



January 17, 2023

Mr. Kevin Woodhouse
City Manager
City of Pacifica
540 Crespi Drive
Pacifica, CA 94044

Re: Economic Opportunities Study – Executive Summary

Dear Mr. Woodhouse:

Kosmont & Associates, Inc. doing business as Kosmont Companies (“Consultant” or “Kosmont”) is pleased to present this Executive Summary of the Economic Opportunities Study (“EOS”) for the five main business districts in the City of Pacifica (“City” or “Pacifica”): Pacific Manor / Fairmont, Sharp Park / Eureka Square, Rockaway Beach / Vallemar, Linda Mar / Sun Valley, and Pedro Point. The EOS is an important complement to the Vision 2025 & Beyond Plan to address economic sustainability for the City.

Given shifting consumer preferences and land uses, and uncertain economic times and fiscal challenges, it is important that Pacifica identify opportunities within the City’s business districts to spur select new development that can increase General Fund revenues.

The EOS identifies potential long term commercial opportunities that are supported by market forces and enhanced by steps the City and community can take. Environmental and other studies will be necessary next steps to implementation of potential projects at the City-owned Beach Boulevard site, Palmetto Ave., and privately-owned Quarry property, as examples.

Approach

Kosmont’s approach to preparing the EOS included the following tasks:

- Review of City Budget and Planning documents, together with a daylong tour of the City and its business and residential districts
- Interviews with City staff, Council members, and community stakeholders
- Assessment of regional economic trends
- Assessment of local demographic and market conditions
- In person and virtual community outreach to gain insights as to needs and challenges and present preliminary findings
- Detailed assessment of five major commercial districts
- Identification of key opportunity sites and recommended land uses

Summary Findings

- Pacifica is a unique coastal city with a variety of attractions, as well as multiple business districts.
- The City's commercial base is heavily weighted with grocery-anchored community centers with a limited number of hotel rooms and restaurants and no regional retail anchors, due to City's broad geographic spread.
- Commercial real estate rents and occupancy have been fairly stable over the past 10 years with little new development activity occurring in the City.
- Pacifica experiences a relatively high level of travel along Coast Highway with an estimated 10,700 cars (average daily traffic volume) passing the City southbound (~91% of those trips are from travelers who live outside Pacifica). Capturing a small percentage will significantly improve hotel and retail spending.
- FogFest (4th weekend in September) is the premier tourist event drawing as many as 60,000 visitors over two days, with majority from outside of Pacifica. The 2022 event saw a 20% increase in visits over 2019 according to Placer.ai data.
- Pacifica has historically faced budget deficits, service reductions and inability to fund key projects. The City wants to identify opportunities that can spur economic sustainability and increase General Fund revenues.
- The majority (67%) of City tax revenue comes from property taxes with only ~10% coming from sales taxes and 7% from hotel transient occupancy taxes (TOT) (much lower than statewide and oceanfront community averages).
- While the newly approved Measure Y will add a half-cent local sales tax (estimated to generate ~\$2.6 million annually) to help address the City's structural deficit, the City should still develop strategies to generate additional tax revenues.

Market Overview

- The Pacifica regional **retail** market has seen limited new construction in the past 10 years, partially due to stable population. The City has captured ~33% of the regional supply in the local Peninsula Coastline submarket. Rents are relatively affordable, compared to most of the nearby submarkets in the San Francisco metro area.
- The regional **office** market has grown less than one percent over the past decade, with Pacifica seeing ~26% of demand in the Peninsula Coastline submarket. Office inventory has contracted over the past few years due to demolition activity and no new projects under construction. Rents are substantially below metro averages, with little rent growth in recent years.

- The **multi-family residential** market is generally strong in the area due to supply constraints, experiencing some volatility due to tech industry trends. Many renters left the urban areas of San Francisco during the pandemic, relocating to cheaper / suburban towns in the Bay Area; as San Francisco emerges from the pandemic, occupancy is above pre-pandemic levels.
- The **hotel** market has started to rebound in the region; the City has seen some new developments in recent years, and could be in a good position for future developments due to its scenic coastal location and close proximity to the Bay Area population centers.

Stakeholder / Community Comments

Kosmont conducted extensive stakeholder and community outreach with dozens of in persons interviews, a virtual town hall, a web-based survey and an in-person community meeting to present preliminary findings.

- Linda Mar / Sun Valley commercial area is the busiest district, followed by Sharp Park / Eureka Square
- Shopping for essentials (e.g., grocery / hardware) is the main reason residents shop in Pacifica
- Less than 20% of City residents frequent Pacifica arts / entertainment and leisure facilities
- Beautification of buildings, signage and more landscaping is desired
- More outdoor activities/dining options are desired

Key themes as to types of new development residents want to see in Pacifica:

- 85% of residents want to see new dining options
- 70% want to see more gathering places
- 65% want to see more entertainment venues
- 60% want to see more arts/cultural event
- 50% want to see more housing options

Recommendations for Consideration

Kosmont has outlined a series of recommendations for the various districts, as well as citywide strategies.

