

City of Dallas Downtown Retail Program



Economic Development Committee Briefing

March 3, 2008

Presented by
Office of Economic Development
Downtown Initiatives



Office of Economic Development
www.Dallas-ECOdev.org



Briefing Objectives



- Provide an overview of the City's past initiatives implemented to spur downtown retail development: The Main Street District Initiative Loan and Grant Program
- Share successful outcomes and lessons learned
- Present framework for an updated and strategically targeted retail recruitment and incentive program
- Obtain Economic Development Committee input and guidance for moving forward

Program Overview: Main Street District Initiative Loan and Grant



- City Council authorized the establishment of the Main Street District Initiative Loan and Grant Program on October 13, 2003 which included (1) the **Main Street District Retail Recruitment Initiative** and (2) the Main Street District Retail Support Parking Initiative.
- Primary objectives of the program were to promote economic development and to stimulate business and commercial activity in the downtown core.
- The focus of today's briefing is on the experience and outcomes of the **Retail Recruitment Initiative** and how the City can build upon successes and lessons learned.

Program Components: Main Street District Retail Recruitment Initiative

- **Main Street District Retail Recruitment Initiative included two program components:**
 - **Retail Recruitment Incentives**
 - Rent Subsidies – Phase I - \$18/sf for two years, Phase II - \$18/sf for year 1 & \$9/sf for year 2.
 - Tenant Improvements – One time grant based on the public square footage of retail space.
 - **Marketing, Leasing and Promotions**
 - DOWNTOWNDALLAS organization acted as a unbiased clearinghouse for leasing activity and promoted the downtown through events and marketing materials. (See Appendix A for full list of marketing, leasing and promotional activities.)

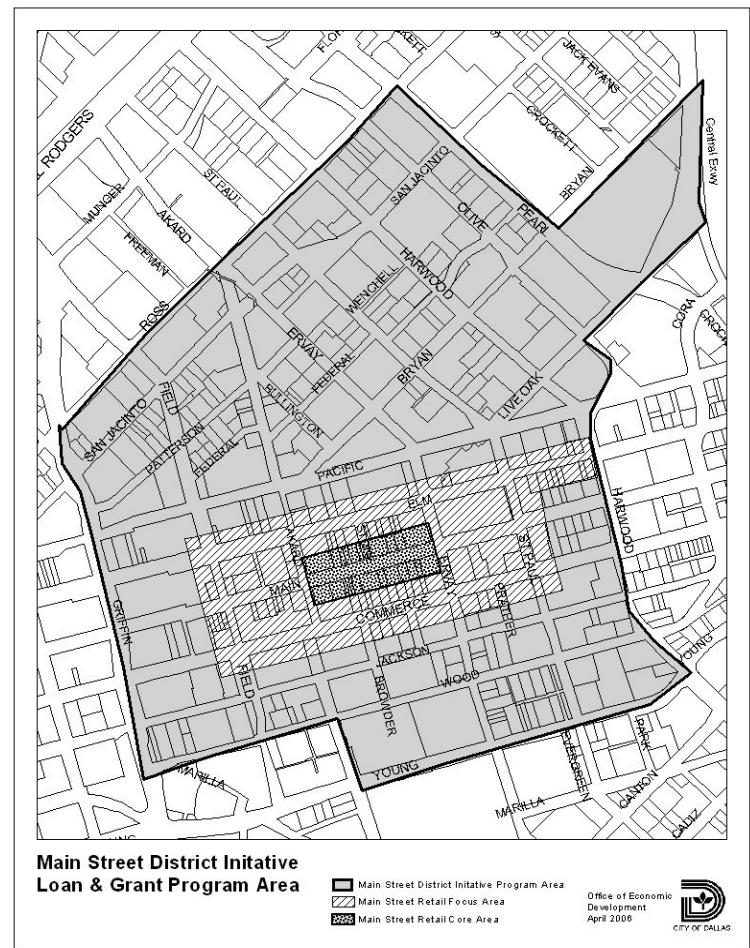
Main Street District Retail Recruitment Initiative

- **Eligible business activities included:**
 - Retail or service businesses that provide a public benefit to the neighborhood;
 - For profit, sales tax paying businesses;
 - New complementary retailers within the Main Street District Initiative Program Area;
 - Restaurants located on Stone Street Gardens, Pegasus Plaza or Main Street with specific provisions;
 - Retail facades where no retailer has been identified that would otherwise qualify for the initiative.

