made shirts)
    - Isla (boutique that curates and draws mostly local)
- Good models - Arroyo Grande, Sonoma, Healdsburg
- Carmel, CA
- Just one property in our portfolio; Malibu very similar to Laguna, a little bit artsy and very protective of maintaining the character of this little town; just instituted a CUP process in Malibu, with the intent of limiting chain stores
- Market rents in Laguna: higher than L.A. but if the shackles were removed, it would be still higher; our property is not front-and-center, asking $4 to $5 per sq ft triple net lease (NNN) ($1.20 per sq ft, on the high side due to location in a flood zone), closer to $5 per sq ft, not a % component but every deal is different - old juice bar well over $5 per sq ft NNN (small space); goes up closer to ocean, Coast Highway, common area maintenance (CAM's) might be a little less, will be doing some comps in the next week; Fashion Island over $10 per sq ft
- Like Mammoth Lakes and InterWest; tourists will always be there, the beach is not moving
- Corona del Mar: similar community, home prices, less resort-driven

Development of comps to other relevant downtowns (one page summary of other downtowns)

INTRODUCTION

Laguna Beach has a distinct retail environment, but it is important to understand how it compares with other retail settings in the area. This document summarizes characteristics of four nearby downtowns, corresponding to Task 1.5 of MIG's scope of work. The downtowns examined in this document are: Newport Beach, Dana Point, Encinitas, and Santa Barbara. Each of these communities has similarities to Laguna Beach as well as important differentiating points that provide a valuable comparison.

Demographics

The five communities examined in this document (including Laguna Beach) range in median age from 36 to 48, and the median household incomes range from approximately $65,000 to over $100,000. While these ranges may seem large, they provide a general baseline against which to examine Downtown Laguna Beach. Of the five, the community with the highest median household income is Newport Beach, at $106,333, and the lowest median income is in Santa Barbara at $65,034. Laguna Beach is in the middle of this range, with a median household income of $95,325. Laguna Beach has the highest median age, at 48.6, and the smallest household size at 2.07, indicating a lower number of families (households) with children in the City than the other comparable communities.

Zoning And Regulation

Each city examined has a different approach to commercial zoning, depending on the regulatory focus of the community. All five cities include zoning that delineates resident-serving versus visitor-serving areas, signifying the high tourist presence in these coastal communities. However, the impact of these zoning designations varies in each place; some downtowns provide a higher number of resident-serving businesses and some are more tourist-oriented. Two of the communities examined, Newport Beach and Santa Barbara, have a commercial zone for ocean-oriented businesses, which includes commercial and recreational uses as well as ocean-dependent harbor activities. Laguna Beach is the only community that includes arts-focused uses within the zoning code.

Retail Mix and Sales Volume

A business database (Reference USA) was used to analyze the retail context of each of the comparable communities based on specific boundaries. The downtown boundaries were either defined in planning documents for each city, or were estimated using land use maps and satellite image data of commercial areas. The number of businesses in the five downtowns ranges from 160 to 438, with Laguna Beach in the middle at 277 downtown businesses. In all five communities analyzed, restaurants are the most common business type downtown. Beauty salons are also one of the most frequent businesses in all five cities. Beyond these similarities, each downtown has a different retail mix, with some places that emphasize resident services, and some that focus on shopping and apparel. Average retail sales volume ranges from approximately $1.17 million to $2 million per year.

Below is a summary of each community's retail mix and sales volume:

- **Newport Beach:** This community's retail mix emphasizes ocean and recreation-oriented businesses, with the third and fourth primary business types being boat services and yacht charters and sales. Newport Beach has the highest average sales volume of the five cities examined, at $2.05 million.
- **Encinitas:** This community's downtown contains a predominance of service-related businesses, including both computer software services and auto repair shops. However, Encinitas also contains several women's apparel stores and photography-related businesses, making for a diverse downtown mix. Encinitas has the lowest average annual sales volume at $1.17 million.
- **Dana Point:** Like Encinitas, Dana Point contains several resident-serving businesses, including auto repair shops as well as cleaning services and financial services. Dana Point is the smallest downtown of the comparable communities, with approximately 160 businesses. The average annual sales volume is slightly higher than Encinitas, at $1.21 million.
- **Santa Barbara:** This city has a higher concentration of businesses than the other communities examined, with over 400 downtown businesses. The retail mix is more shopping-oriented, perhaps indicating a visitor-focused market. Aside from restaurants, the top downtown Santa Barbara businesses include clothing and apparel, furniture sales, jewelers, and art dealers. The average sales volume is $1.73 million.
- **Laguna Beach:** Similar to Santa Barbara, Downtown Laguna Beach is predominantly focused on shopping and visitor-oriented businesses. Laguna Beach has the most art galleries and dealers of any of the five communities, and also contains several clothing stores and jewelers. The average annual sales volume is on the lower end of the range, at $1.2 million.

See pages 15-22 for additional details related to Newport Beach, Encinitas, Dana Point, Santa Barbara, and Laguna Beach.

Downtown Commercial Rents

In all of the downtowns examined, the majority of annual commercial rent expenses fall between $10,000 and $25,000 per year. Newport Beach has the highest percentage of businesses within this range, at 51%. In Laguna Beach, 42% of businesses pay rents within this range, and 25% pay between $25,000 and $50,000. Overall, the distribution of rents in each of these communities is relatively similar, with few businesses paying more than $100,000 or less than $10,000 per year in rent. Laguna Beach and Santa Barbara have the highest percentages of businesses that spend between $100-250,000 annually, at 10% and 13% respectively. Overall, the rents in Laguna Beach are comparable to the other downtowns examined in this document.

SITE SPECIFIC FACTORS

Each of the downtowns analyzed have unique factors relating to its location that affect how the retail market functions. The following paragraphs discuss the five downtowns in relation to their site specific factors:

- Geography, Street Layout and Pedestrian Environment
- Large Scale Traffic Generators, Access, and Parking
- National Brands versus Independent Businesses

Geography, Street Layout and Pedestrian Environment

Three of the downtowns examined (Santa Barbara, Encinitas, and Laguna Beach) are oriented in a grid-like pattern, making them more walkable than Newport Beach and Dana Point. Santa Barbara in particular provides a pedestrian- and bike-friendly environment along State Street, with a consistent streetwall, on-street parking, few curb cuts, and a on-street separated bike lane. This street is also lined with attractive landscaping, outdoor seating, and a mid-block paseo lined with stores and seating. Forest Avenue in Laguna Beach creates an analogous pedestrian environment as Santa Barbara. Laguna Beach does not include a bike lane or a comparable amount of outdoor seating. Although at a smaller scale, the alleyways in Laguna Beach provide a similar function as Santa Barbara's paseo.

Newport Beach and Dana Point have commercial cores that are irregularly-oriented along streets that intersect at irregular angles, creating difficult pedestrian crossings. Newport Beach is divided by canals, which makes for a disjointed commercial area lacking a district downtown identity. Dana Point's downtown spans a diamond-shaped area where Pacific Coast Highway and Del Prado Avenue split and merge back together, creating awkwardly-shaped blocks without consistent street frontage. The organization and orientation of these downtowns creates a distinctly different atmosphere than Laguna Beach.

Large Scale Traffic Generators, Access, and Parking

The downtowns in Encinitas, Newport Beach, and Dana Point are all oriented around Coast Highway, fostering an auto-dominated environment. Encinitas does, however, include on-street parking along Coast Highway, which slows traffic and provides a slightly more pedestrian-friendly environment. Along the highway in Newport Beach and Dana Point, traffic moves at high speeds and the road is lined with numerous surface parking lots and curb cuts. Dana Point has a large shopping center with a surface parking lot at the corner of Del Prado and Golden Lantern Street. The auto-orientation of these downtowns reduces foot traffic and limits the vibrancy of the environments. Recent improvements in the Dana Point commercial core are intended to create a more pedestrian-friendly environment.

