Note:
The Pratt Center has done a lot of research on this topic. Many of their reports are included on this flashdrive. I would start with those, and look at prattcenter.net to see any new reports.

DEFENSIVE STRATEGIES

The Pratt Center categorizes approaches as ‘defensive or offensive, and I have chosen to use their method of categorizing. A DEFENSIVE STRATEGY is meant to be anything which helps the current business owners, while not proactively restricting any form of business.

GENERAL ARTICLES ABOUT SMALL BUSINESSES IN NYC:

Immigrants Play Key Role as City Entrepreneurs, Study Finds
Immigrants drive small business in NYC
Maybe Beloved Shops Don't Have To Disappear
The Economic Incentives of the 'Store-within-a-Store' Retail Model
Economic Outcomes of State Investment In the Nebraska Microenterprise Development Act
Bodega business needs fair lease shield
Businesses grow more socially conscious

STRATEGY 1: OFFER MORE SMALL BUSINESS LOANS, TAX INCENTIVES, AND GENERAL HELP:

Links to Programs:

Lower Manhattan Energy Program
Energy Cost Saving Program
New York State Energy Research and Development Authority (NYSERDA)

Small Business Health Care Tax Credit for Small Employers from the IRS website.
Encouraging Small Business Hiring through Tax Credits from the White House website.

The Pratt Center’s Report “Preserving Local Retail” mentions Iowa’s Small Business Tax Deduction, which provides deductions for businesses with less than 20 employees, under $3 million gross revenue, and additional deduction of 65% wages for new employees.

Articles:

In this article Councilwoman Gale “Brewer wants the legislation to give landlords an incentive to rent to mom and pop businesses, many of whom say they're being pushed out of the neighborhood because landlords prefer to rent to national chain stores who rarely have a problem paying rent on time."

Mayor Bloomberg and Speaker Quinn announce new initiatives to support neighborhood retail corridors across the city and create jobs. The New Program is called Building Blocks for Neighborhood Retail, and it will boost retail sector that contributes over $50 billion to NYC's economy. Announcement can be found here on the Small Business Services (SBS) website.

Listed as one of Mayor Bloomberg's Top Ten Clean Energy Initiatives is a project for green loans to help building owners retrofit their buildings. It is listed as initiative #3 here.

Criticism of Bloomberg's platform with small business owners, and his appointment of a new head of SBS can be found here.

The Small Business Jobs Act that was passed in September 2010 provided a number of new tax credits for small business owners. Examples include Health Insurance Deduction for the Self Employed, Health Care Tax Credit, and more. Find article here.

Quoting from Big Chains Benefit From City Tax Incentives but Don't Create Jobs, a Report Says: "Several Burger King and McDonald's restaurants in Upper Manhattan receive the breaks, as does the giant Toys "R" Us store in Times Square, said Mr. Stringer, who is calling for state lawmakers to revamp the program. The subsidies were granted through the Industrial and Commercial Incentive Program, which is now the city's second-largest property tax expenditure, according to Mr. Stringer's report. The $409.5 million dedicated to the program last year exceeded the $390 million expenditure for the New York City Housing Authority properties, the report states."

STRATEGY 2: BUY LOCAL CAMPAIGNS

Buy Local Campaigns Boost Small Business Revenues

Austin has long had a pro-independent business vibe, and a 2002 analysis showed that $100 of local spending returned $45 to the city's economy, compared to just $13 returned for the same spending at a chain store. Austin's business alliance now works with developers to bring local merchants into new retail space. Its annual Austin Unchained event became the model for a national day to support local spending. (http://www.businessweek.com/smallbiz/content/feb2009/sb20090226_752622.htm)

STRATEGY 3: COMMUNITY LAND TRUSTS

The New Rules Project states that "Community Land Trusts (CLTs) have been used effectively for thirty years in cities nationwide to maintain affordable housing. A CLT is a nonprofit corporation that buys property in a city and holds it in perpetuity for the benefit of the community. Homes on the properties are sold to low-income families at affordable prices. The land beneath the homes is leased indefinitely. When the family decides to sell the home, the CLT repurchases it for a price set by a formula that allows for a fair return on the family's investment but maintains affordability for the next owner. (To learn more about CLTs, visit the **Institute for Community Economics** or Burlington Associates' **CLT Resource Center**.)

The CLT model could be adapted for commercial districts with the requirement that buyers or lessees of CLT buildings be independent, locally owned businesses. Although a few CLTs have been involved in non-residential projects such as office space for nonprofits, to date none have been involved in maintaining affordable retail space. But there's no reason the model would not work for this purpose, according to Julie Orvis of the Institute for Community Economics, the group that originated the CLT model and provides technical assistance and grants to help CLTs get started. In fact, the major source of funding for CLTs, HUD's Community Development Block Grants, are available for both housing and economic development.”

Note:
The Pratt Center has done a lot of research on this topic. Many of their reports are included on this flashdrive. I would start with those, and look at prattcenter.net to see any new reports. Particularly “Retail Zoning – East Village”, commissioned by the East Village Community Coalition in 2008.

Also see “Retail Report.pdf” which is the NYS Senate Committee on Cities report on preserving local retail.

OFFENSIVE STRATEGIES:

The Pratt Center categorizes approaches as ‘defensive or offensive, and I have chosen to use their method of categorizing. An OFFENSIVE STRATEGY is one which proactively seeks to level the playing field by imposing restrictions on the marketplace. In this case the offensive strategy that has been recommended is the formation of a Special Purpose District.

Information about the Proliferation of Chain Stores and Restaurants:

Can Mom-and-Pop Shops Survive Extreme Gentrification?

The Center for an Urban Future puts out a report of all the chains in NYC. The PDF is in the folder “Offensive Strategies Supporting Material” and is listed as “A Chain Reaction”. Or you can find the link here.

The Village Voice reports that the Center for an Urban Future report listed above finds that “The East Village Comes in Third for the Most Chain Stores in New York City”. Find article here.

San Francisco Planning Department: Chain Stores (Retail Use) - http://www.sf-planning.org/index.aspx?page=2839

An article that analyzes San Francisco’s Formula Business Restrictions can be found here.

www.newrules.org has a number of relevant articles addressing these topics.

This article addresses formula business restrictions and how different cities are handling the problem of the proliferation of chains, and also looks at the legal framework for such a restriction. This article can be found here.

More Articles about Chains:

[Brooklyn’s Tide of Chains, Decidedly Local]
[Starbucks tests new names for stores]
[Don't Subsidize Big Boxes at Local Shops' Expense]
[Retail report and film focus on fighting formula stores]

Commentary of UWS proposed Special Purpose District:

PDF of the presentation is in the folder UWS Proposal Presentation.

[Mega Banks Stripping UWS of Neighborhood Character, Locals Say]

Work Plan for Community Board 3

Mary DeStefano, 2011-2012 Urban Fellow

Background of Project:

Community Board 3 has identified a problem within its neighborhoods. There is a loss of retail diversity, and rents have gone up. As the area has become a nightlife destination for people from other neighborhoods and for tourists, the local residents have lost many of the diverse retail establishments that served local residents that were once there. The increasing rents are increasingly only affordable for high-end restaurants and bars, and the local mom-and-pop shops, bodegas, dry cleaners, hardware stores, etc. are being pushed out. As these businesses close and nightlife takes over, the character of the neighborhood is changing and many storefronts are closed-up during the day and only open at night.

Objective:

To develop policy recommendations for what can be done to ameliorate this problem.

Research Methods and Data Sources:

As the Urban Fellow for Community Board 3 my project will be to outline policy recommendations for how to deal with this problem. My research will consist predominantly in looking at the Zoning Resolution of New York City, and familiarizing myself with the current zoning of CB3, as well as looking at other neighborhoods that have received Special District designations. I would also like to look at what other cities have done, look at formula zoning, and tax incentives.

Steps to be taken and timeline:

1. **September**: Identify the Problem. Synthesize the data that has been gathered over the past few years by the other Fellows, to substantiate the claim that there is in fact a loss of retail space. Personally become acquainted with all of the data collected, and summarize what the other fellows have found.

October: Study Zoning, particularly how CB3 is zoned and zoning options. Particularly look at Use Group 6 and Chapter 2 - article 2 of the zoning resolution. Understand commercial use regulation, and identify areas that we are most concerned with.

2. **November:** Summarize what I have found in other cities. Is this applicable to the problems of Community Board 3 or not?

Look at tax incentive options.

3. **December**: Research zoning regulations in New York City and the classification of Special Districts. Focus on Eating and Drinking.

Is this going to be an incentive district of a preservation district?

Look closely at articles 7, 8 and 9, the Little Italy District, Harlem Special District, Chapter 8 – article 3 – section 5.

Limited Commercial Districts (83 – 05 Chapter): 125th St., North Tribeca Zoning District, Lower Manhattan Special District

Contact someone in the Department of City Planning to obtain guidance in this area. Meet with them in December.

5. **January:** Make Recommendation. Will most likely recommend designating as a Special District.

Questions for the Economic Development Committee:
What do you want to see in your neighborhoods?
What do you not want?
This special district cannot be for the entire district, so narrow down.

Also talk to the Land Use Committee.

6. Implementation Plan.

Report on Special Purpose Districts

By: Mary DeStefano, Urban Fellow

Introduction

"The regulations for special purpose districts are designed to supplement and modify the underlying zoning in order to respond to distinctive neighborhoods with particular issues and goals. Special purpose districts are shown as overlays on the zoning maps."[1]

There are 57 Special Purpose Districts; 20 are in Manhattan. The first was created in 1969.

They all begin with the same general Purpose Statement:
The X district established in this Resolution is designed to promote and protect public health, safety, and general welfare. These general goals include, among others, the following specific purposes:

Purpose

Below please find excerpts from the zoning text, which gives examples from four special districts that have some commonalities with the proposed special district that CB3 is discussing. The excerpts were chosen for relevance and also to be used as an example of zoning language.

The text surrounding special district which is quoted below may be found in Articles VIII–XIII of the Resolution, which may be accessed on the Department of City Planning website under the Zoning section.

Examples: (Excerpted)

1)

125th Street Special District**,** Adopted 04/30/08, Includes 24 blocks in East, Central, and West Harlem: Aims to support and promote the arts.
"The aim of the district is to generate new mixed use development while protecting the scale of the 125th Street corridor's commercial and historic row-house areas by establishing street wall and height limits. To ensure active and diverse retail uses, special regulations restrict the amount of ground floor street frontage that may be occupied by bans, office and residential lobbies, and other non-active uses."[2]

97-12
Arts and Entertainment Use Requirement

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[1] Zoning Handbook, *The Department of City Planning*, 2011
[2] Ibid, Page 76

Within the Core Subdistrict, as shown on Map 1 in Appendix A of this Chapter, or for that portion of a #zoning lot# located within the Core Subdistrict, for #buildings# or portions of #buildings developed# or #enlarged# after April 30, 2008, that contain at least 60,000 square feel of #floor area# and are located on #zoning lots# with frontage on 125th Street, an amount of space equivalent to a minimum of five percent of the #floor area# of the #development or #enlargement# shall be occupied by one of more of the #uses# designated in Section 97-11 (Special Arts and Entertainment Uses).

97-22
Uses Not Permitted on the Ground Floor of Buildings
Banks (except for automated teller machines, provided the width of #street# frontage allocated for automated teller machines shall be no more than 25 feet or 40 percent of the frontage of the #zoning lot#, whichever is less, measured to a depth of 30 feet from 125th Street, except that such frontage need not be less than 20 feet)

97-221
Access to non-ground floor uses
(b) The width of the ground floor #street# frontage on 125th Street allocated to an entranceway or lobby space shall be no more than 25 linear feet or 40% of the #street# frontage, whichever is less.

2)

<u>Limited Commercial Special District</u>, Adopted 10/09/69, Located in Greenwich Village
"The Special Limited Commercial District (LC) attempts to preserve the character of commercial areas within historic districts by permitting only those commercial uses compatible with the historic district, and by mandating that all commercial uses be in completely enclosed buildings."[3]

83-05
Enclosure of Uses
All permitted #uses# shall be located within #completely enclosed buildings#.

83-06
Special Permits by the Board of Standards and Appeals in Special Limited Commercial Districts
For the purpose of determining the powers of the Board of Standards and Appeals in #Special Limited Commercial Districts#, such districts shall be considered equivalent to C1 Districts, and the powers of the Board, as set forth in Article VII, Chapter 3, shall be limited to those powers which the Board would have in C1 Districts.

3)

<u>Little Italy Special District</u>, Adopted 02/03/77 (see attached map (page 30))

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[3] Ibid, Page 81.

“The Special Little Italy District (LI) was established to preserve and enhance the historic and commercial character of this traditional community.”[4]

109-00
General Purposes
(b) to protect the scale of storefronts and character of existing retail uses along Mulberry Street and other major shopping streets so that Little Italy will remain a unique regional shopping area, and thereby strengthen the economic base of the City.

109-21
Use Regulations
The provisions of Section 109-11 (Special Use Regulations) shall apply, except that in order to retain the existing retail character of the area, the ground floor of any #building# shall be limited to #uses# listed in Section 109-211 (Use Group LI). Any #street# frontage occupied by entrances to other #uses# such as #residential# lobbies shall be no wider than 25 feet. A change of #use# on the ground floor of a #building# shall be subject to the provisions of this Section.

109-211
Use Group LI
Use Group LI comprises a group of specially selected #uses# to strengthen the existing #commercial# character of the area.

A. Convenience Retail Establishments
   Bakeries
   Barber Shops
   Beauty Parlors.

4)

<u>Tribeca Mixed Use Special District</u>**,** Adopted 07/11/76: (see attached map (page 20))
“Revised in 1995 and in 2010, the underlying zoning throughout the district is now commercial but unique provisions limit the size of ground floor retail uses and hotels.”[5]

111-00
General Purposes

(a) To retain adequate wage, job producing, stable industries within the Tribeca neighborhood.

111-31
Special Permit for Large Transient Hotels
In Areas A4 through A7, the City Planning Commission may permit #transient hotels# that are comprised of more than 100 sleeping units, provided the Commission shall find

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[4] Ibid, Page 82.
[5] Ibid, Page 88.

that such #transient hotel#, resulting from a #development#, #enlargement#, #extension# or change of #use# is so located as not to impair the essential residential character of, or the future use of development, of the surrounding area. The Commission may prescribe additional conditions and safeguards to minimize adverse effects on the Character of the surrounding area.

Definition of Formula Zoning in San Fran:

Formula Zoning: (From San Francisco)

Formula Retail Use. Formula retail use is hereby defined as a type of retail sales activity or retail sales establishment which, along with eleven or more other retail sales establishments located in the United States, maintains two or more of the following features: a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel, standardized signage, a trademark or a servicemark.

(1) Standardized array of merchandise shall be defined as 50% or more of in-stock merchandise from a single distributor bearing uniform markings.

(2) Trademark shall be defined as a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of the goods from one party from those of others.

(3) Servicemark shall be defined as word, phrase, symbol or design, or a combination of words, phrases, symbols or designs that identifies and distinguishes the source of a service from one party from those of others.

(4) Decor shall be defined as the style of interior finishings, which may include but is not limited to, style of furniture, wallcoverings or permanent fixtures.

(5) Color Scheme shall be defined as selection of colors used throughout, such as on the furnishings, permanent fixtures, and wallcoverings, or as used on the facade.

(6) Facade shall be defined as the face or front of a building, including awnings, looking onto a street or an open space.

(7) Uniform Apparel shall be defined as standardized items of clothing including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name tags) as well as standardized colors of clothing.

(8) Signage shall be defined as business sign pursuant to Section 602.3 of the Planning Code.

(c) "Retail sales activity or retail sales establishment" shall include the following uses, as defined in Article 7 of this Code: "bar," "drive-up facility," "eating and drinking use," "liquor store," "restaurant, large fast-food," "restaurant, small self-service," "restaurant, full-service," "sales and service, other retail," "sales and service, retail," "movie theatre," "video store," "amusement and game arcade," "take-out food," and "specialty food, self-service."

(d) Formula Retail Uses Permitted. Any use permitted in a Neighborhood Commercial District, which is all a "formula retail use" as defined in this Section, is hereby permitted.

(e) Formula Retail Use Prohibited. Notwithstanding subsection (d), any use permitted in the Hayes-Gough Neighborhood Commercial District, or the North Beach Neighborhood Commercial District, which is also a "formula retail use" as defined in this Section, is hereby prohibited. Any full-service restaurant, large fast food restaurant, small self-service restaurant or self-service specialty food store permitted in the Upper Fillmore Neighborhood Commercial District which is also a "formula retail use" as defined in this Section is hereby prohibited.

Small Business Incentive Programs

Businesses located in New York City are eligible for a wide variety of incentive programs offered through City, State, and Federal agencies. Incentives include tax benefits, energy and wage benefits, and technical assistance. Incentives are designed to support economic and neighborhood development in NYC while offering valuable services and savings to small businesses. Generally, incentive programs are triggered by one of four main activities: **relocating (to or within NYC); investing in equipment; purchasing and improving property; recruiting and training employees**. Summarized below is an overview of the commonly accessed incentives programs. For more information about these and other programs visit: www.nyc.gov/nycbusiness.

Industrial and Commercial Abatement Program (ICAP)

ICAP grants abatements on real estate property taxes for renovated and newly constructed commercial and industrial buildings. Benefits can last up to 25 years depending on location. Properties must be improved by at least 30% of their assessed value to qualify for the abatement. Industrial properties improved by at least 40% of their assessed value are eligible for an additional abatement. Restrictions on retail activity apply.

Industrial Development Agency (IDA)

Administered by the NYC Economic Development Corporation. IDA issues low-cost, double and triple tax exempt bonds to assist commercial and industrial businesses grow in the City. Projects may also qualify for abatements or exemptions on their mortgage recording taxes, real estate taxes and sales taxes.

Energy Cost Savings Program (ECSP)

ECSP reduces regulated electricity and natural gas costs up to 45% and 35% respectively for up to 12 years. Firms must either relocate out of targeted areas of the City or operate in property improved by at least 10% of the building's assessed value for firms applying jointly with the IDA; or 30% for firms applying jointly with ICAP. Companies moving into the City from outside the City or renovating City/State owned property may also be eligible. Hotels and retail firms are ineligible.

Recruitment and Training Assistance

NYC Business Solutions Recruitment and Training provide resources and funding to ensure that businesses can find and train the workers they need to succeed. NYC Business Solutions Recruitment helps employers identify, recruit, pre-screen, and hire employees, all at no cost to the business. NYC Business Solutions Training provides up to 70% of training costs for NYC-based employees (max of $400,000) in nine priority sectors to address skill shortages in entry level positions.

Commercial Expansion Program

Qualified commercial or industrial tenants located in targeted Commercial Expansion Areas (zoned M1, M2, M3, C4, C5, C6) can receive a 3 or 5 year rent credit of up to $2.50 per square foot. Benefits are based on the length of the lease and the size of the company. Investments into the business space are required. Retail firms and hotels are ineligible. Qualified manufacturing firms can receive a maximum of a 10 year benefit with no phase out. Landlords are required to pass the full savings to tenants.

Relocation and Employment Assistance Program (REAP)

A 12 year annual tax credit of $3,000 for each qualified job relocated into targeted areas ($1,000 in non-targeted areas). Benefits for new hires are also available. Businesses relocating from outside New York City or from Manhattan below 96th Street to any other area of the City qualify. Improvements to buildings are required. REAP benefits are also available to businesses relocating into Lower Manhattan. Retail firms are ineligible. Restrictions exist for businesses moving from south of Houston Street.

Industrial Business Zone (IBZ) Relocation Credit

A one time tax credit for manufacturing firms moving into targeted IBZs. Businesses are credited for eligible moving costs up to the lesser of $1,000 per employee relocated or $100,000. There are 16 Zones within the City.

Lower Manhattan Energy Program (LMEP)

Eligible commercial tenants located in Lower Manhattan can receive up to a 45% reduction on regulated electricity costs for 8 years followed by a 4 year phase out. Buildings must apply for assistance with ICAP or IDA, or be owned by the City of New York or the Empire State Development Corporation. Buildings must meet program renovation criteria.

New York State Energy Research and Development Authority (NYSERDA)

NYSERDA programs provide industrial and commercial businesses with energy efficiency services for existing buildings, new construction, industrial facilities, and vehicle fleets.

NYS Film Production Tax Credits

Qualified film and television productions can receive a 30% State tax credit on eligible production costs. Tax credits are available for feature length films, television pilots and television series.

NYS Excelsior Jobs Program

The NYS Excelsior Jobs Program provides job creation and investment incentives to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing. Firms in these industries that create and maintain new jobs or make significant financial investment are eligible to apply for up to four new tax credits: Excelsior Jobs Tax Credit; Excelsior Investment Tax Credit; Excelsior R & D Tax Credit; and Excelsior Real Property Tax Credit.

ADDITIONAL ELIGIBILITY CRITERIA APPLY

Accessing Incentives

Lower your cost of doing business in NYC

Is your business …

CLICK HERE

CLICK HERE

CLICK HERE

CLICK HERE

Click on the images above to learn more about some of the incentives programs available.

For highlights of these incentives, download the Business Incentives Pamphlet.

NYC Business Express features the **Incentives Estimator,** which can provide you with a customized list of City, State, and Federal incentives for which your business might qualify. To access the Incentives Estimator, visit **nyc.gov/BusinessExpress.**

If you are an industrial or manufacturing business, please check the website of the **Mayor's Office for Industrial and Manufacturing Businesses**.

RELOCATING

If you are relocating within or to New York City, you may be eligible for some of the following programs:

- Business Incentive Rate (BIR)
- Business Relocation Assistance Corporation (BRAC)
- Commercial Expansion Program (CEP)
- Con Edison's Energy Efficiency Programs
- Empowerment Zone Benefits
- Energy Cost Savings Program (ECSP)
- Excelsior Jobs Program
- Film Tax Credit
- Foreign Trade Zones
- Greenpoint-Williamsburg Relocation Grant Program
- IDA Programs
- Industrial Business Zone Relocation Credit (IBZ)
- Job Creation and Retention Program
- Lower Manhattan Incentives
- NYC Capital Access
- NYC Green Roof Property Tax Abatement
- NYC Solar Electric Generating System Property Tax Abatement Program
- National Grid Economic Development Programs
- NYS Energy Research and Development Authority (NYSERDA) Programs
- Relocation and Employment Assistance Program (REAP)
- Sales Tax Exemption for Manufacturers
- Section 179 Deduction

PURCHASING AND IMPROVING PROPERTY

If you are constructing a new building or renovating an existing building, you may be eligible for the following programs:

- Business Incentive Rate (BIR)
- Commercial Expansion Program (CEP)
- Con Edison's Energy Efficiency Programs
- Con Edison's Demand Response Program
- Con Edison Small Business Direct Installation Program
- Empowerment Zone Benefits
- Energy Cost Savings Program (ECSP)
- Environmental Investment Program (EIP)
- Excelsior Jobs Program
- Film Tax Credit
- Foreign Trade Zones
- IDA Programs
- Industrial and Commercial Abatement Program (ICAP)
- Industrial Effectiveness Program (IEP)
- Linked Deposit Program
- Lower Manhattan Incentives
- Manufacturing Assistance Program (MAP)
- NYC Capital Access
- NYC Green Roof Property Tax Abatement
- NYC Solar Electric Generating System Property Tax Abatement Program
- National Grid Economic Development Programs
- NYS Energy Research and Development Authority (NYSERDA) Programs
- New York State Trade Adjustment Assistance Center
- Qualified Emerging Technology Company Tax Credits
- Relocation and Employment Assistance Program (REAP)
- Sales Tax Exemption for Manufacturers
- Section 179 Deduction

- **Small Business Administration (SBA) 504 & 7(a) Loan Programs**

INVESTING IN EQUIPMENT

If you are buying new machinery and equipment, or upgrading your back office or industrial operations, you may be eligible for the following programs:

- Con Edison's Energy Efficiency Programs
- Con Edison's Demand Response Programs
- Con Edison Small Business Direct Installation Program
- Empowerment Zone Benefits
- Environmental Investment Program (EIP)
- Excelsior Jobs Program
- Film Tax Credit
- Foreign Trade Zones
- Industrial Effectiveness Program (IEP)
- Linked Deposit Program
- Manufacturing Assistance Program (MAP)
- NYC Capital Access
- NYC Green Roof Property Tax Abatement
- NYC Solar Electric Generating System Property Tax Abatement Program
- NYS Energy Research and Development Authority (NYSERDA) Programs
- New York State Investment Tax Credit
- Qualified Emerging Technology Company Tax Credits
- Sales Tax Exemption for Manufacturers
- Section 179 Deduction
- Small Business Administration (SBA) 504 & 7(a) Loan Programs

RECRUITMENT AND TRAINING

- Empowerment Zone Benefits
- Excelsior Jobs Program
- Job Creation and Retention Program
- NYC Business Solutions Recruitment
- NYC Business Solutions Training Funds
- NYC Capital Access
- New York State Trade Adjustment Assistance Center
- Qualified Emerging Technology Company Tax Credits
- Work Opportunity Tax Credit (WOTC)
- Workers With Disabilities Employment Tax Credit (WETC)

Business Incentive Rate (BIR)

What it is: Additional reduction on regulated electric costs by 30%-35% for a term of five years
When to apply: Within 30 days of receiving a matching benefit
Who is eligible: Businesses that increase employees or take space in previously vacant commercial/industrial buildings, move into newly constructed buildings, or meet other economic development criteria and receive a matching benefit
Which agency: Administered jointly by New York City Economic Development Corporation (EDC) and Con Edison
To apply

Business Relocation Assistance Corporation (BRAC)

What it is: BRAC was created in 1981 to provide technical assistance to manufacturers and industrial firms that are relocating or retaining operations in NYC. BRAC also administers and funds the Greenpoint-Williamsburg Relocation Grant Program
When to apply: First come, first served basis and depending on available funding
Who is eligible: Industrial/manufacturing businesses that are involved in the manufacturing or fabrication of a product for sale. Please call (212) 513-6345 to prescreen eligibility
Which agency: New York City Department of Small Business Services

Commercial Expansion Program (CEP)

What it is: Rent abatement up to $2.50 per square foot
When to apply: Within 180 days of lease commencement
Who is eligible: Commercial and manufacturing businesses, retail business are ineligible
Which agency: New York City Department of Finance (DOF)

Commercial and Industrial Energy Efficiency Program

What it is: Con Ed offers financial incentives to directly metered electric and gas customers to save money and protect the environment with the purchase and installation of equipment or systems from the list below:

- Lighting and Lighting Controls
- HVAC, Furnaces and Boilers
- Motors
- Variable Frequency Drives
- Custom Program
- Energy Efficiency Studies

When to apply: Eligible applicants must submit application for pre-approval prior to purchase and installation of equipment or system
Who is eligible: Con Edison commercial or industrial directly metered customers that pay the System Benefits Charge; and have not received an incentive from the New York State Energy Research and Development Authority (NYSERDA); and have an existing facility
Which agency: Con Edison
To apply: Program Application

Con Edison Central Air-Conditioning Program

What it is: A free high-tech programmable thermostat that will allow temperature adjustment manually or remotely via the internet to efficiently manage energy usage. Con Edison will also communicate with the thermostat to reduce demand on the electric system
When to apply: Prior to increase in electric demand for air-conditioning to save money on energy costs
Who is eligible: Con Edison customers with peak demand less that 100kW using air-conditioning
Which agency: Con Edison
To apply: Complete Business Application

Con Edison Demand Response Programs

What it is: Con Ed offers financial incentives and technology to help manage energy usage by administering electric load-reduction programs during peak demand times
When to apply: Prior to increase in electric demand to save money on energy costs
Who is eligible: Con Edison customers who agree to participate in one of the programs

Which agency: Con Edison
To apply: Complete **Demand Response Programs Application**

Con Edison Small Business Direct Installation Program

What it is: Con Ed will provide a free energy survey to identify how your business could save money on lighting and energy for cooling the business and heating water. Con Ed will install free energy efficiency measures such as compact fluorescent lamps (CFLs) and more. Con Ed will also provide financial rebates and savings up to 70% when you install high efficiency measures
When to apply: Prior to beginning a renovation project to save money on energy costs
Who is eligible: Con Edison business customers with a monthly electric demand up to 100kW
Which agency: Con Edison
To apply: Complete **Business Inquiry Form**

Empowerment Zone Benefits

What it is: A federal economic development initiative that provides a wage tax credit and increased depreciation tax deductions for businesses that operate within the zone:

- **Empowerment Zone Wage Tax Credit**
- **Empowerment Zone Section 179 Deduction**

When to apply: Generally within tax year
Who is eligible: Retail, commercial and industrial businesses located in zone
Which agency: Upper Manhattan Empowerment Zone (UMEZ) or Bronx Overall Economic Development Corporation (BOEDC)

Energy Cost Savings Program (ECSP)

What it is: Up to 45% or 35% savings on regulated electric and natural gas costs respectively. Also, a combined heat and power (CHP) credit up to 4.44 cents for each kilowatt-hour generated for cogeneration systems that meet the "clean cogen" emissions standard of 0.3 lbs NOx per MWh
When to apply: If relocating: prior to signing lease/contract of sale; or within 120 days of moving into a Special Eligible Premises
If renovating: Generally prior to issuance of building permit
Who is eligible: Manufacturing and commercial businesses, excluding retail business and hotels
Which agency: New York City Department of Small Business Services

(SBS)
Related Programs: BIR, Sales Tax Exemption for Manufacturers
Access NYSERDA for a broader portfolio of benefits
For Existing ECSP Recipients: Certificate of Continuing Business Activity / Annual Compliance Form
To Apply: ECSP Application

Environmental Investment Program (EIP)

What it is: Funding assistance for NYS business projects that result in measurable environmental improvements that may be achieved through pollution prevention, waste reduction, reuse, recycling or the development/deployment of sustainable products and process technologies
When to apply: Prior to initiating project
Who is eligible: Eligible commercial businesses and not-for-profit organizations
Which agency: Empire State Development
For additional information: Program Guide
To apply: Contact Antonio Rodriguez, (212) 803-2283

Excelsior Jobs Program

What it is: The Excelsior Jobs Program will provide job creation and investment incentives to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing. Firms in these strategic industries that create and maintain new jobs or make significant financial investment will be eligible for up to four new tax credits. The Program will encourage businesses to expand in and relocate to New York while maintaining strict accountability standards to guarantee that businesses deliver on job and investment commitments. Program costs are capped at $250 million annually to maintain fiscal affordability and ensure that New Yorkers realize a positive return on their investment.
When to apply: A firm must apply to ESD with its plan for expansion or growth. Based on that plan, ESD will calculate the maximum potential tax credits over a 5-year period, based on:
- Projected capital investment
- Amount of salary & benefits expected to be paid to new employees
- R&D expenditures
- For certain firms and in certain areas, property taxes paid on the facility

Within the available credits each year, ESD will enter into a formal agreement with the firm that clearly states the tax credits as well as the job

and investment requirements for each year. Firms that meet all obligations in the agreement will be issued a certificate allowing them to claim eligible tax credits.
Who is eligible: Strategic businesses that plan to create a significant number of jobs.
Which agency: Empire State Development Corporation, **excelsior@empire.state.ny.us**

Film Production Tax Credit

What it is: A New York State 30% refundable tax credit on production costs for quality feature films, episodic television, pilots, and television movies/miniseries. The **NYC Mayor's Office of Film, Theater and Broadcasting** also provides incentives and support for NYC productions
When to apply: Applications must be submitted prior to the start of principal and ongoing photography, but not more than 180 days prior to the start of principal and ongoing photography
Who is eligible: Productions that complete at least 75% of their stage work on a qualified stage in New York City or an eligible combination of stage and location work
Which agencies: The Mayor's Office of Film, Theatre and Broadcasting; New York State Governor's Office for Motion Picture and Television Development
Click here for additional NYS incentives
Click here for NYC "Made in NY" Incentive Programs

Foreign Trade Zones

What it is: A government-designated, restricted-access site that allows foreign and domestic merchandise to be admitted for storage, assembly, processing and manufacture, while reducing or eliminating duty on imports, exports, damaged goods and scraps
When to apply: Generally application must be approved prior to entering zone
Who is eligible: Companies importing/exporting merchandise
Which agency: New York City Economic Development Corporation (EDC)
For additional information: **NYC Foreign Trade Bulletin**
To apply: Contact Patricia Ornst, (212) 312-3600 or **patricia.ornst@nycedc.com**

Greenpoint-Williamsburg Relocation Grant Program

What it is: This program is to assist eligible businesses that were impacted by the recent rezoning in Community Board 1 in Brooklyn to offset relocation costs
When to apply: First come, first served basis and depending on available funding
Who is eligible: Industrial/manufacturing businesses that are involved in the manufacturing or fabrication of a product for sale. Please call (212) 513-6345 to prescreen eligibility
Which agency: Mayor's Office of Industrial and Manufacturing Businesses
Apply here!

IDA Commercial Growth Incentives

What it is: Certain IDA tax benefits may be available to induce commercial companies to undertake major capital investments that result in the creation, relocation and retention of significant levels of jobs within New York City. The terms and conditions pursuant to which these benefits are provided will be evaluated on a case-by-case basis and tailored to meet the needs of both the City and the recipient
When to apply: Contact New York City Economic Development Corporation (NYCEDC) staff to determine filing schedule
Who is eligible: Commercial businesses
Which agency: New York City Industrial Development Agency (IDA)

IDA Exempt Facilities Bond Program

What it is: Assistance for companies developing facilities on publicly-owned docks and wharves or solid waste recycling facilities to use triple tax-exempt bonds to finance construction, renovation, and equipping the project
When to apply: Generally prior to entering into facility lease, acquisition, or renovation contract unless contingent upon NYCIDA assistance
Who is eligible: Private companies and recycling companies must be evaluated on a case-by-case basis
Which agency: New York City Industrial Development Agency (IDA)

IDA Hudson Yards Program

What it is: Financial assistance for a Hudson Yards Commercial Project in the Hudson Yards Uniform Tax Exemption Policy area
When to apply: Generally prior to entering into a contract for work or purchase agreement
Who is eligible: Commercial and retail companies
Which agency: New York City Industrial Development Agency (IDA)

To apply: Hudson Yards Commercial Construction Project Program Application

IDA Industrial Incentive Program for Developers

What it is: Assistance for developers seeking to acquire, construct or renovate facilities located within Empire Zones or Empowerment Zones that will be leased by manufacturing, industrial, and warehouse/distribution businesses
When to apply: Generally prior to entering into facility lease or renovation contract unless contingent upon NYCIDA assistance
Who is eligible: Manufacturing, industrial, and warehouse/distribution businesses
Which agency: New York City Industrial Development Agency (IDA)

IDA Manufacturing Facilities Bond Program

What it is: Assistance for manufacturers seeking to acquire, construct, renovate or equip facilities
When to apply: Generally prior to entering into a contract for work or purchase agreement
Who is eligible: Manufacturing, industrial and warehouse/distribution businesses
Which agency: New York City Industrial Development Agency (IDA)

IDA Industrial Incentive Program

What it is: Assistance for manufacturers, distributors, warehouses and other industrial companies seeking to enter into long-term lease agreements and plan to renovate space
When to apply: Generally prior to entering into a contract for work or purchase agreement
Who is eligible: Manufacturing, industrial, warehouse/distribution businesses
Which agency: New York City Industrial Development Agency (IDA)

Industrial and Commercial Abatement Program (ICAP)

What it is: Property tax abatement for renovation or construction (successor to the ICIP program)
When to apply: Prior to building permit or renovation
Who is eligible: Industrial and commercial businesses. Various restrictions on retail activity depending on location
Which agency: New York City Department of Finance (DOF)

Industrial Business Zone Relocation Credit

What it is: Relocation tax credit of $1,000 per employee up to $100,000
When to apply: Generally within tax year of relocation
Who is eligible: Industrial/manufacturing businesses relocating to an IBZ
Which agency: NYC Dept. of Small Business Services (SBS)

Industrial Effectiveness Program (IEP)

What it is: Grants up to $50,000 to small and medium sized manufacturers for productivity improvement projects
When to apply: Prior to initiating project
Who is eligible: Qualified manufacturers
Which agency: Empire State Development
To apply: Contact Isaac Joseph Elliston, (212) 803-2317

Job Creation and Retention Program

What it is: Provides discretionary grants, up to $4,000 per new full-time job, to eligible companies committing to create a minimum of 75 new jobs in Lower Manhattan, as well as to employers making a commitment to retain at least 200 Lower Manhattan jobs
When to apply: Prior to making a commitment to locate NYC workforce
Who is eligible: Companies that project creating at least 75 full-time permanent jobs in Lower Manhattan (south of Canal Street) that are also new to NYC
Which agency: Empire State Development Corporation (ESDC) and New York City Economic Development Corporation (EDC)
To apply: Please complete Preliminary Assessment Questionnaire

Linked Deposit Program

What it is: An economic development initiative to encourage and assist businesses to invest in projects that will improve productivity and competitiveness. Eligible businesses can obtain commercial loans through participating lenders at an interest rate that is two (2) or three (3) percentage points lower than prevailing rates. Lenders are compensated with a deposit of State funds at comparably reduced rates
When to apply: Prior to initiating project
Who is eligible: Manufacturing and commercial businesses. Personal and professional service businesses are not eligible
Which agency: Empire State Development
To apply: Application, List of Participating Lenders

Lower Manhattan Commercial Revitalization Program (CRP)

What it is: Rent abatement up to $2.50 per square foot of leased space, plus a reduction for Commercial Rent Tax
When to apply: Within 180 days of lease commencement
Who is eligible: Commercial office tenants and retail businesses
Which agency: New York City Department of Finance (DOF)

Lower Manhattan Energy Program (LMEP)

What it is: Up to 45% reduction on regulated electric costs for commercial tenants and common space in qualified buildings within Lower Manhattan
When to apply: The building submits LMEP application to SBS prior to issuance of building permit for renovation; or prior to execution of the Inducement Resolution for IDA applicants
Who is eligible: Qualified building owners and their commercial office tenants (non-retail)
Which agency: NYC Dept. of Small Business Services (SBS)
For pre-screening: Call 311 and ask for Department of Small Business Services, Business Incentives Unit to pre-screen for eligibility
To apply: LMEP Application
Map of buildings currently receiving LMEP benefits

Lower Manhattan Relocation and Employment Assistance Program (REAP)

What it is*:* Relocation tax credit up to $3,000 per job for 12 years for eligible businesses that relocate to the eligible area of Lower Manhattan from outside NYC (**LMREAP-EB**) and eligible businesses that relocate from within NYC (**LMREAP-SEB**)
When to apply: Apply for the Certificate of Eligibility within the year of relocation and provide computation for the number of employees annually for the certification to submit with the applicable tax returns
Which agency*:* NYC Department of Finance (DOF)

Lower Manhattan Sales and Use Tax Exemption

What it is*:* An exemption on NYS and NYC sales tax on goods purchased for build-out only for eligible tenants signing a new or renewal lease of 10 years or more south of Frankfort and Murray Streets. Expenditures for build-out, **furnishing** and **equipping** of eligible tenants leased space is exempt from sales tax at the **World Trade Center site, World Financial Center and Battery Park City**
When to apply*:* Exemptions apply to goods purchased during the **first** year of tenant's lease. One must have a valid **Certificate of Authority (DTF-17)** and required to file form **ST-121**. To reclaim exemptions on sales taxes paid within the last three years use form **AU-11**
Who is eligible*:* Tenants and subtenants leasing commercial office space for a term of 10 years or more within the eligible areas
Which agency*:* New York State Department of Taxation and Finance
Sales Tax Savings

Lower Manhattan WTC Rent Reduction Program

What it is*:* Provides: 1) $5 psf rent reduction for eligible tenants leasing the first 750,000 sf of commercial space at the Freedom Tower and other WTC sites; and 2) $3.80 psf reduction for eligible tenants leasing the first 750,000 sf of commercial space at 7 World Trade Center has been fully funded
When to apply: Within three months of executing qualifying lease. Currently applications have been approved for the entire 750,000 sf allocation for 7 World Trade Center and the 750,000 sf allocation for the other WTC sites. If additional allocation becomes available, new applications will be considered
Which agency: Empire State Development (ESD)
Program Guidelines

Manufacturing Assistance Program (MAP)

What it is: Grants up to $1 million to manufacturers employing 50-1,000 people, exporting 30% of production out of the region and investing $1 million in eligible project
When to apply: Prior to initiating project
Who is eligible: Qualified manufacturers
Which agency: Empire State Development
To apply: Contact Joseph Tazewell, (212) 803-3614

NYC Business Solutions Recruitment

What it is: Recruit and prescreen candidates for employment based upon your company's specific employment needs

When to apply: Rolling application
Who is eligible: Qualified New York City businesses
Which agency: NYC Dept. of Small Business Services

NYC Business Solutions Training Funds

What it is: Technical support and funding to assist NYC employers to train and develop employee skills
When to apply: Rolling application
Who is eligible: Businesses that meet the eligibility requirements
Which agency: NYC Dept. of Small Business Services
Click here for additional application criteria
Click here for pre-application

NYC Capital Access

What it is: A streamlined method to obtain loans and lines of credit up to $250,000 for working capital, leasehold improvements, equipment purchases, and some consideration for start-up loans
When to apply: Prior to investment or initiating project
Who is eligible: Retailers, manufacturers, wholesalers, non-profit organizations, contractors, and distributors located and doing business in New York City
Which agency: NYC Economic Development Corporation
To apply: Access participating lenders
NYC Capital Access Program Brochure

NYC Green Roof Property Tax Abatement Program

What it is: A one-time property tax abatement equal to $4.50 per square foot up to $100,000 (no greater than the tax liability of the building for one year) for green roof installations that cover at least 50% of the roof and meet certain criteria (vegetation depth, waterproofing requirements, etc.)
When to apply: Application must be received by March 15th in order for a property tax abatement to take effect on July 1st of the same calendar year
Who is eligible: Property owners who have installed a green roof meeting the criteria required after August 5, 2008
Which agency: NYC Department of Buildings
To apply: **Green Roof Property Tax Abatement Application**
Additional information: **Green Roof Rules**

NYC Solar Electric Generating Systems Tax Abatement Program

What it is: A property tax abatement up to $250,000 for solar electric generating system installations on buildings. The abatement equals 8 3/4% of installed costs up to $62,500 for installations completed in 2009 - 2011 and drops to 5% for installed costs up to $62,500 for installations completed in 2012 - 2013; taken in equal parts over four years and not to exceed the annual property tax liability
When to apply: Application must be received by March 15th in order for property tax abatement to take effect on July 1st of the same calendar year
Who is eligible: Property owners who have installed a solar electric generating system after August 5, 2008
Which agency: NYC Department of Buildings
To apply: Solar Panel Tax Abatement Application
Additional information: Solar Panel Program Guide

New York State Investment Tax Credit

What it is: Business tax credit on qualified purchases of machinery, equipment and an additional Employment Incentive Credit for creating new jobs
When to apply: Generally within tax year of investment and subsequent three years for new jobs added
Who is eligible: Generally industrial and select commercial and financial service businesses
Which agency: New York State Dept. of Taxation and Finance

National Grid Economic Development Gas Rate (EDGAR)

What it is: A reduced natural gas rate designed to encourage and support economic development activity in areas of Brooklyn, Queens and Staten Island. EDGAR offers an Area Development Rate (ADR), a five year discounted rate, saving up to 35% annually on the transportation charges; or the Business Incentive Rate (BIR), a 15 year discounted rate, saving up to 50% annually on the transportation charges
When to apply: Prior to renovation or within 30 days of receiving matching benefit
Who is eligible: ADR - Businesses that move or expand within the area development territory and meet minimum consumption criteria. BIR - Businesses that move into newly constructed or a previously vacant facility within the territory and receives another economic development incentive, increase usage by 15%, or operating within a qualified NYS Business Incubator

Which agency: National Grid
To Apply: Contact National Grid

National Grid Economic Development Cinderella Programs

What it is: A corporate program that awards grants to renovate the facades of residential buildings, commercials buildings, and store fronts
When to apply: Prior to initiating project
Who is eligible: Projects that incorporate natural gas technologies, located within the territory, and must be completed within one year from application submittal
Which agency: National Grid
To apply: Cinderella Program or Green Cinderella Program

New York State Energy Research and Development Authority (NYSERDA)

What it is: Public benefit corporation focused on research and development, allocating funds towards energy efficiency programs
When to apply: Generally, prior to initiating project
Who is eligible: Must meet eligibility criteria for each program
Which agency: New York State Energy Research and Development Authority (NYSERDA)
Programs: Existing Facilities Program, Transportation Programs, Solar PV Program Financial Incentives

NYSERDA Technical Assistance Programs

What it is: New York State sponsored programs which provide low-cost or cost-shared, energy audits, technical feasibility studies and a variety of technical assistance services to help identify and implement cost effective energy efficiency measures for a business' operation facility
When to apply: Prior to initiating a construction or renovation project
Who is eligible: Certified customers of Con Edison of New York
Which agency: New York State Energy Research and Development Authority (NYSERDA)
Programs: FlexTech, Energy Audit

NYSERDA New Construction Program

What it is: A New York State sponsored program which promotes the energy-efficiency measures into the design, construction, and operation of new and renovated buildings
When to apply: Applications accepted through December 30, 2011
Who is eligible: Customers of Con Edison and National Grid

Which agency: New York State Energy Research and Development Authority (NYSERDA)

New York State Trade Adjustment Assistance Center (NYS TAAC)

What it is: A cost sharing grant to assist manufacturers in funding projects that improve their competitive position
When to apply: Applications can be made at any time
Who is eligible: Manufacturers whose employment and sales have been negatively impacted by import competition
Which agency: U.S. Department of Commerce
Qualifying Process
Contact: Gary S. Youmans, (212) 921-1662

Qualified Emerging Technology Company (QETC) Certification and Capital Tax Credit

What it is: A New York State capital tax credit designed to encourage investment in emerging technology companies
When to apply: The tax year of the qualified investment made in a New York State certified qualified emerging technology company
Who is eligible: A New York State taxpayer that makes a qualified investment in a New York State certified qualified emerging technology company
Which agency: New York State Department of Taxation and Finance
To apply: Instructions and Form
To be QETC Certified: Instructions and Form

Qualified Emerging Technology Company (QETC) Employment Credit

What it is: A New York State employment credit designed to encourage the creation of jobs by emerging technology companies
When to apply: Within the tax year of investment. The credit can also be claimed for three consecutive years
Who is eligible: A qualified technology company subject to tax under Article 9-A of the Tax Law and demonstrates employment growth
Which agency: New York State Department of Taxation and Finance
To apply for credit: Instructions and Form

Qualified Emerging Technology Company (QETC) for Facilities, Operations, and Training Credit

What it is: A New York State tax credit to qualified emerging technology companies, up to $250,000 annually for at least four (4) years, for research and development, qualified research expenses, and high technology training
When to apply: Generally claimed for the tax year when the eligible expenses were incurred. The benefits can be claimed for four (4) consecutive years (five years if relocating from an academic incubator facility) and is fully refundable
Who is eligible: A qualified technology company subject to tax under Article 9-A or Article 22, have 100 full-time employees or less, with at least 75% employed in New York State, have ratio of research and development funds to net sales which equals or exceeds 6%, and have gross revenues less than $20 million for the preceding year
Which agency: New York State Department of Taxation and Finance
To apply: Instructions and Form
Related Links: BioNY/QETC; NYSTAR Initiatives

Relocation and Employment Assistance Program (REAP)

What it is: Relocation tax credit up to $3,000 per employee for 12 years
When to apply: Apply for the Certificate of Eligibility within the year of relocation and provide computation for the number of employees annually for the certification to submit with the applicable tax returns
Who is eligible: Commercial/industrial businesses excluding retail and hotels relocating into targeted areas of the city
Which agency: New York City Department of Finance (DOF)

Sales Tax Exemption for Manufacturers

What it is: Tax credit on NYC and NYS sale taxes paid on energy used in production
When to apply: During year energy used and retroactive for three years, must have a valid Certificate of Authority (DTF-17) and required to file form ST-121. To reclaim exemptions on sales taxes paid for three years use form AU-11
Who is eligible: Manufacturing businesses
Which agency: New York State Department of Taxation and Finance

Section 179 Deduction

What it is: An IRS tax code allowing businesses to deduct the full purchase price, up to $500,000, of qualifying equipment purchased, leased or financed for business use. Also allows a bonus depreciation of 100% on the amount that exceeds the $500,000 limit
When to apply: Within the tax year the property was placed into service
Who is eligible: Businesses that purchase, lease or finance less than $2,000,000 in eligible equipment. Deduction begins to phase out dollar for dollar for equipment costing more than $2,000,000
Which agency: US Department of Treasury, Internal Revenue Service
Apply here: Instructions, Form

Small Business Administration (SBA) 504 Loan Program

What it is: Provides businesses with long-term, fixed-rate loans for fixed assets, such as land and building. The SBA works with Certified Development Companies (CDCs) and private lenders to provide the loans to small businesses. The private lender takes a senior position for up to **50%** of the project cost, the CDC takes a junior position for up to **40%** of the cost, and the borrower takes **10%**. The maximum SBA portion is $1.5 million when meeting job or other development goals and can increase up to $2 million if approved by the SBA. A business must create or retain one job for every $50,000 provided by the SBA. "Small Manufacturers" have a $100,000 job creation/retention goal.
When to apply: Prior to initiating project
Who is eligible: A business must be for-profit and meet SBA size requirements. Under the program, a business qualifies as small if: 1) it's net worth does not exceed $7.5 million; and 2) it's average net income does not exceed $2.5 million after taxes for the preceding two years
Which agency: Small Business Administration (SBA) Lenders
For more information: Regional SBA Program Office

Small Business Administration (SBA) 7(a) Loan Program

What it is: All 7(a) loans are provided by participating lenders who receive a guarantee from SBA on a portion of the loan. The SBA does not fully guarantee 7(a) loans. The risk is shared between the lender and SBA. Commercial lenders make and administer the loan and the business applies to the lender for financing. Under this program, the borrower remains obligated for the full amount due.
When to apply: Prior to investment, purchase or initiating project
Who is eligible: Eligibility criteria are designed to be broad to accommodate a diverse range of business needs. Must be a for-profit

business, meet SBA size standards, demonstrate ability to repay and not have existing internal resources of financing.
Which agency: Small Business Administration (SBA) Lenders
For more information: Regional SBA Program Office

Work Opportunity Tax Credit (WOTC)

What it is: Federal tax credit up to $9,000 that encourages employers to hire from targeted groups of job seekers
When to apply: Must apply within 28 days of the first day of work for certification with the NYS Department of Labor, then employer submits Form 5584 with their tax return
Who is eligible: Employees that meet certification requirements within one of the targeted groups
Which agency: U.S. Department of Labor
To apply: Instructions for Form 8850, Form 8850, and ETA Individual Characteristics Form 9061, Form 5584

Workers with Disabilities Employment Tax Credit (WETC)

What it is: State tax credit up to $2,100 to encourage employers to hire disabled job seekers
When to apply: Within the second year of employment
Who is eligible: Employees that meet the eligibility for certification under the Work Opportunity Tax Credit (WOTC) program
Which agency: New York State Department of Labor
To apply: Pre-screening Application, Instructions and Form

New York by the Numbers

Economic snapshots of the five boroughs

Center for an Urban Future

www.nycfuture.org

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The Center for an Urban Future is New York City's home for independent research and innovative thinking about key issues affecting the five boroughs.

Inside

In this Issue:

A Chain Reaction: This year's borough-by-borough analysis of New York City's largest retailers

Our third annual ranking of national retail chains in New York City reveals that despite the sluggish economy over the past year, more national retailers have expanded their presence in the five boroughs than those that have reduced their number of stores here. This report also shows that every borough registered a net increase in national chain stores during the past year. Interestingly, Brooklyn had the greatest percentage change of any borough during this period. And for the third year running, Dunkin Donuts comes in as the national retailer with the most stores in the city. In fact, it wasn't even close. Dunkin Donuts now has 77 more stores in the five boroughs than Subway, the retailer that came in second on our list, and 210 more stores than Starbucks, the third place finisher.

Overall, the 280 national retailers listed in our 2009 report now have four percent more stores in the five boroughs than a year ago—increasing from 6,335 stores in 2009 to 6,595 in 2010. Thirty nine percent of those retailers have expanded their footprint in the city during that time, while 20 percent now have fewer stores and 41 percent have the same number of locations. Only one of the chains on last year's list closed all of their New York City locations this past year, compared to four that shut down between our 2008 and 2009 reports.

Brooklyn had the largest percentage gain of any borough over the past year. The retailers counted in our 2009 report now have 1,325 stores in Brooklyn, up from 1,258 last year--a 5.3 percent gain. Manhattan had the next largest percentage gain (5.1 percent), followed by the Bronx (4.7 percent), Queens (1.9 percent) and Staten Island (1.5 percent).

To make our annual ranking of national retailers as accurate as possible, we add new retailers to our list every year: Some have entered the New York market in the past year and others we inadvertently left off the year before. This year's report includes 26 new national retailers, from Red Mango (14 stores in the city) and Qdoba (8 stores) to Lego (2 stores). Overall, this year's report includes 306 retailers, which have a total of 6,703 stores in the city.

This year, there are 13 retailers with at least 100 stores in the five boroughs—up from 12 in both 2009 and 2008. The new entry is T-Mobile, which now has 117 stores in the city, up from 96 in 2009 and 82 in 2008.

Dunkin Donuts is still far and away the largest national retailer in New York. It now has 466 stores in the city, up from 429 last year and 341 in 2008. Though Dunkin Donuts is only the fourth largest national retail chain in Manhattan—with 115 stores in the borough, it trails Starbucks (194), Subway (163) and Duane Reade (161)—it has the most locations in each of the other four boroughs.

Despite its 2009 announcement that it would close some of its New York City locations, Starbucks actually has 11 more stores in the five boroughs this year. It moved up to third place in the rankings, from fourth in 2008 and 2009. Duane Reade climbed up one notch, to fourth place, while McDonald's has fallen to fifth from its number three ranking in 2008 and 2009; the burger chain has 17 fewer chains than last year (from 258 to 241 stores).

T-Mobile wasn't the only cell phone store to increase significantly over the past year. Metro PCS grew from 7 locations in 2009 to 35 this year, a staggering 400 percent increase, while Sprint (from 24 to 33) and Verizon Wireless (45 to 50) also registered notable gains. A broad range of other retailers expanded their presence in the five boroughs over the past year:

- 7-Eleven—74 stores, from 59 last year and 57 in 2008
- GameStop—84 stores, from 75 last year and 69 in 2008
- Ann Taylor—19 stores, up from 11 last year and 12 in 2008
- Sephora—21 stores, from 16 last year and 15 in 2008
- Le Pain Quotidian—22 stores, from 17 both last year and in 2008
- Walgreens—74 stores, from 64 last year and 48 in 2008
- Pret A Manger—25 stores, from 21 last year and 15 in 2008
- The Children's Place—32 stores, from 26 last year and 21 in 2008
- Chipotle—29 stores, from 25 last year and 21 in 2008
- J Crew—11 stores, from 9 last year and 6 in 2008

Not all retailers have fared as well. The more notable retail contractions have included:

- Pizza Hut—15 stores, from 20 last year and 39 in 2008
- Tasti-D-Lite—26 stores, from 41 last year and 53 in 2008
- Curves—25 stores, from 36 last year and 47 in 2008
- Blockbuster—30 stores, from 45 last year and 46 in 2008
- Blimpie—28 stores, from 37 last year and 50 in 2008
- Quiznos—15 stores, from 21 last year and 27 in 2008
- Nine West—16 stores, from 19 last year and 24 in 2008
- Papyrus—15 stores, from 23 last year and 19 in 2008

This analysis of retailers is broken down by borough and zip code. By borough, it is hardly surprising that Manhattan has the largest number of chains (2,746), followed by Queens (1,479), Brooklyn (1,333), the Bronx (742) and finally Staten Island (403). These numbers include the 26 new chains added to the list this year.

