



# Office of Economic Development

Quarterly Update Q2 2014



May 2014

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## RESOURCES:

[Menlo Park Office of Economic Development](#)

[Menlo Park Community Development](#)

[Menlo Park Chamber of Commerce](#)

[Silicon Valley Economic Development Alliance \(SVEDA\)](#)

## Cheeky Monkey "Oh My Kids Love that Place!"

"If I'm good, can we please go to Cheeky Monkey!?"

If you live or work in Menlo Park and are a parent of young children then you have likely heard that same negotiation or at least a variation. Though I don't live in Menlo Park, my 7 and 4 year old sons have their favorite sections of Cheeky Monkey and toys that they look forward to adopting. So do I, if I'm being completely honest. This weekend, the hard to find Star Wars action figure and Pokemon dragon were an easy price to pay to keep little fingers from touching the exotic cars at the [100 OCT car show](#).

In this issue of the Menlo Park Economic Development Quarterly Update, I wanted to highlight the great folks behind [Cheeky Monkey](#). Dexter and Anna Chow, tech refugees, they purchased Cheeky Monkey in 2002. After three years of owning a Menlo Park business, the strong community and involvement of residents drew Anna and Dexter to make Menlo Park their home in 2005. They live here with their two children Gabriel age 11 and Lia age 8. In 2007, they expanded Cheeky Monkey to the Store's current footprint.

Dexter is active with the [Menlo Park Chamber of Commerce](#), serving as a Board Member and member of the Downtown Block Party Planning Committee. He chaired the Downtown businesses subcommittee of the Chamber of Commerce and is looking forward to reenergizing the group



now that the upturn in the

economy has helped fill vacant storefronts. Anna is on the Board for the [Menlo Park Library Foundation](#) and is a PTO volunteer. Another way Anna and Dexter give back to Menlo Park is through donating toys and gift cards to Menlo Park schools, children's causes and youth sports.

As parents themselves, Dexter and Anna understand that not all toys are created equal. They have built a reputation for Cheeky Monkey as the store where you can find quality toys with good play value that engage children's imaginations. They prioritize toys that help children learn and grow while having fun? On their website, they have "FUNdamentals" categories, which assign ratings based upon 8 development categories: Independent Play, Cooperative Play, Develops Motor Skills, Visual Learning, Creative Play, Language Development, Logical Thought and Learning through Music. Furthering their commitment to play-based education, they offer weekly programs like page to play events for parents and younger children.

There is one other thing that sets Cheeky Monkey apart and that is the staff. They are friendly, knowledgeable and take their time to help you get just the right toy. They are trained in the FUNdamentals and are eager to assist customers. In an era when good customer service is hard to find, Cheeky Monkey is a step above. It is just one more of the ways that Dexter and Anna seek to build community through their business.

So the next time that you negotiate a trip to Cheeky Monkey with your children to ensure their good behavior, you can be confident that you are getting the better end of the deal through supporting business owners who contribute to our community. In addition, your kids might learn something without even knowing it.

## TOP 25 SALES TAX GENERATORS:

- [Acclarent](#)
- [Al's Roofing Supply](#)
- [Automatic Rain Company](#)
- [Beltramos Wine & Liquor](#)
- [Cafe Borrone](#)
- [Captial Dynamics](#)
- [Chevron Service Stations](#)
- [CVS Pharmacy](#)
- [DM Figley Company](#)
- [Draegers Supermarkets](#)
- [Flegel's Home Furnishings](#)
- [Membrane Technology Research](#)
- [OfficeMax](#)
- [Pacific Biosciences](#)
- [Safeway Stores](#)
- [Sand Hill Resort & Hotel](#)
- [Sharon Heights Golf Country Club](#)
- [Shell Service Stations](#)
- [Stanford Park Hotel and Restaurant](#)
- [Staples Office Superstore](#)
- [Tesla Motors](#)
- [Trader Joe's](#)
- [Triplepoint Capital](#)
- [Walgreen's Drug Stores](#)
- [Willow Cove Service Stations](#)