Santa Barbara has a well-defined primary commercial corridor along State Street, and parking is tucked behind buildings along the streets parallel to State Street. The downtown is located several blocks away from Highway 101, minimizing traffic impacts in the area. Like Santa Barbara, Downtown Laguna Beach is not oriented directly around a major thoroughfare, though its commercial streets branch off of Coast Highway. Even this distance, however, makes a more walkable shopping district than in Encinitas, Newport Beach, and Dana Point. Unfortunately, Laguna Beach does suffer from high traffic volumes with Coast Highway, Broadway, and Laguna Canyon Road at the edges of Downtown, and scattered surface parking lots increase traffic congestion with cars circling to find available spaces. Recent parking signage and trolley service improvements have decreased some congestion Downtown.

National Brands versus Independent Businesses

Four of the five downtowns analyzed have a very low number of national brand chain retail stores. Almost all businesses in Newport Beach, Dana Point, Encinitas, and Laguna Beach are independently owned. Encinitas in particular has almost no national brands, with the exception of a Whole Foods on Coast Highway. Santa Barbara, however, has many chain stores, including an Apple Store, American Eagle Outfitters, Anthropologie, Forever 21, H&M, and several chain restaurants such as California Pizza Kitchen, Chipotle, and Pinkberry. Laguna Beach has a few brand name stores (though significantly fewer than Santa Barbara), including Chico's, Quiksilver, and Tommy Bahama, as well as food establishments such as Johnny Rockets, Whole Foods, and Starbucks. It is important to note that one of the highest rents and walkable downtowns examined in this document, Santa Barbara, has the most chain stores, but they are well-designed and integrated into the fabric of the neighborhood.

CONCLUSION

Laguna Beach has one of the most vibrant and pedestrian-friendly downtowns out of the five communities examined in this document. This means that consumers are more likely to browse a variety of stores rather than coming Downtown for a specific store, parking and then leaving. For the most part, Downtown Laguna Beach shares many similarities with the other cities in terms of sales volume, business size, zoning regulations, rents, and the amount of independent businesses located Downtown. However, the City is unique in its arts emphasis both culturally and in its regulations, which likely accounts for the preponderance of art galleries Downtown.

Downtown Laguna Beach businesses also seem to emphasize shopping and visitor-related uses more than resident services, similar to Santa Barbara. Though demographically Laguna Beach has a higher median age and a smaller household size, this does not seem to affect the retail mix, perhaps because the consumer base includes an emphasis on visitors.

A trend found in this study is that the more resident-serving commercial cores tend to include a large amount of surface parking, which may be convenient for residents running errands, but ultimately makes these downtowns less inviting and pedestrian-friendly. The two downtowns that have more shopping and visitor-serving businesses (Santa Barbara and Laguna Beach) are more walkable and vibrant, encouraging people to peruse multiple businesses in the area. While Laguna Beach strives to encourage more resident-serving businesses Downtown, the City should ensure that the design of these stores and the amount of parking provided does not detract from its pedestrian-scale environment.

Below is a summary of the retail profiles of the comparable downtowns included in this deliverable. See pages 15-22 for additional information.

Comparison of Downtown Areas							**Laguna Beach vs. Average**
	Encinitas	**Newport Beach**	**Santa Barbara**	**Dana Point**	**Laguna Beach**	**Average**	
Median Age	41.5	43.7	36.1	44.9	48.5	42.94	+5.56
Median Household Income	$91,795	$106,333	$65,034	$80,133	$94,325	$87,524	+$6,801
Average Household Size	2.6	2.24	2.54	2.31	2.07	2.35	-0.28
Number of Downtown Businesses	254	222	438	160	277	270	+7
Average Annual Sales Volume per Business	$1,169,441	$2,052,032	$1,733,064	$1,211,794	$1,201,632	$1,473,593	-$271,961
Average Number of Employees	7.6	10.2	9.8	6.9	7.6	8.42	-0.82
Average Annual Rent Expenses (% of businesses that spend $10,000-25,000)	34%	51%	32%	38%	42%	39%	+3%
Number of Businesses that spend $10,000-25,000 in Annual Rent Expenses	86	113	140	61	116	105	+11

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

ENCINITAS

Downtown Commercial Zoning:

LC/L-LC Local Commercial/Limited Local Commercial: LC permits retail uses which serve local residents of the community and are compatible with residential uses. L-LC permits limited commercial uses conveniently located to serve the neighborhood, compatible with residential uses.

GC-General Commercial: Permits a wide range of commercial activities, including retailing, wholesaling, and service uses, to accommodate City-wide or regional needs.

VSC/L-VSC Visitor-Serving Commercial/Limited Visitor-Serving Commercial: VSC permits commercial activities to serve visitors to the City for business and recreational purposes. L-VSC designation limits uses to hotel/motel.

OP-Office Professional: Permits professional and administrative offices, with some accessory retail and service uses.

Site-Specific Factors:

- Downtown Encinitas runs along both sides of South Coast Highway, including three blocks west of the highway, along the water. The majority of businesses are along Coast Highway.
- Railroad tracks run parallel to South Coast Highway, creating a barrier on the east side of the highway
- The downtown is laid out in a grid, and is relatively pedestrian-friendly, particularly on the side streets off of Coast Highway
- Residential uses are interspersed with commercial uses, with a predominance of residences towards the ocean
- Almost all businesses are independent, with the exception of a Whole Foods along the highway
- Coast Highway is a high traffic street, but it has both diagonal and parallel parking, which helps the pedestrian environment on the sidewalk

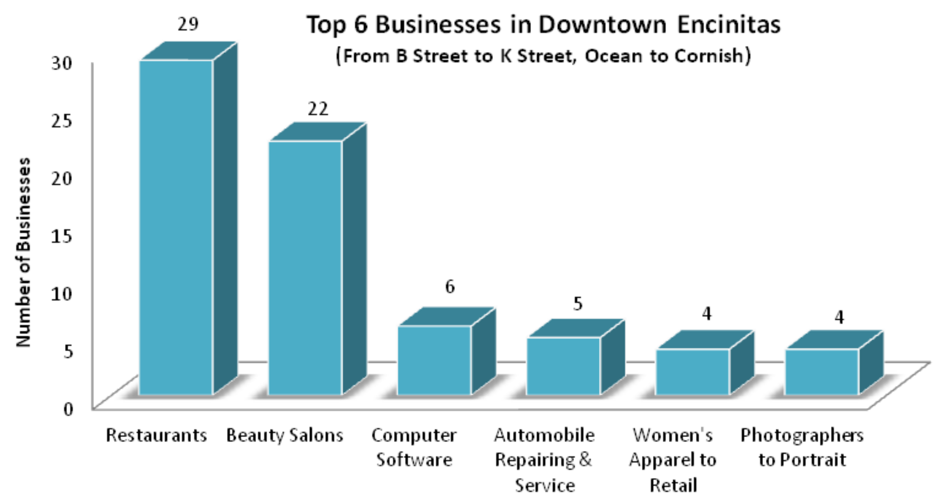
Retail Profile

Median Age: 41.5

Median Household Income: $91,795

Average Household Size: 2.6

Retail Data for Downtown Encinitas: Out of 254 total businesses



Average Annual Sales Volume: $1,169,441

Average Number of Employees: 7.6

Average Annual Rent Expenses: 34% spend $10,000-25,000

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

NEWPORT BEACH

Downtown Commercial Zoning:

CN-Neighborhood Commercial: limited range of retail and service uses oriented to serve the needs and maintain compatibility with residential uses in the immediate area.

