



#### **Downtown Development Center**

36 Midvale Road, Suite 2E Mountain Lakes, NJ 07046 Telephone (973) 265-2300

Fax: (973) 402-6056

Email: info@DowntownDevelopment.com Website: DowntownDevelopment.com

#### **About the Downtown Development Center**

For over 50 years, the Downtown Development Center has acted as the information clearinghouse on practical strategies and tactics for revitalizing the hearts of our cities and towns.

The group's main activities include publishing the widely read *Downtown Idea Exchange* newsletter, publishing relevant books and reports, and operating the DowntownDevelopment.com website.

The Downtown Development Center was founded in 1954 by Laurence A. Alexander, an early and influential advocate for the preservation and redevelopment of North American towns and cities. His vision of creating a place for sharing information and learning from the experiences of others continues today at the Downtown Development Center.

© 2019, 2013, 2010 Alexander Communications Group, Inc. All rights reserved. No quotation without written permission of Alexander Communications Group. No part of this publication may be reproduced, redistributed or put into an electronic or other information retrieval system without prior written permission of Alexander Communications Group.

### Business recruitment and retention go hand-in-hand

Investigate any successful, vibrant downtown, and you'll find a common theme — a good mix of thriving businesses. These shops, restaurants, service providers, and entertainment venues are the foundation of a healthy downtown. But these businesses don't just happen to open their doors downtown. It requires leaders who understand what it takes to recruit and retain these businesses, and who are willing to put in the time and effort to do it.

To set the stage for successful business recruitment, downtown leaders must take a long, hard look at the downtown area. The goal is to objectively identify strengths, weaknesses, and opportunities. Guesswork won't work.

This is also the time to consider both recruitment and retention activities. While the objectives are different, the outcomes are the same — keeping the downtown's commercial spaces filled with healthy businesses. And they are mutually reinforcing. A downtown with a strong business retention rate will have an easier time recruiting new businesses. And a downtown that successfully attracts new businesses will surely retain existing ones.

This report is divided into three sections. The first describes the basic research and analysis needed to determine the best recruitment prospects for the downtown area. In many communities this is a lengthy and complex project, which is best undertaken by an experienced professional. In other cases, the work can be done simply and efficiently by a committee of the downtown organization.

The second section covers converting those hard numbers into compelling marketing programs and materials. Some successful programs have been created in-house on limited budgets while others are created by high-powered advertising and public relations firms.

The third and final section shows many of these techniques as they have been used in downtowns across the country. The case studies provide the valuable insights that come with first-hand experience. The cities covered range from Allegan, MI, population 5,000 all the way to Brooklyn, NY, population 2.5 million. The case studies are based in large part on research and reporting for *Downtown Idea Exchange* newsletter.

Each of these successful recruitment and retention programs offers a wealth of ideas and insights for downtowns of any size.

#### **Develop the team and tools**

Developing a recruitment and retention team, analyzing the physical characteristics of the downtown, documenting existing businesses, and gathering sales and demographic data will set the stage to begin actively marketing space in the downtown area.

Form a business development team. For many downtowns, the most effective business recruiters are not hired guns but other business owners. The team should include roughly five to seven business and local government representatives. They will undertake such tasks as identifying the desired businesses to be recruited, hands-on recruiting of businesses, hosting downtown property tours, and hosting business prospects who visit the downtown. Their duties may also include working with existing businesses to provide assistance and developing services to help ensure their success downtown.

**Develop a market analysis.** This analysis provides the downtown organization with a realistic understanding of the market potential in the area. It also serves as a solid foun-

dation on which to base recruitment and retention efforts. There are many techniques for doing this, some are simple and direct, while others — usually for large downtowns — are complex and extensive.

Fortunately, there are several private companies that bring much of the data required for a market analysis together and sell useful reports. Two of the most frequently used sources are Claritas (www.claritas.com) and ESRI (www.esribis.com).

A market analysis typically includes the following elements:

- A clear definition of the downtown trade area. This is the geographic area within which most of the downtown area's customers either live or work. Every district has many trade areas. Some businesses will primarily serve neighborhood residents while others may draw people from throughout the region. Typical sources of information for defining the trade area include: shopper intercept surveys to determine where shoppers live or work; matching license plate numbers with state ZIP code information; creating zones based on distance, driving-time or even walk-in time to the core.
- Trade area demographics including basic population characteristics, changes over time, and projections. Typical sources include local or regional planning departments, Bureau of the Census, and private sources such as Claritas and ESRI.
- A clear definition of customer segments currently served by downtown along with data on their needs and perceptions. Typical sources include customer intercept surveys, focus groups, mail and telephone surveys.
- Current retail sales by category. Typical sources include sales tax reports, the Bureau of Labor Statistics annual Consumer Expenditure Survey, the Census of Retail Trade, and data from individual retailers.
- Competition. Numbers, size and sales impact of competitive areas.

- Retail sales potential. This will show either a surplus, a leakage, or a balance of sales. A surplus suggests that the trade area is capturing more sales than would be expected. A leakage suggests that sales are leaking out of the downtown to other shopping districts. And a balance shows that sales are roughly equal to what consumers are expected to spend.
- Market opportunities. Input from all of the above will underlie a market position statement. This statement identifies the most appropriate retail and office opportunities and will serve as a guide to ongoing business recruitment and retention efforts.

