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February 20, 2020

TO: Laguna Beach Planning Commission
FROM: Laguna Beach Chamber of Commerce
SUBJECT: Review of Retail Market Evaluation

The Laguna Beach Chamber of Commerce strongly supports efforts to create a vibrant and economically viable downtown for our residents, visitors, and merchants. In pursuit of this goal, the Chamber has been heavily involved in the development of the Retail Market Evaluation as part of suggested revisions to the current Conditional Use Permit (CUP) process in the Downtown Specific Plan (DSP).

To briefly recap, the Chamber did the initial work in identifying and screening potential urban economists' firms and solicited bids for the necessary work. After discussions with City staff, the Chamber requested, and was granted, permission from the City Council to redirect funds budgeted for the Chamber to help pay for the work of the consultants. The Chamber has followed the process closely and worked with the City to develop and circulate the surveys used to determine the ideas from residents, businesses, and property owners.

In summary, we believe that the Retail Market Evaluation presents an accurate analysis of the difficulties faced by the Downtown retail community and the steps necessary to revitalize this key sector of both our economy and identity as a functioning downtown. The Downtown is in dire need of help and implementation of these recommendation is critical. In particular, we urge you to adopt most, if not all, of the suggested modification to the current CUP requirements as presented in Table 6-1 on pages 48-52 of the report.

Thank you for your consideration.

J.J. Ballesteros

J.J. Ballesteros
Chairman of the Board
Laguna Beach Chamber of Commerce

Subject: Questions About The Downtown Specific Plan Area Retail Market Evaluation
Attachments: Sorted Questions re Urban Economists Report 46Q9 2 24 2020.pdf

From: johnthomas@cox.net <johnthomas@cox.net>
Sent: Tuesday, February 25, 2020 1:56 PM
To: Planning Commission <PC@lagunabeachcity.net>; Jung, Wendy CD <wjung@lagunabeachcity.net>
Cc: Thomas, John <johnthomas@cox.net>
Subject: Questions About The Downtown Specific Plan Area Retail Market Evaluation

The \$38,000 Downtown Specific Plan Area Retail Market Evaluation also known as the Urban Economist Report will likely be used to justify the expenditure of millions of dollars of resident taxpayer money. Recommendations from the report may be used in conjunction with the Downtown Specific Plan Update, the Action Plan, and perhaps many other matters. The report, written by consultants the City has never worked with before, and apparently largely directed by the Chamber of Commerce, whose members' opinions may not reflect the opinions of a broader cross-section of Laguna residents, makes it important that residents carefully review the report for accuracy, consistency, fairness, balance, logic and for assurance conclusions are grounded in sound facts and data. The consultants themselves state their work was constrained by lack of good data. And the only recipients of the survey used for the report appear to be Chamber of Commerce members. The cover page of the report is stamped "Draft." My review has resulted in a long list of questions – 46 questions covering 6 pages. Hopefully, these, and those of other members of the public will be addressed by the consultants before a "Final" report has been produced.

Questions about the Downtown Specific Plan Area Retail Market Evaluation

On Wednesday, February 26th, the Planning Commission will discuss the Downtown Retail Market Evaluation – (also known as the Urban Economist’s Report.)

The report will likely be used to justify upcoming decisions regarding the future of your downtown.

While the report includes helpful data, it is also laced with opinions and suggestions that may be less grounded in fact.

The quality of a conclusion can be no better than the quality of the data or opinions on which the conclusion is based, and the consultants state in the report on page 8 “Restricted by the availability of good quality employment data at the small area level, we have utilized the Census Longitudinal Employer Household Dynamics (LEHD) data for year-end 2017 at the ZIP code-level.” So, the consultants state their work was constrained by lack of good data. And the only recipients of the survey used for the report were Chamber of Commerce members. Chamber members may have different priorities than the public at large, and commercial property owners may have different priorities than merchants, and merchants may have different priorities than residents. So, based on the difficulty of obtaining quality data and the risk of intrinsic bias by limiting survey input to respondents who are Chamber of Commerce members and/or responses to surveys solicited by using Chamber of Commerce mailing lists only, the conclusions and recommendations of the report must be reviewed carefully taking those facts into consideration.