CC-Corridor Commercial: A range of neighborhood-serving retail and service uses along street frontages that are located and designed to foster pedestrian activity

CG-General Commercial: A wide variety of commercial activities oriented primarily to serve citywide or regional needs

CV-Visitor Serving Commercial: Accommodations, goods, and services to primarily serve visitors to Newport Beach

CM Recreational and Marine Commercial: Commercial development near the bay to encourage coastal-dependent and coastal-related uses, and encourage visitor-serving recreational uses.

COG -General Commercial Office: Permits administrative, professional and medical offices, with limited retail and services. Lodging is not permitted.

MU-V-Mixed Use Vertical: housing above ground floor retail

MU-H-Mixed Use Horizontal: general mix (general or neighborhood commercial, commercial offices, MFR, visitor-serving and marine-related uses, also vertical MU buildings)

MU-W Mixed Use Water Related: Commercial development near the bay to encourage coastal-dependent and coastal-related uses, and visitor-serving uses, as well as vertical mixed-use development. Lodging is permitted.

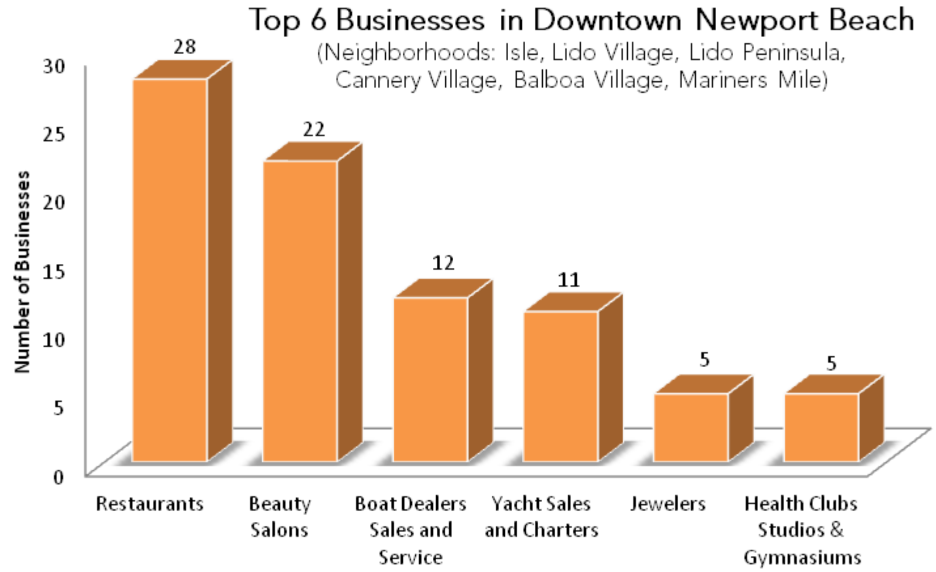
Retail Profile

Median Age: 43.7

Median Household Income: $106,333

Average Household Size: 2.24

Retail Data for Downtown Newport Beach (Lido Isle, Lido Village, Lido Peninsula, Cannery Village, Balboa Village, Mariners Mile): Out of 222 total businesses



Average Annual Sales Volume: $2,052,032

Average Number of Employees: 10.2

Average Annual Rent Expenses: 51% spend $10,000-25,000

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

Site-Specific Factors:

- Newport Beach is less clearly defined than the other cities, and divided by canals, which disrupts access
- Has some consolidated parking structures tucked behind buildings
- Roads intersect at angles and curve, which makes intersections challenging for pedestrians
- There are two major commercial streets: Via Lido and Coast Highway, which have different characters. Coast Highway is more vehicle oriented, with surface parking lots fronting the street
- The majority of business in Newport Beach are local businesses, with a few national brands such as RadioShack, Starbucks, and McDonalds

DANA POINT

Downtown Commercial Zoning:

NC Neighborhood Commercial: Provides for a limited range of smaller-scale business activities for nearby residents.

CC/P-Community Commercial/Pedestrian: Medium intensity commercial uses for community-wide needs in a pedestrian-oriented environment.

CC/V Community Commercial/Vehicular: Higher intensity commercial uses that serve community and subregional needs with an emphasis on convenient automobile access.

V/RC-Visitor/Recreation Commercial: Visitor-serving uses such as resorts, hotels, restaurants, conference facilities, commercial-recreation, specialty and convenience shops, etc.

C/R Commercial/Residential: Compatible mix of commercial and office uses with residential units in the same building or on the same parcel.

R/C-18 Residential/Commercial-18: Mix of residential and commercial and office uses in the same building or on the same parcel. Commercial uses are visitor serving while still compatible with residential uses. Residential density is 18 dwelling units per acre.

P/R Professional/Residential: Mix of professional and residential uses in the same building or on the same parcel.

P/A Professional/Administrative: A range of office uses in areas which complement adjacent residential, commercial, or industrial business districts. Intended to be a buffer between residential neighborhoods and more intensive land uses.

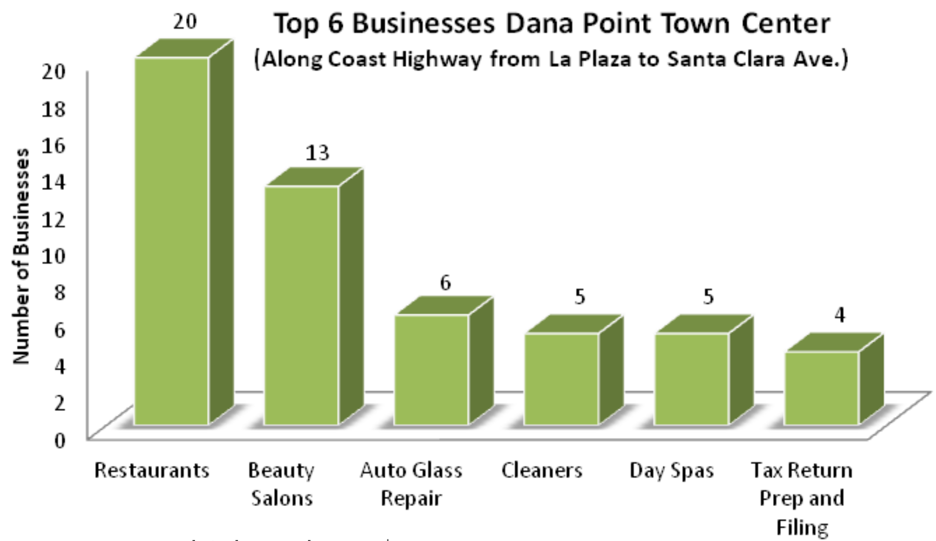
Retail Profile

Median Age: 44.9

Median Household Income: $80,133

Average Household Size: 2.31

Retail Data for Dana Point Town Center: Out of 160 total businesses



Average Annual Sales Volume: $1,211,794

Average Number of Employees: 6.9

Average Annual Rent Expenses: 38% spend $10,000-25,000

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

Site-Specific Factors:

- Downtown Dana Point spans a triangular/diamond-shaped area where Coast Highway and Del Prado Avenue split and then merge back together
- The area is not pedestrian friendly: both Del Prado and Coast Highway are high-traffic, multi-lane roads, and the smaller streets that divide the blocks are lined with surface parking lots
- Most businesses are independent, but Dana Point has a slightly higher number of chain food establishments, including Taco Bell, Pizza Hut, Starbucks, Ralph’s, as well as a Rite Aid
- Ralph's and Rite Aid are located in a large shopping center, Lantern Bay Village, which is dominated by a large surface parking lot

SANTA BARBARA

Downtown Commercial Zoning:

HRC Hotel and Related Commerce Zones: Visitor-serving and commercial recreational uses, including lodging, and residential uses in certain areas.