Create a superior business environment. Downtowns must have a high-quality business environment in order to attract and retain strong businesses. At a minimum, downtowns must be: aesthetically pleasing, safe, have an adequate and conveniently located supply of parking and/or public transportation, be easily walkable, have a group of well organized and cooperative business owners, and regulations that don't hamper retention and recruitment.

For example, navigating local regulations can be difficult and may even discourage some new businesses. Even if you can't change the laws (and sometimes you can), you can make the process as simple as possible by setting up onestop shops where business owners can obtain all required approvals and permits. Additional steps to help smooth the way for new business owners include:

- Develop a directory of government assistance that lists all of the services available to business owners through various branches of government.
- Examine existing policies and regulations that relate to code enforcement, growth management, parking requirements, etc., to determine their effect on your recruitment and retention efforts.

• Evaluate the quality of local government services provided to downtown businesses such as snow removal, street repair, trash collection, and others. Often business retention strategies contain initiatives aimed at maintaining these services at reasonable levels.

**Develop meaningful incentives.** Before major efforts are made to recruit new businesses, every effort should be made to develop a comprehensive program of incentives to assist existing businesses. These incentives will also help increase downtown's desirability to new businesses. Some of the more popular incentives offered in city centers are:

- Low-interest loan pools.
- Grant programs for rent assistance, property rehabilitation, advertising, and other start-up and ongoing costs.
- Financial counseling programs for new businesses with services provided by local financial institutions.
- Technical assistance in the completion of loan applications.
- Marketing advice and support for individual businesses, and for the downtown area overall.
- Networking opportunities such as member meetand-greets.
- Visitation teams (usually made up of two or three people who visit with local business owners to determine their needs and link them with information sources).
- Training seminars, workshops, and conferences.
- Information resource centers that provide information, technical assistance, and counseling to business owners.
- Assistance directories that list technical and professional assistance available in the community.
- Financial resource directories that list financial institutions and available loan, grant, and other programs.

**Get to know merchants.** It is also important for the business development team to get to know current business owners. This can often help the downtown organization ward off problems before it is too late. Rick Ferrell, president of Retail Market Answers notes that there are four distinct types of problems that the business development team should look for when trying to identify at-risk businesses:

- *Underutilized space*. These businesses have taken more space than they actually need. These stores appear spread out or under-merchandised. Having an over-large space can cause them to fail because they don't have the same visual appeal as a properly sized store. More importantly, they're burdened by the full range of costs associated with space they don't need.
- Lack of a successor. Businesses with succession issues are easy to spot and typically involve business owners approaching retirement age with no apparent heirs. Likewise, health issues can put small businesses at risk.
- Businesses in imminent risk of failure. This is a business that will literally be sinking soon if something doesn't happen.
- Businesses in need of relocation. These inherently strong businesses are hampered by the wrong mix of neighboring businesses or the wrong type of foot traffic.

The business development team should have the connections and resources to call on building owners, bankers, chamber of commerce executives and members, and others to assist in strengthening and retaining each of these types of at-risk businesses. The key is determining the level of risk before it is too late.

**Identify complimentary businesses and business clusters.** For many communities, the local population is small and its expenditures alone cannot support downtown

merchants. To succeed, they must tap into a larger market. One way of doing this is to create a "destination" capable of attracting shoppers from considerable distances.

A business niche or cluster is one solution. A niche may be based on a type of store such as an antiques cluster. It may be based on a group of complimentary stores such as those offering jewelry, flowers, invitations and tuxedo rentals in a bridal cluster. Or they may be based on a special demographic, such as a concentration of elderly people, an ethnic group, or a strong office-worker sector.

Having a niche development strategy, based on solid market research, can be an invaluable asset in organizing downtown marketing and promotion and in recruiting and retaining niche businesses.

Create a downtown factbase. Many downtown organizations create some variation on the business factbase. The goal is to compile and present in the most compelling way possible the benefits of locating in the downtown area. A basic business factbase should include the following types of information, which will have been gathered during the market analysis:

- Reach/frequency of downtown use.
- Demographic profile of downtown patrons.
- Sales performance of key retail categories.
- Downtown retail trends.
- Downtown retail trade area map and demographics; typically this will be shown in one-, three-, and five-mile population summaries or travel time contours.

A more detailed business factbase might also include the following elements:

Pedestrian counts on downtown streets.

- Event/festival schedule with attendance estimates.
- Housing unit inventory and a current count of downtown residents.
- Current count of the downtown workforce (full- and part-time employees).
- Detailed statistical profile of tourists (annual count, length of stay, primary activities, spending on retail and food).
- Comprehensive downtown plan with details of key development initiatives.
- Summary of projects under way with costs, opening dates, and statements of anticipated impact on consumer spending.

**Develop an inventory of properties.** A comprehensive inventory of existing downtown spaces is an invaluable recruitment resource. After all, everyone involved in retail recruitment, from the business development team to real estate agents to downtown merchants, must know the details of each available space. At a minimum, the inventory should contain the following:

- Contact information for the building owner or leasing agent.
- Name and business category of current occupants.
- Sale price or rental rate.
- First-floor and upper-floor use designations (retail, office, warehouse, residential).
- Size of each space, or gross leasable area.