Once again, the zip code with the largest number of chain stores in the city is Staten Island's 10314 (home of the Staten Island Mall), with 188 outlets. It is followed by five zip codes in Manhattan – 10001 with 175 outlets (up from 160 in 2009); 10003 with 166 retail stores (up from 151); 10022 with 156 outlets (up from 137); 10019 with 156 retailers (up from 148) and 10017 with 147 retailers (up from 138).

Zip codes that registered notable gains in chain stores over the past year include:

- High Bridge/Morrisania(10451)—from 45 to 63
- East Harlem (10035)—from 27 to 38
- Soho/The Village (10012)—from 94 to 121
- Midtown West (10036)—from 112 to 139
- Midtown East (10022)—from 137 to 156
- Flatlands (11234)—from 132 to 146
- Park Slope (11217)—from 52 to 59
- St. George (11301)—from 11 to 15
- East Elmhurst (11369)—from 11 to 17

Queens accounts for half of all the zip codes that have experienced a decrease in retail chains. Among the zip codes that experienced a notable decrease in the last year are:

- Sunnyside (11104)—from 31 to 24 stores
- Flushing (11371)—from 35 to 29 stores
- Highbridge/Morrisania (10452)—from 25 to 21

In addition to a comprehensive list of all national retailers in the city, broken down by borough and zip code, the pages that follow include a ranking of the top 30 and bottom 30 zip codes citywide and a list of the top 10 and bottom 10 zip codes for each borough.

New York City's Largest National Retailers, 2010

Retail Chain	NYC Total 2010	NYC Total 2009	NYC Total 2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
Dunkin Donuts	466	429	341	115	126	131	64	30
Subway	389	361	335	163	65	85	53	23
Starbucks	256	245	235	194	17	31	6	8
Duane Reade	248	229	216	161	35	32	12	8
McDonalds	241	258	248	73	54	62	41	11
Baskin-Robbins	204	207	215	47	55	66	22	14
Rite Aid	195	195	209	35	57	58	41	4
GNC	121	110	115	42	28	28	19	4
Radio Shack	119	115	116	39	30	25	19	6
T-Mobile	117	96	82	38	32	26	17	4
CVS	115	107	108	32	21	34	11	17
Payless	107	106	109	22	35	25	20	5
Sleepy's	102	108	105	32	24	27	10	9
Burger King	96	94	92	20	23	27	17	9
GameStop	84	75	69	20	22	21	14	7
Liberty Tax Service	84	51	43	4	28	25	23	4
Walgreen's	74	64	48	13	23	18	10	10
7-Eleven	74	59	57	8	18	35	7	6
Domino's Pizza	71	71	74	19	19	16	13	4
KFC	71	69	70	11	25	20	11	4
Golden Krust	69	70	72	9	29	16	14	1
Popeye's	68	61	57	14	22	17	14	1
Staples	63	63	61	29	9	16	6	3
Papa John's	63	58	55	14	18	20	9	2
Petland Discounts	62	61	59	11	16	19	12	4
Carvel	61	62	62	7	11	24	10	9
FedEx Office	60	61	61	54	2	3	0	1
AT&T Wireless	60	59	85	30	10	9	9	2
Foot Locker*	58	56	58	18	17	8	12	3
Jackson Hewitt Tax Service	57	92	83	14	22	11	8	2
NY Sports Clubs	53	54	55	38	7	6	1	1
Verizon Wireless	50	45	41	17	10	13	6	4
Wendy's	47	45	50	12	13	10	6	6
Cohen's Fashion Optical	45	45	40	24	6	9	4	2
Rent-A-Center	38	40	38	5	11	9	9	3
Gap (including GapKids & BabyGap)	37	34	35	19	3	10	1	4
White Castle	35	35	36	3	10	9	10	3
Metro PCS	35	7	N/A	17	5	3	10	0
Au Bon Pain	34	33	34	19	2	11	1	1
The Vitamin Shoppe	34	35	32	25	4	3	1	1
Modell's	33	34	33	9	9	8	4	3
Sprint	33	24	25	16	6	8	2	1
The Children's Place	32	26	21	9	9	8	4	2
H&R Block***	31	25	29	14	6	6	3	2
Blockbuster	30	45	46	7	5	11	4	3
Chipotle	29	25	21	28	1	0	0	0

Continued on next page

Retail Chain	NYC Total 2010	NYC Total 2009	NYC Total 2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
Blimpie	28	37	50	13	1	6	8	0
V.I.M.	27	27	27	6	14	3	4	0
Tasti D-Lite	26	41	53	24	2	0	0	0
Liberty Travel	26	27	27	10	5	6	2	3
Curves	25	36	47	1	9	9	4	2
Aerosoles	25	27	21	17	4	3	0	1
Pret A Manger	25	21	15	25	0	0	0	0
Jimmy Jazz	24	32	42	4	8	4	8	0
Häagen-Dazs	24	20	19	10	4	6	3	1
Taco Bell	23	19	19	5	5	8	3	2
LensCrafters	23	18	22	19	2	1	0	1
Famiglia	22	21	18	14	1	4	3	0
Ricky's	22	20	18	20	1	1	0	0
Hale & Hearty Soups	22	19	20	21	1	0	0	0
Applebee's	22	17	16	4	5	5	4	4
Le Pain Quotidien	22	17	17	22	0	0	0	0
Home Depot	21	21	20	2	5	8	3	3
Lucille Roberts	21	21	21	5	6	6	4	0
Sephora	21	16	15	15	0	2	2	2
Aldo	20	19	16	12	3	3	0	2
American Apparel	20	20	16	16	4	0	0	0
P.C. Richard & Sons	20	19	19	4	6	7	2	1
Mandee	19	20	21	2	5	6	3	3
Sunglass Hut	19	20	21	13	1	4	0	1
Equinox	19	19	20	18	1	0	0	0
Nathan's	19	19	19	3	8	7	0	1
Victoria's Secret	19	18	16	10	3	5	0	1
Bolton's	19	16	18	15	2	1	1	0
Ann Taylor	19	11	12	16	1	1	0	1
Strawberry	18	19	18	12	2	4	0	0
Banana Republic	18	18	20	14	1	2	0	1
Toys "R" Us**	18	15	14	4	4	5	3	2
Jamba Juice	17	20	18	16	0	1	0	0
Bally Total Fitness	17	17	17	5	4	4	3	1
Ashley Stewart	17	16	N/A	3	8	2	4	0
Old Navy	17	16	16	5	4	5	2	1
Nine West	16	19	24	6	3	4	3	0
Cosi	16	16	16	15	0	1	0	0
Crown Fried Chicken	16	16	N/A	3	9	3	1	0
Avenue	16	15	N/A	2	5	3	4	2
Papyrus	15	23	19	15	0	0	0	0
Quizno's	15	21	27	8	3	4	0	0
Pizza Hut	15	20	39	4	1	9	1	0
Barnes and Noble	15	15	16	8	2	3	1	1
Boston Market	15	15	15	2	1	8	1	3
Dr. Jay's	15	15	15	4	4	2	5	0
Pinkberry	15	15	12	14	0	1	0	0
Sbarro	15	15	18	8	1	6	0	0
Cold Stone Creamery	15	14	15	5	3	5	0	2
New York & Company	15	14	16	3	4	5	1	2

Continued on next page

Retail Chain	NYC Total 2010	2009	2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
Beach Bum Tanning	15	13	N/A	6	0	8	0	1
Tim Hortons	15	12	N/A	13	2	0	0	0
Red Mango	14	N/A	N/A	7	1	5	0	1
The Body Shop	14	16	17	9	1	3	0	1
Supercuts	14	15	16	10	1	2	0	1
Marshall's	14	13	11	2	3	4	4	1
Motherhood Maternity	14	12	12	3	6	3	1	1
Lids	14	11	13	7	2	3	1	1
Auntie Anne's Pretzels	14	10	N/A	6	1	6	0	1
Five Guys	14	8	N/A	6	3	5	0	0
wichcraft	13	N/A	N/A	13	0	0	0	0
Godiva	13	15	16	11	1	1	0	0
Pax Wholesome Foods	13	14	14	13	0	0	0	0
Dress Barn	13	13	13	3	1	5	3	1
H&M	13	13	12	10	1	1	0	1
Zales	13	13	15	5	3	2	2	1
L'Occitane	13	12	13	12	0	1	0	0
Party City	13	12	12	1	3	4	2	3
Best Buy	13	10	9	7	2	1	2	1
Bath & Body Works	13	12	12	5	2	5	0	1
Coach	12	12	12	10	0	1	0	1
Meineke	12	12	12	1	5	3	1	2
Brookstone	12	11	N/A	4	0	7	0	1
IHOP	12	11	10	1	2	4	4	1
T.G.I. Friday's	12	11	12	8	1	1	1	1
Crumbs Cupcakes	12	10	N/A	12	0	0	0	0
M·A·C Cosmetics	12	7	N/A	8	3	1	0	0
Ralph Lauren	12	5	N/A	12	0	0	0	0
Express	11	12	12	6	1	3	0	1
Perfumania	11	12	11	4	1	4	1	1
Sterling Optical	11	12	N/A	3	3	2	1	2
Ben & Jerry's	11	11	12	4	1	3	2	1
Claire's Accessories	11	11	12	3	3	4	0	1
Steve Madden	11	11	N/A	8	1	2	0	0
Benetton	11	10	10	5	4	2	0	0
J Crew	11	9	6	11	0	0	0	0
Sears	11	9	N/A	0	4	4	2	1
Lane Bryant	10	11	13	2	4	2	1	1
Crunch	10	10	12	8	2	0	0	0
FootAction USA	10	10	N/A	2	3	0	4	1
Men's Warehouse	10	10	10	4	1	2	1	2
Pearle Vision	10	10	10	1	3	5	0	1
Brooklyn Industries	10	9	N/A	5	5	0	0	0
Macy's	10	8	7	1	2	4	1	2
Raymour & Flanigan Furniture	10	8	N/A	3	2	2	2	1
Bed Bath & Beyond	9	9	9	4	1	2	0	2
Daffy's	9	9	9	7	1	1	0	0
Mrs. Fields	9	9	9	5	1	2	0	1
BCBGMAXAZRIA	9	8	N/A	8	0	0	0	1
Borders	9	8	6	5	0	3	0	1

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Retail Chain	NYC Total 2010	NYC Total 2009	NYC Total 2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
Hollywood Tans	9	8	13	4	4	0	0	1
Target	9	7	7	1	3	2	2	1
American Eagle Outfitters	9	6	N/A	4	1	2	0	2
Original SoupMan	9	6	N/A	7	N/A	1	N/A	1
Qdoba	8	N/A	N/A	7	0	1	0	0
AAMCO Transmissions	8	9	9	0	2	4	1	1
Dashing Diva	8	9	N/A	5	3	0	0	0
Laila Rowe	8	9	N/A	7	0	1	0	0
Uno Chicago Grill	8	9	9	3	1	3	1	0
Dallas BBQ	8	8	7	6	1	0	1	0
Tumi	8	8	N/A	8	0	0	0	0
Bakers Shoes	8	7	N/A	1	3	3	0	1
Club Monaco	8	7	8	7	0	1	0	0
Easy Spirit	8	7	6	6	1	1	0	0
Lucky Brand Jeans	8	7	7	6	1	1	0	0
Two Boots Pizza	8	7	N/A	7	1	0	0	0
Urban Outfitters	8	7	N/A	6	1	1	0	0
Ranch1	8	6	N/A	6	0	2	0	0
Skechers	8	6	N/A	4	0	3	1	0
Lot Less Closeouts	7	N/A	N/A	4	0	1	1	1
Diesel	7	7	N/A	7	0	0	0	0
Easy Pickins'	7	7	7	0	0	1	6	0
Pep Boys	7	7	7	0	1	4	1	1
Pretzel Time	7	7	N/A	2	2	3	0	0
Solstice Sunglass Boutique	7	7	N/A	5	0	1	0	1
Tiger Schulmann's	7	7	N/A	1	2	3	0	1
Armani Exchange	7	6	N/A	4	1	1	0	1
Forever 21	7	6	6	4	1	1	0	1
Panera Bread	7	6	4	0	0	4	1	2
Whole Foods	7	6	5	7	0	0	0	0
Zara	7	6	N/A	7	0	0	0	0
Stride Rite	7	5	N/A	2	2	2	0	1
Johnny Rockets	7	4	N/A	3	0	2	1	1
Goodburger	6	N/A	N/A	6	0	0	0	0
Mail Boxes Etc.	6	10	10	6	0	0	0	0
Dante Zeller Tuxedo	6	8	N/A	1	2	0	1	2
f.y.e.	6	7	9	0	0	2	3	1
Kmart	6	7	7	2	0	1	2	1
1-800-Mattress	6	6	16	3	1	2	0	0
Eileen Fisher	6	6	6	6	0	0	0	0
Joyce Leslie	6	6	N/A	1	2	2	0	1
Kenneth Cole	6	6	6	6	0	0	0	0
Outback Steakhouse	6	6	6	2	1	2	0	1
Brooks Brothers	6	5	N/A	5	0	1	0	0
Guess	6	5	N/A	2	1	1	1	1
Michael's Stores	6	5	5	1	0	2	1	2
The Art of Shaving	6	5	N/A	6	0	0	0	0
Lululemon Athletica	5	N/A	N/A	4	1	0	0	0
True Religion	5	N/A	N/A	5	0	0	0	0
Esprit	5	6	N/A	5	0	0	0	0

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Retail Chain	NYC Total 2010	2009	2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
Bebe	5	5	N/A	5	0	0	0	0
Chuck E. Cheese	5	5	5	1	1	1	1	1
Family Dollar	5	5	N/A	0	2	0	3	0
Finish Line	5	5	N/A	0	2	1	1	1
Gymboree	5	5	4	3	0	1	0	1
Hugo Boss	5	5	N/A	5	0	0	0	0
Juan Valdez	5	5	N/A	5	0	0	0	0
Justice	5	5	N/A	0	0	2	0	3
Kay Jewelers	5	5	5	1	2	1	0	1
Apple Store	5	4	N/A	4	0	0	0	1
Chico's	5	4	N/A	2	0	2	0	1
Journeys	5	4	N/A	2	1	1	0	1
Aeropostale	5	3	N/A	2	1	1	0	1
BJ's Wholesale Club	5	3	3	0	1	3	1	0
Costco	5	3	3	1	1	2	0	1
Free People	4	N/A	N/A	3	1	0	0	0
Geox	4	N/A	N/A	4	0	0	0	0
Crabtree & Evelyn	4	6	6	3	0	1	0	0
Afaze	4	4	N/A	1	1	2	0	0
Betsey Johnson	4	4	N/A	4	0	0	0	0
Champs Sports	4	4	N/A	2	0	1	0	1
Charlotte Russe	4	4	N/A	1	1	1	0	1
DSW	4	4	4	2	1	1	0	0
Famous Footwear	4	4	N/A	1	1	1	0	1
Fossil	4	4	N/A	4	0	1	0	0
Gold's Gym	4	4	5	1	2	1	0	0
Levi's	4	4	N/A	4	0	0	0	0
Pier 1	4	4	N/A	2	0	1	0	1
Red Lobster	4	4	N/A	1	1	1	1	0
Thomas Pink	4	4	N/A	4	0	0	0	0
Willams Sonoma	4	4	4	4	0	0	0	0
Anthropologie	4	3	N/A	4	0	0	0	0
JCPenney	4	3	N/A	1	0	1	1	1
Oakley	4	3	N/A	2	0	1	0	1
White House | Black Market	4	3	N/A	2	2	0	0	0
Century 21	3	N/A	N/A	1	1	1	0	0
7 For All Mankind	3	N/A	N/A	3	0	0	0	0
Capital Grill	3	N/A	N/A	3	0	0	0	0
Kohl's	3	N/A	N/A	0	1	1	0	1
Paul Smith	3	N/A	N/A	2	1	0	0	0
Tiffany's	3	N/A	N/A	3	0	0	0	0
Trader Joe's	3	N/A	N/A	3	0	0	0	0
Traffic Shoes	3	N/A	N/A	0	1	1	0	1
West Elm	3	N/A	N/A	2	1	0	0	0
Burlington Coat Factory	3	5	N/A	1	1	0	0	1
Filene's Basement	3	4	N/A	2	0	1	0	0
The Door Store	3	4	N/A	3	0	0	0	0
Tourneau	3	4	N/A	3	0	0	0	0
Arden B.	3	3	N/A	3	0	0	0	0
Cache	3	3	N/A	2	0	0	0	1

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Retail Chain	NYC Total 2010	NYC Total 2009	NYC Total 2008	Boroughs 2010 Manhattan	Brooklyn	Queens	Bronx	Staten Island
David Barton Gym	3	3	N/A	3	0	0	0	0
Gordon's Jewelers	3	3	N/A	0	1	1	0	1
Guitar Center	3	3	N/A	1	1	1	0	0
Juicy Couture	3	3	N/A	3	0	0	0	0
La Perla	3	3	N/A	3	0	0	0	0
Lacoste	3	3	N/A	3	0	0	0	0
Le Château	3	3	N/A	2	0	0	0	1
Naturalizer	3	3	N/A	1	1	0	0	1
Olive Garden	3	3	3	2	1	0	0	0
Pottery Barn	3	3	4	3	0	0	0	0
Sam Ash Music Stores	3	3	N/A	3	0	0	0	0
Square One	3	3	N/A	1	1	1	0	0
Talbots	3	3	3	3	0	0	0	0
Underground Station	3	3	N/A	0	1	1	0	1
Billabong	3	2	N/A	3	0	0	0	0
Bare Escentuals	3	1	N/A	3	0	0	0	0
Burritoville	3	0	11	3	0	0	0	0
Arby's	2	N/A	N/A	0	0	2	0	0
Bose	2	N/A	N/A	2	0	0	0	0
Lego	2	N/A	N/A	1	0	1	0	0
Rockport	2	N/A	N/A	0	0	1	0	1
Submarina CA Subs	2	N/A	N/A	1	0	1	0	0
Sur La Table	2	N/A	N/A	2	0	0	0	0
Hollywood Video	2	5	6	0	0	1	1	0
Epic	2	3	N/A	0	1	1	0	0
Puma	2	3	N/A	2	0	0	0	0
Abercrombie & Fitch	2	2	2	2	0	0	0	0
Arthur Treacher's	2	2	N/A	1	1	0	0	0
Bloomingdale's	2	2	N/A	2	0	0	0	0
Build-A-Bear Workshop	2	2	N/A	1	0	0	0	1
Chevy's Fresh Mex	2	2	N/A	2	0	0	0	0
Crate and Barrel	2	2	2	2	0	0	0	0
Disney Store	2	2	N/A	0	0	1	0	1
DKNY	2	2	N/A	2	0	0	0	0
Frederick's of Hollywood	2	2	N/A	0	1	0	0	1
French Connection	2	2	N/A	2	0	0	0	0
Gloria Jean's Coffees	2	2	N/A	0	0	1	0	1
Gucci	2	2	N/A	2	0	0	0	0
Helzberg's Diamonds	2	2	N/A	0	0	1	0	1
Hollister	2	2	N/A	1	0	0	0	1
Hot Topic	2	2	N/A	0	0	1	0	1
Johnston & Murphy	2	2	N/A	2	0	0	0	0
Jos. A. Bank	2	2	N/A	1	0	1	0	0
Montblanc	2	2	N/A	2	0	0	0	0
Morton's Steakhouse	2	2	N/A	1	1	0	0	0
Sarku	2	2	N/A	0	0	1	0	1
Spencer Gifts	2	2	N/A	0	0	1	0	1
Stuart Weitzman	2	2	N/A	2	0	0	0	0
The Container Store	2	2	N/A	2	0	0	0	0
Yankee Candle	2	2	N/A	0	0	1	0	1

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Retail Chain	NYC Total 2010	NYC Total 2009	NYC Total 2008	Boroughs 2010 Manhattan	Boroughs 2010 Brooklyn	Boroughs 2010 Queens	Boroughs 2010 Bronx	Boroughs 2010 Staten Island
Houston's	1	N/A	N/A	1	0	0	0	0
Uniqlo	1	N/A	N/A	1	0	0	0	0
Coldwater Creek	1	3	N/A	1	0	0	0	0
Ecko Unltd.	1	2	N/A	0	0	0	0	1
J. Jill	1	2	N/A	0	0	0	0	1
Delia's	1	1	N/A	0	0	0	0	1
Hard Rock Café	1	1	N/A	1	0	0	0	0
Master Wok	1	1	N/A	0	1	0	0	0
OfficeMax	1	1	2	0	1	0	0	0
The Athlete's Foot	1	1	6	0	1	0	0	0
Bandolino	0	3	N/A	0	0	0	0	0
Circuit City	0	0	11	0	0	0	0	0
K.B. Toys	0	0	5	0	0	0	0	0
Levitz	0	0	9	0	0	0	0	0

Top 30 zip codes in NYC for number of national retailers

Rank	Area	Zip Code	2010	2009	% change
1	New Springville	10314	188	188	0.00%
2	Garment district/Koreatown	10001	175	160	9.38%
3	East Village	10003	166	151	9.93%
5	Midtown West	10019	156	148	5.41%
4	Midtown East	10022	156	137	13.87%
6	Midtown East	10017	147	138	6.52%
7	Flatlands	11234	146	132	10.61%
8	Chelsea	10011	139	120	15.83%
9	Midtown West	10036	139	112	24.11%
10	Corona/Elmhurst	11373	135	138	-2.17%
11	Brooklyn Heights	11201	126	124	1.61%
12	Greenwich Village/SoHo	10012	121	94	28.72%
13	Murray Hill	10016	101	91	10.99%
14	Upper East Side	10021	93	85	9.41%
15	Upper West Side	10023	92	79	16.46%
16	Gramercy Park	10010	88	87	1.15%
18	Midtown West	10018	86	81	6.17%
17	Lower Manhattan/Financial District	10038	86	80	7.50%
19	Upper West Side/Morningside Heights	10025	80	68	17.65%
20	Ridgewood	11385	79	78	1.28%
21	Forest Hills	11375	78	78	0.00%
22	Upper East Side	10028	74	72	2.78%
24	Bay Ridge	11209	74	70	5.71%
25	Central Harlem/Morningside Heights	10027	73	60	21.67%
23	Parkchester	10462	72	68	5.88%
26	Upper West Side	10024	67	63	6.35%
27	East Flatbush - Flatbush	11226	67	66	1.52%
29	High Bridge - Morrisania	10451	63	45	40.00%
28	Jamaica	11432	63	62	1.61%
30	Astoria	11103	60	55	9.09%

Bottom 30 zip codes in NYC for number of national retailers

Rank	Area	Zip Code	Number of Outlets
1	Navy Yard	11251	0
2	Breezy Point	11697	0
3	Midtown	10103	1
4	Midtown	10104	1
5	Midtown	10105	1
6	Midtown	10111	1
7	Harlem	10116	1
8	Garment district/Koreatown	10123	1
9	Midtown	10165	1
10	Midtown	10166	1
11	Midtown	10168	1
12	Midtown	10173	1
13	Midtown	10175	1
14	Midtown	10176	1
15	Financial District	10271	1
16	Financial District	10279	1
17	Financial District	10285	1
18	Financial District	10286	1
19	Pelham Bay Park/City Island	10464	1
20	Fort Hamilton	11252	1
21	Kew Gardens	11424	1
22	Jamaica	11425	1
23	Jamaica	11431	1
24	Jamaica	11439	1
25	Far Rockaway/Arverne	11692	1
26	Midtown	10110	2
27	Garment district/Koreatown	10120	2
28	Garment district/Koreatown	10121	2
29	Midtown	10153	2
30	Midtown	10169	2

Manhattan

Top 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Garment district/Koreatown	10001	175
2	East Village	10003	166
3	Midtown West	10019	156
4	Midtown East	10022	156
5	Midtown East	10017	147
6	Chelsea	10011	139
7	Midtown West	10036	139
8	Greenwich Village/SoHo	10012	121
9	Murray Hill	10016	101
10	Upper East Side	10021	93

Bottom 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Midtown	10103	1
2	Midtown	10104	1
3	Midtown	10105	1
4	Midtown	10111	1
5	Harlem	10116	1
6	Garment district/Koreatown	10123	1
7	Midtown	10165	1
8	Midtown	10166	1
9	Midtown	10168	1
10	Midtown	10173	1

Brooklyn

Top 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Flatlands	11234	146
2	Brooklyn Heights	11201	126
3	Bay Ridge	11209	74
4	East Flatbush - Flatbush	11226	67
5	Park Slope	11217	59
6	Bensonhurst	11214	55
7	Canarsie	11236	51
8	Sheepshead Bay	11229	48
9	Sheepshead Bay	11235	44
10	Bronwsville	11212	41

Bottom 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Navy Yard	11251	0
2	Fort Hamilton	11252	1
3	Greenpoint	11202	2
4	Downtown Brooklyn	11241	3
5	Red Hook	11231	9
6	Dyker Heights	11228	10
7	Adelphi	11238	11
8	Clinton Hill	11205	13
9	Bedford Stuyvesant - Crown Heights	11233	13
10	Kensington	11218	16

Queens

Top 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Corona/Elmhurst	11373	135
2	Ridgewood	11385	79
3	Forest Hills	11375	78
4	Jamaica	11432	63
5	Astoria	11103	60
6	Jackson Heights	11372	56
7	Flushing	11354	54
8	JFK Airport	11430	43
9	Bayside	11361	41
10	Rego Park	11374	40

Bottom 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Breezy Point	11697	0
2	Kew Gardens	11424	1
3	Jamaica	11425	1
4	Jamaica	11431	1
5	Jamaica	11439	1
6	Far Rockaway/Arverne	11692	1
7	Little Neck/Douglaston	11363	5
8	Cambria Heights	11411	5
9	Kew Gardens/Richmond Hill	11418	5
10	Far Rockaway/Broad Channel	11693	5

Bronx

Top 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Parkchester	10462	72
2	High Bridge - Morrisania	10451	63
3	Fordham - Bronx Park	10458	57
4	Baychester/Co-op city	10475	54
5	Williamsbridge	10467	52
6	Westchester	10461	47
7	Kingsbridge	10463	43
8	Hunts Point - Mott Haven	10455	41
9	Baychester	10469	37
10	Kingsbridge	10468	34

Bottom 10 zip codes for national chain stores

Rank	Area	Zip Code	Number of Outlets
1	Pelham Bay Park/City Island	10464	1
2	Hunts Point	10474	3
3	Riverdale	10471	5
4	Woodlawn	10470	7
5	Mott Haven	10454	8
6	High Bridge - Morrisania	10456	9
7	Pelham - Throgs Neck	10465	14
8	High Bridge - Morrisania	10452	21
9	West Farms	10460	21
10	Morris Heights	10453	23

Staten Island

All 13 zip codes with number of chain stores

Rank	Area	Zip Code	Number of Outlets
1	New Springville	10314	188
2	Oakwood/New Dorp	10306	56
3	Port Richmond	10302	26
4	Pleasant Plains/Princess Bay	10309	23
5	Mariners Harbor	10303	21
6	Eltingville	10312	21
7	South Beach, Linden-Park, Rosebank	10305	20
8	Tompkinsville/New Brighton/Saint George	10301	15
9	West New Brighton	10310	10
10	Great Kills	10308	9
11	Stapleton/Emerson Hill	10304	6
12	Tottenville	10307	4
13	New Springville	10313	2

Number of National Retail Outlets by Zip Code

Area	Zip Code	Number of Outlets
Manhattan		
Garment district/Koreatown	10001	175
East Village	10003	166
Midtown West	10019	156
Midtown East	10022	156
Midtown East	10017	147
Chelsea	10011	139
Midtown West	10036	139
Greenwich Village/SoHo	10012	121
Murray Hill	10016	101
Upper East Side	10021	93
Upper West Side	10023	92
Gramercy Park	10010	88
Midtown West	10018	86
Lower Manhattan/Financial District	10038	86
Upper West Side/Morningside Heights	10025	80
Upper East Side	10028	74
Central Harlem/Morningside Heights	10027	73
Upper West Side	10024	67
West Village	10014	55
Lower Manhattan/TriBeCa	10007	51
TriBeCa/Chinatown	10013	48
Spanish Harlem/East Harlem	10029	46
East Harlem	10035	38
Midtown	10020	37
Upper East Side	10128	37
Washington Heights	10033	35
Financial District/Battery Park City	10004	33
Chinatown/Lower East Side	10002	32
Washington Heights	10031	32
Upper East Side	10065	28
Financial District	10005	27
East Village/Alphabet City	10009	20
Washington Heights	10032	20
Central Harlem/Morningside Heights	10026	16
Fort George/Inwood	10040	15
Garment district/Koreatown	10119	15
Inwood	10034	14
Upper East Side	10075	12
Central Harlem/Morningside Heights	10030	10
Upper Harlem	10039	10
Financial District	10006	9
Midtown	10112	9
Harlem	10037	6
Financial District	10281	6
Garment district/Koreatown	10118	4
Financial District	10282	4

Continued on next page

Area	Zip Code	Number of Outlets
Roosevelt Island	10044	3
Midtown	10167	3
Midtown	10110	2
Garment district/Koreatown	10120	2
Garment district/Koreatown	10121	2
Midtown	10153	2
Midtown	10169	2
Midtown	10170	2
Midtown	10174	2
Midtown	10103	1
Midtown	10104	1
Midtown	10105	1
Midtown	10111	1
Harlem	10116	1
Garment district/Koreatown	10123	1
Midtown	10165	1
Midtown	10166	1
Midtown	10168	1
Midtown	10173	1
Midtown	10175	1
Midtown	10176	1
Financial District	10271	1
Financial District	10279	1
Financial District	10285	1
Financial District	10286	1

Brooklyn

Flatlands	11234	146
Brooklyn Heights	11201	126
Bay Ridge	11209	74
East Flatbush - Flatbush	11226	67
Park Slope	11217	59
Bensonhurst	11214	55
Canarsie	11236	51
Sheepshead Bay	11229	48
Sheepshead Bay	11235	44
Bronwsville	11212	41
Park Slope	11215	41
East New York	11207	38
Bay Ridge	11220	35
Flatbush/East Flatbush	11210	32
Bedford Stuyvesant - Crown Heights	11216	32
Gravesend	11223	32
Williamsburg/Bushwick	11206	29
Flatbush/East Flatbush	11203	28
Borough Park	11204	26
East New York	11208	25
Greenpoint	11222	24
Coney Island/Sheepshead Bay	11224	24

Continued on next page

Area	Zip Code	Number of Outlets
Williamsburg	11211	22
Prospect Lefferts Gardens	11225	22
Midwood	11230	21
Bushwick	11237	20
Bushwick	11221	19
Sunset Park	11232	18
Bedford Stuyvesant - Crown Heights	11213	17
Borough Park	11219	17
Canarsie	11239	17
Kensington	11218	16
Clinton Hill	11205	13
Bedford Stuyvesant - Crown Heights	11233	13
Adelphi	11238	11
Dyker Heights	11228	10
Red Hook	11231	9
Downtown Brooklyn	11241	3
Greenpoint	11202	2
Fort Hamilton	11252	1
Navy Yard	11251	0
Queens		
Corona/Elmhurst	11373	135
Ridgewood	11385	79
Forest Hills	11375	78
Jamaica	11432	63
Astoria	11103	60
Jackson Heights	11372	56
Flushing	11354	54
JFK Airport	11430	43
Bayside	11361	41
Rego Park	11374	40
Corona	11368	39
Long Island City	11101	34
Woodside	11377	34
Bayside	11360	32
Long Island City - Astoria	11106	30
Flushing	11356	30
LaGuardia Airport	11371	29
Jamaica	11435	28
Middle Village	11379	27
Fresh Meadows	11365	26
Astoria	11105	25
South Richmond Hill	11419	25
Rochdale Village/Jamaica	11434	25
Sunnyside	11104	24
Flushing	11358	24
Howard Beach	11414	23
Ozone Park	11417	22
Woodhaven	11421	22

Continued on next page

Area	Zip Code	Number of Outlets
Flushing	11357	20
Fresh Meadows	11366	18
Astoria	11102	17
East Elmhurst	11369	17
Maspeth	11378	17
Ozone Park	11416	16
Little Neck	11362	15
Springfield Gardens	11413	15
Hollis	11423	14
Oakland Gardens	11364	12
Fresh Meadows	11367	12
Rosedale	11422	12
Flushing	11355	11
Queens Village	11427	11
Far Rockaway	11691	11
Queens Village	11429	10
Jamaica	11433	10
Kew Gardens	11415	9
Bellerose	11426	9
North Floral Park	11004	8
East Elmhurst	11370	8
South Ozone Park	11420	8
St. Albans	11412	7
Queens Village	11428	7
Jamaica	11436	6
Rockaway Park	11694	6
Little Neck/Douglaston	11363	5
Cambria Heights	11411	5
Kew Gardens/Richmond Hill	11418	5
Far Rockaway/Broad Channel	11693	5
Kew Gardens	11424	1
Jamaica	11425	1
Jamaica	11431	1
Jamaica	11439	1
Far Rockaway/Arverne	11692	1
Breezy Point	11697	0
Bronx		
Parkchester	10462	72
High Bridge - Morrisania	10451	63
Fordham - Bronx Park	10458	57
Baychester/Co-op city	10475	54
Williamsbridge	10467	52
Westchester	10461	47
Kingsbridge	10463	43
Hunts Point - Mott Haven	10455	41
Baychester	10469	37
Kingsbridge	10468	34
Wakefield	10466	29

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Area	Zip Code	Number of Outlets
Soundview/Unionport	10473	28
Hunts Point - Mott Haven	10459	27
Soundview/Unionport	10472	25
Morris Heights	10453	23
Tremont	10457	23
High Bridge - Morrisania	10452	21
West Farms	10460	21
Pelham - Throgs Neck	10465	14
High Bridge - Morrisania	10456	9
Mott Haven	10454	8
Woodlawn	10470	7
Riverdale	10471	5
Hunts Point	10474	3
Pelham Bay Park/City Island	10464	1
Staten Island		
New Springville	10314	188
Oakwood/New Dorp	10306	56
Port Richmond	10302	26
Pleasant Plains/Princess Bay	10309	23
Mariners Harbor	10303	21
Eltingville	10312	21
South Beach, Linden-Park, Rosebank	10305	20
Tompkinsville/New Brighton/Saint George	10301	15
West New Brighton	10310	10
Great Kills	10308	9
Stapleton/Emerson Hill	10304	6
Tottenville	10307	4
New Springville	10313	2

Methodology:
The data in this report was gathered in August and September 2010. The number of stores for each retailer was gathered using that company's online store locator. We included any national retailer with two or more stores located in New York City. National chains with less than two stores in the city were only counted if they were included in the 2008 listing. We included New York City-based chains if they also have stores located outside of the city limits. If a store happens to have multiple locations inside the same large structure, such as airports or malls, each store was counted individually.

This report was researched and written by Tanya Fonseca with Ilana Novick, Nancy Liu, Jonathan Bowles and David Giles; designed by Ahmad Dowla.

New York by the Numbers

Economic snapshots of the five boroughs

Center for an Urban Future

www.nycfuture.org

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Volume 1 • Issue 1

The Center for an Urban Future is New York City's home for independent research and innovative thinking about key issues affecting the five boroughs.

In this Issue:

Attack of the Chains? A borough-by-borough analysis of New York City's largest retailers

Even after Starbucks makes good on its recently announced plan to close 11 of its New York City stores by mid-2009, the Seattle-based coffee chain will still have a whopping 235 retail outlets throughout the five boroughs. As difficult as it may be to fathom, however, Starbucks doesn't top the list of retailers with the most chains in the city. As we detail in this inaugural issue of *New York by the Numbers*, the Center for an Urban Future's monthly economic snapshot of the five boroughs, Starbucks actually has roughly 100 fewer stores here than both Dunkin' Donuts and Subway.

These food chains are hardly the only retailers with a significant presence in the city. According to our research, at least 32 retailers have 50 or more stores throughout the city, a list that includes everything from CVS and GNC to GameStop and Payless. Dozens of other companies have more than 10 outlets here.

The charts below details the number of stores in the city—broken down by borough—for more than 150 major retailers operating here. The vast majority of those on our list are national retailers that are headquartered elsewhere, but we also decided to include several home-grown companies that have multiple stores here, from Nathan's to Jimmy Jazz.

New York City's Largest Retailers

Retailer	NYC	Manhattan	Brooklyn	Queens	Bronx	Staten Island
Dunkin' Donuts	341	78	89	96	49	29
Subway	335	136	57	77	44	21
McDonald's	248	72	57	67	41	11
Starbucks	235	186	18	21	4	6
Duane Reade	216	139	31	27	11	8
Baskin-Robbins	215	46	58	70	26	15
Rite Aid	209	37	57	68	42	5
Radio Shack	116	40	27	25	18	6
GNC	115	41	29	28	14	3
Payless	109	21	36	27	20	5
CVS	108	27	22	34	11	14
Sleepy's	105	34	26	24	12	9

Continued on next page

Retailer	NYC	Manhattan	Brooklyn	Queens	Bronx	Staten Island
Burger King	92	21	24	24	15	8
AT&T Wireless	85	40	21	15	7	2
Jackson Hewitt Tax Service	83	16	19	22	19	7
T-Mobile	82	31	26	14	10	1
Domino's Pizza	74	21	20	15	14	4
Golden Krust	72	13	28	14	17	-
KFC	70	11	24	20	11	4
GameStop	69	17	16	16	14	6
Carvel	62	5	13	25	11	8
FedEx Kinko's	61	55	2	3	-	1
Staples	61	28	9	16	5	3
Petland Discounts	59	11	16	16	12	4
Foot Locker*	58	18	18	8	11	3
7-Eleven	57	4	30	12	6	5
Popeye's	57	11	19	15	11	1
New York Sports Clubs	55	40	7	6	1	1
Papa John's	55	13	16	16	8	2
Tasti D-Lite	53	46	5	2	-	-
Blimpie	50	20	7	9	13	1
Wendy's	50	12	10	14	6	8
Walgreen's	48	11	17	11	3	6
Curves	47	4	16	16	7	4
Blockbuster	46	10	10	14	7	5
Liberty Tax Service	43	3	13	13	13	1
Jimmy Jazz	42	6	19	5	12	-
Verizon Wireless	41	18	9	8	2	4
Cohen's Fashion Optical	40	25	4	7	2	2
Pizza Hut	39	13	6	14	3	3
Rent-A-Center	38	4	12	9	9	4
White Castle	36	3	11	9	11	2
Gap**	35	18	3	9	1	4
Au Bon Pain	34	20	2	11	1	-
Modell's	33	9	9	9	4	2
The Vitamin Shoppe	32	24	4	3	-	1
H&R Block***	29	13	4	6	5	1
Liberty Travel	27	10	5	7	2	3
Quizno's	27	14	4	7	1	1
V.I.M.	27	6	14	3	4	-
Sprint	25	9	6	7	2	1
Nine West	24	13	6	3	2	-
LensCrafters	22	19	2	1	-	-
Aerosoles	21	15	3	3	-	-
Chipotle	21	20	1	-	-	-
Lucille Roberts	21	5	6	6	4	-
Mandee	21	2	5	8	3	3
Sunglass Hut	21	13	1	6	-	1
The Children's Place	21	6	5	4	3	3
Banana Republic	20	16	1	2	-	1
Equinox	20	19	1	-	-	-
Hale & Hearty Soups	20	19	1	-	-	-
Home Depot	20	2	5	8	2	3
Haagen-Dazs	19	9	4	5	1	-
Nathan's	19	5	6	7	-	1

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Retailer	NYC	Manhattan	Brooklyn	Queens	Bronx	Staten Island
P.C. Richard & Son	19	4	6	6	2	1
Papyrus	19	17	1	1	-	-
Taco Bell	19	1	6	5	6	1
Bolton's	18	16	-	1	1	-
Famiglia	18	13	1	3	1	-
Jamba Juice	18	18	-	-	-	-
Ricky's	18	17	1	-	-	-
Sbarro	18	9	1	6	2	-
Strawberry	18	13	1	4	-	-
Bally Total Fitness	17	5	4	4	3	1
Le Pain Quotidien	17	17	-	-	-	-
The Body Shop	17	13	1	2	-	1
1-800-Mattress	16	4	2	8	-	2
Aldo	16	11	1	3	-	1
American Apparel	16	12	4	-	-	-
Applebee's	16	5	3	3	1	4
Barnes and Noble	16	9	2	3	1	1
Cosi	16	15	-	1	-	-
Godiva	16	14	1	1	-	-
New York & Company	16	3	4	6	1	2
Old Navy	16	5	4	4	2	1
Supercuts	16	10	2	3	-	1
Victoria's Secret	16	9	3	3	-	1
Boston Market	15	2	1	8	1	3
Cold Stone Creamery	15	5	3	5	-	2
Dr. Jay's	15	4	4	2	5	-
Pret A Manger	15	15	-	-	-	-
Sephora	15	12	-	2	-	1
Zales	15	6	3	3	2	1
Pax Wholesome Foods	14	14	-	-	-	-
Toys "R" Us****	14	2	4	5	1	2
Dress Barn	13	3	1	5	3	1
Hollywood Tans	13	5	5	-	-	3
Lane Bryant	13	2	5	3	2	1
Lids	13	5	2	4	1	1
L'Occitane	13	12	-	1	-	-
Ann Taylor	12	10	-	1	-	-
Bath & Body Works	12	5	2	4	-	1
Ben & Jerry's	12	6	1	2	2	1
Claire's Accessories	12	3	3	5	-	1
Coach	12	10	-	1	-	1
Crunch	12	10	2	-	-	-
Express	12	7	1	3	-	1
H&M	12	9	1	1	-	1
Meineke	12	1	5	3	1	2
Motherhood Maternity	12	2	5	3	1	1
Party City	12	1	3	3	2	3
Pinkberry	12	11	-	1	-	-
T.G.I. Friday's	12	8	2	1	-	1
Burritoville	11	11	-	-	-	-
Circuit City	11	5	3	2	-	1

Continued on next page

Retailer	NYC	Manhattan	Brooklyn	Queens	Bronx	Staten Island
Marshall's	11	1	3	4	2	1
Perfumania	11	4	1	4	1	1
Benetton	10	6	2	2	-	-
IHOP	10	1	2	3	3	1
Mail Boxes, Etc.	10	9	-	1	-	-
Men's Wearhouse	10	4	1	2	1	2
Pearle Vision	10	1	3	5	-	1
AAMCO Transmissions	9	1	3	3	1	1
Bed Bath & Beyond	9	4	1	2	-	2
Best Buy	9	5	1	2	-	1
Daffy's	9	7	1	1	-	-
f.y.e.	9	-	1	3	4	1
Levitz	9	2	2	2	2	1
Mrs. Fields	9	5	1	2	-	1
Uno Chicago Grill	9	4	1	3	1	-
Club Monaco	8	7	-	1	-	-
Dallas BBQ	7	6	1	-	-	-
Easy Pickins'	7	-	-	1	6	-
Kmart	7	2	-	1	2	2
Lucky Brand Jeans	7	5	1	1	-	-
Macy's	7	1	2	2	1	1
Pep Boys	7	-	1	4	1	1
Target	7	-	3	2	1	1
Borders	6	5	-	1	-	-
Crabtree & Evelyn	6	4	-	1	-	1
Easy Spirit	6	4	1	1	-	-
Eileen Fisher	6	6	-	-	-	-
Forever 21	6	3	1	1	-	1
Hollywood Video	6	-	2	2	2	-
J. Crew	6	6	-	-	-	-
Kenneth Cole	6	6	-	-	-	-
Outback Steakhouse	6	2	1	2	-	1
The Athlete's Foot	6	-	1	2	3	-
Chuck E. Cheese	5	1	1	1	1	1
Gold's Gym	5	2	2	1	-	-
K.B. Toys	5	1	1	2	-	1
Kay Jewelers	5	1	2	1	-	1
Michael's Stores	5	-	-	3	-	2
Whole Foods	5	5	-	-	-	-
DSW	4	2	1	1	-	-
Gymboree	4	3	-	-	-	1
Panera Bread	4	-	-	1	1	2
Pottery Barn	4	4	-	-	-	-
Williams-Sonoma	4	4	-	-	-	-
BJ's Wholesale Club	3	-	1	2	-	-
Costco	3	-	1	1	-	1
Olive Garden	3	2	1	-	-	-
Talbots	3	3	-	-	-	-
Abercrombie & Fitch	2	2	-	-	-	-
Crate and Barrel	2	2	-	-	-	-

*Includes Lady Foot Locker, **Includes GapKids and BabyGap, ***Only includes offices open year round, ****Includes Babies "R" Us

All of the information in this chart was gathered by the Center for an Urban Future by speaking with company representatives or using each firm's online store locator. Research compiled by Morgan Schofield, Qianqi Shen and Jonathan Bowles.

The Institute for Retail Studies

UNIVERSITY OF STIRLING

The Retail Planning Knowledge Base
Briefing Paper 14

Retail Diversity

Anne Findlay and Leigh Sparks

Institute for Retail Studies
Stirling Management School
University of Stirling
STIRLING FK9 4LA, SCOTLAND
Tel: (01786) 467384
Fax: (01786) 465290
E-mail: Leigh.Sparks@stir.ac.uk
a.m.findlay@stir.ac.uk
Website www.irs.stir.ac.uk

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Retail Diversity

On 29th December 2009the new Planning Policy Statement 4: Planning for Sustainable Economic Growth was published. The policy was announced by John Healey and Rosie Winterton on a visit to a market in Doncaster. Amongst the key policies noted in the ministerial statement was the promotion of consumer choice and retail diversity.

Retail diversity is regarded as a desirable characteristic of town centres and a necessary counter trend to the ubiquitous presence of national multiples across the UK. Whilst most commentators are agreed that traditional markets might epitomise retail diversity, defining retail diversity or incorporating it as a useful concept in policy terms remains problematic. Markets offer a range of goods, goods with different provenances, stallholders with different personalities and backgrounds from farmers to craftsmen, appeal to nostalgia, offer a different economic proposition from other retail formats and add colour and vibrance to a town centre environment thus offering consumers a different kind of shopping experience. However which of these characteristics contributes most in a meaningful way to enhance diversity remains more difficult to pinpoint. Markets of course are clearly not the only form that retail diversity can take.

From the literature there is an underlying feeling that retail diversity is desirable and may benefit town centre vitality and viability. Diversity may however be in the eye of the beholder and is mostly not conceived in absolute terms. It is most commonly the result of ad hoc development and serendipity, a coming together of old and new over time, rather than policy or planning. The Communities and Local Government Department recently commissioned work on retail diversity.

The Association of Convenience Stores has published a report on retail diversity (www.acs.org.uk) It traces how the term has been used in the planning literature and attempts to suggest both the scope of retail diversity as a concept and the range of planning and other policies required to deliver meaningful diversity.

Despite the ministers' headline statement the term retail diversity does not actually occur in Planning Policy Statement 4: Planning for Sustainable Economic Growth, only being used in the Impact Assessment statement.

Key Quotes:

'Appropriate Retail Diversity

Ensuring an appropriate retail mix, both in diversity of store and choice of retailer, is essential. Each High Street and community needs its own mix. Larger city centre locations will be best placed to provide a range of competing retailers. Smaller locations may elect to attract shoppers through a more concentrated but diverse offer.' (BRC, 2009)

London First Retail Commission, 2009

Key Findings

- Definitions of retail diversity are very varied. Implied definitions relate to size of business, type of ownership, format, price, quality of service, range and type of goods and operator. However there are other considerations such as organisational and operational management, localisation, embeddedness and scale and type variation.

- Simple or single factor definitions are flawed. Narrow definitions will not deliver greater retail diversity. Difference can take many forms.

- Increasingly the terms diversity and choice are grouped together although they are not the same.

- What creates difference and diversity in one place would not do so in another. Retail diversity is situationally bounded.

- Best practice cases which cite retail diversity as a goal are primarily focused on wider aspects of town centres both in terms of variety of uses and in creating town centre environments which accommodate a variety of retail types.

- Consumers may demand more retail diversity but shopping patterns may not reflect intentions. What consumers value in diversity may differ from the nostalgia of small quaint independent shops sometimes equated with diversity. New forms of diversity are critical.

- US literatures define retail diversity in terms of economic integration into the local economy.

- Not all retail diversity contributes to town centre well being.

- The scope for retail planning to achieve retail diversity is limited as other aspects of retail structure and retail restructuring as well as business costs are important. BIDs may provide a more meaningful way to create diversity within town centres.

Challenges

If retail diversity is to be desired in our town centres and high streets then retailers will need to be innovative in thinking about how to provide the types of diversity which will meet modern retail demands in new and different ways adding that sense of the unique and difference. The challenge for planners is to ensure suitable places are made available and that there is a match between the places and the types of retail offer and mix. Both business and community-led approaches will both be important.

Websites

Association of Convenience Stores: www.acs.org.uk

British Retail Consortium: www.brc.org.uk

Community and Local Government: www.communities.gov.uk

London First Retail Commission: www.london-first.co.uk

Contacts

Anne Findlay: a.m.findlay@stir.ac.uk

Leigh Sparks Leigh.Sparks@stir.ac.uk

Cliff Guy: Cuy@Cardiff.ac.uk

Peter Jackson: P.A.Jackson@Sheffield.ac.uk

References

The following is a list of references which touch on aspects of retail diversity although retail diversity as a concept is not necessarily used.

Bennison, D., Warnaby, G. and Medway, D.
The role of quarters in large city centres: a Mancunian case,
International Journal of Retail and Distribution Management, 35(8), 2007, 626-638.

This study draws on interviews with urban managers and residents in Manchester's Northern Quarter. The paper suggests that real quarters are organic and are not best managed from the top down. Material from the interviews suggests that those involved in the Northern Quarter wish to pick and choose between retailers and to maintain the non-multiple specialist nature of retailing in the area. BIDs would be antithetical as a method of maintaining the nature of the quarter. The serial replication of artificial quarters will not assist in the differentiation which leads to competitive places.

British Retail Consortium
21st Century high streets: A new vision for our town centres.
London: British Retail Consortium, 2009, 29p.

An introductory section places outlines briefly the problems facing UK high streets. Priorities for action are then outlined and discussed in some detail. These are; A Unique Sense of Place. An Attractive Public Realm, Planning for Success, Accessibility, Safety and Security, Supportive Regulatory and Fiscal Regimes. Case studies are used to show good practice examples. Diversity of the retail offer is seen as contributing to the unique sense of place.

Civic Economics
The San Francisco retail diversity study.
Chicago: Civic Economics, 2007, 27p.

This study investigates the way that local businesses are embedded in the local economy measuring the returns they bring to that local economy. It is suggested that the benefits of locally based business have not been adequately recognised.

Clarke, I., Hallsworth, A., Jackson, P., de Kervenoael,R., Perez del Aguila, R. and Kirkup, M.
Retail restructuring and consumer choice. 1. Long term changes in consumer behaviour: Portsmouth 1980-2002,
Environment and Planning A, 38(1), 2006, 25-46.

This article presents the quantitative results of a three year project to study retail change in Portsmouth. The way that retail restructuring has impacted on consumer choices and satisfaction with shopping provision are studied. The match between provision and lifestyle changes is assessed with conclusions relating to the complexity which exists in the conceptualisation of what choice means in the context of different household types. The concept of choice is viewed as the degree to which competitiveness exists at the local level.

Communities and Local Government
Planning policy statement 4: Planning for sustainable economic growth.
London: TSO, 2009, 33p.

The 2009 planning policy statement was published following the draft publication and the consultation phase. The finalised policy statement offers guidance on town centre development as well as retail development in market towns and rural areas. It includes guidance for the development plan making stage and for the assessment of proposals which do not conform to a plan's guidelines. The sequential test remains key to the policy with the aim of strengthening the town centre first focus for development.

Communities and Local Government
PPS4 Impact Assessment
London: Department for Communities and Local Government, 2009, 52p.

The impact assessment document is published separately from the policy statement although the two were published together in the draft form. The impact assessment document provides details of how impacts should be measure in order to make decisions about development applications which do not conform to the local development plan. It replaces the previous need test.

Competition Commission
Market definition
London: Competition Commission, 2007, 30p. (Groceries Inquiry Working Paper)

This paper provides the background material to the way that the Competition Commission understands the groceries market in terms of competition issues such as store size, market share, fascia, catchment and format. It defines concepts such as choice and range of stores.

Competition Commission
Groceries market investigation: remittal of the Competition test by the Competition Appeal tribunal. Decision.
London: Competition Commission, 2009.

A reassessment and wording of the proposed Competition Test. It outlines the background to the test and a cost benefit analysis of the test with examples from representative areas.

Conservative Party Commission into Small Shops in the High Street
A strategy for community hubs,
London: Conservative Parliamentary Enterprise Group, 2008, 30p.

This is a response to the findings of an investigation into why smaller retailers were being driven out of the high street. The report urges councils to readdress parking issues making town centres more accessible. It also urges a review of rates and rents arrangements so that smaller businesses could claim relief. The concept of a community hub enterprise area is proposed. These could take a number of different forms in terms of participation and partnership but would aim to incentivise local communities and businesses.

Everts, J. and Jackson, P.
Modernisation and the practices of contemporary food shopping,
Environment and Planning D, 27(5), 2009, 917-935.

A study of how place specific shopping practices emerge. A distinction is made between choices and the social accomplishment of shopping. Differences are shown to be more than traditional and modern involving for example trust relationships of different sorts. In thinking about retail diversity the paper highlights the fact that diversity involves unseen aspects of the shopping process and also that the term choice can be misleading.

Findlay, A. and sparks, L.
Retail diversity.
Farnborough: Association of Convenience Stores, 2010, 42p. Available online at: www.acs.org.uk

A review of how the term diversity has moved from referring to town centre diversity to retail diversity and how it has been handled in planning policy. The demands for retail diversity and the possibilities for retail diversity are discussed. The degree to which planning can deliver retail diversity are discussed and other factors involved are suggested.

Findlay, A. and Sparks, L.
Literature review: policies adopted to support a healthy retail sector and retail led regeneration and the impact of retail on the regeneration of town centres and local high streets,
Edinburgh: Scottish Government, 2009, 47p.