C-P Restricted Commercial Zone: Commercial uses near residential, intended to provide a desirable living environment for residents.

C-L Limited Commercial Zone: Located on State Street adjacent to the Central Business District near residential areas. Permits general office, hotel, and low intensity commercial activities.

C-X Research and Development and Administrative Office Zone: Level and intensity of activity is compatible with the surrounding residential area. Intended for research and development establishments, with no manufacturing.

C-1 Limited Commercial Zone: General commercial uses with a 3-story height limit.

C-2 Commercial Zone: General commercial uses with a 4-story height limit.

C-M -Commercial Manufacturing Zone: Higher intensity commercial uses such as automobile-related uses, warehouses, and other production and manufacturing uses.

HC Harbor Commercial Zone: Intended to ensure that the harbor will remain primarily a working harbor with visitor-serving and ocean-related uses secondary to ocean-dependent uses.

OC Ocean-Oriented Commercial Zone: Intended to achieve balanced use of the City's waterfront and maintain the local character of the waterfront area. Permits a mix of uses and intended to preserve and protect the coastal environment.

Retail Profile

Median Age: 36.1

Median Household Income: $65,034

Average Household Size: 2.54

Retail Data for Downtown Santa Barbara: Out of 438 total businesses

Average Annual Sales Volume: $1,733,064

Average Number of Employees: 9.8

Average Annual Rent Expenses: 32% spend $10,000-25,000

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

Site-Specific Factors:

- Santa Barbara Downtown is a well-defined series of blocks spanning two blocks on either side of State Street, from Sola Street to De La Guerra Street.
- It is laid out on a grid; it is pedestrian friendly with a consistent streetwall, few curb cuts, and narrow traffic lanes
- Parking is primarily tucked behind buildings along State Street, so the streets running parallel to State Street contain some large breaks in the street wall.
- Outdoor seating is located along State Street, and a paseo with additional seating cuts mid-block to create a pedestrian-only space.
- A Class 2 bike lane runs along State Street
- Santa Barbara has the most chain businesses out of the downtowns examined, including an Apple Store, American Eagle Outfitters, Anthropologie, California Pizza Kitchen, Chipotle, CVS Pharmacy, Coach, Forever 21, H&M, Lululemon, Papyrus, Victoria's Secret, Rite Aid, and others.

LAGUNA BEACH

Commercial zones outside of Downtown are included for Laguna Beach because these zones are applied to North Village, South Village, HIP District, and Pearl District. Task 2.2 discusses North Village, South Village, HIP District, and Pearl District.

Commercial Zoning:

LBP Local Business Professional Zone: Intended to serve the needs of local residents. Primary uses are office/professional uses, service-oriented businesses, residential uses, and secondarily, commercial retail uses.

CN Commercial Neighborhood Zone: Intended to serve the shopping and commercial service needs of local residents. Primary uses are commercial retail uses, services, offices and professional uses, and limited residential uses.

C1 Local Business Zone: Intended for local retail business and commercial needs of the city. Includes highway-related uses in some areas and limited residential uses.

CH-M Commercial Hotel-Motel Zone: Intended for visitor-serving uses, primarily hotel-motel operations with supporting commercial and service uses.

Downtown Commercial Zoning:

CBD-1 Resident Serving Commercial: Intended to encourage service-oriented businesses in Downtown Laguna Beach.

CBD-2 Intended to provide a balance of residentand visitor-serving businesses in Downtown Laguna Beach.

CBD Visitor Commercial: Promotes a range of visitor-serving uses along Pacific Coast Highway.

CBD Office: Intended to maintain the office-oriented businesses in the southeast portion of Downtown Laguna Beach.

CBD Central Bluffs: Intended to promote a low-intensity balance of visitor serving businesses and artists' uses in Downtown Laguna Beach.

Retail Profile

Median Age: 48.5

Median Household Income: $94,325

Average Household Size: 2.07

Retail Data for Downtown Laguna Beach: Out of 277 total businesses

Average Annual Sales Volume: $1,201,632

Average Number of Employees: 7.6

Average Annual Rent Expenses: 42% spend $10,000-25,000

Source: Reference USA. Retrieved November 13, 2015. http://www.referenceusa.com/UsBusiness/Search/Custom
Source: American Community Survey Data, 2013 5-Year Estimates

Site-Specific Factors:

- Forest Avenue is a highly pedestrian-friendly street with narrow lanes, on-street parking, and a consistent street wall.
- Broadway and Coast Highway are less pedestrian-friendly, and create barriers at the edges of Downtown.
- Surface parking lots along Ocean Avenue detract from the pedestrian environment.
- The majority of businesses are independent, with some food-related national brands (Whole Foods, Starbucks, Johnny Rockets), and some apparel national brands (Chico's, Quiksilver, Tommy Bahama), as well as several bank branches.

Development of Survey Instrument

The survey tool was developed in the summer/fall of 2015 and posted on the City of Laguna Beach website. The survey results include 95 respondents.

Q1. Gender

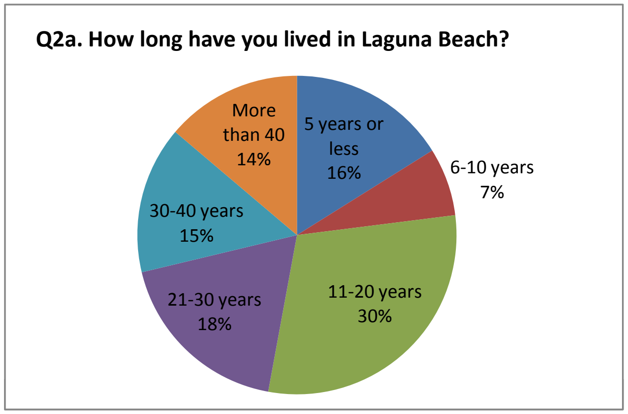
	Male	Female
	36	59
	38%	62%

Q2. Do you live in Laguna Beach?

	Yes	No
	88	7
	93%	7%

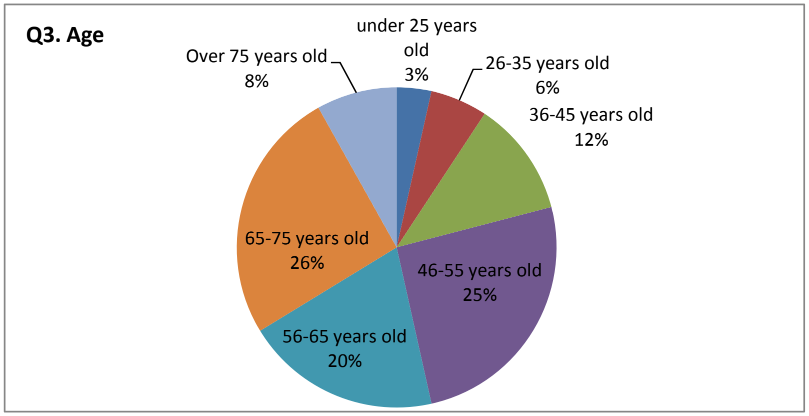
Q2a. If yes, how long have you lived in Laguna Beach?