A more detailed inventory would include additional elements such as:

• Floor plans showing columns, exits, stairways, and other major features.

- Power, HVAC, water, floor load.
- Photos of all exterior elevations.
- Lease terms (such as triple net rent, availability of tenant allowance, services or utilities included in rent).
- Availability of amenities such as onsite parking.
- Future availability of space (expiration dates of current tenants' leases).

Encourage new business start-ups. Business incubators, "shark tank" style business competitions, and pop-up shops are all proving to be worthwhile approaches to growing small business downtown. Perhaps the most well used is the business incubator. However, not all incubation models are the same. For example, the New York City Economic Development Corp. runs the sleek Hive@55, a 5,000 square foot space designed to suit the needs of media professionals. In contrast, Downtown Kalamazoo Inc.'s Retail Incubator Program aims to support new retail businesses in their ultimate locations.

The National Business Incubation Association (NBIA) provides these recommendations for communities considering a business incubator:

- Don't expect an incubator to cure decades of downtown decay. Business incubators can play a vital role in a community's revitalization efforts, but seldom can they turn around a local economy single-handedly. When possible, include a business incubator as part of your larger community redevelopment plan.
- Be creative, but realistic. One of the great things about incubators is their flexibility as an economic development tool. Maybe a retail or arts and crafts incubator would be more effective at sparking downtown economic growth in your community than a more traditional incubator that serves a variety of manufacturing or service clients. However, temper your creativity with a reality check don't fall in love with a

vision for the incubator that isn't supported by sobering considerations, like the existence of a sufficient market and the support of business, political, and civic leaders.

- Don't let real estate drive the project. Remember that an incubator's location is only one of many factors that will determine whether the project will succeed. While the long-vacant landmark in the center of town might seem to be the perfect facility for your incubator, it may not be the most suitable location if the building needs costly repairs or if it does not provide the amenities potential clients need.
- Make sure you have a solid financial plan. Creating an incubation program is an expensive endeavor. From conducting the feasibility study to launching the incubator, you must piece together funds from a variety of sources to increase your program's chances of long-term success. A well-developed financial plan that identifies how you intend to fund the project goes a long way toward attracting investors and other supporters.
- Set realistic goals for the project. Developing a successful incubation program or a thriving business takes time. While it's important to reach out to civic leaders and entrepreneurs as you plan your program, don't expect to create large numbers of jobs or graduate new firms within months of your incubator's opening. Your goal is the ongoing support of community and business leaders and the long-term success of local entrepreneurs.

**Start a community-owned business.** In addition to providing tools and assistance to support new business start ups, some communities are taking matters into their own hands and following the community-owned model. Community stores are locally owned by community members and are designed by residents to meet specific local shopping needs. Everyone in the community is given the opportunity to invest in the store by buying shares and the store is open

to everyone, whether they are shareholders or not. A slow and labor intensive process this approach has been used successfully to bring department stores, grocery stores, and others to underserved areas.

#### Market the downtown area

After all of the data is gathered and analyzed, you're ready to begin developing your marketing materials and hitting the bricks in search of the businesses you need.

**Develop a recruitment package.** Compiling and packaging your data in an attractive and professional recruitment package is the next step. Fortunately, the package doesn't have to be expensive. In most cases, a small investment in high quality design work will more than pay off. Most business recruitment packages include the following:

- Cover letter.
- Amenities and special features of the downtown area.
- Business incentives and assistance available.
- Data on available properties.
- Demographic and market data.
- Maps of the trade area and the service area.
- Market strengths and trends.
- Marketing and promotional activities, which support downtown businesses.
- Retail mix in the business district.
- Revitalization program information.
- Personal contacts.

**Create a recruitment website.** Downtowns of all sizes are also putting their recruitment packages online, making it easier than ever for new and relocating business owners to learn about their communities. Several years ago, Downtown Austin, TX, launched the business recruitment section

of its website. Individual sections provide the following details:

- *Downtown Demographics* includes data on employees, residents, tourists, and merchants.
- *Downtown Development* includes details on the 25-year vision for downtown, the parks and Open Space Master Plan, and the Waller Creek District Master Plan.
- *Downtown Maps* includes those showing downtown Austin's districts, downtown hotels, and a photographic tour.
- Office Space Inventory includes details on all available spaces.
- *Retail Data* includes information on retail demand and the current Retail Development Strategy.
- Starting a Business includes information on vacant properties, the Small Business Development Program, city permitting, and more.

Coordinate with local real estate professionals. To recruit the best businesses for the downtown area, it is important to have the full participation of the local commercial real estate community. As a first step, the business development team should meet with as many local commercial agents as possible. The purpose of this meeting is to discuss the downtown's business recruitment strategy and to seek agent commitment in coordinating their own selling and leasing efforts with the overall downtown strategy.

It is also helpful to tour the downtown area and individual spaces and sites with agents. Some agents may have negative perceptions of downtown. These must be addressed head-on so that agents can become advocates for the downtown.

**Attend trade shows.** Trade shows sponsored by the International Council of Shopping Centers, the International Economic Development Council, and others can provide a good opportunity to pitch the downtown area to decision makers

with national and regional chains. However, smaller downtowns will want to focus on regional activities, trade shows in specific business sectors, and aggressive networking.