Main Street District Retail Recruitment Initiative

- **Eligibility Requirements Included:**

- Applicant may own real estate, in which the business is located or have a fully executed lease, term not less than five years.
- Located within the defined Main Street District Initiative Program Area (Elm, Main & Commerce from Field to St. Paul).



Program Goals & Accomplishments



- **Phase I:**

Goal: Attract 40,000 – 60,000 Sq.Ft. of unique retail

Accomplishment: 47,705 Sq.Ft. attracted to the Main Street Focus Area.

- **Phase II:**

Goal: Attract 18,000 Sq. Ft. of new retail both indigenous and national tenants

Accomplishment: 25,942 Sq. Ft. added and retained within the Main Street District Area.

Phase I: Retail Recruitment Initiative			
Retailer	Funding	SF/ Type of Business	Status
Kul Design Studio	\$400,000	9,706 Interior Design	Business closed Jan 2007; <u>\$25,000</u> of grant amount not dispersed
Swirl	\$301,875	5,193 Winery	Subsidy ended 06/07; business open
Crimson in the City	\$202,556	2,500 Apparel	Subsidy ended 07/07; business open
Footgear	\$136,000	3,000 Shoes	Subsidy ended 10/07; business open
Benji's	\$164,016	2,006 Apparel	Subsidy ended 10/07; business open
Third Rail Lofts 1407 Main St.	\$725,000	20,000 Various	\$350,000 for retail façade improvements of 1407 Main; \$375,000 pending
Main Contemporary Gallery	\$291,288	5,300 Art Gallery	Funds to be reallocated - <u>\$291,288</u> ; Grant agreement in default – Business did not open
Marketing/ Leasing Partner	\$279,265	Downtown Partnership	Contract with Downtown Partnership now DBA DOWNTOWNDALLAS for 2004-2006. See Appendix A for full list of tasks and accomplishments
Total	\$2,500,000	47,705 SF	Funds remaining to be redirected: <u>\$316,288</u>

Phase II: Retail Recruitment Initiative

Retailer	Funding	SF/ Type of Business	Status
Jos. A. Banks	\$281,480	5,142 sf Men's Apparel	Business up and running
Urban Market Retention	\$100,000	16,600 sf Grocery	Business in operation. Streamlined over last year and financial losses have decreased
1608 Main Street Gallery	\$267,120	4,200 sf Gallery/Event	Funding approved by the retail committee on January 31, 2008 contingent on several requirements
Marketing/Leasing Partner	\$30,100	DowntownDallas	Previous contract extended through 2006-2007. Contract expired on December 31, 2007
Unallocated	\$21,300		
Total	\$700,000	25,942 SF	Funds remaining to be redirected \$21,300

- This program ended as of December 31, 2007.
- Existing agreements will be managed through the proposed Downtown Retail Program.
- The balance of **\$337,588** remaining from the two phases is eligible to be redirected toward a new Downtown Retail Program.