5 years or less	14
6-10 years	6
11-20 years	26
21-30 years	16
30-40 years	13
More than 40	12



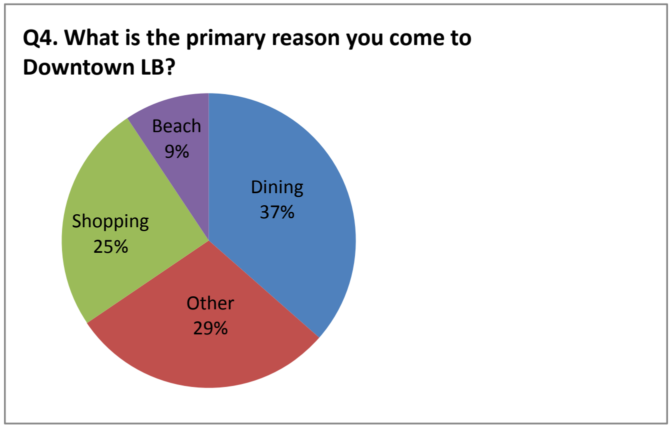
Q3. Age

under 25 years old	3
26-35 years old	5
36-45 years old	10
46-55 years old	22
56-65 years old	17
65-75 years old	22
Over 75 years old	7



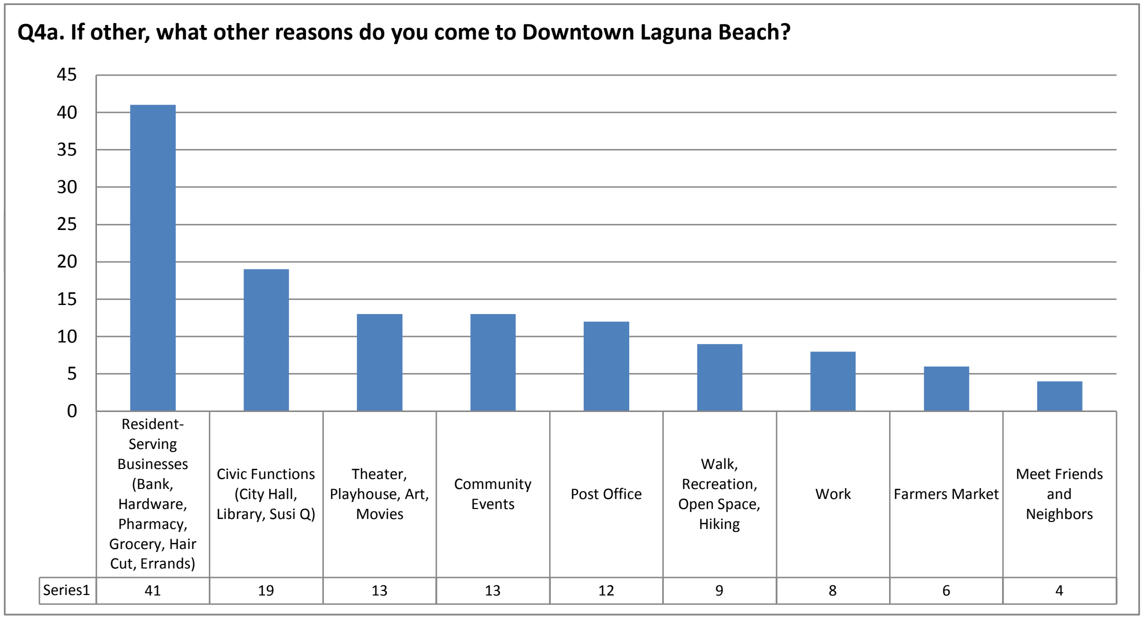
Q4. What is the primary reason (or reasons) you come to Downtown Laguna Beach

Dining	74
Other	59
Shopping	51
Beach	19



Q4a. If other, what other reasons do you come to Downtown Laguna Beach?

Resident-Serving Businesses (Bank, Hardware, Pharmacy, Grocery, Hair Cut, Errands)	41
Civic Functions (City Hall, Library, Susi Q)	19
Theater, Playhouse, Art, Movies	13
Community Events	13
Post Office	12
Walk, Recreation, Open Space, Hiking	9
Work	8
Farmers Market	6
Meet Friends and Neighbors	4

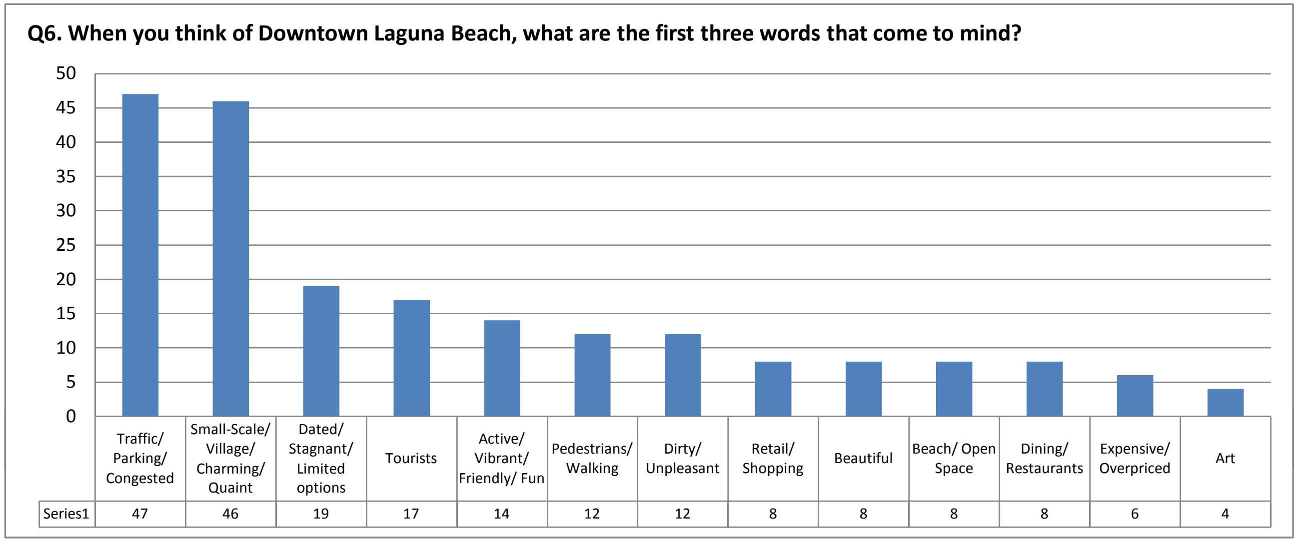


Q5. How often do you come to Laguna Beach

This questions was not answered correctly because the question did not include the word “Downtown.” Many respondents answered, “ I live in Laguna Beach.”

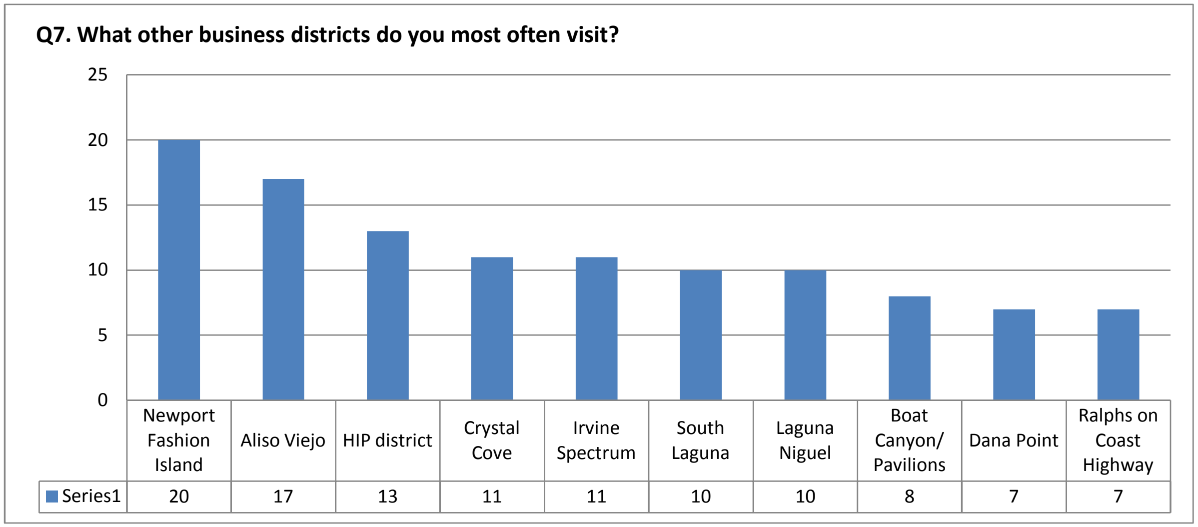
Q6. When you think of Downtown Laguna Beach, what are the first three words that come to mind?

