



CITY OF GLENDALE, CALIFORNIA REPORT TO THE SPECIAL CITY COUNCIL

AGENDA ITEM

Report: Art & Entertainment District – Retail Units

1. Direction on Strategy for City-Owned Commercial Space located at 117 to 131 Artsakh Avenue
2. Authorization to Proceed with Short-Term Pop-Up Retail Program

COUNCIL ACTION

Item Type: Action Item

Approved for May 19, 2020 **calendar**

ADMINISTRATIVE ACTION

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RECOMMENDATION

Staff recommends that the City Council consider a long-term strategy for the City-owned commercial spaces at 117 to 131 Artsakh Avenue, and authorize staff to move forward with a short-term pilot pop-up retail program that will help inform the longer-term strategy.

BACKGROUND/ANALYSIS

BACKGROUND

The Artsakh retail units located at 117-131 Artsakh Avenue (“Property”) were constructed in 1990 in conjunction with the attached multi-level parking structure to better integrate the exterior of the garage and promote small boutique shopping in this pedestrian-friendly corridor. The Property is comprised of eight retail units that range between 975 to 1,175 square feet, and totals 9,031 square feet. The Property was owned and operated by the former Redevelopment Agency. When redevelopment agencies were dissolved in 2012 by the State of California, the property rights were assumed by the Successor Agency (“Agency”) from the Redevelopment Agency. Currently, there are three tenants:

- Urartu Coffee, 119 Artsakh Avenue (Term: Month-to-Month)
- DEA Skin Care, 121 Artsakh Avenue (Term: Month-to-Month)
- Lenardi, 129 Artsakh Avenue (Term: Month-to-Month)

The remaining units have been vacated, and are utilized for storage, or used for temporary activations, such as city public engagements.

Due to the City’s interest in further enhancing the Art and Entertainment District, and the pivotal role these units will have in reinvigorating Artsakh Avenue, it was recommended that the Agency sell the property to the City of Glendale. On June 16, 2018, the Oversight Board authorized the purchase of the retail units for the amount of \$1,530,000.

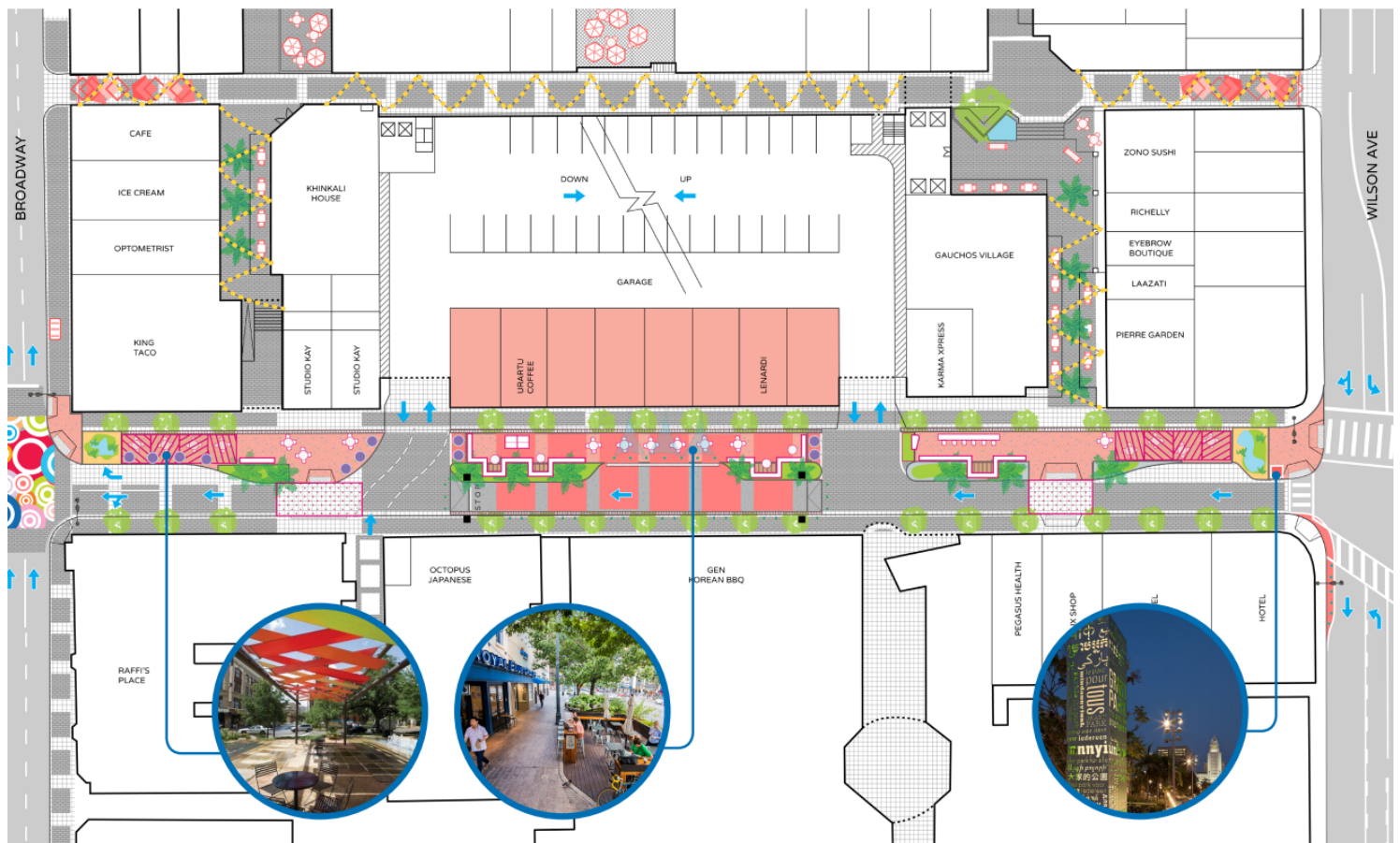
The Agency had been unable to enter into any new lease agreements since 2014 due to restrictions by the State. When the sale was approved by the State on July 17, 2018, the City was then free to move forward with activating the spaces in a manner that was consistent with the Art and Entertainment District initiative to reinvigorate this area.