## Tax Revenue Report

### Tax Revenue

Menlo Park's tax revenues continue to show that the local economy is strong and growing. As can be seen in the Annualized Change in Sales Tax Cash Receipts figure below, sales tax revenue is up over 15% and is tracking well above last fiscal year's amount. While this increase in revenue is welcomed, it is the result of several one-time transactions and is not indicative of an expected increase in the sales tax baseline going forward. These spikes are evidence of the volatility of sales tax as a revenue source. Every jurisdiction in the State is wrestling with how to address this volatility. Menlo Park takes an active role in marketing any retail vacancies and working to identify opportunities to attract destination retailers. The City Council has prioritized the development of additional large community events that support local merchants.

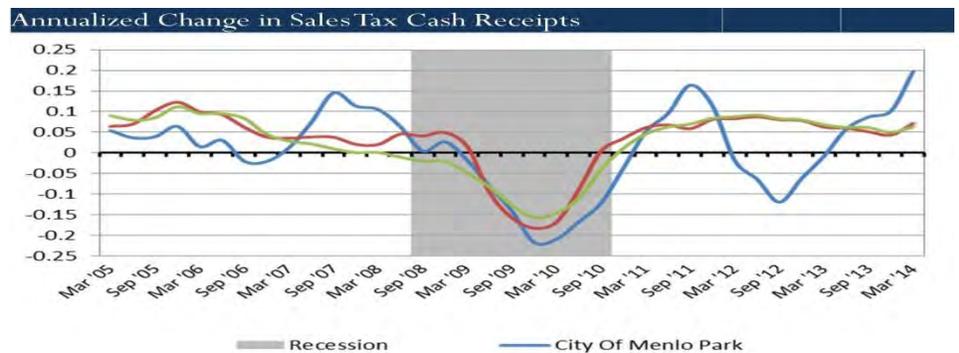


Figure courtesy of [Muni Services](#)

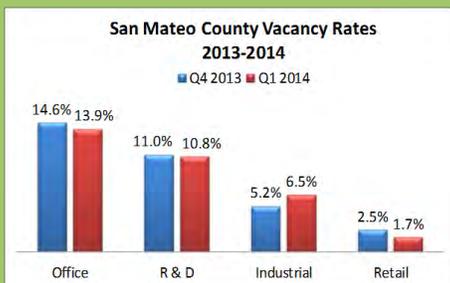
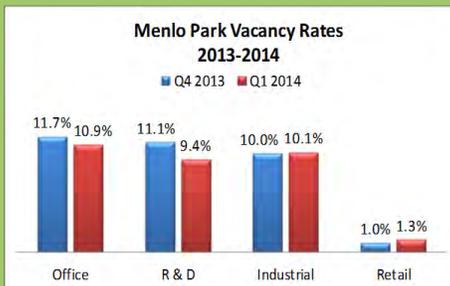
## VACANCY REPORT

### R&D

According to [Cassidy Turley](#), Menlo Park was the big winner this quarter in terms of R&D occupancy. Menlo Park experienced over 60,000 square feet of positive net absorption in Q1 2014 which lowered the vacancy rate below the county average of 10.8% to 9.4%. This is a significant decrease from the City's Q4 2013 vacancy rate of 11.1%. Some of the key lease transactions that contributed to this net absorption were the expansion of Avalanche Biotech at 1035 O'Brien Drive (10,309 SF) and the sublease of Food Product Design at Kavanaugh Industrial Park (12,000 SF).

### Industrial

Industrial vacancy rates county-wide took a hard hit in Q1 2014, but Menlo Park remained stable. The County vacancy rate rose from 5.2% in Q4 2013 to 6.5% in Q1 2014. Compared to the rest of the county, Menlo Park posted minimal losses, going from a 10% vacancy rate in Q4 2013 to 10.1% in Q1 2014. The large drop in industrial occupancy can be attributed to the vast amount of sublease space that hit the market and slow deal activity in Q1.



