



- STRATEGY AND PLANNING
- MARKET AND LOCATION INTELLIGENCE
- DEVELOPMENT MANAGEMENT



RELOCATION STUDY  
PREPARED FOR:



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## Executive Summary

The following points are key take aways from this *Flea Market Relocation Analysis*:

Relationship of Key Entities: There is a property owner, an operator which is a different entity that master leases and manages the market day-to-day, and small independent businesses (vendors) that rent space from the operator and sell goods and services to the public<sup>1</sup>. These are all separate roles with different revenue and expense streams, and often competing interests.

Site Selection:

- From a site selection perspective, a potential location should be evaluated separately from the location's ability to accommodate improvements needed to operate a market. Both location and the ability to accommodate improvements are required for a potential relocation site to be considered. It is also important to take financial and development considerations into account in addition to site selection considerations.
- Commodities are what we buy every day and specialty goods are what we splurge on. Each is associated with different shopping behaviors. The San Jose Flea Market probably attracts people looking for both types of goods and services.
- The existing market draws from a wide area that is larger than the Capitol Flea Market's. Its central location with ease of access to major arterials and several freeways is one reason for its long-term success. Most visitors come by car and not mass transit.
- An initial list of many sites was narrowed down to 8. Each of these sites was evaluated on the same location and facility criteria. The pros and cons of each site are discussed in the Detailed Site Evaluations section.
- Having a market with a minimum critical mass is important for attracting both vendors and customers, and for making operating economics work.
- Of the sites that have been identified, there is not one that has substantial enough benefits as compared with others to be considered *THE* site, but there are a few sites that merit further due diligence.

Flea Market Alternative: A retail storefront is a fundamentally different retail channel than a flea market vendor stall, and operating a storefront has a greater risk profile than operating a vendor stall. While an option for some, mass vendor migration to storefronts is not the answer.

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<sup>1</sup> In the case of the San Jose Flea Market, the flea market operator and the property owner are the same; however, this is a unique circumstance. It is more common for the owner and the market operator to be different entities.



Development and Financial Considerations:

- A detailed financial analysis will need to be performed as a follow-on task to this work.
- The relocation of the San Jose Flea Market will be both a complicated and expensive undertaking because of the few suitable sites and the cost of acquiring and developing them.
- Development timelines are long, probably longer than the amount of time the market has been guaranteed at its current location. Because of short timing and complicated development issues, *this relocation project will need a sophisticated and savvy development sponsor as quickly as possible*. The development sponsor will require expert operational input to make key decisions and to run development and operating pro-formas.

Call to Action: Time is of the essence, and *immediate* action and attention is required. The recently announced earliest closure date of January 1, 2026 would still mean that there is an extraordinarily compressed timeframe for the relocation of the San Jose Flea Market. Identifying the lead for the relocation effort and taking concrete steps to secure a new venue are *immediate tasks of paramount importance*.



## **Introduction, and Assignment/Purpose**

This memo is intended to be a working reference document for San Jose-Berryessa Flea Market stakeholders including vendors, development and operating partners, policymakers, and economic development professionals. Its goal is to provide background and context for relocation of the market, and to provide retail-related policy and land-use and decision-making recommendations associated with the market's redevelopment. The intent is to inform more meaningful relocation-related and market resilience decisions, and to be a call-to-action for decisive progress towards the market's relocation.

This Flea Market Relocation Analysis (Task 4) memo is one part of a larger collection of work that has been done. This other work includes Data Collection (Task 1), Cultural and Economic Impact Synthesis and Report (Task 2), and Operations Research (Task 3).

For this relocation analysis, we have worked in tandem with staff to develop a list of sites to study for a potential relocation of the San Jose Flea Market, and we have developed criteria by which to evaluate each of the potential properties. Our analysis contains both an objective evaluation and a subjective analysis of each potential site. At the expense of dryness in some instances but with an eye to objectivity, we have been careful to apply the same methodology to the analysis for each site.

By way of background, there are multiple examples of public markets in the Bay Area, ranging from flea markets such as the San Jose Flea Market, the Capitol Flea Market, the Treasure Island Flea Market, and the Alameda Swap Meet to more food-oriented offerings such as San Pedro Market in San Jose, the Ferry Building in San Francisco, Rockridge Market Hall in Oakland, and the Oxbow Market in Napa. Each of these markets has a unique character, and some have been patterned after other iconic public markets in the United States such as Pike's Place Market in Seattle or the Reading Terminal Market in Philadelphia.

All these markets share a similar operating model in that there is a property owner, a different operating entity that master leases and manages the market itself, and small independent businesses (vendors) that rent space from the master lessor/manager (in the case of the San Jose Flea Market, the property owner and the market operator are the same; however, this is a more unusual arrangement). The following graphic shows the relationship of these different entities, how each generates revenues and incurs expenses, and where an expense for one entity equates to revenue for another:

	Vendor	Operator	Land Owner
<b>Revenue</b>	Sales	Rents from vendors Parking Concessions	Rent from operator
<b>Expenses</b>	Rent to operator Merchandise Expenses	Rent to land owner Operating Costs	Mortgage Property Taxes Maintenance Insurance

While in the case of the San Jose Flea Market the landowner and the market operator are the same, we have taken pains in our analysis to keep these entities separate in order to more easily and transparently analyze various scenarios.

In addition to evaluating each potential relocation site, we have also developed a model to help think through the cost and development and operating issues associated with opening and operating a new market. The model helps to answer the leading question of whether the rents that vendors pay, parking fees, and entry fees (if any) can cover the cost of building and operating a new market.

There are also equity considerations. One key purpose of the market is to support low-income vendors who are also selling their goods and services to low- and/or moderate-income customers. At the same time, markets are an opportunity for people of all walks of life to come together. As such, they are important community assets. This memo does not address this particular equity issue as it has been addressed as part of Tasks 2 and 3. We limit our analysis to the pros and cons of a given site from a location, facility, and financial perspective, and we identify some (but, of course not all) of the logistical and operational considerations that will be considerations in any relocation program.

A comprehensive study of the San Jose Flea Market published by U.C. Berkeley's Center for Community Innovation in 2011 showed that rents paid by vendors at the San Jose Flea Market could be as little as half of conventional retail rents. Although this comparison probably bears more scrutiny, the point remains that a public market as a real estate venture may not be fully compatible with the mission to replace the San Jose Flea Market. It is quite likely that a subsidy will be required to fill the *gap* and support the creation and/or operation of a new market and by



extension the Market's vendors. The source of funds to fill a capital or operating gap is not known at this time, and City staff has not proposed that the City is in a position to fill a gap. Therefore, our strategy prioritizes building a clear understanding of the overall real estate metrics and the relationship between site location, the development process, and operating considerations. These considerations are essential to creating a new public market that can replicate the best attributes of the existing San Jose Flea Market while also furthering the social mission associated with supporting the vendors, their patrons, and the larger community.



## Methodology Discussion

### Methodology - Site Selection

Our approach to this assignment was to identify as many potential sites in San Jose and the immediately surrounding area (such as Milpitas, Morgan Hill, etc.), and to then systematically narrow-down those sites to a short list of potentially more viable sites. For example, we looked at sites in Alviso; however, there were environmental and flooding issues that disqualified them immediately. We looked at a large site adjacent to a rail intermodal in Milpitas; however, it is being actively used by Union Pacific and there is no expectation that will change. We looked at a closed golf course in San Jose; however, plans are already underway for development for another use. We looked at any number of sites that were deemed to be too small (raising the point that finding large enough tracts of land in a densely populated area like Silicon Valley is, at minimum, an extremely difficult undertaking). In other words, we deliberately focused on a short list of sites that we felt had somewhat of a path forward and were worth exploring further.

We toured each of these sites and collected information about their physical characteristics. We then supplemented these findings with data such as demographic, traffic, zoning, and other information that will be helpful describing and characterizing each location. Where appropriate, we consulted with others such as real estate brokers or city staff to get a clearer understanding of site characteristics. We then drafted a summary of each site describing its key attributes.

From a methodological perspective, the task of describing each alternative site for the Flea Market must be broken down into multiple parts. First, there is the *location*. Second, there is the *facility* or improvement (i.e., the capacity of the site to support the improvements needed to operate a market). Finally, while not a part of this report, it will be necessary to develop real estate development and market operating pro-formas that can balance facility and location capital costs with anticipated operating revenues and expenses from vendors and/or users to determine if a proposed market relocation is feasible.

The location attributes necessary for a successful public market may or may not replicate some or all of the locational attributes of the current San Jose Flea Market location, including its accessibility from multiple freeways. Access and traffic patterns are especially important for any retail destination (including a flea market) in that customers must be able to get to the facility. In fact, many retailers consider accessibility as a site attribute before they even look at trade area





demographics. Additional attributes could include the parcel size, its flexibility, the ability to accommodate parking, etc.

Of all property types, retail is the most sensitive to location. Given this, it is extremely important to evaluate visibility, access, and parking objectively. If the project is in a highly urbanized area where no competitors have parking, you are not at a disadvantage for lack of parking. In contrast, if you can only have half of the amount of parking as do competing projects, it makes the project significantly less convenient for customers.

If a given attribute of the project is *better than* competing properties, it makes this project more attractive to potential users, and perhaps more valuable than alternatives. If a given attribute is *equal to* competitors, then this is a wash. If a given attribute is *worse than* competitors, then the site is less attractive and potentially less valuable. A project usually doesn't live or die on one attribute (although sometimes just one attribute that doesn't pass the test can be a reason to say "no"). It is important to evaluate the project holistically, taking all real estate and facility attributes and their respective equal-to-or-better-than judgments into account.

### Methodology - Financial Considerations

Planning for a new market will require understanding how much a potential site will cost to develop (ie. to build necessary infrastructure) to accommodate a flea market, and then to operate the market. This information tells us if developing a market is a financially viable enterprise, or if some sort of subsidy will be required to bridge the "gap" (the gap being the amount of additional money that will be required from some source in order for a market operator to profitably develop and/or operate a market). The gap is discussed in more detail in the Task 3 report. It is also possible, even desirable, to use the financial analysis to test different assumptions (eg. what is the impact of higher or lower parking fees or vendor rents), or to compare one potential relocation site with another.

We visited a number of markets, used case studies written by other team members, and interviewed flea market operators to identify key data points for this financial evaluation. We also sought to understand from where market operators generate income, and the costs of operating a market. Using information we collected, we developed a financial analysis methodology to evaluate market relocation opportunities. The analysis methodology takes both real estate development, and market revenue and operating considerations into account. Please note that any analysis makes certain assumptions, so we've had to make some of our own for each site. Our initial findings are as follows:



- **Income Findings:** Higher vendor booth rents make operating a market more viable, however, charging an entry fee has a much more significant impact on the bottom line, and a greater impact than charging parking fees. The combination of parking and entry fees was the surest way to get to profitability.
- **Development Pro-forma Findings:** Sitework which consists of grading, paving, distribution of utilities, installation of lighting, striping parking areas, installing curb-gutter-sidewalk, installing traffic signals if they are needed, and the like is the most significant development expense because of the large amount of land on which markets are situated. Charging entry fees has a bigger positive impact on returns than no sitework being required. Environmental clean-up has a one-time impact at the development phase (and in some cases a monitoring requirement once the market is operating). If permanent structures are to be a part of the development program, the cost of these structures is relatively minor in comparison to sitework costs. The cost of purchasing a site at market land values makes a profitable venture nearly impossible and has a much greater impact than even a high ground lease payment. It is likely there will be a gap that will need to be bridged for a development pro-forma to show a reasonable return, and this point is discussed at length in the Task 3 Operations Research.
- **Operating Pro-forma Findings:** The cost of capital (mortgage or loan payments, for example) that needs to be incurred rolls over into the operating pro-forma because these payments are paid for out of cash flow (income less expenses) from operating the market. The higher the cost to develop the market, the higher the ongoing payments will be. So, if a site is expensive to purchase or if it requires significantly more sitework than a different site, that site will require a greater amount of cash flow for monthly loan repayments. There are other operating expenses relating to the development phase such as ongoing environmental monitoring that might be required if a landfill were to be selected as the site for a new market. Similarly, if the market were to operate on land that it leased instead of owned, ground lease payments would be an ongoing expense. It would be ideal to find a City-owned property that could address this problem. Some operating expenses are fixed while others are related to the size of the market. For example, front office staff, insurance, and phone expenses are unlikely to be much different for a small as opposed to a large site. Conversely, the cost of rent, repairs and maintenance, electricity, and trash removal will be more or less depending upon the size of a market.
- **Market Size Findings:** Bigger is not necessarily better, but neither is smaller. Both extremely large and extremely small markets were difficult to make work profitably with extremely large markets being less prone to profitability because of associated high



development costs (sitework in particular). We did find that a medium size market (say, 45 acres-ish) seemed to be a sweet spot that balanced cost to develop with income from various sources.