A key suggestion in the urban economist report is that the uses that require a CUP (Conditional Use Permit) be changed substantially. Among major changes recommended by the report is that except for controlling hours to serve alcohol after 10:00PM, serving alcohol would **not** require a CUP in the downtown. That coupled with the decoupling of parking from land use recommendation in this report as well a similar recommendation in the Downtown Specific Plan Update (DSP Update) means that there could be an unlimited number of bars and restaurants in the downtown and further, that virtually any downtown retail property could dedicate a small portion of its space to serving alcohol and it could serve alcohol with the only city restriction being that it not serve after 10PM (or maybe 11PM).

Presuming this is a correct interpretation of the report, there are questions like the following which have been grouped into eight topics:

- Unlimited alcohol
- Clarification
- Fact Check
- Bias
- Fact Check and Bias
- Does it logically follow?
- Additional information
- Other

• Unlimited alcohol
1. Is it a correct interpretation of the report that: Almost any downtown retail property could serve alcohol as long as they stop by 10 or 11PM? There would be no City limit on opening new bars and restaurants other than the Director of Community Development? And, to clarify - which is it? Does serving alcohol without a CUP stop by 10PM or 11PM? The report says it could be either.
2. Do the consultants feel there should be <u>any limit</u> on the number of places that can serve alcohol? Other than the Community Development Director’s decision?
3. Is it a correct interpretation of the recommendations in the report that, in addition to unlimited bars and restaurants that could serve alcohol as long as they stop by 10 or 11PM, that virtually ANY business can use up to 3% of its floor space to serve liquor? (Not just bars and restaurants.)

4. Will those businesses need an ABC license?
5. If they serve food, will they have to comply with County Health requirements?
6. Do the consultants recommend that pop-up stores be able to sell liquor?
7. The report says there are 65 bars, restaurants, and food uses in the downtown, but ice cream and coffee shops together should not exceed 15. Is that correct? Does this suggest more of a concern about too much coffee and ice cream than too much alcohol?
• Clarification
8. The report states on page "x" of the summary that virtually every type of business, including restaurants, appears to be "over-supplied." In the very next sentence, the report states that virtually every type of business, including restaurants, is "under-supplied." The proposed solution appears to be to tear up all the rules and let the chips fall where they may. Is that correct?
9. A table on page 18 of the report indicates 13 vacant spaces of 442 uses or under 3% vacancy. Is less than 3% vacancy considered high vacancy?
10. Would the lack of restrictions on use be construed to allow sale of cannabis products?
11. Table 3-1 indicates that service uses account for 40 percent of uses and square footage or 178 of the total 442 uses. On page vi the report states "most of these are resident serving uses." Page 23 states "Differences in the number of local serving uses such as hair/nails/spas and fitness between the DSP area and South Coast Highway are large. There are only a combined 16 uses in the DSP area compared to 53 in the South Coast Highway district of Laguna Beach." Please clarify. Table A-1 also indicates 13.3% of occupations in the downtown are service and farming (not 40%). Please clarify.
12. Please clarify the difference between the number of uses on table 3-2 (442) and the number of stores (including restaurants) in table 3-2 (421.)
13. Please clarify the difference between the 138 "eating and drinking" stores on table 4-1 and the 125 restaurants and food establishments according to page 19.
14. Table 3-1 also indicates there are 442 non-residential uses in the downtown comprising 839,637 sq. ft. The MIG DSP Update indicates 514 non-residential uses and 950,790 sq. ft. on pages 26 and 27 of the DSP Update. Can you clarify the difference?
15. The report states on page 5 "On average, across Laguna Beach, households are estimated to spend the highest portion of their discretionary spending (24 percent) on Restaurants and Food, followed by Food Stores/Groceries, and General Merchandise (21 percent each). These three categories make up two-thirds of all household spending potential. An article in the Sunday February 17, 2020, New York Times written by well-known professor of economics at the University of Chicago's Booth School of Business Austan Goolsbee states "Today, food eaten outside the home and in it accounts for 10 percent of spending and clothing just 2.4 percent." Is that consistent with the statement in the report?