This report had three aims: identify what a healthy/vibrant town centre/local high street looks like; identify, in the UK, what policies/approaches have been implemented to: (a) Support a healthy retail sector in local high streets and town centres, and (b) Undertake retail led regeneration; explore what impact retail has had on the regeneration (in its widest sense – social, economic and physical) of town centres and local high streets, and how this has impacted on the wider community.

Grimley Eve
Planning for town centres: Good practice guide on need, impact and the sequential approach. Living draft.
London: Grimley Eve, 2009, 114p.

This document is out for consultation. It offers detailed guidelines on how to put retail planning policy into practice.

Guy, C.
Planning for retail development: A critical view of the British experience,
London: Routledge, 2007, 292p. 0415354536

This volume updates Cliff Guy's 1994 volume on the same subject. As such it covers the last decade of retail planning policy in the UK which has been a substantial departure from the previous decade. It includes discussion of diversity in town centres. Chapter 6 focuses on issues relating to innovation, productivity, competition and retail planning.

Guy, C.
'one massive Tesco',
Town and Country Planning, 78(10), 2009, 404-406

A discussion of what retail diversity and consumer choice are and what planning tools are there to deliver them. Retail diversity is interpreted as referring to small independent retailers and policies which are appropriate are those restricting large scale development.

Hart, A.
A neighbourhood renewal project in Dalston, Hackney: Towards a new form of partnership for inner city regeneration,
Journal of Retail and Leisure Property, 3, 2003, 237-245.

This paper draws on the urban theorists Jacobs and Florida to suggest that community-led regeneration will create the diversity of places that will foster the type of spontaneity and even quirkiness in which independent retailers can find a place. Whilst national retailers will occupy planned spaces independent retailers will need spaces which more closely reflect their identity and community links. Public policy needs to offer the flexibility to permit this type of development.

London First Retail Commission
Reinvigorating the high street: encouraging retail diversity and supporting town centres in London.
London: London First, 2009.

Despite the title the focus of this report is not on types of retailers but rather on the health and mix of town centre functions. It takes ideas from BRC's 21st Century High Streets and considers them in the context of London. The report draws on case studies and the outcomes of seminars and interviews. It has a practical orientation. There is a list of key recommendations which mainly relate to making the town environment more vibrant and attractive. It is organised under the headings: Understand centres, Manage centres, Plan for long term health and Market centres.

New York Retail…. Serving the Public!

A legislative report on supporting and facilitating the preservation and revitalization of retail in urban neighborhoods.

New York State Senate
Committee on Cities

March 2010

New York Retail…. Serving the Public!

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New York State Senate Committee on Cities

Senator Shirley L. Huntley, Chairwoman 2010
Senator Daniel Squadron, Chairman 2009

Senator Suzi Oppenheimer
Senator Bill Perkins

Senator Frank Padavan, Ranking Member
Senator Andrew Lanza

Kevin M. Webb, Committee Director

March 2010

THE SENATE
STATE OF NEW YORK

March 2010

This report is the result of a hearing the Committee conducted on September 18, 2009 on retail diversity and neighborhood health. It analyzes several of the major problems local retail merchants face, such as adverse tax policy and high commercial rent. Furthermore, it explores the problems and benefits associated with “big box” retailers in New York communities and the effects they have on local retailers.

The Committee seeks to better coordinate several of the State’s existing programs that have helped local businesses. We are also considering other cities’ successful economic policies, seeking to implement some of these successful programs in the 2010 Legislative session. This report offers several recommendations for reform, including better coordination of the state’s existing programs to help local businesses, and the implementation of other cities’ successful economic policies.

We look forward to working with our partners in local government and our colleagues in the Legislature during the next year to pass many of the report’s recommendations into law. We will continue to strive to strengthen our urban neighborhoods by building and revitalizing retail diversity in our state.

Senator Shirley L. Huntley, Chairwoman 2010
Senator Daniel Squadron, Chairman 2009
Senate Committee on Cities

I. Introduction and Overview

Legend has it that Napoleon disparagingly referred to England as "A Nation of Shopkeepers" (L'Angleterre est une nation de boutiquiers), with the goal of depicting his adversaries as unfit for war. Napoleon clearly underestimated the importance of retail to the economic strength of a nation. Those "shopkeepers" would eventually sow the seeds of his defeat in 1815 at the Battle of Waterloo. Interestingly, Napoleon's statement may not have in fact been his own; its roots appear in Adam Smith's 1776 *"The Wealth of Nations"*:

> To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.[1]

While the root of the problems associated with operating retail businesses in the cities of New York does not quite stretch back to Napoleonic times, the stress in this sector has a long history and predates the economic downturn of 2008-2009.

The Senate Committee on Cities, through ongoing research and testimony collected at a hearing conducted on September 18, 2009, is working to coordinate and facilitate the ability of New York businesses to better focus resources and take advantage of programs and policies designed to support a diverse retail base in urban areas throughout the state.

The Committee finds that the biggest challenges facing businesses in New York's urban communities are high commercial rents, lack of coordination/information between state and local government and retailers, and adverse tax policy. The Committee recommends the following changes to address these issues: (1) expansion of the commercial rent abatement program in lower Manhattan and incorporation of small local retailers into major development

[1] The Wealth of Nations, Glasgow Edition, 1976, Book IV section vii.c.

projects; (2) establishment of a single entity to develop a comprehensive urban renewal policy; (3) support for localities' efforts to include "formula restrictions" or other retail-type zoning; (4) establishment of state-based task forces to implement the best practices from around the nation; and (5) comprehensive review of the state's tax policy as it affects small businesses.

A comprehensive urban renewal policy for the 21st century will strengthen our downtowns and streetscapes, create jobs, and help protect our architectural heritage by preserving historic buildings through adaptive reuse. Retail is an essential generator of economic activity for New York State, employing nearly one million workers with an annual payroll of $26 billion. Additionally, retail generates sales taxes of twenty billion dollars per year for state and local governments.[2] Maintaining and growing this type of economic activity will not only help retailers' bottom lines in these difficult financial times, but will also positively impact state and local budgets.

II. Current Successful Programs

Both New York State and New York City have used a variety of tools to spur economic activity and retail. To understand the government's successes and failures in assisting the retail community a review of some of these programs is helpful:

1. Industrial Commercial Assistance Program (ICAP)

One of New York City's major economic development tools is the Industrial Commercial Assistance Program. It provides abatements of real property taxes for varying periods up to 25 years for eligible industrial and commercial buildings that are built, modernized, rehabilitated, expanded, or otherwise physically improved.

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[2] Ted Potrikus, Executive Vice President, Retail Council of New York State, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

As Ted Potrikus, Executive Vice President of the Retail Council of New York State, noted at the September hearing, the retail community is grateful for the renewal and retention of retail through the former ICIP (now ICAP):

> City leaders facing budgetary pressures looked to trim this investment incentive by all but barring retail projects from eligibility. We are grateful that Mayor Bloomberg and the state legislature's New York City delegation kept their doors open for many months, giving us the opportunity to state the case for retail retaining its ICIP benefits. …[T]he state legislature approved an ICIP renewal that included consideration for retail projects under limited circumstances and in certain portions of New York City most in need of retail development.[3]

2. New York State Historic Preservation Tax Credits

The state's historic preservation tax credit program can go a long way in helping historic downtowns revitalize storefronts. It also has the potential to create meaningful housing opportunities when developers restore historic commercial properties that can be mixed use. The program was expanded in 2009 (Chapter 239) in order to focus on the availability of commercial credit for distressed areas, increase the percentage of qualified rehabilitation costs that can be claimed, and increase the cap on credit value. As Corning's City Manager Mark Ryckman noted, this program should especially benefit downtown areas in the State, which-though in many cases distressed- continue to be the most likely location for small businesses and diverse retail.

3. New York State's Empire Zone Program

New York State's Empire Zone program was created to stimulate economic growth through a variety of tax incentives designed to attract new businesses to New York State. It is also meant to enable existing businesses to expand and create more jobs. To participate in the Empire Zone Program, a business must first be located in an Empire Zone, or qualify as a

[3] *Id*.

"regionally significant project," and become "zone certified." To qualify for certification, a business must be able to demonstrate that it will create new jobs and/or make investments in the Empire Zone and be consistent with the local zone's development plan, including a cost-benefit analysis. However, many questions have been raised about the program's success at reaching these goals.

4. New York Main Street Program

The New York Main Street Program (NYMS) provides financial resources to assist New York's communities with their Main Street and downtown revitalization efforts. NYMS makes funds available to stimulate reinvestment in properties located within mixed-use commercial districts. Eligible applicants include organizations incorporated under the state not-for profit corporation law, which includes community based organizations, Business Improvement Districts, Neighborhood and Rural Preservation Companies and other similar entities that have been providing relevant service to the community for at least one year prior to application.

5. Restore New York Communities Initiative

The Restore New York Communities Initiative was enacted as part of the 2006-07 state budget. It made the Empire State Development Corporation responsible for implementing this $300 million program whose sole purpose is to revitalize urban areas and stabilize neighborhoods. Municipalities can submit requests for funding to demolish, deconstruct, rehabilitate and/or reconstruct vacant, abandoned, condemned or surplus properties. Additionally, funds can be used for site development needs related to a project including, but not limited to water, sewage, and parking.

The City of Corning has successfully made use of this program to help restore and improve its downtown business district, though city leaders have suggested that accessing these funds through a single source, rather than multiple state bureaucracies, would be even more helpful.

6. Business Improvement Districts (BID)

The Business Improvement Districts program allows local businesses to join together to develop and fund their own plans in a variety of areas. From increased sanitation to sophisticated neighborhood marketing plans, the BIDs tackle a wide spectrum of issues. The City of New York is home to some of the most innovative BIDs in the nation. For example, the Downtown Alliance has adapted it's priorities to address Lower Manhattan's current economic challenges and the specific circumstances that its local entrepreneurs face. While focusing on traditional efforts and practices, such as making capital and storefront improvements, recruiting specific retailers, and attracting customers to district stores, the Alliance also confronts the unique problems associated with having sixty construction sites in the district. To meet these challenges, the Alliance strengthened its traditional consumer marketing efforts and added an investor component. By distributing data extolling the thriving market in Lower Manhattan for retail investors and emphasizing a business-to-business follow-up component, the Alliance has made significant efforts reinforcing the district's status as a desirable location for investment.

7. Avenue New York City Program

The Avenue New York City program is another source of funding for city revitalization projects. It is designed to help non-profit economic development organizations carry out commercial revitalization initiatives. The Federal Department of Housing and Urban Development has spent billions of dollars on community development block grants (CDBG) which fund the Avenue NYC program. The program targets city neighborhoods with low-income residents. In 2007, Avenue New York City invested $2.5 million in support of commercial revitalization activities of 45 organizations throughout the city.[4] Activities such as BID formation/expansion, façade improvement, merchant organizing and neighborhood economic development planning have historically been funded through this program.

8. Lower Manhattan Development Corporation

The Lower Manhattan Development Corporation was created to assist New York City in recovering from the 2001 terrorist attacks on the World Trade Center. LMDC is charged with, among other things, studying and developing initiatives for the redevelopment of Lower Manhattan. Its ultimate goal is to ensure Lower Manhattan's strength as a community over the long-term.

LMDC also administers the Small Firm Assistance Program, which has the potential to be immensely helpful to small businesses throughout the state. The program makes grants available to small businesses adversely affected by the large number of publicly funded construction projects in Lower Manhattan. Ro Sheffe, Chairman of Community Board One's Financial District Committee, in Manhattan, highlighted strengths and areas for improvement in the Small Firm Assistance Program.

9. Small Business Services Portal

In a welcome development, the New York City Department of Small Businesses Services (SBS) has recently opened a new web portal "NYC Business Express" (http://www.nyc.gov/portal/site/businessexpress). It is an online, one-stop resource where entrepreneurs and business owners can quickly and easily learn about licenses, permits and other government requirements for doing business in New York City. It allows customers to receive customized information about city, state and federal incentives, and apply and pay for more than

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[4] Jeremy Waldrup, Assistant Commissioner, New York City Department of Small Business Services, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

thirty-five licenses, permits and certifications from multiple city agencies. As this portal continues to evolve, it would be most useful if it could be fully integrated with state and federal business assistance to allow businesses to apply for both state and federal, as well as city, licenses or permits that may be necessary for a particular venture.

10. Small Business Revolving Loan Fund

Governor Paterson's recently announced $25 million Small Business Revolving Loan Fund is a tonic for worthy businesses that have difficulty attracting needed capital. Its goal is to provide capital to a variety of small businesses such as "mom and pop," retail, and service businesses. Startup business may also be eligible.

III. Scope of the Problem: Urban Retailers' Biggest Challenges

1. Escalation of Rent

One of the resounding themes of the September hearing was that the escalation of commercial rents has had a devastating effect on the diversity of local retailing, especially in New York City. Elena Conte of the Pratt Center for Community Development raised this salient point when she began her testimony:

> [T]he number one thing that small businesses cite as their issue is the escalation of rent, and that it particularly affects small retailers. And chain stores, you know, play a big factor in raising the level of all that up.[5]

Barbara Clurman, from the Atlantic Avenue Betterment Association echoed these thoughts, "When rents are excessive, you have a retail district of cell phone stores, banks, drugstores and chain stores."[6]

2. Competition from National Formula Retailers

[5] Elena Conte, Pratt Center for Community Development, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

[6] Barbara Clurman, Board Member, Atlantic Avenue Betterment Association, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

Chain stores or "formula retailers" tend to proliferate in certain cities and neighborhoods because they can pay higher commercial rents than a new or smaller entrepreneur and offer more security. Thus, chain stores tend to be more attractive to landlords. This need not be the case.

The phenomenon of excessive rent is not just exclusive to New York City and downstate urban areas. Upstate cities and rural retailers also suffer this difficulty. However, with collaborative, innovative and creative use of the menu of state programs and resources that are available, it is possible for municipalities to redevelop existing commercial real estate into mixed-use retail. Municipalities can make the properties affordable for both new entrepreneurs and those seeking affordable housing.

As discussed during the hearing, the City of Corning has been able to maintain and revitalize its commercial district using a mix of state programs and innovative commercial renovations. As Corning City Manager Mark Ryckman explained, by using the Empire Zone Program, the Main Street grants and the Restore New York program, Corning has been able to renovate its historic downtown business district and maintain it as a vibrant center of commerce, while keeping rents affordable for independent retailers.[7] As the City of Corning has proved, local retail can be supported and retained with creative financing and forms of state support.

3. Property Taxes

One of the costs that business owners have little control over is their tax burden. Landlords pass this cost along in the form of higher rents. Business owners must consider whether passing along higher property taxes to their customers in the products and services they provide is worth the potential loss of clientele. At the same time, battles with municipalities over their property tax assessments are a perpetual issue. It is especially galling to business property

[7] Mark Ryckman, City Manager, Corning, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

owners when a neighboring mega project receives a 20-year tax abatement. These tax abatements attract competitors who are given lower fixed costs. These competitors can undercut the small business owner's prices, thus making it very difficult for the small business owner to compete.

Barbara Clurman, of the Atlantic Avenue Betterment Association, raised concerns in her testimony that property tax relief for major developments put smaller retailers at risk:

> The state, city, and Empire Development Corporation talk about supporting small businesses. However, they encourage practices, which drive small businesses out. Generous subsidies are provided to large developers. These developers use their commercial space for large big box stores, suburban mall type businesses, banks and a host of other large businesses.
>
> These developments are the recipients of government subsidies and may have their taxes abated for decades. This tax relief for developers has fueled rising taxes on small commercial residential properties. In our district, a 20-foot wide storefront may face a $25,000 annual tax bill. These taxes are passed along to the commercial tenants in the form of higher rents, which frequently force small businesses to close.[8]

4. Deficient State and City Services and Coordination

The lack of coordination among various state and city agencies is a cause for concern. Many economic development programs that New York currently has in place are less effective, because they are spread across various agencies. Currently, programs with similar aims are distributed among various agencies. For example, the ESDC handles the Restore New York Initiative, a program focused on the rehabilitation of commercial and residential properties. Separately, the Office of Community Renewal spearheads the Community Development Block Grant Program, another program that addresses rehabilitation of commercial and residential properties.

[8] Clurman, *supra* note 8.

Tony Bates, a small business owner on Montague Street in Brooklyn, expressed his concern that many small businesses don't know what assistance is available to them from the government:

> Promote all of these packages, get them out to the small retailers because I, for one, am not aware of a lot of the incentives or what have you that might have been spoken to, or what have you, so that the small retailers can be educated as well.
>
> We get bombarded by fees or for a cup of coffee that's been sitting on the sidewalk with a $75 ticket which we have no idea why and we keep the sidewalks clear or what have you, but, yet, all this other information and this bureaucracy that we have to go through to adhere our taxes that we pay is almost impossible to get.
>
> And what is happening is it makes it very difficult for a small retailer to be successful because everything is already against that small retailer because of lack of information, lack of tax burden that we carry only as a merchant, but as a landlord as well.
>
> If I had not been a landlord, I could not be in my place of business for as long as I have. But the taxes, as we are asking all of you guys to just refocus the tax programs that you have to make it viable…[9]

New York State and City programs that support small businesses will never be utilized to the extent necessary to nurture new businesses and save old businesses if entrepreneurs do not know they exist.

Daniel Zarin, President of Zarin Fabrics, echoed the daily frustrations that small businesses suffer at the hands of competing regulatory agencies:

> The cost of doing business in New York City is extraordinarily high. Retailers are not only pressured by relatively high rental rates, but also by a seemingly endless array of government agency fees and fines.
>
> As a retailer, I feel like I'm being nickeled and dimed to death. From the fee for my air-conditioning units approximately $400 per unit, to the unwarranted

[9] Tony Bates, Owner, Bates Shoes, Brooklyn, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

> writing of trash violations, it is impossible to control what happens to the trash after it's put outside at the end of the day properly, and until the time it's picked up by the contractor.
>
> …As president of Zarin Fabrics, a small family business that's been operated in New York City for over 70 years, I can tell you that it has never been more difficult to run a business in New York than it is today. Small business owners support the city by employing millions of people. Yet, it is commonplace to hear or read about major incentives given to large corporations.
>
> If the same amount of incentive money is split among small businesses throughout the city, not only will this create greater employment, but it will also support more commerce in a larger number of neighborhoods.[10]

As mentioned, however, the advent of the Small Business Services' online portal has the potential to alleviate many of these retailers' frustrations.

IV. Looking to Other States

The Cities Committee is fortunate to have been able to collaborate with the Pratt Center for Community Development, which has been studying the issue of retail diversity for some time, and has prepared an excellent policy brief on the issue. Their findings on what can be done are excerpted below.

> New York City should start by looking to models from more than twenty states and fifty plus cities that have new or proposed laws aimed at fostering a stable, thriving and successful local business sector, turning to tolls that can be combined with smart incentives and a community planning process to encourage the kinds of businesses that neighborhood residents want and need.[11]

The policy tools now employed or under consideration across the nation fall into three general categories: (1) land use regulations, especially zoning provisions to prevent or inhibit the

[10] David Zarin, President, Zarin Fabrics, New York, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.
[11] Pratt Center for Community Development, Issue Brief, "Saving Independent Retail,: August 2009.

proliferation of chains; (2) financial incentive/benefit programs and market control mechanisms to reward landlords for accommodating local retail; and (3) support programs – everything from niche marketing to grants and loans for business owners – to bolster local retailers' ability to compete.

1. Formula Business (i.e. "Chain") Restrictions

San Francisco, Seattle, and fifteen other cities around the country have established restrictions on chains. A formula retail establishment is commonly defined as having eleven or more other retail sales outlets in the United States, having a trademark or service-mark, and maintaining two or more standardized features, such as merchandise, facade, decor, uniform for workers, signage, etc. San Francisco has the strongest restrictions on chain retailers in the nation, using a combination of land use regulations within specifically created districts where special review is required before a chain store may open.

2. Size Caps on Commercial Property

Madison, Wisconsin and twenty-nine other cities have set size caps on commercial property. Instead of banning formula businesses outright, size caps serve as another means to prevent large chains from moving into urban neighborhoods. A store size cap amends a zoning ordinance, either for an entire city or for designated areas within a city, to limit the physical size of retail stores. Some municipalities put an outright ban on stores above a certain size, while others limit large stores to specific areas. Small towns and large cities across the nation are using store size caps to protect small and local businesses, decrease traffic congestion, lessen the burdens on infrastructure, regulate building design, and maintain pedestrian-friendly districts, among many other planning goals.

3. Neighborhood-Serving Zones

Palm Beach, Florida has established “neighborhood-serving zones,” which are designed to meet the everyday consumer needs of local residents, as opposed to attracting tourists. Such regulations limit the size and use type of retail stores in certain districts in order to maintain an area’s character and ensure pedestrian-friendly streets. Palm Beach is the only city in the nation to have this type of zoning. This type of zoning could also be used to curtail the oversaturation of any one type of business in a given area.

4. *Big Box Tax*

“Big box taxes” have been proposed in Maine and Minnesota, though no state has yet passed such an initiative into law. This type of tax would obviously create a disincentive for chains to locate in certain districts within a state or city. In cases where the retailer was willing to pay the tax and open a store, the tax revenue could be used to support local businesses and/or retail chain workers earning less than a living wage.

5. Community Land Trusts

A community land trust (CLT) is an existing policy tool being used in a handful of locations around the country to address the need for affordable housing. In a CLT, a private, nonprofit corporation acquires land parcels in a targeted geographic area with the intention of retaining ownership of the land in the long term. The nonprofit CLT leases or sells structures on the land at below-market rates to eligible residents, who enjoy the benefits of low rent or mortgages, while agreeing to restrictions on subletting or reselling. This model could be applied to commercial or mixed-use land. Taking property off the commercial market and leasing it at below-market rates to residents and small business owners who demonstrate need could be a viable strategy for protecting small businesses from rising rents.

6. “Shop Local” Campaigns

New York City, Austin, Texas, and many other cities around the nation have had success with campaigns that encourage patrons to shop locally. The loss of mom-and-pop shops nationwide has inspired governmental and private sector entities to create marketing campaigns for local products and local retailers. These campaigns share resources such as websites and brochures to promote "shopping local" and are often a venue for merchants to meet and discuss best practices.[12]

V. Summary and Conclusions

As the New York economy continues to struggle in this recession, a change that has long been in process becomes even more obvious: upstate and downstate, in large cities and small cities, across wealthy and struggling neighborhoods, there is less and less retail diversity. At the outset of planning for this hearing, the goal of the Senate Committee on Cities was to explore how to better serve small business in order to retain retail diversity in communities across New York. We considered the policies and programs that should be adopted or modified to help retailers thrive and survive in this difficult economy. This needs to be a constantly evolving process; it can never be static and rely on any one particular program to support and enhance small business. As noted, developing partnerships is the key.

However, a point that became evident at the hearing is that there is an under-utilization of programs or types of assistance for retailers. A lack of awareness and coordination of the existing programs themselves is a major hindrance to getting local retailers needed assistance. As multiple witnesses noted, better coordination and enunciation of existing programs would go a long way toward helping retail businesses take advantage of the aid that is already available through city and state sources. Our goal should be to facilitate a greater level of awareness and coordination of programs that can assist retailers.

[12] *Id*.

Reducing the regulatory, bureaucratic, tax and fee burdens will also assist small businesses in our city and state. As Mark Ryckman of Corning noted, there are at least three ways the State could address these deficiencies: (1) New York could establish a single entity to handle a comprehensive urban renewal policy; (2) there should be greater coordination of programs at the state level, to encourage more rapid deployment at the local level; and (3) the State should formulate and institute a comprehensive policy governing urban development and revitalization.[13]

It is clear that the problems associated with the lack of retail diversity in our downtown business districts existed well before the current recession. As Potrikus noted, the economic downturn of 2008-09 has only intensified the difficulties faced by small independent entrepreneurs and increased competition for consumer dollars; it did not create them. For some time now, consumers have been opting for the ease of online shopping. The rise of e-commerce has helped sow the seeds of demise not just for the small mom and pops, but for many larger, traditional department stores as well. There is now a whole generation of New Yorkers who have never head of the Gimbel brothers, or what happened when Abraham partnered with Strauss in Brooklyn.

The solutions offered by the government need to be flexible, broad based and comprehensive enough for maximum statewide impact in order to survive in this downturn and beyond.

VI. <u>Recommendations</u>

Just as it is impossible to identify any single reason for the broad loss of local and diverse retail, there is no single, silver bullet solution that would be a panacea for local retail. Recommendations on the State level include:

[13] Ryckman, *supra* note 9.

1. Local Retail Task Force

The State should establish a local retail retention task force consisting of a broad range of stakeholders including government, policy experts, small business owners and community groups to analyze the problem of independent retail attrition and to develop potential solutions. The focus of the task force should be to: (1) create financial incentives and programs to support independent stores; (2) develop strategies to provide for the mutually beneficial coexistence of chains and local retailers, as exists in communities such as Saratoga Springs; (3) ensure that the enforcement of sanitation, health and other codes does not unreasonably burden small business; (4) ensure transparency and coordination to existing programs; and (5) consider the best practices from around the nation, including local and formula restriction zoning.

2. Limiting the Escalation of Commercial Rent

Limiting the escalation of commercial rent is key to retaining local retail. Tax abatement programs, like ICAP, have already been shown to help; and a targeted statewide expansion of the Commercial Revitalization Program (CRP) (Chapter 22 of the laws of 2010), where tax abatements are given to landlords who agree to a schedule of modest rent increases for local businesses, could be an essential element in retaining retail diversity in urban communities. The Pratt Center, several BIDs, and nearly all hearing witnesses support this recommendation. Furthermore, various retailers and retail consultants suggested requiring large commercial developments that enjoy tax abatements to provide space for small businesses and incubator space with below market rents.

3. The Historic Preservation Tax Credit Program

New York should continue to expand eligibility and build upon and promote the use of its Historic Preservation Tax Credit Program to assist in the rehabilitation of downtown business districts across the state. The Preservation League of New York State and the NYS Conference of Mayors support this suggestion.

4. Incorporation into Large-Scale Development

Local retail should be incorporated into large-scale economic development projects. Developers should be required to include small businesses in their development plans if they are to be afforded state abatements and incentives. Rents should be below market rate for at least five years for included businesses. The Pratt Center and various independent retail consultants support this suggestion.

5. Displacement and Relocation Funds

New York should establish a displacement and relocation fund for large developments that displace small businesses. When developers receive 20-year tax abatements and other incentives, they should be required to pool dollars to assist smaller retailers and entrepreneurs. The Pratt Center and various retail consultants support this suggestion.

6. Business Improvement Districts

Business Improvement Districts (BIDs) are significant and important tools for business retention; however, their resources vary widely between more affluent and less affluent communities. If BIDs in low-income business districts had greater resources, they could potentially do a better job of helping retain businesses and retail diversity in these areas. Various New York City BIDs support this suggestion.

7. Small Business Assistance Program

The Small Business Assistance Program grants that are administered by the Lower Manhattan Development Corporation (LMDC) could be expanded in a number of ways: eligibility rules could be relaxed, including, for example, to allow for upper-level retailers to qualify, not just ground-level businesses; the program could be better publicized; and it could be extended with additional funds. Manhattan Community Board One supports this suggestion.

8. Empire Zone Program

Commercial projects seeking qualification under the Empire Zone Program should be afforded benefits only if they can prove that existing sites in downtown business districts cannot meet their needs. The City of Corning supports this suggestion.

9. Social and Economic Assessments

Municipalities should be required to assess the social and economic impact of a large development in addition to the environmental impact before these projects are given approval and permission to build. The Retail, Wholesale and Department Store Union supports this suggestion.

10. Single Entity

New York State should establish a single entity to coordinate a comprehensive urban renewal policy. Currently, programs with similar aims are distributed among various agencies. Greater coordination of programs at the state level could lead to more rapid deployment at the local level. It would be more efficient for communities to access a variety of programs through a single agency. The City of Corning and the New York State Conference of Mayors support this suggestion.

11. Increasing State Resources

As a general matter – and recognizing the difficult financial situation we currently face -- the State could increase resources and funding to support local planning efforts. Increasing funding to the State Department of Transportation, for example, would go a long way towards supporting communities local comprehensive development plan. With additional funding, communities could plan around pedestrian and transit needs, goods delivery, and auto circulation in commercial corridors, and better implement new programs and plans. This type of investment would likely pay for itself due to increased economic activity, and is supported by the Pratt Center.

12. Energy Costs

The State needs to assist in reducing merchant energy costs and making local retail greener. Connecting local retailers with existing New York State Energy Research and Development Authority (NYSERDA) programs such as energy audits and Smart Loans will help entrepreneurs maintain and sustain their businesses. The Pratt Center supports this suggestion.

13. Business Express Online Portal

The Committee applauds the creation of the NYC Business Express online portal but urges the Department of Small Business Services and state and federal agencies to fully integrate the portal with programs and licenses to truly make it a one stop location for business needs. Various BIDs and retailers support this suggestion.

District Retail Strategies: Phase II

Retail Merchandising Mix Plan

A Collaborative Effort of

Portland Development Commission
Association for Portland Progress

February 2000

Report Prepared by
Keyser Marston Associates, Inc.
Consultant to the Portland Development Commission

Acknowledgements:

A. Jerry Keyser, President, KMA
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Penny Kennedy, Program Manager for Business Development, APP
Les Prentice, Development Manager/Downtown Team Leader, PDC
Ross Plambeck, Project Coordinator/Downtown Team, PDC

TABLE OF CONTENTS

INTRODUCTION

This document represents the second phase of the District Retail Strategies in a joint effort between the City and local business community to guide Portland's downtown retail sector into the 21st Century. Phase I established the foundation for strategies to ensure that Portland's downtown will capture its share of the regional market growth in the next 10 years. Phase II translates the broad foundations into specific retail plans for the districts within the downtown.

Background

In 1998, Keyser Marston Associates (KMA), Inc. prepared a market analysis for the Portland Development Commission (PDC) identifying the existing and future potential for retail in the downtown core. The Portland Downtown Retail Market Analysis concluded that downtown Portland is not currently capturing its share of retail sales and that, based on the future residential and visitor growth projections, downtown has the potential to capture a significant amount of additional retail sales. The report recommended that the City look to destination retail as a primary means of increasing downtown's market capture share.

In addition, one of the key conclusions of the Market Analysis is that the expenditure potential available to downtown is projected to increase by about $300± million[1] between 2000 and 2010, of which an estimated $170± million would be potentially available to support net new retail and eating and drinking space and $130± million would potentially be available to support increased sales at existing retail and eating and drinking establishments downtown. The $170± million for net new space translates generally into approximately 250,000± sq.ft. of net new GAFO space (General Merchandising, Apparel, Furniture and Furnishings and Other Specialty Retail Uses) and 100,000± sq.ft. of net new eating and drinking space, or a total of 350,000± of net new space downtown. The majority of the projected increased expenditure potential is expected to come from residents in the Primary Trade Area and downtown employees.

Upon reviewing the market analysis report, the Downtown Retail Council (DRC) pointed to the value of a carefully balanced mix of retail choices in downtown. It is the unique array of retail choice — large and small, local and national, independent owners and chains, pricing levels and product lines — that gives downtown Portland its particular appeal and sets it apart from other cities. Thus, they were concerned for the future of independent retail businesses in the downtown and offered to participate in the continuing study of the downtown retail market.

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[1] See Table 4.4 in Keyser Marston's 1998 Portland Downtown Retail Market Analysis.

Phase I

To address these concerns, the DRC formed the District Retail Strategies Task Force. In the spring of 1999, Task Force began Phase I: development of strategies creating the foundation for maintaining downtown's retail market share in the metropolitan area and for capturing additional retail sales in the future. The Task Force's efforts culminated in the District Retail Strategies: Phase I Report in October of 1999. The Phase I Report identifies the retail opportunities and constraints present in the downtown areas, and proposes specific actions to help independent and national retailers successfully meet the challenges identified.

Phase II

PDC has retained Keyser Marston Associates to continue with Phase II of the Retail District Strategies, which is the development of a Retail Merchandising Mix Plan. The Association for Portland Progress (APP) is assisting KMA in the preparation of Retail Merchandising Mix Plan and has retained an independent retail consultant, Gerry Paiva, to provide local retail expertise. PDC has also retained Bryan Sampsel of Norris, Beggs, and Simpson, to provide information on local market conditions. PDC is coordinating and monitoring the preparation of this Plan. APP will use the Report in its preparation of the Implementation Plan, which constitutes the final phase of this three-phase effort.

Phase III

Upon completion of the Retail Merchandising Mix Plan, an advisory group comprised of major and independent retailers, commercial brokers, property owners, managers, and leasing agents will develop strategies and tactics for Plan implementation, which will constitute Phase III of the District Retail Strategies.

Purposes of the Retail Merchandising Mix Plan

The Retail Merchandising Mix Plan is a refinement of the retail strategy, which was broadly identified in Phase I for each of the Retail Districts. The goals of the Plan are:

1. To ensure that the nature and size of the retail mix in the downtown districts will maximize downtown’s potential to increase market share and retail sales;

2. To maintain and enhance downtown Portland as the vital commercial hub of the metropolitan area while creating a balance among the Districts; and

3. To create an opportunity for local retail tenants whose uniqueness will: (a) add to downtown's ability to offer both merchandise and ambiance that is difficult to duplicate in most shopping centers and other downtowns, and (b) help reinforce downtown Portland as a significant destination retail location.

Retail Merchandising Mix Plan Elements

The Retail Merchandising Mix Plan is defined as having the following elements:

- A quantity of tenants by category of merchandise that reinforces a "theme" for each of the unique districts of downtown. The theme itself will have resulted from one or more of the following factors: historic circumstances, unique physical features, evolving usage, public policy decisions and economic forces, including quantities of existing space by type of use or merchandising category.

- A critical mass of retail that achieves its identity by the creation of adjacencies or, geographic points of concentration, within the district, thereby causing the district to stand out in customers' minds amongst available shopping choices.

- A unique identity achieved through a combination of merchandise, presentation, ambience and service all working together. In this regard, the "one of a kind" local tenants or nearly "one of a kind" regional tenants play a vital role in the Retail Merchandising Mix Plan as they are essential in creating that sense of unique district distinction.

- A mix of local, regional, and national tenants that is consistent with the rent characteristics of the district 's personality and with the primary target markets that make sense for each district.

- The contribution that each unique district in the downtown can make not only by establishing a theme to improve the district itself but also by creating a stronger downtown overall by offering a variety of experiences and shopper opportunities within proximity to each other.

District Definition

In its Phase I Report, the Task Force identified four districts in the downtown as having geographic characteristics that can make each a distinct retail destination. Identifying the theme or "flavor" of each district helps determine the cluster of complementary retail uses that both promotes the district and expands the visitor and local market. Separate theming will also help define each district's role relative to the overall downtown based on its distinguishing as well as its complementary characteristics. District by district "theme-ing" articulates the qualities that define each district and serve as the foundation for implementing related visual, marketing, and promotion elements that enable retail uses in the district to maximize their sales potential. The four districts identified are as follows and shown on Map 1[2]:

- *Retail Core District* (generally bounded by SW Salmon on the south, West Burnside and SW Stark on the north, 9th and 10th on the west, and Naito Parkway on the east)

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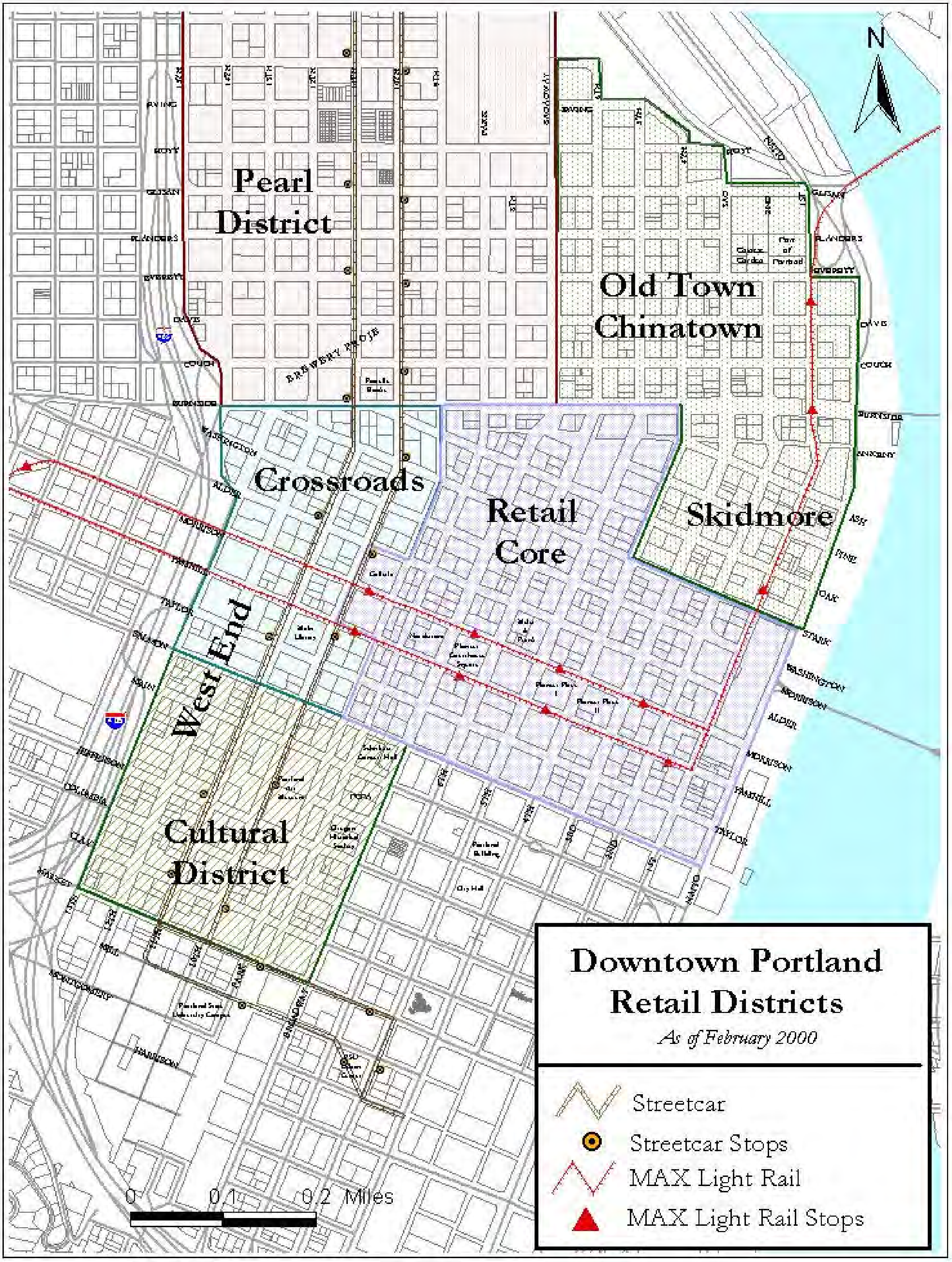
[2] Note: The boundaries are intended to provide a general geographic delineation of the four districts. As such, they are approximate and flexible and may overlap along some edges.

- *Historic Old Town/Chinatown/Skidmore District* (generally bounded by SW Stark and West Burnside on the south, Broadway on the west, NW Glisan on the north and Naito Parkway on the east)

- *Pearl District* (generally bounded by West Burnside on the south, I-405 to the west, NW Lovejoy and Hoyt on the north and Broadway on the east)

- *West End/Crossroads and Cultural Districts* - with two principal retail/entertainment subdistricts: Crossroads and Cultural Districts (generally bounded by SW Market Street on the south, I-405 on the west, West Burnside on the north, and SW 9th and Broadway on the east)

This report summarizes the key existing characteristics which distinguish the four retail districts above, and recommends a merchandising plan in concert with a theme for each.



Pearl District
Old Town Chinatown
Crossroads
Retail Core
Skidmore
West End
Cultural District
Downtown Portland Retail Districts
As of February 2000
Streetcar
Streetcar Stops
MAX Light Rail
MAX Light Rail Stops
0 0.1 0.2 Miles
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EXECUTIVE SUMMARY

This report summarizes the salient characteristics of each of the four downtown retail districts today (2000) and proposes a merchandising mix plan for guiding retail development in the districts in the future (2010). The salient characteristics that define or "theme" a district generally include the following:

- *Retail Defining Characteristics* - identifies the predominant uses and the particular mix of uses, which (1) distinguish and differentiate an area and (2) give it a sense of place and destination.
- *Retail Inventory and Composition –* provides an estimate of the existing amount of retail space in each district, based on APP's retail database, the City's 1999 Pearl District Parking Study Survey, consultants' qualitative assessment of the districts, and other available data sources.
- *Nature of the Shopping Place* - describes the configuration of the retail clusters or concentrations, such as linear/street retail, shopping center, or shopping complex.
- *Location Concentration* - identifies the geographic concentration of retail uses (which may or may not be the same or similar types of uses) in the district.
- Tenant Mix – indicates the approximate mix of (1) local/independent tenants, (2) regional tenants and (3) national tenants. For the purpose of this study, <u>local/independent tenants</u> are defined as those with 2 stores or fewer, located in the greater Portland area; <u>regional tenants</u> are those with 3 or more stores, located in the northwest region, <u>national tenants</u> are typically brand or chain stores, with a multi-state presence, which may include locally-owned operations. The estimated mix of tenants is based on a review of the APP retail database, information provided by the local retail consultants, and general survey observations.
- *Merchandising Mix* - indicates the most frequent type of retail shopping pattern, which may range from serious comparison shopping (i.e., typically done in major regional centers) and impulse shopping (i.e., typically done in specialty stores) to convenience goods shopping (i.e., typically done in local, neighborhood centers.)
- *Price Points* - indicates the price and the general quality level of the merchandise.

- *Primary User Markets* - indicates the primary retail users of the district, which typically include one or more of the three major segments in the Portland downtown market: residents, employees, and visitors. A smaller, but differentiated segment, is that of students attending the educational facilities nearby.

- *Role* - sets forth the purpose or function of the district relative to downtown overall and its contribution to helping to promote, enhance, and establish downtown as a major, regional retail destination.

- Size and Comparison of Opportunity – provides an estimate of the amount of net new retail space that can potentially be captured in each district, based on (1) the total amount of square footage (approximately 350,000 sq.ft.) projected to be supportable in KMA's 1998 Portland Downtown Retail Analysis and (2) an allocation of that total amount based on a qualitative assessment of the competitive strength of each of the district.

A description of the above salient characteristics for each of the four downtown retail district — as they exist today and as desired for the future — are summarized, respectively, in Tables 1 and 2. Table 1, Existing District Characteristics (2000), also includes a summary of existing challenges faced by each of the districts. Table 2, Recommended Retail Merchandising Mix Plan, includes a summary outline of the recommended retail changes and supportive enhancements needed to transform the future vision for the district into reality.

After the summary matrices, this report is organized into four sections: one for each of the downtown retail districts.

TABLE 1
PORTLAND DISTRICT RETAIL STRATEGY
EXISTING DISTRICT RETAIL CHARACTERISTICS (2000)

DISTRICTS *(APPROXIMATE BOUNDARIES)*	**RETAIL CORE** Salmon, 9th/10th, Burnside, Stark, Naito	**HISTORIC OLD TOWN/ CHINATOWN** Stark/Burnside, Broadway, Glisan, Naito	**PEARL** Burnside, I-405, Lovejoy/Hoyt, Broadway	**WEST END/CROSSROADS AND CULTURAL**[i]	
SUBDISTRICTS				**CROSSROADS** (Salmon, 13th, Burnside, 9th/10th)	**CULTURAL** (Market, 12th, Salmon, Broadway)
DISTRICT DEFINING CHARACTERISTICS	▪ Traditional Downtown Retail Center - Dept. Stores - Specialty Retail - Restaurants ▪ Pioneer Place ▪ Offices ▪ Hotels ▪ Non-Traditional Movie Theaters ▪ Pioneer Square	▪ Nightlife/Entertainment ▪ Chinatown ▪ MAX line and Transit Mall ▪ Proximity to Convention Center and Rose Quarter ▪ Historic Buildings and Skidmore Foundation ▪ Saturday Market ▪ "Made in Oregon" ▪ New Office and Residential ▪ Galleries ▪ Services for Transient Population	▪ Lifestyle Retail - Powell's Books - Home Furnishing/ Antiques - Art Galleries ▪ Restaurants ▪ Loft Housing & Renovated Warehouses ▪ Entertainment ▪ Pacific NW College of Arts and Portland Institute of Contemporary Arts ▪ On Edge of Major Residential New Growth	▪ Adjacency to Retail Core and Pearl ▪ Local Specialty Tenants (Eclectic) ▪ Ethnic Restaurants- "Restaurant Row" ▪ Street Car Line Under Construction ▪ Governor Hotel	▪ Portland Art Museum, Oregon Historical Society ▪ Churches ▪ Proximity to PSU ▪ Residential ▪ Heathman Hotel ▪ Portland Center for the Performing Arts (PCPA) ▪ Schnitzer Concert Hall
EXISTING RETAIL INVENTORY[ii] *AND COMPOSITION*	Est. 1.4 ± million SF:[iii] 58% Specialty Retail 29% Dept./Anchor Stores 8% Eating and Drinking 4% Other Retail	Est. 550,000 ± SF[iv] 48% GAFO 46% Eating and Drinking 6% Galleries	Est. 650,000 ±SF[v] 80% GAFO 12% Eating and Drinking 8% Galleries	Est. 200,000± SF[3,4] 57% GAFO 35% Eating and Drinking 8% Galleries	Est. 100,000± SF[vi] Est. 95% GAFO 5% Eating and Drinking

TABLE 1 (continued)

DISTRICTS	**RETAIL CORE**	**HISTORIC OLD TOWN/CHINATOWN**	**PEARL**	**CROSSROADS**	**CULTURAL**
EXISTING LOCATIONAL CONCENTRATION AND NATURE OF THE SHOPPING PLACE	Dept. Stores: Meier & Frank, Nordstrom, Sak's 5th Ave. Shopping Complexes: Pioneer Place, Galleria (links core with West End); Fox (under construction) Street Retail: Alder, Morrison & Yamhill from 2nd to Park	Multiple Points of Interest but No Single Focus: Saturday Market/Skidmore Fountain, New Market Village, Chinatown on 4th Ave, 1st Ave MAX Line	Glisan, Hoyt, & Everett	Street Retail: Morrison from 9th to 11th, 10th from Alder to Taylor, Yamhill from Park to 10th and Burnside Triangle	Street Retail: Broadway to 10th and along the Park Blocks
EXISTING TENANT MIX[vii] *(By No. of Tenants)*	30%-40% Local/Regional Tenants 60%-70% National/Brand Tenants	70%-75% Local/Regional Tenants 25%-30% National/ Brand Tenants	70%-75% Local/Regional Tenants 25%-30% National/ Brand Tenants	90%-95% Local/Regional Tenants 5%-10% National/Brand Tenants	90%-95% Local/Regional Tenants 5%-10% National/Brand Tenants (Safeway)
EXISTING MERCHANDISING MIX	▪ Major Dept. Stores ▪ Up-scale National Specialty Stores	▪ Evening Entertainment ▪ Restaurants, Food ▪ Local Artists & Products ▪ Ethnic Groceries ▪ Souvenirs	▪ Destination Retail: Books (Powell's) ▪ Home Furnishings, Antiques ▪ Art ▪ Restaurants	▪ Eclectic Tenant Mix ▪ Destination Retail: Finnegan's; Real Mother Goose; Art Media ▪ Vintage, Retro	▪ Convenience Store/Safeway Grocery ▪ Oregon Historical Society and Portland Art Museum Bookstores and Gift Shops
EXISTING PRICE POINTS	Moderate to High	Low to Moderate	Moderate to High	Moderate	Moderate
CURRENT PRIMARY USER MARKETS	▪ Close-In Residents ▪ Downtown Workers ▪ Visitors/Tourists (Families) ▪ Weekend Shoppers	▪ Tourists ▪ Downtown Workers ▪ Weekend Shoppers ▪ Event Goers ▪ Nearby Residents	▪ District Workers ▪ Nearby Residents ▪ Downtown Workers ▪ Weekend Shoppers	▪ West End Residents ▪ Downtown Workers ▪ Event Goers (especially Civic Stadium)	▪ Event Goers ▪ Restaurant Goers ▪ Residents

TABLE 1 (continued)

DISTRICTS	RETAIL CORE	HISTORIC OLD TOWN/CHINATOWN	PEARL	CROSSROADS	CULTURAL
EXISTING CHALLENGES	Insufficient parking Inadequate public transit on evenings and weekends Scattered surface parking lots. Pockets with no retail frontage Increasing rents Expensive rehab (upper floors)	Burnside Street barrier Visitor and Shopper compatibility with transient population Creating attractive path to Classical Chinese Gardens Fragmented property ownership Costly rehab of older buildings Lack of continuous retail frontage Increasing rents	Burnside Street barrier Negative image of Burnside as "Front Door" to District Insufficient street parking and street lighting Meshing of entertainment with residential (noise) Costly rehab of older buildings Lack of continuous retail frontage Increasing rents	Conversion of Galleria into a positive force Upgrade of 10th and Yamhill Garage Burnside Street as barrier Costly rehab of older buildings Dispersed land ownership Lack of continuous retail frontage Increasing rents	Insufficient parking Lack of retail mass and linkages Costly rehab of older buildings Lack of continuous retail frontage Increasing rents

1. These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.
2. Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Eating and Drinking. Estimates based on available data from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.
3. Assumes Galleria is in Retail Core District inventory.
4. Based on APP's Business Improvement District Program retail database.
5. Based on the City's 1999 Pearl District Parking Study Survey, excludes retail services and auto related uses.
6. Estimate only. No survey data available.
7. Estimate only. Based on review of APP retail database; information provided by local retail consultants and windshield surveys.

TABLE 2
PORTLAND DISTRICT RETAIL STRATEGY
RECOMMENDED RETAIL MERCHANDISING MIX PLAN (2010)

DISTRICTS *(APPROXIMATE BOUNDARIES)*	**RETAIL CORE** Salmon, 9^{th}/10^{th}, Burnside, Stark, Naito	**HISTORIC OLD TOWN/ CHINATOWN** Stark/Burnside, Broadway, Glisan, Naito	**PEARL** Burnside, I-405, Lovejoy/Hoyt, Broadway	**WEST END/CROSSROADS AND CULTURAL**[viii]	
SUBDISTRICTS				**CROSSROADS** (Salmon, 13^{th}, Burnside, 9^{th}/10^{th})	**CULTURAL** (Market, 12^{th}, Salmon, Broadway)
ROLE	Be a Nationally Recognized First Tier Downtown	Be: (1) Entertainment/Arts District Oriented to Convention & Downtown Visitors (2) Host to Saturday Market (3) Asian Marketplace	Be: 1. Trend-setting Lifestyle Retail Hub for Metro Area 2. "Trendy" Restaurant/Bar Area 3. 24-Hour Creative Services (Multi-Media).Com Incubator Area	Be: 1. Downtown Location for New Local Tenants 2. Crossroads for Pearl and Core Districts	Be a Complementary Retail District Supporting Cultural Uses
SIZE AND COMPOSITION OF OPPORTUNITY[ix]	+100,000 to 150,000 SF 80% GAFO 20% Eating and Drinking[x]	+50,000 to 75,000 SF 30% Specialty Retail 30% Neighborhood Commercial 40% Eating and Drinking)	+100,000 to 125,000 SF 60% Specialty Retail 40% Eating and Drinking +50,000± of Neighborhood Commercial/Eating and Drinking	+50,000 to 75,000 ±SF 50% Specialty Retail 50% Eating and Drinking	Minor Addition 70% Eating and Drinking 30% Specialty Retail
	Total = 1.5-1.55 M± SF	**Total = 600,000 – 625,000 ±SF**	**Total = 800,000 – 825,000 ± SF**	**Total = 250,000 – 275,000 ±SF**	**Total = 100,000 + SF**

TABLE 2 (continued)

DISTRICTS	**RETAIL CORE**	**HISTORIC OLD TOWN/CHINATOWN**	**PEARL**	**CROSSROADS**	**CULTURAL**
RECOMMENDED THEME	▪ Upscale, Traditional Retail Center (High Quality Merchants) - Dept. Stores - Fashion-Oriented Uses	▪ Entertainment ▪ Asian Specialty Retail and Entertainment ▪ Oregon-themed Retail	▪ Trend-Setting Lifestyle (Home & Garden) - with national and regional brand home furnishings	▪ Eclectic, Local and Ethnic Retail and Restaurants	▪ Cultural-Oriented Specialty Retail (including gift shops and bookstores) and Small Cafes/ Restaurants
DESIRED NATURE OF SHOPPING PLACE	▪ Shopping Complexes ▪ Galleria and Department Store Expansion/Upgrade ▪ Street Retail	Street Retail (3rd and 4th), with connection to 5th and 6th bus stops.	▪ The Brewery Retail Complex ▪ Street Retail ▪ Rehabbed Warehouse Retail	▪ Street Retail (10th & 11th, Morrison, Alder)	▪ Street Retail connecting with 10th and Park Blocks ▪ Vicinity of Safeway
DESIRED FUTURE LOCATIONAL CONCENTRATION	In addition to existing: ▪ West End of Morrison, Yamhill ▪ Fox Tower ▪ Department Stores and Galleria ▪ Smart Park Garages ▪ Renovated Pioneer Courthouse Square	Three new concentrations, with strong links created: ▪ Chinatown's 4th Ave (Path to Classical Garden) ▪ Skidmore Fountain Vicinity (SW1st along light rail) ▪ E/W link street-Ankeny/Ash	In addition to existing: 10th & 11th as north/south connectors of Powell, Blitz, Glisan, and Everett	Reinforce: ▪ 10th & 11th (Taylor to Alder) ▪ Morrison Street ▪ "Singer" Boutique Row ▪ Federal Reserve Building Site Rehab/Reuse ▪ Streetcar Stops	Reinforce: Broadway to 10th along Park Blocks
DESIRED TENANT MIX[xi] *(by No. of Tenants)*	20%-30% Local/Regional Tenants 70%-80% National/Brand Tenants	70%-75% Local Regional Tenants 25-30% National/Brand Tenants (More Restaurants Emphasis	70%-75% Local/Regional Tenants 25%-30% National/Brand Tenants (More Home Furnishings Emphasis)	90%-95% Local/Regional Tenants 5%-10% National/ Brand Tenants	90%-95% Local/Regional Tenants 5%-10% National/ Brand Tenants (Safeway)

TABLE 2 (continued)

DISTRICTS	**RETAIL CORE**	**HISTORIC OLD TOWN/CHINATOWN**	**PEARL**	**CROSSROADS**	**CULTURAL**
DESIRED MERCHANDISING MIX	**Additional:** ▪ Large format apparel ▪ Electronics ▪ Specialty retail ▪ Renovated & Retenanted Galleria ▪ Dept. Store Expansion *(Emphasis on unique to the market retailers)*	**New:** ▪ Festive (Family-Oriented) Retail/ Entertainment ▪ Ethnic "Fusion" Restaurants ▪ Neighborhood Commercial, i.e., grocery stores, drug stores and dry cleaners ▪ Asian Market **Expansion:** ▪ Saturday Market	**Expansion:** ▪ Home Furniture/ Accessories/Furnishings ▪ Trend-Setting Restaurants ▪ Contemporary Art Galleries ▪ Neighborhood Commercial, i.e., grocery stores, cleaners, print copy shops, etc.	**Expansion:** ▪ Signature and Trendy Restaurants on Morrison Street ▪ Upscale Boutique Retail on "Singer Block" ▪ Cutting Edge Retail (Burnside Triangle, which holds a lot of entertainment venues) ▪ Electronics	**New:** ▪ Sidewalk Cafes ▪ Boutique Hotels ▪ "Chef" Restaurants ▪ Art Galleries/Shops ▪ Small Performing Arts Venues
ENHANCEMENTS BENEFITING RETAIL	▪ More public transportation, parking ▪ Downtown Lighting District ▪ Extended and coordinated shopping hours ▪ Wayfinding systems, i.e., signs/banners, information kiosks ▪ Transit mall rehab ▪ Pioneer Courthouse Visitors Center ▪ Street activities, i.e., flower stands, vendors, street performers / artists	▪ Information kiosks and "wayfinder" signage ▪ Transit Mall improvement ▪ Services for visitors, i.e., souvenirs/gifts, food options, film processing ▪ Façade improvements ▪ Building lighting ▪ Streetscape improvements ▪ Burnside improvements	▪ Sidewalk and streetscape improvements with flowerpots, benches, information kiosks, and "way finders" ▪ Improvement of visual image of parking lots ▪ Signs and banners ▪ Lighting appropriate to District theme ▪ Additional bus service ▪ Improved access via public transit ▪ Short-term parking facility	▪ More short-term, visitor parking ▪ Elimination of surface parking lots ▪ Attractions (sign/banners, information kiosks, etc.) ▪ Sidewalk amenities, i.e., flowerpots, benches, vendors along 10^{th} and 11^{th}, etc. ▪ Organization of diverse interests in District ▪ Establish links with streetcar and MAX	▪ "Kid-oriented" area between Library and museums ▪ Sidewalk amenities, street artisans, food and flower vendors, etc. ▪ Streetcar links

1 These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.

2 The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

3 GAFO defined as General Merchandise, Apparel, Furniture/Furnishings, Other Specialty Retail.

RETAIL CORE DISTRICT

1. Definition of District

The Retail Core District in Portland's downtown is generally defined as the area bounded by SW Salmon Street on the south, Naito Parkway on the east, West Burnside Street on the north, and blends into the West End Crossroads along SW 9th and 10th Avenues (see Map 1). This area is the hub of the region's major retail destination and draws support from throughout the northwest. The intent of the Retail Merchandising Mix Plan is to identify opportunities for enhancing and strengthening the Core's role as the premier retail shopping center of the region.