Traffic/ Parking/ Congested	47
Small-Scale/ Village/ Charming/ Quaint	46
Dated/ Stagnant/ Limited options	19
Tourists	17
Active/ Vibrant/ Friendly/ Fun	14
Pedestrians/ Walking	12
Dirty/ Unpleasant	12
Retail/ Shopping	8
Beautiful	8
Beach/ Open Space	8
Dining/ Restaurants	8
Expensive/ Overpriced	6
Art	4



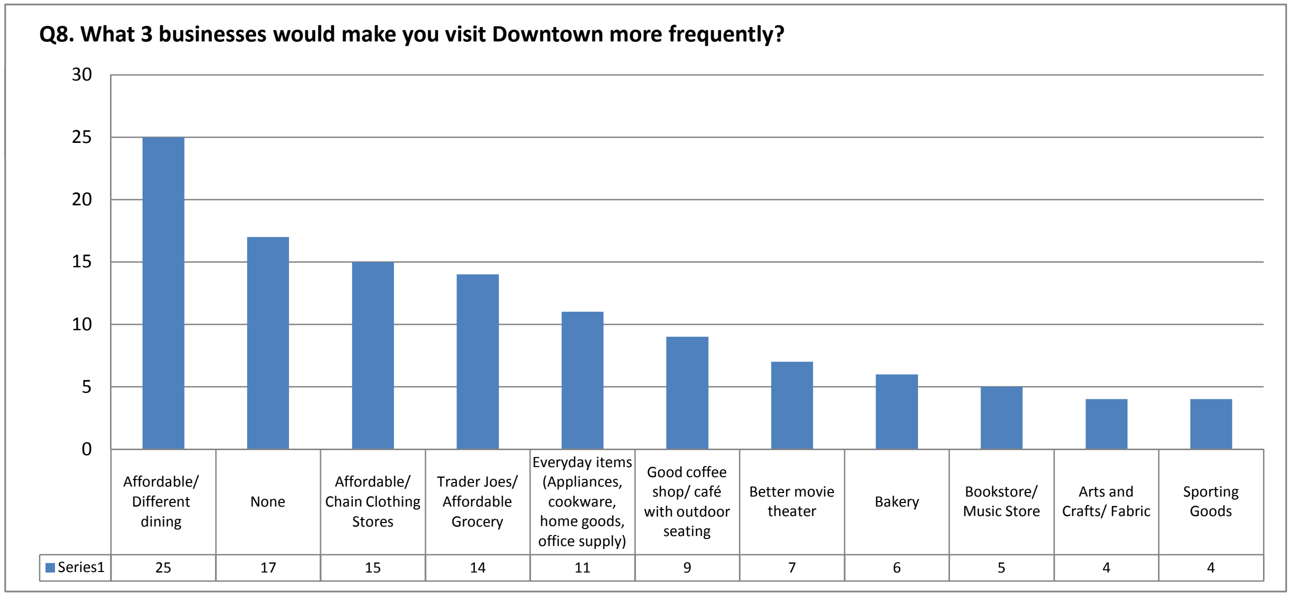
Q7. What other business districts and shopping centers in Laguna Beach or beyond do you most often visit for shopping, dining and entertainment?

Newport Fashion Island	20
Aliso Viejo	17
HIP district	13
Crystal Cove	11
Irvine Spectrum	11
South Laguna	10
Laguna Niguel	10
Boat Canyon/ Pavilions	8
Dana Point	7
Ralphs on Coast Highway	7
Costa Mesa/ South Coast Plaza	6
Laguna Hills	5
Montage	5
San Juan Capistrano	5
Mission Viejo	4
Corona del Mar	3
San Clemente	2
North Laguna	2



Q8. Which three businesses (or types of businesses) would, if they were here, cause you to visit Downtown Laguna Beach more frequently?

Affordable/ Different dining	25
None	17
Affordable/ Chain Clothing Stores	15
Trader Joes/ Affordable Grocery	14
Everyday items (Appliances, cookware, home goods, office supply)	11
Good coffee shop/ café with outdoor seating	9
Better movie theater	7
Bakery	6
Bookstore/ Music Store	5
Arts and Crafts/ Fabric	4
Sporting Goods	4
(Other individual suggestions)	16



Q9. Other Comments

Parking/Traffic/Transportation is a major problem	18
Downtown caters too much to tourists/ need more resident-serving things	17
Don't want change, and don't need new DSP	13
Downtown is dirty/needs aesthetic improvements	8
Downtown is stagnant, needs change, and the existing DSP has made it this way	7
Merchandise and food is too expensive Downtown	6
Rents are too high for small businesses	3

TASK 2.2: EVALUATE COMMERCIAL AREAS OUTSIDE OF DSP FOR FUTURE ANALYSIS

Task 2.2 of MIG's scope of work calls for recommendations about how to integrate and complement commercial areas outside of the Downtown Specific Plan area. These areas include the HIP District, the Pearl Street District, North Laguna Village, and South Laguna Village. This memo examines each of these districts in comparison to Downtown and provides recommendations to create a successful network of commercial areas within Laguna Beach.

Recommendations for how to integrate and complement the commercial uses within the DSP area with the four commercial areas of North Laguna Village, South Laguna Village, HIP District and Pearl Street District

Summary of Recommendations

Downtown Laguna Beach is unique in its character. The four satellite commercial areas outlined in this memo could enhance Downtown's vibrancy while simultaneously benefiting from improved connectivity. The recommendations focus on synergy, integration and connectivity between Downtown and other commercial districts.

1. Create signage and wayfinding, including connected art and landscaping elements, between the HIP District and Downtown.
2. Accentuate the Pearl Street District's food-related uses and hold food-oriented events to connect the Pearl Street District with Downtown.
3. Learn from South Laguna Village's successful resident-oriented uses, and add more affordable, casual dining opportunities Downtown.
4. Brand the resident- and visitor- serving areas of North Laguna Village separately. Create wayfinding and signage that lead to and from Downtown.

Downtown Laguna Beach

Downtown Laguna Beach holds a unique position among the City's various commercial and retail areas. It has a small-scale, walkable environment, with a relatively balanced mix of uses that serves both residents and visitors alike. The Downtown retail area, encompassing three main commercial corridors off of Coast Highway (Forest Avenue, Ocean Avenue and Broadway), is larger than the other four shopping areas examined in this memo.

Currently, based on retail leakage data, most residents' basic needs are adequately supplied, with the exception of specialty food and office supply. Resident-driven uses include Whole Foods, Coast Hardware, Laguna Drug, Zinc Cafe and various professional services.

Visitors drive clothing sales and dining Downtown, but the area faces competition in these industries both from larger national brands in shopping centers such as Fashion Island, as well as from boutiques in the HIP District and the Pearl Street District.

Overall, Downtown has a strong market for retail space with a low vacancy rate and an estimated $1,000 or more per square foot in sales along Forest Avenue, which is comparable to larger shopping areas such as Fashion Island and South Coast Plaza.

The four surrounding commercial districts within Laguna Beach (HIP, Pearl, South Laguna Village and North Laguna Village) provide different types of uses that complement Downtown's businesses. These four districts are outlined in the following paragraphs and recommendations are provided to better integrate all five commercial areas.