Citywide Strategies

Improve Economic Health of City Businesses

- Utilize Business Matters newsletter to promote digital marketing education / social media training and financial assistance for small businesses
- Recommend that the City work with San Francisco County to expand activities and promotion of the historic and beautiful Sharp Park Golf Course
- Install EV charging facilities in shopping districts to attract tourists for lunch or dinner

- Chamber could provide hotels with monthly Pacifica Anchor and Coastside magazines
- Staff to act as City ambassadors with local property/business owners – How do we get to a “Yes”
- Coordinate regional marketing with Half Moon Bay
- Promote events in various districts (i.e., Sam’s Castle, Sanchez Adobe, Sanchez Art Center)
- Electric bicycle rental facility is suggested for Sharp Park or Rockaway to help tourists

Transform Sharp Park / Palmetto Ave. into a “downtown”

- Promote more events on Palmetto Ave. (e.g., food trucks) to encourage tourists and resident visitors to stay longer
- Social events for cannabis customers will bring visitors from large region
- Sharp Park Golf Course could be promoted as it is historic and a beautiful resource
- Consider July 4th fireworks off of Pier – coordinate with local businesses to create daylong events along Palmetto Ave.
- Beach Blvd. site could be activated with commercial or blended uses

District & Opportunity Site Recommendations

Pacific Manor / Fairmont District

There were no significant development sites found in the Pacific Manor or Fairmont neighborhood, but Kosmont recommends City investment in upgrading the signage and appearance of the Safeway anchored center.

Next Steps:

- City to work with the Manor shopping center owners to encourage rehabilitation and/or renovation of center signage and store front façades
- Work with State to add Highway 1 signage announcing Pacifica Business district

Sharp Park / Eureka Square District

There are several sites suitable for development within the Palmetto Ave corridor:

1. Beach Blvd 3.5 acre former wastewater treatment site
2. Five Palmetto Ave. parcels – from 0.11 to 0.36 acres each

Beach Blvd. Site

As an oceanfront community approximately 10 miles south of San Francisco, there is strong demand for hotels with proper marketing and facilities available. However, Pacifica has limited hospitality facilities, especially compared to Half Moon Bay. The City has envisioned this site as a future hotel/commercial/mixed use site. An RFP was issued in late 2019, but it was withdrawn after Covid pandemic hit.

Background

The City owns a 3.5 acre former wastewater treatment ocean front site on Beach Blvd. in the heart of the Sharp Park district near the Pacifica Pier. According to the Sharp Park Specific Plan the height limit is 55 feet, which makes it well suited for hotel or residential use over ground floor commercial.

Next Steps

- Determine if hotel and complimentary uses are still desired
- If private development is desired, then Surplus Land Act (SLA) process must be initiated to promote the site to potential affordable housing developers throughout the State via Housing & Community Development.
- If affordable housing developers are not interested or unable to reach agreement with City, then reissue RFQ/P for private development.
- Consider leasing the site to provide long term revenue source

Economic Benefits

A moderate sized select service hotel development on half of the site could yield +\$500,000 in annual tax revenues to City, while a residential development of 50-60 units on remaining half would add +\$30 million in assessed value and bring \$1 million in new resident spending. This could yield +\$150,000 in annual tax revenue to City.

Palmetto Ave. Sites

The recently adopted Sharp Park Specific Plan is designed to provide a town center for Pacifica and complete neighborhood for future residents. There are several vacant Palmetto Ave. parcels – from 0.11 to 0.36 acres each totaling approximately 1 acre that are privately owned and can be developed with moderate density mixed-use according to Specific Plan.

Palmetto Ave. is the backbone of the neighborhood with mix of uses to attract visitors and allow them to linger. Strong housing demand makes this is an excellent opportunity.

Background

Palmetto Ave is the main street in the Sharp Park neighborhood. Historically this has been a heavily residential area. In addition to the new Specific plan, the City has recently completed ½ mile for bicycle and pedestrian improvements to increase mobility.

Next Steps

- Educate property owners on the benefits of the Specific Plan
- Consider developing public parking lots to accommodate more visitors

Economic Benefits

Blended use development of 30-40 units are possible on these parcels and could add +\$30 million in assessed value and bring \$1 million in new resident spending yielding up to \$100,000 in City tax revenues, in addition new residents would bring important daytime activity to the street.

Rockaway Beach / Vallemar District

There are two opportunity sites Kosmont identified:

1. Southern portion of the flat or Eastern parcel (approximately 20-acres) of the Quarry site is recommended as a major tourist serving facility. Housing could be an additional use to improve the economic feasibility of a potential project.
2. The parking lot of the Sea Bowl site could be considered for blended-use housing/commercial development.

Quarry Site

The most significant opportunity site for the City is located in Rockaway / Vallemar area. Rockaway is the City's hospitality center, but it lacks many amenities including high quality facilities and parking.

The southern portion of Quarry site is well suited for both residential and high end hospitality development to expand amenities for Rockaway as a major tourist location (See case study of unique hospitality concepts in Section 2 – Land Use Trends). The northern area may be designated for wetlands mitigation, while hillside areas comprising over half of the site would be preserved for open space and hiking trails.