<p>16. The map on Figure 3-3 appears to exclude from geocoding portions of the Downtown along south Coast Highway. Is this an issue?</p>
<p>17. On page 41, the report states "The Laguna Beach Chamber of Commerce conducted an email outreach to its base of over 2,000 members, which included stakeholders across all three groups." Recent Chamber information states there are 252 members of the Chamber. Is "over 2,000members an accurate statement?"</p>
<p>18. Page 46 recommends "fees for controlling congestion." How would that work?</p>
<p>19. Chapter 2 of the report analyzes demand and discusses expenditures. Are references to expected spending by Laguna households intended to mean that spending by Laguna households will be spent in Laguna beach? Or is it intended to mean that that is an estimate of spending by those households by category, but it could be spent anywhere in the world?</p>
<p style="text-align: center;">• Fact check</p>
<p>20. An underlying premise of the need for the DSP Update and your study is that the internet is making it difficult for brick and mortar retail to compete. Are you aware of the fact that the City audited financial statements report that retail sales tax collections have more than doubled in the past 10 years in Laguna? How does that compare to other cities you have worked with? Would that suggest that Laguna retail businesses are in better or worse shape than other cities you study?</p>
<p>21. Are you aware of the fact that that the results of a City sponsored Community Survey conducted prior to the 2016 election indicated that 73% of respondents said that Laguna's biggest problem is traffic congestion it is extremely serious or very serious? Only 3% said it is not serious. Do you believe that implementation of the recommendations in the report will increase intensity of land use and consequently add more traffic and congestion to downtown Laguna?</p>
<p>22. The City's audited financial report for the fiscal year ended June 30, 2018 reports sales tax of \$6,124,970. The number used in Table 4-3 for sales tax received in 2018 is \$4,882,162. Can you explain the difference of more than \$1,200,000?</p>
<p>23. Table 4-3 on page 33 details sales tax attributable to the downtown and includes categories like heavy industry, light industry, building materials wholesale, health and government, and others. Are these correctly attributable to the downtown?</p>
<p>24. While the report is narrowly focused on commercial aspects of the downtown, Table 2-7 indicates there are 2,193 housing units in the downtown as of 2016. The MIG DSP Update indicates there are 404 residential uses in the downtown. (Page 26 of DSP Update.) Is this disparity an indication that the concern expressed in the report about the quality of data available may weaken the validity of the reports' recommendations?</p>
<p>25. The report refers to 2019 "average" Laguna Beach household income of \$202,600. The census reports 2019 "median" household income in Laguna Beach of \$121,474. There are some people who may single-handedly raise the average for Laguna Beach. Is it more appropriate to use median of average household income for estimating spending?</p>
<p>26. Table 2-7 indicates 5,773 jobs in year 2016 in the City of Laguna Beach. Table 2-5 indicates "Employment" for Laguna Beach 12,377. Which is correct?</p>

• **Bias**

27. Direction – The January 22, 2019, staff report stated “Importantly, the consultant will be managed and only receive direction from City staff.” And yet there are numerous references to the Chamber of Commerce and its members in the report, including the statement on page 3 “The consultants designed the Downtown Business Survey in collaboration with City Staff and the Laguna Beach Chamber of Commerce who helped with the outreach to business owners, property owners and City residents.”

Is it accurate to say that the consultant was only managed by and only received direction from City staff?