Vendors will also be wary to locate in a market where they cannot achieve a profit. Different businesses can typically afford a different amount of occupancy cost (ie. rent plus other occupancy-related costs such as non-rent reimbursements to the market operator). For example, clothing stores often will pay a retail landlord a percentage rent (a percent of sales) once six percent (6%) of their sales exceed their base rent. Foodservice can generally afford to pay more, and general merchandise less. By way of example, if a merchant has annual sales of \$60,000 and can afford to pay 10% of its sales as rent, it could afford to pay \$6,000/year or \$500/month.

We also evaluated how land is utilized in existing markets and confirmed that larger markets are more efficient from a land use perspective. In other words, more space can be devoted to vendor booths, which are income-generating uses both for vendors and for the market operator. The following table compares the amount of land devoted to various activities for a hypothetical 5-acre market compared to a hypothetical 20-acre market. In these examples, all parking is provided on-site. We can expect to have even greater economies of scale for yet larger markets, but we can also expect that there is a *sweet spot* above which bigger is no longer better.

Land Utilization	5-acre plan	20-acre plan
Area Devoted to Vendor Booths	23.0%	31.0%
Area Devoted to Storage	1.7%	1.7%
Area Devoted to Amenities	1.1%	1.1%
Area Devoted to Food	4.7%	4.7%
Area Devoted to portable restrooms	5.0%	2.5%
Area Devoted to Parking	64.5%	59.0%
TOTAL:	100.0%	100.0%

Storage areas are on-site facilities in which vendors can store merchandise they intend to sell. Amenities include play areas, performance areas, and the like, and amenity area is distinguished from food service areas. The other categories are self-explanatory.

We developed a financial model to give a *rough order of magnitude* (a "ROM") of development costs and to help us understand the relationship of market size, development costs, and operating



income and expenses on financial viability. It is worth noting that while the opportunity to generate income gets more efficient as the size of a market increases, that is not always the case for capital costs, which can vary depending upon the sort of site being developed. A large site that needs a lot of mass grading may be more expensive to develop on a per square foot basis than a small, flat site. Each opportunity will need to be evaluated based on its specific circumstances. As is true with all development projects, these ROM pro-formas are continually refined as more detailed information becomes available.

### Methodology - Development Considerations

The development process is comprised of a pre-development, or pre-construction, phase in which a project is conceived, designed, entitled, and permitted. It is likely that a project will go through multiple design iterations, and each will have its own financial analysis. Once a project is designed and the financial analysis shows that it is financially feasible, entitlements, or discretionary approvals, are sought from the local agency (eg. the City of San Jose if a site is in San Jose itself). It's possible that there are multiple agencies (eg. the City, the County, the Army Corps of Engineers for wetlands approvals, etc.) that have discretionary jurisdiction over a project. It is also likely that there will need to be a public outreach initiative to obtain support from neighbors and other interested stakeholders. Once these discretionary approvals are obtained, the project sponsor will have construction drawings produced and seek an actual building permit. It is at this point that the project moves from the pre-development phase to the development phase during which it is actually built.

Of the pre-development and development considerations associated with relocating the San Jose Flea Market, following are some of the most fundamental of which it's important to be aware:

- Once a suitable site is identified, an economic deal must be negotiated to purchase or ground lease the property. This negotiation is usually a two-part process in which business terms are agreed upon in a non-binding letter of intent, and then that business deal is translated into a binding legal agreement (either a purchase and sale agreement, or a lease as the case might be).
- The economics of this land transaction must work financially given other development costs as well as projected income and expense from operating the market. This is the reason we developed a financial analysis rubric.
- Approvals must be sought for the operation of a market on the identified property. These approvals might include anything from a general plan amendment to a zoning change, use



permit, design review, environmental review (ie. impacts such as traffic and noise), and the like. Likely, community outreach and neighborhood concerns will need to be addressed. The economic deal should be contingent upon receipt of needed approvals. These discretionary approvals are often referred to as “entitlements.” Entitlements will be issued with conditions of approval to which the project developer must adhere.

- Once entitlements are received and the land transaction closes, site plans, building plans, and engineering drawings will need to be created and submitted for approval. These approvals, called permits, are administrative in nature. In other words, so long as the building code and the conditions of approval are observed, the permits will be issued.
- This entire process can be quite time consuming.. The following chart illustrates how long it can take from identification of a site to opening of a new market. A one-year notice is required to be given before the market closes. The following development timeline illustration assumes that a site is identified well before the 1-year notice period<sup>2</sup> expires, that the first site that is identified is pursued to completion (as opposed to finding a site is infeasible along the way and needing to start over, a real-world possibility), and that no extraordinary circumstances are encountered during pre-development and development:

Act ID	Description	Duration	Start	Finish
1000	Identify relocation site and negotiate for site control (purchase or lease)	274	4/1/24	12/31/24
NOTE DATE	Required SJFM 1-year notice given if San Jose Flea Market to close on 1/1/26	364	1/1/25	12/31/25
1100	Due diligence period	90	1/1/25	4/1/25
1200	Pre-development activities - design/entitlements/discretionary approvals/etc.	545	1/1/25	6/30/26
NOTE DATE	Earliest date that the San Jose Flea Market might close	0	1/1/26	1/1/26
1300	Close with seller or lease commencement triggered	30	7/1/26	7/31/26
1400	Pre-development activities - construction drawings/permits/bidding/etc.	270	7/1/26	3/28/27
1500	Development activities - construction	270	3/1/27	11/26/27
1600	In-service date	0	12/26/27	12/26/27
1700	Grand opening	0	1/9/28	1/9/28
	<b>TOTAL SCHEDULE</b>	1378	<b>4/1/24</b>	<b>1/9/28</b>

<sup>2</sup> Recently, it was announced that the San Jose Flea Market would close January 1, 2026 at the earliest. This reprieve will give desperately needed additional time for site identification and necessary development activities.

## Retail Background and History Relevant to This Work

An established community finds its retail offering tailored to *local* demand. Instead of viewing retail as “box stores” or “malls,” one should differentiate between “commodity” and “specialty” retail categories. Put simply, commodity retailers sell the goods and services that we use every day, while specialty retailers sell what we splurge on. The behaviors associated with purchasing commodity as opposed to specialty goods and services are quite different. This approach is further discussed in the Urban Land Institute’s Professional Real Estate Development handbook. Understanding the distinction and associated behaviors is important for retail planning.

Commodity retailers sell goods that generally are the same regardless of where they are bought. A cell phone or a reusable water bottle, for example, are the same regardless of whether purchased from an airport vending machine, a store, or online. For this reason, consumers base their purchasing decisions mainly on the *trade-off between price and convenience*. asking the question, “Do I need it right now, or can I wait and get a better price?” An emotional connection to the purchase is not a part of this equation.



In contrast, specialty goods and services involve spending discretionary income (i.e. income not earmarked for necessities like shelter or groceries) and discretionary time (i.e., time not devoted to required activities like work or school). Because discretionary income and time are limited, we have more of an emotional connection to how we allocate these scarce resources. For this reason, the physical environment and a sense of place in which these purchases are made become increasingly important. When we go out for a nice dinner, we prefer a rich sensory environment to a more sterile one.





Retailers and service providers are not always *strictly* commodity or specialty in nature; they can straddle the line or be both. By extension, commodity and specialty retail describe *shopping behaviors* as much as, and perhaps more than, those terms describe a specific retailer or service provider. For example, all the products sold in an Apple Store strictly fall under the definition of commodities; the products are the same regardless of where we get them. That said, Apple has carefully curated its brand and store experience to maximize “retail theater.” We shop the Apple Store much differently than we might shop for electronics at Costco or Walmart, and while we might buy commodities at Whole Foods, we often take advantage of offerings that are not readily available at Kroger.

We often hear about “experiential retail,” but this term really is describing specialty retail where an experience can evoke an emotion: do I *get to go*, or do I *have to go*. When applied to a flea market, it’s possible that even if mostly commodities are being sold at the market, the larger market experience is really a specialty retail experience. Retailers and service providers need to identify how they fit into an overall retail ecosystem first, and then develop a marketing and execution that is consistent with their evaluation. The San Jose Flea Market has vendors that sell commodities, and others that sell specialty goods, and the Market serves an important role in the community by providing access to a variety of both categories for the community in one convenient location. The San Jose Flea Market is a *get to go* outing because of the scale, amenities, and social interaction inherent in the experience.

*Social and Community Interaction:* The market also has played an important role in the life and well-being of the community. For example, the COVID-19 pandemic damaged our well-being, and retail could help fix that. We need our inner circle, but we also need our “outer circle” for our social health. We miss the people we only sort of know (a sociological phenomenon called “weak ties”) that includes people we see infrequently, near strangers with whom we have some familiarity, the barista, people in the neighborhood, people who frequent the same businesses, etc. These people introduce us to new ideas, information, opportunities, and people. Losing incidental, repeated social interactions that physical workplaces foster can be especially difficult for young people trying to establish themselves. The San Jose Flea Market is precisely the sort of environment that reinforces the important role that weak links play in our lives, and this is yet another reason that the San Jose Flea Market is an important community asset.

*Experience Goods:* “Experience goods” enhance the retail experience, and attending the San Jose Flea Market is truly an experience that cannot be easily replicated elsewhere. An experience good



is a good or service that is not valued until it is experienced. For example, the value (or lack thereof) of a live performance can't be determined until after experiencing it. Retail is about more than buying and selling goods and services; it's also about new experiences. Retailer merchandising can also be an experience good that offers important emotional and social benefits that translate into longer periods being spent shopping and by extension greater sales and sales tax revenues.

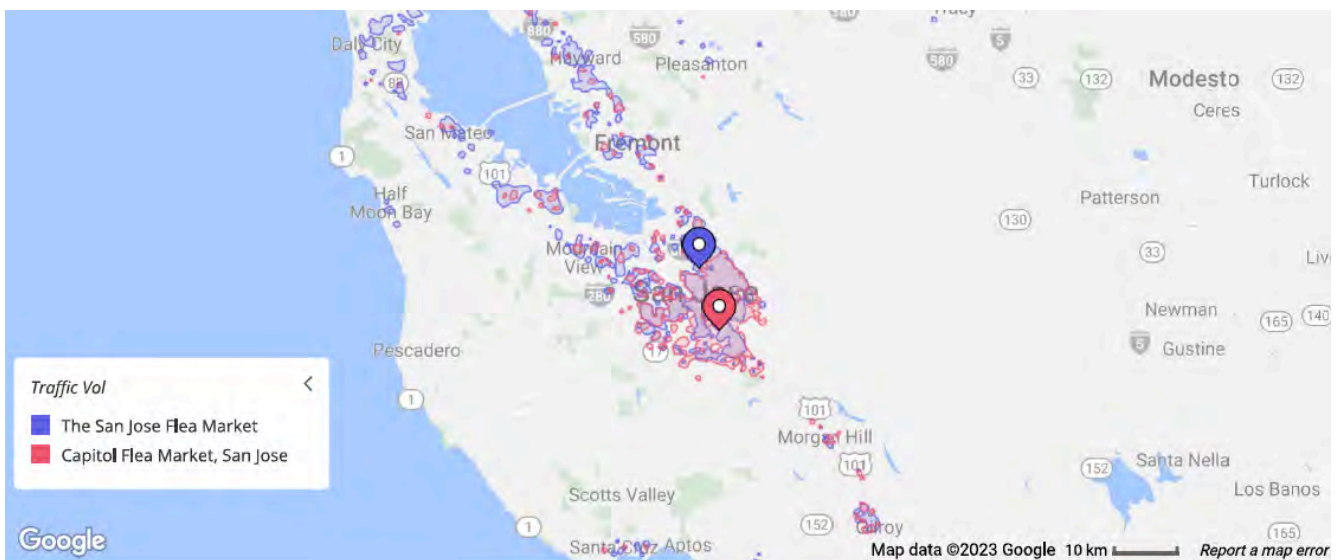


## Site Selection Background and Process

### San Jose Flea Market Trade Area and Visitor Profile

The Operations Research report (Task 3) gives a detailed demographic profile of the San Jose Flea Market's customer base. For ease of reference, some of that information is repeated here. More detailed information can be found in the Operations Report.

The following map shows the area in which 70% of the San Jose Flea Market's customers live:



Source: Placer.ai

The area in blue is the area from where the San Jose Flea Market draws where the area in red is the area from where the Capitol Flea Market draws. The Venn diagram shows that the San Jose Flea



Market has a larger trade area than the Capitol Flea Market and the overlap of the two markets' trade areas and customer bases. This finding is important as it makes clear that the San Jose Flea Market operates in a competitive environment in which location and market size are important factors.