Main Street District Pedestrian Perspective





Patio at Iron Cactus Restaurant – 1520 Main Street



Joule Hotel & Charlie Palmer Restaurant – 1530 & 1524 Main Street



Vacant Building – 1600 Main Street



Future Art Gallery – 1608 Main Street



Neiman Marcus Flagship Store – 1618 Main Street



Davis Building – 1309 Main Street

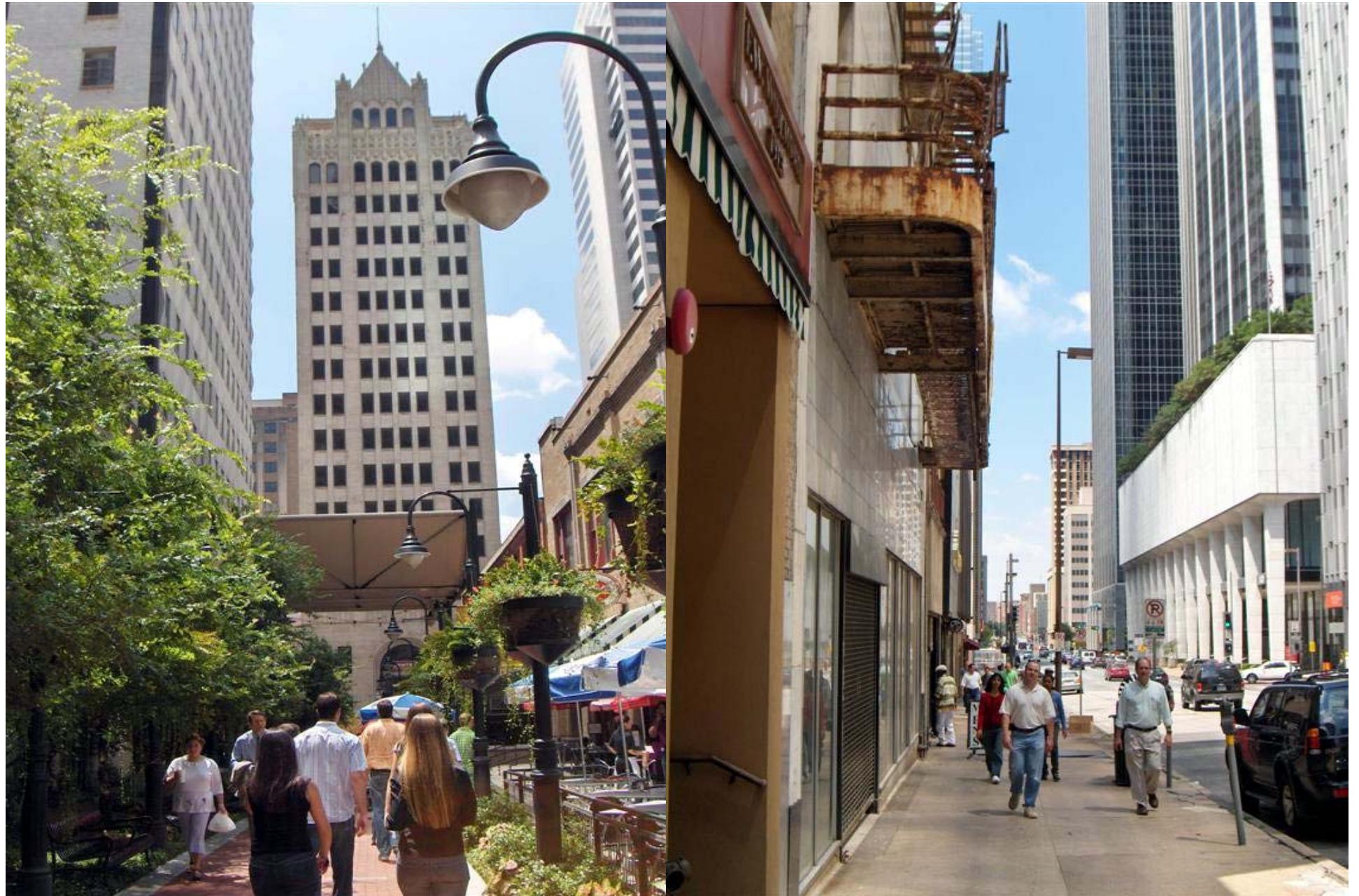


Jason's Deli & CVS/Pharmacy – 1407 Main Street



Gulf States Building – 1415 Main Street & Dallas Fish Market – 1509 Main Street

18



Stone Street Gardens & 1500 Block of Elm Street



1500 Block Elm Street



21

1604 Elm Street



1613 – 1615 Main Street



Corner of Main Street and Akard



Corner of Elm & Ervay Street



Universities Center of Dallas – 1901 Main Street



Fresh Market Neiman Marcus – 1603 Commerce Street



1503 Commerce Street



1600 Block of Elm Street



1500 Block of Elm Street

Lessons Learned



- Retail needs a critical mass of residents and vice versa.
- The incentive program brought attention from the retail industry to the CBD core which did not previously exist.
- Negative perceptions related to public safety and parking adequacy can be impediments to shoppers and businesses. Environmental perceptions are improving through partnerships with Dallas Safety Patrol, DPD & DART.
- Downtown retail is composed principally of small entrepreneurs. Experience of other U.S. cities has proven that a complementary group of small retailers can make a successful retail destination.

