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Walnut Creek hits the reset button

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Many of the city's residents have heard this refrain when traveling to different parts of the Bay Area — an impressive feat for a regional population given to civic rivalries.

The once-sleepy town nestled near the base of Mount Diablo has flourished into a premiere destination for food, art, culture and commerce.

"It's amazing what kind of name recognition Walnut Creek has developed over the years," says Teri Killgore, the city's economic development director and assistant city manager. "We recently attended the International Conference of Shopping Centers convention in Las Vegas for the first time, and we were stunned at how many brokers and retail magnates knew about us. We kept introducing ourselves as 'a Bay Area suburb' and folks would respond, 'oh, we know who you are.'"

At the heart of Walnut Creek's reputation is its bustling downtown area, which holds more than 650 businesses in less than one



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Teri Killgore, assistant city manager for the City of Walnut Creek.

square mile. Its proximity to the I-680/CA-24 corridor and a BART station just blocks from City Hall, spurred continuing economic growth, population increase and development interest through several decades.

Walnut Creek seemed set for more of the same. In December 2018, the city adopted a five-year Economic Development Strategic Plan, an all-of-the-above approach stating a vision to “promote a vital and diverse local economy, attracting innovative and creative industries, and strengthen the City’s regional position for jobs, arts and entertainment.”

Then Covid intervened.

So what happens when the best laid plan of consultants and council members goes awry?

“When we looked at our original strategy once the pandemic struck, we realized that markets were shifting very quickly,” Killgore said. “So, instead of doing a full update on the 2018 study, we’ve pivoted to studying sectors and industries independently, focusing on one at a time. While we still believe the basic principles of the original plan are solid, there are a lot of unstable currents right now, so this modified approach allows us to be much more nimble and concentrated in our efforts.”

So far, it seems the pivot is paying off.

“The city helped businesses in several ways throughout the last two years,” says Kathy Hemmenway, executive director Walnut Creek Downtown, a business improvement district nonprofit that facilitates and promotes collaboration between downtown businesses and city officials. “It began with the city council allowing businesses to create pop-up shops with a streamlined approval process. We also worked with the city to hire an architect to develop permanent outdoor spaces for businesses to utilize. Processes that would normally take a decade were getting done in a matter of weeks or months, and their efforts saved many, many downtown businesses.”

The city is far from immune to the current turbulence of the global economy, however. The vacancy rate of the city’s office space is currently at 20% — double what it was before the pandemic struck.

“Our office building space occupancy is very hit-and-miss currently, depending on the class of building and its rental rates,” Killgore elaborated. “Some buildings are almost at full occupancy, and some are almost entirely empty. Many companies seem to be implementing a three-days-in [the office], two-days-out approach, so we’re watching how that’s going to play out in leasing agreements.”

It’s not just property owners that are finding current markets tricky to navigate. Despite hitting an all-time high in retail revenue last quarter — aided in large part by auto sales from the many dealerships just north of downtown — many of the area’s retailers are struggling with inflated costs of goods and labor shortage issues. “We’ve had lots of support from the community as patrons, and having high school and college kids back home on summer break will help ease the labor squeeze,” said Hemmenway. “It’s something that will have to be navigated come the fall, however. Many small businesses have had to alter their hours of operation due to worker shortages combined with the occasional Covid case among their workforces.”

One key component of the economic growth laid out in the city’s 2018 plan is a new, \$380 million mixed-use transit village that began construction in October 2019, situated adjacent to the Walnut Creek BART station. Yet that, too, has faced its challenges. “The transit village has been slightly delayed due to the state shutting down construction during the pandemic,” said Killgore. “The first phase of construction [358 housing units and 15,000 sq. ft. of retail space] was originally to be completed in the spring of this year, but we now expect it to be done by the early fall.” The parking garage has been completed, and due to the intense demand for housing in the area, she said, “we expect the apartments to fill up rather quickly.”

That could go a long way to help boost public transit ridership, hit hard over the last three years. When construction on the transit village began in October 2019, the Walnut Creek BART station logged 164,909 exits for the month, According to official BART records. In May of this year It logged only 52,498 exits. Many of the city’s other transit routes have seen similarly diminished numbers.

Still, Killgore remains optimistic about the situation. “We see the long-term value in supporting public transit, and we actually think the current circumstances present an opportunity for the city. Due to the increase in gas prices, as well as the increase in hybrid work, many companies are looking to open satellite campuses in inner-ring suburbs like Walnut Creek and San Ramon to lessen the commute burden for their workers when they do go to the office.”

That continued interest is felt most strongly in the downtown area, despite multiple high-profile mass shoplifting incidents that have occurred since 2020. “We’ve obviously had our bumps in terms of recent thefts,” Hemmenway admitted, “but many other places in the Bay Area have struggled [with it] more than we have. Our occupancy rate is high again, and if one business happens to leave, there is a lot of interest from others that want to take its place.”

Killgore agrees. While the city has yet to commit to a new, comprehensive economic development plan due to market uncertainty, she believes their current approach sets Walnut Creek up for long-term success. “We continue to be blessed with a great location and a destination people seek out,” she said. “We’re not immune from the struggles everyone has faced in the last few years, but we’re not seeing them in the magnitude that many other cities have. I’m very optimistic in our ability to evolve and stay relevant in the area.”

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