The following table shows the demographic makeup of San Jose Flea Market visitors. Over half of these visitors fell into the Mosaic/Experian USA consumer classifications for families with incomes in the low to moderate range (low income in Santa Clara County is considered anything under \$126,900 according to the State of California). Just under one-quarter of market visitors are young singles from a range of household types which also tend to be in the low to very low-income range. The other 22 percent of visitors come from a wider range of households who are also predominately low-income.

**Total Visits to Berryessa Flea Market: March 1, 2022-February 28, 2023**

Household Type	Pop. By HH	Share
<b>Families</b>		
Flourishing Families	551,414	27%
Family Union	382,932	19%
Cultural Connections	193,978	9%
	<b>1,128,324</b>	<b>55%</b>
<b>Singles</b>		
Significant Singles	168,237	8%
Singles and Starters	163,987	8%
Young City Solos	120,449	6%
	<b>452,673</b>	<b>22%</b>
<b>Other Household Types</b>	<b>469,293</b>	<b>23%</b>
<b>Total Annual Visitors</b>	<b>2,050,290</b>	<b>100%</b>

Source: Placer.ai, Strategic Economics

The ethnic makeup of the areas surrounding the San Jose Flea Market is quite varied as can be seen from the following chart that shows ethnic makeup by trade area geographic sub-areas. Over the past 20 years, the share of Latinx San Jose Flea Market visitors has grown in numbers but not significantly when measured as a percent of total population; however, Asian visitors have grown both in terms of numbers and percent. The Other category combines all non-Latinx and non-Asian ethnic groups. Again, the market is an opportunity for people of diverse backgrounds to come together.

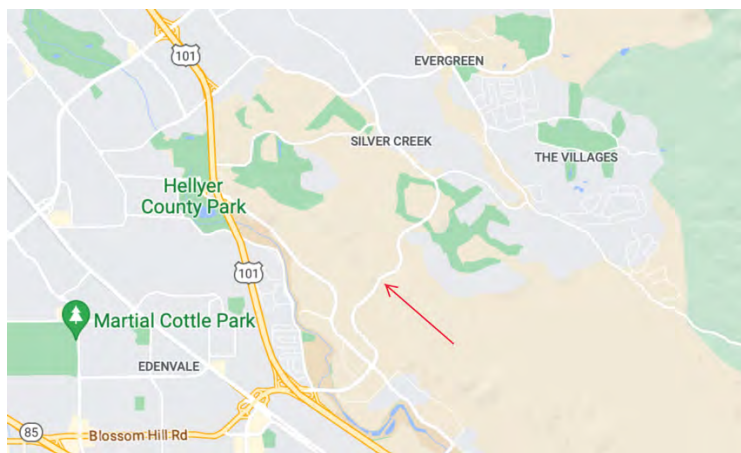
### Primary Market Area Demographics

Geography	2000		2010		2020		2000-2020	
	Number	Percent	Number	Percent	Number	Percent	Increment	Percent Change
<b>San Jose</b>								
Latino	269,989	30%	317,749	33%	316,266	31%	46,277	17%
Asian	238,378	27%	300,735	32%	386,993	38%	148,615	62%
Other	386,576	43%	333,131	35%	309,981	31%	(76,595)	-20%
<b>Total</b>	<b>894,943</b>	<b>100%</b>	<b>951,615</b>	<b>100%</b>	<b>1,013,240</b>	<b>100%</b>	<b>118,297</b>	<b>13%</b>
<b>Balance Santa Clara County</b>								
Latino	133,412	17%	161,460	19%	171,091	19%	37,679	28%
Asian	188,393	24%	264,727	32%	366,406	40%	178,013	94%
Other	465,837	59%	403,834	49%	385,522	42%	(80,315)	-17%
<b>Total</b>	<b>787,642</b>	<b>100%</b>	<b>830,021</b>	<b>100%</b>	<b>923,019</b>	<b>100%</b>	<b>135,377</b>	<b>17%</b>
<b>Combined Three Counties*</b>								
Latino	538,122	18%	644,148	21%	721,896	22%	183,774	34%
Asian	671,159	23%	832,127	27%	1,062,514	32%	391,355	58%
Other	1,718,354	59%	1,557,545	51%	1,536,350	46%	(182,004)	-11%
<b>Total</b>	<b>2,927,635</b>	<b>100%</b>	<b>3,033,820</b>	<b>100%</b>	<b>3,320,760</b>	<b>100%</b>	<b>393,125</b>	<b>13%</b>
<b>Total Primary Market Area</b>								
Latino	941,523	20%	1,123,357	23%	1,209,253	23%	267,730	28%
Asian	1,097,930	24%	1,397,589	29%	1,815,913	35%	717,983	65%
Other	2,570,767	56%	2,294,510	48%	2,231,853	42%	(338,914)	-13%
<b>Total</b>	<b>4,610,220</b>	<b>100%</b>	<b>4,815,456</b>	<b>100%</b>	<b>5,257,019</b>	<b>100%</b>	<b>646,799</b>	<b>14%</b>

Source: U.S. Census 2000, 2010, 2020; Strategic Economics, 2023.  
 \* Combined Three Counties includes Alameda, San Mateo, San Francisco

### Criteria on Which Relocation Sites Were Evaluated

Initially, we created a list of many potential sites for consideration. These sites were all visited with the goal of narrowing the field to those that stood a chance to be controlled (ie. either purchased or leased), and that were judged to be possible to develop as a flea market. Others of these initial sites were judged to be impractical because, for example, of topographical or environmental reasons. An example of one such site is a location on Silver Creek Boulevard east of US 101 as shown on the following map:





These immediately infeasible sites were removed from consideration. We then refined the list of sites, and the remaining contenders were sorted into the following categories:

Possible Relocation Sites for the Flea Market

Smaller 5-acre Market at Existing Site,  
Former Singleton Landfill,  
Former Remillard (Story Road) Landfill,  
Santa Teresa and Great Oaks boulevards,  
Evergreen Center, 3403 Yerba Buena Road,  
San Jose/Morgan Hill Land near Ann Sobrato High School.

Potential Market Projects Being Considered by Others

Former Sears at Eastridge Center, and  
Santa Clara County Fairgrounds (and Chaboya VTA yard).

Other Strategies

Vacant Retail Spaces, Such as in Downtown San Jose

We evaluated each of the sites against a number of criteria to illustrate the pros and cons of each as a relocation site for the market. Criteria we will use for this evaluation includes the following:

Location Evaluation

Primary trade area (the area from which most customers come to the Market),  
Proximity to customer base (how close a site is to the primary trade area),  
Proximity to major arterials (how close a site is to major streets),  
Proximity to transit (how close a site is to public transportation),  
Traffic counts (the volume of vehicles passing the site), and  
Ease of traffic patterns to/from the site (ease with which vehicles can travel near and about a site).

Facility Evaluation

Size of a site,  
Visibility of a site from arterials,  
Access, existing curb-cuts, and proximity to a major intersection,  
Internal circulation (how easy it is to drive a vehicle on a particular site),



Location and quantity of convenient parking to the site,  
Signage (identification and wayfinding) opportunities,  
Availability of utilities to the site,  
Estimated number of vendor booths that can be accommodated on the site,  
Potential for permanent structures on the site,  
Potential for on-site storage on the site, and  
Potential for visitor amenities on the site.

#### Financial Evaluation \*

Give a rough order of magnitude (ROM) of costs to develop a given site, and

Give an estimate of how profitable the site will be to operate.

\* As noted earlier, while we have developed the basis for a financial analysis, the actual evaluation will be undertaken at a later phase of this project.

#### The Importance of Critical Mass

In short, the scale of a project can create certain behaviors both in terms of who the project attracts, as well as how long visitors stay to shop and experience amenities and the environment as a whole. As a rule of thumb, the longer people stay, the more they spend. This analysis applies to flea markets just as it applies to other retail venues, and it is clear across many projects in many geographies that retail is most successful when there is a critical mass of compatible retailers located in the same place. This “sum is greater than the parts” gathering of vendors becomes a destination draw that attracts customers not only from a wider catchment than a smaller grouping of sellers would enjoy, but also in greater numbers and likely with a more diverse demographic profile.

It is not only the customer base that matters. When this larger number of shoppers visits a larger number of vendors, they tend to stay longer and to cross-shop more. There is a positive correlation between the amount of time shoppers stay at a destination and the amount they spend. For these reasons, a larger market has important elements that are self-reinforcing (larger number of visitors, greater amount of time spent, more cross-shopping, larger amount spent, vendor retention and greater booth occupancy) and therefore benefit customers, vendors, the market operator, and the landowner. A smaller market will need to offer consumers other points of differentiation to attract shoppers, keep them on-site for longer, and to give vendors the opportunity to produce the top-level sales needed to cover their expenses and make a profit.



Critical mass and financial results will intersect, and the point of intersection is at the minimum size that a market needs to be, in other words, the minimum critical mass of vendors that is needed to draw many consumers from a wide geographic area, and to generate enough revenue for vendors to operate profitably, and by extension to pay rent and drive other revenue streams (eg. parking and entry fees) so that a market can operate profitably. The actual minimum size in terms of number of vendors and acres is something that will likely make itself evident at the point that a financial analysis is undertaken at a later phase of this project.

The Importance of Mass Transit

The San Jose Flea Market is adjacent to the new Berryessa Bay Area Rapid Transit (BART) station, so it is important to understand the value to the San Jose Flea Market of this adjacency in context. The following table summarizes the Berryessa BART station utilization as reported by BART for calendar year 2022:

BART Data	Saturday		Sunday	
	Avg In	Avg Out	Avg In	Avg Out
<b>TOTAL/YR</b>	<b>39,938</b>	<b>42,996</b>	<b>33,802</b>	<b>34,546</b>
<b>AVERAGE/MO</b>	<b>3,328</b>	<b>3,583</b>	<b>2,817</b>	<b>2,879</b>

Source: BART; Greensfelder Real Estate Strategy

Of course, the San Jose Flea Market is not the destination for everyone arriving by BART. We also note that bus service existed both before and after the BART/VTA intermodal opened, so we assume for this analysis that the San Jose Flea Market's VTA stop being at the BART station is the same as when the VTA stop was at its prior location.

It is possible to estimate the number of flea market visitors using cell phone data. The following table shows (a) the number of cell phones (ie. visitors who carried a cell phone) that had San Jose Flea Market as their destination, and (b) the number of vehicle trips to the San Jose Flea Market as estimated by the San Jose Flea Market operator (C19 refers to Covid):

Total Visits	2017	2018	2019	2020	2021	2022			2023		
	6 mo	12 mo	12 mo	12 mo (C19)	12 mo (C19)	12 mo			6 mo		
	Visitors	Visitors	Visitors	Visitors	Visitors	Cars	Visitors	#/Car	Cars	Visitors	#/Car
<b>Friday</b>	<b>28,033</b>	<b>45,919</b>	<b>61,202</b>	<b>59,218</b>	<b>141,964</b>	<b>22,838</b>	<b>154,378</b>	<b>6.8</b>	<b>8,791</b>	<b>60,552</b>	<b>6.9</b>
<b>Saturday</b>	<b>173,363</b>	<b>340,818</b>	<b>403,875</b>	<b>329,234</b>	<b>651,291</b>	<b>130,820</b>	<b>656,602</b>	<b>5.0</b>	<b>65,213</b>	<b>339,156</b>	<b>5.2</b>
<b>Sunday</b>	<b>313,065</b>	<b>715,961</b>	<b>683,665</b>	<b>536,039</b>	<b>847,326</b>	<b>194,581</b>	<b>999,094</b>	<b>5.1</b>	<b>89,139</b>	<b>486,108</b>	<b>5.5</b>
	<b>514,461</b>	<b>1,102,698</b>	<b>1,148,742</b>	<b>924,491</b>	<b>1,640,581</b>	<b>348,239</b>	<b>1,810,074</b>	<b>5.2</b>	<b>163,143</b>	<b>885,816</b>	<b>5.4</b>

Source: BART; Greensfelder Real Estate Strategy



There are several take-aways from this data. BART exits at the Berryessa Station are relatively few when compared with the total number of vehicles parking at the market, especially when one considers that each vehicle tends to carry more than one person. (The number of persons per car is a straight calculation of visitors divided by cars, so it does not take into account the comparatively few visitors arriving by other modes of transportation (transit, bike, foot, ride share, etc); the actual number per vehicle will therefore be slightly less.) The visitor numbers is measured by cell phones, so the count does not take into account visitors who do not have cell phones, again comparatively few and likely children.