Lessons Learned (continued)

- Incentives help small business enter the marketplace. However, without technical business assistance some may struggle to become self-sustaining in a growing marketplace.
- National chains won't commit until local entrepreneurs establish legitimacy of the area.
- Successful retail recruitment requires a thoughtful balance between stimulating small business, attracting national retailers and improving the physical environment.

Staff's Analysis

- Market forces alone are not enough. Incentives are needed to stimulate a retail resurgence.
- There is pent-up demand for goods and services to meet the needs of the downtown residential population.
- Successful retail recruitment and retention requires a concentrated and targeted effort over time. We do not want to lose the momentum initiated by our previous efforts.
- As downtown pioneers, small entrepreneurial businesses bring uniqueness to downtown and serve as proving ground to national retailers that a downtown retail market exists.
- Small businesses need technical and business support to grow in a revitalizing marketplace.
- City support should be continued in a way that builds upon the success of attracting the small, local retailer to further stimulate the interest of national retailers in the downtown marketplace.

An Updated Retail Strategy is Required

- Revitalization momentum is evident downtown, but retail is needed to create vital physical linkages between housing, office, cultural, recreational and public amenities. *Retail is a part of connecting the dots....*
- Our previous strategy did not offer the resources and technical assistance that small businesses need to be sustainable in a revitalizing marketplace.
- Residents are needed to serve as the customer base. However, the right retail mix can attract customers from outside the immediate area.
- The downtown retail marketplace has not matured. This makes it necessary for the City to provide direct support and attention to the retail pioneers while developing appropriate incentives and strategies to stimulate the interest of national retailers and prepare the environment for catalyst projects.

Proposed Downtown Retail Program

DOWNTOWN RETAIL PROGRAM

Retail Business Assistance

Downtown Retail Resource Center

- Merchandising Internship Program
- Retail Business Workshops & Seminars
- Downtown Retail Implementation Program: Recruitment & Site Selection Assistance
- Downtown Champion Partnership
- Downtown Retail Business Cooperative
- Vendor Cart Micro-Business Program
- Administration of Grandfathered Agreements with Main Street District Initiative Loan and Grant Program

Retail Catalyst Incentives

Downtown Retail Growth Initiative

- A public/private program to stimulate catalyst retail projects.
- Target a one to two block area within the downtown for a catalyst, superblock, retail development project (eg., Elm Street)
- Potential incentives may include rent subsidies, tenant improvements, façade grants, loans/grants.
- Input to be obtained from Mayor's Downtown Task Force - Retail Subcommittee.

Proposed Downtown Retail Program



- The Downtown Retail Program must address:
 - Business development and sustainability needs of downtown retailers, a unique group of small businesses that represent the entrepreneurial nature of the downtown retail environment.
 - Attraction of national level retailers and/or the stimulation of a large-scale retail catalyst project.
 - Recruitment, marketing and promotion of downtown as a prime retail destination.

Proposed Downtown Retail Program



- **Program Objectives:**

- Implement a retail strategy that is tailored for the marketplace.
- Encourage a more diverse mixture of retail uses within downtown.
- Increase job opportunities.
- Support and attract neighborhood retail and service businesses.
- Encourage business ownership and entrepreneurship.
- Generate economic development through increased sales tax revenue.
- Strengthen the market through community development.
- Stimulate downtown retail and increase foot traffic.
- Provide technical assistance and mentorship opportunities for small and micro-enterprises.

Proposed Downtown Retail Program: Potential Funding Sources

- Staff proposes that the remaining balance of **\$337,668** be redirected to the Downtown Retail Program to fund the various components.
- Due to limited resources, the program components of the proposed Downtown Retail Program would likely be implemented in phases beginning with activities that can be initiated with the least start-up requirements.
- Staff will continue to research and pursue grant funding opportunities and private-sector participation to support additional program components.

Major Elements Of Proposed Downtown Retail Resource Center



Component #1: Merchandising Internship Program



- Develop partnerships with DCCCD and DISD.
- Participating retailers will have the opportunity to make a significant contribution to the local, community workforce through providing job training and mentoring opportunities to City residents. Additionally, retailers will benefit from having interns as part-time workers during the course of the internship.
- The Retail Merchandising Internship Program will provide City of Dallas high school and/or community college students with a hands-on, supervised experience in sales, promotions, merchandising, human resources, operations and other aspects of retailing.
- Participating students will receive a stipend and certificate of completion at the conclusion of the internship experience.