### Retail

Menlo Park's retail vacancy rates remained relatively flat this quarter coming in around 1.3%, and is still lower than the county average of 1.7%. The City of Menlo Park continues to market the few available vacant storefronts, partnering with the brokerage

## Property Tax

Property tax represents the largest source of General Fund revenue, and the budget was increased at mid-year to account for the City receiving a full share of Excess Educational Revenue Augmentation Fund (ERAF) revenue. Based on remittances through March 31st, property tax revenues are expected to meet or exceed adjusted budget estimates. The current availability of financing and investment interest in Menlo Park is good for the City's property tax outlook. For example, just one of the 35 large projects in the City's development queue could result in an additional \$130,000/year in property tax. The City is working diligently to move projects through the process to ensure that we do not lose out on the current lending window.

## TOT

Where the City is seeing more sustainable increases in revenue is in the transient occupancy tax (TOT). Overall, TOT revenues are up 36% over the same period from last fiscal year. This is largely the result of the voter-approved 20 percent increase in the TOT rate (10% to 12%) effective January 1, 2013. The City is also seeing a significant increase in revenue from license and permitting fees due to increased development activity. However, revenues in this area are usually followed by corresponding, but beneficial, expenditures budgeted for the fiscal year 2014-2015. There is one new Marriott hotel that is in the development process currently at 555 Glenwood Ave. and the [Mermaid Inn](#) is in the final stages of a renovation that will add eight new rooms to our inventory. The City is working with additional hoteliers to identify locations for new hotels.

## Strengthening and Expanding our Market

Menlo Park is fortunate to have a number of competitive strengths as we work to diversify our tax base and stabilize revenues. This is the hub of Silicon Valley and the City is working with Innovation sector to capitalize on the addition of Facebook and other technology leaders to further diversify our tax base. In addition, Menlo Park has a very strong life sciences sector. It is critical as we update the General Plan that we create opportunities that will allow businesses in this sector to stay and grow in Menlo Park. Sales tax revenues from this sector are less volatile than other sales tax contributors. This stability is evidenced by the fact that businesses such as [Acclarent](#) and [Pacific Biosciences](#) are top 25 sales tax generator stalwarts.

## "Man You Gotta Come Check this Out"

That is almost word for word what I overheard one gentlemen say on his cell phone as he was attending the 100 OCT Cars & Croissants event Saturday May 3rd. When organizer and [100 OCT](#) Founder, Benoît Boningue contacted me about filling Downtown Menlo Park with dream rides like the new Maserati Ghibli S Q4 or the Ferrari F60 and more Lamborghinis than you can shake a stick at (please don't body work on these cars is horrendously expensive), I was excited. In the last 2 months exotic car owners and enthusiasts have traveled from around the Bay Area to gather in Menlo Park from 9-noon the first Saturday of the month. This event is a pilot to see if it continues to have a positive impact on downtown merchants as we seek to expand the customer base of Downtown Menlo Park. So far, a lot of downtown merchants have shared with me that Cars & Croissants draws the kind of foot traffic they need to be successful.



Speaking of successful, the Menlo Park [Off The Grid \(OTG\)](#) Food Truck Market kicked off in February and has been an unmitigated success. The OTG Market fills an underutilized portion

community to identify and attract tenants and investment that will strengthen Menlo Park's position as a destination retail location.

## Office

The good news is that office vacancy in Menlo Park has decreased since last quarter and remains lower than the San Mateo County average. In the past quarter Menlo Park's office vacancy rate has gone from 11.7% in Q4 2013 to 10.9 % in Q1 2014, which is below the county's average of 13.9%. While these are both wins for Menlo Park compared to San Mateo County cities, our vacancy rate is double that of neighboring Santa Clara County cities like Mountainview (5.9%) and Palo Alto (3.5%).