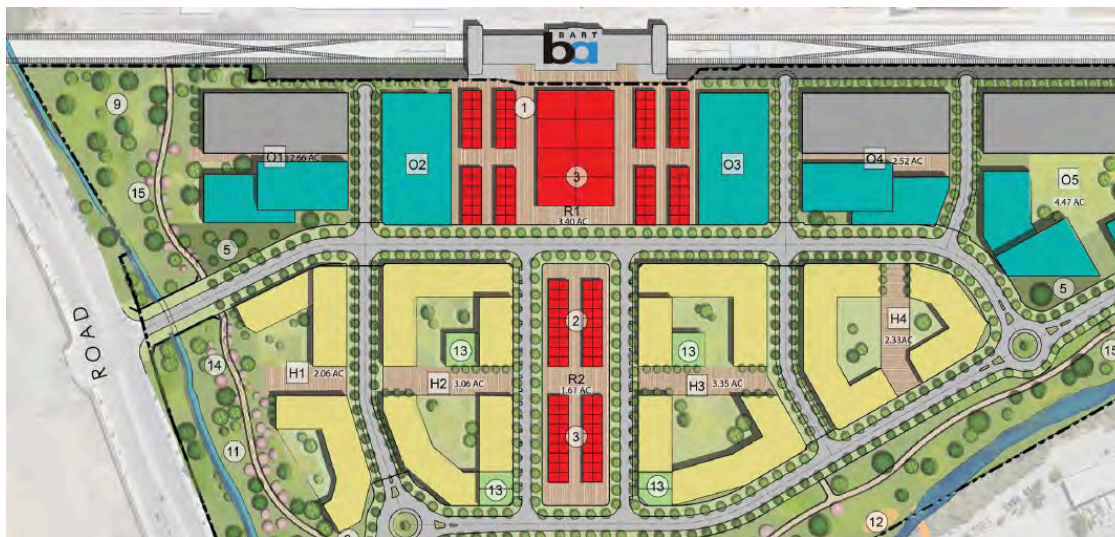
We are *not* advocating that transit should not be a site selection consideration; we believe that transit should be a consideration! Suburban mobility patterns evolve slowly. We must acknowledge that this is a suburban flea market, and its customer base currently comprises suburban residents who mostly use their own vehicles for travel. Transit riders are neither now nor in the foreseeable future expected to comprise a large number of Market visitors.

## Detailed Site Evaluations

The existing San Jose Flea Market is located on a 64 acres site on Berryessa Road in central San Jose. The purpose of this section is to evaluate in greater detail each of the short-listed relocation sites that were identified. The criteria on which each of these sites were evaluated were detailed above.

### Smaller 5-acre Urban Market at Existing Site

In June 2021, the San Jose City Council approved rezoning the San Jose Flea Market site to allow additional development than had been previously planned. This rezoning includes up to 3,450 residential units, up to 3,400,000 square feet for commercial uses, 5 acres for an urban market, a 1.4-acre public park and additional open space, and parking structures. There is no requirement that anything be built, only that a plan be developed. Details of who would fund capital expenditures or operate the Urban Market were not included in Council's direction.



While a multi-level market is one idea that has been discussed for the site, no plan has been provided for that or any other typology.

We have been asked to assume a market similar to the existing market, only on a smaller scale, so we did not analyze a vertical market typology mentioned in the summary of Council's discussions. We note that a multi-story market would be extremely expensive to develop and to operate, and it would require parking considerations that may exceed what could be available for use off-site. Given the density of development on this site, the only opportunity to expand this market without going to a vertical structure would be to extend the market into public green space that is planned



just off the bottom of this plan<sup>3</sup>. The term *Urban Market* is used in background materials we were provided, but without being defined. We recommend that this term be defined more clearly so, for example, it might be possible to evaluate if the customer base or the merchandise assortment favored by vendors of the San Jose Flea Market is consistent with the vision for an Urban Market.

The core of the market would be located here:



For the reasons noted above, we have analyzed this site the same as the others, and our assumptions for this analysis are set forth below.

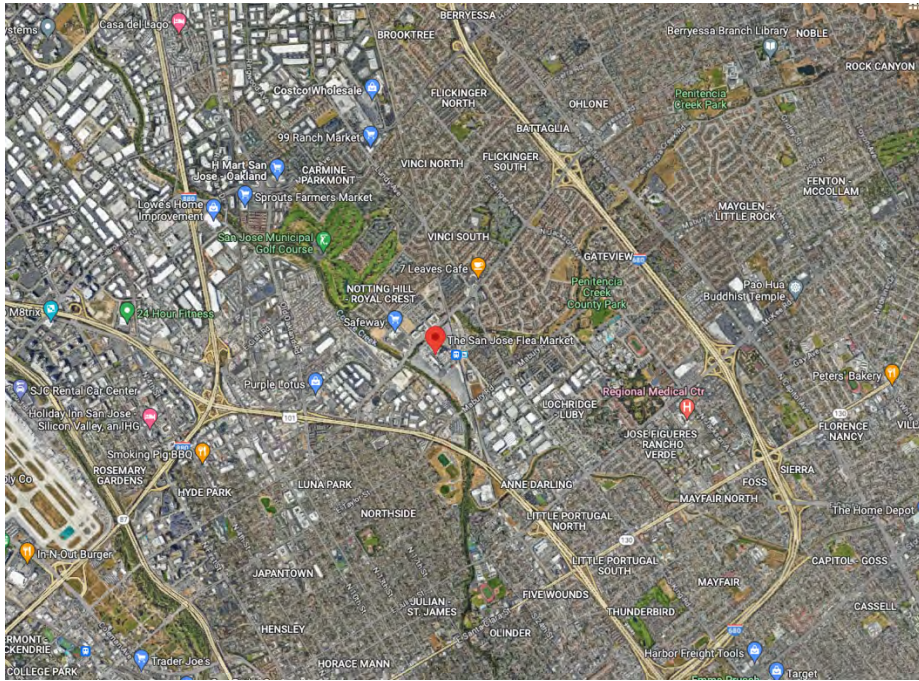
#### Location Evaluation

- Primary trade area: A new, smaller market at the site of the existing market can be expected to draw from a smaller area than the existing San Jose Flea Market and therefore have a smaller patronage than the existing San Jose Flea Market. It is difficult to estimate the difference in trade-area as many factors such as size, merchandise mix, and operating hours will contribute to how the actual catchment defines itself.

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<sup>3</sup> This green space is to be a riparian corridor; however, it may be worth investigating if temporary structures such as tents would be permitted in this area.

- Proximity to customer base: There is dense suburban housing surrounding the market in all directions (250,000 population within a 3-mile radius). As noted above, the customer base will likely reflect a smaller trade area from which a more limited market will draw.



- Proximity to major arterials: As with the current market, a smaller market in the same location will benefit from close proximity and easy paths of travel to and from I-880, I-680, and US 101, each of which is accessed by Berryessa Road.
- Proximity to transit: The site is adjacent to the Berryessa BART station which is also an intermodal for VTA bus service (the bus stop formerly outside the San Jose Flea Market on Berryessa was relocated to the BART station).
- Traffic counts: The 23,222 ADT (2018) on Berryessa Road outside the market is somewhat modest.
- Ease of traffic patterns to/from the site: As noted, the site is easily accessible via several freeways as well as major arterials, and there is easy access to two modes of public transportation (VTA and BART).

### Facility Evaluation

- Size: 5-acres
- GP and Zoning: GP - TR, OSPH, TEC; Zoning - CP(PD)
- Visibility: The site has visibility from Berryessa Road, but not from any freeways or other arterials.

- Access, curb-cuts, and proximity to a major intersection: The site has all-turns access via a signal on Berryessa Road; however, there is no intersection with a cross street. Having all turning movements at an access point, or an access point with immediate proximity to an intersection with all turning movements is key to convenient access to a site. There is also access to the southern parking lot from Mabury Road which may or may not be useful given the new site configuration. VTA/BART has its own, separate signalized access point.



- Internal circulation: The existing market has excellent internal circulation both for visitor parking and for vendor deliveries. The new market's layout is shown on the site plan, above, and from an operational and vendor and customer experience perspective could probably be laid out better as vendors at the end of the "panhandle" will see less foot traffic than vendors located in the heart of the market.
- Location and quantity of convenient parking: The existing market has approximately 3,500-3,600 parking stalls for visitors. The new market's parking is anticipated to be provided off-site on land owned by others (or provided as shared parking in garages constructed as part of the future development); however, the approximately 4 parking spaces for each vendor booth (the current market's parking ratio) should be the minimum assumed requirement (it's possible that a higher parking requirement might be required if the urban market had a higher concentration of food & beverage merchants, entertainment, and/or amenities).
- Signage (identification and wayfinding) opportunities: The current market has outward-facing signage, and highly visible signage should be preserved for the new, smaller market for which it will be even more important. No way-finding signage from freeways or arterials was noted, and a wayfinding signage program for a new market at this location is recommended.
- Availability of utilities: Based on existing uses, electricity, water, and sanitary sewer are existing on the site.



- Estimated number of vendor booths: 300 (calculated in accordance with the land utilization rubric described above, and assumes that all parking will be accommodated off-site)
- Potential for permanent structures: Permanent structures as part of a new, smaller market are possible, and the extent they are provided (as opposed to booths or canopies used at many flea markets) will be decided as part of a future site planning exercise. Note that structures will be more expensive than booths or canopies and likely will decrease vendor density.
- Potential for on-site storage: Permanent on-site storage already exists on the site. Storage as part of a new, smaller market is possible, and will be decided as part of a future site planning exercise.
- Potential for visitor amenities: Amenities such as those described in the land utilization discussion above already exist on the site. Amenities as part of a new, smaller market are possible, and will be decided as part of a future site planning exercise.

#### Financial Considerations:

- Rough order of magnitude (ROM) of costs to develop a given site: For this site, the assumption is that the entire site will be used for vendor booths, and that all parking will be accommodated in nearby off-site facilities; for example, in the nearby 1,500 stall VTA/BART garage. Based on a 4 parking spots per 1 vendor stall rule-of-thumb, we estimate that 1,200 parking stalls will need to be available off-site for this market.

If on-site parking were to be required, in addition to traffic and circulation concerns, we would assume approximately 75 vendor booths, 4-5 food trucks, some amenity space for restrooms and perhaps a children's play area, and a small set-aside for on-site storage.

- Estimate of how profitable the site will be to operate: This site's small size means that it will require less capital to develop compared with a larger site (provided, however, that if the site is to be developed with a multi-level market then the capital requirement would be quite significant). Since parking is proposed to be off-site, we must consider that there will not be any parking revenue, so a revenue stream to replace parking revenue (likely per person admission) will need to be instituted. The fundamental question is if enough revenue can be generated to pay for capital costs as well as to fund the ongoing operation of the urban market. Further detail about assumptions and



financial results can be analyzed using a development pro-forma and an operating pro-forma.

Pros and Cons of Site: A new, smaller market on the site of the existing market intuitively makes sense. The location is known both to vendors and a wide consumer base and it is easily accessed, however, a smaller market will likely draw fewer people from a smaller trade area. The smaller size lowers potential revenue and the opportunity for the sorts of amenities with which visitors to San Jose Flea Market are familiar. A market-rate developer must bring forward a plan for this urban market, and the Advisory Group has the prerogative to advise the developer if it so chooses. Since the balance of the development is not designed, questions about the compatibility of an urban market with other uses is not known, but will need to be worked out. The developer would also have to make arrangements for the off-site parking in close enough proximity to the site to be workable for visitors (including those who are buying in quantities larger than what can easily be carried). The Council requirement that vendor rents be aligned with other Bay Area open air markets creates a lot of uncertainty that revenues and costs can be aligned.

### Former Singleton Landfill

The 90-acre Singleton landfill served as a landfill for household waste from 1964 to 1978 when it closed. As a household landfill, it represents a “better kind of landfill” in that its contents are not as toxic as might be found in other types of landfills. There are several considerations for redevelopment of a landfill including ongoing monitoring and maintenance requirements, and how development plans intersect with geotechnical and environmental considerations. We raise these considerations for reference, but without a development program in hand, further comment is beyond the scope and expertise of this memo.

### Location Evaluation

- Primary trade area: Located south of Capitol Expressway, west of Coyote Creek, and between Senter Road and US 101, the site is well located in the San Jose market generally, and with respect to dense, suburban residential neighborhoods.
- Proximity to customer base: Because of its proximity to residential neighborhoods (the site has 31,000 people with an \$89,450 median household income within a 1-mile radius



and 569,000 within a 5-mile radius) and transportation networks, we consider the site to be well located for purposes of operating a flea market.