HIP District:

The HIP District was branded as a distinct neighborhood in 2010, creating an identity through its assets of "historic and interesting places." The HIP district is located just south of Downtown between Thalia Street and Bluebird Canyon Road. It offers an array of retail services in a similar walkable environment and building scale as Downtown. The HIP district has lower rents than Downtown. Its lower rents have attracted more local specialty and creative businesses, such as a vinyl record store and a hybrid art and skateboard store. The district contains:

- 24 restaurants and cafes, ranging from the Laguna Coffee Co. to The Rooftop Lounge
- 40 retail and specialty shops, including boutiques, The Old Pottery Place and a cycle shop
- 30 service uses including a salon, an optometrist and a shipping store
- 20 art galleries
- 5 hotels and inns

There are 13 registered historic buildings in the HIP District, adding to its eclectic architectural atmosphere. Parking is primarily tucked away on alleys parallel to South Coast Highway. This accentuates a continuous ground floor retail environment and creates a walkable environment with limited interruptions by vehicles, despite its location along the busy South Coast Highway.

The HIP District provides a contrast to Downtown's more upscale retail stores (such as Chico's and Rubel Jewelers) and resident-oriented businesses (such as Laguna Hardware and Whole Foods). It is a destination for specific goods, but not a shopping district geared towards everyday resident needs. In the Laguna Beach retail survey (Task 1.5), the HIP District was the third most referenced shopping area that people visit outside of Downtown. Because it is a desirable location with goods that differ from and complement Downtown, efforts should be made to connect the two retail areas. The span of Coast Highway (between Legion Street and Thalia Street) that separates the HIP District and Downtown is lined with a mix of retail uses, but there are no visual wayfinding elements to connect the two areas. The HIP District's branding effort has been very successful and establishing wayfinding between these two identifiable destinations would create synergy between them. Signage, landscaping and a series of public art pieces could help link the two districts, creating an attractive and engaging path from the shops of Forest Avenue to the Old Pottery Place further south.

Pearl Street District:

Business owners in the Pearl Street District took their cues from the success of the HIP District's marketing initiative and branded the neighborhood in 2013. The Pearl Street District contains approximately 35 businesses. Similar to the HIP District, its location is in a less traveled area that enables lower rents. The lower rents have led to a predominance of unique businesses including specialty gourmet food stores and a radio station (KX 93.5).

The Pearl Street District contains approximately:

- 5 restaurants and cafes, including Mozambique Steakhouse and Wine Gallery
- 15 retail and specialty stores, including the Pearl Street General Store (a gourmet food shop), a vintage clothing store and vegan natural foods store
- 9 service uses including Laguna Auto Service Center and a barber shop
- 3 art galleries
- 3 hotels and inns

The Pearl Street District is less established than the HIP District, but provides a similar contrast in uses to Downtown. However, the Pearl Street District does not have the HIP District's strong focus on arts-related businesses and galleries. The Pearl Street District also provides fewer restaurants than the HIP District or Downtown, but its food establishments act as destinations. Restaurants such as the Mozambique Steakhouse, a multi-level restaurant with attractive upper-level outdoor seating and Wine Gallery, a restaurant and lounge, offering food and beverage alternatives. Together with the Pearl Street General Store's gourmet food supplies, the Pearl Street District could be advertised as a gourmet food or "foodie" destination near Downtown. As a complement to the First Thursday Art Walk, the City could host food sampling events up and down Coast Highway, with shuttles connecting the Pearl Street District to Downtown.

South Laguna Village:

South Laguna Village has not been intentionally branded. Its boundaries are less clearly defined, but it roughly encompasses the area along Coast Highway from West Street to Sunset Avenue, towards Monarch Bay. It is not perceived as a destination in the same way as the other commercial areas discussed in this memo, but it is still a popular shopping destination with a variety of businesses. This stretch of Coast Highway is interspersed with residential and commercial uses and thus does not have the same concentration of retail businesses as Downtown. It is the farthest south of the commercial areas in Laguna Beach and may be a destination for shoppers on their way to or from the Monarch Bay Plaza.

Uses in South Laguna Village include approximately:

- 6 restaurants, cafes and bakeries including Laguna Thai by the Sea, Papa's Tacos and South Swell Donuts
- 6 retail and specialty stores including Mel's Boutique and a violin shop
- 8 service or resident-oriented uses including a dental office and a nail salon

There are no art galleries or lodging facilities in South Laguna Village, indicating that it is less oriented towards visitors. Supporting this notion is the fact that most restaurants and food services in South Laguna Village are lower priced (when compared to Downtown restaurants), casual restaurants that could be frequented by nearby residents. Participants in the Downtown Retail Survey indicated a strong desire for more dining options, including well-priced restaurants. "Affordable/Different Dining" was the most cited response to a question about what Downtown is currently lacking. Downtown Laguna Beach has a much wider variety of uses than South Laguna Village and a higher concentration of commercial uses overall, but the City should encourage more resident-oriented restaurants Downtown, including casual dining opportunities. Connectivity between South Laguna Village and Downtown seems unlikely given the distance between the two areas, but Downtown should take its cues from the area in terms of the types of dining opportunities it provides.

North Laguna Village:

Like South Laguna Village, North Laguna Village is not an officially branded neighborhood. For the purposes of this memo, the boundaries of the commercial district are from Cliff Drive to Boat Canyon Drive. The southern portion of this district, closest to Downtown, is a series of galleries and art-related boutiques. There are also some cafes and hotels, but few services or resident-oriented uses. Further north in this district, near the Boat Canyon Shopping Center, is a concentration of resident-serving uses including a Pavilions grocery store. The uses along this entire stretch of Coast Highway include approximately:

- 5 restaurants and cafes, including the new Urth Caffe and Zeytoon Cafe
- 7 retail and specialty stores, Laguna Nursery and Laguna Coast Pottery
- 10 services or resident-oriented uses including a Pavilions grocery store and a UPS Store
- 7 art galleries, all located in the southern portion of the district
- 3 hotels

This commercial area transitions from predominantly visitor-serving uses closer to Downtown to resident-serving uses further north. The two areas are relatively separate and they could be branded separately. One area could be marketed as a resident-serving area, while the other area could be branded as a "gallery row." Combined with these branding initiatives, wayfinding and signage along Coast Highway, Downtown could then draw residents from the Boat Canyon Shopping Center to continue their errands and have a meal at Zinc Cafe. Downtown could also draw visitors from gallery row to continue their shopping on Forest Avenue. Downtown combines both resident- and visitor-serving uses; the two separate consumer bases of North Laguna Village should be drawn into Downtown and vice versa.

TASK 2.10: PROVIDE RECOMMENDATIONS REGARDING RETAIL USES

Task 2.10 of MIG's scope of work calls for recommendations based on a strength, weakness, opportunities, and challenges assessment for retail uses in the Downtown Specific Plan. The recommendations identified in the Summary of Recommendations section are based on the analysis of the retail uses and the current DSP policies.

Recommendations regarding strengths, weaknesses, opportunities and competitive challenges for retail uses in the DSP area

Key goals for the currently adopted DSP are to 1) encourage a balance of visitor-serving and resident-serving uses; 2) create a unique, charming village-like setting that offers a distinct mix of merchandise and services and 3) protect the economic vitality of Downtown. To better achieve these goals, the following recommendations are suggested.