The demand for office space is accelerating rapidly, as evidenced by the fact that current asking price for office space rivals that of the dot com boom in 2001. So why does Menlo Park have higher vacancy rates than neighboring cities? Two trends that help explain the demand versus occupancy paradigm has to do with the type of companies that are fueling the demand, and the quality of office space available to them. In San Mateo County organically grown companies looking to expand are driving growth and it is essential that Menlo Park be able to provide them space to originate and grow. But these companies are not just looking for any space. As the millennials take over the workforce, downtown Class A office space close to amenities and public transit is in high demand but low supply. Mountain View and Palo Alto have lower vacancy rates because they provide what companies are looking for. Because they provide higher density office space near public transit and downtown, workers can commute by Caltrain, and then walk to local retailers and restaurants during lunch or after work. In Menlo Park, the lack of Class A office space near public transit and downtown amenities continues to be critically important.

of the Caltrain Parking Lot on Merrill St. Wednesday evenings from 5-9pm. It continues to generate 900-1000 visitors to Downtown. OTG patrons don't just stay at the Market, they patronize other businesses. OTG even encourages visitors to stay Downtown and to spend money with creative slogans like, "[o]ur food isn't dry, but our event is so consider keeping the night going at your local merchants." The strategy seems to be working. [Left Bank](#) has reported such an uptick in Wednesday night business that they have had to add a server to handle the increase in customers.



Thanks to the great partnership between the [Menlo Park Chamber of Commerce](#) and the [City of Menlo Park](#), the Downtown Block Party will once again kick off the Summer Concert Series this June 18th 5-9pm. This event is a labor of love for the members of the planning committee who work tirelessly to make this a can't-miss event in Menlo Park. Thanks to the continued dedication of the Menlo Park Chamber of Commerce Board of Directors and President/CEO Fran Dehn we will be partying in the street.

A month later the Menlo Park Chamber of Commerce will do it all again with the 28th Annual [Connoisseurs' Marketplace](#), July 19-20. It's true what they say, there ain't no party like a Chamber of Commerce Party, because a Chamber of Commerce Party...complies with all of the conditions of their permits.

There truly are cool things happening in Menlo Park and we hope that you will come check them out!

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## Quarterly Small Business Roundtable

On April 21st, Mayor Ray Mueller hosted the City's first Small Business Roundtable meeting. He was joined by Vice Mayor Catherine Carlton, Council Member Kirsten Keith and Council Member Peter Ohtaki. City Manager Alex McIntyre, Assistant City Manager Starla Jerome-Robinson and the Office of Economic Development Staff welcomed nearly 40 representatives from Menlo Park small businesses, including Menlo Park Chamber of Commerce President/CEO Fran Dehn.

The intent of the Roundtable was to create an informal forum where small businesses could connect, communicate and brain storm solutions for problems they face. One of the biggest issues discussed by attendees was ways they could collaborate with each other and the City to increase vibrancy and foot traffic Downtown. Other issues addressed included the varying parking needs of businesses, and ways the City could better communicate with local business owners.

The Roundtable was also an opportunity for the City to share tools and resources with small business. John Emmons from the [San Mateo Small Business Development Center \(SMSBDC\)](#) gave a presentation on the counseling, courses and resources they offer to small business in San Mateo County.



Mayor Ray Mueller shared his vision for the Roundtable, "I want this group to be a

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collaborative effort with our small businesses. We are working to increase foot traffic and introduce new customers to Menlo Park through community events and pilot programs that enhance the retail experience, like our on-street seating pilot program. It's about supporting our local merchants anyway we can."

A number of the businesses represented at the Roundtable are located Downtown and were supportive of the City's efforts. They also offered candid recommendations for improvements in City processes and suggestions for enhancing downtown public spaces.

If you would like to know more about the Small Business Roundtable, please contact Economic Development Manager Jim Cogan at (650)330-6614 or via email at [jccogan@menlopark.org](mailto:jccogan@menlopark.org).

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