- Proximity to major arterials: The site is off Capitol Expressway with easy access to US 101 and Monterey Highway.
- Proximity to transit: VTA bus routes 42 and 71 operate on Capitol Expressway, 73 on Senter, and 72 on McLaughlin.
- Traffic counts: Senter S of Capitol 20,355 9/24/19, Senter N of Capitol 35,223 12/10/19, McLaughlin N of Capitol 18,423 11/19/19. The closest available Capitol Expressway traffic count showed 57,560 ADT in 2022.
- Ease of traffic patterns to/from the site: Capitol Expressway is a 6-lane primary arterial running adjacent to the site and connecting with other major arterials and freeways both to the east and west of the subject site. Access by vehicle should be considered relatively easy.

#### Facility Evaluation

- Size: The site is approximately 90 acres. The developable area, as is the case with almost any site, will be less for any variety of reasons such as setbacks, easements, environmental issues, etc.
- GP and Zoning: The site's general plan designation is Public Park/Open Space, and the zoning designation is R-1-1 and R-1-8.
- Visibility: The site is highly visible both from the east and west along Capitol Expressway.
- Access, curb-cuts, and proximity to a major intersection: There are no existing curb cuts on Capitol Expressway and no signalized intersection exists. Furthermore, a median runs down the middle of Capitol, limiting turning movements. Provision will need to be made for a primary point of access with a median break, signal, and turn lanes for this site to be used for a market.
- Internal circulation: The site is large enough that internal circulation both for visitor's vehicles, pedestrians arriving by transit, and vendor deliveries should be able to be accommodated.
- Location and quantity of convenient parking: Parking will need to be accommodated on-site as there are no alternatives. Size and configuration of parking will need to be determined in a site planning exercise and will be driven by the size of the vendor selling area.



- Signage (identification and wayfinding) opportunities: There is no signage for the site at this time, however, a pylon reader board for the adjacent high school indicates that highly visible identifying signage is possible for the site. There is no way-finding signage for this site, and way-finding signage should be considered in key locations if a market is considered for this site.
- Availability of utilities: Availability of utilities is not known; however, it is likely that utilities are available under Capitol Expressway. This point needs further exploration.
- Estimated number of vendor booths: 927 (assuming a 60-acre market).
- Potential for permanent structures: There is potential for permanent structures if power, water, and sanitary sewer can be brought to the site (note that any structure will need to be sprinklered, so provision for water will be a pre-requisite).
- Potential for on-site storage: Permanent on-site storage will be decided as part of a future site planning exercise and likely will also be contingent upon availability of utilities for purposes of providing sprinklers.
- Potential for visitor amenities: The amount and type of visitor amenities will be decided as part of a future site planning exercise and availability of utilities, however, the site is large enough to accommodate a robust amenity program if one is desired, and it is clear that amenities are a draw and cause shoppers to stay longer.

Financial Evaluation: This site is quite large and because of the high cost of sitework, so the site is estimated to require a significant amount of capital investment to build. As discussed in the methodology section, there are a variety of financial considerations that can have an impact on overall financial performance of a given site. Because this site is expected to be expensive to develop (eg. sitework costs, environmental costs), looking at revenue models that are different than the current San Jose Flea Market may be necessary. For example, charging a per-person admission fee instead of a per-car parking fee, or charging a per-person admission fee in addition to a per-car parking fee may be needed in order to generate enough operating revenue to cover the costs of operating the market and of debt service.

Pros and Cons of Site: This site is well located with respect to traffic corridors as well as residential population. The site is City-owned which eliminates at least some uncertainty about being about to control the site. It is also large enough to accommodate a market the size of the current San Jose Flea Market, though the actual market size will be decided taking a variety of considerations into account. Development of the site will be complicated by needing to design and provide capital for the replacement and ongoing operation of the landfill gas collection and extraction system, and groundwater monitoring. Setbacks and other similar considerations

will also have site planning and development implications, so these factors need to be addressed and are expected to limit the developable area of the site (although tents as opposed to permanent structures will be easier to work with as these considerations are further explored). Despite these issues, landfill redevelopment is possible and has been done in San Jose, as evidenced by the America Center office campus in the Alviso district of North San Jose.

### Former Remillard (Story Road) Landfill

The former Story Road landfill is a 49-acre site located at Remillard Court off Story Road. The site is divided by property formerly owned by the Union Pacific Railroad (now owned by the City) and is designated as Public Park/Open Space in the City’s General Plan. The following picture shows the main portion of the site including topography that would need to be addressed:



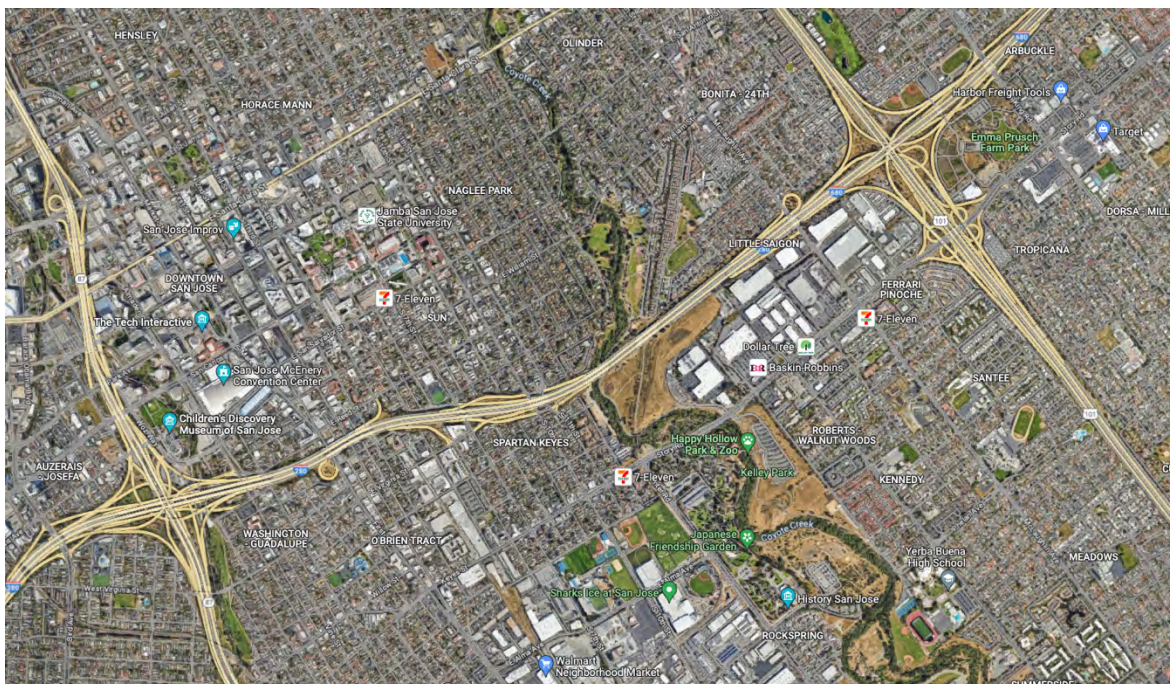
The site was used as a clay borrow pit and then a landfill until 1969, and then a portion for radio antennas until 2018. There are several considerations for redevelopment of a landfill including ongoing monitoring and maintenance requirements, and operating a groundwater extraction



system, and how what might be built intersects with geotechnical, hydrological, and environmental considerations. The site is impacting shallow groundwater and potentially impacting the surface water quality in Coyote Creek, and presents an ongoing concern for both, and potential mitigations and cleanup could further complicate redevelopment of the site. We raise these considerations for reference, but further comment is beyond the scope and expertise of this memo. The Coyote Creek riparian corridor is adjacent to the site and a segment of the Five Wounds Trail runs through the site.

### Location Evaluation

- Primary trade area: The site is centrally located on Story Road opposite the Happy Hollow Zoo and the Japanese Friendship Garden in East San Jose near the intersections of US 101 and I-680, and SR 87 and I-280. The site is in immediate proximity to Little Saigon which is a regional draw.
- Proximity to customer base: The site, the undeveloped area in the middle of the following aerial that is immediately north of the zoo, is surrounded by dense suburban housing. Over 36,000 people with a \$65,885 median household income live within 1-mile of the site, and over 637,000 people within a 5-mile radius.



- Proximity to major arterials: The site has immediate access to Story Road and easy access both to US 101 and to I-880.





- Location and quantity of convenient parking: The amount and quantity of parking will need to be evaluated as part of site planning. There is also the potential of sharing existing Kelley Park parking located immediately south of Story Road.
- Signage (identification and wayfinding) opportunities: There is no monument signage for the site at this time, and some highly visible identifying signage will be required, because access would be via Remillard Court and not Story Road. There is no way-finding signage for this site, and way-finding signage should be considered in key locations if a market is considered for this site.
- Availability of utilities: Adjacent properties are served by utilities, so access to utilities should not be an issue.
- Estimated number of vendor booths: A maximum of 386 if the entire site were usable. Again, test-fit plans based on an analysis of usable area would need to be performed in order to arrive at a more precise estimate.
- Potential for permanent structures: There is potential for permanent structures because power, water, and sanitary sewer can be brought to the site.
- Potential for on-site storage: Permanent on-site storage will be decided as part of a future site planning exercise and availability of utilities.
- Potential for visitor amenities: The amount and type of visitor amenities will be decided as part of a future site planning exercise and availability of utilities.

Financial Evaluation: The site will be expensive to develop both because of the high cost of sitework and the likely high costs associated with landfill-related hazardous materials issues. If more of the site can be used, then these costs can be spread over a larger area, and they will be easier to absorb than if very little of the site is usable. In the end, the financial viability of this site will be evaluated at the intersection of these three factors: sitework costs, hazardous-related costs, and usable size.

Pros and Cons of Site: The site is well located in San Jose, and close to other compatible uses such as Little Saigon (a destination for Vietnamese community which also heavily patronizes the San Jose Flea Market). It has immediate proximity to Kelley Park and Happy Hollow Zoo, both of which are located immediately across Story Road from the site. These destination uses are synergistic with a flea market. Other adjacent warehouse, manufacturing, or industrial/R&D do not appear to be incompatible with a flea market use.

The site is materially smaller than the San Jose Flea Market, and there are several development-related uses that would need to be considered. These include Water Board and California



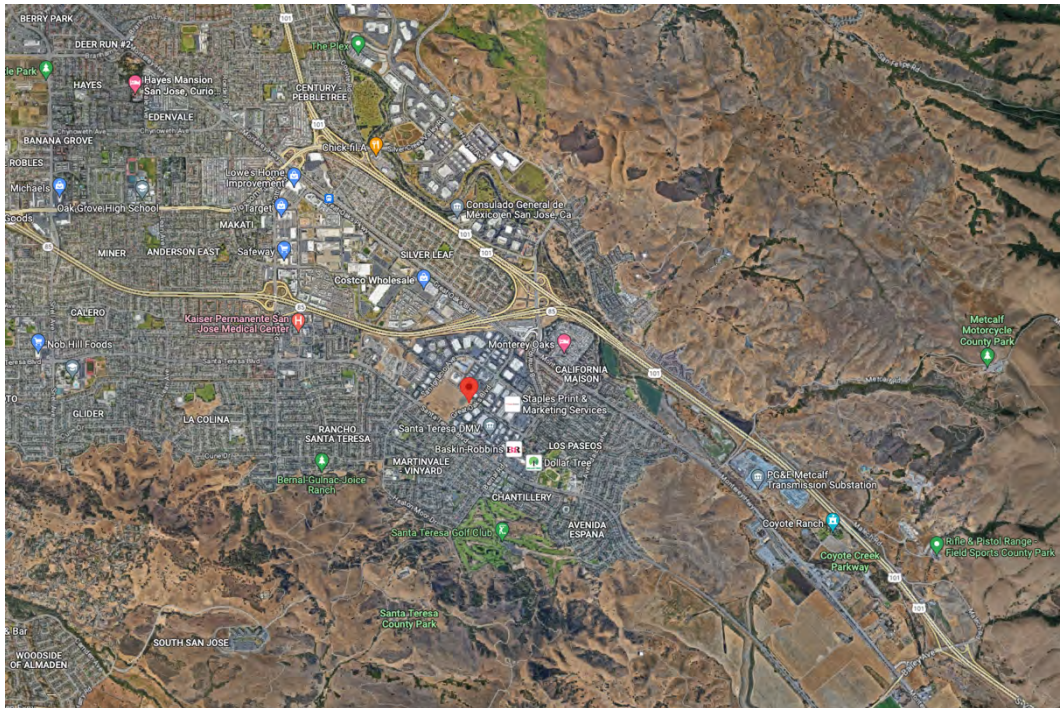
Integrated Waste Management Board approvals, landfill gas mitigation, settlement of the waste deposited in the landfill, structural/geotechnical considerations, irregular (and therefore less efficient) shape, setback requirements, adjacent riparian corridor considerations, easements, and a single access point that also serves other uses. Before any significant effort is made on this site, additional research is required into radio tower leases to see if they have expired or been renewed, what rights leaseholders have if the site is to be developed, if and what other projects may be planned, and if the cost of development is justified. Despite these issues, Landfill redevelopment is possible as is seen at the Legacy Partners project (America Center) on the former Santos landfill in Alviso.