Art & Entertainment District (“A&E District”)

On August 18, 2018 the City Council engaged Studio One Eleven to provide technical design services to reimagine two blocks of Artsakh Avenue into an anchor for the A&E District. Studio One Eleven proposed a one-way shared street design with extended

sidewalk areas, enhanced lighting, landscaping, public art, and programming for the Artsakh Avenue corridor between Wilson Avenue and Harvard Street, pictured below.

The other design components encompass a complete pedestrian environment that includes a play zone, flexible seating and dining, overhead shade elements, and the potential for bar top and lounge seating. In addition to the amenities, the outdoor space is designed in a manner to be programmed for events, such as community celebrations, yoga classes, pop-up performances, games, and more. Part of the existing roadway will be leveled with the existing median to create dedicated space for pedestrian activities and dining. Estimated costs for the proposed physical improvements, art elements, and first year programming and operations are \$8.3 million. The timing of the Capital Improvement appropriations for this project will be part of the City budgeting process.



Artsakh North Proposed One-Way Shared Street Design.

The City Council approved the one-way design concept in December 2019, and authorized the Construction Documents/Permits phase of the project; they are

approximately 50 percent complete. The one-way shared street design was an important step for the future of the Artsakh Avenue units, as the location of the extended sidewalk is on the west side of Artsakh Avenue between Wilson and Broadway, directly benefiting the future uses of these units.

The Artsakh Avenue units will aim to complement and enhance the current, future, and temporary activations in the A&E District. Businesses will likely gain foot traffic from nearby theaters and cinemas. The improved and widened pedestrian streetscape could potentially offer outdoor space for tenant use.

The vision for the A&E District, first detailed in the Downtown Specific Plan, is to develop a concentration or clustering of theaters, nightclubs, art galleries, music or comedy clubs, and other similar venues for live entertainment in addition to spin-off restaurants and bars.

As one of the goals of the A&E District project is to transform it into a pedestrian-friendly environment, the right mix of retail and complimentary non-retail uses will no doubt support that effort. These uses can also complement other past public investments in the A&E District, including the Alex Theatre Expansion, Laemmle Theatre, Museum of Neon Art, the Central Park Paseo, and Central Library Renovation projects, including the Reflect Space.

Also at the December 2019 meeting, the City Council approved a timeline for next steps. This included authorizing staff to move forward and enlist outside expertise to develop a strategy for the City-commercial space. This report today is in response to that direction.

ANALYSIS

Activating the City-Owned Units

With the approval by the City Council to move forward with construction drawings, staff engaged a consultant team to make recommendations on a proposed commercial strategy that would:

- 1) Analyze the highest and best use of the retail units;
- 2) Exemplify a vibrant and thriving Art and Entertainment District; and,
- 3) Provide a source of revenue for the City.

In January, staff hired public policy and real estate consultants, Estolano Advisors (EA) and The Maxima Group (Maxima), to develop recommendations for the City-owned space. EA and Maxima recognize that with the current impact of COVID-19,

recommendations and expected timelines may be altered due to unforeseen circumstances into the future.