Host property tours. Small walking tours or larger-scale bus tours provide an easy way for business owners and developers to view the downtown area and available spaces or sites. Typically commercial brokers, developers and other real estate professionals, and regional business owners are invited to attend these events. In addition to focusing on specific properties this is the time to highlight downtown improvements and amenities as well as key statistics from the recruitment package.

Highlight potential uses with pop-up shops. Filling vacant spaces with vibrant pop-up activities can make city centers more attractive while helping property owners attract potential tenants. Pop-up shops and other activities can quickly move an unattractive white-box space to a productive use that clearly demonstrates its potential. Strategically locating pop-ups in spaces that are very visible, near transit, and in or near strong commercial corridors will help focus retail activity where it is most likely to be successful.

Reach your prospects with advertising and public relations. Reaching out to prospects through space ads

and public relations can be an effective, if costly option. For many downtowns, ads in local business publications or websites can be effective at a much lower cost than a nationally distributed magazine. There are also several online listing services such as Showcase.com, Loopnet.com, and Costar.com.

**Personalize it.** For specific targets or interested candidates, be sure to personalize any presentation to highlight exactly what downtown can do for them.

#### **Set realistic targets**

A crucial end product of this entire program is to set realistic goals for retaining and recruiting businesses. A small downtown may aim to fill seven stores, two restaurants and 22,000 square feet of office space. For another downtown it might be six retailers in space totaling 400,000 square feet, and strengthening an antiques cluster.

If all of the data collection, analysis and planning is done well, the downtown can then hit its targets at an affordable cost. This success validates the program and its sponsors. And it becomes a solid basis for winning support for the next round of recruitment and retention efforts.

### Case studies: Ideas in action

The previous section provided an overview of the basic strategies for a successful recruitment and retention program.

Following are case studies covering many of these approaches in action. They show how downtowns use a wide range of tools to fit their precise requirements — all with solid results.

## Ardmore, OK: Identifying sales gaps with a retail analysis

Do you know where area shoppers are spending their money? Which items they purchase downtown, and when they shop elsewhere? Are restaurants capturing local dollars, and do entertainment venues attract residents?

As Ardmore Main Street found, having access to that kind of data helps pinpoint areas where downtown needs to shore up recruitment efforts or bolster business niches. For Ardmore, the answers came through a low-cost but thorough retail analysis.

"The results revealed both surplus and leakage in several areas."

By using sales tax figures and consumer surveys, the Main Street Program compared the way its target market is likely to spend

its money versus actual sales volumes. While the numbers do not form a precise picture of spending patterns, this approach may offer enough detail to help many downtowns gauge how well they capture available retail sales dollars.

To put the figures together, former board member Jeff Bates used Oklahoma tax commission reports breaking out annual sales tax figures by business type. This told him the dollar amount of sales that downtown businesses were doing for the year.

He then used data from the U.S. Department of Labor's Consumer Expenditure Survey to estimate what Ardmore's roughly 31,000 residents would normally buy. Finally, Bates was able to compare the estimated demand for goods with actual downtown sales in Ardmore.

The results revealed both surplus and leakage in several areas. For example, Bates found that estimated demand for apparel, footwear and groceries totaled \$55 million compared to the \$133 million in actual sales reported. This indicates Ardmore stores reported a surplus of 2.4 times the demand for Ardmore residents, meaning that many shoppers were coming downtown from outside Ardmore to spend their money. A surplus was also reported in demand for "food away from home," again indicating that downtown restaurants were drawing from the regional trade area.

On the other hand, estimated demand for furniture, televisions and appliances totaled \$14 million, but downtown sales only reached \$1 million, showing a serious leakage for those types of goods. Similarly, in the entertainment category, nearly 50 percent of Ardmore residents' expenditures were made outside of the area.

Bates explains that in some cases, the numbers need to be adjusted to account for special retail situations. In Ardmore's case, the apparel, footwear and grocery categories were combined because a nearby Wal-Mart reports its sales under one industry code, when in fact it makes sales of many different types. To avoid distortion in the report, Bates combined the industry codes for businesses that would be competing with the store.

## Swainsboro, GA: Business plan competition stimulates new ventures

Without spending any money for traditional grants or incentives, Swainsboro, GA (pop. 7,000), was able to put together an attractive assistance package that brought entrepreneurs downtown. In large part, the success of the program was due to incentives culled from the local business community and local government.

"During the first three months of 2009, downtown Swainsboro had 10 business closures. For a small downtown, it hit pretty hard," says Lynn Brinson, director of the Downtown Development Authority.

With all those business closures, the DDA saw the need to step in and take an active role in shaping the downtown area. So it developed the Creative Marketplace Competition, a business plan contest. "The competition served as a tool to stimulate the local economy, and to encourage people across the region who had great business ideas, and entrepreneurial spirits, to develop their ideas, create formal business plans, and pursue their dreams of opening a business," Brinson says.

"Downtowns are naturally incubators for small businesses, Brinson continues, "but we took it a step further by providing additional incentives."

The incentives package that drove the competition started taking shape, when the DDA met with the Emanuel County Chamber of Commerce, the Joint Development Authority, and representatives of the city to discuss what resources were available to attract new businesses downtown. The DDA, city, and development authority all pledged funds to support new businesses.

The DDA director drafted a list of resources new businesses would need to start up and then began to look for partners in the community to provide those services for the competition's winner.