### Santa Teresa and Great Oaks Boulevards

A large, vacant property is located at the intersection of Santa Teresa and Great Oaks Boulevards. Approximately 32 acres in total, half of the property is owned by Equinix, a data center developer, and is being developed as a data center campus. The western half of the property is owned by El Camino Hospital which purchased it in 2016 for future development of health care facilities; however, no plans are currently in progress for the hospital-owned portion of the site.

#### Location Evaluation

- Primary trade area: The site is in the south part of San Jose, southwest of the SR 85 / US 101 interchange.
- Proximity to customer base: The site's location in southern San Jose makes it more difficult to access by people who live further north on the Peninsula and in the East Bay. It is also located in a more thinly populated area of San Jose with relatively little housing northeast and south of the site. There are approximately 88,000 people within 3 miles of the site.



- Proximity to major arterials: The site is close to both SR 85 and US 101, however, access to and from these freeways is not intuitive. The site is also close to Monterey Highway and adjacent to Santa Teresa Boulevard, both of which are primary arterials.
- Proximity to transit: VTA route 68 operates along Santa Teresa Blvd, and the VTA Blue Line light rail line is a short walk from the site. In addition, VTA bus line 42 operates from the light rail station. The Blossom Hill Caltrain station is located a short distance away.
- Traffic counts: The combined daily traffic count at Santa Teresa and Great Oaks Boulevards is 25,080 (2022).
- Ease of traffic patterns to/from the site: Aside from the non-intuitive freeway access noted above, the site enjoys a high-profile location in an area with traffic patterns that are easy to understand and navigate.

### Facility Evaluation

- Size: 15.8 acres
- GP and Zoning: GP: IP; Zoning: IP
- Visibility: Excellent from all directions.
- Access, curb cuts, and proximity to a major intersection: The site is located at the signalized intersection of Santa Teresa and Great Oaks Boulevards which has all turning movements allowed. The site is undeveloped, and no curb-cuts presently exist.



- Internal circulation: The site is undeveloped, and internal circulation will depend upon site planning that will take place in the future.
- Location and quantity of convenient parking: The site is undeveloped, and parking layout will depend upon site planning that will take place in the future. There is some street parking on side streets, but no other off-site parking in the site's immediate vicinity.
- Signage (identification and wayfinding) opportunities: The site is undeveloped, and signage will depend upon approvals of a master sign program that will be developed in the future. Wayfinding signage will be essential because of the non-intuitive routes of travel to and from freeways.
- Availability of utilities: Utilities are available to developed parcels on all sides of the subject site, and therefore are assumed to be available to the site as well.
- Estimated number of vendor booths: The site is undeveloped, and approximately 237 vendor booths plus parking are estimated to fit on the site. The actual number of booths will depend upon site planning that will take place in the future.
- Potential for permanent structures: The site is undeveloped, so the potential for permanent structures will depend upon site planning that will take place in the future. There is no reason we see that permanent structures cannot be accommodated on-site.
- Potential for on-site storage: The site is undeveloped, and on-site storage will depend upon site planning that will take place in the future.
- Potential for visitor amenities: The site is undeveloped, and the quantity, type, and location of amenities will depend upon site planning that will take place in the future.

Financial Evaluation: This site would be expensive to acquire if it were possible to acquire it at all. Given that there are two owner-users on the land, it is likely that not the entire site would be able to be acquired. When talking about smaller sites, it is difficult to generate enough income producing activities (parking, entry, vendor stall fees) to offset the capital costs (land, site work, etc.) associated with opening a new market. For this reason, we recommend that if this site is of interest that thorough modeling be done to determine if it is operationally and financially viable to pursue.

Pros and Cons of Site: The site is flat and appears to have few barriers to development as a market; however, its location in the overall trade area and access are inferior to other sites evaluated here, and its current general plan designation would not allow a flea market, so it would require a general plan amendment. We have reason to believe that the site's owner will

have little interest in allowing the site to be used for a flea market, but an inquiry could be made if it is determined there is interest in pursuing the opportunity further.

### Evergreen Center, 3403 Yerba Buena Road

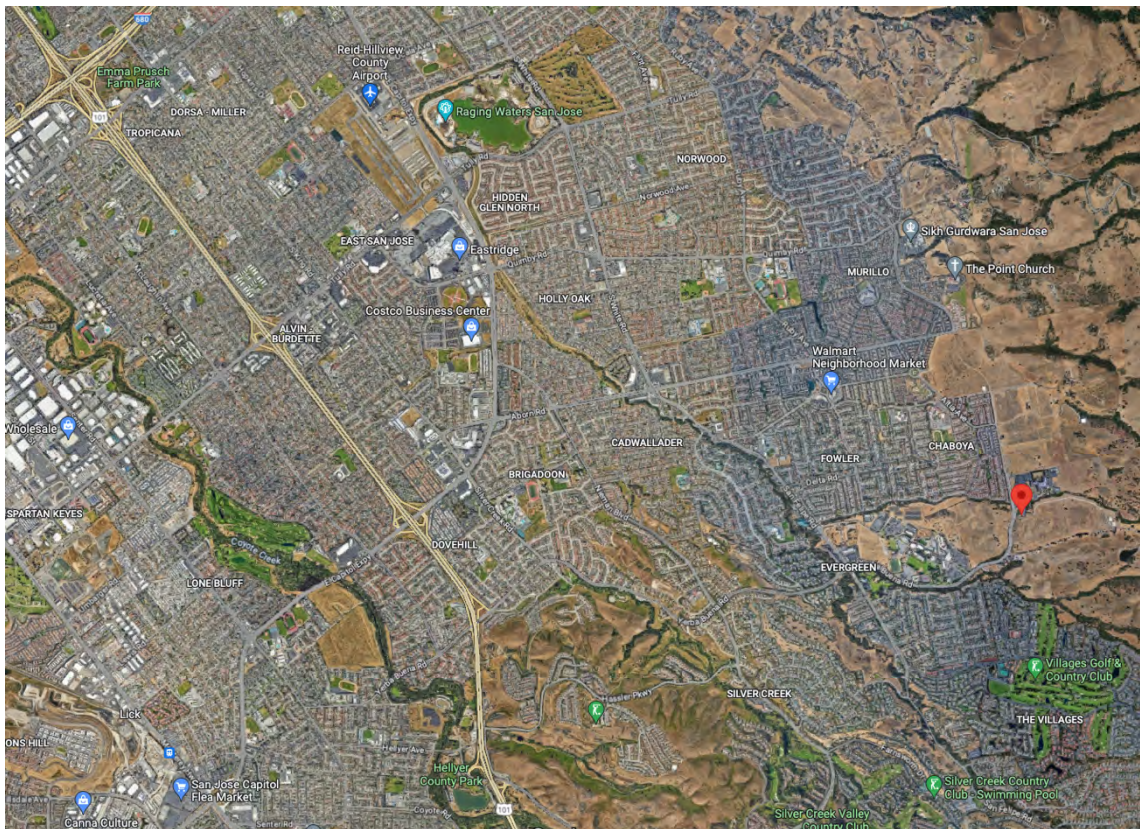
There are several large office campuses in Silicon Valley that are currently vacant or underused. As such, we have explored one of them to test the concept of re-purposing an office campus for a flea market. Following are two pictures of the site from Yerba Buena Road that show the entrance and also topography which could be a significant issue:



Evergreen Center is a 416,000 SF R&D/office campus on 36 acres consisting of a large main building, a 23,500 SF amenity building, several other small buildings, and large surface parking lots. The property was formerly occupied by the tech company Hitachi Global Storage Technologies (HGST) but has been vacant for many years.

### Location Evaluation

- Primary trade area: The site is located in the south part of San Jose, northeast of the SR 85 / US 101 intersection in the Silver Creek area.
- Proximity to customer base: The site's location in southern San Jose makes it more difficult to access by people who live further north on the Peninsula and in the East Bay. It is also located in the Silver Creek area of San Jose which tends to have larger homes and lots resulting in less population density overall, and virtually none to the east of the site. There are approximately 71,000 people within 3-miles of the site.



- Proximity to major arterials: The site is located on Yerba Buena Road approximately 1.5 miles east of San Felipe Road.
- Proximity to transit: VTA lines 31 and 42 serve Evergreen Valley College, located about 0.7 miles west of the site. Caltrain and VTA lite rail are each about 6 miles from the site.
- Traffic counts: Approximately 956 vehicles daily (2016). The intersection of Yerba Buena and San Felipe Roads, located ½ mile to the west has traffic counts in excess of 40,000 vehicles daily.
- Ease of traffic patterns to/from the site: The site is difficult to access due to the “inside” nature of its location, away from freeways and major arterials.

### Facility Evaluation

- Size: 36 acres with a 416,000 SF, largely vacant office campus developed on the property.
- GP and Zoning: IP (industrial park).
- Visibility: The site has limited visibility from Yerba Buena Road due to its being set back quite a distance from the street, and to topography issues.



- Access, curb-cuts, and proximity to a major intersection: There are two points along Yerba Buena Road from which the site can be accessed, each with all turning movements.



- Internal circulation: The developed portion of the site has excellent circulation.
- Location and quantity of convenient parking: The site has approximately 525 paved parking stalls on-site. There is room for additional parking on unpaved areas if proper safety provisions are made (eg. circulation, mitigating fire risk, etc).
- Signage (identification and wayfinding) opportunities: The site has existing project monument signage on Yerba Buena Road.
- Availability of utilities: Utilities are available on-site.
- Estimated number of vendor booths: The site is developed as an office campus, so, of course, not the entire site would not be available for use as a flea market. The number of vendor booths is estimated at 350 but will depend upon site planning that will take place in the future.



- Potential for permanent structures: The site is developed as an office campus, and the potential for permanent structures will depend upon site planning that will take place in the future. There is no reason we see that permanent structures cannot be accommodated on-site if they are desired.
- Potential for on-site storage: The site is developed as an office campus, so on-site storage will depend upon site planning that will take place in the future
- Potential for visitor amenities: The site is developed as an office campus, so the quantity, type, and location of amenities will depend upon site planning that will take place in the future. There is an existing building set up for cafeteria-style food service that may or may not be suitable to serve the flea market.

Financial Evaluation: This site has the benefit of having been developed already, so there is little sitework expense as compared with many other sites. It's also assumed that this site would be leased meaning that there is no up-front land acquisition cost. While modeling would need to be done, from a financial perspective, this site might be a viable option, but it is only a viable option if it's determined that vendors and shoppers are willing to drive to such an "inside" site to patronize a market.

Pros and Cons of Site: The usable portion of the site is relatively small compared with other options explored here, especially when the portion of the site developed with office uses and landscaping is taken into consideration. While relatively easy to find, the site is difficult to access due to its distance from freeways, lacks a major intersection at the site itself, and begs taking VMT into account. In the larger picture, reuse of office campuses offers some benefits such as sitework and parking areas having been built and paid for, but it also offers some drawbacks such as office lot coverage not lending itself to a retail use (ie. office is a denser use than a flea market), cost of acquisition, and potential conflicts between having a market on-site and the owner's desire to re-lease its office campus.