28. On page 44, the report indicates that downtown property owners indicate a need to attract, among other users, high end restaurants and wine stores.

Would you agree that the rent charged to bars and restaurants would be greater than rent that could be charged by these property owners to other, less intensive uses?

If this is correct, would you envision that the potential of higher rent might be a factor in supporting changes that will allow more bars and restaurants?

Would the fact that few downtown property owners are Laguna residents, and would therefore be less likely to experience on a daily basis any negative impacts on the community resulting from changes in the downtown be a factor in their preferred land uses?

29. Would you agree that that choice of language can bias a report? For example: The report states that “almost” 30% of business owners responded that restaurants were underprovided. That could also be stated as “fewer than 30% indicated restaurants were underprovided.” Would it be equally fair and accurate had the report stated that more than two-thirds of downtown business owners who responded did not mention that more restaurants were needed?

The report states on page 43 that 15% of the responses from business owners and property owners (it did not mention resident responses) said there are too many restaurants in Laguna.

So, would it be equally fair to say that 70% of respondents either stated there were too many restaurants or did not say the city needs more restaurants?

• **Fact Check and Bias**

30. The report states that an email outreach of the related online survey to 2,200 people resulted in 184 responses comprised of 122 business owners, 29 property owners – 19 of which were owners of tourist-oriented properties; and 33 residents.

Is it correct that all 33 residents are Chamber of Commerce members?

Were the only residents contacted for the survey members of the Chamber of Commerce?

Recent Chamber information states there are 252 members of the Chamber. What comprises the 2200 people contacted?

The report states on page 40 “During the planning of the survey, we learned that the Chamber of Commerce email list also included several residents of Laguna Beach and other nearby cities.”

Were all “residents” contacted for the survey residents of Laguna Beach?

Was there an attempt to try to contact any of Laguna’s 23,000 residents who are not Chamber of Commerce members?

Is it possible that the responses received from 33 “residents” who are members of the Chamber of Commerce may not be representative of the 23,000 residents of Laguna Beach?

31. Are you aware that based on City GIS data 73.4% of the square footage of downtown commercial buildings is owned by absentee owners who are not themselves directly impacted by local traffic and congestion problems?

Considering the likelihood that the interests of commercial property owners may differ from the interests of residents, did the consultants make an effort to determine where the commercial property owners live and whether their priorities differ from those of residents?

• Does It Logically Follow?
<p>32. The first paragraph of the report states that the regulations implemented under the current Conditional Use Permit process has transformed Laguna into an internationally recognized arts and beach community, and yet it recommends Laguna scrap what has worked so successfully. The report implies that the City government is ill-equipped to determine optimal land uses yet it recommends the city market and sell Laguna to new users. If it is not capable of doing the former, can it be capable of doing the later? How do you reconcile that?</p>
<p>33. The scope of work attached to the January 16, 2019 letter to the Community Development Director, after stating that Laguna is an internationally recognized arts and beach community, goes on to say it has an "attractive downtown commercial area." However, the report in part bases recommendations on the statement on page vi that "The built environment is deteriorating with increasing vacancies, dimly-lit streets, older infrastructure, and lower street maintenance." How do you reconcile these two statements?</p>
<p>34. On the topic of support from residents, the report states on page 42 that the downtown has a "heavy tilt toward visitors and tourists." It further states that "retail and services in the downtown are oriented toward the typical Gen X and younger Boomer customer (age 39 to 54) with lower attraction of Millennials or older individuals." This profile provides a disconnect from actual age groups of Laguna residents. 61 percent of businesses say the age group from 39 to 54 years is their typical core customer, yet only 22 percent of Laguna Beach residents are within this age group." Considering the household income levels according to table 2-2 of Laguna residents compared to the substantially lower income levels for all of Orange County, and if there is a desire on the part of downtown merchants to increase support from Laguna residents, wouldn't a better strategy be to address the "disconnect" rather than recommending unlimited liquor sales?</p>
• Additional Information
<p>35. Page 40 indicates the study received 184 responses to its online survey, and the survey instrument is attached as Appendix B to the report. Would it be appropriate to provide a detailed breakdown of responses to each item on the survey?</p>
<p>36. Table 3-1 indicates 442 uses broken down by categories. Would it be appropriate to also provide a list of individual stores that comprise each category?</p>
<p>37. The report references high rents as a challenge. Were the consultants able to survey actual rents being charged? Could the consultants provide guidelines for the amount of rent a business might be expected to pay while remaining viable? And if actual rent data is available, how do the actual rents being charged compare to maximum rents a business might be able to pay while remaining viable?</p>
• Other
<p>38. Key Challenges on Page v of the summary includes the statement "Besides the CUP process, high land prices and high rents have increased the cost of doing business, which combined with the local opposition to change, is making redevelopment more difficult. Is there data provided in the report to substantiate the comment regarding "local opposition to change?"</p>
<p>39. Did I notice correctly on page 45 the report mentions rent control as a solution? And yet, rent control is not mentioned as a recommendation. Why is that?</p>
<p>40. The Stanley R. Hoffman January 16, 2019, letter states in the third paragraph that "Our methodology would be to work closely with residents..." I understand your scope of work was</p>