A local newspaper and radio station each offered free advertising for a year for the competition's victor. The city council voted to offer free water, a free building inspection, and free business license for one year.

Local building owners agreed to offer three months free rent for 10 downtown spaces, followed by subsidized rent for the remainder of the business's first year. The second three "The business plan competition also publicized the full range of resources that are available to assist entrepreneurs."

months of rent would be 75 percent off; the third three months would be 50 percent off; and the fourth three months would be 25 percent off.

The DDA offered seed money for each new business that started under the competition. And the chamber of commerce offered free membership.

Ten formal business plans were submitted. But equally important, the competition also publicized the full range of resources that are available to assist entrepreneurs who want to open businesses downtown.

During the competition, the DDA held weekly workshops to help people get their business plans organized, and make sure that they met all the criteria. "We were looking for people to succeed. We wanted to get all the proposals that we could, and to make a successful business come out of it," Brinson says.

Entries were made in three categories: arts and entertainment, restaurants, and retail. The DDA paired up with the Georgia Southern University Small Business Development Center (SBDC) to interview each of the prospects and gauge their likelihood for success.

Downtown had the greatest need for more retail, and the winner was a retail business, which opened on the main street. Another contestant who didn't win also opened a photography studio downtown. Three other contestants continued to work with the SBDC to refine their business plans.

#### Wythville, VA: Shark Tank format and prize money contribute to business competition's success

The Startup Wythe In - Business Idea Competition was created to, "encourage and develop an entrepreneurial spirit by mentoring participants to initiate change though innovation and, ultimately, job creation," says John Woods, revitalization architect for the town of Wythville, VA (pop. 8,000).

The competition was unique in several ways, he says. It was open to both new and existing businesses of every type. Local economic development benefit was a judging criteria. And continued mentor support to develop and launch busi-

ness concepts was offered for a full year

"Local businesses donated following the award presentations. \$18,000 to help give the winners a boost to get their businesses open."

Woods aimed to secure a pool of about \$20,000 as seed money for the competition. Response to a request sent to local businesses was positive. "Local businesses

donated \$18,000 to help give the winners a boost to get their businesses open," Woods says.

"The important part of getting buy-in from the business community was that the leaders of our committee were local business owners themselves, so they were approaching their friends and colleagues in the business world when making the ask." The primary focus was on raising cash, but in-kind support in the form of legal and accounting services, as well as reduced rental rates, was also welcomed.

Press releases announcing the competition went out to local media, and notifications were sent to post-secondary educational institutions in the area. "And we used a combination of social media platforms," says Woods.

"Our Facebook page has almost 3,000 followers and is a really good resource to get the word out to people." The early outreach message had to be tweaked a bit, however. "One of the key lessons we learned after the initial announcements went out is that it is important to include information about the prize money available," says Woods. "In later releases, we mentioned the amount of money that had been raised. The potential to win \$10,000 brought out a lot of new good ideas."

Competitors were asked to submit an initial description of their ideas ranging from 200 to 500 words in length. The committee scored applications based on the attractiveness of the idea, the viability of the market opportunity, and the potential economic development impact on the downtown.

Selected competitors were then matched with mentors who helped them produce 10-minute, multi-media presentations to be pitched in a Shark Tank-style format. "Those finalists made a pitch to a panel of three judges who were successful entrepreneurs in the area," says Woods. The first place winner received \$10,000; the second place winner received \$5,000, and both continued to work with mentors. "Those who were not selected as finalists were given opportunities to participate in entrepreneurial training that's been made available through a grant from the state's Department of Community Development.

### Oshkosh, WI: Grants help businesses choose downtown

Two grant programs with over \$100,000 in funding have encouraged new businesses to open their doors and existing businesses to expand in downtown Oshkosh, WI (pop. 64,000). The grant funds may be used for signage, leasehold improvements and fixtures as well as the acquisition of inventory or the purchase of equipment.

In its first six years of operation, the Business Improvement District awarded 33 grants. "We've distributed over \$145,000, and we've leveraged over \$3 million in private investment. And this has created or retained over 276 jobs," says Maureen Lasky, the downtown BID manager.

In one year alone, the BID had five recipients, and distributed \$20,000 which leveraged \$800,000 in private investment, and created or retained 28 jobs, she adds. Two grant recipients were expansions and three were new businesses.

Each year, the BID is given new funding for its grant, so getting and tracking results is important for funding to continue.

Once the board determines the annual budget for the program, which can vary from year to year, "I'm able to take that and use it as our marketing tool to bring new businesses to the downtown area, and to help those businesses that are looking at expanding," Lasky says.

Property owners are well aware of the program and they refer to it themselves as they seek to retain or attract new tenants. "Typically, it's enough of an incentive to have businesses choose our community," she says. "I'd say it's my number-one sales pitch. ... Especially in a difficult economic climate, this is a great way for someone to say, 'Well this would give me a head start to get my business up and running.' It's very helpful when I'm out networking."

For downtowns that don't have a BID to fund this sort of program, Lasky advises, "talk with your economic development corporation, and always build a partnership with a community-oriented foundation if you have one, because they can all help begin something like this for a downtown."