### Former Sears at Eastridge Center

The 2-story Sears store was built in 1971 as an anchor tenant at 1.4 million SF Eastridge Center. The store closed permanently in February, 2020. It was subsequently sold in 2021 by Sears to Bay Area real estate investor Tron Do, and it remains vacant. Mr. Do has publicly stated a desire to convert the property into an indoor vendor market; however, no concrete steps in that direction have been taken to date that are known to us. Following is a picture of the building and parking:



### Location Evaluation

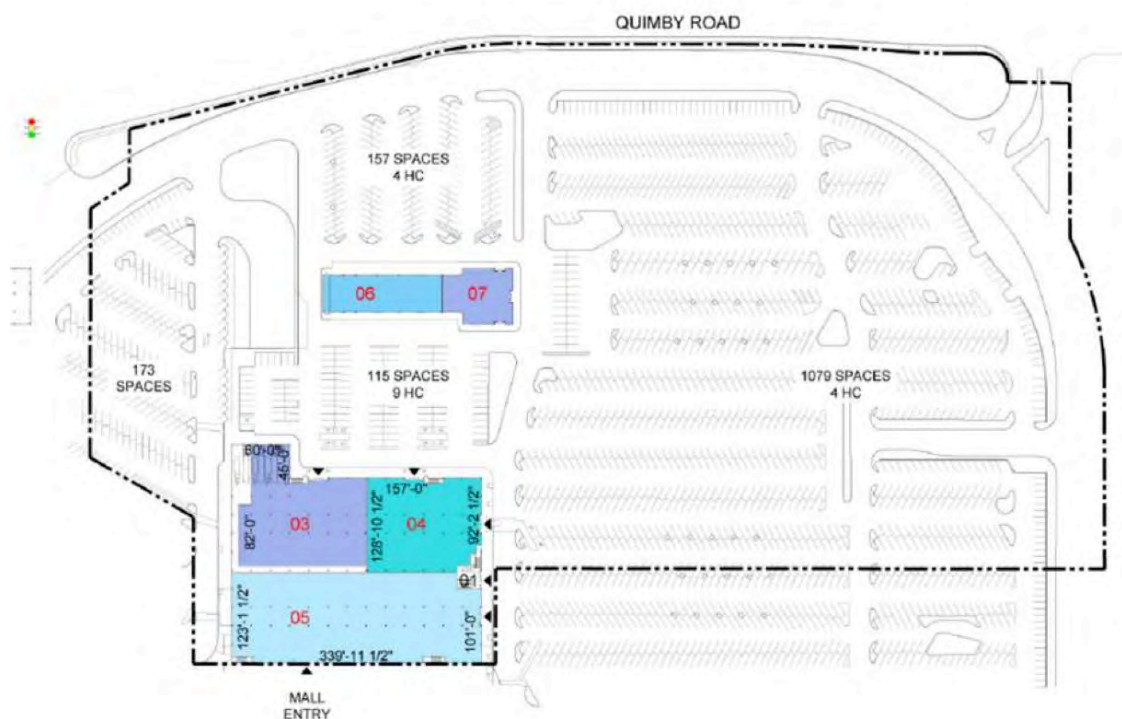
- Primary trade area: Eastridge Mall is located in densely populated East San Jose at the intersection of Capitol Expressway and Tully Road. While no longer a dominant regional mall, the site is conveniently and well located along a major commercial corridor.
- Proximity to customer base: The mall is surrounded by dense suburban housing in all directions. The population within 3-miles of the site is almost 272,000 people.



- Proximity to major arterials: The site is bordered by Capitol Expressway, Tully Road, and Quimby Road, all high-volume arterials. Capitol and Tully intersect nearby US 101 (209,000 ADT) to the east, and Capitol intersects I-680 (139,000 ADT) to the north.
- Proximity to transit: The Eastridge Transit Center at the mall is served by VTA bus lines 22, 26, 31, 39, 70, 71, 77, and 522. There is no light rail service to the site, but VTA is developing an extension to connect the existing Alum Rock Light Rail Station to the Eastridge Transit Center. When this project is complete, VTA riders will be able to board light rail at the Eastridge Station and connect directly with BART at the Milpitas Station.
- Traffic counts: Capitol Expressway, Tully Road, and Quimby Road combined traffic counts at Eastridge exceed 112,000 vehicles per day (all 2022 counts).
- Ease of traffic patterns to/from the site: The site is extremely easy to access from the surrounding neighborhoods as well as from a wider catchment via freeways.

## Facility Evaluation

- Size: The former Sears parcel is 21.9 acres and is improved by a 236,539 SF former Sears store and a 14,650 SF former Sears Auto store. The former Sears store connects to the still operating mall. The entire mall site is 113 acres.
- GP and Zoning: GP: IP (industrial park) and RC (regional commercial); Zoning: GC.
- Visibility: The site has excellent visibility from Tully and Quimby Roads. There is no visibility from Capitol Expressway.
- Access, curb-cuts, and proximity to a major intersection: The site has easy access from all three arterials, and direct access from Tully and Quimby Roads.
- Internal circulation: Originally developed as a regional shopping center, the site has excellent internal circulation.
- Location and quantity of convenient parking: The Sears parcel has 1,524 parking stalls, and there is significant additional parking on other parcels. All parcels have a reciprocal access and parking agreement.



- Signage (identification and wayfinding) opportunities: There are signage opportunities both on project monument signage and on the former Sears and Sears Auto buildings.
- Availability of utilities: Available to the site and buildings.
- Estimated number of vendor booths: The site is developed as a department store, so the number of booths will depend upon building utilization planning that will take place



in the future. We estimate that approximately 326 vendor booths might fit in the former Sears store building.

- Potential for permanent structures: The site is developed as a department store, so the entire market is expected to be in a permanent structure in this instance.
- Potential for on-site storage: The site is developed as a department store, so on-site storage will depend upon building utilization planning that will take place in the future
- Potential for visitor amenities: The site is developed as a department store, so the quantity, type, and location of amenities will depend upon building utilization planning that will take place in the future.

Financial Evaluation: While there is relatively little site work compared with other sites (probably slurry and restripe parking, upgrade landscaping, upgrade lighting), the former Sears building will likely need significant work to be brought into workable order for a market. Nonetheless, with over 300 vendor booths possible, depending on the asking rent for the building, the capital investment to build out this space might be worth further exploration and financial modeling to see if this is a financially viable site.

Pros and Cons of Site: Eastridge Center is a well-known, centrally located, easy to access, and established destination well located with respect to a residential customer base. It is also located not particularly far from the existing SFJM which leads to the assumption that a similarly sized market would draw from approximately the same catchment. The indoor location means that the market would be able to operate year-round without weather impacts. An interesting comparison is that with 5.43 acres of floor space under roof, the number of vendors that could be accommodated here is likely to be similar to the number assumed for the 5-acre site.

The facility itself (ie. the former Sears building) is old, has low ceilings (resulting in poor interior sight lines), and is somewhat expensive to operate because of high utility costs related to lighting, escalators, and running HVAC. These costs are certainly higher than what would be expected from a similarly sized outside site. It is also difficult to replicate the charm and festival atmosphere of an outdoor market at an indoor site. Both these tangible and intangible factors should be carefully considered if electing to pursue this building as a replacement location for vendors. Also, rent, operating expense reimbursements to the mall, and costs related to building refurbishment can be expected to be significant, so no economies should be expected from reusing an existing building. In fact, due to the complexity of modifying utilities and mechanical systems as well as vertical transportation in the building (ie. escalators and elevators), these costs may be greater than a similarly sized outdoor space.

## Santa Clara County Fairgrounds

The Santa Clara County Fairgrounds are under a long-term ground lease to the Santa Clara County Fairgrounds Management Corporation, a nonprofit. The management corporation has been considering creating a 20-25-acre flea market (not including parking) at the Fairgrounds; however, plans are preliminary. Other uses are also being considered for the Fairgrounds, and these can be seen in the following graphic<sup>4</sup>:

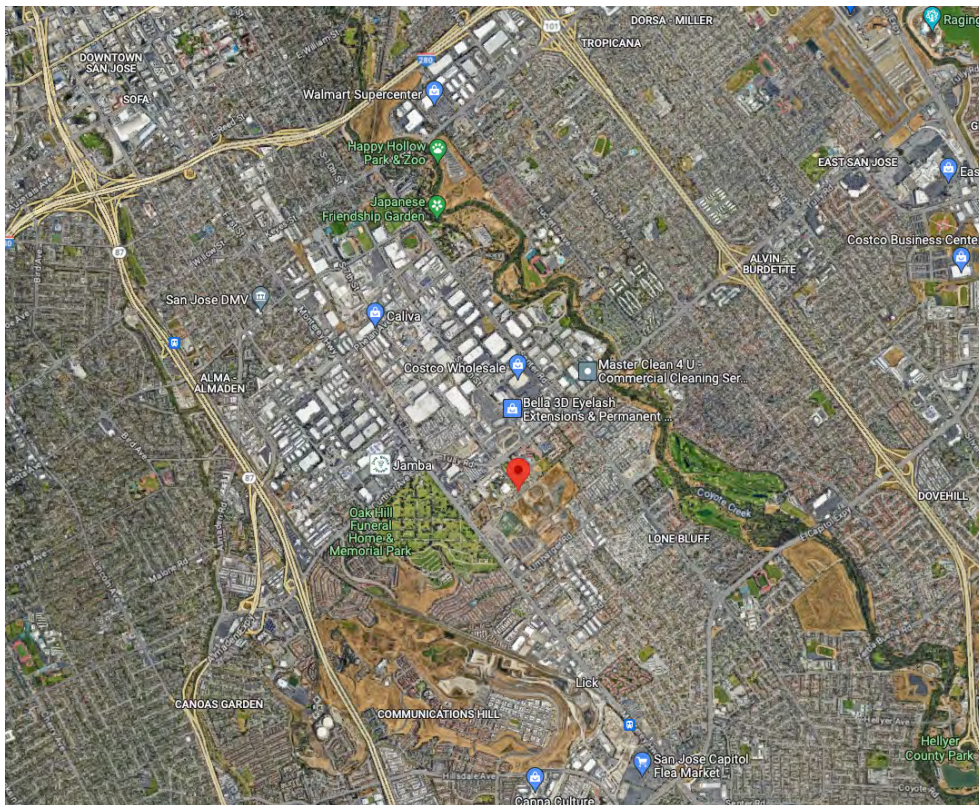


If a market is pursued at this site, there appears to be ample opportunity for both on- and off-site parking.

### Location Evaluation

<sup>4</sup> This aerial, taken from a presentation, is not a final plan and may have already changed or may change in the future.

- Primary trade area: Located in the central part of San Jose and with less favorable access to freeway infrastructure, the Santa Clara County Fairgrounds site will not draw as far north or from as large a catchment as the current San Jose Flea Market.
- Proximity to customer base: The site is less proximate to residential neighborhoods than other sites that have been evaluated and while there are only 24,000 people within a 1-mile radius (\$77,000 median household income), there are still over 660,000 within a 5-mile radius (and \$111,717 median household income). Demographically speaking, the site is well positioned. As can be seen from this aerial, the site is immediately flanked by industrial uses to the north and northwest, by a large cemetery immediately to the west, and is relatively further to the dense suburban residential population base than other options.



- Proximity to major arterials: The site is located at the SEC of Monterey Highway and Tully Road, both major thoroughfares that will convey consumers to/from area freeways. While centrally located to freeways, the site is 1.5-2.0 miles from SR 87 to the west, I-280 to the north, and US 101 to the east.
- Proximity to transit: VTA bus lines 66 and 68 operate along Monterey Highway, and line 26 along Tully Road. The nearest VTA lite rail station is the Curtner station (Blue Line) 1.6 miles west.



- Traffic counts: Traffic volumes closest to the site are 37,808 on Monterey Highway (7/19/16) and 25,853 on Tully Road (5/18/16).
- Ease of traffic patterns to/from the site: Traffic patterns to and from the site are straightforward, but the site being located so far from major freeways makes it a bit more difficult to access than some others that have been studied.

### Facility Evaluation

- Size: 143 acres total with only a portion being considered for a market.
- GP and Zoning: Open Space, Parklands, and Habitat (OSPH).
- Visibility: There is excellent visibility to the site from both Monterey Highway and Tully Road.
- Access, curb-cuts, and proximity to a major intersection: There is access to the fairgrounds from Monterey Highway, Tully Road, and from Umbarger Road to the south. The site is one long block from the primary intersection of Monterey Highway and Tully Road/Curtner Avenue (a name change occurs at Monterey Highway).
- Internal circulation: While there are existing internal circulation patterns on the site, a reworking on this circulation should be expected as a master plan is developed and executed to accommodate the variety of planned on-site uses and appurtenant parking.
- Location and quantity of convenient parking: The site is large enough to accommodate parking for planned uses on-site. There is also adjacent off-site parking to the north across Tully Road.





- Signage (identification and wayfinding) opportunities: There is a variety of existing signage around the perimeter of the site ranging from an electronic reader board to signs announcing the location of various parking lots. There is some wayfinding signage for the Fairgrounds that would need to be augmented to identify the flea market if it were to be located on this site.
- Availability of utilities: Utilities are available to the site.
- Estimated number of vendor booths: The site is partially developed and home to the Santa Clara County Fair, with a variety of other on-site permanent and non-permanent uses, so the number of booths will depend upon site planning that will take place in the future. We estimate 695 booths could fit on a 25-acre (not including parking) site.
- Potential for permanent structures: The site is partially developed, and the potential for permanent flea market structures will depend upon site planning that will take place in the future. There is no reason we see that permanent structures cannot be accommodated on-site.
- Potential for on-site storage: The site is partially developed, and on-site storage will depend upon site planning that will take place in the future.
- Potential for visitor amenities: The site is partially developed, so the quantity, type, and location of amenities will depend upon site planning that will take place in the future. It is not clear if the market and other planned uses would share amenity facilities, or how the cost of building and operating these facilities would be borne by various non-related entities.