Their study approach included the following activities:

- Survey surrounding uses, cultural anchors, and the retail environment;
- Identify examples of curated retail within larger mixed-use developments or Arts Districts;
- Analyze the opportunities and limitations of the Project Site, as well as the planned improvements to Artsakh Avenue based on Studio One Eleven's work;
- Develop screening criteria to evaluate potential Artsakh Avenue tenants; and,
- Identify a preferred leasing strategy, including estimated economic performance and asset management strategies for future success.

As a part of this study, EA and Maxima built on the work completed by Studio One Eleven in order to identify potential uses that would complement nearby existing and planned uses. The following is a highlight of concepts found in the report. The complete report is attached as **Exhibit A**.

Prioritize Activation

In order to enhance and complement the existing restaurant, theater, and retail uses, Maxima and EA's research focused on determining "destination tenants" rather than "traffic-dependent" tenants. "Destination tenants" include businesses that customers choose to go to because they are seeking something specific, like an outdoor dining experience or specialty offerings. Destination tenants are less reliant on the visibility of the location. "Traffic-dependent tenants" rely on customers who seek a convenient purchasing experience (e.g. fast food chains, mobile phone, etc.).

Identified concepts should fit into smaller-sized spaces and be able to adapt to the limitations of the units. These uses encourage all-day activation and can support a focus on smaller, local businesses rather than national brands. Small space uses also generally require less capital-intensive tenant improvements.

Curated Retail Strategies and Potential Tenants

Guiding Principles of Artsakh Avenue Tenant Curation

1. Enhance and complement restaurant, theater, and retail uses
2. Focus on destination tenants rather than traffic-dependent tenants
3. Concept must fit into small space and adapt to the limitations of the units
4. Encourage all-day activation
5. Focus on smaller, locally based businesses rather than national brands
6. Preference for less capital-intensive tenant finish requirements

Potential Tenant Examples

Below are strategic tenancy options that enhance the A&E District vision. EA and Maxima have listed a variety of choices with an emphasis on complementary uses rather than general retail.

1. Food and related uses

- Cafes, bars, distilleries, breweries, pubs
- Game or themed cafes
- Coffee and juice bars
- Specialty foods: confectionary, ice cream, frozen yogurt

2. Artisanal uses

1. Specialty food retail
2. Local makers cooperative
3. Curated gift shop

3. Arts-focused uses

- Education-based: dance studios, music studios/lessons, acting workshops, bookstores
- Performance-based: comedy club, nightclub, spoken word performance space, art gallery
- Creation-based: maker space, commercial food kitchen/incubator, photo studio

Table 1 on the following page provides a visualization of major arts and complementary uses and their ability to meet each guiding principle.

Table 1. Potential Arts and Entertainment District Uses and Guiding Principles

	Complement Existing Uses	Potential Destination Tenant	Works at Artsakh Scale	Daytime Activation	Nighttime Activation	Small Local Business Focus	Low Capital Requirement
FOOD USES							
Bar/Distillery/Pub							
Café/Themed Cafés							
Coffee/Tea/Juice							
Specialty Foods							
ARTISANAL USES							
Specialty Food Retail							
Local Makers Co-op							
Curated Gifts/Goods							
ARTS USES							
Acting Workshop							
Art Gallery							
Bookstore							
Comedy Club							
Commercial Kitchen							
Dance Studio							
Makerspace							
Music Studio							
Nightclub							
Performance Space							
Photo Studio							

Key Considerations

- Limited Size:** Project Site is only 9,031 square feet and takes up less than one block of the A&E District.
- Best Uses:** Food-related uses with other curated tenants can activate the space from morning to late evening.
- Design considerations:**
 - Connection to the outdoors is critical, which may require modification to the existing storefronts.
 - Interior space can be “raw and authentic,” which can also help save on tenant improvement costs.
 - Shared resources and infrastructure between units helps efficiency (e.g. shared restrooms, flexible outdoor seating policy)
- Management considerations:**
 - Activating the space with events is critical to success
 - Many tenants will require more intensive property and asset management.

There is an option to make some of the space available to encourage local business development.

The Maxima Group and EA Made the Following Recommendations

Recommendation A: Proposed Tenant Mix

To build upon the existing mix in the A& E District, as well as enhance the quaint nature of the A&E District, it is recommended that focused food and supporting retail offerings are an obvious fit within the A&E District and allow:

- 1) A fine-tuned curation process;
- 2) The mix of uses to be balanced between daytime and nighttime activation; and,
- 3) Serve both visitors and the surrounding (and growing) residential population.

A mix of ready-made or quick-serve foods can create a balance with existing local sit-down dining options.