Component #2: Retail Business Workshops & Seminars

- The Downtown Retail Resource Center will serve as an information source of best practices to assist the retailer in developing strategies and solutions to address management and operational requirements of their growing business.
- Workshops and seminars will be developed and provided to help the small business retailers grow and succeed.
- Business development training may be a condition for participation in other offerings of the Downtown Retail Program.
- Potential partnerships with Bill J. Priest Institute – El Centro College, SCORE, and SBA.
- Provide technical and business development assistance for Urban Agribusinesses in the Farmers Market. Such as business workshops & seminars on topics such as merchandising, pricing and accounting.

Component #3

Downtown Retail Implementation Program

- An economic research firm with a downtown retail niche will be hired to expand our retail recruitment and implementation strategy.
- The current retail strategy will be updated to reflect current market needs and to guide retail recruitment and redesign efforts.
- Recruitment strategies will be implemented to encourage the attraction of compatible and complementary retail businesses to the CBD.
- Competitive retail centers will be evaluated, the downtown market profiled, and key downtown opportunity sites identified.
- Potential amendments to existing policies related to street vending, sidewalk cafes, and building amenities such as awnings and signage will be evaluated to assess how these approaches can improve the retail district.

Component #3, (continued)

Implementation Focus

- An implementation program is key to success. Retail strategies and Merchandise Mix Plans are the primary tools to be implemented.
- The implementation program includes the training and placement of a designated, non-commissioned, Retail Recruiter for the downtown to be assigned to and supervised by the City's Downtown Marketing Partner.
- The Retail Recruiter will identify and prospect potential retailers and provide site selection assistance to prospective downtown retail tenants.
- The Retail Recruiter is the most valuable and effective tool for retail retention and recruitment efforts with the primary role of implementing tailored retail strategies and the Merchandise Mix Plan.

Implementation Program Examples

- Downtown Austin
 - Program began in 2005 with focus on bringing retail back to Congress Avenue and improve the quality of used on 6th Street
 - Retail Strategy and Merchandising Mix Plan developed and implemented by retail recruiter
 - Results: 600 retailers called upon; 125 qualified leads identified; 20 active prospectives emerged
 - Five new retailers have opened since the Plan was created; Downtown landlords in negotiation with four new retailers, of which two are nationals
 - Major new anchor opened in Nov 2007 – an independent and artistic movie theater relocated to 6th Street
- Additional examples highlighted in Appendix B:
Philadelphia, PA & St. Louis, MO

Component #4

Downtown Marketing Partner



- Marketing of the downtown as a retail destination will continue to be a major activity under the proposed Downtown Retail Program.
- The Marketing Partner must be a strong advocate for downtown, champion and know the downtown market, stakeholder issues and concerns.
- The Marketing Partner will be responsible for creating an effective marketing campaign to brand downtown shopping districts and to showcase the downtown as a major shopping destination.
- The Marketing Partner will champion downtown, serve as ombudsman to the business and residential community, and work hand in hand with the City to promote downtown as a premier business and residential location.

Component #5

Administration of Grandfathered Agreements



- On December 31, 2007 the Main Street District Initiative Loan and Grant Program - Phase I & Phase II ended.
- All established grant agreements and applications received prior to the closure of the program will be grandfathered and managed.
- Management of the established agreements will phase out over the next two to three years.

Concept #1

Downtown Retail Business Cooperative

- The retail cooperative can provide an opportunity for small qualified new retail businesses to gain experience in the marketplace and establish themselves through management guidance, technical assistance, business consulting and availability of retail space.
- Establish a physical store front that will operate as a resource center for all program components. Use rented or donated public/private sector space for the efforts of retail business incubation and marketing efforts.
- Promote as a One-Stop-Shop. To be staffed by City of Dallas, marketing and business service partners.
- Become a downtown retail business resource and assist retailers located or desiring to locate within the downtown retail districts such as the Dallas Farmers Market or the Main Street Retail District.
- The cooperative would offer assistance and guidance related to City permitting processes, business development, site selection, etc.