Financial Evaluation: It is hard to evaluate this site because the delivery condition is unknown. For example, if the flea market operator is doing site work, the capital investment would be higher than if the Fairgrounds operator is delivering a market-ready site. Since the Fairgrounds operator controls the parking, the market operator will not have that as a source of revenue unless it cuts a revenue sharing agreement with the Fairgrounds operator. It is almost certain in this case that the market operator will have to charge an entry fee for the market itself. Additional analysis will be required when more information is available.

Pros and Cons of Site: This location is large, so a substantial market could be accommodated on site if desired. The site is straightforward to access; however, it is far from freeways and not immediately proximate to any residential areas making it not as compelling as other sites that we have identified and evaluated. One concern is what the economics of this site would look like. For example, if the Fairgrounds already charges \$15 per vehicle for parking (a common practice), and these revenues go the Fairgrounds and not the market operator (unless a revenue sharing



agreement is cut between the Fairgrounds and the market operator), parking and flea market admission (which would be a necessary source of operating income if a market at this location did not benefit from parking revenues) might make the cost of visiting a market at this location prohibitive for consumers. If this site were pursued, it may make sense to explore nearby off-site parking alternatives. More coordination with the Fairgrounds Management Corporation would be required to further evaluate this site if desired.

### City-owned Land on San Jose/Morgan Hill Border

In an effort to fully explore options including at City-owned property, we have looked as far away as this unimproved property located near Morgan Hill's Ann Sobrato High School.

#### Location Evaluation

- Primary trade area: The site is in Morgan Hill, approximately 22 miles south of the current San Jose Flea Market. The Morgan Hill trade area population and population density are significantly smaller than central San Jose's. In this area, the trade area is linear, reflecting Morgan Hill and Gilroy being aligned along US 101.
- Proximity to customer base: Most of the current flea market's customer base is concentrated in San Jose and north along the Peninsula and the I-880 corridor. There are only approx. 4,000 people in a 1-mile radius and 50,000 in a 5-mile radius. Median household incomes are quite high at \$142,000 for the 5-mile radius. This site is in the opposite direction from the San Jose Flea Market's customer base residing in San Jose and immediately adjacent areas.
- Proximity to major arterials: The site is located between the Cochrane and Coyote Creek US 101 interchanges and does not have direct access to the freeway or from the site to either of these arterials.
- Proximity to transit: VTA bus route 87 operates to Ann Sobrato High School, and VTA rapid line 568 connects with the 87 line and operates to Diridon Station.
- Traffic counts: 8,020 ADT on Monterey Highway approximately 1 mile north of the site (3/8/09).
- Ease of traffic patterns to/from the site: The site is not on or adjacent to a major arterial that intersects with US 101. Monterey Highway is not heavily traveled in this area.

#### Facility Evaluation



- Size: 74.77 acres
- GP and Zoning: Public Facilities.
- Visibility: The site will have no visibility from Cochrane, Coyote Valley, or US 101. It does have visibility from Monterey Highway to which it is adjacent.
- Access, curb-cuts, and proximity to a major intersection: The site is not improved, and no curb cuts were observed. The closest major intersection is about 1¼ miles away at Monterey Highway and Cochrane.
- Internal circulation: The site is regular in shape and mostly flat. Internal circulation will depend upon grading and layout plans if the site is further evaluated for relocation of the market.
- Location and quantity of convenient parking: The amount and quantity of parking will need to be evaluated as part of site planning.
- Signage (identification and wayfinding) opportunities: There is no signage of any sort for the site at this time, and some highly visible identifying and wayfinding signage will be required, in particular because visibility from freeways and arterials to the site is nonexistent.
- Availability of utilities: Adjacent parcels have utilities, so it is hoped that availability of utilities will not be an issue. That said, availability needs to be confirmed as bringing utilities to the site from any significant distance could be extremely expensive.
- Estimated number of vendor booths: 1,155
- Potential for permanent structures: There is potential for permanent structures if power, water, and sanitary sewer can be brought to the site at a reasonable cost.
- Potential for on-site storage: Permanent on-site storage will be decided as part of a future site planning exercise.
- Potential for visitor amenities: The amount and type of visitor amenities will be decided as part of a future site planning exercise and availability of utilities.

Financial Evaluation: This site is quite large and unimproved, so it will require a substantial amount of site work that is quite expensive. The price for the land is not known meaning that capital requirement is a substantial unknown. Given the low likelihood, because of location, that this site would be selected for a replacement market, further financial analysis has not been done at this time.

Pros and Cons of Site: This site is similar in size to the San Jose Flea Market, but should be more efficient to lay out given its regular dimensions. Unfortunately, the cons far outweigh the pros



of this site: Much of the site is dedicated for flood control and as little as 18 acres may be usable. The site is also located too far from the San Jose Flea Market customer catchment, and the customer base in this area is too thin to make up for the loss of customers to the north on the Peninsula or the I-880 corridor. Even if there were a robust customer base, the site's "inside" location and lack of visibility make it inferior to other large properties in the Morgan Hill area.

#### Notes About Performing a Financial Analysis for Potential Relocation Sites:

1. We've just undertaken a high-level financial look at each site with the goal of identifying some of the major factors that may need to be considered for further evaluation. We have neither explored an analysis to see how, for example, changing rent might make a difference on a given site, nor how an alternative financing strategy might impact another. When more information (including pro-forma inputs) is known, these more nuanced analyses can easily be performed to see if there is a different set of reasonable variables that might help close the GAP for a given site.
2. Generally, construction costs are high. Permanent structures are estimated at \$100/SF of building area. Site work including grading, distributing utilities, paving, striping, lighting, curb, gutter, sidewalk, etc. can easily run \$20/SF of land. Both numbers are taken from a recent survey of retail developers, and they are consistent with construction costs about which we are aware. These numbers will certainly change over time, even in the short term.
3. Decisions will need to be made about whether to mimic the San Jose Flea Market policy of charging for parking but not admission. Many markets have admission charges and then optional preferred parking charges with less desirable parking being free. If more revenue were generated, either through higher fees, or through a greater number of fees, it is likely that the financial returns would be more encouraging. The question is: What will the market bear?

#### Vacant Downtown San Jose Retail Spaces

There has been interest in exploring the viability of relocating flea market vendors into vacant retail storefronts, such as in downtown San Jose, where there are retail vacancies. The following considerations should be taken into account by a vendor that is considering relocating to a storefront, regardless of location:



- **Storefront is Different:** There are a variety of retail “channels,” a channel being the venue through which goods and services are sold. For example, there are brick-and-mortar storefronts, pop-ups, catalogs, retailer-driven e-commerce (apple.com or gap.com), platform-driven e-commerce (Amazon or Shopify), and subscriptions (Trunk Club or fresh produce boxes). Of course, vendor booths at a flea market are another example of a retail channel.
- **Retail Channel Skill Sets:** Some skills needed to operate a vendor booth at a market are similar to skills needed to operate a brick-and-mortar storefront, but at the same time the demands between the two can be quite different. For example, inventory planning and matching a merchandising plan to inventory to size of space is fixed in a brick-and-mortar setting while it’s much more flexible in a flea market where the number of booths rented, and occupancy cost can be scaled up or down on a month-to-month basis.
- **Hours of Operation:** Consumers rely on storefronts having more expansive business hours, which *minimally* would amount to about 60 hours/week. Vendors have more flexibility on the number of hours they choose to operate in a flea market setting than in a storefront, and the cost of wages paid will differ accordingly. A vendor who operates in a flea market in addition to holding down another job might be less demanding on time than operating a storefront that needs to be managed during regular operating hours.
- **Wages and Profitability:** Retail profitability lives or dies on the ability to control wages as a percent of sales, so if staff needs to be hired to man a storefront, that might be much different than a vendor operating their own flea market stall for more limited hours.
- **Different Economics:** Most storefronts are leased for defined terms and not month-to-month, for a specific amount of space that cannot easily be scaled up or down, and leases demand performance (including the payment of rent) for the entire agreed-upon term. Minimum retail space lease terms typically range from 3-5 years and can be as long as 10 years in some cases. By contrast, the San Jose Flea Market rents space to vendors on a daily or monthly basis, as well as six-month license agreements. Rents are also higher in these larger bricks-and-mortar spaces. Whereas rents at the flea market can cost \$380/month for a 340 SF open space (rent plus reservation fee), a recent survey of retail rents for the smallest and least expensive downtown spaces (approximately 1,000-1,200 SF) are well over \$3,000/month. There are many expenses other than rent involved in running a retail storefront including insurance and utilities.



- **Critical Mass:** Retail storefronts scattered across downtown San Jose do not rise to the level of critical mass needed to draw large groups of consumers from a wide catchment, or to promote the sort of cross-shopping that makes a flea market successful.
- **Marketing:** Retailers operating in storefronts will need to embark on marketing campaigns to promote their businesses and attract consumers on their own. This level of effort is in contrast to the San Jose Flea Market where a critical mass of vendors in a concentrated area, marketing efforts by the flea market operator, and reputation earned by the flea market as an institution over time together act to draw consumers. Time, expense, and knowing how to reach consumers are required to operate a successful marketing campaign, and marketing campaigns are ongoing. While vendors may maintain a social media presence or customer email lists, the San Jose Flea Market promotes the entire market, taking this marketing burden off vendors' shoulders.
- **Parking:** It's reasonable to assume that many customers will arrive by car, so easy parking will be important. Some storefronts may be in shopping centers with easy, free parking. Others may only have metered street parking or require use of a paid parking lot. While the consumer's cost of parking may be less than what would be paid for a visit to the San Jose Flea Market, the ready accessibility of parking will vary by specific storefront location and may be better or worse in comparison.
- **Amenities:** One way the flea market holds people on-site is by offering amenities such as food-service, play areas, music, restrooms, and other attractions. Individual storefronts will likely have none of these amenities.

Simply put, it's possible to be highly successful in one channel, but not in another. A vendor considering a storefront operation is recommended to give careful consideration to the demands, risks, and P&L potential of operating from a storefront as opposed to from a flea market, and which is right for it.

## Conclusion

The relocation of the San Jose Flea Market will be both a complicated and expensive undertaking. First, the project will need a sponsor. That could be an individual, a partnership or corporation, a not-for-profit, or even the City itself. This sponsor is needed because of the many challenges in relocating the market. These include, by way of example and not limitation, the unavailability of large land parcels, the unavailability of parcels in the same general area in which the San Jose Flea Market is presently located, the high cost of land, high development costs (especially sitework,



and, as noted in the Task 3 Operations Research report, it is likely there will be a financing gap that will need to be filled), development timelines, the short 1-year pre-closure notice the market is required to be given, vendor and customer retention if the market closes or operates out of temporary location(s) for a period of time, competing existing or contemplated flea markets, etc.

Of the sites that have been identified, there is not one that has substantial enough benefits as compared with others to be considered *THE* site. That said, there are a few sites that merit further due diligence, and few others that clearly do not (discussed more at length above). For example, the Singleton Landfill site is well located and large enough, but at the same time it will take substantial time and expense to make the site work. The 5-acre Urban Market at the existing market's location works well from a location perspective, but there are numerous unknowns such as the cost to acquire or lease the site, who will be responsible for development costs, what will happen to the market during construction, and how parking will function and who might receive parking revenues. The Santa Clara County Fairgrounds is another option that could be ready quickly, but it's unclear who the project sponsor would be and how revenue streams will be thought through. If the Fairgrounds were to be the focus, it's possible that the City's involvement as the development sponsor will be needed to secure and perhaps even to operate the site. There are other sites that after this initial evaluation are unlikely to work well for a market. The Evergreen Center on Yerba Buena Road, the Santa Teresa site, and the mass adoption of individual storefronts are impractical solutions for reasons already discussed.

As noted above, it is critical to be aware that development timelines are long ones. The recent announcement that the market will not close before January 2026 at the earliest is encouraging both for the continued uninterrupted operation of the existing market and for site identification and pre-development planning, but that announcement should not lead to complacency but to the opposite: a call to immediate action! The time it takes to identify and secure a site can be lengthy, especially in a market with as much competition for available sites as Silicon Valley. The amount of time it takes to obtain both discretionary and administrative approvals can run into the years, so even this announcement does not guaranty enough time for the uninterrupted operation and relocation of the existing market.

The relocation of the market will not happen by committee. It is absolutely critical for a project sponsor to be identified. Decisions will need to be made decisively and quickly, money will need to be spent, and development expertise will be required given the complex regulatory and development issues associated with any of the identified sites. The development sponsor doesn't necessarily need to be the same person or entity as the market operator. If they are not the same,





an operating entity will also need to be identified to advise the development sponsor on design and operating pro-forma considerations.

In sum, the San Jose Flea Market is an expensive and complicated undertaking that requires immediate action if there is any chance for the continuous operation of the market as it is relocated from its current site to a new site, and the same immediate attention is required even if a break in operations is necessary. Put in real estate parlance, *time kills deals*.