1. The uses identified in Commercial Business District (CBD)-1 and CBD-2 are too similar. Consolidate CBD-1 and CBD-2.
2. The Conditional Use Permit (CUP) process is used to control uses in the CBD zones in two ways: 1) control the mix of uses and 2) encourage resident-serving uses in certain places and visitor-serving uses in other places. This is inconsistent with how the CUP process should be used according to the Laguna Beach Municipal Code. The CUP process should be required for uses that create specific parking, traffic or other environmental impacts such as noise. Require the CUP process for only uses that create environmental impacts (parking, traffic, noise, etc.).
3. Most jurisdictions include specific plan administration and how projects are to be processed. In order to create greater certainty for potential tenants and developers, provide a checklist based on design guidelines, development standards and requirements to establish a more certain process for potential applicants.
4. The DSP includes policy language that encourages resident-serving uses and unique merchandise and services. However, the strategies (reduced fees for resident-serving, new programs including extended hours) discussed in the DSP have not been implemented and/or have no mechanism for implementation in the municipal code. Remove policy language from the DSP if not desired to be implemented to create greater clarity.
5. Façade improvement programs, business improvement districts and maintenance assessment districts can greatly increase consistent branding and wayfinding signage opportunities. Create partnerships with the Chamber of Commerce, art associations and other non-City partners to create retail synergy and increase economic activity in Downtown.

6. A) The perception of a CUP process is a deterrent to potential retailers. A retail space that is available for tenant improvements "by right" (permitted use) can be a minimum threshold for many potential tenants. The CUP could potentially be impacting the economic vitality of Downtown.

   B) The policy language of current DSP talks about maintaining a mix of uses. The CUP process is used as a tool to control the mix of uses. Encouraging certain uses can be achieved by allowing desired permitted uses that do not have any environmental impacts to move forward with a decreased level of discretion. The market should dictate use saturation and retail product mixes. Allow majority of uses to be permitted by right.

7. Permitted uses in the CBD zones are potentially unclear to the community and applicants. However, often times specific plan language can differ from the practices of a jurisdiction. Land use language should allow for flexibility, but should be clarified particularly as it relates to entertainment, food and beverage and outdoor uses.

Analysis for Downtown Commercial Uses:

Strengths of Downtown Commercial Uses:

- Strong residential and non-residential demand and relatively balanced mix of uses
- 25 uses that serve residents' needs, including: banks, salons, dry cleaners, a UPS store and a printing service. Serves most resident needs with the exception of specialty food stores and office supply stores
- Approximately 3 million visitors per year drawn by climate and beaches and strong service base for visitors with 25 hotels and Bed and Breakfasts (Orange County Visitors Association)
- Strong/unique arts and culture industry that also attracts visitors, including 600,000 annual attendees to art festivals.
- Visitors drive sales in comparison goods and dining
- Relatively strong nightlife: Marine Room, Hennessey's, Ocean Avenue Brewery
- Student base with Laguna College of Art and Design: 514 students that may grow to 650
- Walkable area that encourages foot traffic and keeps consumers in the area to impulse shop
- Low vacancy rate for retail space
- Estimated $1,000+ per square foot in sales on Forest Avenue (similar to larger shopping centers)
- Participants in the Downtown Retail Survey indicated that restaurants and errands (resident-serving businesses) were the top reasons for visiting Downtown

Weaknesses of Downtown Commercial Uses:

- Visitor demand is seasonal, which weakens the retail base during non-summer months
- There are limited opportunities for outdoor seating at restaurants in Downtown
- Downtown Retail Survey responses indicated that consumers desire more affordable dining options, affordable clothing stores, stores with everyday goods (such as cookware, office supply, home goods) and cafes/coffee shops with outdoor seating
- Participants in the survey indicated traffic and parking are the top concerns with Downtown, and may deter them from shopping there
- Survey participants also indicated that Downtown provides limited options and needs to be updated (described Downtown as stagnant/dated)
- Surface parking lots along Ocean Avenue create a less pedestrian-friendly environment that may limit the vibrancy and retail activity of the street
- High rents limit the opportunities for small, creative businesses and affordable merchandise

Opportunities for Downtown Commercial Uses:

- Create spaces within the public realm for outdoor seating (both connected to restaurants/cafes and as general places for people to gather while they're shopping)
- Consolidate parking to minimize cars circling and reduce traffic (thereby making Downtown access more convenient)
- Utilize existing surface parking lots for temporary uses that enhance the pedestrian environment and meet the consumer desires expressed in the retail survey (such as fashion trucks, pop-up cafes, etc.) and community input received in other outreach events associated with the plan trolley and pop up events.

Competitive Challenges to Downtown Commercial Uses:

- Faces competition in comparison retail from larger national brands in shopping centers including: Irvine Spectrum, Fashion Island and South Coast Plaza
- Also faces competition in comparison retail from smaller boutique-oriented shopping districts such as the HIP District, Corona Del Mar, and Crystal Cove
- Faces competition for conveniences and resident-oriented services from Ralph's in Sleepy Hollow, Pavilions in North Laguna, Trader Joe's in Crystal Cove, Gelson's Market in Monarch Bay Plaza, Bristol Farms in Corona del Mar Plaza and a larger Whole Foods Market in Fashion Island
- Some competition from Costco in Dana Point (which meets residents desires for everyday goods as well as groceries)
- Potential boutique and specialty goods competition from the Pearl Street District and Sleepy Hollow

Analysis for DSP Commercial Policies

Strengths of currently adopted DSP Commercial Policies:

- Suggests strategies to promote resident-serving businesses by reducing fees for business licenses and for planning, zoning and building permits. (DSP Section III, Topic 3, Policy 3)
- Encourages businesses to try new programs, including extending the hours they remain open, in an effort to appeal to more shoppers and particularly to benefit residents (which could also encourage a more active nightlife Downtown). (DSP Section III, Topic 3, Policy 4)
- Encourages businesses that enhance the character of Laguna Beach, offer distinctive merchandise and promote businesses owned and operated by highly skilled artisans. (DSP Section III, Topic 3, Policy 7)
- Encourages the City to monitor current land use inventory to inform land use decisions. (DSP Section III, Topic 3, Policy 12)
- Successfully prepared a Downtown Parking and Traffic Management Plan. (DSP Section III, Topic 3, Policy 20)

Weaknesses of currently adopted DSP Commercial Policies:

- Coupling of parking requirements with commercial use constrains possible new businesses
- Conditional Use Permit process may be deterring potential new businesses, and adds costs to application and permitting processes
- Lack of implementation of policies to promote local and resident-serving businesses with fee-reductions
- Lack of specific programs to encourage certain business types (beyond the CUP)
- Extensive list of uses requiring a CUP creates barriers for many types of uses that may enhance the Downtown
- Distinction between the CBD-1 and CBD-2 zones are unnecessary and has not led to the separation of specific types of uses along Forest, Ocean and Broadway
- Constraints on entertainment uses inhibits the vibrancy of Downtown nightlife and may deter younger populations from visiting the Downtown

Opportunities of DSP Commercial Policies:

- Create greater flexibility for retail locations with modifications to Section III, Topic 3 Policies 6, 8, 9, 10, 11 and 22
- Provide clarification for resident-serving versus visitor-serving uses with modifications to Section III, Topic 3, Policies 1 and 2
- Enhance entertainment uses by modifying approval process and adjusting Section III, Topic 3 Policies 15-17
- Implement tangible measures to encourage the types of businesses desired Downtown, such as fee reductions and streamlining permitting processes

Challenges to Overcome with DSP Commercial Policies:

- Ensuring a balanced retail mix that also allows for flexibility of business types
- Encouraging new and affordable businesses given the high rents of Downtown commercial spaces, particularly with the Downtown height limits (which creates a premium on the real estate)
- Providing enough parking for Downtown without allowing it to dominate the permitting process and without detracting from the public realm
- Maintaining a certain level of control over the business mix while still streamlining the CUP process
- Establishing clearer guidelines about the desired uses Downtown and strategies to attract these businesses
- Attracting resident-serving businesses to Downtown, when they can find lower rents in other communities

Next Steps

The recommendations included in Task 2.10 will inform the updates for Section III, IV, V of the existing Downtown Specific Plan.