Concept #1 (continued)

Downtown Retail Business Cooperative



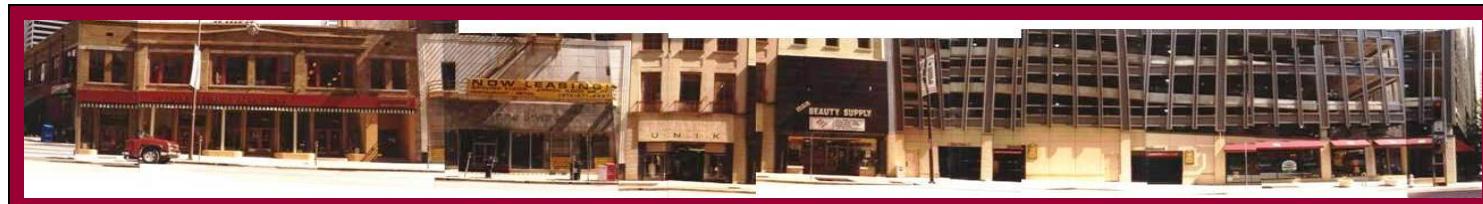
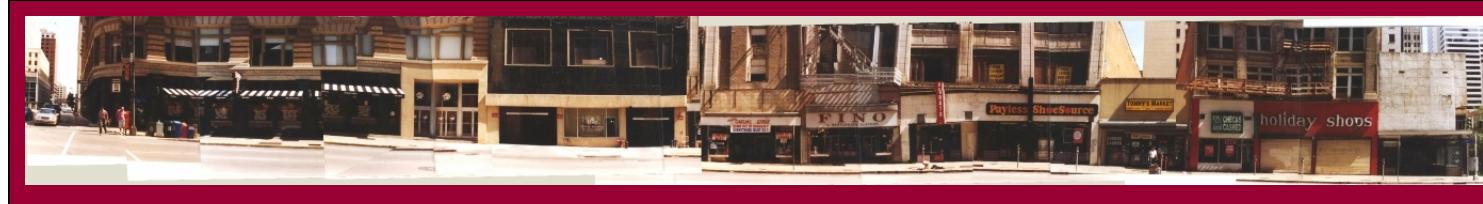
- The concept is to grow/assist new entrepreneurial retail businesses to a point of sustainability that will allow them to establish a presence in the marketplace.
- Examples from other cities indicate that downtown retail entrepreneurship requires a comprehensive and hands-on approach.
- Retail Incubation is growing nationally as a downtown revitalization tool. See Appendix C for case study.

Concept #2

Vendor Cart Micro-Business Program

- Vending can add vitality to streets, contribute to an area's security, and provide an additional source of revenue for the City.
- As a micro-enterprise business initiative, the vendor cart program presents an alternative way for City residents' to enter the retail business.
- Program activity components include, but are not limited to, the following:
 - Identification and mapping of appropriate downtown locations for vending carts
 - Provide a centralized resource to assist vendors in obtaining permits and licensing
 - Development of a maintenance and management plan
 - Administer vendor cart rentals to qualified individuals
- This concept will require interdepartmental coordination and more research to determine feasibility and timeframe. (See Case Study in Appendix D)

Proposed Direction for Downtown Retail Growth Initiative



Proposed Downtown Retail Growth Initiative

- A public/private program to stimulate catalyst retail projects.
- Geographic Focus: Target a one- to two-block area within the downtown for a catalyst, superblock, retail development project. (eg., Elm Street)
- Incentive program to attract national retailers to the CBD.
- Continue to work with developers in the planning stages of new projects to make sure they include space for street-front retail projects that will complement the desired merchandise mix of retail.
- Funding anticipated to come from the DDDA Bonds proceeds and private stakeholder participation.
- Staff will gain guidance for this initiative from the Mayor's Downtown Taskforce – Retail Subcommittee.

Next Steps



- Obtain ED Committee feedback and guidance.
- Develop specific guidelines and policies necessary for the implementation of the Downtown Retail Program based on feedback from today's briefing.
- Gain Council approval for a Downtown Retail Program in April.