<p>narrowly focused on local business profitability, but in your work do you consider quality of life for residents?</p>
<p>41. Page 46 recommends: "Parking requirements should be eased for new development, and be decoupled from use as not to act as barrier for new investment." Combined with the recommended easing of the CUP process (to allow virtually unlimited serving of alcohol), and expedited streamlining, can you foresee any problems with this approach? Do you feel this recommendation is within the scope of work agreed upon?</p>
<p>42. By definition of their being open for business, every existing business in the downtown has complied with the City's codes regarding land use. By relieving future users of the need to comply with the same codes, will the City be putting the existing 429 businesses at a competitive disadvantage compared to future businesses the City is recommended to attract? Do the recommendations for changes to the downtown put the businesses in other parts of Laguna at a competitive disadvantage, such as the waiver of a CUP requirement for serving alcohol? To be equitable, should Laguna extend the recommendations in the report to cover all businesses in Laguna?</p>
<p>43. According to the scope of work, the report is the result of 130 hours of principal consultant time plus 96 hours of support staff time. Considering the hundreds of thousands of dollars spent to date by the City on the consultant that produced the DSP Update and the years that went into that effort. Considering the magnitude of the changes that implementation of the recommendations in the report may have on the 430 merchants who are currently in the downtown, do you feel you were allowed adequate resources to do the appropriate amount of work and effort?</p>
<p>44. The report states on page 8 "Restricted by the availability of good quality employment data at the small area level, we have utilized the Census Longitudinal Employer Household Dynamics (LEHD) data for year-end 2017 at the ZIP code-level." Do you feel the quality of data used in the report is adequate considering the potential impact on the community of recommendations in the report?</p>
<p>45. The report states on Page vii – "Downtown Laguna retailers and restaurants is "critical" to the City. Retail and dining sales in the DSP area contribute over half of total City taxable sales." Even using the City's higher number for 2018 of \$6,124,970 rather than the number included in the report of \$4,882,162, total city-wide sales tax collections represent 5.6% of the city's total revenue of \$109,570,000 for that year. And, if the downtown is responsible for 50.5% of the total, the share of sales tax contributed by downtown businesses represents 2.8% of total City revenue. Knowing that would you still characterize downtown retailer and restaurants as "critical" to the City?</p>
<p>46. The entire focus of the report is to increase demand for the current supply of retail space in the downtown. If there is excess supply of a commodity, solutions typically include either increasing demand or decreasing supply. Currently, the value of residential properties in Laguna Beach often equals or exceeds that of commercial property. If there is more supply than demand for retail commercial space, while there is more demand for housing in Laguna than there is supply, and if conversion of excess, marginal commercial property to residential use could be done without economic loss to the property owners, would the consultant consider recommending as an alternative reducing excess supply by converting the most marginal retail commercial spaces in Laguna to housing?</p>