2. Existing Retail District Characteristics

District Defining Characteristics

The retail character of the Core District today is established by its major anchor stores, shopping complexes and street retail. It is a traditional downtown retail center with a complex of department store, specialty retail and restaurant establishments. Three major department stores, Meier & Frank, Nordstrom and Saks' Fifth Avenue are strategically located along the light rail couplet formed by Morrison and Yamhill Streets and serve as anchors for the Core. Pioneer Place with over 150,000 sq. ft. of existing upscale retail space (300,000 sq.ft. when its expansion is completed in March 2000) is also a major regional attractor. Additional new concentrations of space are at the ODS Tower and the Fox Tower (to open August 2000). Other flagship stores such as Niketown, Columbia Sportswear and Nordstrom Rack, or unique, "one of a kind stores", such as The Real Mother Goose and Portland Cutlery, reinforce the destination shopping nature of the Core District.

The character of the Core also benefits from a number of special attractions in the area, including the presence of the largest concentration of office space in the Portland market, a cluster of boutique and business hotels, the light rail couplet down the Morrison/Yamhill, the transit mall (though the transit mall also presents challenges), a number of movie theatres, the special events at both Pioneer Courthouse Square and Waterfront Park, and its urban parks and trees ambiance. The small size of the Portland's 200' block is an added advantage as it is easily walkable and thus is perceived as more pedestrian-friendly. The Core is also easily accessible by car and public transportation, and offers inexpensive, short-term parking at a number of privately-owned and the City's Smart Park Garages.

Retail Inventory

The Core is also defined by an estimated 1.4[3] million sq.ft. of shopping and entertainment, which makes it one of the largest such concentrations in the Portland Metropolitan Area. When the additional retail space from adjacent districts are included, total amount of retail/ entertainment space makes the extended downtown a dominant retail destination. Of the approximately 1.4 million sq.ft. retail space inventory in the Core, an estimated 58% is in specialty retail space; an estimated 29% is in department and anchor store space; 8% in eating and drinking and the remaining 4% in other retail uses.[3]

Location Concentrations and Nature of the Shopping Place

Retail in the Core is currently concentrated in three types of shopping places: (a) department stores, (2) retail complexes such as Pioneer Place and Galleria, and (3) street retail, such as along Morrison and Yamhill, from approximately SW 2nd to Park Avenue.

Of great importance to the effectiveness of the Core is its close proximity and easy walking distance to many of downtown's principal attractions. In this respect, the small block size of the Core (200 by 200 feet) contributes to the pedestrian-friendly environment of the downtown. It should be noted, however, that the retail continuity is broken up by full-block projects built in the 60's and 70's before the required retail zone was established.

The nature of the shopping place in the Core is threefold. Much of the retailing is street retail. However, on a square footage basis, the largest concentration of retail space is either in the form of department stores or shopping complexes, such as Pioneer Place, the Fox Tower, and the Galleria.

Tenant Mix, Merchandising Mix and Price Points

The Core includes a broad mix of local, regional and national tenants, offering a range of mid-to high-price point merchandise. Local/regional tenants are estimated to comprise about 30% to 40% of the total retail store inventory in the Core; national tenants are estimated to comprise the remaining 60% to 70% of the total. In general, the higher price point tenants are clustered in the proximity of the department stores and Pioneer Place, along Morrison and Yamhill, while the value-oriented tenants are located in the more peripheral locations. This distribution of tenants is largely a function of rent gradients within the Core. The higher-price point tenants can afford the higher rents, and have the financial credit status required by owners and developers of new or rehabbed shopping complexes in the most desired locations.

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[3] See KMA's 1998 Portland Downtown Retail Market Analysis for basis of estimate.

Such rent gradients also have a major influence on distribution of local/regional versus national brand tenants. The percentage of local/regional tenants who have the rent paying capacity and financial credit status to qualify for "100% locations" and premier space is limited and, conversely, the amount of space that developers can provide to such tenants is also restricted. Therefore, it is estimated that well over one-half of today's tenant mix is occupied by national brands, and that this trend will continue. While a limited number of local/regional tenants will be accommodated in the premier locations and complexes, most will locate either in the periphery of the Core or in the downtown districts that surround the Core where rents are less prohibitive.

Primary User Market

The Core District draws its support from three major market segments: (1) residents, primarily from the close-in, affluent neighborhoods, who often shop on weekends (2) employees working downtown, and (3) visitors. Residents provide an estimated 50% of the retail sales downtown. Visitors are also a strong retail support segment, providing up to 35% of downtown retail sales. Employees provide the remaining 15% of the estimated retail sales support downtown.

Challenges of the District

While Portland's retail core is one of the stronger in the United States, the District is also confronted by several challenges. Specifically, the Meier & Frank building and the Galleria are physically and functionally obsolete by today's retail standards, and as such should be considered "vulnerable." Even the Nordstrom building is now older and does not meet the size and design standards of a contemporary flagship store. These buildings need to be renovated and/or repositioned, or at least be placed on a "watch list" in order to remain competitive in the future. However, the high cost of renovating an older building while occupied is often a deterrent to the upgrade/rehab of a property.

There is a shortage of parking in the downtown office core due to tight parking regulations. Parking is expected to become more of an issue as retail and cinema are added to the Core. For example, parking availability will be even more constrained when parking on Park Block 5 is eliminated. Public transportation on the weekends, in the evenings, and during holidays will need improvement. Mitigation will also be needed to deal with the heavy traffic on Broadway and the truck loading zones in the area, which impede pedestrian flow. Transit mall rehabilitation with active retail is another issue that needs attention.

In all Districts, the retail street frontage is often interrupted by non-retail uses, surface parking lots, etc., which detracts from the pedestrian ambiance of the District.

Other challenges also experienced in all four of the downtown retail districts are increasing retail space rents and the costly rehab of older buildings, which, in some areas, are impacting the ability of the smaller, locally-owned/operated stores to survive, expand and/or locate in the downtown.

These issues will need to be addressed as part of the Phase III - Implementation Strategy for the Core District.

3. Recommended Retail Merchandising Mix Plan

Role

The recommended role for the Core District is to reaffirm, strengthen and enhance its position as one of the first tier downtowns of the United States. Portland's downtown has achieved great momentum in the last decade. The task at hand is to continue this transformation of the downtown into a 24-hour place that is vibrant with people, activities and life, a source of pride for Portland residents, and an increasing attraction to the ever growing, world-wide convention and visitor industry.

Size and Composition of Opportunity

Keyser Marston Associates Inc.'s 1998 market analysis projects an opportunity for the overall downtown retail market to grow by at least 350,000 sq. ft. in the next ten years over and above the new space now being added. Such growth would place over 3,000,000 sq.ft.[4] of retail in Portland's downtown by the year 2010. The retail-merchandising plan for downtown should anticipate that about one-third to one-half, or 100,000 sq.ft. to 150,000 sq.ft., of that opportunity could potentially be added to the Core, either in the form of new stores locating in the area or expansion of existing stores, for a total of 1.5 million to 1.55 million sq.ft. of retail. The bulk of this addition, or about 80% is recommended to be GAFO-type of retail (General Merchandise, Apparel, Furniture and Furnishings, Other), with the remainder in Eating and Drinking.

Recommended Theme

The primary theme for the Core should be attraction/recruitment of new, quality retail and entertainment tenants which are (1) unique to the Portland Metropolitan Area, (2) compatible with both the fashion-oriented apparel uses that give the Core its personality, and (3) complementary to the new cinema/cultural additions in the downtown. Thus, the overall merchandising strategy for the Core is to mirror the existing Pioneer Place Pavilion by attracting "first in the marketplace" and "one in marketplace" retailers, a number of which can and should

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[4] Inventory estimates may differ, depending on the definition of "downtown" and "retail", i.e., whether uses, such as galleries and showrooms, retail services, and above/below street-level retail are included.

be national or brand tenants. Equally important is the retention and expansion of existing, successful local tenants.

Nature of the Shopping Place

The core area merchandising plan should also recognize that department stores, though less important today as anchors than 25 years ago, are still major destination tenants with the ability to draw from a large trade area, and whose advertising dollars can be very important to marketing a location. Saks' 5^{th} Avenue will open its expansion in March 2000. Thus, primary dialogue for potential improvements should be initiated with the other two downtown department stores, Meier & Frank and Nordstrom, which are still located in older facilities that have not been upgraded.

It is expected that shopping complexes, such as the Galleria and Pioneer Place and street retail will continue to be the major form of retail shopping destinations.

Future Location Concentrations

Geographically, the first effort should be to encourage many of the new retail uses to locate at the west end of Morrison and Yamhill to (1) reinforce that portion of the Core District, and (2) create a synergistic retail that can generate a sufficiently high level of pedestrian energy for spill over to the West End District and thus help activate the retail there. Future major nodes of retail concentration will likely include the Fox Tower, which is expected to have approximately 65,000 sq.ft. of retail and theaters, as well as the existing department stores and the Galleria. Smaller retail nodes should also be created at the ground level of the Smart Park Garages. Other nodes should include the north edge of the Core with spillover to Historic OldTown/Chinatown/Skidmore and east of SW 3^{rd} to encourage pedestrian traffic from the waterfront into the more populated core area.

Tenant Mix

Given the regional-oriented nature of the retail in the Core, it is recommended that the mix of national brand tenants be increased by at least 10%, to 70% or 80% of the total retail tenant mix, by 2010, which would provide the Core with a stronger retail presence in the metropolitan region.

Merchandising Mix

Additional types of retail that will complement the existing mix include large format apparel stores (such as Old Navy), electronic uses, and additional specialty retailers. Marketing efforts should focus on recruiting or attracting retailers, which are unique to the downtown marketplace, e.g., “one-of-a-kind” stores. Renovation and retenanting of the Galleria will also be one of the single most important accomplishments to put in place for the strategic vision for the Core District. Projects with equal impact, such as a department store expansion, should be pursued within the Core District.

Enhancements Benefiting Retail

Enhancements that will support the retail theme for this District include the following key elements recommended by the District Retail Strategies Task Force in the Phase I Strategy Report:

- More public transportation and parking, especially on weekends and during holidays;
- Downtown Retail Core Lighting District;
- Extended and coordinated shopping hours to attract shoppers after work and after events;
- Wayfinding systems, i.e., signs/banners, information kiosks, flower stands, vendors, street performers/artists to add interest, activities and excitement to the Core;
- Transit mall rehabilitation; and
- Pioneer Courthouse Visitors Center

TABLE 3
PORTLAND DISTRICT RETAIL STRATEGY
EXISTING DISTRICT RETAIL CHARACTERISTICS (2000)

Retail Core

APPROXIMATE BOUNDARIES	Salmon, $9^{th}/10^{th}$, Burnside, Stark, Naito
DISTRICT DEFINING CHARACTERISTICS	▪ Traditional Downtown Retail Center - Dept. Stores - Specialty Retail - Restaurants ▪ Pioneer Place ▪ Offices ▪ Hotels ▪ Non-Traditional Movie Theaters ▪ Pioneer Square
EXISTING RETAIL INVENTORY [5] AND	Est. 1.4 ± million SF:[6] 58% Specialty Retail

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[5] Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Eating and Drinking. Estimates based on available data from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.

COMPOSITION	29% Dept./Anchor Stores 8% Eating and Drinking 4% Other Retail
EXISTING LOCATIONAL CONCENTRATION AND NATURE OF THE SHOPPING PLACE	Dept. Stores: Meier & Frank, Nordstrom, Sak's 5th Ave. Shopping Complexes: Pioneer Place, Galleria (links core with West End); Fox (under construction) Street Retail: Alder, Morrison & Yamhill from 2nd to Park
EXISTING TENANT MIX[7] (By No. of Tenants)	30%-40% Local/Regional Tenants 60%-70% National/Brand Tenants
EXISTING MERCHANDISING MIX	▪ Major Dept. Stores ▪ Up-scale National Specialty Stores
EXISTING PRICE POINTS	Moderate to High
CURRENT PRIMARY USER MARKETS	▪ Close-In Residents ▪ Downtown Workers ▪ Visitors/Tourists (Families) ▪ Weekend Shoppers
EXISTING CHALLENGES	▪ Insufficient parking ▪ Inadequate public transit on evenings and weekends ▪ Scattered surface parking lots ▪ Pockets with no retail frontage ▪ Increasing rents ▪ Expensive rehab (upper floors)

Table 4
PORTLAND DISTRICT RETAIL STRATEGY
RECOMMENDED RETAIL MERCHANDISING MIX PLAN (2010)

Retail Core

APPROXIMATE BOUNDARIES	Salmon, 9th/10th, Burnside, Stark, Naito
ROLE	Be a Nationally Recognized First Tier Downtown
SIZE AND COMPOSITION OF OPPORTUNITY [xii]	+100,000 to 150,000 SF 80% GAFO 20% Eating and Drinking[xiii]
	Total = 1.5-1.55 M± SF
RECOMMENDED THEME	▪ Upscale, Traditional Retail Center (High Quality Merchants) - Dept. Stores - Fashion-Oriented Uses

[6] Assumes Galleria is in Retail Core District inventory.

[7] Estimate only. Based on review of AAP retail database; information provided by local retail consultants and windshield surveys.

DESIRED NATURE OF SHOPPING PLACE	▪ Shopping Complexes ▪ Galleria and Department Store Expansion/Upgrade ▪ Street Retail
DESIRED FUTURE LOCATIONAL CONCENTRATION	In addition to existing: ▪ West End of Morrison, Yamhill ▪ Fox Tower ▪ Department Stores and Galleria ▪ Smart Park Garages ▪ Renovated Pioneer Courthouse Square
DESIRED TENANT MIX (by No. of Tenants) [xiv]	20%-30% Local/Regional Tenants 70%-80% National/Brand Tenants
DESIRED MERCHANDISING MIX	**Additional:** ▪ Large Format Apparel ▪ Electronics ▪ Specialty Retail ▪ Renovated & Retenanted Galleria ▪ Dept. Store Expansion *(Emphasis on unique to the market retailers)*
ENHANCEMENTS BENEFITING RETAIL	▪ More public transportation, parking ▪ Downtown Lighting District ▪ Extended and coordinated shopping hours ▪ Wayfinding systems, i.e., signs/banners, information kiosks ▪ Transit mall rehab ▪ Pioneer Courthouse Visitors Center ▪ Street activities, i.e., flower stands, vendors, street performers/artists

1 The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

2 GAFO defined as General Merchandise, Apparel, Furniture/Furnishings, Other Specialty Retail.

HISTORIC OLD TOWN/CHINATOWN/SKIDMORE DISTRICT

1. Definition of District

The Historic Old Town/Chinatown/Skidmore District is defined as the area bounded generally by SW Stark and West Burnside Street on the south, SW Broadway on the west, NW Glisan Street on the north and Naito Parkway on the east, as shown on Map 1. This area encompasses the historic origins of downtown and creates a "bridge" across West Burnside Street. Recent public and private investments in the area, including new office and residential development and the construction of the Classical Chinese Garden, are generating more activity in the area now than in the past 30 years. The often-bustling daytime activities and active nightlife scenes are creating opportunities for additional specialty retail and entertainment uses in this emerging area.

2. Existing Retail District Characteristics

District Defining Characteristics

Historic Old Town/Chinatown/Skidmore District is a complex and diverse community. As noted above, the area offers a mix of nightlife/entertainment activities, an enclave of ethnic food and specialties, and a sense of local history and culture. Due to its wide mix of uses, the area attracts both residents in the immediate neighborhood as well as visitors from outside of the region, including tourists and attendees from the Convention Center across the River. Popular activities include shopping at the Saturday Market, where local goods and products made in the Pacific Northwest attracts residents and visitors alike, wandering through the galleries, sampling the variety of ethnic restaurants, viewing the historic architecture, gathering at the Skidmore Fountain and exploring the emerging vibrant nighttime scene in the District. The area is also home to a transient population, who is served by a broad range of social services located in or near the District. There is also increasing interest from creative service firms seeking office space in some of the older buildings in the area.

Thus, the wide diversity of the District creates ample opportunities for new development. The goal of the Merchandising Mix Plan for this District is to support growth while preserving its sense of history and the richness of its diversity.

Retail Inventory

The area is estimated to contain over 550,000 sq.ft.[8] of retail space. The majority of the retail space is in restaurants, galleries, and antique shops; the remainder is in small, local and ethnic specialty retail uses. An estimated 40% of the retail uses are eating and drinking establishments, with a significant number of bars, clubs, and ethnic restaurants. The area is best known at this time, however, for the Saturday Market, which is expanding to year-round activity with the purchase of the Skidmore Building. It is expected that the area will also become known for its Classical Chinese Garden after it opens.

Location Concentrations and Nature of the Shopping Place

There are multiple points of interest within the Historic Old Town/Chinatown/Skidmore District, including: the Saturday Market, the Skidmore Fountain vicinity, New Market Theater (a complex of small specialty retail), Chinatown on NW 4th Avenue, and NW 1st Avenue along the MAX Line. Chinatown, in particular, with the soon-to-be completed Classical Chinese Garden, is projected to attract over 100,000 visitors each year to the area. Because the area has multiple points of interest, it needs a strong focus and linkages that can bring together the disparate array of retail uses in the District.

Tenant Mix, Merchandising Mix and Price Points

The District is dominated by local and regional independent retailers (estimated to comprise 70% to 75% of the total number of retail tenants), with a few national retailers represented in the mix. The keen interest in the Historic Old Town/Chinatown/Skidmore can be attributed to the large number of independent retailers in the area. The local flavor is further highlighted by local arts, crafts, souvenirs and other products made in the Pacific Northwest featured at the Saturday Market, galleries and antique stores in the District. Evening entertainment and the ethnic specialties available in the District also attract strong interest from both visitors and residents. At the present time, however, there is limited convenience retail in this District.

Due to the historic nature of the area, many of the buildings tend to be older and require substantial renovation. Thus, without renovation, they offer a low cost opportunity for small, local entrepreneurs or artists to market their products, most of which are priced at a low to moderate-price level. The affordable pricing of these local merchandises appeals especially to residents and visitors to the area and contributes to the draw of this District.

Primary User Market

The Historic Old Town/Chinatown/Skidmore District draws its support from four major market segments, with some overlap, as follows: (1) tourists, (2) downtown workers, (3) weekend shoppers from the greater Portland Metropolitan Area, and (4) event goers, i.e., to the sports or

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[8] Estimated based on APP's Business Improvement District Program retail database.

convention facilities across the River. Easy access to the District is provided by public transportation such as the Transit Mall, and the MAX Light Rail; however, no data are available at this time on the number of riders that embark/disembark in this District. Gathering such data may be a recommended task for implementation in the next phase.

Challenges of the District

The greatest challenge to the Historic Old Town/Chinatown/Skidmore District is the visual and physical barrier presented by West Burnside Street. The poor quality of the buildings, streets, and uses on West Burnside creates a strong negative first impression on visitors to the area. The wide width of Burnside is also a danger for pedestrians wishing to cross safely and comfortably. Another source of traffic safety concern and frustration is the District's awkward mix of signals and stop signs which are confusing, especially for visitors unfamiliar with the District. As this problem is addressed, it is important to focus on pedestrian safety and access as much as on auto access.

Additionally, while the District has incorporated the needs of the transient population into its development, the presence of this population is a deterrent to some visitors, especially in the evening. Another significant challenge is the impact of transients on the street environment.

Another challenge of the District is the need to create a safe and attractive path to the new Classical Chinese Gardens.

As in the Core District, costly rehab of older buildings, discontinuous retail street frontage, and increasing rents are conditions that impact on the retail viability of the area and need to be addressed.

Development is further hindered by the fragmented property ownership. Parcels in the District are small, with few single large owners. Historic buildings on the parcels are an additional consideration in development of the property. Thus, land assemblage is difficult and costly. Current property owners have not been inclined to sell or to make investments to improve their buildings, given the current lack of a critical mass of residents and foot traffic in the area.

Above all, the District must address the issue of use conflicts between entertainment and residential uses in the area, i.e., noise and parking, which are likely to worsen with the expansion of the District in the future.

3. Recommended Retail Merchandising Mix Plan

Role

The recommended role for the District is to serve as a major entertainment center, providing an opportunity for a gathering of diverse groups of people and activities. As an area for entertainment, it would reinforce the "bridge" concept by bringing together: (1) visitors from both the Convention Center and sports complex across the river and downtown to the south, (2) residents, locally and from throughout the region, during the week and on weekends through events such as First Thursdays and Saturday Market, and (3) local businesses and artisans.

The District would also provide a "one-of-a kind" regional retail experience, serving as a venue for showcasing local talent and products, and thereby becoming a regional destination in its own right. An added dimension is the ethnic markets that the District also serves. The District is directly across from the Japanese Historical Plaza across the Naito Parkway, which is a major destination for Japanese residents and visitors in general. Though limited, the existing Chinatown still serves an important commercial and social role in the Chinese community. With the Classical Chinese Garden in place and a Chinese Community Center under planning, Chinatown can be solidified and enhanced to become a true working and functioning commercial and cultural center for Asians in the Greater Portland Metropolitan Region.

Size and Composition of Opportunity

Given the multi-faceted role of the District, it is anticipated that the area has the potential of adding another 50,000 sq.ft. to 75,000 sq.ft. of retail space, for a total of around 600,000 sq.ft. to 625,000± sq.ft. in the area. It is recommended that the additional retail space include a mix of local specialty retail, neighborhood services and eating and drinking uses.

Recommended Theme

The recommended theme for the District, consistent with its role as a "bridge" between Downtown and the Convention Center across the river, would be entertainment, with local emphasis. A complementary theme is the inclusion of ethnic/Asian specialty retail and Oregon-themed retail, which would add to the richness of the urban experience in this District.

Nature of the Shopping Place

The nature of the retail is expected to be street retail (i.e., along NW 3rd and 4th Avenues), with the exception of Saturday Market, which is clustered under the Burnside Bridge area and around 1st Avenue, Skidmore Fountain area. Certain Saturday market shops are also located now in the Skidmore Building all week.

Future Location Concentrations

This new mix of uses should be concentrated at three locations, with the strongest possible linkage to each other: (1) the Chinatown area generally between NW 3rd and 4th Avenues connecting to the Chinese Classical Garden, (2) the vicinity of the Skidmore Fountain along NW 1st Avenue and the Light Rail, and (3) along SW Ankeny and Ash Streets, to SW 3rd Avenue (Chinatown), connecting to the Chinatown Gate at NW 4th and Burnside. In addition, retail should also be concentrated around each of the three MAX Light Rail Stations, with sufficient intensity to capture the interest of rail passengers, especially those traveling between the Convention Center, downtown, and other destinations to the south and west.

Tenant Mix

The mix of tenants should remain essentially the same as existing, i.e., with about 70% to 75% local/regional independents and 25% to 30% national/brand tenants. It is recommended, however, that a stronger emphasis be placed on attracting national or regional brand restaurants, which are often able to create stronger draw of visitors to an area because of name familiarity.

Merchandising Mix

The types of tenants recommended include a range of small "festive" retail tenants, such as “fun” food (e.g., soda fountains, diners, pretzel shops) and specialty retail (e.g., ethnic and artisan shops, craft workshops, candle shops, kite stores, chocolate factories) that has the ability to entertain and interest visitors rather than merely sell traditional goods. The intent is to create a fun, events-oriented environment and destination for families and a broad range of age groups.

Another type of tenant to be encouraged are restaurants that succeed in taking advantage of the multi-ethnicity of the District to create “special of the house” culinary originals, i.e., by creatively combining or "fusing" together different ethnic and traditional dishes. The area can also benefit from the addition of several large format, national or regional brand types of restaurants, which, because of their more recognizable name and more powerful marketing ability, will be able to attract a broader clientele to the area.

The mix of tenants should also include local neighborhood commercial uses, especially a grocery store and a drugstore, to serve the needs of the emerging residential population in the Yards at Union Station.

Enhancements Benefiting Retail

Key improvements that will likely enhance the retail concept recommended for Historic Old Town/Chinatown/Skidmore include those highlighted by the Task Force:

- Information kiosks and wayfinder signage, especially around the three MAX Light Rail Stations;

- Transit Mall improvements to enhance streetscape, increase pedestrian safety and revitalize retail storefronts;
- Development of "festive" services for visitors, i.e., souvenirs/gifts, food options (i.e. soda fountains), film processing;
- Façade improvement;
- Building lighting;
- Streetscape improvements; and
- Burnside improvements.

TABLE 5

PORTLAND DISTRICT RETAIL STRATEGY
EXISTING DISTRICT RETAIL CHARACTERISTICS (2000)

Historic Old Town/Chinatown/Skidmore

APPROXIMATE BOUNDARIES	Stark/Burnside, Broadway, Glisan, Naito
DISTRICT DEFINING CHARACTERISTICS	▪ Nightlife/Entertainment ▪ Chinatown ▪ MAX line and Transit Mall ▪ Proximity to Convention Center and Rose Quarter ▪ Historic Buildings and Skidmore Foundation ▪ Saturday Market ▪ "Made in Oregon" ▪ New Office and Residential ▪ Galleries ▪ Services for Transient Population
EXISTING RETAIL INVENTORY [9] AND COMPOSITION	Est. 550,000 ±SF[10] 48% GAFO 46% Eating and Drinking 6% Galleries
EXISTING LOCATIONAL CONCENTRATION AND NATURE OF THE SHOPPING PLACE	Multiple Points of Interest but No Single Focus: Saturday Market/Skidmore Fountain, New Market Village, Chinatown on 4th Ave, 1st Ave MAX Line
EXISTING TENANT MIX[11] (By No. of Tenants)	70%-75% Local/Regional Tenants 25%-30% National/ Brand Tenants
EXISTING MERCHANDISING MIX	▪ Evening Entertainment ▪ Restaurants, Food ▪ Local Artists & Products ▪ Ethnic Groceries ▪ Souvenirs
EXISTING PRICE POINTS	Low to Moderate
CURRENT PRIMARY USER MARKETS	▪ Tourists ▪ Downtown Workers ▪ Weekend Shoppers ▪ Event Goers ▪ Nearby Residents
EXISTING CHALLENGES	▪ Burnside Street barrier ▪ Visitor and Shopper compatibility with transient population ▪ Creating attractive path to Classical Chinese Gardens ▪ Fragmented property ownership ▪ Costly rehab of older buildings

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[9] Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Food. Estimates based on available date from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.
[10] Based on APP's Business Improvement District Program retail database.
[11] Estimate only. Based on review of AAP retail database; information provided by local retail consultants and general survey observations.

	▪ Lack of continuous retail frontage ▪ Increasing rents

TABLE 6

PORTLAND DISTRICT RETAIL STRATEGY
RECOMMENDED RETAIL MERCHANDISING MIX PLAN (2010)

Historic Old Town/Chinatown/Skidmore

APPROXIMATE BOUNDARIES	Stark/Burnside, Broadway, Glisan, Naito
ROLE	Be: (4) Entertainment/Arts District Oriented to Convention & Downtown Visitors (5) Host to Saturday Market (6) Asian Marketplace
SIZE AND COMPOSITION OF OPPORTUNITY [12]	+50,000 to 75,000 SF 30% Specialty Retail 30% Neighborhood Commercial 40% Eating and Drinking
	Total = 600,000 – 625,000 ±SF
RECOMMENDED THEME	▪ Entertainment ▪ Asian Specialty Retail and Entertainment ▪ Oregon-themed Retail
DESIRED NATURE OF SHOPPING PLACE	Street Retail (3rd and 4th), with connection to 5th and 6th bus stops.
DESIRED FUTURE LOCATIONAL CONCENTRATION	Three new concentrations, with strong links created: ▪ Chinatown's 4th Ave (Path to Classical Garden) ▪ Skidmore Fountain Vicinity (SW1st along light rail) ▪ E/W link street-Ankeny/Ash
DESIRED TENANT MIX (by No. of Tenants) [13]	70%-75% Local Regional Tenants 25-30% National/Brand Tenants (More Restaurants Emphasis
DESIRED MERCHANDISING MIX	**New:** ▪ Festive (Family-Oriented) Retail/ Entertainment ▪ Ethnic "Fusion" Restaurants ▪ Neighborhood Commercial i.e., grocery stores, drug stores and dry cleaners ▪ Asian Market **Expansion:** ▪ Saturday Market
ENHANCEMENTS BENEFITING RETAIL	▪ Information kiosks and "wayfinder" signage ▪ Transit Mall improvement ▪ Services for visitors, i.e., souvenirs/gifts, food options, film processing ▪ Façade improvements ▪ Building light ▪ Streetscape improvements ▪ Burnside improvements

[12] The lower end of net new retail space recommended, i.e., 300,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

[13] Based on KMA's assessment of each District's existing characteristics and opportunities.

PEARL DISTRICT

1. Definition of District

The Pearl District is loosely defined as bounded by West Burnside Street on the south, I-405 on the west, NW Lovejoy and NW Hoyt Streets on the north, and NW Broadway on the east. Historically an older, industrial area, the District is currently undergoing rapid transformation to a "Soho" of Portland. (See Map 1.) Many of the older warehouses have been converted to housing, commercial, and other non-industrial uses. As the Pearl District grows, its popular locales will continue to attract shoppers and diners to the area. The challenge will be to maintain the charm of the District, which comes from its industrial ambiance combined with trend-setting retail shops and restaurants, and to enhance this unique mix of retail uses while still serving the retail needs of the new residents.

2. Existing Retail District Characteristics

District Defining Characteristics

The District has an eclectic blend of industrial uses and warehouses, many of which have been converted to specialty retail, commercial and residential uses. The mix of specialty retail in the Pearl, which consists of large number of home furniture and furnishing stores (such as Lux Lighting, Blue Pear, French Quarter, What the Wind Blew In), antique stores, garden shops, and galleries, can also be called "lifestyle" retail. In the case of the Pearl, the mix of retail reflects the upscale taste and preferences of the new residential population in the area, which tends to be young, affluent, highly educated, professional single or couple households living in the newly-developed lofts, apartments or condominiums at the northern edge of the District. Support from this new population contributes to the success of uses, such as Powell's Books, in the area. Cultural institutions in the District, such as Pacific Northwest College of Art (PNCA) and Portland Institute of Contemporary Art (PICA), contribute to the District's "Soho" environment.

There are also a number of restaurants in the area, many of them with an ethnic theme. These trend-setting restaurants, as well as the proposed redevelopment of the Brewery Blocks, will continue to appeal both to residents in the area and workers in downtown nearby.

The "Soho" environment of the area and the availability of large, older warehouses for conversion have also attracted several internet companies, multi-media and other creative service firms, the largest of which is the advertising firm of Wieden and Kennedy. It is anticipated that additional creative/high tech service firms will continue to be attracted by the non-traditional lifestyle of the Pearl District as the area expands.

Retail Inventory

The District is estimated to have retail and restaurant space inventory of over 650,000 sq.ft.[14], the bulk of which is in converted warehouse space. This inventory includes retail on both the street and upper levels. The largest, single, stand-alone retail space is Powell's Books, which has just completed its expansion for a total of 68,000 sq.ft. and houses over 600,000 books. The other retail space, such as home furniture and galleries, is typically mid-size; the remainder tends to be smaller, infill spaces along the street fronts.

There are a limited number of retail services catering to residents in the area. However, plans are currently underway to include a specialty food market in the proposed Brewery Blocks.

Location Concentrations and Nature of the Shopping Place

The retail uses in this District are concentrated primarily between three streets: NW Glisan, NW Hoyt, and NW Everett, with a smattering to the south. However, there is no linkage between this retail location cluster and the single, most visible landmark currently existing in the entire District, Powell's Books. It is expected that the Central City Streetcar lines and the development of the Brewery Blocks will focus growth along NW 10th and 11th as well.

Tenant Mix, Merchandising Mix and Price Points

As in the Historic Old Town/Chinatown/Skidmore District, the retail tenants in the Pearl are predominately local or regional, independent tenants who comprise an estimated 70% to 75% of the total retail tenant inventory. They include primarily major destination retail uses, such as books (Powell's), home furnishings, antiques/arts and restaurant establishments. A number of the local tenants, such as Sheepskin of Oregon, Gallery 33, Blue Pear, feature local talents and products. Others, such as French Quarter and Gallery Zen, offer a more international mix of merchandise. Thus, pricing for the goods in the Pearl varies widely, depending on the target clientele, but generally falls in the moderate to high range.

Primary User Market

The primary support for the Pearl District appears to come from residents and workers from within the District as well as from downtown. Residents from the larger metropolitan area are also attracted to the District as a retail destination on weekends. A number of the workers within the District are from 24-hour multi-media/service firms. Thus, these workers, together with the area's residents, are able to provide more after-hours and weekend support for the businesses in the area. To date, visitor support does not appear to be significant in the District.

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[14] Based on the City's 1999 Pearl District Parking Study Business Survey. Excludes retail services, auto-related and other non-GAFO retail. Includes approximately 50,000 to 60,000 sq.ft. of gallery space.

(However, a market support survey is recommended to be included in the work for Phase III, Implementation Strategy for the District, to help better understand the target market for the proposed retail uses so that the specific nature and type of retail can be identified.)

Challenges of the District

As in the Historic Old Town/Chinatown/Skidmore District, West Burnside creates a visually and functionally uninviting "Front Door" into the Pearl. The high speed and volume of traffic also discourage pedestrian crossing between West Burnside and the West End.

Further, with the continued addition of residential units, the increasing residential density and the growing number of visitors attracted to the District, concerns are emerging over the adequacy of parking and the future quality of life in the area. Additional concerns of the residents, as in the Historic Old Town/Chinatown/Skidmore District, are the increasing conflicts between the entertainment and residential uses, i.e., noise and parking, in the Pearl.

As in the other Districts, the costly rehab of older buildings, discontinuous retail street frontages and increasing rents are also challenges that need to be addressed in the Pearl.

3. Recommended Retail Merchandising Mix Plan

Role

The role envisioned for the Pearl District is to become a major trendsetting Lifestyle/"Urban Home and Garden" center for the Portland Metropolitan area. It can also serve a dual role: (1) as the "overflow" area for similar "lifestyle" types of retail uses and trend-setting restaurants/bars from the nearly-built out NW 23rd Avenue retail area further west, and (2) as the area for complementary uses to NW 23rd Avenue when the District is connected to 23rd by the Streetcar. The area, in essence, will become the retail base for supporting the new residential community being created in the vicinity of downtown. This concept — that of creating a new residential environment in close proximity to a major employment center — is one of the key precepts of the “New Urbanism" approach in planning new communities today.

A secondary role of the District is to provide retail services to incubator firms, such as multi-media or creative service start-ups locating in the area. Employers from these firms often generate demand for 24-hour retail services, especially eating establishments, which will increase after-hour activities in the District.

Size and Composition of Opportunity

The rapid transformation of the Pearl District from old industrial to new retail and residential uses is anticipated to continue. Given the existing under-utilization of properties and the strong interest in the area, the District has the potential of substantially increasing its current inventory of specialty retail space. In addition, the estimated 1,200 additional residential units proposed for the District as part of the River District Urban Renewal Plan, will intensify retail demand in the area.

The brunt of this demand will be met in large part by the proposed Brewery Blocks development, which includes plans for more than $250 million of housing, office and retail space (including a grocery store) on five blocks of the old Blitz-Weinhard Brewery. The transformation of these blocks into a major retail/entertainment and upscale residential community will create a key link between the Pearl District, West End, Historic Old Town and the Core Districts. In essence, the Brewery Blocks can potentially have a significant catalytic effect on that part of downtown.

Thus, opportunities exist for development of an estimated 100,000 sq.ft. to 125,000± sq.ft. of specialty retail and eating and drinking plus another 50,000± sq.ft. of neighborhood retail/commercial uses serving residents of the area. Much of the new space is anticipated to be accommodated in the Brewery Blocks development . Thus, the total amount of retail space in the Pearl District by the Year 2010 is projected to be in the 800,000 to 825,000 sq.ft. range. However, once the Brewery Blocks development is successfully established, the District has the potential to significantly increase its share of the overall retail demand in the downtown.

Recommended Theme

The recommended theme for the District is trendsetting, "Lifestyle" retail, with emphasis on uses catering to the Home and Garden, such as home furniture and furnishings, galleries and antiques. The theme can be complemented with "trend-setting" specialty retail and restaurant uses to reinforce the "Soho" image for the area.

Nature of the Shopping Place

In addition to street retail and Powell's Books, the Brewery Blocks will become a major destination place within the Pearl District. The types of uses envisioned in this project, such as entertainment, food and specialty retail, should create a linkage — physical, visual and/or functional — to Powell's Books and to Central City Streetcar stops. The goal is to intensify the synergy and activities created by the proximity of these two powerful anchors so that the benefits can spill far over to the rest of Pearl as well as to the surrounding districts (i.e., West End and Historic Old Town/Chinatown/Skidmore).

Future Location Concentrations

The current concentration of retail between NW Glisan, NW Hoyt and NW Everertt Streets should be extended to NW 10th and 11th as eventual connectors to Powell's Books and the

Brewery Blocks at the southern end of the District. If successful, the 10th and 11th Avenue Streetcar extension can also spill over into the West End District, thereby creating a retail linkage between the two areas.

Tenant Mix

The mix of tenants should remain essentially the same as existing, i.e., with about 70% to 75% local/regional independents. It is recommended, however, that a stronger emphasis be placed on attracting national brand furniture/furnishings tenants appropriate to the market, which typically can draw from a broad, regional base.

Merchandising Mix

It is recommended that local and regional independent tenants continue to be heavily represented in the future tenant mix. However, it is also recommended that the mix include national brand home furniture or furnishing stores. The national/international presence of these uses can help promote, reinforce, and further establish the District as a major, indisputable "Lifestyle" retail destination.

Complementary uses include both existing as well as additional trend-setting restaurants, contemporary art galleries, showroom, and artisan workshops. Resident-serving uses, such as grocery stores, cleaners, print/copy shops, can also contribute to the retail diversity of the District.

Enhancements Benefiting Retail

The District Retail Strategies Task Force recommended a number of improvements to the District, including the following:

- Sidewalk and streetscape improvements with flowerpots, benches, information kiosks, and "way finders" to guide people to the stores;
- Improvement of visual image of parking lots, such as fences at the Post Office complexes;
- Signs and banners to direct pedestrian further into the District from streetcar stops, Powell's and the Brewery Blocks development, in order to connect the streetcar with surrounding retail;
- Lighting appropriate to the District's theme;
- Additional bus service;
- Short-term parking facility; and

- As the Pearl and River Districts grow, improved access via public transit.

TABLE 7
PORTLAND DISTRICT RETAIL STRATEGY
EXISTING DISTRICT RETAIL CHARACTERISTICS (2000)

Pearl

APPROXIMATE BOUNDARIES	Burnside, I-405, Lovejoy/Hoyt, Broadway
DISTRICT DEFINING CHARACTERISTICS	▪ Lifestyle Retail - Powell's Books - Home Furnishing/ Antiques - Art Galleries ▪ Restaurants ▪ Loft Housing & Renovated Warehouses ▪ Entertainment ▪ Pacific NW College of Arts and Portland Institute of Contemporary Arts ▪ On Edge of Major Residential New Growth
EXISTING RETAIL INVENTORY [15] AND COMPOSITION	Est. 650,000 ±SF[16] 80% GAFO 12% Eating and Drinking 8% Galleries
EXISTING LOCATIONAL CONCENTRATION AND NATURE OF THE SHOPPING PLACE	Glisan, Hoyt, & Everett
EXISTING TENANT MIX[17] (By No. of Tenants)	70%-75% Local/Regional Tenants 25%-30% National/ Brand Tenants
EXISTING MERCHANDISING MIX	▪ Destination Retail: Books (Powell's) ▪ Home Furnishings, Antiques ▪ Art ▪ Restaurants
EXISTING PRICE POINTS	Moderate to High
CURRENT PRIMARY USER MARKETS	▪ District Workers ▪ Nearby Residentsy ▪ Downtown Workers ▪ Weekend Shoppers
EXISTING CHALLENGES	▪ Burnside Street barrier ▪ Negative image of Burnside as "Front Door" to District ▪ Insufficient street parking and street lighting ▪ Meshing of entertainment with residential (noise) ▪ Costly rehab of older buildings ▪ Lack of continuous retail frontage ▪ Increasing rents

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[15] Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Food. Estimates based on available date from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.
[16] Based on the City's 1999 Pearl District Parking Study Survey, excludes retail services and auto related uses.
[17] Estimate only. Based on review of AAP retail database; information provided by local retail consultants and general survey observations.

TABLE 8
PORTLAND DISTRICT RETAIL STRATEGY
RECOMMENDED RETAIL MERCHANDISING MIX PLAN (2010)

Pearl

APPROXIMATE BOUNDARIES	Burnside, I-405, Lovejoy/Hoyt, Broadway
ROLE	Be: 4. Trend-setting Lifestyle Retail Hub for Metro Area 5. "Trendy" Restaurant/Bar Area 6. 24-Hour Creative Services (Multi-Media).Com Incubator Area
SIZE AND COMPOSITION OF OPPORTUNITY [18]	+100,000 to 125,000 SF 60% Specialty Retail 40% Eating and Drinking +50,000± of Neighborhood Commercial/Eating and Drinking **Total = 800,000 – 825,000 ± SF**
RECOMMENDED THEME	▪ Trend-Setting Lifestyle (Home & Garden) - with national and regional brand home furnishings
DESIRED NATURE OF SHOPPING PLACE	▪ The Brewery Retail Complex ▪ Street Retail ▪ Rehabbed Warehouse Retail
DESIRED FUTURE LOCATIONAL CONCENTRATION	In addition to existing: 10th & 11th as north/south connectors of Powell, Blitz, Glisan, and Everett
DESIRED TENANT MIX (by No. of Tenants) [19]	70%-75% Local/Regional Tenants 25%-30% National/Brand Tenants (More Home Furnishings Emphasis)
DESIRED MERCHANDISING MIX	**Expansion:** ▪ Home Furniture/ Accessories/Furnishings ▪ Trend-Setting Restaurants ▪ Contemporary Art Galleries ▪ Neighborhood Commercial, i.e., grocery stores, cleaners, print copy shops, etc.
ENHANCEMENTS BENEFITING RETAIL	▪ Sidewalk and streetscape improvements with flowerpots, benches, information kiosks, and "way finders" ▪ Improvement of visual image of parking lots ▪ Signs and banners ▪ Lighting appropriate to District theme ▪ Additional bus service ▪ Improved access via public transit ▪ Short-term parking facility

[18] The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

[19] Based on KMA's assessment of each District's existing characteristics and opportunities.

WEST END/CROSSROADS AND CULTURAL DISTRICTS

The overall West End District is generally defined by West Burnside on the north, I-405 to the west, SW Market Street on the south, and SW 9th on the east. It overlaps the Retail Core District along its northeastern edge. The West End actually is comprised of two distinct subdistricts: Cultural (south end) and Crossroads (north end). The boundaries of these subdistricts are shown on Map 1.

Each of the subdistricts within the West End is characterized by a different type of land use and serves a different function. For example, the Crossroads area is at the only 100% light rail corners in the City where it intersects with the Central City Streetcar. It is also at the west end of the Fareless Square. Additionally, it has extraordinary auto access. The Cultural area is the center of the City's major cultural facilities, including the Oregon History Center, Portland Center for the Performing Arts, Portland Art Museum, and the Central Library. The rest of the West End is predominately residential, housing downtown employees, retirees as well as the student population from Portland State University nearby.

The focus of the West End Retail Merchandising Mix Plan is on the Crossroads and Cultural Subdistricts, where a clear, well-defined retail image or theme has yet to be defined.

The following sections describe the existing retail characteristics in the Crossroads and Cultural areas and the recommended retail concept for each in the future.

West End Crossroad Subdistrict

1. Definition of Subdistrict

The Crossroad Subdistrict is located at the northern end of the West End, bounded generally by Salmon Street, SW 13th Avenue, West Burnside Street and SW 9th Avenue. As discussed above, this area is served by the MAX light rail, the Central City Streetcar, local buses, and private autos. The intersection of these lines bisect the district into a number of sub-quadrants (see map). As a result of this fragmented street fabric, there is no cohesive use pattern in this area and few, if any, pedestrian amenities. The goal of the Retail Merchandising Mix Plan is to weave the disparate retail elements of this Subdistrict together into the overall urban fabric of the downtown and, in the process, define a retail form and purpose for the area.

2. Existing Retail Characteristics

Subdistrict Defining Characteristics

Due to its overlap with the Retail Core and the Pearl District, the West End Crossroads Subdistrict is often viewed as a transitional area between these two major areas of activities. As such, it is the breeding ground for a wide variety of uses. Existing uses in the area are highly mixed, ranging from telecommunication companies to apparel, home furnishings, other specialty retail and retail services. Though not as trend-setting as the Pearl, this area is also home to a large number of restaurants featuring Pacific Northwest specialties, such as Jake's Grill and South Park, and ethnic cuisine, such as Bush Garden and Suriya. The area also has a heavy concentration of bars and clubs at the north end. Other uses in the area include a mix of antiques, art galleries, home furnishings, toys and gifts, and beauty/barber shops. The distinguished Heathman Hotel, with its well-known restaurant, is also a major landmark that serves the subdistrict.

The area is also distinguished by its mix of building "styles", which has multi-level architecturally interesting structures alongside single level, non-descript, newer buildings. In addition, the street frontages are often interrupted by surface parking lots so that the retail flow is significantly discontinuous.

Retail Inventory

Although there are a large number of specialty retail uses in the Crossroads area, they are primarily small tenants. The larger tenants are generally restaurants. The estimated total retail space inventory in this area is between 150,000 sq.ft. to 200,000 sq.ft.[20], all on the street level. (The Galleria is included in the Core District square footage.)

Location Concentrations and Nature of the Shopping Place

In general, retail uses such as apparel, specialty retail and restaurants, are concentrated along SW Morrison Street and SW 9th Avenue, from SW Alder and SW Taylor Streets, which are busy arterials with little pedestrian amenities. However, there is one street segment — SW Morrison between SW 9th and 11th — which offers a nice cluster of quality retail and a pedestrian-oriented streetscape environment not typically found in this Subdistrict.

Tenant Mix, Merchandising Mix and Price Points

The types of goods offered in this Subdistrict vary from value retail to eclectic, or "edge", retail, priced generally in the moderate range. As expected, the area is dominated by local

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[20] Estimated based on APP's Business Improvement District retail database.

businesses that prefer the lower rents in this area as opposed to retail space in the Core. An estimated 90% to 95% of the existing number of retail tenants are local or regional tenants. The remaining 5% to 10% are estimated to be national or brand tenants.

Primary User Market

Primary users include office workers downtown, close-in residents and visitors to the Civic Stadium who are attracted by the eclectic mix of edge retail and restaurants in the area.

Challenges of the Subdistrict

A major challenge is to convert the Galleria into a positive force for the West End Crossroads Subdistrict. The limited tenancy of the Galleria has impacted the perceived economic viability of the area. The recommended renovation and retenanting of the Galleria , i.e., with large format and/or national/regional brand retail tenants, will provide an opportunity to restore investor confidence in the area. The challenge for the Subdistrict is to find ways to leverage the future success of the Galleria (if achieved) in the overlapping Core District, such as upgrading the façade of the 10^{th} and Yamhill Garage nearby.

As in the other retail districts, another challenge is the visual and physical barrier created by the Burnside Triangle which affects both the image and the traffic and pedestrian circulation at the intersection of this District with the Pearl District.

A third challenge of the Subdistricts is the costly rehabilitation required of the older buildings, which often leads to increased rents.

Additional challenges, as in the other Districts, are the interrupted retail street frontage and the increasing rents in the area which impact the retail viability of the area.

Above all, the dispersed land ownership — with no dominant private landowners and a significant number of non-profit owners, such as the First Presbyterian Church, United Way, and YWCA — creates a layer of complexity in coordinating any major development activities in the area, i.e., assembling land for a project, establishing a Business Improvement District, achieving consensus of future District goals, etc.

3. Recommended Retail Merchandising Mix Plan

Role

The recommended role for the West End Crossroad Subdistrict is to provide "incubator" space for new, local start-ups, capitalizing on the area's downtown location, its proximity to the Core, Cultural and Pearl Districts, its access to the streetcar network, and the still relatively lower costs of the area. In this sense, the area would continue to function as a "crossroad" between the various retail concentrations in the Downtown Core and the Pearl Districts by providing the missing retail links needed to connect these other areas.

Size and Composition of Opportunity

The Crossroads Subdistrict has a number of underutilized or vacant properties. If development opportunities can be successfully marketed, the area has the potential of increasing its current inventory of retail space by an estimated 50,000 sq.ft. to 75,000± sq.ft. to a total of 250,000 to 275,000 sq.ft., with the bulk of the space tenanted by small, local retailers. It is anticipated that the Subdistrict will be able to attract large and/or national/regional brand tenants at strategic and/or high profile locations, such as the Galleria, at this time.

Recommended Theme

The recommended theme should continue to be a mix of eclectic local specialty retail, with an emphasis on "incubator" or start-up retail uses, services and restaurants.

Nature of the Shopping Place

Including the Galleria, the retail should remain street retail, with infills concentrating along SW 10^{th} and 11^{th} Avenues and along the existing retail/restaurant row on SW Morrison Street and SW Alder Street.

Future Location Concentrations

In addition to street retail, i.e., SW 9^{th} and 11^{th} Avenues between SW Taylor and Alder, SW Morrison Street, and SW Alder between SW 11^{th} and 12^{th} Avenue ("Singer Block"), another potential retail concentration would be the site of the Federal Reserve Building. The Federal Reserve Building is strategically located near the northern junction between the West End Crossroads Subdistrict and the Burnside Triangle. Currently, the Building is set back with a surface parking lot abutting the SW 10^{th} Avenue frontage. Part of the Federal Reserve Bank site could be developed with wraparound retail or other use, such as a museum, to:

1. Provide interest at the street level for pedestrians,

2. Create a major retail anchor at the north end of the Subdistrict to energize the Subdistrict, and

3. Provide a continuous retail frontage along 10^{th} between the Crossroads and the Burnside Triangle, which would serve as a link between the West End and the Pearl District.

An additional node of retail activities is the Smart Park Garage on 10th Street, which could offer relatively inexpensive retail space with convenient parking access which could also strengthen the existing retail in the area.

Tenant Mix

The mix of local versus national tenants (exclusive of the Galleria) is recommended to remain relatively the same (i.e., 90% to 95% local/regional tenants and 5% to 10% national/brand tenants), as this area is anticipated to provide opportunities for entry or "incubator" types of retail tenants, which are primarily local/regional independents.

Merchandising Mix

The recommended merchandising mix should be an expansion of the retail/restaurant uses currently along SW Morrison Street, the boutique uses between SW 11th and 12th Avenue on Alder ("Singer" block), and the cutting "edge" retail uses, bars and clubs in the vicinity of the Burnside Triangle. These are the strongest retail uses in the Subdistrict and should be built on to create a sufficient mass of retail interest in the area. Other retail uses, such as electronic stores, can also add diversity to the mix.

Enhancements Benefiting Retail

Among the enhancements recommended by the DRC Task Force for West End are the following:

- More short-term, visitor parking;
- Elimination of surface parking lots, which are disruptive to pedestrian flows;
- Attractions (sign/banners, information kiosks, etc.);
- Sidewalk Cafes, flowerpots, benches, vendors along 10th and 11th;
- Organization of diverse interest groups in the District to represent a single, unified voice; and
- Establish links with the Streetcar and MAX.

West End Cultural Subdistrict

1. Definition of Subdistrict

This Subdistrict is defined generally as the area in the southern portion of West End, bounded by SW Market Street on the south, SW 12th Avenue on the west, SW Salmon Street on the north, and SW Broadway on the east. As the cultural center of the City, the area generates substantial foot traffic. The exception is the south end of SW 10th where the blocks are relatively longer and thus appear rather foreboding and unfriendly to pedestrians. Regardless, at the current time, there is little retail and amenities in this Subdistrict to attract and retain visitors to facilities in the area.

2. Existing Retail Characteristics

District Defining Characteristics

This Subdistrict is dominated by cultural and civic uses, including the Multnomah County Central Library, the Portland Art Museum, the Portland Center for the Performing Arts, Schnitzer Concert Hall, and the Oregon Historical Society. The Heathman Hotel and restaurant is a notable landmark serving this Subdistrict. The area also has a number of churches in or at its periphery, including the First Unitarian Church, St. James Lutheran Church and the 6th Church of Christ Scientist. It is also in close proximity to the Portland State University (PSU). All these resources draw visitors to the area.