### Hampton, VA: Incentive program fills street-level locations

To enhance retail recruitment in downtown Hampton, VA (pop. 144,000), the local development partnership provides a wide range of support and assistance to property owners. In addition to encouraging businesses to locate downtown, the programs also encourage retailers and restaurants to locate in first floor locations, which were nearing 50-percent office space.

The incentive programs account for approximately 15 to 20 percent of the Business Improvement District's budget. "As long as they're successful, we will continue to fund them," says executive director, Sherry Spring. The four programs are:

**The rent assistance program,** which provides cash grants to property owners to assist in the buy down of lease rates to attract retail tenants to first-floor storefronts.

The property improvement incentive, which is designed to promote and encourage retail and restaurant recruitment and retention by providing assistance to property owners for facade improvements, renovations, new signage, landscaping and buildouts to attract new tenants.

The leasing incentive program for real estate agents. Through this program, the BID will pay a realtor up to \$1,200 for each new retail or office tenant they recruit into downtown. The fee is equal to the full lease commission up to the \$1,200 limit. The program has been in existence for over five years and the incentive has been paid for several leases.

The advertising grant program, which is designed to encourage small business owners to promote their services. The BID pays 25 percent of the cost per advertising program per year. Grants provide up to \$500 each for one project per quarter.

## Oswego, NY: Micro-enterprise program stimulates entrepreneurship

For downtown Oswego, NY (pop. 17,000), management training and business financing go hand-in-hand. The Micro-Enterprise Program provides training in small

"During the first
15 years of operation,
the city received
113 applications"

business development along with low-interest loans and rent assistance to get those businesses started.

The program was funded in 1994 by Community Development Block Grant funds. During the first 15 years of operation, the city received

113 applications and made 81 micro-loans. The program provides:

- In-depth business plan training.
- Personal counseling assistance to tailor and refine business plans.
- Working capital and start-up loans.
- Special rental assistance in a target area of downtown.

To be eligible, all participants must meet the following requirements:

- Commit to starting or expanding a business within the city limits of Oswego, preferably within the downtown Empire Zone, a state-designated zone that attracts businesses with a variety of state and locally-provided economic benefits.
- Either have low-moderate income or commit to hiring at least 51 percent low-moderate income employees to staff their new businesses.

• Each applicant must participate in the Micro-Enterprise Training Program, a six-week, 21-hour course provided by the State University of New York at Oswego's Small Business Development Center.

The class covers "everything you need to know about starting a small business," says Linda Goodness, assistant director of the Community Development Office for the city. That includes training in business planning, strategic planning, forms of ownership, insurance, taxes, financing, managing finances, record keeping, legal issues, marketing, finding the right location, and personnel management.

People who graduate from the training program are eligible to apply for low-interest micro-loans, which range from \$500 to \$15,000. Participating banks have also committed funding for program graduates, at variable interest rates.

Through this program, Oswego has helped some unlikely business owners get financing and open their doors downtown.

## Davenport, IA: Promoting financial incentives is key to reaching new businesses

The Downtown Davenport Partnership in Davenport, IA (est. pop. 102,000), has developed a comprehensive incentive package for new and existing business owners. The Partnership also uses multiple tactics to spread the word and make those programs easy to access.

All of the financial incentives are detailed on the Partnership's website, but that's just the beginning. "We promote really heavily in the media," says Executive Director Kyle Carter. "Whenever we have an opportunity to talk with a reporter about a project downtown, we mention our incentives, and it gets picked up in the newspapers. It's amazing how many people see it that way."

What has really proven key, however, is working with local real estate professionals. At the end of its annual downtown space tour each year, the Partnership spends 20 minutes presenting to the assembled real estate professionals with details about the available financial incentives.

"We want to make sure that the people out there showing our available spaces are really well educated," says Carter. "If not, they might assume that it's too expensive or too difficult to do business downtown without knowing that we have a program to mitigate that. They are the ones getting face-to-face time with potential office users. If they don't know about our program, we are already one step behind. Reaching out to the Realtors has made a huge difference in how we are doing business and in getting the word out. At the end of the day, you want to make sure that every person you come in contact with walks away knowing all of the opportunities there are to leverage financing to get a project done."

## Allegan, MI: Downtown, city, and bank work together to retain businesses

A lack of succession planning on the part of small businesses has always been a problem. Too often, the small mom and pop businesses that make downtowns special sell out or shut down because the proprietors don't have heirs who want to take over.

This problem is a particularly worrisome one to the smallest downtowns, where the loss of even one great small business with a loyal customer base can have an unfortunate impact on everything from intangibles like character and ambience to the measurable things such as foot traffic and spillover business.

As the case of Allegan, MI (pop. 5,000), shows, downtown leaders can participate in all levels of succession planning

and business transition to protect the downtown area and its core businesses.

The Allegan decided to spend some of its Community Development Block Grant funds to help a handful of family-owned businesses on the main commercial street, where "the principal owners, the mom and dad, wanted means to involve the son and daughter, or to sell out the business completely," says Charles Eckenstahler, the community and economic development coordinator at the time.

Though unusual and challenging, the initiative was fruitful. In one example, creative financing and input from downtown stakeholders helped keep a locally owned and operated shoe store downtown after the owner's retirement. "The city dec

After months of discussion and planning, the city helped finalize a financial structure allowing the current store manager to purchase the business and inventory.