Appendix A:

DOWNTOWN DALLAS Retail Marketing and Leasing Activities

- As the City of Dallas' Marketing and Leasing Partner for the Main Street District Loan and Grant Program they completed the following tasks:
 - Acted as the unbiased clearinghouse for leasing activity within the Program Area.
 - Matched potential tenants with landlords.
 - Pre-qualified retailers and landlords interested in applying for incentive funds.
 - Gave walking and site tours to interested retailers.
 - Gave presentations about downtown to interested retailers, to brokers, and to potential business investors.
 - Produced broker receptions and kept open communication with brokerage community to promote the program and the District.
 - Maintained an up-to-date space inventory database with detailed property information.
 - Walked retailers and landlords through the incentive application process.
 - Consulted with retailers on their business plans.
 - Proactively targeted and recruited retailers with site visits – targeting local and regional expansions.
 - Maintained up-to-date leasing collateral, including sales kits and other promotional materials.
 - Traveled to retail-specific events. (International Council of Shopping Centers)
 - Continued management of the Main Street District Merchants Association.
 - Recruited and facilitated the leases of Kul, Swirll, Crimson in the City, Benji's Collezioni, Footgear and Jos. A. Bank.
 - Implemented multiple retail retention focused marketing/promotions programs, including Thursday Night Block Parties, direct mail, shopping guides, City Lights (holiday shopping event), online advertising, print advertising and radio promotions

Appendix B:

Retail Implementation Program Examples

St Louis, MO

- Downtown St. Louis, MO once thrived as a center of commerce, trade and industry. In early 2000 they suffered from high vacancies, a small residential population and a severe lack of retail and recreational amenities.
- The St. Louis Downtown Partnership hired a consultant in 2002 to create and implement a Retail Merchandising Plan and Leasing Strategy.
- They concentrated revitalization efforts in order to achieve a critical mass of activity. They prioritized three zones of opportunity based on logic and timing.
- They hired a retail recruiter at the end of 2002 and between 2003 and 2004, eight new restaurants and ten new retailers opened.
- From 2005-2006, 30 new retailers and 13 new restaurants opened. By fall of 2007, 90 new stores and restaurants opened.
- Space originally rented for \$10-\$12 per square foot and now begins at \$20-\$22 per square foot.

Appendix B:

Retail Implementation Program Examples



Philadelphia, PA

- The City Center District hired a consultant to develop a comprehensive retail analysis for an important two-block area on Chestnut Street and adjacent to the City's Avenue of the Arts.
- The City Center District worked closely with property owners to ensure a proper mix of quality retail and storefronts was achieved.
- Chestnut Street was originally leasing space between \$20-\$25 per square foot; now they rent upwards of \$60 per square foot.

Appendix C:

Downtown Retail Cooperative – Case Studies

Wilmington, DE – Downtown Retail Incubation Program

- The Office of Economic Development administers the Retail Incubator Program through its Micro Enterprise Division.
- The Retail Incubator, which is now called, "The Shoppes at 827", is a facility that has been re-established to assist early stage development businesses.
- Its mission is to provide emerging and new businesses, opportunities to start-up operations, in a shared service environment that will enable them to receive technical assistance, business and financial management, and retail salesmanship training to help sustain their respective operations.
- The Incubator is housed on the 1st level of a three story building located on the City's centrally located downtown Market Street Mall. The 5200 sq. ft leaseable space can accommodate up to 12 diverse businesses in retail sales.
- Businesses receive advanced business management and administrative training. The facility is equipped with high speed internet service, state of the art security and surveillance system, Point of Sales (POS) software, and on-site business training programs and business network support.

Appendix D:

Vendor Cart Micro-Business Program Case Studies

Washington D.C. – Vending/Public Space Demonstration Program

- Street vending has a long history in Washington DC and they recognized that if done well it can enliven public spaces and serve as an economic development incubator.
- In 2003, The Deputy Mayor for Planning and Economic Development convened a Steering Committee, composed of government officials, vendor representatives, civic and nonprofit organizations and the Business Improvement Districts.
- As a result, they organized a comprehensive block by block plan for vending and the use of other public spaces. They assigned the Public Space Planning and Management Corporation to complete a study and oversee the operations and management of a 35-block pilot area of the CBD.
- Trial project for a fixed period of time to demonstrate the demand and desirability for vending as an addition to the Downtown community.