However, these facilities are not centralized and thus lack the synergy and critical mass needed to truly establish the area as a nationally recognized destination of arts and culture.

Retail Inventory

The area has an estimated 100,000 sq.ft.[21] of retail space at the present time, consisting of the Safeway store, some small food and specialty retail uses catering to the PSU students nearby, and gift shops and bookstores at several of the cultural facilities in the District.

Location Concentrations and Nature of Shopping Place

There are a few scattered retail uses along 10th and the Park Blocks, in the vicinity of PSU, and within the cultural facilities. Otherwise, retail uses in the area are minimal and discontinuous.

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[21] Estimated only. No actual survey data available.

Tenant Mix, Merchandising Mix and Price Points

An estimated 90% to 95% of the retail tenants are local and regional tenants. National tenants, the major of which is Safeway, comprise the remaining 5% to 10%.

The few food and retail uses in the area are targeted primarily at the student and retiree populations nearby and thus tend to be at the moderate end of the price range. There are a limited number of book and gift shops associated with the museum and other facilities, which tend be at the higher end of the range.

Primary User Market

The area generally consists primarily of tourists, such as visitors to the cultural and civic facilities and churches in the Subdistrict, students and residents. This could change when the Central City Streetcar begins operations in Spring 2001.

Challenges of the Subdistrict

The major challenge in this Subdistrict is to create sufficient and continuous retail mass and amenities so that it becomes an exciting, vibrant, and interactive destination for visitors to the area. An area requiring special attention is SW 10th Avenue, where a combination of retail clusters and urban design may be needed to visually and functionally break up the long, uninviting block frontages at its south end. The retail clusters can also serves as links to the various facilities in the Subdistrict.

The area suffers at present from insufficient parking. Other challenges include the increasing commercial rents in the District, which impact on the viability of many of the existing uses, and the prohibitive costs of rehabbing/upgrading the older buildings in the District.

3. Recommended Retail Merchandising Mix Plan

Role

The area will reinforce and affirm its role as the cultural center of the region. Retail uses will complement and serve the existing cultural/civic uses.

Size and Composition of Opportunity

Until there is a significant increase in the number of visitors to the area, the amount of retail uses is expected to remain nominal, with a slight addition of specialty retail and food by Year 2010.

Recommended Theme

The recommended theme for the Subdistrict is specialty retail uses complementary to the cultural/civic uses in the area, such as bookstores and gift shops and supportive entertainment uses such as sidewalk cafes and restaurants catering to the arts and cultural crowd.

Nature of the Shopping Place

Retail in this area should remain primarily street retail, although there may be a few clusters in the vicinity of the more active cultural/civic facilities, such as the Performing Arts Center and the Library.

Location Concentration

Additional retail in the future should concentrate on the Park Block "spine" connecting most of the cultural facilities to the rest of West End and to downtown. Thus, this retail concentration should extend from 10th to Broadway.

Tenant Mix

The tenant mix recommended is to maintain a high proportion of local/regional independent tenants (i.e., 90% to 95%) relative to national/brand tenants (5%-10%).

Merchandising Mix

The merchandising mix should remain primarily local, with a mix of sidewalk cafes, boutique hotels, restaurants featuring local "chef" talents, art galleries and shops featuring local artists, and possibly the addition of some small performing arts venue, i.e., "Off-Broadway" concepts. The purpose is to create a variety and mix of retail that would add interest and excitement to the area.

Enhancements Benefiting Retail

Enhancements that would support the retail concept for this District, as recommended in the Phase I District Retail Strategies Report, include the following:

- "Kid-oriented" area between library and museums;
- Sidewalk cafes, street artists, food and flower stands; and
- Streetcar links.

Remainder of West End District

For the remainder, or southern portion, of the West End — which is predominately residential — the retail concept is clear. The area currently lacks local-serving retail; thus, the Retail Merchandising Mix Plan for this area recommends City support and encouragement of additional convenience retail uses in the Subdistrict, such as food, drugs, and services to support the local residential population. Planning is underway for the development of a neighborhood center anchored by a 40,000 sq.ft. Safeway Store at Jefferson Street, SW 10th and 11th Avenue. Additional local-serving retail uses at this location will help to transform this center into a major convenience retail destination for residents in the area. The nature and timing of the City support will be addressed in the Implementation Plan to be prepared in the next phase, Phase III, for this Subdistrict.

TABLE 9
PORTLAND DISTRICT RETAIL STRATEGY
EXISTING DISTRICT RETAIL CHARACTERISTICS (2000)

West End/Crossroads and Cultural Districts[22]

APPROXIMATE BOUNDARIES	**Crossroads** (Yamhill, 12th, Burnside, 9th/10th)	**Cultural** (Jefferson, 11th, Yamhill/Salmon, Broadway)
DISTRICT DEFINING CHARACTERISTICS	▪ Adjacency to Retail Core and Pearl ▪ Local Specialty Tenants (Eclectic) ▪ Ethnic Restaurants-"Restaurant Row" ▪ Street Car Line Under Construction ▪ Governor Hotel	▪ Portland Art Museum, Oregon Historical Society ▪ Churches ▪ Proximity to PSU ▪ Residential ▪ Heathman Hotel ▪ Portland Center for the Performing Arts (PCPA)
EXISTING RETAIL INVENTORY[23] AND COMPOSITION	Est. 200,000± SF[3,4] 57% GAFO 35% Eating and Drinking 8% Galleries	Est. 100,000± SF[24] Est. 95% GAFO 5% Eating and Drinking
EXISTING LOCATIONAL CONCENTRATION AND NATURE OF THE SHOPPING PLACE	Street Retail: Morrison from 9th to 11th, 10th from Alder to Taylor, Yamhill from Park to 10th and Burnside Triangle	Street Retail: Broadway to 10th and along the Park Blocks
EXISTING TENANT MIX[25] (By No. of Tenants)	90%-95% Local/Regional Tenants 5%-10% National/Brand Tenants	90%-95% Local/Regional Tenants 5%-10% National/Brand Tenants (Safeway)
EXISTING MERCHANDISING MIX	▪ Eclectic Tenant Mix ▪ Destination Retail: Finnegan's; Real Mother Goose; Art Media ▪ Thrift, 2nd Hand	▪ Convenience Store/Safeway Grocery ▪ Oregon Historical Society and Portland A Museum Bookstores and Gift Shops
EXISTING PRICE POINTS	Moderate	Moderate
CURRENT PRIMARY USER MARKETS	▪ West End Residents ▪ Downtown Workers ▪ Event Goers (especially Civic Stadium)	▪ Event Goers ▪ Restaurant Goers ▪ Residents
EXISTING CHALLENGES	▪ Conversion of Galleria into a positive force ▪ Upgrade of 10th and Yamhill Garage ▪ Burnside Street as barrier ▪ Costly rehab of older buildings ▪ Dispersed land ownership ▪ Lack of continuous retail frontage ▪ Increasing rents	▪ Insufficient parking ▪ Lack of retail mass and linkages ▪ Costly rehab of older buildings ▪ Lack of continuous retail frontage ▪ Increasing rents

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22 These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.
23 Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Food. Estimates based on available date from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.
24 Estimate only. No survey data available.
25 Estimate only. Based on review of AAP retail database; information provided by local retail consultants and general survey observations.

TABLE 10
PORTLAND DISTRICT RETAIL STRATEGY
RECOMMENDED RETAIL MERCHANDISING MIX PLAN (2010)

West End/Crossroads and Cultural Districts[26]

APPROXIMATE BOUNDARIES	**Crossroads** Salmon, 13th, Burnside, 9th/10th	**Cultural** Market, 12th, Salmon, Broadway
ROLE	Be: 3. Downtown Location for New Local Tenants 4. Crossroads for Pearl and Core Districts	Be a Complementary Retail District Supporting Cultural Uses
SIZE AND COMPOSITION OF OPPORTUNITY[27]	+50,000 to 75,000 ±SF 50% Specialty Retail 50% Eating and Drinking	Minor Addition 70% Eating and Drinking 30% Specialty Retail
	Total = 250,000 – 275,000 ±SF	**Total = 100,000 + SF**
RECOMMENDED THEME	▪ Eclectic, Local and Ethnic Retail and Restaurants	▪ Cultural-Oriented Specialty Retail (including gift shops and bookstores) and Small Cafes/ Restaurants
DESIRED NATURE OF SHOPPING PLACE	▪ Street Retail (10th & 11th, Morrison, Alder	▪ Street Retail connecting with 10th and Park Blocks ▪ Vicinity of Safeway
DESIRED FUTURE LOCATIONAL CONCENTRATION	Reinforce: ▪ 10th & 11th (Taylor to Alder) ▪ Morrison Street ▪ "Singer" Boutique Row ▪ Federal Reserve Building Site Rehab/Reuse ▪ Streetcar Stops	Reinforce: Broadway to 10th along Park Blocks
DESIRED TENANT MIX (by No. of Tenants)[28]	90%-95% Local/Regional Tenants 5%-10% National/ Brand Tenants	90%-95% Local/Regional Tenants 5%-10% National/ Brand Tenants (Safeway)

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[26] These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.

[27] The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

[28] Based on KMA's assessment of each District's existing characteristics and opportunities.

TABLE 10 (continued)

APPROXIMATE BOUNDARIES	**Crossroads** Salmon, 13^{th}, Burnside, $9^{th}/10^{th}$	**Cultural** Market, 12^{th}, Salmon, Broadway
DESIRED MERCHANDISING MIX	**Expansion:** ▪ Signature and Trendy Restaurants on Morrison Street ▪ Upscale Boutique Retail on "Singer Block" ▪ Cutting Edge Retail (Burnside Triangle, which holds a lot of entertainment venues) ▪ Electronics	**New:** ▪ Sidewalk Cafes ▪ Boutique Hotels ▪ "Chef" Restaurants ▪ Art Galleries/Shops ▪ Small Performing Arts Venues
ENHANCEMENTS BENEFITING RETAIL	▪ More short-term, visitor parking ▪ Elimination of surface parking lots ▪ Attractions (sign/banners, information kiosks, etc.) ▪ Sidewalk amenities, i.e., flowerpots, benches, vendors along 10^{th} and 11^{th}, etc. ▪ Organization of diverse interests in District. ▪ Establish links with streetcar and MAX	▪ "Kid-oriented" area between Library and museums ▪ Sidewalk amenities, street artisans, food and flower vendors, etc. ▪ Streetcar links

RECOMMENDATIONS AND IMPLEMENTATION

Recommendations

Key implementation actions that have been identified by the consultant at this time include the following:

Overall

- Conduct a consumer intercept survey in each of the four retail districts to provide better understanding of the origin and nature of the existing market support segments so that the types of retail targeted can be matched more closely to retail demand.

- Incorporate into appropriate existing web sites to (1) promote Portland as "one of the top 10 places in the U.S. to do business"; (2) provide pertinent information to businesses considering potential location or relocation to Portland; and (3) provide resource links to other web sites for new or existing businesses seeking assistance.

- Coordinate with the West End Vision Plan and Portland Department of Transportation (PDOT) to advocate for retail recommendations to develop a comprehensive solution to the Burnside Triangle issue. The complexity of the issue, which involves traffic circulation, pedestrian safety, urban design, land use, etc., requires a multi-disciplinary approach that takes into consideration the diverse needs of multiple interest groups.

- APP to explore the possibility of including into the Clean and Safe Program those blocks within the districts which are not currently part of the Program but which are part of the overall downtown.

- Reexamine and amend, as needed, existing plan and zoning designations in the districts to ensure that they are consistent and supportive of the recommended retail concept for the area.

- Identify a major pedestrian spine that enhances and reinforces the retail concepts recommended in this Report, i.e., links together the major retail location concentrations in each district; links the retail concentrations to the major transit stops within the district. Plan elements should include streetscape, benches, street lighting, signage, banners and other wayfinding systems, and other design amenities.

- Develop a downtown parking plan to anticipate future demand. Also explore with the appropriate public transit providers the possibility of upgrading weekend services.

- Initiate exploratory discussions with the City regarding the upgrading of street level retail in the Smart Garages downtown. Most of these garages are strategically located such that the proper retenanting of the space can add to the synergistic retail mix of the district. In addition, the garages can be improved to attract more utilization, i.e., by adding more lights, security, etc. and by creating promotional linkages to downtown stores, events and other activities.

- Establish a retail database to track, monitor, and periodically analyze changes in retail inventory and tenancy. The purpose is to provide City with the capacity to intervene early before a district's economic health is impacted, for example, by identifying early the need of existing tenants for expansion space.

Core District

- Continue discussions with department stores regarding their upgrade, expansion and/or relocation plans.

- Continue to work with the Galleria on the renovation and retenanting of the building.

- Transit mall rehabilitation.

- Extended hours for MAX and bus service for evenings and weekends.

Historic Old Town/Chinatown/Skidmore

- Encourage more activities and new development complementary to Chinatown in the vicinity of the Chinatown Gate at West Burnside.

- Encourage continuous retail frontage along NW Everett Street to connect the MAX Station stops with the Chinese Classical Garden and Chinatown.

- Increase efforts to promote the adopted Old Town/Chinatown Development Program.

- Fix Burnside.

Pearl District

- Identify potential site(s) for clustering of neighborhood service uses.

West End District

- Expand Morrison Street and Alder Street by encouraging the addition of retail uses similar or complementary to those existing.

- Organize the diverse interest groups in the District to represent a single, unified voice.

- Work with existing cultural facilities and nearby retailers to organize events and programs to promote the district as a whole.

- Initiate discussion with the Federal Reserve on the potential reuse of part of its site fronting on SW 10th Street.

The above actions represent a sample of the key strategies that can potentially be considered for implementation in the near term. Additional strategies and details on implementation will be developed in the Implementation Phase of this three-phase effort.

Implementation

The Implementation Plan will comprise the third component of Portland Downtown's District Retail Strategies. The key elements of the Plan, when complete, will include the public and private actions needed, the approximate time frame, the resources available, and the lead entity and others required to implement the district retail strategies proposed in this Phase II Report. A complete Plan will be developed subsequent to the release of this report.

Key strategies and actions to be articulated will be linked to retail developments. Each action will have a role in assuring the continued growth of the independent retail base that currently exists and that supports the retail concept recommended for the specific district. The goal is to encourage the most appropriate retail mix in each district and in downtown overall.

It is recommended that an advisory committee be formed to work with PDC staff, APP, the DRC, and other experts in formulating the Implementation Plan. It is further recommended that property owners, businesses, residents, brokers and other stakeholders participate on the advisory committee to provide public input to the Plan. The collaboration among APP, PDC and the DRC will continue during the implementation, with APP taking the lead.

Limiting Conditions to Projections, Conclusions, and Recommendations

Keyser Marston Associates, Inc. (KMA) has made extensive efforts to confirm the accuracy and timeliness of the information contained in this document. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, real estate brokers, and other third parties. Although KMA believes all information in this document is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties. Further, no guarantee is made as to the ultimate retail development in each of the Retail Districts as herein described as it is not possible to project with accuracy the future economic conditions which may affect the balance of supply and demand in each of these Districts.

The accompanying projections and analyses are based on estimates and assumptions which were developed using currently available economic data, project specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, require review or revision of this document.

APPENDIX – DISTRICT RETAIL MAPS

Retail Districts (overall)
Retail Core District
Historic Old Town / Chinatown / Skidmore District
Pearl District
West End / Crossroads
Cultural District

[i] These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.

[ii] Includes GAFO (General Merchandise, Apparel, Furniture/Furnishings, Other) and Eating and Drinking. Estimates based on available data from APP and Norris, Beggs & Simpson. Generally excludes retail and restaurants in hotels. Composition breakdowns are approximate.

[iii] Assumes Galleria is in Retail Core District inventory.

[iv] Based on APP's Business Improvement District Program retail database.

[v] Based on the City's 1999 Pearl District Parking Study Survey, excludes retail services and auto related uses.

[vi] Estimate only. No survey data available.

[vii] Estimate only. Based on review of APP retail database; information provided by local retail consultants and windshield surveys.

[viii] These districts are in addition to the residential neighborhood in the southern portion (the remainder) of West End.

[ix] The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

[x] GAFO defined as General Merchandise, Apparel, Furniture/Furnishings, Other Specialty Retail.

[xi] Based on KMA's assessment of each District's existing characteristics and opportunities.

[xii] The lower end of net new retail space recommended, i.e., 350,000± sq.ft., reflects the increase in expenditure potential between 2000 and 2010 projected in KMA's 1998 Portland Downtown Retail Market Analysis. The upper end assumes more optimistic conditions. The allocation of the total new space addition by District and type of retail is based on KMA's assessment of the likely opportunities in each district.

[xiii] GAFO defined as General Merchandise, Apparel, Furniture/Furnishings, Other Specialty Retail.

[xiv] Based on KMA's assessment of each District's existing characteristics and opportunities.

The SAN FRANCISCO RETAIL DIVERSITY STUDY

SFLOMA

CIVIC ECONOMICS
CREATIVITY · OPPORTUNITY · PROSPERITY

MAY 1, 2007

www.CivicEconomics.com/SF

TABLE OF CONTENTS

INTRODUCTION

Civic Economics is pleased to present the San Francisco Locally Owned Merchants Alliance with this study of the health, diversity, and economic impact of independent merchants in San Francisco. The Northern California Independent Booksellers Association provided oversight for this study in the person of Executive Director Hut Landon.

Research Background

Austin In late 2002, shortly after Civic Economics was formed to provide strategic planning and analysis services to the economic development community, Austin, Texas was engaged in a rousing fight about chain retail in the expanding downtown area. The corner of Sixth and Lamar was the longtime home of two retailers that had earned a place among Austin institutions, BookPeople and Waterloo Records. A retail development at the intersection had been awarded City of Austin incentives through a variety of channels with a total estimated value of just over $2 Million. Enthusiasm was high until the developer announced that the anchor tenant was to be Borders Books and Music, effectively setting up a subsidized chain competitor directly across the street from established local firms.

As is often the case with large format retailers in urban settings, the debate was driven by the emotional appeal to "Keep Austin Weird." At Civic Economics, we conceived a methodology for quantifying the true economic impacts of the proposed development and shared the idea, unsolicited, with the owners of BookPeople and Waterloo. Within days, work was underway on the study, with funding provided by the fledgling Austin Independent Business Alliance and Liveable City.

Civic Economics reviewed the financial records at BookPeople and Waterloo to identify the portion of total store revenue that recirculated in Austin in such areas as labor costs (including locally retained profits), local procurement of goods (for internal use and for resale) and services (attorneys, accountants, etc.), and charitable giving. Without direct access to Borders in-store accounting, we turned to public filings to identify line items attributable to local operations. Where precise allocations could not be made (for example, the proportion of labor costs associated with headquarters operations or the distribution of corporate charitable contributions), we chose in every case to err on the side of the company, assuming the greatest local spending fiscally possible.

While we anticipated that the local retailers would recirculate somewhat more money in the Austin area than Borders, we were taken aback at the dramatic difference. Indeed, the findings were so startling, we returned to the merchants to double check our figures and turned to two respected professors at the University of Texas for further review our work. Upon completion, the final figures were as follows (chart at right):

Austin Impact Findings, 2002

When the study was released in December of 2002, it not only turned the debate decidedly in opposition to the Borders subsidies, the substantial media coverage drove increased holiday sales at BookPeople, Waterloo, and a host of Austin independents. For a variety of reasons, Borders ultimately withdrew from the site, which later became the headquarters and flagship store for Whole Foods. However, as the $45-to-$13 impact figure began circulating around the nation, Civic Economics was concerned that the specific finding from a very small and exceptional sample was unlikely to reflect the economic realities of other communities or other merchants with different lines of goods and services.

Chicago We began searching for another opportunity to conduct a broader study, and found it in Andersonville, a diverse, urban neighborhood in the City of Chicago (which was, coincidentally, where Civic Economics' Matt Cunningham had recently relocated).

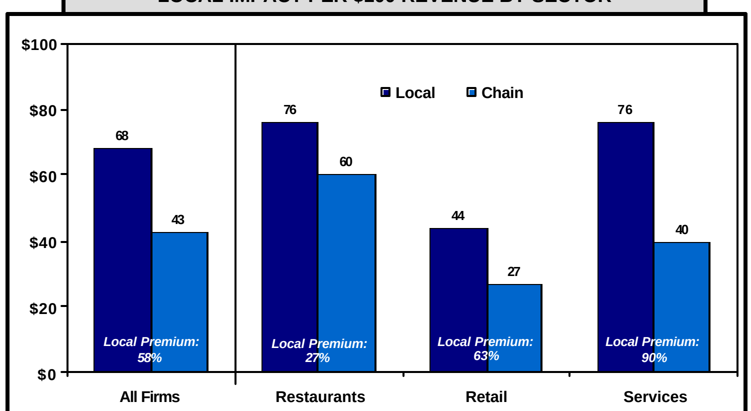
The Andersonville Chamber of Commerce worked with Civic Economics to recruit ten independent business participants to the study: four restaurants, three retailers, and three service providers. For comparative analysis, a publicly-held chain competitor was identified for each local business. Then, Civic Economics refined and applied the Austin methodology, taking full advantage of the far greater dataset available to us.

For both locals and chains, local economic impact was quantified, again including such things as local labor costs, local procurement of goods and services, local retention of profits, and charitable giving. In other words, the analysis quantified the portion of the retail dollar remaining in local circulation after the retail transaction.

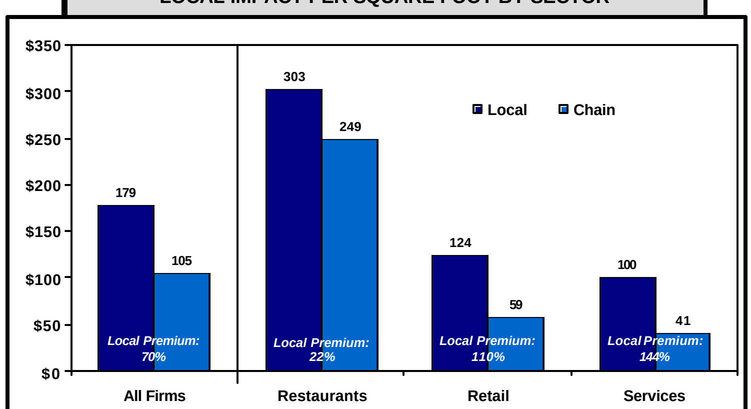
The difference between these impacts, which were now labeled the Local Premium, were calculated for all firms and by business type. In addition, Civic Economics collected information about store size in order to calculate impacts by square foot, a useful bit of information in built-out urban areas.

Again, the results were striking, reinforcing the notion that local firms of all types recirculate substantially more money within the community than their chain competitors.

LOCAL IMPACT PER $100 REVENUE BY SECTOR



LOCAL IMPACT PER SQUARE FOOT BY SECTOR



SOURCES: Interviews with all local businesses, Annual Reports for all chain businesses, Minnesota Implan Group, Urban Land Institute *Dollars and Cents of Shopping Centers* 2004, Civic Economics.

As in Austin, the study drew extensive attention to the value of independent business and the importance of public policies that avoid inadvertently favoring chain competitors.

Since the release of the Andersonville Study of Retail Economics, Civic Economics has had the opportunity to review regional retail economics in a variety of settings. Speaking and consulting engagements have provided the opportunity to look at the health of independent businesses communities from Santa Cruz to the Hamptons and from Alaska to the post-Katrina Gulf Coast. One recurring and unanswered question involved the local market share of independent businesses. In two studies, though, Civic Economics had been able to estimate market share in specific retail sectors in small communities, and it became clear that the methodology could be scaled up, providing for the first time a clear and credible understanding of how independents were faring in a large market.

The San Francisco Study

This study is the culmination of two years of discussions with SFLOMA. During that time, our organizations worked together to craft a study worthy of the tremendous diversity and vitality of the locally-owned merchants in San Francisco, not one that simply repeats earlier studies.

Initially, we were faced with the issue of defining a workable study area out of the massive and diverse Bay Area. Because SFLOMA members are concentrated in the City of San Francisco proper, the city became the core of the study area. After discussion of suburban areas convenient to the city, three jurisdictions (defined in this case by ZIP Code) were included in the study: Daly City (94015), Colma (94014), and South San Francisco (94080). These communities are adjacent to and just south of the city and offer shoppers an array of choices, featuring a variety of big box and specialty chain retailers.

SAN FRANCISCO RETAIL DIVERSITY STUDY AREA

Secondly, Civic Economics and SFLOMA identified several lines of goods for consideration, with a goal of selecting five for further study. Ultimately, the lines of goods selected for study were Books, Sporting Goods, Toys, Limited Service Dining, and Hardware. Each of these lines of goods offered a strong but limited number of chain competitors as well as a healthy group of independent merchants in the region.

STEPS IN THE SAN FRANCISCO RETAIL DIVERSITY ANALYSIS

1 Estimate market share of independent businesses in each line of goods

2 Calculate economic impact of independent businesses

3 Forecast enhanced impacts associated with redirected consumer spending

The first line of inquiry was to develop estimates of the market share captured by independent merchants in each line of goods. Over the years, we have heard that question repeatedly, and the questioner typically assumes there exists a dataset from which the answer can be extracted. In small market studies of specific issues, Civic Economics had developed market share estimates for a variety of merchants, but the process required a labor-intensive review of all competitors. The methodology utilized here represents a scaling-up of that review and the incorporation of additional sales that take place in big box, general merchandise stores, and, where it represents a substantial portion of sales, online.

Secondly, Civic Economics applied the detailed local economic impact findings from the Andersonville Study of Retail Economics to these local and chain market shares to determine the broad economic impact of each. Local merchants, as demonstrated in our prior work, recirculate substantially more revenue in a regional economy than do their chain competitors, and the impact of that recirculation can be credibly measured.

Finally, this study attempts to provide consumers and policy makers with an understanding of the economic benefits of redirecting spending from chains to independents. Starting with the economic impacts described above, we forecast economic output and employment gains that may be expected if consumers make modest changes in their shopping and dining habits and if policymakers avoid inadvertently disadvantaging small firms.

1

Estimate market share of independent businesses in each line of goods

MARKET SHARE ANALYSIS

In two previous studies, Civic Economics was retained to forecast the economic impact of so-called supercenter retailers proposed in small communities with relatively well-defined market areas. In those cases, we undertook an analysis of current market shares in those lines of goods likely to be significantly altered by the opening of the proposed supercenter.

Civic Economics frequently draws upon retail sales data provided by Claritas, “the pre-eminent source of accurate, up-to-date demographic data and target marketing information about the population, consumer behavior, consumer spending, households and businesses within any specific geographic market area in the United States.” This database provides the most credible estimates of total retail spending on specific lines of goods and services within a user-defined market area. In small markets, then, the process of estimating market share is a manageable task of allocating those sales to existing merchants. In one case, the municipality provided actual sales records to facilitate the analysis. Scaled up, however, this methodology presents challenges, as the total number of businesses to account can grow quickly as the market expands.

In selecting lines of goods for this study, the number of chain competitors likely to be present was one significant factor. Upon preliminary review, for example, we eliminated women’s clothing from the analysis due simply to the vast number of chain stores offering or featuring that line of goods. In the five lines selected for study, the chain competitors were both limited in number and largely publicly held, allowing a somewhat labor-intensive but achievable analysis. Even limited service dining, with literally hundreds of competitors in fast food restaurants, sandwich shops, and coffee houses, could be credibly quantified with data provided by QSR Magazine, a trade journal for the quick service restaurant industry.

Market Share Methodology

After a review of several lines of goods and services for inclusion in the study, SFLOMA and Civic Economics settled on the following:

CHAIN RETAILERS INCLUDED IN THE ANALYSIS (# of study area stores, 2005)

Booksellers	Sporting Goods Stores	Toy Stores
Borders (3) Barnes & Noble (2) B. Dalton (1) Waldenbooks (1) ----- Target (2) Costco (2)	Sports Authority (1) REI (1) Golfsmith (1) Big 5 (1) Copeland (1) ----- Target (2) Costco (2)	Toys 'R Us (4) Disney Stores (3) ----- Target (2) Costco (2)

Limited Service Dining Outlets

Arby's (2) Baja Fresh (1) Baskin-Robbins (4) Boston Market (2) Burger King (16) Carl's Jr.2 (5) Chipotle (1) Cold Stone Creamery (2) Del Taco (1) Domino's Pizza (1)	Einstein/Noah's Bagels (9) Fuddrucker's (1) Great Steak & Potato (2) In-N-Out Burger (2) Jack in the Box (8) KFC (15) Little Caesars Pizza (1) McDonald's (26) Panda Express (5)	Peet's (18) Pizza Hut (5) Popeyes (4) Quiznos Subs (15) Sbarro (2) Seattle's Best (3) Starbucks (85) Subway (39) Taco Bell (15) Wendy's (2)

In addition, we set out to study competition in the line of goods best categorized as Hardware. That sector was appealing because it has faced rapid change over the last decade as Home Depot and Lowe's have entered every market of any size in the nation, often co-locating within sight of one another. However, as we discuss further below, the novel practices of these home improvement warehouse chains has, for the time being, confounded our ability to quantify market shares for retail activity because wholesale and retail sales are increasingly intermingled.

For the remaining four sectors, though, Civic Economics undertook a labor-intensive but rather straightforward analysis, depicted on the following page.

MARKET SHARE CALCULATIONS

CALCULATING SALES AT INDEPENDENT LOCAL MERCHANTS

	Local Retail Sales for Line of Goods at Specialty Stores	*Source: Claritas*
-	Local Retail Sales at Specialty Chain Merchants	*Source: Analysis of Public Filings and Trade Journals*
=	**Local Retail Sales Remaining to Independent Merchants**	

CALCULATING TOTAL SALES FOR LINE OF GOODS

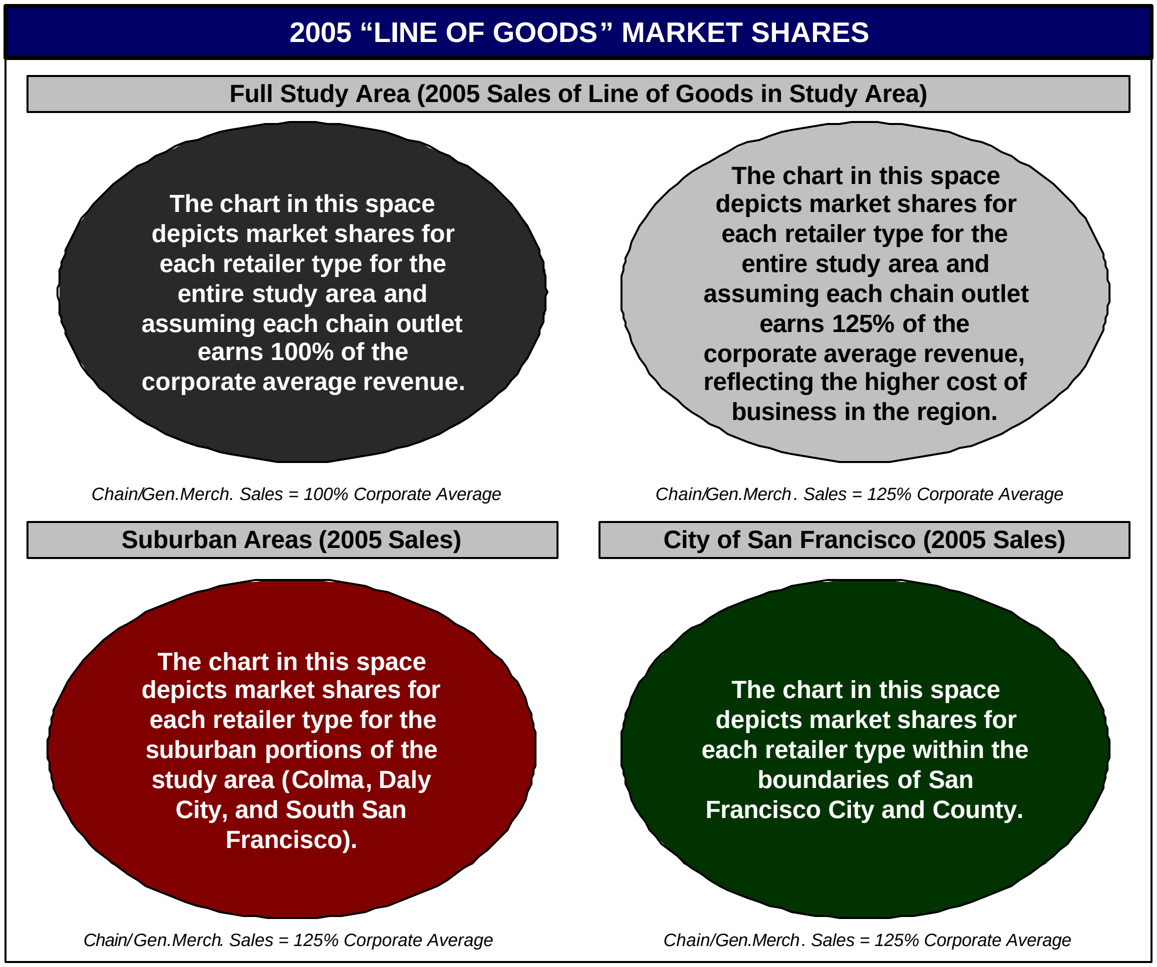
	Local Retail Sales for Line of Goods at Specialty Stores	*Source: Claritas*
+	Local Retail Sales for Line of Goods at General Merchandise Stores	*Source: Analysis of Public Filings and Trade Journals*
+	Local Sales for Line of Goods at Major Online Merchants	*Source: Analysis of Public Filings and Trade Journals*
=	**Total Local Sales for Line of Goods**	

CALCULATING MARKET SHARE FOR EACH MERCHANT TYPE (Specialty Chain, Independent, General Merchandise, Online, Other)

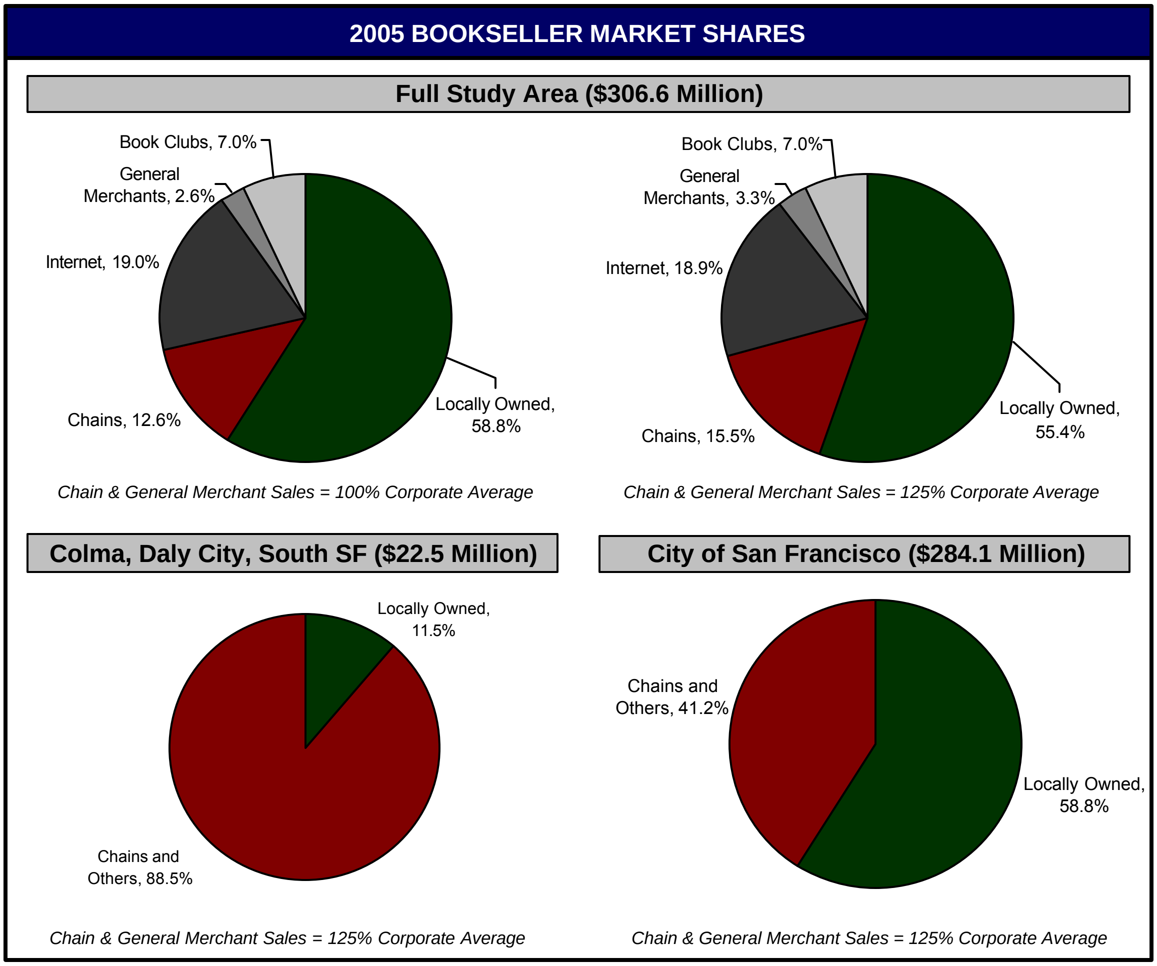
$$\frac{\text{Local Sales for Line of Goods for Merchant Type}}{\div\ \text{Total Local Sales for Line of Goods}} = \textbf{Merchant Type Market Share}$$

Market Share Findings

On the pages that follow, 2005 market shares for a variety of retailer types and variables are presented in a graphic format. The charts are laid out as follows:

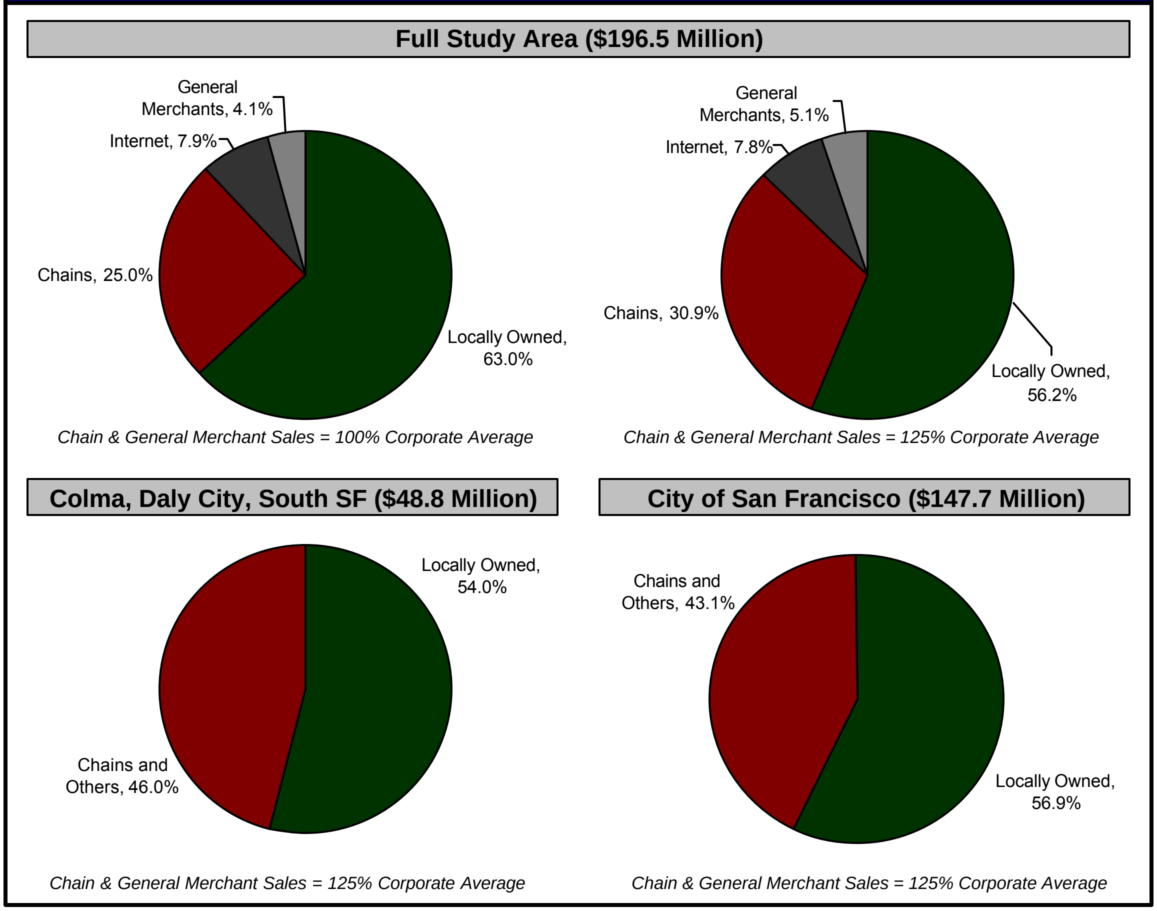


- Each chart is followed by brief explanatory notes.

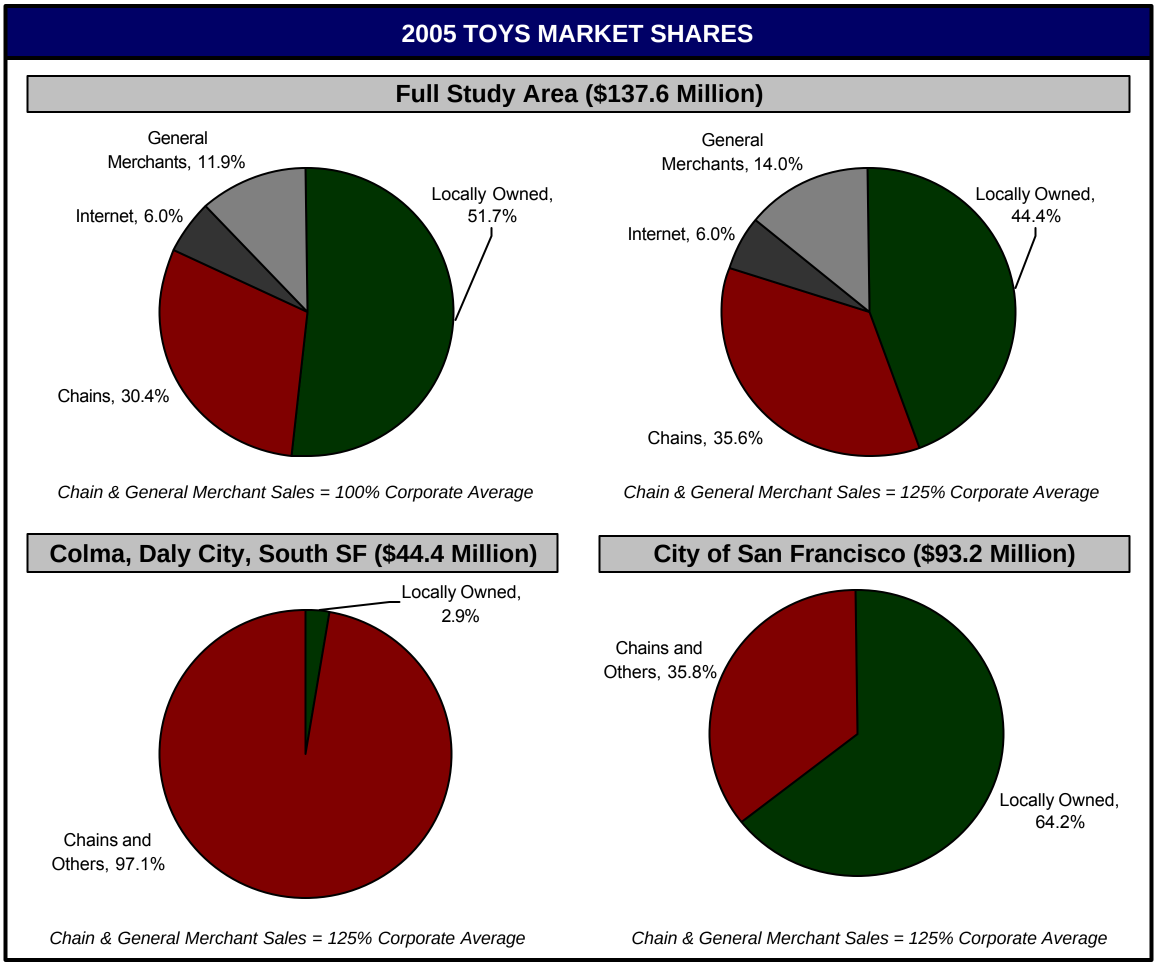


- As a portion of book sales at businesses primarily engaged in bookselling, Internet sales at Amazon.com and BandN.com are generally estimated at 21%. The reduced market share in the charts above results from the inclusion of book sales at general merchandise stores and through book clubs.
- San Francisco area independent booksellers capture an unusually high market share; the national market share for independents is currently less than 10%, according to Ipsos BookTrends.
- Barnes & Noble and Borders have each made modest inroads into the City of San Francisco. Urban expansion of large -format book chains has been easier than for other lines of goods due to the smaller footprint of the stores.
- Sales totals for this category includes conventional bookstores as well as religious booksellers, comic and fantasy shops, newsstands, and college bookstores (the last of which may account for substantial sales, with national averages of $720 per student according to the Association of College Stores).
- Average Target stores are estimated to achieve approximately $1 Million per year in book sales : Average Costco stores are estimated to achieve approximately $2 Million per year in book sales .

2005 SPORTING GOODS MARKET SHARES

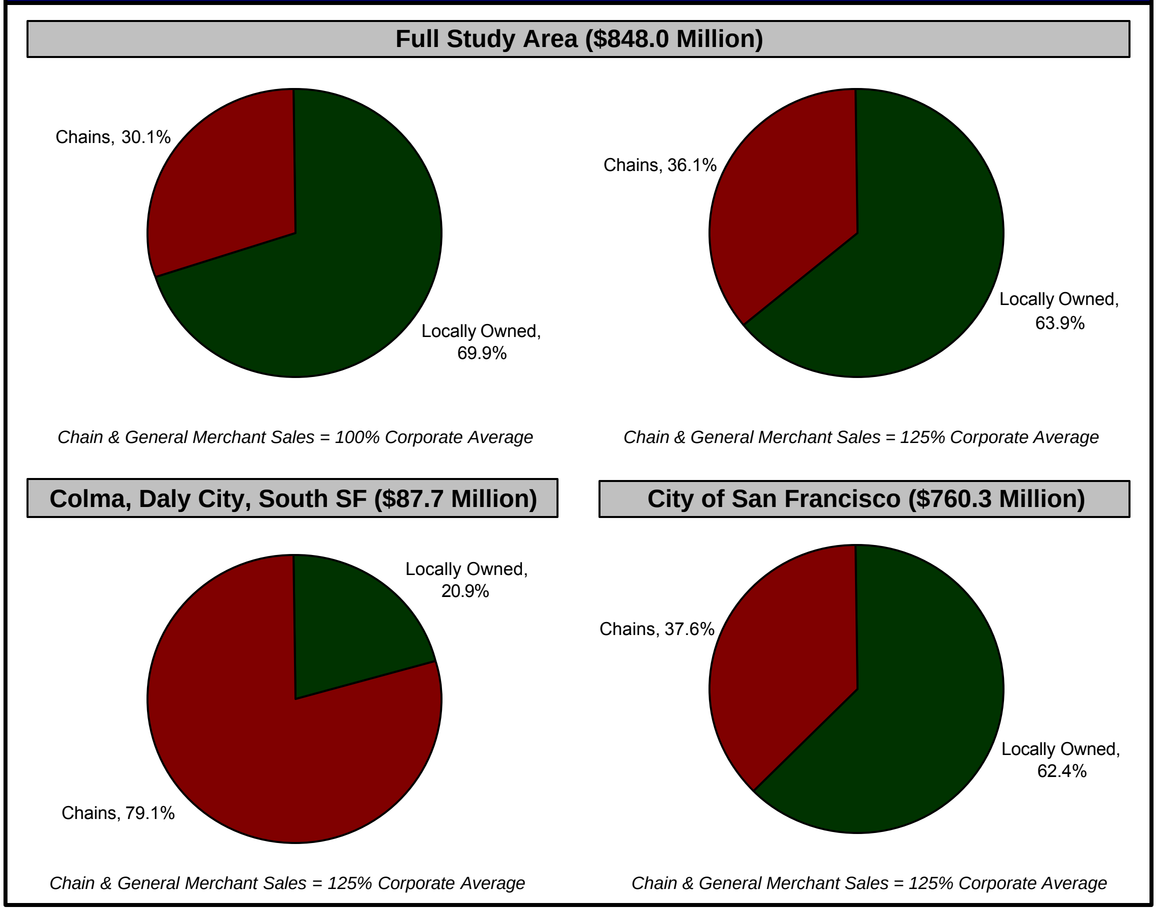


- The chain sporting goods segment remains in a state of flux, with a number of corporate restructurings in recent years, the dominant regional chains in San Francisco are Sports Authority and REI, with smaller shares held by the small-format Golfsmith and Big 5 chains.
- Average Target stores are estimated to achieve approximately $1 Million per year in sporting goods sales: Average Costco stores are estimated to achieve approximately $2 Million per year in sporting goods sales.



- Like sporting goods, the chain toys segment has experienced s ignificant change in recent years, highlighted by the restructuring of Toys 'R Us, the dominant national chain.
- Small, independent retailers classified as primarily toy sellers continue to operate in large numbers, both in San Francisco and elsewhere.
- Average Target stores are estimated to achieve approximately $4.6 Million per year in toy sales: Average Costco stores are estimated to achieve approximately $2 Million per year in toy sales.

2005 LIMITED SERVICE DINING MARKET SHARES



- Civic Economics relied extensively on data from QSR Magazine's QS R 50 issue, which estimates sales per store for the top 50 quick service restaurant chains as well as for the fastest growing chains (*www.qsrmagazine.com*).
- Within fast food categories, dominant chains include:
    - Coffee: Starbucks (and Seattle's Best) and Peets – 106 Stores
    - Sandwiches: Subway and Quizno's – 54 Stores
    - Burgers: McDonald's and Burger King – 42 Stores

Hardware Market Shares

Locally-owned hardware stores have, in general, fared better in competition with big box chains than other lines of goods facing similarly aggressive competition. Independents, often in affiliation with a cooperative such as Ace or True Value, have found ways to thrive despite ongoing predictions of doom. These retailers have developed a strong niche with convenient locations, personal service, and large selections of small items.

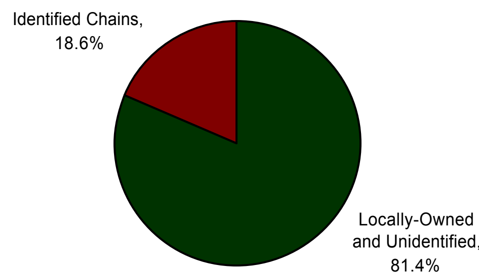
In preparations for this study, both Civic Economics and SFLOMA identified hardware at the outset as an interesting sector for analysis. The ongoing market battles among massive chains, retailer cooperatives, and independents has spawned tremendous changes in the way American consumers shop for hardware, housewares, and related items.

During the course of the study, it became obvious that the dataset upon which the market share analysis is built, provided by Claritas, was generating unexpected outcomes. Preliminary analysis indicated relatively tiny market shares for Home Depot and Lowe's in the study area, and extensive efforts to isolate the cause did not measurably reduce that outcome. Further research and discussions with Claritas analysts provided an explanation:

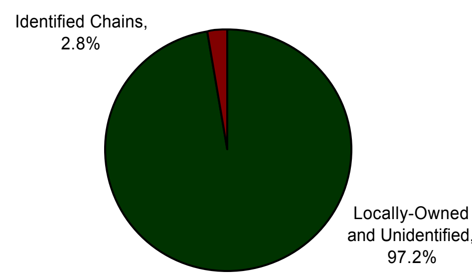
In a typical line of goods, retail activity (sales to end-users) is readily separable from wholesale activity (sales to resellers or large firms). Recent changes in the hardware market, however, have blurred those lines substantially. Big box retail stores seek to attract contractors who traditionally made purchases through wholesalers. Indeed, Home Depot has begun acquiring local wholesalers and bringing them into the company distribution system. Because of this increasing intermixing of retail and wholesale activity, Claritas now aggregates all hardware sales into a single value. In this aggregation, wholesale chains such as Grainger and family-owned lumber yards are swept in to the same dataset with the neighborhood hardware store.

INITIAL HARDWARE FINDINGS

Full Study Area ($981.5 Million)



City of San Francisco ($661.7 Million)



Chain & General Merchant Sales = 125% Corporate Average

The market share methodology was unable to accommodate the inclusion of these wholesalers, as we had no way of estimating the sales per outlet of any number of wholesalers and lumber yards in the study area. However, we may hope to return to the question in the coming years when the industry-wide consolidation and shakeout has run its course.

2 Calculate economic impact of independent businesses

ECONOMIC IMPACT ANALYSIS

This section will show the economic impacts for local merchants relative to national chains and demonstrate the significant positive impacts that additional money retained in the local economy can have in the San Francisco retail market.

Economic Impact Methodology

In developing the methodology utilized in the Austin and Chicago studies discussed above, a new approach was needed in determining the economic impact of locally owned firms compared to national chains. Multipliers reflect practices by industry (i.e. bookstores), and no distinction is made between local versus non-local ownership. That is why Civic Economics undertook the laborious process described in those studies. As we demonstrated, locally-owned firms recirculate substantially more money in the local economy and therefore would have higher multipliers than national chains. So, in order to use nationally recognized multipliers we needed to devise a way to use them to show the differences in impacts between national and independent merchants.

For this study, we have adapted the Local Premium values from the Andersonville study for retailers, restaurants, and service providers on a revenue basis. These values, which quantify money remaining in the local economy after the initial purchase of goods, were applied to total sales for independent and chain merchants in San Francisco. Then, using multipliers specific to the City of San Francisco we were able to calculate the economic impacts of that money. The impacts were measured for both locals and chains based upon how much revenue was spent on labor, contracting services, and profit kept locally. Economic impacts were drawn in three categories - books, retail, and food services. The retail segment was used to calculate economic impacts for both the toy and sporting goods line of goods, while we were able to apply more specific data for the book category based on our previous work. Internet (and book club) sales were assumed to generate no local recirculation of dollars, though in unusual situations some nominal value may be identified.

For each of the lines of goods we calculated economic impacts in four categories:

Economic Output is the total production or sales.

Employment is the total number full-time-equivalents (FTEs) in a given industry.

Labor Income is the amount of salaries and benefits paid to employees.

Retail Sales is a subset of output and measures only the increases in retail activity.

Economic Impact Findings

When looking at the economic impacts that follow it is imperative to remember that these impacts measure only the money left in the local economy *after the initial purchase is made*. The charts on the preceding pages show the dramatic effect that extra money kept in the community by independent retailers can have.

Looking at the book sector, for example, it is easy to see how dramatic an effect Internet sales have on a local economy. Buying a book from an online merchant such as Amazon there is basically no economic impact at all for San Francisco. There are no local employees to pay a salary to, no local services are contracted for, and the profit is divided up in shareholders across the country. Additionally, no sales taxes are collected and the loss of revenue for the city actually results in a loss of sales tax revenue.