Background

A former rock quarry, the privately owned site is strategically located between the Rockaway hotels, Pacific Ocean and Coast Highway. Development proposals have had extensive history of community opposition, especially housing development. 1983 Ordinance 391-c.s. was approved and rezoned the site to C-3 commercial, with a provision that requires a citywide public vote to approve any new housing.

Next Steps

- Initiate Specific plan process with ownership and encourage low density high-value visitor uses in conjunction with housing development.

Economic Benefits

Luxury hospitality development of 75-100 bungalows on Quarry site could add \$50 million in AV and yield \$500,000 to \$1 million in TOT and sales tax, plus \$50,000 in property taxes to the

General Fund. Residential development could add \$50 million in additional AV plus increase retail sales by \$1-2 million, adding \$100,000 in annual tax revenue to City.

Sea Bowl Parking Lot Site

Two popular entertainment venues, the 32-lane Sea Bowl and lounge and the 3,700 SF Pacifica Brewing Company are located on a 8.8-acre site.

Background

The existing buildings occupy approximately 40,000 square feet for a floor area ratio ("FAR") of 0.1. With such low density, 1/3rd of the parking lot (approximately +2 acres) could be reconfigured for medium to high density blended-use providing up to 100 multifamily units and 5,000 SF of additional commercial, or alternatively add 15,000 to 20,000 SF of additional restaurant/entertainment.

Next Steps

City and property owners need to examine potential rezoning of the site.

Economic Benefits

A blended use development of 80-100 units would add +\$50 million in assessed value and bring \$2 million in retail sales from new resident spending. This could yield +\$200,000 in annual tax revenue to City, in addition to retaining these important retail/entertainment venues.

Linda Mar / Sun Valley District

There are four sites suitable for development within the Linda Mar / Sun Valley:

1. The surplus parking area behind Safeway
2. Park Mall adjacent parcels are lower priority
3. The SamTrans park & ride lot is in high value location
4. The Community Center at 540 Crespi is a high value property

Linda Mar Center Parking Lot Site

A priority opportunity site within Linda Mar / Sun Valley is the surplus ~2 acre parking area behind Safeway. Kosmont recommends it be considered for high density blended use residential / commercial uses.

Background

This site provides overflow parking for the shopping center, per City code. It was identified in the most recent Housing Element as a site for new residential development.

Next Steps

- Discuss blended-use development options for surplus parking area behind Safeway with owner of shopping Center (Kimco)
- City / Kimco to analyze potential for parking variance at Linda Mar Center

Economic Benefits

A blended use development of 60-80 units would add +\$40 million in assessed value and bring \$1-2 million in new resident spending. This development could yield +\$150,000 in annual tax revenue to City.

Park Mall Sites

Park Mall is small community center in the eastern section of Linda Mar.

Background

There are several vacant parcels surrounding the center, including the Sanchez Park. The Sanchez Library is to be retained as part of the City library master plan.

Next Steps

- Analyze need for undeveloped City-owned land adjacent to Sanchez Library
- Meet with private property owners at Park Mall to discuss development opportunities (both retail and multi-family)

Economic Benefits

Blended use development of 50-60 units would add +\$30 million in assessed value and bring \$1 million in new resident spending. This could yield +\$100,000 in annual tax revenue to City.

SamTrans Park & Ride Lot Site

The SamTrans Park & Ride lot is an approximately 2-acre site in a high value location across from Linda Mar Center and the Coast Highway. Potential uses could be a “Steelcraft” container type food court, retail pads or “Airstream type” hospitality trailer park as discussed in Section II Land Use Trends.

Background

This site is owned by SamTrans, the regional transportation provider for use as Park & Ride lot for commuters to San Francisco area. The site does not appear to be heavily utilized. Given its excellent location, SamTrans may consider a public/private development opportunity.

Next Steps

- Open discussions with SamTrans to consider doing public private commercial development
- Determine new parking site for commuters (perhaps east side of Linda Mar Center)

Economic Benefits

Commercial development could bring \$100,000 to \$250,000 per year in retail sales and/or TOT to the City General Fund.

Community Center Site

The Community Center and parking lot at 540 Crespi Drive are extremely valuable ocean frontage properties estimated at 5 acres in size. Ideally suited for commercial uses, in addition to the important community programs currently in operation.

Background

This facility is a former ATT switching facility that was acquired by City in 1986. It was converted into a Community Center in 1988 with a public parking lot owned by Cal Trans that serves the Center, as well as Linda Mar Beach visitors. The facility is currently housing City Hall while the facility is under construction in Sharp Park.

Next Steps

- Assess how much of the building area is needed for community services.
- Potentially blend some limited commercial uses be accommodated in the building or parking areas as appropriate

Economic Benefits

Commercial development could bring up to \$100,000 per year in retail sales to the City General Fund.

Pedro Point District

Pedro Point is the smallest district by geographic area and commercial square feet. The Pedro Point shopping center is successful, and no redevelopment opportunities were identified. Vacant land to the west has Coastal Commission and City restrictions impacting development potential.