Coffee, tea, and juice bars are generally daytime uses, while cafes and restaurants cover midday and evening.

Bars, pubs, and distilleries or breweries cover evening to late-night activation. The smaller units of Artsakh Avenue and more informal space offer a wide variety of experiences without competing directly against existing nearby full-service restaurants. The limited interior space can be supplemented by utilizing the extended outdoor space for dining.

Smaller units may also limit the risk for both the tenant and the City. A food retail concept may also complement the A&E District depending on its focus and its potential to participate in corridor events. Any specialty tenants should occur in clusters.

By combining a food-focus and peppering-in artisanal and arts uses, the A&E District has the capacity to live up to its name and offer an authentic and unique experience that is complimentary to the current retail experience on Brand Boulevard.

In the short-term, the units can accommodate a variety of pop-up retail uses until full deployment in order to test the most successful uses of the space. The City could choose to use some or all of the units to promote local food and creative entrepreneurs. The smaller units could also provide support for tenants in a variety of economic conditions – whether new businesses or concepts, or recovering tenants who need a new space to occupy.

While there is still not a full return to public life at the time of this memo due to COVID-19, the consultants are optimistic about the opportunity for the Artsakh Avenue retail units. Their conclusions assume public life operating at or near pre-pandemic levels.

The City timeline for full concept readiness is approximately two years, in line with Artsakh Avenue's physical improvements, giving time for adjustment.

Recommendations B – Long-Term Solutions for Artsakh Avenue Retail Units

EA and The Maxima Group recommended the following:

1. Keep individual units intact to create six to eight rental units.
2. Prioritize a mix of food-related tenants, with an emphasis on activating the space throughout the day. Food and dining options, especially with outdoor dining, are an obvious fit in this District, as they encourage pedestrian activity and promote a thriving District .
3. Document the as-is condition of the space, assess the code requirements for the proposed uses, undertake an assessment of physical feasibility, and estimate implementation costs.
4. Prepare an overall asset management plan that includes a leasing plan, an operations plan, and asset management metrics to track performance. Assign responsibility and supplement resources as required.
5. Coordinate implementation with Artsakh Avenue improvements.
6. Consider the potential to use some of the space for local economic development through a retail pop-up program in the short-term. The units can accommodate a variety of types of pop-up tenants in each of the three categories listed, including Food Uses, Artisanal Uses, and Arts Uses.

Recommendation C: Short-Term Solution – City of Glendale Pilot Retail Pop-Up Program

There have been several unsolicited requests to utilize the retail store fronts. Based on the recommendations above, there could be an opportunity to develop a Pilot Pop-Up Retail Program, called “Glendale Pops!” A pilot program would enable the City to see how the market responds to certain type of uses as well as reduce the barrier to entry for some small businesses looking to enter, or re-enter, the market.

Current unsolicited requests to temporarily utilize the store fronts include the following:

Proposed/Future Activations in Artsakh Avenue Units:

- “A Beautiful Leap” – The Glendale Art Association was going to hold a weeklong show in 127 Artsakh Avenue featuring artwork done by their members in late March 2020, but it was cancelled due to the “Safer at Home” mandate. It will be rescheduled for later in the year.
- Improv/Comedy Classes – Sean Casey, a Glendale resident and comedian, reached out to Economic Development staff with an idea to open a

comedy/improve training center at one of the vacant Artsakh Avenue units. He and his partners have been operating the Westside Comedy Theater in Santa Monica since 2009. Sean is looking to expand his business into the heart of Glendale's Arts & Entertainment District. He envisions setting up a classroom/workshop space in 127 Artsakh Avenue in anticipation of finding a permanent location in downtown Glendale.

- MONA Display – The Board of Directors of the Museum of Neon Art proposed creating a temporary neon art display in one of the Artsakh Avenue units during 2020. This exhibit would help MONA better connect with the community, and bring neon art outside the walls of the museum.
- Consul General of Armenia in Los Angeles – Proposed utilizing 123 Artsakh Avenue on a temporary basis for an art gallery, workshop space, and classes. The curators of this gallery would be painter Nikol Aghababyan, and journalist Arthur Sahakyan.

Given the community interest, staff has developed a concept for a pilot retail incubator program that will serve the following purposes:

- Support local small retail and cottage industry businesses.
- Better understand the as-is physical conditions of the space while a tenant is utilizing it to instruct future permanent designs.
- Better understand the market to help dictate future retail types.
- Activate the space.
- Test Commercial study recommendations on proposed users, with the exception of restaurants as they would require significant and permanent tenant improvements.
- Satisfy ongoing community requests to utilize the space.