The economic impacts for books brings approximately one-third of the revenue back through the economy when purchased from a local merchant as compared to less than twenty percent for national chains. Online merchants themselves bring only nominal value back to the local economy and, when aggregated with national brick and mortar merchants, they recirculate only about eight percent of their revenue.

The same theme plays out for toys and sporting goods as well. However, since these markets have a smaller total sales value in e-commerce, the results are less pronounced.

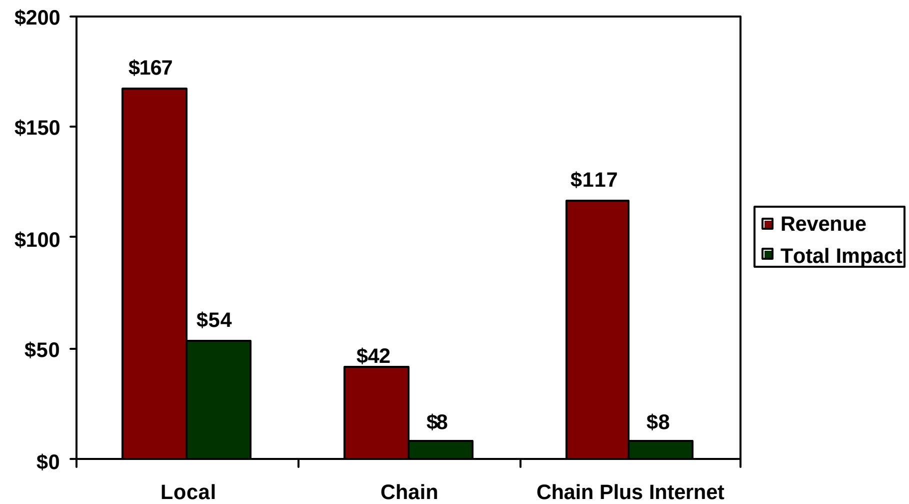
The findings are broken down to show the economic impacts per million dollars of sales. Once again the local merchants generate substantially greater local impact than their national chain competitors. The charts for each product type show the economic advantages locals bring over brick and mortar chains and Internet competitors. The money they keep in the local economy through extra employment, contracted services, and local profit leads to more total output, income, and employment within the City of San Francisco. This, in turn, leads to a further increase in retail sales, which are then taxed to generate additional income for public services.

The final category shown is limited-service restaurants. Dining establishments tend to bring the most economic impact back to the community due to high labor costs. They function almost like a small manufacturing operation, receiving meal ingredients with varying degrees of advance processing, then adding value to them by making complete meals. As a result, the economic impacts as a percent of revenue are much higher than for dining than for the straight retail sectors. These increased economic impacts carry over into the employment, income, and retail sales categories as well.

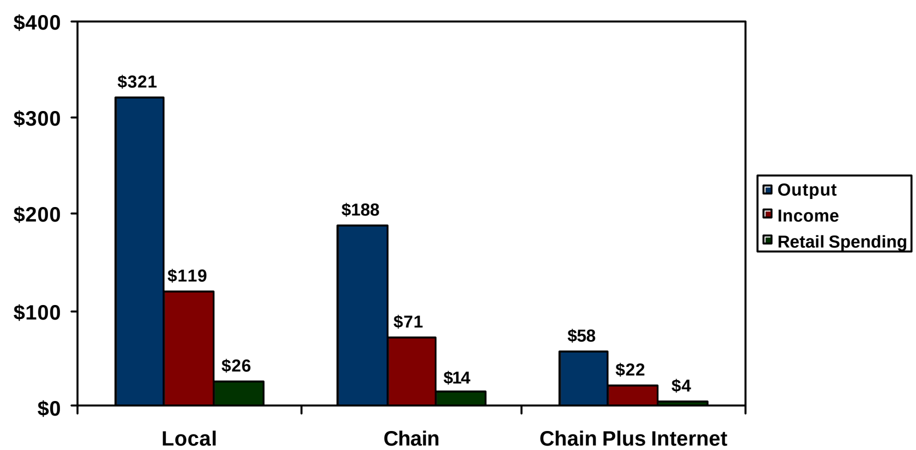
The sector-specific charts that follow highlight the economic impact advantages local merchants bring to the community.

BOOKS

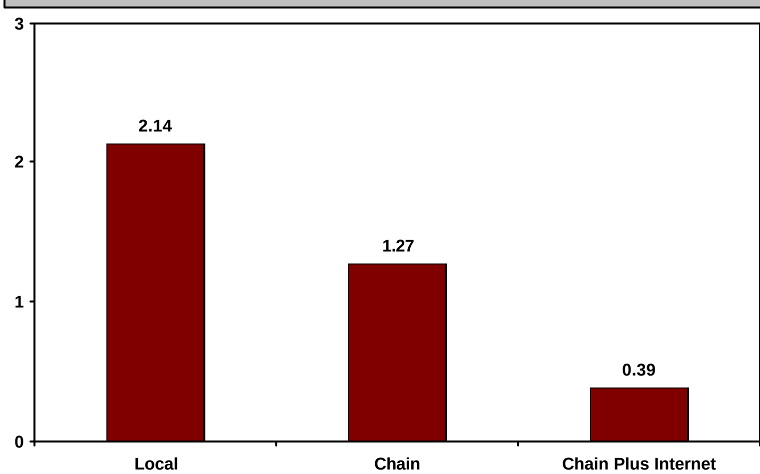
TOTAL REVENUE AND IMPACT (In $ Millions)



ECONOMIC IMPACTS PER $1M REVENUE (in $ Thousands)

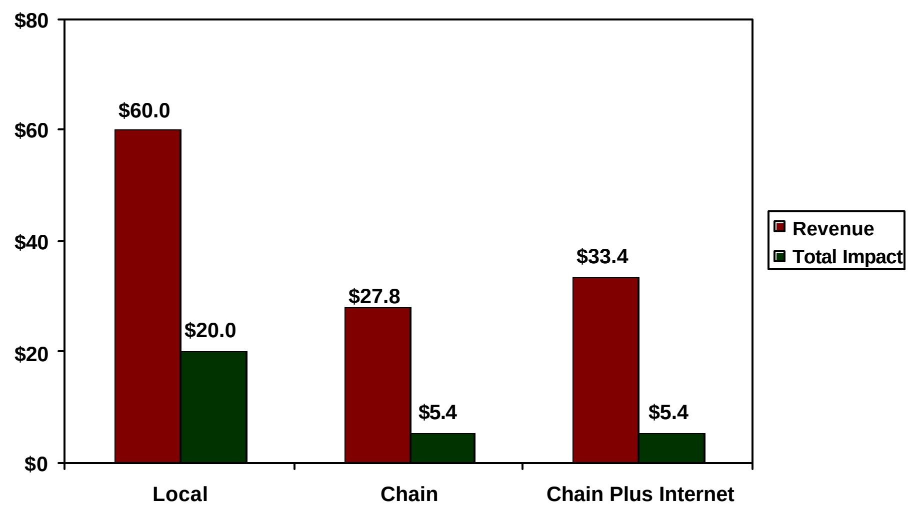


JOBS CREATED PER $1M REVENUE

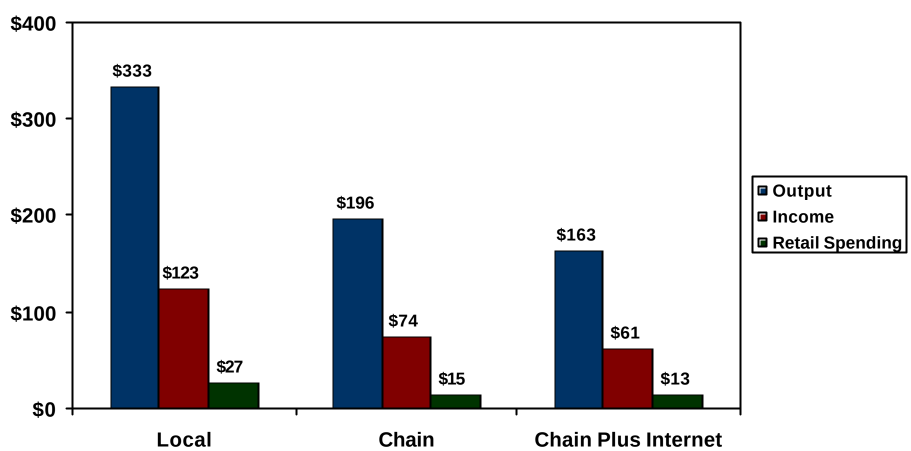


TOYS

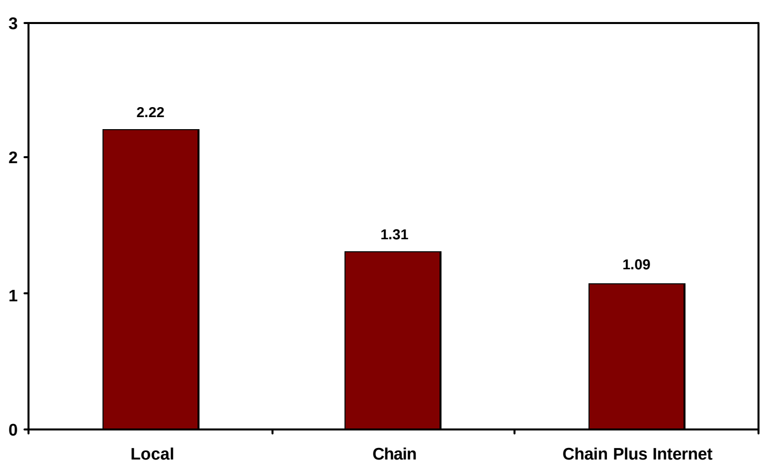
TOTAL REVENUE AND IMPACT (In $ Millions)



ECONOMIC IMPACTS PER $1M REVENUE (in $ Thousands)

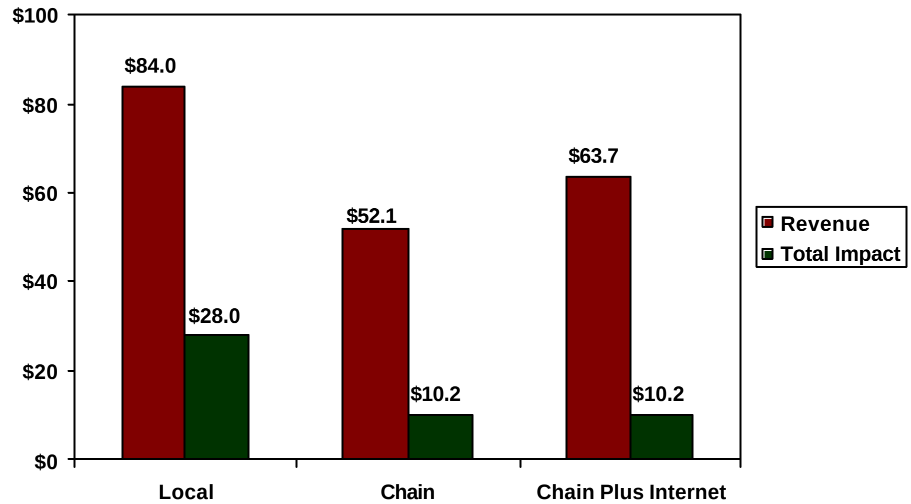


JOBS CREATED PER $1M REVENUE

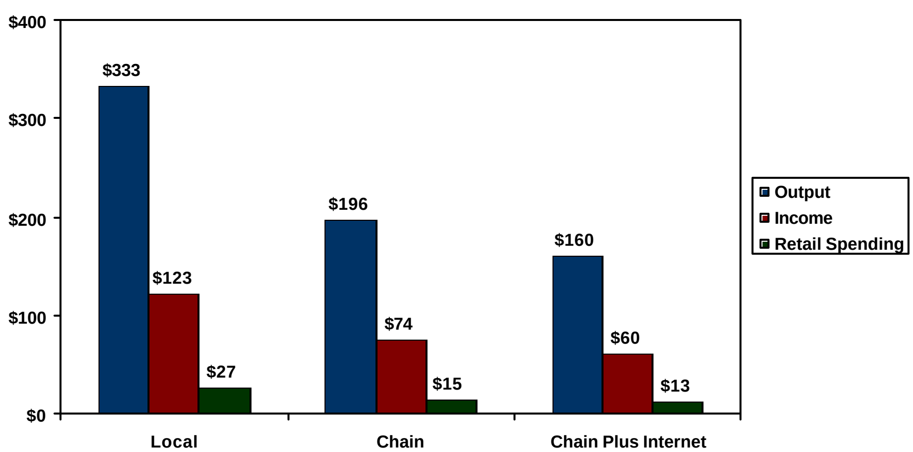


SPORTING GOODS

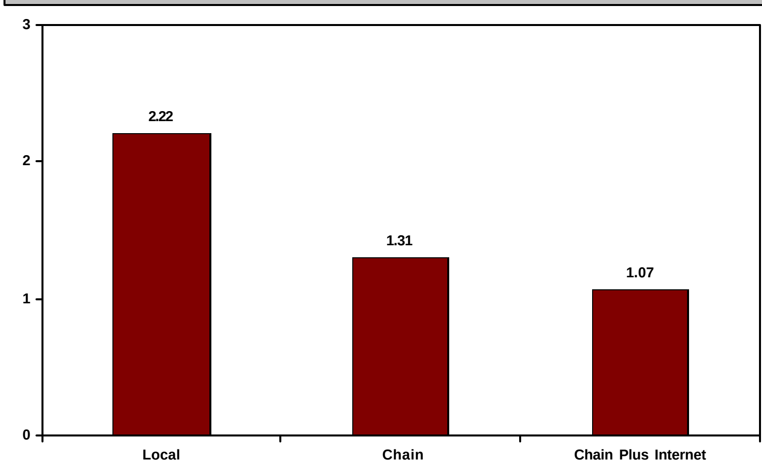
TOTAL REVENUE AND IMPACT (In $ Millions)



ECONOMIC IMPACTS PER $1M REVENUE (in $ Thousands)

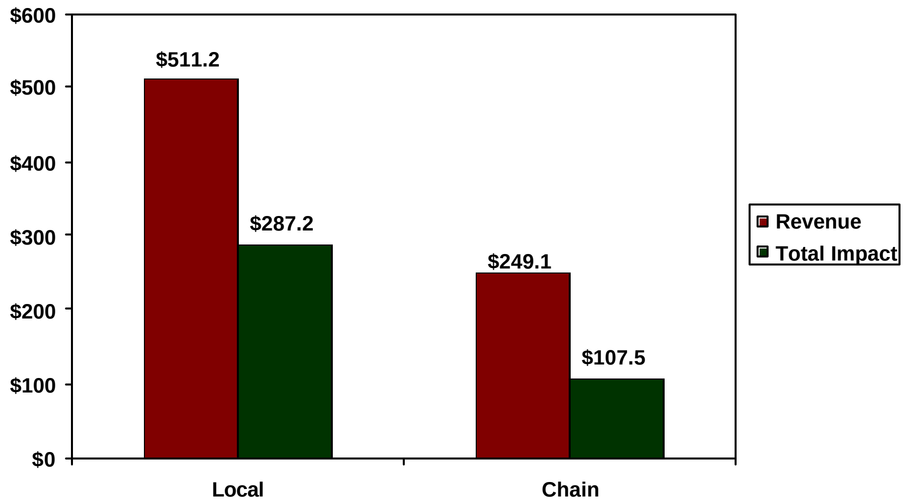


JOBS CREATED PER $1M REVENUE

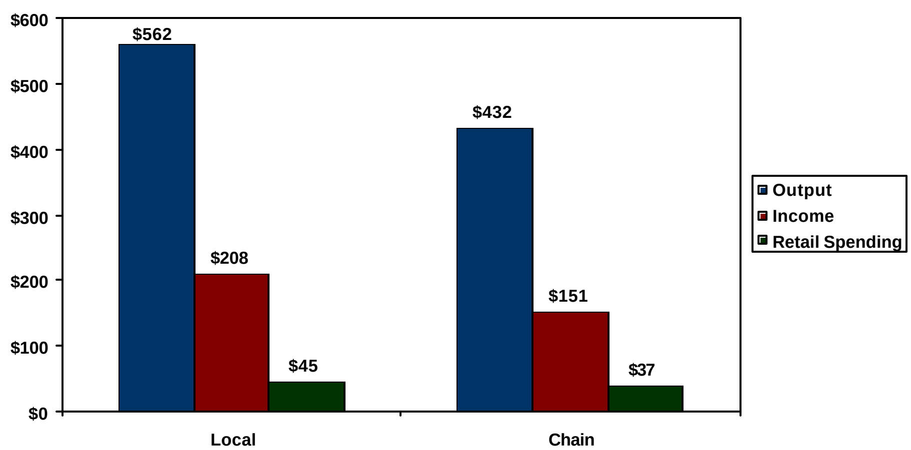


LIMITED SERVICE DINING

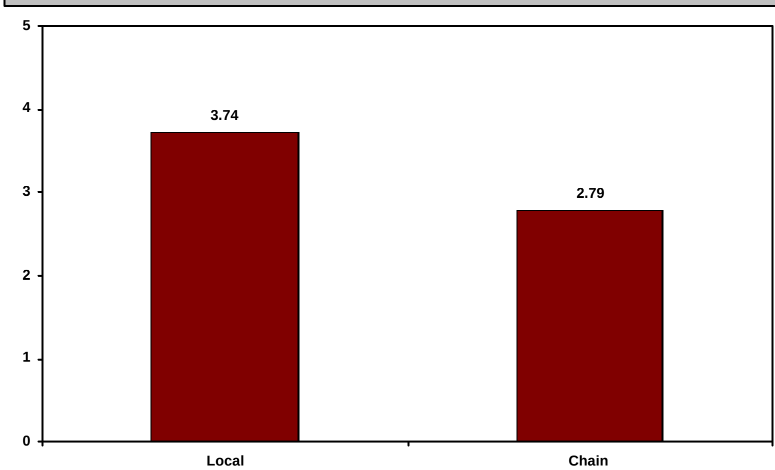
TOTAL REVENUE AND IMPACT (In $ Millions)



ECONOMIC IMPACTS PER $1M REVENUE (in $ Thousands)



JOBS CREATED PER $1M REVENUE

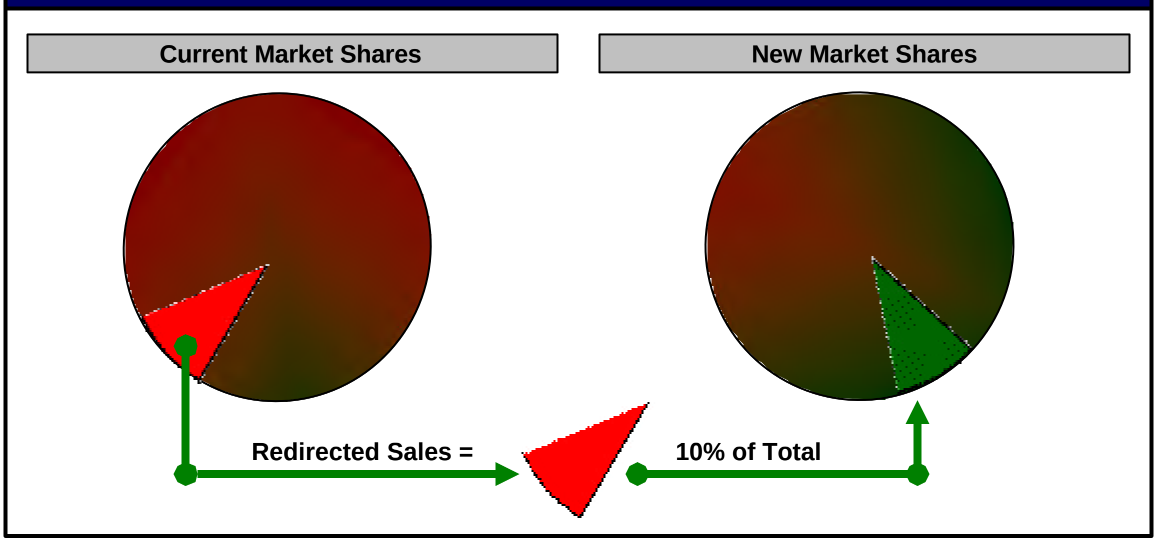


3 Forecast enhanced impacts associated with redirected consumer spending

CONSUMER GUIDANCE

Having reviewed the existing market shares and enhanced economic impacts associated with locally-owned firms and their chain competitors in four specific sectors, Civic Economics was asked to take the analysis a step further and assess the degree to which modest changes in consumer behavior may bring substantial economic advantages to the community.

CHANGE IN CONSUMER BEHAVIOR: REDIRECT 10% OF SPENDING TO LOCALS

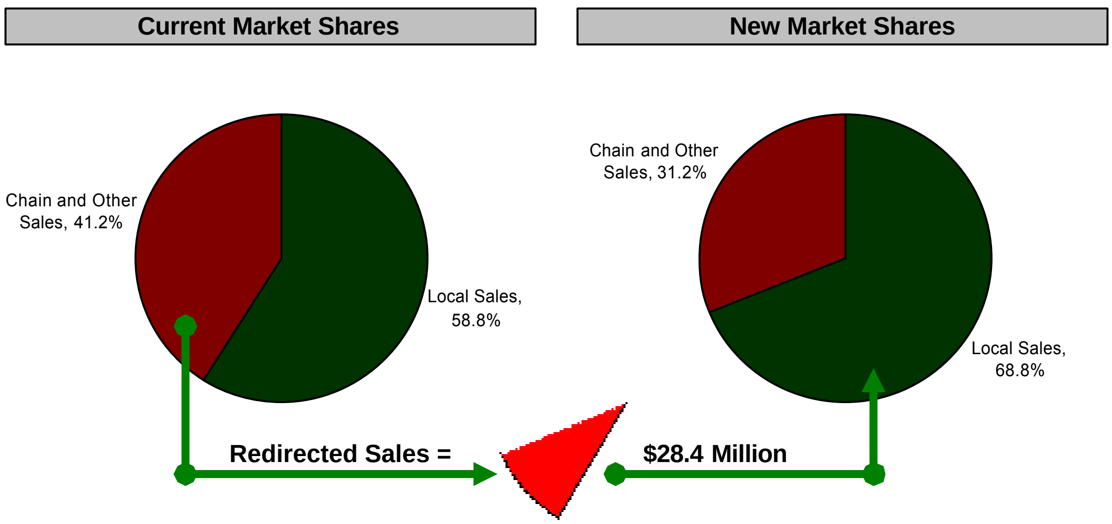


For each line of goods, we have provided an analysis of the economic impact in the City of San Francisco that would be generated from a 10% increase in the market share of locally-owned businesses. Of course, these categories represent a small portion of the total retail and restaurant spending that takes place annually in San Francisco.

Therefore, extending the impact methodology, this section concludes with a chart representing the increased economic impacts in the city if 10% of all retail and restaurant sales were redirected to locally-owned establishments. For individual consumers, that represents just one additional trip to a local merchant for every ten shopping trips. If a household currently buys just two out of ten books or three out of ten sandwiches from local businesses, a conscious effort to nudge those shares slightly will yield increased economic activity and employment and public revenue throughout San Francisco.

BOOKS

REDIRECTING 10% OF SF BOOK SALES TO LOCAL MERCHANTS



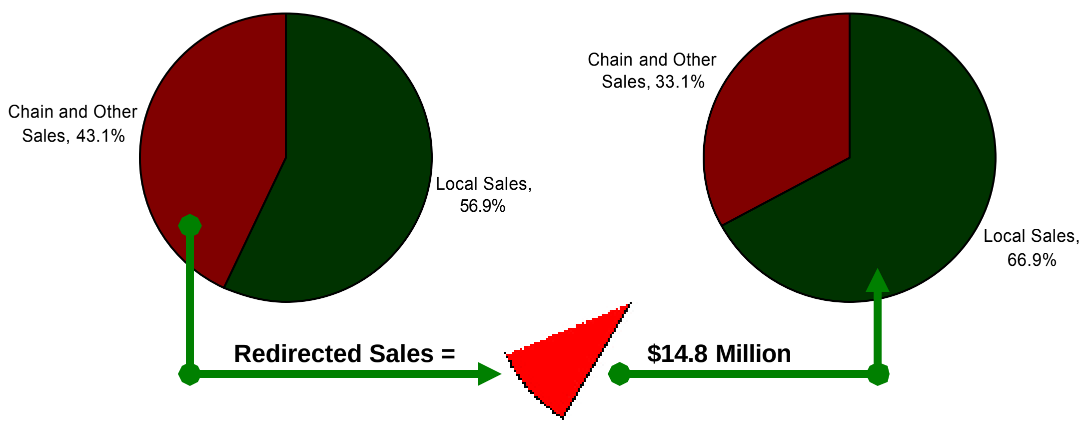
Economic Impacts of Redirected Book Sales

Increased Economic Output	Additional Jobs Created	New Income for Workers	Additional Retail Activity
$ 3,783,984	25	$ 1,341,343	$ 324,861

SPORTING GOODS

REDIRECTING 10% OF SF SPORTING GOODS SALES TO LOCAL MERCHANTS

Current Market Shares	New Market Shares



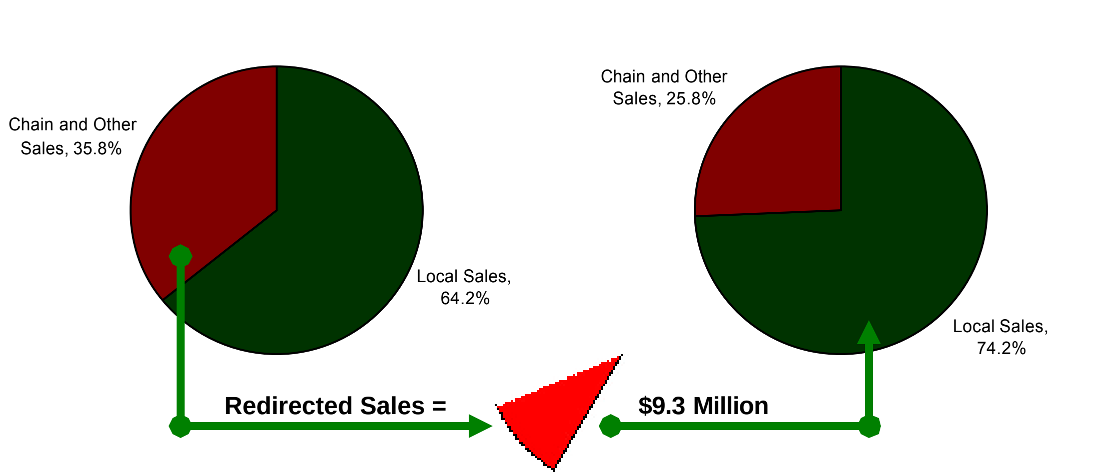
Economic Impacts of Redirected Sporting Goods Sales

Increased Economic Output	Additional Jobs Created	New Income for Workers	Additional Retail Activity
$ 2,026,383	13	$ 728,111	$ 171,084

TOYS

REDIRECTING 10% OF SF TOY SALES TO LOCAL MERCHANTS

Current Market Shares	New Market Shares



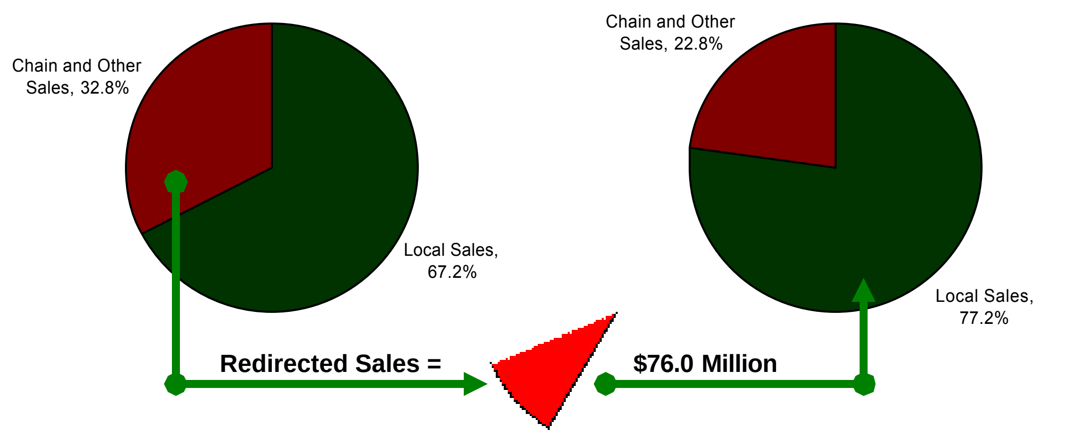
Economic Impacts of Redirected Toy Sales

Increased Economic Output	Additional Jobs Created	New Income for Workers	Additional Retail Activity
$ 1,297,077	8	$ 459,592	$ 107,990

LIMITED SERVICE DINING

REDIRECTING 10% OF SF LIMITED SERVICE DINING SALES TO LOCAL MERCHANTS

Current Market Shares	New Market Shares



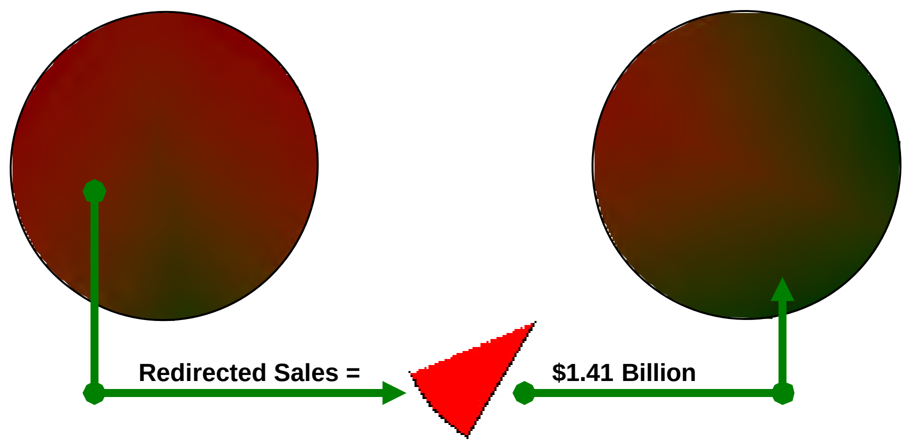
Economic Impacts of Redirected Limited Service Dining Sales

Increased Economic Output	Additional Jobs Created	New Income for Workers	Additional Retail Activity
$ 9,885,260	73	$ 4,304,621	$ 591,573

ALL SAN FRANCISCO RETAIL

REDIRECTING 10% OF ALL SAN FRANCISCO RETAIL SALES TO LOCAL MERCHANTS

Current Market Shares Unknown	New Market Shares Unknown



Economic Impacts of Redirected Retail Sales

Increased Economic Output	Additional Jobs Created	New Income for Workers	Additional Retail Activity
$ 191,984,904	1,295	$ 71,864,175	$ 15,278,772

CONCLUSION

The San Francisco Retail Diversity Study is the first of its kind in the nation.

San Francisco is blessed with a healthy, diverse crop of independent retailers in the lines of goods studied. The same is quite likely true in a variety of other lines of goods and services. Though such a study has not been conducted in any other American market area, we believe that few communities would even approach the market shares found here; in many cities we would struggle to identify any meaningful independent offerings in several lines.

The independent merchants of San Francisco provide the community with a tremendous injection of economic activity. In this analysis, we focused on the positive: increasing independent market share by 10% would yield nearly $200 Million in economic activity and nearly 1,300 new jobs. However, it must be remembered that the reverse is also true: shifting a further 10% of sales to chain merchants would deprive the community of that same $200 Million and put those 1,300 employees out of work.

Though time and funding did not permit a study of market shares over time, there can be little doubt that chain merchants have been garnering increasing market share over the last two decades, in San Francisco as in the rest of the country. No complex analysis is required to recognize that a continuation of this trend would, over some period of time, cost the city millions in economic activity and hundreds of jobs.

To capture the benefits outlined above requires very little of consumers and policy makers. Simply redirecting an occasional shopping trip to a locally owned merchant is all that is asked of consumers. For those purchases where quality goods or knowledgeable service are of particular importance, this small effort may reward the shopper with a more satisfying experience and enhanced value received. Moreover, in price comparisons undertaken by Civic Economics in the past, local merchants have been found to commonly offer equal or better value across a wide range of merchandise provided that she shopper undertakes a bit of comparison shopping.

Similarly little is asked of policy makers. In city after city across the nation, thoughtlessly drafted and applied zoning and permitting processes tend to favor large chains and the developers who build for them. Worse, urban governments all too frequently subsidize developments designed to house a number of chain businesses, further advantaging them relative to existing, locally-based competitors. Local merchants rarely ask for a handout or for special regulatory treatment; they ask only that their competitors be treated the same.

An immediate and easily attainable policy change would target a 10% increase in the local, independent share of public sector purchasing of goods and services. As volume purchasers, the City of San Francisco and the various public institutions in the city can lead the way. Public officials should, of course, actively seek local bidders and provide assistance with the procurement process. But a substantial impact may also be achieved by conscientiously seeking local providers for more routine, no-bid purchases.

CONTACTS

To learn more about this study or to download additional copies, please visit:

www.CivicEconomics.com/SF

Or, contact any of the following directly:

For the San Francisco Locally Owned Merchants Alliance:

www.SFLOMA.org

Hut Landon, Executive Director
1007 General Kennedy Avenue
San Francisco, California 94129
415.561.7687

Rick Karp
Cole Hardware
956 Cole Street
San Francisco, California 94117
415.753.2653, #5
www.colehardware.com

SFLOMA
SAN FRANCISCO LOCALLY OWNED MERCHANTS ALLIANCE
SHOP LOCAL FIRST

For Civic Economics

www.CivicEconomics.com

Matt Cunningham
Civic Economics – Chicago
1425 West Summerdale, #3A
Chicago, Illinois 60640
773.251.5926

Dan Houston
Civic Economics – Austin
Post Office Box 49061
Austin, Texas 78765
512.853.9044

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Shopping Center Rentals: An Empirical Analysis of the Retail Tenant Mix

*Marcus Gerbich**

Abstract. **This article concentrates on the economic importance of the retail tenant mixture within shopping centers, and provides empirical evidence of the influence of tenant type on base rentals. The sample examined comprises 293 New Zealand shopping center leases. The results indicate that for some generic types of retail tenant (but not all), the type is an important determinant of shopping center base rents. It is also found that base rents decrease in size and increase with center turnover. Occupancy costs are tentatively found to be a negative determinant of base rents. These results are generally supportive of the recent shopping center space allocation theories of Brueckner (1993) and Eppli and Shilling (1993). The article also has several implications for the analysis of evidence in the rent review process.**

Introduction

Shopping centers often create their own retail markets which could have characteristics and behavior quite distinct from the local retail community. Because shopping centers have special qualities compared to other property investments and also because institutional investors have a large appetite for them, a growing (primarily United States) literature has arisen to explain their existence.[1] The shopping centers academic literature has evolved into the broad areas of central place theory, retail agglomeration models, retail demand externality theories and the valuation of shopping centers and their leases.

This article concentrates on the economic importance of the retail tenant mixture, and provides empirical evidence of the influence of tenant type on base rentals.[2] Furthermore, the results suggest several implications for the analysis of evidence in the rent review process.

The study examines data from 293 shopping center tenancies in seven New Zealand community shopping centers,[3] within a cross-sectional analysis of covariance framework.[4] The results indicate that for some generic types of retail stores (but not all), the retailer type is an important determinant of shopping center base rents. The types of retailer found to exhibit individuality in base rentals are *Books/Music/Photography*, *Electrical Goods*, *Fresh Food*, *Jewelry*, *Lottery*,[5] *Footwear*, *Specialty Clothing* and *General Mall Store*. It is also found that significant negative relationships

*Nomura International Plc, London EC1A 4NP or marcus.gerbich@nomura.co.uk.

exist between size and base rents, and, center turnover and base rents. Occupancy costs are tentatively found to be a negative determinant of base rents.

The article is organized as follows; in section two literature concerning the economic importance of the retailer mix is discussed. The third section describes the data and presents descriptive statistics. In the fourth section the retail category base rental model results are reported. The mall store base rental model results are reported in the fifth section. Finally, section six is the conclusion.

The Economic Importance of the Retail Tenant Mix

Theoretical and Empirical Literature

The contribution of retail tenant mix to shopping center success has increasingly been emphasized by occupiers, investors and professional advisers. The seminal idea is that a planned center should aim to create an optimal combination of tenants that will maximize center turnover and retailer profits and therefore total net rentals. The retail tenant mix will normally include one or more anchor tenants, a variety of mall stores and food court operators. Each category of retail tenant has a role to play in creating the center's micro retailing climate. At the foundation are anchors that attract a base number of consumers to the center. Food court operators can create another function for the retail destination, as well as capitalizing on the high pedestrian traffic flows in the focus of a center. Mall stores cover all of the other shopping needs of the consumer, so as to economize consumers time cost of shopping.

Real estate professionals posit that because of the differing roles between retail tenant, the center manager should not act to maximize rentals on a shop by shop basis without considering the tenant mixture. Retail tenants that can afford to pay low rentals per square meter must invariably be accommodated with high rental retailers for an optimal retailer mixture to be found. This rationale is often espoused between retail categories (anchor, food court and mall stores), and between mall store types (*e.g.*, jewelry, fresh food and electrical goods).

In recent years, ideas of how planned shopping centers should exist have become the topic of academic research. The theoretical foundation followed in this research is based on previous models of shopping center space allocation developed by Brueckner (1993) and Eppli and Shilling (1993).

In the stylized model developed by Eppli and Shilling (1993), there are two types of tenants: (1) anchor; and (2) nonanchor tenants. The anchor tenants create a draw card for the center and the nonanchor tenants benefit from locating near the anchor. The anchor tenant is affected only by the amount of space it leases and not by the space allocated to nonanchors. Nonanchors however are affected by the amount of space they lease and the space let to the anchor (*i.e.*, agglomeration benefits are one way).[6] The landlord must choose the optimal allocation of space to the categories to maximize total center rental. Allocation is based on the volume of sales per square meter of retail space. Specifically, the marginal productivity of anchors and non-anchors, and the marginal effect of the anchor on the nonanchor tenant are estimated.

Eppli and Shilling's (1993) model provides predictions which explain observed behavior. For example, it is typically observed that anchor tenants have far lower rentals per square meter than mall stores and food court operators. So why doesn't the landlord allocate all space to mall stores and food court operators? The answer flows directly from Eppli and Shilling (1993). The price of the mall store and food court space depends on the space allocated to an anchor. If there is no anchor the sales these retail tenants would achieve, and therefore the rent they could afford, will move toward zero. This will cause total rental to be less than the optimal.[7]

The contribution that tenant image makes to the externality generating ability of an anchor store has received considerable attention in the U.S. literature. It has also been argued that superior image and tenant mix of planned centers contribute considerably to a center's success and can destabilize existing retail communities.[8] Empirical analyses of the importance of retail image to shopping center success have been generally supportive. Nevin and Houston (1980) analyze a survey of 2000 homes and report that anchors are possibly the primary reason for shoppers choosing a shopping area. They also find that tenant mix is important to the overall enjoyment of the shopping experience.

Brueckner (1993) has produced a general shopping center space allocation model that does not differentiate between anchors and nonanchors, but between all retail tenant types. Retail tenants are defined according to their retail demand externality generating abilities.[9] The starting point for Brueckner's model is that centers contain a variety of shops to lure consumers because of the time economizing quality of shopping at one destination. If another type of retailer enters a center, this increases the likelihood that any given shopping trip can be executed in a time-cost saving manner by visiting the center (as opposed to visiting isolated shops). As some additional consumers will patronize other stores during their visits, the existing retail tenants receive what Brueckner terms an ''externality'' from the new type of store locating in the center. Retail tenant types differ in their externality generating ability. For example, a mall store selling goods that are not on many shopping lists would generate few externalities, while a department store that carries many goods on the average shopping list generates many. Brueckner extends this rationale and formally shows that the rental for any retailer is dependent on the sales volume per square foot the retailer achieves, and also on the sales that other tenants generating externalities achieve. The implication of Brueckner's theoretical work is that landlords must optimize inter-retailer externalities to maximize center total rents.

The conclusions from Brueckner's model also appear to be consistent with observed behavior. For example, jewelry stores and lottery stores are typically identified as high rental payers. The landlord does not allocate all the mall store parades to jewelers and lottery stores because the price of these retail tenants depends on their sales per square meter and the externalities generated by other mall store tenant types. Allocation of all the space to jewelry and lottery stores is likely to cause externalities to be suboptimal, as in most cases shoppers will not want only these two store types.

The theoretical models in the real estate literature are intuitive, but there has been relatively few empirical studies outside the U.S. that examine their predictions. Knight, Kinnard, Geckler and Kinnard (1993) summarize the main empirical findings of analyses of U.S. and Canadian shopping centers. Size of store is consistently found to be the most significant determinant of base rentals per square meter. Rent per square meter decreases as size increases. Rent per square meter decreases as sales per square meter decreases. Anchor stores have the largest size and the lowest sales and rent per square meter. Furthermore, the study by Kinnard, De Lottie, Kinnard and Geckler (1993) shows strong evidence of these relationships being consistent over the last two decades. Finally, log-linear regression models using sales and size to predict base rents have produced consistent and defensible results in valuation cases in the U.S. and Canada.

To summarize, the theoretical literature appears to have captured at least some of the essences of shopping center spatial allocation. Furthermore, empirical studies have confirmed the important negative relationship between size and base rents and the positive relationship between sales and base rents. Thus, academic research supports the professional recognition that the basis for determining shopping center rentals is different from that for other property investments. The broad distinguishing feature is that rentals on retail space are extremely sensitive to the sales volume generated by the tenant.[10]

Empirical Tests and Objectives

The first objective is to test the hypothesis that the base rents of shopping center tenants will be positively related to sales volume. Because there are no sales volume data available to directly test this relationship, two proxy variables are used to test the hypothesis.[11] The first proxy variable is tenant type. It is proposed that sales volume will be similar for similar categories/types of retail tenant, and therefore the type of store should proxy for sales volume. If sales volume influences base rentals, it is anticipated that differences in base rentals will be observed among tenant types. Between mall stores of differing types, those tenant types with high sales volumes are expected to have higher rentals per square meter. It is expected that anchor tenants will have lower base rentals per square meter than mall stores. Food court retail tenants are expected to have higher rentals than mall stores. The second proxy variable is total turnover of the shopping center. If sales for a center are relatively high the rentals in the center should also be relatively high, thus a positive influence on base rentals should be observed.

The second objective is to examine the legitimacy of two of the practices of landlords, tenants and their advisers in the rent review process in New Zealand and countries with similar leasing processes (*e.g.*, the United Kingdom and Australia). Shopping center leases in New Zealand are typically on a net basis with all occupancy costs, excluding external maintenance, passed through to the tenant. The tenant pays the higher of the base rental agreed for the premises or a percentage of the turnover. The percentage applicable varies between tenant types but is seldom more than 10%. A typical lease period would be three years with the tenant retaining rights to two further periods of three years. At each lease renewal a rent review takes place.

The first practical issue examined is the appropriateness of negative size adjustments to rental evidence in shopping centers. If this practice accords with actual market behavior it should be observed that base rents are inversely related to size of premises.

The second issue relates to the occupancy expenses that are charged to the tenants by the landlord or an agent. The vogue of retail tenants bargaining for space on the basis of gross occupancy cost has lead some appraisers to make full adjustments to comparative rental evidence for differences in occupancy expenses. However, this makes no allowance for the efficiency of the center manager in providing services. It could be argued that in some centers the tenants may receive a positive externality from the occupancy cost expense, whereas in others a negative externality exists. It is anticipated that base rents are negatively related to occupancy cost, however the magnitude of the relationship should be empirically bounded. At issue here is whether appraisers should make comparison on a straight $/square meter occupancy cost basis, or by an adjustment that is market related.

Data and Descriptive Statistics

Data on 293 shopping center leases were provided from the retail database maintained by Attewell, Gerbich and Havill Ltd. All of the leases are from seven planned community shopping centers located on the North Island of New Zealand. The centers were selected because they all have anchor, food court and mall store tenants and similar free parking facilities. All leases were current in December 1992.

Information available for each lease included the size of the store, the current base rental, the current occupational cost, percentage rental and type of tenant. The categorizations of retail tenant are consistent with previous studies and distinctions made by appraisers in the New Zealand market. Data on the size and turnover of the individual centers was also provided.

Descriptive statistics of the sample are reported in Exhibit 1. The tenant types are listed in descending order of average store size. The descriptive statistics provide preliminary support for the expected negative relationship between size of premises and rental per square meter. Average rentals per square meter generally increase as size decreases. For example, *Anchor* tenants have by far the largest average floor area and the lowest base rental, while *Lottery* shops have the smallest average floor area and the highest base rental.

From Exhibit 1, it can be seen that some tenant types have small sample sizes. In small samples the significance of the differences between the mean rent of tenant types is difficult to assess, so t-Statistics are not reported. It can be noted however that the mean base rental per square meter is found to be statistically lower than the *All Stores* mean for *Anchor* tenants and higher for *Food Court* tenants. *Pharmacy*, *Service*, *Jewelry*, *Lottery* and *Other Mall Stores* mean base rents are also significantly different from the *All Stores* mean base rental.[12]

Exhibit 1
Descriptive Statistics

Retail Tenant Type	Sample	Size Mean m^2	Base Rent Mean NZ$/$m^2$	Gross Occupancy Cost Mean NZ$/$m^2$
Anchor	8	2739	147	na
Pharmacy (drug store)	5	312	329	430
Service (Banks, Post office)	15	254	353	459
Electrical Goods	8	224	424	531
Books/Music/Photography	21	168	459	562
Footwear and Sports	21	132	441	548
Women's Fashion	47	129	427	534
Specialty Clothing (*e.g.*, Jeans)	17	107	448	547
Other Mall Stores[13]	80	97	400	507
Food Unprepared	8	78	481	590
Hair	7	66	433	531
Food Court	38	63	683	812
Jewelry	9	59	650	752
Travel	4	54	439	537
Lottery	5	23	812	912
All Stores	293	189	460	567

Regression Analysis of Shopping Center Rents

Anchor, Food Court and Other Mall Store Tenants

The first regression model estimated tests the prediction that: (1) *Anchor* tenants; (2) *Food Court* operators; and (3) *Other Mall Stores* are heterogeneous retail categories, and that these categorizations determine base rents. In the analysis, dummy variables are used to test for differences in the three retail categories. Furthermore, it is examined whether the relationships between the different categories and base rents vary not only by constant scalar, but also if the dependence is linked to explanatory variables. This is achieved by including size-category interactive dummy variables in the regression equation.

Consistent with Sirmans and Guirdy (1993), Kinnard, De Lottie, Kinnard and Geckler (1993) and Gatzlaff, Sirmans and Diskin (1993) a single logarithmic equation model using ordinary least squares procedures is estimated and the regression errors are examined for violations in the classical assumptions.[14]

The unrestricted regression equation is presented in Equation (1). Given the economic theory forming the model and the insight provided by the descriptive statistics, it is expected that $b_1 < 0$, $b_2 < 0$, $b_3 > 0$, $b_4 < 0$, $b_5 > 0$ and b_6 and $b_7 \neq 0$.

$$R_i = b_0 + b_1S_i + b_2G_i + b_3T_i + b_4Q1 + b_5Q2 + b_6S_i{*}Q1 + b_7S_i{*}Q2 + e_i \quad (1)$$

where:

R_i = ln of *Base Rent*/m^2	T_i = ln of *Center Turnover*
b_0 = Constant (*All Mall Stores*)	S_i = ln of Size
$Q1$ = *Anchor* dummy	G_i = ln of *Occupancy Cost*/m^2
$Q2$ = *Food Court* dummy	e_i = Residual error

The regression results reported in Exhibit 2 are generally consistent with the assertion of heterogeneous retail categories. The b_0 coefficient is the *Mall Stores* base scalar comparison category for R_i. Thus e^{B0} is the scalar for base rents which is compared with the *Food Court* and *Anchor* equations by b_4 and b_5.[15]

The coefficients b_1, b_2 and b_3 can be seen as the constant elasticity of *Base Rent* with respect to *Size*, *Occupancy Cost* and *Center Turnover*, respectively. The coefficients represent the percentage changes in *Base Rent* for a unit percentage change in one of these variables. *Center Turnover* has the expected positive coefficient and is significant at the 95% level. *Size* is significant at the 95% level and has the anticipated negative coefficient. *Occupancy Cost* has the expected negative coefficient but is not statistically significant from zero.

The *All Mall Stores* (constant), *Food Court* and *Anchor* dummy variables are all statistically significant at the 95% level or higher. *Anchor* has a negative coefficient and the *Food Court* coefficient is positive. Thus, the differential ''intercept'' signs are consistent with expectations that an *Anchor* generally pays a lower rent per square meter and *Food Court* operators pay higher rent per square meter than *All Mall Stores*.

The insignificant *Anchor-Size* differential slope coefficient indicates that the magnitude of the scalar is the only significant difference between *All Mall Stores* and *Anchor* tenants. There does, however, appear to be a slope differential between *Food Court* operators and *All Mall Stores*, as the interactive dummy is positive and significant at

Exhibit 2
Retail Category Regression Results

Regressor	Coeff.	*t*-Stat	Probability
Constant (*All Mall Stores*)	2.83	4.4	0.00**
Size (net lettable m^2)	−0.20	−7.1	0.00**
Occupancy Cost[16]	−0.05	−0.5	0.62
Center Turnover[17]	0.50	5.7	0.00**
Food Court	1.15	2.9	0.00**
Anchor	−1.66	−2.3	0.03**
Food Court-Size Interactive	−0.05	−2.1	0.03**
Anchor-Size Interactive	0.16	−1.6	0.12

Note: Number of observations is 293. *Base Rental* is the dependent variable. $\overline{R}^2$ = .49.
**Significant at 95% level or higher.

the 95% level. This indicates that *Food Court* base rentals are more sensitive to size differences than either *All Mall Stores* or an *Anchor*. *Food Court* tenants would appear to suffer significant diseconomies from operating in larger premises, resulting in lower rental rates as the size of tenancy increases.

The reported $\overline{R}^2$ indicates that 49% of the variation in R_i is accounted for by the model (significant at 99%). It is expected that the lack of an explicit sales volume variable is the cause of the lower explanatory power of this model compared to previous studies.

Regression diagnostics reported in Exhibit 3 do not suggest that the results are misleading. Although normality is rejected, analysis of the residuals indicated that the rejection was due to the influence of a number of dominant outliers. Examination of a correlation matrix does not indicate that multi-collinearity is affecting the results. Furthermore, adding variables in a stepwise manner does not result in large movements in the coefficients, indicating the multi-collinearity is not problematic.

Mall Store Tenants

The next issue examined is whether there are heterogeneous types of tenants within the *All Mall Stores* category. Data on *Anchor* and *Food Court* stores were eliminated from the sample for estimation. The same *All Mall Stores* types are adopted in this regression analysis as in the descriptive statistics.[18]

As with the rental category model, it was necessary for natural logs to be taken of the variables. Slope (log) dummies were found to be insignificant, and having no a priori belief of other than (log) parallel relationships occurring, (log) intercepts are used for retailer type dummies only.

The regression equation used to test the importance of *All Mall Stores* types is presented in Equation (2). It is expected that: $b_1 < 0$, $b_2 < 0$, $b_3 > 0$, and b_4 to $b_1 \neq 0$.

$$R_i = b_0 + b_{1-11}D_{1-11} + b_{12}S_i + b_{13}G_i + b_{14}T_i + e_i \tag{2}$$

Exhibit 3
Retail Category Regression Diagnostics

Diagnostic Tests	Test	*t*-Stat
Functional Form	Ramseys RESET	chi-sq (1) 5.2 (0.02)
Normality	Skewness and Kurtosis of residuals	chi-sq (2) 108.6 (0.00)
Heteroskedasticity	Regression of Squared values on fitted values	chi-sq (1) 1.9 (0.17)

where:

b_0 = Constant (*General Mall Store*)	D_5 = *Hair*
R_i = *Base Rental*	D_6 = *Jewelry*
Si = *Size*	D_7 = *Lottery*
G_i = *Occupancy Cost*	D_8 = *Pharmacy*
Ti = *Center Turnover*	D_9 = *Service*
D_1 = *Books/Music/Photography*	D_{10} = *Footwear*
D_2 = *Electrical Goods*	D_{11} = *Specialty Clothing*
D_3 = *Fashion*	e_i = Residual Error
D_4 = *Fresh Food*	

The results of the Mall Store Tenant Type model are presented in Table 4. The dummy variables representing *Books/Music/Photography*, *Electrical Goods*, *Fresh Food*, *Jewelry*, *Lottery*, *Footwear* and *Specialty Clothing* are all statistically significant at the 95% level or greater. The constant representing the dummy for *General Mall Store* is significant at the 99% level. These results support the importance of store type in the determination of *General Mall Store* rents. The *Center Turnover* variable again has the expected positive coefficients and is significant at the 99% level. *Size* is significant at the 99% level and has the anticipated negative coefficient. The *Occupancy Cost* variable is again negative, but statistically insignificant.

Exhibit 4
Mall Store Type Regression Results

	Base Rental		
Variable	Coefficient	*t*-Stat	Probability
Constant (*General Mall Store*)	2.400	3.6	0.000*
Size	−0.205	−6.1	0.000*
Occupancy Cost	−0.092	−0.9	0.382
Center Turnover	0.566	−6.0	0.000*
Books/Music/Photography	0.305	4.1	0.000*
Electrical Goods	0.248	2.2	0.029*
Fashion	0.140	2.6	0.111
Fresh Food	0.218	2.0	0.050*
Hair	0.147	1.4	0.163
Jewelry	0.521	4.5	0.000*
Lottery	0.477	3.3	0.001*
Pharmacy	0.161	1.1	0.265
Service	0.136	1.5	0.132
Footwear	0.204	2.8	0.006*
Specialty Clothing	0.210	2.7	0.008*

Note: There were 247 observations. $\overline{R}^2 = 0.34$.
*Significant at 95% level or higher.

The low $\overline{R}^2$ indicates that only 34% of the variation in $\ln(R_i)$ is accounted for by the current model (significant at the 99% level). Again, the use of proxy variables for sales volume are probably the cause of the low explanatory power of the model. Furthermore, as differing lease commencement dates are not controlled for, market changes may also be a cause of low explanatory power.[19] Also excluded from the analysis is any consideration of position/location; this omission is consistent with previous works and can be rationalized on two grounds. First, it can be argued that quality of location will be positively correlated with sales volume, so a location variable would merely be one more proxy for sales volume within the confines of the analysis. Second, although property professionals make value judgments regarding location in their analyses of rental evidence, their analyses are qualitative. Pedestrian flows are the quantitative measure of position strength, but this data is not always in existence, nor would it be readily accessible.