From: Samuel Goldstein samlaguna@cox.net
Subject: Fwd: Tonight's Business Report
Date: February 26, 2020 at 4:18 PM
To:
Cc: Samuel Goldstein samlaguna@cox.net

After reading the staff report on tonight's DSP Market Evaluation I find there isn't one word about the **lack of parking** that exists not only in the DSP but everywhere where there are retail stores.

The report under **5.3 - 4th bullet point down** - says "Lack of Parking and parking garages for visitors, clients and downtown workers is proving to be a major barrier, combined with traffic congestion, while there is a need for safer pedestrian circulation."

Under **5.4 - 3rd bullet point down** - says "Lower pedestrian flow and higher traffic congestion, parking problems, while downtown closures are contributing to lowering inflow of traffic and customers."

Under **5.5 - 5th bullet point down** - says "Traffic congestion and parking are again identified as a major drag on economic activities."

The city has the use of LL Funds that can be used to create Bond Financing to make the construction of proper parking structures possible with the potential of partnerships with current commercial property owners and can create partnerships for a "win-win" situation. **There are 4 major structures that can be built as parking structures in DSP and they are:**

1. Wells Fargo parking lot on Broadway that has a 36" height limit...that can wrap around to the parking lot at the adjacent vacant building that formerly a drug store that empties onto Ocean Avenue and has a 24' height limit. I have a feeling that both owners would cooperate with the City for a very long term land lease. Below and above ground structure.
2. Use the projected purchase of the current Library and construct a multi level 4 story - 24' high parking structure. Below and above ground structure.
3. Negotiate a long term ground lease with the Presbyterian Church parking lot across the street from Susie Q - 4 -5 stories up to 36'. Below and above ground structure.
4. Tear down the existing 2 story - 200 space parking structure on Glenneyre and build a 4-5 story structure up to 24' high that will hold 400-500 cars. Below and above ground structure. THANKS FOR LISTENING.

Sam Goldstein 949-230-4800 - samlaguna@cox.net

Submitted at 2/26/20 PC Meeting
by John Thomas

More work for the Retail Market Evaluation team:

Here are some things that might be helpful in the analysis:

1. A survey of the rents actually being paid.
2. With that, a discussion of the amount of rent various businesses can typically pay – presumably as a percentage of the businesses' total gross revenue – and still remain viable businesses.
3. The urban retail experts recommended ideal or a “target” mix of uses for Laguna's downtown. We know that highly successful retail property owners like The Irvine Company or Segerstrom have sophisticated strategies for uses, careful physical placement of each use on their property, and much more that Laguna's collection of 160 disparate downtown property owners are unlikely to ever coordinate, but as a guiding principle it might be worthwhile to have the suggestion. Examples would be helpful, though the problem may be that the examples might be largely chain operations and a proliferation of chain or franchise operations which may not fit Laguna's self-image.
4. Resident Survey: To the extent that the downtown merchants are truly interested in serving the residents, I would think the local merchants would want to hear from residents what the residents would support. Plus, I would think Laguna's planners and elected officials would want general input from the residents about what they want their downtown to be in terms of aesthetics, goods and services available, and impacts on the broader community – physical and financial.
5. Back-up detail for the report's Table 3-1 which categorizes 442 uses in the downtown. Presumably, to catalog and categorize the 442 uses, the consultants counted up 442 operations and put each in a bucket. It would be helpful to see who they put in each bucket, so a list of individual businesses that fall into each category would be helpful.
6. Page 40 indicates the study received 184 responses to its online survey, and the survey instrument is attached as Appendix B to the report. Would it be appropriate to provide a detailed breakdown of responses to each item on the survey?