The details of the retail pop-up incubator program are as follows:

- Starting July 1, 2020 and ending generally when construction is near complete, currently estimated to be Summer 2022, the City will implement the retail pop-up program, "Glendale Pops!" in at least three of the vacant units on the Artsakh Avenue Paseo.
- Pop-up shops would serve as places to experience Glendale's entrepreneurial and small business scene, where residents and visitors can discover new, locally-developed products and services at their launch.
- Glendale Pops will support small businesses looking to grow into a brick and mortar store into the next 1-2 years.
- Glendale Pops will look for a mix of product and service-based businesses who are interested in testing out their concepts/new products, consistent with the recommended uses described by EA and Maxima. Pop-Up businesses cannot sell/serve cannabis. Restaurants are not permitted, though the sale of packaged food and alcohol may be considered.

- Glendale based businesses and residents would be given priority, however, any business located in neighboring communities that supports the objective of the program is welcome to apply.
- Participating pop-ups would need to provide proof of general liability insurance matching City requirements, sign a release of liability waiver, and a lease for the duration of the pop up. This lease period would be for a minimum of 1-2 months, with an option to extend for a period of no more than six months.
- Operating hours will vary from business to business. Economic Development staff will work with business owners to identify the best operating hours for their business.
- Retail units would be leased for a minimum reduced rate of \$1.00/month. In exchange for free utilities and a Wi-Fi hot spot for internet access, the City will require pop-up merchants to meet certain performance measures, including but not limited to social media impressions, and hosting events with other tenants in the Artsakh Avenue Paseo.
- Retail units would be provided in an “AS IS” condition. Businesses would need to provide their own furniture (including tables, chairs, display cases) and office equipment (computer, printer, cash register).
- Economic Development staff would provide technical support in obtaining all permits, marketing and introductions to business leaders/mentors who could provide assistance in developing business plans.

Timeline & Next Steps

A&E District

When Council approved the Artsakh Avenue concept in December 2019, the original construction completion date was Spring/Summer 2021. However, it is important to note that this schedule was prepared prior to the COVID-19 pandemic and will be delayed by the pandemic recovery. Nonetheless, there is still progress that can be made to advance the goal of establishing this as an Arts & Entertainment District. Below is an updated schedule:

- April 2020 – Adopt Short-Term Strategy for Artsakh Avenue Retail Units
- July 2020 – Construction Document Preparation Complete; Initiate Permitting; Launch Pilot Pop-Up Retail Program
- January 2021 – Permitting Complete; Initiate Public Bid Process
- April 2021 – Public Bid Process and Contract Award Complete
- June 2021 – Contract fully executed
- July 2021 – Start of Construction
- Spring/Summer 2022 – Construction Complete

Artsakh Avenue Retail Units

Should the City Council want to pursue the findings as detailed in the Commercial study, the following next steps are recommended:

1. Implement Pop-Up Retail Program – Initiate Now; Implement by July 2020.
 - Retail tenants can test commercial study recommendations regarding tenants mix
2. Design review and preliminary feasibility – Complete by July 2020
 - Review Code requirements for the concept to identify potential flaws
 - Inspect as-is condition to better understand building systems and finishes
 - Conceptual design of a modular space, including connection to outdoors.
 - Rough Order of Magnitude cost estimate for improvements.
3. Tenant identification and requirement analysis – Complete by Spring 2021
 - Engage brokerage professionals to identify potential tenants or conduct a competitive process through a request for proposals
 - Gather input from potential tenants regarding design and other necessary requirements. This can occur during the Pop-Up Program.
 - Establish scope, budget, and schedule for building improvements, preferably in conjunction with Artsakh Avenue improvements.
4. Current Tenants – Revisit at Future Date
 - As discussed earlier, there are three tenants that occupy the Artsakh Avenue units, each paying below market rent. It is recommended to maintain these tenants on their current term of a month-to-month basis until staff can provide an update on design review, and tenant identification.

FISCAL IMPACT

There is no anticipated fiscal impact as a result of the recommendations today. At the conclusion of the due diligence, there may be future funding requests to prepare some of the retail units for new tenants.

ALTERNATIVES

The City Council has the following alternatives to consider:

Alternative 1: City Council may provide direction on any aspect of this report, and authorize staff to move forward with the Pilot Pop-Up Commercial Program.

Alternative 2: The City Council may consider not taking any action at this time due to the unknown fiscal and public health impacts of COVID-19.

Alternative 3: The City Council may direct staff to pursue alternative elements not proposed.

CAMPAIGN DISCLOSURE

N/A

EXHIBITS

1: Recommendations for City-Owned Commercial Space at 117-131 Artsakh Avenue