The statistically significant differential (log) intercepts are all positive and of approximately the same magnitude. This could indicate that although these store types are distinguishable from the *General Mall Store* type, they are not individually distinguishable. In short, there may only be two distinguishable types of store, *General Mall Store* and a second group comprising of *Books/Music/Photography*, *Electrical Goods*, *Fresh Food*, *Jewelry*, *Lottery*, *Footwear* and *Specialty Clothing*. In order to test this hypothesis, a restricted least squares was carried out with one dummy variable containing all these significant store types. The test results reject the assertion that there are only two distinguishable store types.

It has been argued that size is the overall dominating factor in rentals per square meter. The descriptive statistics and the results of the regression analyses support the importance of size. Further analyses were undertaken in order to test if the size variable was dominating the estimated models. Based on *F*-tests, the *Size* variable was found to add significant explanatory power. In the retailer category model, explanatory power was increased by 11% following the inclusion of the size variable. Similarly, explanatory power increased by 7% following inclusion of the store category dummies. The increased explanatory power in the *General Mall Store* equation was 10% for both variables. Accordingly, store type and size are both significant factors in explaining rentals but the contention that size dominates sales volumes (proxied by store type) is not upheld. The regression results are broadly consistent with theories of space allocation.

Exhibit 5
Mall Store Type Regression Diagnostics

Diagnostic Test Type	Test	Test Statistic
Functional Form	Ramseys RESET	chi-sq (1) 1.89 (0.2)
Normality	Skewness and Kurtosis of residuals	chi-sq (2) 75.31 (0.0)
Heteroskedasticity	Regression of squared values on fitted values	chi-sq (1) 0.08 (0.8)

Again, regression diagnostics reported in Exhibit 5 do not suggest that the results are misleading. Although normality is rejected, analysis of the residuals indicated that the rejection was due to the influence of a number of dominant outliers.

Conclusion

From theoretical models and the empirical evidence it is apparent that landlords do not allocate space to maximize total rentals in a piecemeal fashion. Low rental per square meter retailers are accommodated with high rental retailers. The estimated model in this article tested the assertion that anchor, food court and mall store categories are heterogeneous groups. The results confirm this is to be the case. The externality generating roles of these categories is unique in that shopping centers require the combination of these categories to operate optimally.

It follows from this that at review both parties must recognize that they are bargaining for the rental of a store type with given externality-generating ability. The implication of this for rental reviews is that evidence within categories is likely to be more comparable than out of category evidence. For example, it would not seem appropriate *Jewelry* tenants (with high average sales per square meter) to bargain rentals on the basis of evidence of *Anchor* stores (typically with low sales per square meter).[20] The test results confirm the views of property professionals and provides supporting evidence for the status quo.

The second regression model results lead to the conclusion that *Books/Music/Photography*, *Electrical Goods*, *Fresh Food*, *Jewelry*, *Lottery* and *Footwear* are all distinguishable *General Mall Store* types. Thus property professionals, when reviewing evidence across these types of retailers should at least consider the appropriateness of a type adjustment. No evidence is found to suggest that *Fashion*, *Hair*, *Pharmacy* or *Service* types behave any different to *General Mall Store* retailers.

Occupancy Cost, *Center Turnover* and *Size* have been included as the control variables in the rental regression models. The descriptive statistics appear to indicate that occupancy costs negatively effect rentals, but this is not strongly supported by the results. The conclusion cannot be drawn from this study that a direct subtraction of *Occupancy Cost* differences between rental evidence is appropriate. The regression results do lead us to confirm that *Center Turnover* is positively related to base rentals. The implication of these results is that property professionals, when comparing rental evidence between centers, should consider adjustments for differences in turnover and occupancy cost. The exact adjustments will depend on the specific case and it is recommended that further research test these relationships in other markets.

The negative relationship between size and base rentals is confirmed again in this study. Size adjustments to same type and differing type evidence should continue to be made by appraisers, recognizing this relationship. The proposition that size dominates the influence of retailer type on base rents is not supported.

The results should be qualified on two counts. As location differences are mostly unquantifiable and highly visible, they provide fertile grounds for discord. Location differences could eclipse the importance of retailer type, occupancy cost, size and center turnover, in specific cases. Second, this is a cross-sectional study, based on 1992 data only. Therefore no evidence is available of the stability of the relationships over time in New Zealand. It would be surprising in such a dynamic market as retailing (and New Zealand could be described as an emerging market in this industry) for covariances between the various retail types and base rents to be constant in the long run. The results reported are nevertheless important because they illustrate that type of retailer (and the other variables tested) can influence base rents. It would be interesting to see if subsequent analyses provided corroboration of these results.

Notes

[1]See Eppli and Benjamin (1994) for a review of the empirical and theoretical literature.

[2]Base rents are face contract rentals, consistently with operating expenses paid by the tenant, and usually subject to an overriding percentage of turnover clause. Although this type of lease is exceptional in the current U.K. market, this does not restrict the substance of conclusions from the U.K. At all times, we discuss base rentals in terms of base rental per square meter.

[3]Community shopping centers as defined by the International Council of Shopping Centers.

[4]A cross-sectional analysis of covariance study seeks to explain an endogenous variable captured at one period, with a combination of qualitative and quantitative explanatory variables.

[5]Lottery stores are comprised of ''Lotto'' vendors, the nationwide New Zealand lottery.

[6]Ingene and Ghosh (1990) also argue demand externalities are unidirectional in this way.

[7]Gatzlaff, Sirmans and Diskin (1993) report empirical evidence from small and medium sized U.S. centers that the loss of an anchor tenant on average causes a decline in rent of 25%–30%.

[8]For example, see Stanley and Sewall (1976) and Thompson (1967)

[9]Samuelson (1976) defines an external economy as a favorable effect on an entity that comes from the action of a different entity. Retail demand externalities are also called customer traffic generators.

[10]For example, Benjamin, Boyle and Sirmans (1990, 1992) and Teale (1993).

[11]It should be recognized that appraisers in New Zealand and many other countries are usually unable to access turnover data. This is commonly the case in New Zealand, Australia and the U.K Teale (1993) suggests that retail rent reviews within shopping centers in the U.K. should be done with the benefit of trading data verified by audit.

[12]A further interesting finding from the analysis of descriptive statistics is that the base rent standard deviation (as a percentage of the type mean) is consistently reduced by adjusting for current occupancy costs. This supports the proposition that retailer tenancies are negotiated with a view to the gross occupancy cost, rather than base rent. The reduction in variability is consistently within 2%–7% across the various retail types. Within the sample, occupancy costs average approximately 25% of base rents.

[13]It was found that taking natural logs of the variables considerably reduces heteroskedasticity.

[14]The impact of b_4 and b_5 on the base rent is given by the equation; $g^* = \exp\,[b_i - 0.5\mathrm{V}(b_i)] - 1$, where $b_i = b_4$ or b_5, $100g^*$ is the percentage impact of each of the dummy variables on *Base Rents*, and $V(b_i)$ are variance estimates of b_4 and b_5. For an explanation of the interpretation of dummy variables with a logarithmic dependant variable see Kennedy (1981) and Halvorsen and Palmquist (1980).

[15]The retailer categories are similar to the ones used in previous empirical studies of U.S. centers (for example, see Kinnard, De Lottie, Kinnard and Geckler, 1993).

[16]However, the results reported by Kinnard, De Lottie, Kinnard and Geckler (1993) suggest that including a control variable for date of lease does not significantly alter the explanatory value of models such as the one estimated.

[17]The use of percentage changes between types of retailer is a compromise solution that has been adopted, but this has no empirical foundation.
[18]*General Mall Store* is comprised of stores not included in the other twelve mall store types.
[19]Defined as current occupancy cost net of rent per square meter.
[20]Defined as total center turnover for the previous accounting year divided by net lettable area for the center.

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CALIFORNIA APPEALS COURT UPHOLDS FORMULA BUSINESS LAW

A California Appeals Court has upheld a local ordinance restricting the proliferation of formula retail businesses in Coronado, a city of 24,000 people near San Diego. The court ruled that the ordinance does not violate the US Constitution's commerce and equal protection clauses, and is a valid use of municipal authority under California state law.

The ordinance, enacted in December 2000, requires anyone seeking to open a formula retail business to obtain a special permit. Approval hinges on demonstrating that the store will be compatible with surrounding uses, will be designed and operated in a manner that preserves the community's character and ambiance, and will contribute to an "appropriate balance of local, regional, or national-based businesses." The ordinance further requires that formula retail stores be limited to no more than 50 linear feet of street frontage and no more than two stories.

The law defines formula retail businesses as those "required by contractual or other arrangement to maintain any of the following: standardized ('formula') array of services and/or merchandise, trademark, logo, service mark, symbol, decor, architecture, layout, uniform, or similar standardized feature."

A group of property owners challenged the law several months after it was enacted. The ordinance was upheld at the superior court level and then again on appeal.

Most of the appeals court ruling deals with the property owners' primary contention, which is that the ordinance discriminates against out-of-state companies. The court found that the law does not in fact "impose different regulations on interstate as opposed to intrastate businesses, nor does it distinguish between those businesses that are locally owned and those that are owned by out-of-state interests." The court notes the law focuses on whether the store is contractually required to have standardized features, regardless of whether it is part of a national chain or owned by a California resident.

The court further ruled that the law does not have a discriminatory purpose. The ordinance's lengthy preamble states that the city seeks to maintain a vibrant and diverse commercial district, and that the unregulated proliferation of formula businesses would frustrate this goal and lessen the commercial district's appeal. The court concludes that this is a legitimate purpose, noting that "the objective of promoting a diversity of retail activity to prevent the city's business district from being taken over exclusively by generic chain stores is not a discriminatory purpose under the commerce clause."

The court also dismissed the equal protection and state law challenges, stating that the ordinance is rationally related to a legitimate public purpose.

Formula Business Restrictions

Formula businesses include retail stores, restaurants, hotels and other establishments that are required by contract to adopt standardized services, methods of operation, decor, uniforms, architecture or other features virtually identical to businesses located in other communities.

Several communities have banned certain types of formula businesses. These laws do not prevent a chain store from coming in, but they do require that the incoming chain not look or operate like any other branch in the country. This has proved a significant deterrent to chains, which generally refuse to veer from their standardized, cookie-cutter approach.

Several cities have prohibited formula restaurants, but not other types of formula businesses (including Bainbridge Island, Carmel, Pacific Grove, Sanibel, Solvang, and York). Others (including Bristol, Calistoga, Coronado, and San Francisco) have placed restrictions on formula retail stores as well.

Rather than banning formula businesses entirely, some communities have capped their number. Arcata, for example, allows no more than nine formula restaurants in the city at any one time.

Most of these ordinance apply citywide, but they may also be written to cover only a specific area within the community, such as a historic downtown district (see Bristol and Port Jefferson).

San Francisco, the only large city with a formula business ordinace, has chosen to take a neighborhood-by-neighborhood approach. Under the law, whenever a formula retail business applies to open, residents in the surrounding neighborhood are notified. They have the option of requesting a public hearing and subjecting the applicant to additional scrutiny. The ordinance allows for varying degrees of regulation in each neighborhood. Some have banned formula businesses entirely. Others neighborhoods may petition the city to allow formula businesses without notification.

These ordinances have been upheld in court. See the June 2003 California Appeals Court decision upholding Coronado's formula business ordinance.

RULES:
Arcata, CA
In June 2002, the city of Arcata, California, enacted the following ordinance, which limits the number of formula restaurants in the city to no more than nine at any one time. (The community currently has nine formula restaurants. If one closes, the ordinance allows another formula restaurant to take its place.) A formula restaurant is defined as one that shares the same design, menu, trademark, and other characteristics with twelve or more other establishments.

Bainbridge Island, WA
On June 8, 1989, a public hearing on the subject of formula restaurants was held. Overwhelming public comment favored elimination of formula take-out food restaurants in all zones within the city. A finding and recommendation to that effect was thereafter made to City Council. The City Council finds that formula take-out food restaurants represent a type of business that is automobile-oriented or of a particular nature that the existence of one such restaurant in the High School Road zone is a sufficient maximum number of that use for the village character to be preserved.

Bristol, RI
In May 2004, Bristol, Rhode Island, a community of 23,000 people about half an hour southeast of Providence, adopted the following ordinance, which restricts formula businesses in the town's historic downtown. The ordinance bars formula businesses larger than 2,500 square feet or that take up more than 65 feet of street frontage from locating in the downtown.

Calistoga, CA
In 1996, the town of Calistoga, California enacted an ordinance that prohibits formula restaurants and visitor accommodations, and requires that other formula businesses undergo review and apply for a special use permit from the Planning Commission. The city council concluded that regulating formula businesses was necessary to preserve the unique character of Calistoga's downtown commercial district, including "regulating the aspect of businesses. . . that is reflective of the history and people of the community."

Carmel-by-the-Sea, CA
This small city in the mid-1980s became the first town in the country to enact a formula restaurant ban, which prohibits fast food, drive-in and formula food establishments. In Carmel a business is considered a formula restaurant if it is "required by contractual or other arrangements to offer standardized menus, ingredients, food preparation, employee uniforms, interior decor, signage or exterior design," or "adopts a name, appearance or food presentation format which causes it to be substantially identical to another restaurant regardless of ownership or location."

Coronado, CA
This city of 20,000 in southern California has two zoning ordinances that limit formula businesses. A formula business is one that is required by contractual or other arrangement to maintain a standardized array of services or merchandise, and standardized architecture, uniforms, logos, decor, etc. Coronado has a formula restaurant ordinance and a formula retail ordinance.

Pacific Grove, CA
City Code forbids any permits for food establishments that have the following characteristics: specializes in short order or quick service food service, food is served primarily in paper, plastic or other disposable containers, customers may easily remove food or beverage products from the food service establishment for consumption, and it is a formula food service establishment required by contractual or other arrangements to

operate with standardized menus, ingredients, food preparation, architecture, decor, uniforms, or similar standardized features.

Port Jefferson, NY
On June 26, 2000, Port Jefferson, New York enacted an ordinance barring formula fast food restaurants from the village's historic commercial and waterfront districts. The measure was proposed by the Port Jefferson Civic Association, which has fought to prevent McDonald's from locating in the village center and to protect the community's unique character and ambiance.

San Francisco, CA
San Francisco's Formula Business Ordinance adds formula businesses to the list of uses that require neighborhood notification under city law. Residents will be notified whenever a formula retail business applies to open in their neighborhood. They will then have the option of requesting a public hearing and subjecting the applicant to a list of criteria. In addition, formula retailers are banned entirely from the four-block Hayes Valley business district and are automatically required to undergo a hearing and review in the Cole Valley neighborhood.

San Juan Bautista, CA
In 2004, San Juan Bautista, CA, a village of 1,700 people 45 miles south of San Jose, adopted the following ordinance, which bars all formula retail stores and restaurants, and all stores over 5,000 square feet.

Sanibel, FL
As part of Sanibel's efforts to write a Vision Statement which reflects the public's desires to remain a small town community, remain unique through a development pattern which reflects the predominance of natural conditions and characteristics over human intrusions, and avoid "auto-urban" development influences, the city enacted an ordinance banning formula restaurants in 1996.

Sausalito, CA
The city has determined that preserving a balanced mix of local, regional, and national-based businesses and small and medium sized businesses will maintain and promote the long-term economic health of visitor-serving businesses and the community as a whole. Therefore, the over-concentration of formula retail businesses will not be allowed, and all permitted formula retail establishments shall create a unique visual appearance that reflect and/or complement the distinctive and unique historical character of Sausalito, and that no such establishment shall project a visual appearance that is homogenous with its establishments in other communities.

Solvang, CA
The Land Use Element of the City's General Plan provides that a key issue identified in the process of preparing the General Plan was to maintain the image of Solvang as a small-town village in an open space/agricultural setting. This unique character would be adversely affected by a proliferation of "formula restaurants" which are required by

contractual or other arrangements to be virtually identical to restaurants in other communities as a result of standardized menus, ingredients, food preparation, decor, uniforms and the like. Therefore, the City Council finds that in order to preserve the character of the Village, it is reasonable and necessary to adopt this ordinance which would preclude the development of new formula restaurants in the Village.

York, ME

At a town meeting in May 2004, residents of York, Maine, voted to amend the town's zoning ordinance to prohibit formula restaurants. York is a coastal community of 13,000 people about ten miles north of the New Hampshire border. The measure, which was endorsed by the Planning Board and the Board of Selectmen, notes that York has retained a large concentration of historic buildings and locally owned businesses, and that the town's unique character is important to York's "collective identity as a community."

CORONADANS ORGANIZED FOR RETAIL ENHANCEMENT et al., Plaintiffs and Appellants,

v.

CITY OF CORONADO et al., Defendants and Respondents.

COURT OF APPEAL OF CALIFORNIA, FOURTH APPELLATE DISTRICT, DIVISION ONE

2003 Cal. App. Unpub. LEXIS 5769

June 13, 2003, Filed

NOTICE: [*1] NOT TO BE PUBLISHED IN OFFICIAL REPORTS CALIFORNIA RULES OF COURT, RULE 977(a), PROHIBITS COURTS AND PARTIES FROM CITING OR RELYING ON OPINIONS NOT CERTIFIED FOR PUBLICATION OR ORDERED PUBLISHED, EXCEPT AS SPECIFIED BY RULE 977(B). THIS OPINION HAS NOT BEEN CERTIFIED FOR PUBLICATION OR ORDERED PUBLISHED FOR THE PURPOSES OF RULE 977.

PRIOR HISTORY: APPEAL from a judgment of the Superior Court of San Diego County, Super. Ct. No. 766111. Charles R. Hayes, Judge.

DISPOSITION: Affirmed.

JUDGES: HALLER, Acting P. J. WE CONCUR: McINTYRE, J., McCONNELL, J.

OPINION: Several Coronado property owners and an unincorporated association (collectively Property Owners) challenged the constitutionality of a City of Coronado ordinance requiring a permit for a "Formula Retail" establishment to open or expand in Coronado. After the parties submitted the matter for trial on a written record, the court found the constitutional challenges to be without merit and entered judgment in Coronado's favor. On appeal, Property Owners contend the ordinance facially violates the federal Constitution's commerce clause and the state and federal equal protection guarantees. We reject these contentions and affirm.

FACTUAL AND PROCEDURAL [*2] SUMMARY

In January 2001, the Coronado city council adopted an ordinance (Ordinance) placing restrictions on certain types of retail businesses that seek to open or expand in Coronado. (Coronado Ord. No. 1919.) The restrictions apply only to businesses identified as "'Formula Retail,'" defined to mean "a type of retail sales activity or retail sales establishment (other than a 'formula fast food restaurant') which is required by contractual or other arrangement to maintain any of the following: standardized ('formula') array of services and/or merchandise, trademark, logo, service mark, symbol, decor, architecture, layout, uniform, or similar standardized feature." (Coronado Mun. Code, ß 86.04.682.) n1

n1 All further section references are to the Coronado Municipal Code unless otherwise specified.

The Ordinance places two primary restrictions on businesses that fall within this definition: (1) the business owner must obtain a "Major Special Use Permit" to open a business or expand more than 500 square feet; [*3] and (2) the establishment may not have a street level frontage of greater than 50 linear feet or have its retail space occupy more than two stories (except for grocery stores, banks, savings and loans, restaurants, and theaters). (ß 86.55.370.) The required special use permit may be approved only after Coronado's planning commission and city council hold public hearings and make four required findings: (1) the establishment is "compatible with existing surrounding uses, and has been designed and will be operated in a non-obtrusive manner to preserve the community's character and ambiance"; (2) the establishment is consistent with the General Plan and Local Coastal Program; (3) the establishment "will contribute to an appropriate balance of local, regional or national-based businesses in the community"; and (4) the establishment "will contribute to an appropriate balance of small, medium and large-sized businesses in the community." (ß 86.55.370(C).) The fee to process the special use permit will be approximately $ 3,000. The Ordinance's express purpose "is to regulate the location and operation of formula retail establishments in order to maintain the City's unique village character, [*4] the diversity and vitality of the community's commercial districts, and the quality of life of Coronado. . . ." (ß 86.55.370.)

Several months after the Ordinance was enacted, Property Owners filed an action against Coronado and its city council (collectively Coronado), claiming the Ordinance violates the federal Constitution's commerce clause, the federal and state Constitutions' equal protection clauses, and California's general planning and zoning laws. The parties stipulated to submit the case for trial based on a written record.

In support of their claims at trial, Property Owners relied on the Ordinance's language and its legislative history, which consisted primarily of transcripts of numerous city council and planning commission meetings from March 2000 through January 2001. They also produced declarations from several of the individual property owner plaintiffs who lease commercial property in Coronado, stating that that because the special permit process will take "at least two or three additional months" the Ordinance will encourage commercial landlords to "negotiate a quick and easily implemented lease with the least creditworthy, least experienced tenants, and to [*5] eschew national chains." These property owners also stated the Ordinance would put Coronado commercial landlords at "a competitive disadvantage with other [non-Coronado] commercial property owners" if a Formula Retail operator is denied a permit.

Coronado objected to the court's consideration of the legislative history record, arguing the lawmakers' subjective motivations for enacting the Ordinance were irrelevant and inadmissible. Coronado additionally submitted a zoning map showing Coronado has a small commercial area that is close to residential areas and the average commercial lot in Coronado is 25 feet wide, although many owners own two or more adjacent lots. Coronado also submitted the declaration of Coronado's planning director, who reiterated that the express purpose of the Ordinance was to maintain Coronado's "unique village character, the diversity and vitality of the City's Commercial Districts and the quality of life of Coronado residents."

After considering the written submissions, the trial court sustained Coronado's evidentiary objections to the legislative history evidence, found that Property Owners failed to prove their claims, and entered judgment in Coronado's [*6] favor.

DISCUSSION

I. *Federal Constitution's Commerce Clause*

As their primary appellate contention, Property Owners argue the trial court erred in finding the Ordinance does not facially violate the federal Constitution's commerce clause. In examining this contention, we first summarize the generally applicable legal principles, and then we apply these principles to the challenged Ordinance.

A. *Summary of Legal Standards*

The commerce clause of the federal Constitution limits a state's power to regulate interstate commerce. (*Camps Newfound/Owatonna, Inc. v. Town of Harrison (1997) 520 U.S. 564, 571-572, 137 L. Ed. 2d 852, 117 S. Ct. 1590.)* This limitation potentially applies to the Ordinance because the Ordinance's regulations apply to businesses that operate in interstate commerce.

To determine whether a law violates the commerce clause, a court must first determine if the challenged statute *discriminates* against interstate commerce. If so, it is generally held to be per se unconstitutional. If not, and the law does not directly regulate commerce, the courts apply a deferential balancing test where the statute will be upheld unless the [*7] incidental burden on interstate commerce is "clearly excessive" as compared with the putative local benefit. (*Pike v. Bruce Church, Inc. (1970) 397 U.S. 137, 142, 25 L. Ed. 2d 174, 90 S. Ct. 844.)* The party challenging the law has the burden to show unlawful discrimination or that the burden on interstate commerce is clearly excessive. (*Hughes v. Oklahoma (1979) 441 U.S. 322, 336, 60 L. Ed. 2d 250, 99 S. Ct. 1727.)*

Further, because Property Owners bring a facial challenge to the constitutionality of the Ordinance (as opposed to an "as-applied" challenge), they are subject to a difficult proof burden to establish a commerce clause violation. (See *S.D. Myers, Inc. v. City and County of San Francisco (9th Cir. 2001) 253 F.3d 461, 467-468; Hatch v. Superior Court (2000) 80 Cal.App.4th 170, 192-193.)* To support a facial unconstitutionality claim, a plaintiff "'cannot prevail by suggesting that in some future hypothetical situation constitutional problems may possibly arise as to the particular *application* of the statute . . . . Rather, [the plaintiff] must demonstrate that the act's provisions inevitably pose a [*8] present total and fatal conflict with applicable constitutional prohibitions.' [Citations.] The last portion of this quote . . . is the most important, for it requires plaintiffs to demonstrate '"that *no set of circumstances exists under which the [Ordinance] would be valid.*"'" (*Personal Watercraft Coalition v. Bd. of Supervisors (2002) 100 Cal.App.4th 129, 137-138.)* Thus, success on a facial challenge "comes only if the challenger demonstrates that the law is [unconstitutional] '*under any and all circumstances . . . .*'" (*Ibid.*; accord *S.D. Myers, Inc. v. City and County of San Francisco, supra, 253 F.3d at p. 467.)*

Guided by these principles, we turn to examine Property Owners' commerce clause claim.

B. *The Ordinance Does Not Discriminate Against Interstate Commerce*

In determining whether a challenged law "'discriminates'" against interstate commerce, "'discrimination' . . . means differential treatment of in-state and out-of-state economic interests that benefits the former and burdens the latter." (*Oregon Waste Systems, Inc. v. Department of Environmental Quality of Oregon (1994) 511 U.S. 93, 99, 128 L. Ed. 2d 13, 114 S. Ct. 1345.)* [*9] Improper discrimination "may take any of three forms: first, the state statute may facially discriminate against interstate or foreign commerce; second, it may be facially neutral but have a discriminatory purpose; third, it may be facially neutral but have a discriminatory effect." (*Pacific Merchant Shipping*

Assn. v. Voss (1995) 12 Cal.4th 503, 517, 907 P.2d 430; Waste Management of Alameda County v. Biagini Waste Reduction Systems, Inc. (1998) 63 Cal.App.4th 1488, 1495; Smithfield Foods, Inc. v. Miller (S.D.Iowa 2003) 241 F. Supp. 2d 978, 986-987.) We conclude the Ordinance does not improperly discriminate under any of these three tests.

First, the Ordinance is not facially discriminatory. It does not impose different regulations on interstate as opposed to intrastate businesses, nor does it distinguish between those businesses that are locally owned and those that are owned by out-of-state interests. Instead, its regulations are evenhanded - *any* business that meets the definition of a Formula Retail is required to obtain a permit before it opens a business or expands the specified amount, and is subject to the specified space [*10] limitations. (ß 86.55.370(B).) Further, the Formula Retail definition is not limited to interstate businesses as opposed to intrastate or locally owned businesses. A local business that sells solely in the intrastate market can be contractually required to have uniform or standardized features within the meaning of the Ordinance's Formula Retail definition. By treating all interstate and intrastate businesses evenhandedly, "'there is no "differential treatment of in-state and out-of-state economic interests that benefits the former and burdens the latter."'" (*Waste Management of Alameda County, Inc. v. Biagini Waste Reduction Systems, supra, 63 Cal.App.4th at p. 1497;* see also *Great Atlantic & Pacific Tea Co., Inc. v. Town of East Hampton (E.D.N.Y. 1998) 997 F. Supp. 340, 351.)*

Property Owners nonetheless claim the Formula Retail definition is facially discriminatory because it refers to a standardized "trademark" and "service mark," which apply only to interstate businesses. However, on a facial challenge, Property Owners can prevail on this argument only if they establish the Formula Retail definition could *never* potentially apply to an intrastate [*11] or locally owned business. (See *S.D. Myers, Inc. v. City and County of San Francisco, supra, 253 F.3d at p. 467.)* Property Owners have failed to do this. Because the Formula Retail definition includes numerous types of standardized features in addition to trademarks (such as decor, architecture, and/or layout), the definition it is not necessarily limited only to interstate businesses.

The record likewise does not support that the Ordinance has a discriminatory purpose. In a lengthy preamble section, the Ordinance sets forth the nondiscriminatory purposes of the law by first explaining that Coronado is a seaside tourist and residential community with a "very special environment" and "village atmosphere." (Coronado Ord. No. 1919.) To maintain and preserve this environment, "Coronado established the Business Areas Advisory Committee" (Committee), which, after a lengthy public process, developed the Business Areas Development Plan (Plan), "to provide a coherent framework to foster a vibrant commercial sector in the City that is economically sound for merchants and property owners, well-balanced in its appeal to a mixed residential and visitor market, and aesthetically [*12] and environmentally suitable to the small-town, low-density residential character of the City of Coronado." (*Ibid.*) In the Plan, the Committee articulated a goal of seeking "open and inviting retail storefronts that impart a sense of streetscape continuity to pedestrians that enhances the village atmosphere" and offering "a diverse and wholesome environment . . . ." (*Ibid.*) But the Committee cautioned that "an over-abundance of certain kinds of businesses" can "detract from the appeal of the streetscape" and recognized that the community "requires a strong and diverse retail base." (*Ibid.*)

The preamble section then states that based on these Committee findings, the city council recognized that "the long-term health of the commercial zones would be advanced by a blend of smaller, medium, and larger sized businesses and by a blend of local, regional, and national-based businesses, which provides diverse and unique retail businesses for residents and visitors," and that it was "anticipated that additional formula retail properties will in the foreseeable future find their way to the rental/lease market in the commercial districts." (Coronado Ord. No. 1919.) The preamble further [*13] states that if these "formula retail" properties are not "monitored and regulated," they would "frustrate" the Plan's goal of a diverse retail base "with a unique retailing personality comprised of a mix of businesses ranging from small to medium to large and from local to regional to national." (*Ibid.*) Based on these facts, the city council determined "the public welfare of the City's residential, retail, business and tourist-based community, as articulated by the principles upon which the [Plan] is premised, will now be served and advanced by monitoring and regulating the establishment of formula retail stores in the commercial areas through the mechanism of special use permits issued by the City Council . . . ." (*Ibid.*)

These stated purposes do not reflect the city council enacted the Ordinance with the intent to discriminate against interstate commerce or out-of-state entities. Instead, these recitals disclose the city council's primary purpose was to provide for an economically viable and diverse commercial area that is consistent with the ambiance of the city, and that it believed the best way to achieve these goals was to subject to greater scrutiny those retail stores [*14] that are contractually bound to use certain standard processes in displaying and/or marketing their goods or services, and to limit the frontage area of these businesses to conform with existing businesses. These declared purposes of the Ordinance are not discriminatory under the commerce clause because they treat interstate businesses the same as they treat intrastate or local businesses.

Property Owners urge this court to nonetheless determine the Ordinance has a discriminatory purpose because one of the 13 paragraphs in the Ordinance's preamble refers to a goal of protecting "local or regional" businesses over "national retailers." n2 (Coronado Ord. No. 1919.) Read in context, this language does not reflect a discriminatory purpose. The cited paragraph discusses the city council's conclusion that without the proposed regulatory scheme, smaller or medium sized businesses and/or local or regional retailers that offer "non-traditional or unique" goods or services will be wholly eliminated and replaced by "national retailers," and that this scenario would be inconsistent with the City's existing business development plan that seeks to promote a "diversity of retail activity." ([*15] *Ibid.*) The objective of promoting a diversity of retail activity to prevent the city's business district from being taken over exclusively by generic chain stores is not a discriminatory purpose under the commerce clause. Further, when viewed in its entirety, the preamble does not suggest that the permit requirements or size limitations apply only to interstate as opposed to intrastate businesses, or to out-of-state businesses as opposed to locally owned businesses.

> n2 This paragraph reads: "Whereas, the addition of formula retail businesses in the commercial areas, if not monitored and regulated, will serve to frustrate the Business Areas Development Plan goal of a diverse retail base with a unique retailing personality comprised of a mix of businesses ranging from small to medium to large and from local to regional to national. Specifically the unregulated and unmonitored establishment of additional formula retail uses will unduly limit or eliminate business establishment opportunities for smaller or medium sized businesses, many of which tend to be non-traditional or unique, and unduly skew the mix of businesses towards national retailers in lieu of local or regional retailers, thereby decreasing the likelihood of a diversity of retail activity of the type contemplated by the Business Area Development Plan . . . ."

[*16]

Property Owners alternatively argue the Ordinance's stated purposes are merely a pretext for the "true" purpose of the Ordinance drafters, which is the "economic protection of local businesses." To support this argument, Property Owners rely on various statements by city council and planning commission members contained in transcripts of the hearings leading to the adoption of the Ordinance.

The trial court properly found this evidence to be inadmissible. Federal courts have generally held that evidence of a lawmaker's allegedly discriminatory motivations are not relevant to establishing a commerce clause violation. (*Government Suppliers Consolidating Services, Inc. v. Bayh (S.D.Ind. 1990) 133 F.R.D. 531, 537-539* (*Government Suppliers*); see *Minnesota v. Clover Leaf Creamery Co. (1981) 449 U.S. 456, 463, fn. 7, 66 L. Ed. 2d 659, 101 S. Ct. 715; Norfolk Southern Corp. v. Oberly (3rd Cir. 1987) 822 F.2d 388, 403.)* The *Government Suppliers* court observed that "despite the occasional [United States] Supreme Court references to such motive, no opinion has yet held that such evidence is relevant, let alone dispositive [to establish [*17] a commerce clause violation]. If used at all, such evidence appears to be only considered as part of parenthetical digressions. . . . The critical test of motive . . . is to be judged from an objective perspective, not from a subjective one." (*Government Suppliers*, *supra*, 133 F.R.D. at p. 539.) California courts have reached similar conclusions in analyzing challenges based on the federal commerce clause. (See *Burbank-Glendale-Pasadena Airport Authority v. City of Burbank (1998) 64 Cal.App.4th 1217, 1224* [the discrimination prohibited by the commerce clause "is measured by the economic impact of a local regulation, not the evil motives of local legislators"].) We find the reasoning and conclusions of these decisions to be persuasive, and adopt them here.

We find unavailing Property Owners' argument that the legislative history is nonetheless relevant in this case because of ambiguities in the Ordinance. There is nothing in the Ordinance's preamble or substantive provisions that would suggest the stated purposes are ambiguous, untrue or pretextual. Specifically, we reject Property Owners' argument that Coronado's existing design review ordinance (ß 70.12) [*18] shows the stated justifications for the Ordinance are duplicative and therefore a "complete sham." Because Coronado's design review ordinance permits a review of the proposed design of a store's exterior, and not the nature and intended uses of the business or the compatibility of the establishment to ensure a proper balance of businesses in the community, the existence of the design review process does not mean the Ordinance is unnecessary or duplicative, or that the stated purposes are pretextual. (*Ibid.*)

Moreover, even assuming we could properly consider the legislative history submitted by Property Owners, it does not support Property Owners' commerce clause challenge. To show a discriminatory purpose, Property Owners cite to various comments by city council members expressing a desire to protect smaller "mom and pop" stores and to ensure these stores remain viable businesses. However, there is nothing in the record showing these smaller stores are necessarily owned by local individuals or that they do not engage in interstate commerce. Although a law "may well be intended to favor small retailers over large retailers and, in that sense, be a form of economic protectionism[, [*19]] . . . that preference does not implicate interstate commerce where both intrastate and out-of-state large retailers are equally affected." (*Great Atlantic & Pacific Tea Co., Inc. v. Town of East Hampton, supra, 997 F. Supp. at p. 351.)* Put otherwise, it is not a violation of the commerce clause to treat large and small businesses differently if the rule applies equally to interstate and intrastate businesses and does not favor businesses owned by in-state interests. (*Ibid*.)

We also find unavailing Property Owners' reliance on the few isolated comments made by city council and planning commission members referring to the need to protect "locally owned businesses" from being replaced by "national-based chains." When these isolated remarks are viewed in the context of the lengthy hearings, they do not suggest a primary purpose of the permit requirement and size limitations was to treat out-of-state entities differently from local businesses. Further, at most these remarks reflect the particular understanding or viewpoint of an individual lawmaker and thus cannot be used to establish the intent of the legislation. As our Supreme Court has repeatedly stated, "the [*20] statements of an individual legislator . . . are generally not considered in construing a statute, as the court's task is to ascertain the intent of the Legislature as a whole in adopting a piece of legislation." (*Quintano v. Mercury Casualty Co. (1995) 11 Cal.4th 1049, 1062, 906 P.2d 1057.)*

We further conclude Property Owners did not meet their burden to show a discriminatory effect of the Ordinance. Property Owners argue the Ordinance will have a discriminatory effect because most of the businesses falling within the definition of "Formula Retail" will be national retail chains and businesses that operate in an interstate market. However, the fact that "most" of the affected businesses are interstate businesses does not mean that in every single case this will be true. The definition of a Formula Retail applies to local as well as national businesses. (ß 86.04.682.)

Moreover, the fact that many stores falling within the Formula Retail definition are interstate businesses does not mean that the Ordinance will have a "discriminatory effect" as that phrase is understood by the United States Supreme Court. The high court has made clear there is no legal basis for [*21] finding a discriminatory effect merely because out-of-state interests bear the brunt of the state or local law. (See *Exxon Corp. v. Governor of Maryland (1978) 437 U.S. 117, 125-126, 57 L. Ed. 2d 91, 98 S. Ct. 2207.)* In *Exxon*, a Maryland statute barred petroleum producers and refiners from operating retail gas stations in the state. (*Id. at p. 119.)* Because there were no petroleum producers or refiners based in Maryland when the statute was enacted, its initial impact was felt only by out-of- state firms. (*Id. at p. 125.)* The Supreme Court nonetheless concluded that "this fact does not lead, either logically or as a practical matter, to a conclusion that the State is discriminating against interstate commerce . . . ." (*Ibid.*; see also *Commonwealth Edison Co. v. Montana (1981) 453 U.S. 609, 619, 69 L. Ed. 2d 884, 101 S. Ct. 2946.)* Likewise, in this case there was no showing the Ordinance will have an improper discriminatory effect. It does not advantage in- state retail businesses in relation to out-of-state retail businesses, nor does it distinguish between in-state and out-of-state companies.

C. *Pike* [*22] *"Incidental Burdens" Test*

Having decided that the Ordinance does not overtly discriminate against interstate commerce and does not directly regulate commerce, we are next required to apply a balancing test to determine whether "the burden imposed on . . . commerce is clearly excessive in relation to the putative local benefits." (*Pike v. Bruce Church, Inc., supra, 397 U.S. at p. 142;* see *Brown-Forman Distillers v. N. Y. Liquor Auth. (1986) 476 U.S. 573, 579, 90 L. Ed. 2d 552, 106 S. Ct. 2080; Waste Management of Alameda County, Inc. v. Biagini Waste Reduction Systems, Inc., supra, 63 Cal.App.4th at p. 1498.)* In applying this balancing test, we are mindful the Ordinance is a proper exercise of Coronado's police power to regulate land use and that the United States Supreme Court "has consistently held that a state's power to regulate commerce is at its zenith in areas traditionally of local concern." (*Kleenwell Biohazard Waste v. Nelson (9th. Cir. 1995) 48 F.3d 391, 398.)*

The Ordinance is not unconstitutional under the *Pike* balancing test. First, the record does not show the Ordinance will place anything more [*23] than a negligible burden on interstate commerce. The Ordinance requires Formula Retail businesses to submit to a public approval process and pay approximately $ 3,000 for processing the permit. The only evidence in the record of a resulting burden is the individual plaintiffs' statements in their declarations suggesting it will take "two or three" months to process a permit and therefore commercial landlords would be more likely to rent to non-Formula Retail tenants. However, these assertions are without foundation and speculative at best. Further, even if these assertions were admissible, the trial court had ample basis to find this evidence did not show the additional time imposed by the permit process will have a meaningful effect on a landlord's willingness to rent to an interstate business or on the ability of the business to open or expand in Coronado. Significantly, there is no evidence in the record showing a Formula Retail business will ever be denied a special use permit. Property Owners have likewise not produced any evidence that the size limitation will have a material effect on a business. Absent a record as to how a size limitation in Coronado's business district will [*24] affect a retail business, we cannot infer a substantial detrimental effect.

As compared with the lack of evidence of detrimental impact, the record supports that Coronado could potentially obtain substantial benefits from having a public approval process to ensure proper land use planning for its commercial areas. As set forth in the Ordinance's preamble, the regulations reflect Coronado's attempt to address a matter of substantial public interest. The city made specific findings after a public hearing process that the

Ordinance will provide it with the essential tools to provide for the continued economic success of its downtown and to ensure a proper mix of businesses and a vibrant commercial center that is economically sound and aesthetically and environmentally suitable for the city's continued viability. On this record, any incidental burden on commerce from requiring formula retail businesses to submit to a public approval process and to limit their frontage size is not "clearly excessive" as compared to the potential benefits to the local community. (*Pike v. Bruce Church, Inc., supra, 397 U.S. at p. 142.)*

II. *Equal Protection*

Property Owners contend [*25] the Ordinance violates the equal protection clause of the federal and state Constitutions because it regulates only one class of retail stores (those defined as Formula Retail). They acknowledge, however, a highly deferential review standard applies to their challenge because the Formula Retail definition does not implicate a suspect classification or a fundamental interest. Without the presence of a suspect class or fundamental right, "the general rule is that legislation is presumed to be valid and will be sustained if the classification drawn by the statute is rationally related to a legitimate state interest." (*Cleburne v. Cleburne Living Center, Inc. (1985) 473 U.S. 432, 440, 87 L. Ed. 2d 313, 105 S. Ct. 3249.)*

The Ordinance's classifications (requiring only Formula Retail businesses to obtain special use permits and adhere to size limitations) are rationally related to a legitimate state interest. As discussed, Coronado has a legitimate interest in seeking to maintain the village ambiance of its commercial district and to ensure the long-term economic viability of the community. It was not irrational for the city council to decide that this objective could best [*26] be met by imposing a public permit process and frontage size limitation on "Formula Retail" businesses. The city council could reasonably conclude that this type of store requires special scrutiny because it is more likely to be inconsistent with Coronado's land use goals than would a unique one-of-a-kind business and that such "formula" businesses - by their nature - have a greater potential to conflict with the village atmosphere of the community.

In asserting their equal protection arguments, Property Owners argue that an ordinance that wholly excludes a business from a local jurisdiction or that discriminates against nonresidents in the right to engage in business violates equal protection rights. However, the Ordinance, as written, does not restrict nonresident businesses in these ways. If the city's planning commission and city council in fact implement the Ordinance to per se exclude all nonresident businesses from opening or expanding in Coronado, this would be subject to an as-applied constitutional challenge. But, on this facial challenge, Property Owners' equal protection arguments are unsupported.

III. *State Law*

In one section of their appellate brief, Property [*27] Owners discuss the legal principles prohibiting discrimination against "inter-city commerce in favor of local business" and zoning restrictions that create a monopoly and/or improperly regulate competition. Assuming Property Owners have not waived these arguments by failing to apply the cited legal principles to the circumstances of this case, the arguments fail on their merits.

First, as we have observed, there is nothing in the record showing the Ordinance discriminates against nonlocal businesses. Under the terms of the Ordinance, the permit process applies to all Formula Retail businesses, regardless whether the business is owned by a Coronado resident or by a nonlocal entity. Property Owners' argument that the Ordinance is invalid because the sole purpose was to create a monopoly and/or to improperly regulate competition is likewise unsupported. There is nothing in the record showing the Ordinance was enacted for this purpose. Moreover, it is well settled that a zoning ordinance seeking to encourage the most appropriate use of land and/or provide for orderly and beneficial development is not invalid even though it is enacted to protect business development and might have an [*28] indirect impact on economic competition. (See *Ensign Bickford Realty Corp. v. City Council (1977) 68 Cal. App. 3d 467, 476, 137 Cal. Rptr. 304; Van Sicklen v. Browne (1971) 15 Cal. App. 3d 122, 127- 128, 92 Cal. Rptr. 786;* see also Hagman et al., Cal. Zoning Practice (Cont.Ed.Bar 1969) ß 5.13, p. 135; *id.* (2002 supp.) ß 5.13, p. 235.) A zoning ordinance that affects competition is invalid only when its sole purpose is to restrict competition. There is no evidence that the Ordinance in this case was enacted solely for this purpose.

DISPOSITION

Judgment affirmed.

HALLER, Acting P. J.

WE CONCUR:

McINTYRE, J.

McCONNELL, J.

Saving Independent Retail

Policy Measures to Keep Neighborhoods Thriving

New York City's independent retailers can't catch a break. During the past decade, locally owned retail businesses in neighborhoods all over New York City were on the losing end of the city's strengthening economy. Improving economic conditions in their neighborhoods should have helped small local retail businesses. Instead, prosperity turned into a threat as rising rents made it difficult for many of them to continue operating. Now in the economic downturn, already weakened independent retailers are fighting for their survival.

Retailers are plagued by high rents, competition from chains and the internet, limited access to credit, and other stresses, but their decline is far from inevitable. This Pratt Center Issue Brief details measures the Mayor's Office can and must take to keep independent stores thriving. Other cities are pursuing creative strategies to strengthen local retail and maintain the diversity of their neighborhoods. The mayor should appoint a retail task force to explore alternatives and launch new initiatives to sustain independent bsuinesses.

As independent retail stores close with increasing frequency, New York is losing more than places to buy the necessities and luxuries of life. It is being drained of essential ingredients for a healthy economy and strong, livable communities. A 2004 study in a Chicago neighborhood showed that local businesses poured 68 percent of their revenue back into the local community, while for national chains the return was only 43 percent. The aggregate losses, though difficult to quantify, are even greater. The gradual disappearance of the "mom and pops" from many shopping districts undermines the diversity and uniqueness of what defines New York City – what attracts entrepreneurs to build businesses here, lures tourists to visit, and offers residents a connection to proprietors that is more than economic. Small retailers are part of the glue that holds neighborhoods together, but that bond is dissolving, and weakening community quality of life along with the city's economy.

Church Avenue in Flatbush, Brooklyn, is a high-traffic retail strip and a major destination for area shoppers. But like other popular middle-class shopping districts around the city it is suffering from a troublingly high vacancy rate - 11 percent of its storefronts are now empty - and little city support for struggling merchants.

Independent Retail's Plight

According to the Real Estate Board of New York, retail rents rose 54 percent between 2001 and 2008. In surveys, New York City merchants cite high rent as the biggest challenge they face, followed by the increasing cost of goods and a customer base that was dwindling even in boom times. Increasingly, shop owners operate under leases that run for five years or less, down from a once-standard ten, leaving them vulnerable to rent hikes and eviction.

Recession-driven declines in business have not been matched by significant decreases in rents. In Manhattan, storefront rents in major retail corridors have dropped about 11 percent over this time last year, reports REBNY, but that figure reflects considerable variation among neighborhoods. On Harlem's 125th Street, for example, the average asking rent is now $119 annually per square foot, up from $107 a year ago.

National chain retailers are continuing to expand their presence in major shopping districts in Manhattan and the boroughs, and even as some chains close down others are arriving for the first time. Property owners on major commercial strips tend to seek chains, not only because they are willing and able to pay higher rents than independents can, but because of fears that independent retailers are a risky bet in today's challenging economy. Chain store operators seek to cluster together, and their presence dramatically inflates rents. On Steinway Street in Queens, annual asking rents on a chain-dominated block exceed $70 per square foot, compared with $40 for a nearby stretch where many independents have closed. Even that rent is too high for independents to sustain, and the block has at least a dozen vacant storefronts.

Asking rents on Harlem's 125th Street average $119 per square foot, up from $107 a year ago.

A Missing Piece of the Economic Development Agenda

In this year's State of the City address, Mayor Bloomberg declared "strengthening the quality of life in every neighborhood so recession does not lead to disinvestment and abandonment" a cornerstone of his plan for economic recovery. Similarly, the administration's "Five Borough Economic Opportunity Plan" identifies the need to "help businesses" as central to "creating jobs today." The plan highlights major development projects, from the Kingsbridge Armory to Willets Point to Coney Island, as part of plans for future job creation. While these mega-projects may bring needed retail space to underserved areas, other parts of the city are blighted by empty storefronts formerly occupied by small businesses. The Bloomberg administration needs to develop a comprehensive plan to examine and address the underlying challenges faced by small retailers, and provide support for struggling merchants and commercial areas with high vacancy rates.

In an uncertain economy, property owners seek chain retailers for empty storefronts.

The Department of Small Business Services (SBS) is charged with assisting independent ventures, but its services to retailers are limited. The agency only provides financial assistance to retailers enduring emergencies or directly displaced by city-sponsored development projects. Retailers are generally excluded from subsidies for businesses that are relocating or expanding. And, more fundamentally, the agency needs to pursue policies that can level the playing field to help small businesses deal with the unique disadvantages that threaten their survival.

What the City Can Do

There is much the administration can do now to deliver on the mayor's promise of strengthening neighborhood quality of life through nurturing local retail. New York City should start by looking to models from more than 20 states and 50-plus cities that have new or proposed laws aimed at fostering a stable, thriving and successful local business sector, turning to tools that can be combined with smart incentives and a community planning process to encourage the kinds of businesses that neighborhood residents want and need.

The policy tools now employed or under consideration by other cities and states fall into three general categories:

- Land use regulations, especially zoning provisions to prevent or inhibit the proliferation of chains
- Financial incentive/benefit programs and market control mechanisms to reward landlords for accommodating local retail
- Support programs – everything from niche marketing to grants and loans for business owners – to bolster local retailers' ability to compete

Strategies that could help New York City sustain independent retail:

Formula Business (i.e. "Chain") Restrictions

In place in San Francisco, Seattle and 15 other cities

A formula retail establishment is commonly defined as having eleven or more other retail sales outlets located in the United States, has a trademark or servicemark, and maintains two or more standardized features such as merchandise, facade, decor, uniform for workers, signage, etc. San Francisco has the strongest restrictions on chain retailers in the nation, using a combination of land use regulations within specifically created districts where special review is required before a chain can open.

Size Caps on Commercial Property

In place in Madison, Wisconsin and 29 other cities

Instead of banning formula businesses outright, size caps serve to prevent large floorplate-seeking chains from moving in. A store size cap amends a zoning ordinance, either for an entire city or for designated areas within a city, to limit the physical size of retail stores. Some municipalities put an outright ban on stores above a certain size, while others limit large stores to specific areas. Small towns and large cities across the nation are using store size caps to protect small and local businesses, decrease traffic congestion, lessen the burdens on infrastructure, regulate building design, and maintain pedestrian-friendly districts, among many other planning goals.

Neighborhood-Serving Zones

In place in Palm Beach, Florida

Neighborhood serving zones are created in order to meet the everyday consumer needs of local residents, as opposed to attracting tourists. Such regulations limit the size and "use type" of retail stores in certain districts in order to maintain the area's character and pedestrian-friendly streets. Palm Beach, Florida is the only city in the nation to have this type of zoning.

Big Box Tax

Proposed in Maine and Minnesota

While a big box tax provision has yet to pass and become law, the concept may be worth pursuing. Generally a tax of this kind would create a disincentive for chains trying to locate in certain districts within a state or city. In cases where the retailer was willing to pay the tax and open a store, the tax revenue could be used to support local businesses and or retail chain workers earning less than a living wage.

Community Land Trusts

A community land trust (CLT) is an existing policy tool being used in a handful of locations around the country to address the need for affordable housing. In a CLT, a private, nonprofit corporation acquires land parcels in a targeted geographic area with the intention of retaining ownership of the land for the long term. The nonprofit CLT leases or sells structures on the land at below-market rates to eligible residents, who enjoy the benefits of low rent or mortgages while agreeing to restrictions on subletting or reselling. This model could be applied to commercial or mixed-use land and could be a viable strategy for protecting small businesses from rising rents, by taking property off the commercial market and leasing it at below market rates to residents and small business owners who demonstrate a need for it.

Shop Local Campaigns

Austin, TX and many cities around the nation (including NYC)

The loss of mom-and-pop shops in cities across the nation has inspired governments and the private sector to create marketing campaigns for local products and local retailers. These campaigns share resources such as websites and brochures to promote "shopping local" and are often a venue for merchants to meet and discuss best practices.

Recommendations

The Mayor's Office should establish a citywide local retail retention task force made up of interested elected officials, government agencies, policy experts, small business owners, and community organizations to systematically analyze the problem of independent retail attrition and potential solutions, and to develop an implementation strategy to address them. The goal of this group should be to develop a package of policies that:

1. **Create financial incentives and programs to support independent stores**
2. **Restrict or limit chains in certain neighborhoods where they are causing the displacement of local retailers**
3. **Make sure enforcement of sanitation, health, and other codes does not unreasonably burden small local establishments**

Community and business groups have been discussing policy measures such as the Small Business Survival Act now under consideration in the City Council, which would allow retail tenants to seek binding arbitration to prevent excessive rent hikes. To build a foundation for thriving small businesses, the local retail retention task force should evaluate additional ideas that have emerged from this collaborative thinking, which include:

- **Limiting the escalation of rent.** One proven model is a voluntary incentive program in targeted locations. With support from the New York City Department of Finance, the Downtown Alliance manages such an initiative for Lower Manhattan, providing a tax abatement for landlords who agree to a schedule of modest rent increases to local (non-chain) businesses.
- **Set-asides of space for small businesses, vendors, and entrepreneurs.** For any commercial development over 50,000 square feet, owners should be required to include businesses at a range of sizes, going down to 250 square feet, with targets for locally owned small businesses. For city-owned or city-sponsored developments, rents must be below-market and leases at least five years.
- **Zoning ordinances to control number, type and size of retail establishment in specific areas.** Ban or place limits on the number of national chain stores that can occupy specific district, guaranteeing that a majority of the retail establishments are independent and locally owned. Restrict ground floor sizes and ban banks and hotel lobbies from occupying storefronts in new construction.
- **Reducing merchants' energy costs and making local retail greener.** Programs such as NYSERDA energy audits and the Smart Loans program are already in place to provide fee waivers, fund matching, outreach, and training to businesses seeking to reduce their costs and operate more sustainably. The city needs to do more to connect local retailers to these services.
- Finally, because local retailers don't have an advocate within city government, we recommend the **creation of a Local Retail Ombudsman** in the office of the NYC Public Advocate.

For more information on the Pratt Center's work in support of neighborhood retail, contact Vicki Weiner, vweiner@pratt.edu, or visit http://www.prattcenter.net/neighborhood-retail.

Retail Studies and Initiatives for the East Village

Pratt Institute Graduate Center for Planning and the Environment
Joint Historic Preservation and Planning Studio
Prepared for the East Village Community Coalition
June 12, 2008




Purpose of Study & Methodology

To recommend strategies to preserve the ***identity*** of the East Village.