"The city decided to spend some of its Community Development Block Grant funds to help a handful of family-owned businesses."

The business plan called for an \$80,000 purchase of the business and expansion of inventory and product lines. The buyer and seller met with a local bank, which offered the buyer \$30,000 in financing, subject to the participation of the city's revolving loan fund in the amount of \$20,000, and a matching \$20,000 loan from the business seller.

Local volunteers helped work through the succession plan and implement it. The city directed the store manager and buyer to an attorney, tax accountant, insurance agent, and a banker, who became his mentoring team to help through a two-year transition period.

Among the biggest lessons learned: "that it was okay for us in the government sector to take an aggressive initiative to go out and find those opportunities. It was a legitimate role of the Downtown Development Authority's processes and procedures, and it was a proper thing to use government money for that transition," Eckenstahler says.

"We recognized that it was obviously risk money," he adds, "but if taking risk in providing government incentives to new business ventures was an accepted standard operating procedure for economic development, why shouldn't taking risk

"Why shouldn't taking risk be acceptable for helping a downtown's businesses?"

be acceptable for helping a downtown's established and proven businesses?"

Should more downtowns have succession planning as part of their business retention proestablished and proven grams? "I think they should," Eckenstahler says. "If I were a business district or DDA manager, and concerned particularly today with what

the future looks like, I would be, on an annual basis, doing a retention visit to each business."

Key questions he would ask include: What are your plans for the future and succession? When do you anticipate getting out of the business? Are your kids interested in it? Do you have somebody inside the current business operation that would take it over?

"Also," says Eckenstahler, "be sure to ask, 'What happens if you get ill, and you're no longer able to manage the business in the same fashion?'That's what any good small business succession planning should address."

#### Plymouth, NH: Fostering start-ups with a business incubator

A partnership between Plymouth State University and the Grafton County Economic Development Council is paving the way for a new business incubator in downtown Plymouth, NH (pop. 4,000).

The Enterprise Center at Plymouth, was created to support entrepreneurs, small business owners, and economic development throughout central New Hampshire, according to Michael Tentnowski, executive director.

In addition to the university and the economic development council, partners include the New Hampshire Electric Co-op, White Mountains Gateway Economic Development, the Plymouth Region Chamber of Commerce, local banks, and others.

These groups first funded a feasibility study and business plan to set the incubator project in motion. In 2010, the university and the development council formally agreed to create the Enterprise Center. The university provides incubator staffing and business services, while the council provides a downtown property. The site, which is strategically located at the gateway to the town and adjacent to the university, was formerly the home of a one-story retail store ill-suited for business incubation use.

In its place, a three-story, 10,000-square-foot structure was built. The center is being paid for via federal Economic Development Administration funds, a Northern Border Commission grant, tax credits from the New Hampshire Community Development Finance Authority, a CDBG Micro Enterprise grant for technical assistance, and a grant from USDA Rural Development for furnishings and equipment. In addition, the project attracted significant corporate support from area businesses.

The center houses the incubator staff, an anchor tenant that is not required to be an incubator participant but whose long-term lease finances the center's operations, and the new entrepreneurial companies seeking to gain a foothold.

Amenities include flexible space and leases, and office services and equipment on a pay-as-you-go basis.

There are also orchestrated networking opportunities with a variety of outside business and technical consultants who provide legal, accounting, web design, and marketing advice. Incubator participants also receive guidance on financing and business planning, via New Hampshire angel and other venture capital firms.

## Kalamazoo, MI: Retail incubator flourishes without dedicated space

The Retail Incubation Program in downtown Kalamazoo, MI (pop. 73,000), aims to boost occupancy in key shopping zones by incubating new businesses in these locations.

Unlike other programs that provide a specific start-up property, Kalamazoo encourages businesses to locate in the space that is best for them. The business owner can choose any space that is consistent with Downtown Kalamazoo Inc.'s Comprehensive Plan, which identifies two primary retail zones.

"Being near other successful retailers, thriving restaurants, and high-traffic generators is important to ensure the best synergies so that ultimately the cash registers ring," says Rob Peterson, the business recruitment and retention director for Downtown Kalamazoo Inc.

Businesses that participate in the program pay rent at a reduced, subsidized rate so that they are able to build up cash flow in the critical early stages of start-up. The 18-month rental subsidy is capped at \$10,000 per business.

Clients enroll in a small business development program administered by the Small Business Technology and Development Center, with training provided by the Center's staff as well as experts in the fields of sales and customer service, marketing, inventory control, and human resources. In addition to startups, retailers adding a new location are also eligible for the program.

To other downtowns looking into starting retail incubation programs, Peterson's advice is simple: "Don't buy buildings." Owning a building means a capital commitment that brings a great deal of risk to the downtown organization. Michigan law eliminates this risk by allowing Downtown Development Authorities to co-lease space with retail business tenants so that they can subsidize the rent for the first 18 months. "We have all sorts of protections for the DDA in the legal agreement," he says.

Another drawback to owning an incubator building is that tenants must eventually move out. "There's nothing worse for a retail business than to get to the point of just being successful, and suddenly, the support is pulled out from underneath them, and they have to move."

