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CITY COUNCIL STAFF REPORT

Meeting: April 16, 2019

Subject

Study Session regarding Economic Development Strategic Plan (EDSP) Review and Implementation Action Items related to possible amendments to the Municipal Code related to Mobile Vendors, allowing Incubator/Co-working uses in General Commercial zoning districts, and an Innovation District Vision Plan in the Bubb Road Special Area.

Recommended Action

Review EDSP and provide direction on regulations regarding Mobile Vendors and Incubator/Co-working Space Use; and provide direction on a potential Innovation District Vision Plan.

Discussion

The EDSP was adopted by Council in October 2016 following a year-long process to conduct research and outreach, and develop the plan. The EDSP is framed around eleven core strategies to strengthen existing businesses, foster a healthy economy, and maintain a healthy fiscal position. For each strategy, the EDSP identifies a range of specific action items. The strategies and action items are designed to strengthen Cupertino's existing competitive advantages for economic development and address disadvantages.

As background for determining the eleven core strategies, the EDSP discusses opportunities and challenges the City faces and identifies five Key Economic Development Issues:

- Connectivity and Place-Making
- Supporting Growth of Small and Midsize Businesses
- Retail Support and Development
- Hospitality
- Marketing

The eleven core strategies were developed to specifically respond to one or more of the five key economic development issues above. For each of the core strategies, the EDSP identifies ongoing City actions, and potential implementation actions the City can undertake to implement the strategy.

In early 2018, three specific project initiatives were started to implement the identified strategies:

- **Mobile Vendors Regulations (Strategy 9 Action 9.4 & 9.5).** Develop new regulations and policies to allow mobile vendors to provide their services in designated areas of the city.
- **Incubator and Co-working Space Use (Strategy 4 Action 4.1).** Allow for and encourage creation of space for smaller-sized start-up businesses with shared on-site resources and amenities.
- **Innovation District Vision Plan (Strategy 3 Action 3.4).** Develop a long-term vision for transforming the Bubb Road Special Area into a vibrant district that expands opportunities for emerging and small businesses and supports significant pedestrian activity and associated amenities.

The City engaged a consultant, Metropolitan Planning Group (M-Group), to develop the three initiatives. The EDSP Implementation items are grouped together as *The Heart of Innovation* project and a website was developed (www.heartofinnovation.org) to make these efforts known and to provide information to the community.

The status of these three initiatives is discussed in greater detail, below.

Mobile Vendors Regulations

In the EDSP, Strategy 9 specifically notes both ongoing City efforts as well as recommended actions to address the expanding issue of mobile vending, including food and numerous other personal services that have the potential to deliver mobile services. Many Bay Area communities have recently undergone or are in the process of developing efforts to implement policies and regulations that guide mobile vendor activity, including Oakland, Fremont, Sunnyvale, and San Francisco. Mountain View recently developed an expedited permitting process that specifically addresses potential traffic and congestion issues.

Revisions to Chapter 5.48 Mobile Vendor Permits, which does not presently apply to motorized vending vehicles are being prepared. In addition, in late 2018, the governor signed SB 946 (Sidewalk Vendors) into law. SB 946 prohibits local jurisdictions from regulating sidewalk vendors, except in accordance with the provisions of the bill. The revisions to the Mobile Vendor Permits ordinance would provide the opportunity for the City to regulate all vendors, although regulations pertaining specifically to sidewalk vending (non-motorized vehicles) need to substantially comply with SB 946. These provisions include permitted locations, hours of operation, and limits on fines or penalties.

In addition to compliance with SB 946, revisions to Chapter 5.48, as presently being drafted, enable mobile vending in three areas of operation:

- Private property
- Public rights-of-way and property
- Public Parks (which SB 946 differentiates from other public properties)

Following Council comment and direction, the draft revisions to the Mobile Vendor Permits ordinance could be prepared for Council review by Fall 2019.

Incubator and Co-working Space Use

As innovative companies grow and work to maintain a competitive advantage, they seek new strategies to maximize the innovation potential of their employees. A key factor in maintaining a competitive edge is the space in which the companies and their employees work. An identified opportunity in the EDSP is the attractiveness Cupertino presently holds for small start-up companies, based on the skill and entrepreneurial character of the workforce in the community and larger region.

An Action identified in Strategy 3 of the EDSP specifically recommends the creation of a new development allocation for smaller space for a range of creative industries that can establish or continue to operate in Cupertino. This project will develop regulations to allow the development of smaller business spaces with shared resources, such as conference and meeting rooms, reception services, kitchen and/or food services, and other amenities.

New development of this type of space is unanticipated due to high land and construction costs. However, due to the rapidly changing retail landscape, there is an opportunity to plan in the event retail spaces underperform or lie vacant. Retrofit and reuse of existing buildings, possibly in older, vacant or underperforming retail buildings, would allow new-business incubator and co-working spaces the opportunity to locate in the city and diversify its base, while activating the space. The regulations (still under development) would allow incubator and co-working as permitted uses in General Commercial (CG) Zoning Districts with specific regulatory language to define strategies to:

- limit size/occupancy in a shopping center
- maintain active parcel/building frontage
- facilitate greater opportunities for smaller tech/entrepreneurial businesses

Following Council comment and direction, the draft regulations could be prepared for Council review by Fall 2019.

Innovation District Vision Plan

Two key economic development issues identified in the EDSP include *Connectivity and Place-Making* and *Supporting the Growth of Small and Midsize Businesses*. Both key issues are addressed by the creation of a long-term vision for the light industrial parcels in the Bubb Road Special area. Specifically, it will be useful to have a strategy and goals in place, for how the area can respond to significant future changes in the tenant make-up of this area.

The strategy recommended is to develop new zoning regulations/category for an Innovation District that provides incentives to develop spaces for technology, “maker economy” businesses, and small start-up and medium-sized businesses that are focused on the development of new technologies and services.

While development standards that allow on-site amenities such as food trucks, mobile services, restaurants, cafes, and standards for future conversion of existing uses will support

this vision, design standards would establish requirements that ensure a vibrant pedestrian- and bicycle-oriented area, and a pedestrian trail network that supports this type of economy. Potential programs envisioned for the Innovation District include a shuttle service linking key nodes as well as educational programs with local schools that engage students with the technologies and innovations developed by District businesses via internships or other opportunities.

While creating a long-term vision for the Bubb Road area, the Vision Plan would facilitate locational synergies for targeted types of businesses and include strategies to foster lease-sensitive businesses. Based on preliminary analysis and research, and following Council comment and direction, the Vision Plan could be developed for Council review by Winter 2020.

Public Outreach

The consultant team conducted an extensive number of interviews throughout 2018 with business community stakeholders, including Cupertino Chamber of Commerce staff and members, commercial real estate brokers, additional business owners, property owners, operators of co-working businesses, and the Economic Development Committee. A Community Open House that provided an overview of all three initiatives was held the evening of May 7, 2018.

Next Steps

The Council's comments and direction from this study session will be incorporated into work currently underway on the initiatives to implement the EDSP. It is anticipated that the projects will be completed by Winter 2020.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Fiscal impact to be determined.

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Reviewed by: Benjamin Fu, Interim Director of Community Development

Approved for Submission by: Timm Borden, Interim City Manager

Attachments:

A – CC Resolution No. 16-103 Adopting the 2016 Economic Development Strategic Plan (EDSP)

B – Senate Bill No. 946