- **Local Retail**
- Built Fabric
- Community Diversity
- Cultural Heritage

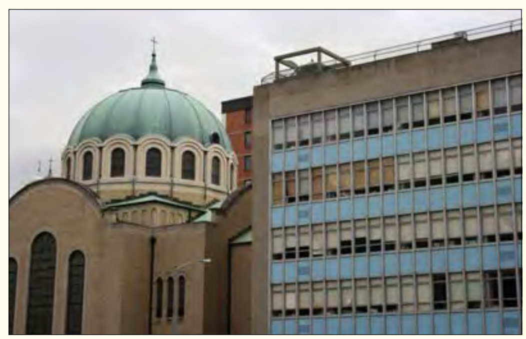
Variety of methods applied:

- Surveys
- Data Analysis
- Land Use Field Studies

Presentation Contents

- Historical Analysis
- Existing Context Analysis
- Trend Identification
- Recommendations for the Future

Historical Analysis



Immigration

1830s: Irish

1840s and 1865-1879: Germans

1880 - 1920: Italians, Russian, Polish, other Eastern Europeans

1960s, 1970s: Puerto Ricans, other Latinos, more Ukrainians

Built Fabric

- Early History
- St. Mark's Historic District

Built Fabric

- Mid-19th Century
- Tenements dominant building type

Built Fabric

- Small lot sizes
- Invite small business

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Retail

- Pushcarts & Small Businesses
- Mixed-Use
- Catered to locals
- Fostered community gathering

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Retail

- Tradition continues today
- Lively streetlife

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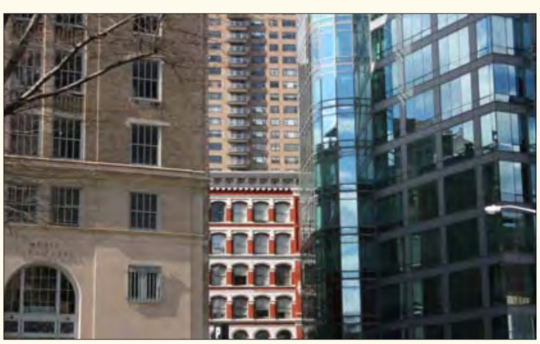
Existing Context Analysis



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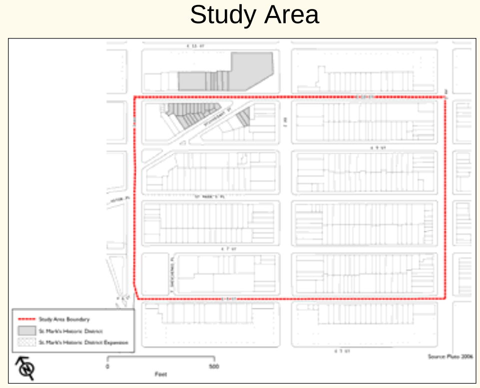
Study Area



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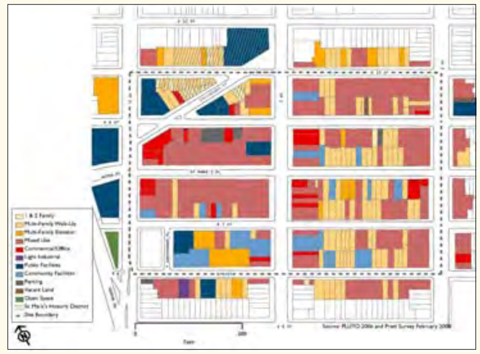
Built Context, 2008

Source: Pluto, 2006

Land Use, 2008



Retail Typology, 2008

Local Businesses vs. Chains, 2008

Business Owner Survey

Methodology:

- Random sample
- Determined key concerns
- Group interview with 9th Street Merchants Association

Business Owner Survey

Obstacles
- **High rent / Rising rent**
- Disadvantageous or no leases
- New landlords add real estate tax to rent
- Rising wholesale prices
- Decreasing number of new customers
- Lack of parking

Opportunities
- **Loyal customer base**
- Close proximity to complementary businesses
- High volume of foot traffic
- Good access to public transport
- Reputation of the East Village as a shopping destination

Shoppers & Residents Survey

Methodology:

- Random sample
- Determined key concerns and interests

Shoppers & Residents Survey

- Distinct, unique destination
- Unprotected places of importance
- Loss of character would be damaging
- Want to support local stores, but chains cheaper

Retail Market Analysis

Methodology

- Identified Trade Area
- Calculated Total Purchasing Power
- Identified Unmet Demand

Retail Market Analysis: Conclusions

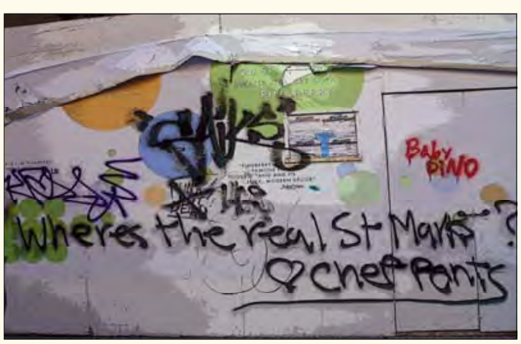
Supply of Retail Services ⟺ Demand for Retail Services ⟹ Future Opportunity for Retail Services

IF Demand > Supply = Unmet Demand (Opportunity for New Retail Growth)

Results…

- Unmet spending potential (demand) of $12,400 per household
- Translates into potential retail opportunity of 40,000 s.f. of new retail space within our study area
- **Unmet Demand + Rising Rents = Growth in Formula Retail**

Trend Identification



Trends: Demographics

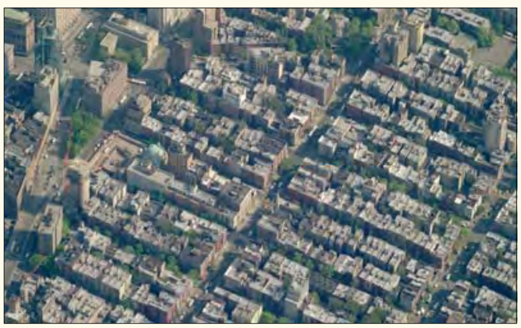
Increasing	Decreasing
Young adult population	Racial diversity
Median income	Unemployment level
Education level	

Trends: Development

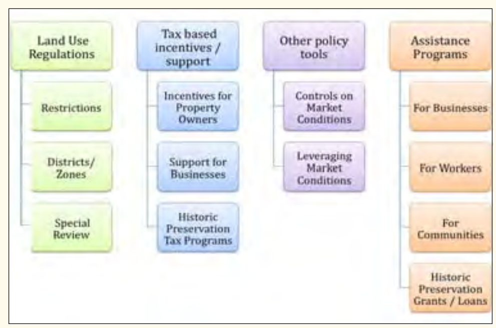
Trends: Retail

- Increasing rents, utilities, cost of merchandise
- Increasing lot sizes
- Displacement
- Changing streetscape

Policy Research



Policy Tools for Small Business Retention



Case Study: Little Italy Special Purpose District

- NYC Dept of City Planning
- "Preservation Area" with bulk & use restrictions
- Precedent already exists in NYC

Case Study: Madison Avenue Special District

- NYC Landmarks Preservation Commission
- "Preservation Area" with design guidelines for storefronts

Case Study: San Francisco

- Bans "formula retail" in 2 commercial districts
- Other districts subject to special guidelines
- Administered by City Planning Commission

Case Study: Seattle International Special District

- Seattle International Special District
- Special review board
- Combined tools:
    - Design guidelines
    - Special review/permit process
    - Formula retail "gives back"
    - Funding assistance programs

Recommendations

Recommendations

Objective:
To retain and promote local businesses and a socio-economically diverse community

Strategies:

- Regulations
- Community Benefits
- Incentives
- Support
- Implementation

Local Retail Retention Zone

Regulation: St. Mark's Formula Retail Ban

- Modeled after San Francisco
- St. Mark's Place, from Third Avenue to Avenue A
- Grandfathers-in existing stores

Regulation: Chain Stores Not "As of Right"

• Required permit for formula business to locate in community

• Issued by NYC Department of City Planning

• Considers community needs & impact of adding a chain store

Community Benefit: Formula Retail Tax

• Based on proposed Big Box Tax in Minnesota and Maine

• Graduated tax based on gross sales

• Small Business Fund

Community Benefit: Small Business Fund

• Increases competitive advantage
• Grants to local businesses
• Provides business assistance:
    - Business plan consultation
    - New employee hiring
    - Marketing
• Funded by Formula Retail Tax

Incentive: Commercial Landlord Tax Credit

- Voluntary "commercial rent control"
- Benefits for participating landlords
- Landlord tax credit increases over time
- Modeled after Industrial & Commercial Incentive Program (currently in place in NYC)

Support: Transportation Improvements

• Parking Improvement District
• Residential Parking Permits
• Bike share program
• Widened sidewalks
• Fare-free M8 cross-town route

Support: Sunday Street Closings

• Summer season

• Change location weekly

• Stores on closed block encouraged to set up a tents

• Vendors / entertainment in theme with neighborhood character

• Expanded Avenue A farmer's market

Support: “Get Local” Website Expansion

Implementation: Special Review Board

- Reviews special permits
- Administrative arm of Community Board
- Gives direct voice to community
- Streamlines process for applicants
- Local emphasis on decision-making

“…city areas with flourishing diversity sprout strange and unpredictable uses and peculiar scenes. But this is not a drawback of diversity. This is the point…of it.”

-Jane Jacobs

Acknowledgements

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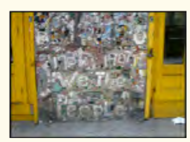


Pratt Center
for Community Development

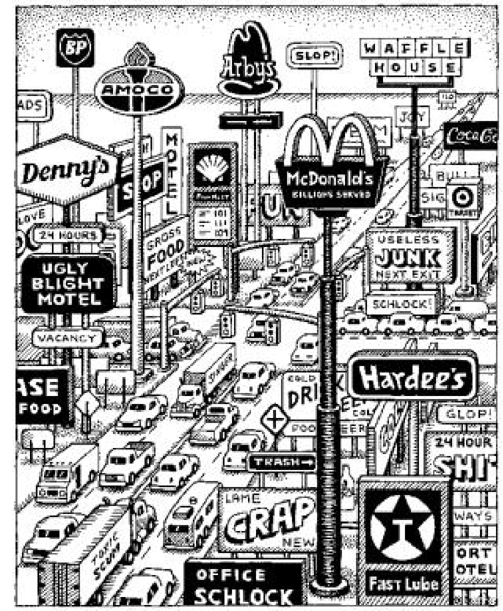
Preserving Local Retail: Issues & Strategies

Presentation for the APA Metro Chapter Zoning Committee

Vicki Weiner, Director of Planning & Preservation
Pratt Center for Community Development
May 29, 2008

How communities perceive the problem

- Aesthetic issues
- Economic hardships
  - For business owners
  - For low income communities
- Cultural issues
- Environmental harms
- Workforce issues
- All of the above



Different Strategies Emerging Nationally

- Playing Defense: Land Use Regulations
  - Banning or blocking chains and big box retailers
  - Allowing them only when they bring benefits
- Leveling the playing field through public policy
- Playing Offense: Incentives & Assistance
  - Tax-based benefits to business and property owners
  - Support programs to bolster local retail
- Equity Strategies
  - Improving job quality
  - Helping displaced businesses to find new locations

Defensive Strategies:
Bans & Blocks

1. Formula Business Restrictions

- Goal: to deter Formula Businesses altogether
  - Requires special permit to locate
  - Certain types are banned, e.g. chain restaurants
  - Caps on square footage keep sizes relatively small
  - Design guidelines require them to be contextual
  - Limit to overall number of Formula Businesses
- 7 cities ban or cap restaurant chains
- 12 cities ban or cap retail chains

Defensive Strategies: Bans & Blocks

- Formula Business Restrictions: San Francisco
  - Largest city to have Formula Business provision
  - Bans chains in 2 neighborhoods
  - Regulates them nearly everywhere else
    - Public review of all F.B. requests
    - Looks at retail mix vacancy rate, neighborhood character
    - Can turn them away

Defensive Strategies:
Bans & Blocks

2. Store Size Caps

- Goal: sustain small-scale, pedestrian oriented retail centers; prevent negative impacts of big box retail
  - Existing land use frameworks or comprehensive plans
  - Establish maximum square footage for retail
  - Require special permits for stores under cap but over specified square footage
- Neighborhood level regulations in 3 cities
- Citywide in 27 cities
- Countywide in 5 states

Defensive Strategies: Bans & Blocks

- Store Size Cap: Belfast ME
  - Zoning divides city into use districts
  - Maximum size of 75,000 s.f. applies to all commercial use districts
  - Special permit required for retail over 40,000 s.f. in other districts

Defensive Strategies: Bans & Blocks

- 3. Neighborhood Serving Zones
  - Goal: prevent destination retail and tourist-serving chains from displacing local stores
  - Requires special permit for retail over the specified size
  - Has to be “neighborhood-serving”
  - Palm Beach FL – only citywide law
    - Stores over 2,000 s.f require permit
    - Applicant must demonstrate store is “for townspeople”

Defensive Strategies: Bans & Blocks

- 4. Retail Development Moratorium
  - Goal: Temporary suspension of any large-scale retail development
  - Valid public purpose, limited duration, used for planning
  - 10 or more since 1998
  - Many in rural areas
  - Moab UT
    - 6 month ban - 40,000 s.f.
    - Size cap provision under consideration

Defensive Strategies: Requiring Benefits

- 1. Community Impact Review
  - Goal: Assess impacts of proposed retail development; establish criteria for approval
  - Development must be more good than bad
    - Local economy, jobs & infrastructure
    - Historic/natural resources
  - 11 cities passed or proposed
  - Brattleboro VT
    - Review of projects > 65,000 s.f.
    - Requires economic & community assessment

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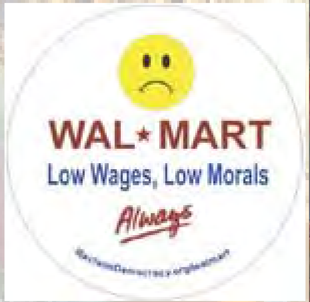
Defensive Strategies: Requiring Benefits

- 2. Retail Sector Minimum/Living Wage Ordinance
  - Goal: ordinances typically target a city's corporate business partners
  - Chicago's (failed) M/L W ordinance targeted "large retailers"
    - Over 90,000 s.f, $1 billion revenue
    - Required to provide minimum living wage & minimum benefits to workers
    - Mayoral veto



Defensive Strategies: Requiring Benefits

- 3. Big Box Tax
  - Goal: Counteract negative economic effects of Big Box development
    - Funds used to make up for lack of employee benefits
    - Provide necessary infrastructure
  - 2 states have proposed bills
  - Minnesota – Tax imposed if:
    - Revenues > $20 mil
    - Wages + benefits < $22,000/year
    - ¼ or more part time workers

Defensive Strategies: Advantages & Limitations

- Good for banning & blocking
  - Ease threat from chains & big boxes
  - Some national retailers adapt/improve
- Less effective for deriving benefits
- Limited in addressing other problems
  - Rising rents leading to displacement
  - Landlord issues
  - Inability to support/sustain good jobs
- Land use controls not enough

Leveling the Playing Field

- 1. Proposed Commercial Rent Control
  - Goal: Protect commercial tenants from displacement due to rising rents
    - NYC law 1946-1963, expired
    - Albany, 1948 (temporary)
    - Berkeley CA in late 1970s/1980s
  - Proposed NYC legislation 1987
    - CM Ruth Messinger & Council colleagues
    - Responding to displacement
    - Arbitration for tenants subjected to 25% rent increase
    - Defeated by Council

Leveling the Playing Field

- 2. Proposed Set-Asides for Small Businesses
  - Goal: Compel developers to devote space to local retail establishments
    - For new construction over certain square footage, % must be set aside for local retail
    - Recently achieved by a Minneapolis community through a CBA
    - Proposed by community as part of 125th Street Rezoning

Leveling the Playing Field

- 3. Proposed Incentive to keep rents low
  - Goal: reward landlords who offer long leases or below-market rent
    - Good Landlord / Good Neighbor Tax credit
    - Senior Citizen Rent Increase Exemption

Offensive Strategies: Incentives & Assistance

- 1. Tax Breaks for Small Businesses
  - Variety of state programs give tax credits to
    - Investors in small businesses (AZ)
    - Contributors to small business incubators (MO)
    - Corporations with small business revolving funds (NM)
  - Iowa Small Business Tax Deduction
    - Businesses with < 20 employees, under $3 million gross revenue
    - Additional deduction of 65% wages for new employees

S B D C
Iowa Small Business Development Centers

Offensive Strategies: Incentives & Assistance

- 2. Local Purchasing Preferences
  - Goal: States and cities buy products from locally owned businesses
  - Boosts local economic activity, employment, tax revenue
  - 25 or more cities have statutes
  - 5 states have statutes
  - Wyoming's law
    - Requires all agencies to buy local
    - Allows 5% price differential

Offensive Strategies: Incentives & Assistance

- 3. Other financial programs & offerings
  - Lincoln Square TIF program - Chicago
  - Small Business Environmental Assistance
  - BID-funded façade improvement
  - Shop Local campaigns

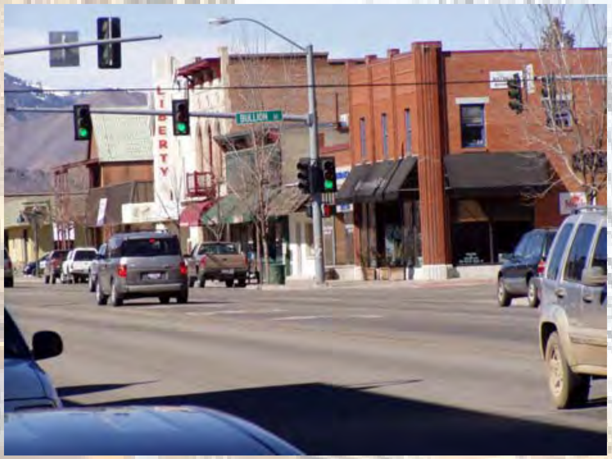
I BUY local FIRST
www.LocalFirst.org

SMALL BUSINESS
ENVIRONMENTAL ASSISTANCE PROGRAMS

Equity Strategies:
Improving Job Quality

- Voluntary benefits programs
  - Goal: offer assistance to employers who provide benefits
  - Brooklyn HealthWorks
  - Proposed Idaho Tax Credit for Small Business Health Plans
    - Employer pays 50% health coverage
    - $800 annual tax credit per employee

Brooklyn HealthWorks



Pratt Center for Community Development

APA Metro Chapter Zoning Committee
May 29, 2008

Equity Strategies:
Assisting Displaced Businesses

- Assistance for Displaced Businesses
  - Goal: Compensation and relocation
- Austin, TX pilot program
  - Low interest loans to eligible businesses displaced by development
  - $250-750,000 depending on location
  - Relocation loan forgiven in 5 years
- Wisconsin
  - Compensation for displacement
  - $30-50,000

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  - www.newrules.org
  - Neighborhood Retail Alliance

New York Retail…. Serving the Public!

A legislative report on supporting and facilitating the preservation and revitalization of retail in urban neighborhoods.

New York State Senate
Committee on Cities

March 2010

New York Retail…. Serving the Public!

…a legislative report on supporting and facilitating the preservation and revitalization of retail in urban neighborhoods.

New York State Senate Committee on Cities

Senator Shirley L. Huntley, Chairwoman 2010
Senator Daniel Squadron, Chairman 2009

Senator Suzi Oppenheimer
Senator Bill Perkins

Senator Frank Padavan,
Ranking Member
Senator Andrew Lanza

Kevin M. Webb, Committee Director

March 2010

THE SENATE
STATE OF NEW YORK

March 2010

This report is the result of a hearing the Committee conducted on September 18, 2009 on retail diversity and neighborhood health. It analyzes several of the major problems local retail merchants face, such as adverse tax policy and high commercial rent. Furthermore, it explores the problems and benefits associated with "big box" retailers in New York communities and the effects they have on local retailers.

The Committee seeks to better coordinate several of the State's existing programs that have helped local businesses. We are also considering other cities' successful economic policies, seeking to implement some of these successful programs in the 2010 Legislative session. This report offers several recommendations for reform, including better coordination of the state's existing programs to help local businesses, and the implementation of other cities' successful economic policies.

We look forward to working with our partners in local government and our colleagues in the Legislature during the next year to pass many of the report's recommendations into law. We will continue to strive to strengthen our urban neighborhoods by building and revitalizing retail diversity in our state.

Senator Shirley L. Huntley, Chairwoman 2010
Senator Daniel Squadron, Chairman 2009
Senate Committee on Cities

I. Introduction and Overview

Legend has it that Napoleon disparagingly referred to England as “A Nation of Shopkeepers” (L’Angleterre est une nation de boutiquiers), with the goal of depicting his adversaries as unfit for war. Napoleon clearly underestimated the importance of retail to the economic strength of a nation. Those “shopkeepers” would eventually sow the seeds of his defeat in 1815 at the Battle of Waterloo. Interestingly, Napoleon’s statement may not have in fact been his own; its roots appear in Adam Smith’s 1776 *“The Wealth of Nations”*:

> To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.[1]

While the root of the problems associated with operating retail businesses in the cities of New York does not quite stretch back to Napoleonic times, the stress in this sector has a long history and predates the economic downturn of 2008-2009.

The Senate Committee on Cities, through ongoing research and testimony collected at a hearing conducted on September 18, 2009, is working to coordinate and facilitate the ability of New York businesses to better focus resources and take advantage of programs and policies designed to support a diverse retail base in urban areas throughout the state.

The Committee finds that the biggest challenges facing businesses in New York’s urban communities are high commercial rents, lack of coordination/information between state and local government and retailers, and adverse tax policy. The Committee recommends the following changes to address these issues: (1) expansion of the commercial rent abatement program in lower Manhattan and incorporation of small local retailers into major development

[1] The Wealth of Nations, Glasgow Edition, 1976, Book IV section vii.c.

projects; (2) establishment of a single entity to develop a comprehensive urban renewal policy; (3) support for localities' efforts to include "formula restrictions" or other retail-type zoning; (4) establishment of state-based task forces to implement the best practices from around the nation; and (5) comprehensive review of the state's tax policy as it affects small businesses.

A comprehensive urban renewal policy for the 21st century will strengthen our downtowns and streetscapes, create jobs, and help protect our architectural heritage by preserving historic buildings through adaptive reuse. Retail is an essential generator of economic activity for New York State, employing nearly one million workers with an annual payroll of $26 billion. Additionally, retail generates sales taxes of twenty billion dollars per year for state and local governments.[2] Maintaining and growing this type of economic activity will not only help retailers' bottom lines in these difficult financial times, but will also positively impact state and local budgets.

II. Current Successful Programs

Both New York State and New York City have used a variety of tools to spur economic activity and retail. To understand the government's successes and failures in assisting the retail community a review of some of these programs is helpful:

1. Industrial Commercial Assistance Program (ICAP)

One of New York City's major economic development tools is the Industrial Commercial Assistance Program. It provides abatements of real property taxes for varying periods up to 25 years for eligible industrial and commercial buildings that are built, modernized, rehabilitated, expanded, or otherwise physically improved.

[2] Ted Potrikus, Executive Vice President, Retail Council of New York State, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

As Ted Potrikus, Executive Vice President of the Retail Council of New York State, noted at the September hearing, the retail community is grateful for the renewal and retention of retail through the former ICIP (now ICAP):

> City leaders facing budgetary pressures looked to trim this investment incentive by all but barring retail projects from eligibility. We are grateful that Mayor Bloomberg and the state legislature's New York City delegation kept their doors open for many months, giving us the opportunity to state the case for retail retaining its ICIP benefits. …[T]he state legislature approved an ICIP renewal that included consideration for retail projects under limited circumstances and in certain portions of New York City most in need of retail development.[3]

2. New York State Historic Preservation Tax Credits

The state's historic preservation tax credit program can go a long way in helping historic downtowns revitalize storefronts. It also has the potential to create meaningful housing opportunities when developers restore historic commercial properties that can be mixed use. The program was expanded in 2009 (Chapter 239) in order to focus on the availability of commercial credit for distressed areas, increase the percentage of qualified rehabilitation costs that can be claimed, and increase the cap on credit value. As Corning's City Manager Mark Ryckman noted, this program should especially benefit downtown areas in the State, which-though in many cases distressed- continue to be the most likely location for small businesses and diverse retail.

3. New York State's Empire Zone Program

New York State's Empire Zone program was created to stimulate economic growth through a variety of tax incentives designed to attract new businesses to New York State. It is also meant to enable existing businesses to expand and create more jobs. To participate in the Empire Zone Program, a business must first be located in an Empire Zone, or qualify as a

[3] *Id*.

"regionally significant project," and become "zone certified." To qualify for certification, a business must be able to demonstrate that it will create new jobs and/or make investments in the Empire Zone and be consistent with the local zone's development plan, including a cost-benefit analysis. However, many questions have been raised about the program's success at reaching these goals.

4. New York Main Street Program

The New York Main Street Program (NYMS) provides financial resources to assist New York's communities with their Main Street and downtown revitalization efforts. NYMS makes funds available to stimulate reinvestment in properties located within mixed-use commercial districts. Eligible applicants include organizations incorporated under the state not-for profit corporation law, which includes community based organizations, Business Improvement Districts, Neighborhood and Rural Preservation Companies and other similar entities that have been providing relevant service to the community for at least one year prior to application.

5. Restore New York Communities Initiative

The Restore New York Communities Initiative was enacted as part of the 2006-07 state budget. It made the Empire State Development Corporation responsible for implementing this $300 million program whose sole purpose is to revitalize urban areas and stabilize neighborhoods. Municipalities can submit requests for funding to demolish, deconstruct, rehabilitate and/or reconstruct vacant, abandoned, condemned or surplus properties. Additionally, funds can be used for site development needs related to a project including, but not limited to water, sewage, and parking.

The City of Corning has successfully made use of this program to help restore and improve its downtown business district, though city leaders have suggested that accessing these funds through a single source, rather than multiple state bureaucracies, would be even more helpful.

6. Business Improvement Districts (BID)

The Business Improvement Districts program allows local businesses to join together to develop and fund their own plans in a variety of areas. From increased sanitation to sophisticated neighborhood marketing plans, the BIDs tackle a wide spectrum of issues. The City of New York is home to some of the most innovative BIDs in the nation. For example, the Downtown Alliance has adapted it's priorities to address Lower Manhattan's current economic challenges and the specific circumstances that its local entrepreneurs face. While focusing on traditional efforts and practices, such as making capital and storefront improvements, recruiting specific retailers, and attracting customers to district stores, the Alliance also confronts the unique problems associated with having sixty construction sites in the district. To meet these challenges, the Alliance strengthened its traditional consumer marketing efforts and added an investor component. By distributing data extolling the thriving market in Lower Manhattan for retail investors and emphasizing a business-to-business follow-up component, the Alliance has made significant efforts reinforcing the district's status as a desirable location for investment.

7. Avenue New York City Program

The Avenue New York City program is another source of funding for city revitalization projects. It is designed to help non-profit economic development organizations carry out commercial revitalization initiatives. The Federal Department of Housing and Urban Development has spent billions of dollars on community development block grants (CDBG) which fund the Avenue NYC program. The program targets city neighborhoods with low-income residents. In 2007, Avenue New York City invested $2.5 million in support of commercial revitalization activities of 45 organizations throughout the city.[4] Activities such as BID formation/expansion, façade improvement, merchant organizing and neighborhood economic development planning have historically been funded through this program.

8. Lower Manhattan Development Corporation

The Lower Manhattan Development Corporation was created to assist New York City in recovering from the 2001 terrorist attacks on the World Trade Center. LMDC is charged with, among other things, studying and developing initiatives for the redevelopment of Lower Manhattan. Its ultimate goal is to ensure Lower Manhattan's strength as a community over the long-term.

LMDC also administers the Small Firm Assistance Program, which has the potential to be immensely helpful to small businesses throughout the state. The program makes grants available to small businesses adversely affected by the large number of publicly funded construction projects in Lower Manhattan. Ro Sheffe, Chairman of Community Board One's Financial District Committee, in Manhattan, highlighted strengths and areas for improvement in the Small Firm Assistance Program.

9. Small Business Services Portal

In a welcome development, the New York City Department of Small Businesses Services (SBS) has recently opened a new web portal "NYC Business Express" (http://www.nyc.gov/portal/site/businessexpress). It is an online, one-stop resource where entrepreneurs and business owners can quickly and easily learn about licenses, permits and other government requirements for doing business in New York City. It allows customers to receive customized information about city, state and federal incentives, and apply and pay for more than

[4] Jeremy Waldrup, Assistant Commissioner, New York City Department of Small Business Services, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

thirty-five licenses, permits and certifications from multiple city agencies. As this portal continues to evolve, it would be most useful if it could be fully integrated with state and federal business assistance to allow businesses to apply for both state and federal, as well as city, licenses or permits that may be necessary for a particular venture.

10. Small Business Revolving Loan Fund

Governor Paterson's recently announced $25 million Small Business Revolving Loan Fund is a tonic for worthy businesses that have difficulty attracting needed capital. Its goal is to provide capital to a variety of small businesses such as "mom and pop," retail, and service businesses. Startup business may also be eligible.

III. Scope of the Problem: Urban Retailers' Biggest Challenges

1. Escalation of Rent

One of the resounding themes of the September hearing was that the escalation of commercial rents has had a devastating effect on the diversity of local retailing, especially in New York City. Elena Conte of the Pratt Center for Community Development raised this salient point when she began her testimony:

> [T]he number one thing that small businesses cite as their issue is the escalation of rent, and that it particularly affects small retailers. And chain stores, you know, play a big factor in raising the level of all that up.[5]

Barbara Clurman, from the Atlantic Avenue Betterment Association echoed these thoughts, "When rents are excessive, you have a retail district of cell phone stores, banks, drugstores and chain stores."[6]

2. Competition from National Formula Retailers

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[5] Elena Conte, Pratt Center for Community Development, Testimony before the New York State Senate Committee on Cities, September 18, 2009.
[6] Barbara Clurman, Board Member, Atlantic Avenue Betterment Association, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

Chain stores or "formula retailers" tend to proliferate in certain cities and neighborhoods because they can pay higher commercial rents than a new or smaller entrepreneur and offer more security. Thus, chain stores tend to be more attractive to landlords. This need not be the case.

The phenomenon of excessive rent is not just exclusive to New York City and downstate urban areas. Upstate cities and rural retailers also suffer this difficulty. However, with collaborative, innovative and creative use of the menu of state programs and resources that are available, it is possible for municipalities to redevelop existing commercial real estate into mixed-use retail. Municipalities can make the properties affordable for both new entrepreneurs and those seeking affordable housing.

As discussed during the hearing, the City of Corning has been able to maintain and revitalize its commercial district using a mix of state programs and innovative commercial renovations. As Corning City Manager Mark Ryckman explained, by using the Empire Zone Program, the Main Street grants and the Restore New York program, Corning has been able to renovate its historic downtown business district and maintain it as a vibrant center of commerce, while keeping rents affordable for independent retailers.[7] As the City of Corning has proved, local retail can be supported and retained with creative financing and forms of state support.

3. Property Taxes

One of the costs that business owners have little control over is their tax burden. Landlords pass this cost along in the form of higher rents. Business owners must consider whether passing along higher property taxes to their customers in the products and services they provide is worth the potential loss of clientele. At the same time, battles with municipalities over their property tax assessments are a perpetual issue. It is especially galling to business property

[7] Mark Ryckman, City Manager, Corning, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

owners when a neighboring mega project receives a 20-year tax abatement. These tax abatements attract competitors who are given lower fixed costs. These competitors can undercut the small business owner's prices, thus making it very difficult for the small business owner to compete.

Barbara Clurman, of the Atlantic Avenue Betterment Association, raised concerns in her testimony that property tax relief for major developments put smaller retailers at risk:

> The state, city, and Empire Development Corporation talk about supporting small businesses. However, they encourage practices, which drive small businesses out. Generous subsidies are provided to large developers. These developers use their commercial space for large big box stores, suburban mall type businesses, banks and a host of other large businesses.
>
> These developments are the recipients of government subsidies and may have their taxes abated for decades. This tax relief for developers has fueled rising taxes on small commercial residential properties. In our district, a 20-foot wide storefront may face a $25,000 annual tax bill. These taxes are passed along to the commercial tenants in the form of higher rents, which frequently force small businesses to close.[8]

4. Deficient State and City Services and Coordination

The lack of coordination among various state and city agencies is a cause for concern. Many economic development programs that New York currently has in place are less effective, because they are spread across various agencies. Currently, programs with similar aims are distributed among various agencies. For example, the ESDC handles the Restore New York Initiative, a program focused on the rehabilitation of commercial and residential properties. Separately, the Office of Community Renewal spearheads the Community Development Block Grant Program, another program that addresses rehabilitation of commercial and residential properties.

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[8] Clurman, *supra* note 8.

Tony Bates, a small business owner on Montague Street in Brooklyn, expressed his concern that many small businesses don't know what assistance is available to them from the government:

> Promote all of these packages, get them out to the small retailers because I, for one, am not aware of a lot of the incentives or what have you that might have been spoken to, or what have you, so that the small retailers can be educated as well.
>
> We get bombarded by fees or for a cup of coffee that's been sitting on the sidewalk with a $75 ticket which we have no idea why and we keep the sidewalks clear or what have you, but, yet, all this other information and this bureaucracy that we have to go through to adhere our taxes that we pay is almost impossible to get.
>
> And what is happening is it makes it very difficult for a small retailer to be successful because everything is already against that small retailer because of lack of information, lack of tax burden that we carry only as a merchant, but as a landlord as well.
>
> If I had not been a landlord, I could not be in my place of business for as long as I have. But the taxes, as we are asking all of you guys to just refocus the tax programs that you have to make it viable…[9]

New York State and City programs that support small businesses will never be utilized to the extent necessary to nurture new businesses and save old businesses if entrepreneurs do not know they exist.

Daniel Zarin, President of Zarin Fabrics, echoed the daily frustrations that small businesses suffer at the hands of competing regulatory agencies:

> The cost of doing business in New York City is extraordinarily high. Retailers are not only pressured by relatively high rental rates, but also by a seemingly endless array of government agency fees and fines.
>
> As a retailer, I feel like I'm being nickeled and dimed to death. From the fee for my air-conditioning units approximately $400 per unit, to the unwarranted

[9] Tony Bates, Owner, Bates Shoes, Brooklyn, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.

writing of trash violations, it is impossible to control what happens to the trash after it's put outside at the end of the day properly, and until the time it's picked up by the contractor.

…As president of Zarin Fabrics, a small family business that's been operated in New York City for over 70 years, I can tell you that it has never been more difficult to run a business in New York than it is today. Small business owners support the city by employing millions of people. Yet, it is commonplace to hear or read about major incentives given to large corporations.

If the same amount of incentive money is split among small businesses throughout the city, not only will this create greater employment, but it will also support more commerce in a larger number of neighborhoods.[10]

As mentioned, however, the advent of the Small Business Services' online portal has the potential to alleviate many of these retailers' frustrations.

IV. Looking to Other States

The Cities Committee is fortunate to have been able to collaborate with the Pratt Center for Community Development, which has been studying the issue of retail diversity for some time, and has prepared an excellent policy brief on the issue. Their findings on what can be done are excerpted below.

New York City should start by looking to models from more than twenty states and fifty plus cities that have new or proposed laws aimed at fostering a stable, thriving and successful local business sector, turning to tolls that can be combined with smart incentives and a community planning process to encourage the kinds of businesses that neighborhood residents want and need.[11]

The policy tools now employed or under consideration across the nation fall into three general categories: (1) land use regulations, especially zoning provisions to prevent or inhibit the

[10] David Zarin, President, Zarin Fabrics, New York, New York, Testimony before the New York State Senate Committee on Cities, September 18, 2009.
[11] Pratt Center for Community Development, Issue Brief, "Saving Independent Retail,: August 2009.

proliferation of chains; (2) financial incentive/benefit programs and market control mechanisms to reward landlords for accommodating local retail; and (3) support programs – everything from niche marketing to grants and loans for business owners – to bolster local retailers' ability to compete.

1. Formula Business (i.e. "Chain") Restrictions

San Francisco, Seattle, and fifteen other cities around the country have established restrictions on chains. A formula retail establishment is commonly defined as having eleven or more other retail sales outlets in the United States, having a trademark or service-mark, and maintaining two or more standardized features, such as merchandise, facade, decor, uniform for workers, signage, etc. San Francisco has the strongest restrictions on chain retailers in the nation, using a combination of land use regulations within specifically created districts where special review is required before a chain store may open.

2. Size Caps on Commercial Property

Madison, Wisconsin and twenty-nine other cities have set size caps on commercial property. Instead of banning formula businesses outright, size caps serve as another means to prevent large chains from moving into urban neighborhoods. A store size cap amends a zoning ordinance, either for an entire city or for designated areas within a city, to limit the physical size of retail stores. Some municipalities put an outright ban on stores above a certain size, while others limit large stores to specific areas. Small towns and large cities across the nation are using store size caps to protect small and local businesses, decrease traffic congestion, lessen the burdens on infrastructure, regulate building design, and maintain pedestrian-friendly districts, among many other planning goals.

3. Neighborhood-Serving Zones

Palm Beach, Florida has established "neighborhood-serving zones," which are designed to meet the everyday consumer needs of local residents, as opposed to attracting tourists. Such regulations limit the size and use type of retail stores in certain districts in order to maintain an area's character and ensure pedestrian-friendly streets. Palm Beach is the only city in the nation to have this type of zoning. This type of zoning could also be used to curtail the oversaturation of any one type of business in a given area.

4. *Big Box Tax*

"Big box taxes" have been proposed in Maine and Minnesota, though no state has yet passed such an initiative into law. This type of tax would obviously create a disincentive for chains to locate in certain districts within a state or city. In cases where the retailer was willing to pay the tax and open a store, the tax revenue could be used to support local businesses and/or retail chain workers earning less than a living wage.

5. Community Land Trusts

A community land trust (CLT) is an existing policy tool being used in a handful of locations around the country to address the need for affordable housing. In a CLT, a private, nonprofit corporation acquires land parcels in a targeted geographic area with the intention of retaining ownership of the land in the long term. The nonprofit CLT leases or sells structures on the land at below-market rates to eligible residents, who enjoy the benefits of low rent or mortgages, while agreeing to restrictions on subletting or reselling. This model could be applied to commercial or mixed-use land. Taking property off the commercial market and leasing it at below-market rates to residents and small business owners who demonstrate need could be a viable strategy for protecting small businesses from rising rents.

6. "Shop Local" Campaigns

New York City, Austin, Texas, and many other cities around the nation have had success with campaigns that encourage patrons to shop locally. The loss of mom-and-pop shops nationwide has inspired governmental and private sector entities to create marketing campaigns for local products and local retailers. These campaigns share resources such as websites and brochures to promote "shopping local" and are often a venue for merchants to meet and discuss best practices.[12]

V. Summary and Conclusions

As the New York economy continues to struggle in this recession, a change that has long been in process becomes even more obvious: upstate and downstate, in large cities and small cities, across wealthy and struggling neighborhoods, there is less and less retail diversity. At the outset of planning for this hearing, the goal of the Senate Committee on Cities was to explore how to better serve small business in order to retain retail diversity in communities across New York. We considered the policies and programs that should be adopted or modified to help retailers thrive and survive in this difficult economy. This needs to be a constantly evolving process; it can never be static and rely on any one particular program to support and enhance small business. As noted, developing partnerships is the key.

However, a point that became evident at the hearing is that there is an under-utilization of programs or types of assistance for retailers. A lack of awareness and coordination of the existing programs themselves is a major hindrance to getting local retailers needed assistance. As multiple witnesses noted, better coordination and enunciation of existing programs would go a long way toward helping retail businesses take advantage of the aid that is already available through city and state sources. Our goal should be to facilitate a greater level of awareness and coordination of programs that can assist retailers.

[12] *Id*.

Reducing the regulatory, bureaucratic, tax and fee burdens will also assist small businesses in our city and state. As Mark Ryckman of Corning noted, there are at least three ways the State could address these deficiencies: (1) New York could establish a single entity to handle a comprehensive urban renewal policy; (2) there should be greater coordination of programs at the state level, to encourage more rapid deployment at the local level; and (3) the State should formulate and institute a comprehensive policy governing urban development and revitalization.[13]

It is clear that the problems associated with the lack of retail diversity in our downtown business districts existed well before the current recession. As Potrikus noted, the economic downturn of 2008-09 has only intensified the difficulties faced by small independent entrepreneurs and increased competition for consumer dollars; it did not create them. For some time now, consumers have been opting for the ease of online shopping. The rise of e-commerce has helped sow the seeds of demise not just for the small mom and pops, but for many larger, traditional department stores as well. There is now a whole generation of New Yorkers who have never head of the Gimbel brothers, or what happened when Abraham partnered with Strauss in Brooklyn.

The solutions offered by the government need to be flexible, broad based and comprehensive enough for maximum statewide impact in order to survive in this downturn and beyond.

VI. Recommendations

Just as it is impossible to identify any single reason for the broad loss of local and diverse retail, there is no single, silver bullet solution that would be a panacea for local retail. Recommendations on the State level include:

[13] Ryckman, *supra* note 9.

1. Local Retail Task Force

The State should establish a local retail retention task force consisting of a broad range of stakeholders including government, policy experts, small business owners and community groups to analyze the problem of independent retail attrition and to develop potential solutions. The focus of the task force should be to: (1) create financial incentives and programs to support independent stores; (2) develop strategies to provide for the mutually beneficial coexistence of chains and local retailers, as exists in communities such as Saratoga Springs; (3) ensure that the enforcement of sanitation, health and other codes does not unreasonably burden small business; (4) ensure transparency and coordination to existing programs; and (5) consider the best practices from around the nation, including local and formula restriction zoning.

2. Limiting the Escalation of Commercial Rent

Limiting the escalation of commercial rent is key to retaining local retail. Tax abatement programs, like ICAP, have already been shown to help; and a targeted statewide expansion of the Commercial Revitalization Program (CRP) (Chapter 22 of the laws of 2010), where tax abatements are given to landlords who agree to a schedule of modest rent increases for local businesses, could be an essential element in retaining retail diversity in urban communities. The Pratt Center, several BIDs, and nearly all hearing witnesses support this recommendation. Furthermore, various retailers and retail consultants suggested requiring large commercial developments that enjoy tax abatements to provide space for small businesses and incubator space with below market rents.

3. The Historic Preservation Tax Credit Program

New York should continue to expand eligibility and build upon and promote the use of its Historic Preservation Tax Credit Program to assist in the rehabilitation of downtown business districts across the state. The Preservation League of New York State and the NYS Conference of Mayors support this suggestion.

4. Incorporation into Large-Scale Development

Local retail should be incorporated into large-scale economic development projects. Developers should be required to include small businesses in their development plans if they are to be afforded state abatements and incentives. Rents should be below market rate for at least five years for included businesses. The Pratt Center and various independent retail consultants support this suggestion.

5. Displacement and Relocation Funds

New York should establish a displacement and relocation fund for large developments that displace small businesses. When developers receive 20-year tax abatements and other incentives, they should be required to pool dollars to assist smaller retailers and entrepreneurs. The Pratt Center and various retail consultants support this suggestion.

6. Business Improvement Districts

Business Improvement Districts (BIDs) are significant and important tools for business retention; however, their resources vary widely between more affluent and less affluent communities. If BIDs in low-income business districts had greater resources, they could potentially do a better job of helping retain businesses and retail diversity in these areas. Various New York City BIDs support this suggestion.

7. Small Business Assistance Program

The Small Business Assistance Program grants that are administered by the Lower Manhattan Development Corporation (LMDC) could be expanded in a number of ways: eligibility rules could be relaxed, including, for example, to allow for upper-level retailers to qualify, not just ground-level businesses; the program could be better publicized; and it could be extended with additional funds. Manhattan Community Board One supports this suggestion.

8. Empire Zone Program

Commercial projects seeking qualification under the Empire Zone Program should be afforded benefits only if they can prove that existing sites in downtown business districts cannot meet their needs. The City of Corning supports this suggestion.

9. Social and Economic Assessments

Municipalities should be required to assess the social and economic impact of a large development in addition to the environmental impact before these projects are given approval and permission to build. The Retail, Wholesale and Department Store Union supports this suggestion.

10. Single Entity

New York State should establish a single entity to coordinate a comprehensive urban renewal policy. Currently, programs with similar aims are distributed among various agencies. Greater coordination of programs at the state level could lead to more rapid deployment at the local level. It would be more efficient for communities to access a variety of programs through a single agency. The City of Corning and the New York State Conference of Mayors support this suggestion.

11. Increasing State Resources

As a general matter – and recognizing the difficult financial situation we currently face -- the State could increase resources and funding to support local planning efforts. Increasing funding to the State Department of Transportation, for example, would go a long way towards supporting communities local comprehensive development plan. With additional funding, communities could plan around pedestrian and transit needs, goods delivery, and auto circulation in commercial corridors, and better implement new programs and plans. This type of investment would likely pay for itself due to increased economic activity, and is supported by the Pratt Center.

12. Energy Costs

The State needs to assist in reducing merchant energy costs and making local retail greener. Connecting local retailers with existing New York State Energy Research and Development Authority (NYSERDA) programs such as energy audits and Smart Loans will help entrepreneurs maintain and sustain their businesses. The Pratt Center supports this suggestion.

13. Business Express Online Portal

The Committee applauds the creation of the NYC Business Express online portal but urges the Department of Small Business Services and state and federal agencies to fully integrate the portal with programs and licenses to truly make it a one stop location for business needs. Various BIDs and retailers support this suggestion.

Retail
Pratt Institute Joint Preservation and Planning Studio Spring 2008

5.1a Formula Business regulations

The rapid turnover of long-time commercial retail renters as well as the increase of new non-contextual development projects is a major concern within the community. In responding to the proliferation of formula retail in the East Village, the proposed East Village Preservation District would have a Formula Retail Special Permit procedure. A form of this tool has been successfully applied in other areas of the country including Maine, Washington, and San Francisco, California.

This specific proposal addresses the concern that formula retail chains moving into the East Village are displacing long-time local businesses and are diminishing the neighborhood's "sense of place". In New York City's current political climate, a full ban on all formula retail chains would be extremely difficult to achieve. Thus, the proposed zoning does not call for a complete ban. Instead, it prohibits formula retail in one location and requires a rigorous approval process for any new formula retail use throughout the district. In addition it has the potential to leverage the economic power of incoming chains by requiring them to contribute to a fund, which would be allocated to existing small local businesses for various business improvements. This solution has the benefit of not only dissuading the entrance of new chain stores but also bolstering new and existing locally owned businesses in ways that a complete ban on formula retail cannot. Under the special permit provisions formula retailers would be required to undergo NICE Board review, which includes compliance with a set of criteria that is discussed in Section One, Community-Wide Initiatives. In addition, the NICE Board would review storefront designs to insure compatibility with the existing architectural and aesthetic character of the streetscape.

Around the country, concerning provisions such as this, the definition of a formula retail business has been called into question. To resolve this, the San Francisco Redevelopment Agency has produced a "Formula Retail Policy Checklist" that creates specific parameters for defining formula retail (see appendix A). The plan proposes creating a similar checklist for the Department of City Planning to use in determining what constitutes a formula retail use.

5.1b Store size cap

Lot conglomeration is an issue in the East Village. There may be instances where a property owner acquires a lot adjacent to his/her property and creates an even larger structure, specifically a commercial storefront with a greater square footage amount than the original. Instead of two storefronts, it may be combined to create one large commercial space. Mentioned in the rezoning section of report, the larger commercial spaces may encourage chain stores to occupy them, not contributing to the overall sense of place in the East Village. Thus a cap on the square footage for commercial retail would be placed within the Retail Retention Zone. The NICE Board would set two different maximum floor area sizes — one for lots along the avenues and one for lots on the side streets. Corner lots would maintain their current size. New applications for spaces over the maximum square footage would be subject to the new restrictions.

5.1c St. Mark's Formula Retail Ban

One tool to control the growth of formula retail in the proposed East Village Preservation District is a total ban of formula retail businesses on St.. Mark's Place, from Third Avenue to Avenue A. This ban of formula retail on St.. Mark's Place is based on the city of San Francisco's Small Business Protection Act, which in addition to placing restrictions on formula retail throughout the city, also bans formula retail from the Hayes Valley and North Beach business districts. These two districts have a similar cultural history as the East Village and thereby present the East Village with a compelling argument as to why proposing a formula retail ban only on St. Mark's Place is a crucial first step in New York City's first Formula Retail Ban.

Hayes Valley, like the East Village, was known for its counter culture in the 1980s and early 1990s. Similarly, it has become a popular haute couture retail district with a strong merchant voice in the community. San Francisco's North Beach neighborhood is best known as San Francisco's Little Italy, but is also associated with the beatnik counter-culture of the 1950s and early 60s and presently serves as a destination spot for restaurants and nightlife.

Though the ban of formula retail has been aggressively contested in San Francisco, it has withstood all legal challenges thus far. A formula retail ban in New York City would also face great opposition, so it is important that the area selected have not only a strong and compelling argument, but also a legal precedence. St.. Mark's Place is a one-of-a-kind street with its own unique history and character. It has often been the center of New York City's counterculture and grassroots movements, most notably in art, music, literature, or activism.

Notable historical facts about St.. Mark's Place include the following:

• The St.. Mark's Hotel (formerly the Valencia Hotel) was the site of The Five-Spot, which was one of the City's leading jazz venues where Thelonius Monk often played.
• The Bridge Theater, which is now Trash and Vaudeville, was associated with Yoko Ono and other Fluxus artists.
• 6 St.. Mark's Place once held the anarchist Modern School. The same building later became a gay bathhouse.
• 13 St.. Mark's Place was the last home of Lenny Bruce
• Abbie and Anita Hoffman lived in the basement of 30 St.. Mark's Place from 1967 to 1968. This is also the location of where the Yippies were founded.
• 51 St.. Mark's Place was home to 51X, the gallery that broke graffiti art into the mainstream and represented artists such as Keith Haring and Jean-Michel Basquiat.

15 http://home.nyc.rr.com/jkn/nysonglines/8st.htm#ava

St. Mark's Place has also been a hub for alternative retailers. Current institutions lining the street include the Yaffa Café, Sock Man, Trash & Vaudeville, and a handful of open front markets. There are also a number of authentic Japanese restaurants, record stores, and tattoo parlors. The proposed St.. Mark's Place Formula Retail Ban has a distinct similarity to the two districts in San Francisco and could subsequently stand up to legal challenges.

In addition to the fact that St.. Mark's Place has a vibrant history and a unique retail culture, it is also an area of the East Village in serious need of protection from formula retail. Formula retail has its greatest presence on the block of St.. Mark's Place between 2nd and 3rd Avenues. Should the block be overrun with formula retail, little of its essence and history would be left. It is important to take strong measures on this street which has already been targeted by formula retail establishments. It should also be noted that though the proposed ban of formula retail is only for St.. Mark's Place, this is not to say that other sections of the East Village Preservation District could not be included within the Formula Retail Ban in the future.

5.2a Formula Retail Tax
The Formula Retail Tax is configured to ensure that formula stores - when allowed to locate in the district - contribute to the local economy. The Volume 2 Tools section described several ways in which cities and states throughout the United States have preserved the small business sector. Studies suggest that on average, locally owned businesses return more benefits to the local economy than formula retail stores. Adding a Formula Retail Tax component provides funding for the small business sector, giving local retailers the resources they need to remain in the neighborhood.

The Formula Retail Tax would be based on the proposed Big Box Tax in Minnesota. The Minnesota bill would impose a tax on gross receipts (revenue) to retail stores that have more then $20 million annually in sales and do not provide employee compensations of at least $22,000 per year. This bill is a graduated tax of one percent on sales and increases by .5 percent for every $10 million added in the gross sales. The revenue that is generated from the Minnesota tax is deposited into a general fund within the state.
16 www.newrules.org/retail/bigboxtaxmn.html

The financial requirements set in the Minnesota bill could be adjusted to better reflect sales numbers in New York City. For instance, it could be suggested that every formula retail store that comes into the area is required to pay a one percent sales tax on gross receipts (revenue). This could be a graduated tax of .5 percent for every $10 million added in the gross sales. It is also suggested that this graduated tax has a cap. Within the provisions of the proposed Minnesota bill, the cap is set at two percent for all gross sales over $40 million.
The money generated from the Formula Retail Tax would be deposited into a Small Business Fund to help local businesses in the East Village Preservation District.

5.2b The Small Business Fund
The creation of the Small Business Fund would help to increase the competitive advantage of the East Village's locally owned businesses. Small businesses are crucial to the economic diversity of a city, but due to limited resources and lower financial flexibility, they experience difficulties in maximizing their business potential. Locally-owned shops, including start-ups, would be eligible to apply for a grant from the Small Business Fund for assistance, including business plan consultation, new employee hiring, or marketing.

5.2c Landlord Tax Credit
The Local Retail Survey conducted in the Study Area revealed that rental prices has become a major obstacle in conducting business in the East Village (34.2% of survey respondents referenced the problem). The proposed Landlord Tax Credit would encourage building owners within the East Village Preservation District to maintain affordable rents for local retail tenants. In exchange for keeping rent affordable, landlords would be eligible for a tax credit that is set to increase over time. Under the proposed provision, the landlord may be eligible to receive a higher level of credit for also making physical improvements to the property.

This proposal does not suggest a "rent freeze." Instead, the rents would be allowed to increase over time, but at a rate that the small businesses can afford. Small increases in the landlord's revenue coupled with the tax credit would allow the landlord to realize a return on his/her investment, while allowing locallyowned shops to survive.

5.3a East Village Merchants Association

The creation of an East Village Merchants Association would allow storeowners to invest in both their own businesses and in the community-at-large. The foundation for such an entity already exists in the 9th Street Merchants Association. In addition, the East Village Community Coalition (EVCC) has supported these merchants by creating their Get Local Guide. The East Village Merchants Association could offer professional development programs, become the voice for legislative representation within the community, and spearhead a broader marketing campaign to promote the East Village as a unique local shopping experience. Two main aspects of the campaign would be the promotion of Sunday street closings and the expansion of the Get Local website.

Merchants Associations across the United States can provide inspiration for how to organize such an association. Richmond, Virginia's retail merchant association has grown exponentially, now offering many resources to their members, including health insurance.[17] Another source of inspiration for the East Village is the National Trust's Main Street Center,[18] which offers advice on promoting the local business economy, small business assistance programs, and marketing and promotion.

Sunday Street Closings

The East Village Sunday Street Closings would be a weekly event held throughout the summer season. Stores located on the street fair block would be encouraged to sell goods and talk to customers in front of their stores, which would help them advertise and attract new buyers. Other retail vendors may participate but must submit a vendor application to the East Village Merchants Association. Ideally all vendors and entertainment would keep in theme with the character of the East Village.

17 www.retailmerchants.com The website for Richmond Virginas Retail Merchants Association

18 www.mainstreet.org The Website for the National Trust Main Street Center

It is recommended that the location of the Sunday Street closings be held on a different street in the East Village each week to highlight all of the retail opportunities available in the neighborhood. A set calendar should be created at the beginning of the year. This calendar should be featured in the already-existing Get Local Guide, or could stand alone and be distributed in the participating stores.

Currently there is also a small farmer's market that takes place every Sunday on the eastern boarder of Tompkins Square Park. We propose integrating the farmer's market into the Sunday Street Closings Program. Such closings would also promote the East Village's restaurants by encouraging them to participate and sell food on the street.

Get Local Campaign

To raise public awareness of local stores within the East Village, informational outreach can be accomplished by expanding EVCC's Get Local website by adding a blog and publishing additional printed materials, including a calendar with scheduled street closings and other promotional events. The blog, which would be updated on a daily or weekly basis, would include information on local businesses in the East Village. The website may include information such as a local store's contact information, website, types of goods and services, how long the store has been in the East Village, the store owner's biography, and other information to help support local businesses. In addition to local stores, the website would also support local designers and other personal services in the East Village Preservation District. This includes but is not limited to doctors, dentists, hair stylists, fashion designers, and acupuncturists. Along with providing information to the public, local stores would be supported by the public at no cost. Currently, blogs exist that focus specifically on the East Village; however, they do not emphasize local stores.

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