For example, one business in downtown Kalamazoo moved two blocks and around the corner, so its new location is easily within walking distance. "The owner did not lose business, but other than her most regular customers, her walk-in traffic changed drastically. And just being around the corner, she has had to re-learn what products she needs to carry. She was right next to a restaurant that brought in a certain buyer, and now that she's next to a different restaurant, it's a completely new shopper."

# Saranac Lake, NY: Community-owned department store meets many needs

When a much needed business could not be recruited downtown, local stakeholders worked together to turn a defunct restaurant into a much-needed department store in Saranac Lake, NY (pop. 6,000). "The Community Store

Implementation of the vision took years rather than months, cautions, Melinda Little, president of the store's board of directors.

To get the effort rolling, the volunteer board drafted a business plan and worked with a local lawyer to prepare and file incorporation documents and stock offerings for the store, which operates as a C corporation.

The board wanted the business to be widely owned so that no one group or person could have unfair influence. Thus, ownerships were capped at \$10,000 per individual investor. The initial public offering of shares launched in July, 2007, at a rate of \$100 per share. When stock offerings closed in December, 2011, 750 investors had put up \$541,700.

would complement what

carried, rather than

other downtown businesses

The board made it clear from the beginning that the Community Store would complement what other downtown businesses carried, rather than compete for sales. This encouraged many business owners to invest.

Having so many stockholders also meant a ready list of volunteers for renovation labor. "We had projects for people to do, and set aside work days. Once people could see that space becoming a reality, they just offered to help us," says Little. Some downtown business owners also donated or discounted materials for the renovation.

The Community Store opened in November, 2011 with three full-time employees. The pay is better than average for the area, and employees get health benefits and paid sick days. Craig Waters, store manager, uses his retail savvy and connections from past employment as a buyer for a national retail chain to secure affordable merchandise for Community Store customers.

### Memphis, TN: Forgivable loan program attracts and retains retailers

Leaders in downtown Memphis, TN (pop. 677,000), are working to recruit and retain retailers with a forgivable loan program, which provides financial and practical assistance to new and existing retail businesses.

Initially the program was targeted exclusively to new businesses locating in the downtown area. But in response to a faltering economy, and retailers' need for support in

order to stay afloat, the program was expanded.

Started in July 2008, the program

The loans are forgiven at a rate of 20 percent per year for each year that the business remains in operation.

for new businesses offers subordinated direct loans from the Center City Development Corporation, which can

be forgiven with no principal or interest due if the business remains in operation for at least five years.

The loans can be used for fixed assets (leasehold improvements or equipment) or operational expenses. Ineligible uses include franchise fees and debt refinancing. To qualify for the loan program, borrowers are required to leverage the loan on at least a two-to-one basis. This means that for every dollar received from the loan there must be a minimum of an additional two dollars invested.

The loans are forgiven at a rate of 20 percent per year for each year that the business remains in operation. The loan is amortized monthly over a five-year period at a zero percent interest rate.

Monthly principal is put into an escrow account each month based on an amortization schedule. After each business year, the retailer submits a balance sheet or income statement and federal tax report to the Center City Development Corporation to receive the 20 percent forgivable return for the previous year of business.

In the event of the business defaulting on the loan or closing, the remaining balance is not forgivable and is due in full.

The program for existing businesses also provides direct loans from the Center City Development Corp. These loans are forgiven with no principal or interest due if the business remains in operation for at least three years after the loan closes. A business may be eligible for a loan of 10 percent of the average gross sales from its two most profitable years, or a maximum of \$30,000.

### Dubuque, IA: Hundreds of meetings a year help retain businesses

Economic developers in Dubuque, IA (pop. 58,000), conduct in-depth interviews with more than 300 employers every year. Their goal is to learn what employers are concerned about, and what challenges they face. The full-court press endeavors to keep jobs from leaving Dubuque.

Rick Dickinson is head of the Greater Dubuque Development Corp., the organization that runs the steady stream of fact-finding missions with local employers. To conduct the interviews, the development group has a team of three employees, one full-time and two part-time. Each interview lasts 45 to 90 minutes, and results are compiled electronically.

The interviews aim to go beyond the casual chatter at networking functions and really drill down into an employer's business. "People will say, 'I know about Joe's business — I played golf with Joe, or I had coffee with Joe," Dickinson says.

He doesn't buy it. Dickinson says a more formal sit-down is necessary to really delve into an employer's needs. He insists that the interviews are with the company's top executive, and not a lower-level manager.

Dickinson says, few cities are as aggressive as Dubuque when it comes to wooing existing employers. "It is unusual, and it's unfortunate that it's unusual," he says.

Dickinson also meets every week with city officials to report on the results of the interviews. Sometimes the meetings reveal CEOs' frustrations about issues such as parking or traffic lights. When possible, Dickinson passes on those concerns to city officials — and when the feedback leads to an easy solution, business leaders are pleasantly surprised. "It literally changes employers' attitudes about government," he says.

### Rochester, MI: Recruitment visits bring second location businesses downtown

Because Downtown Rochester, MI (pop. 11,000), looks specifically to attract mom and pop retailers, it makes a regular practice of paying visits to other communities, and asking business owners if they might open a second location.

"We never go asking people to move. But we say, 'Hey, if you're ever thinking of expanding, come to us, because we

are a great place to expand. If you look up and down our main street, a lot of our retailers are second locations. They started out someplace else, and they expanded here," says Kristi Tevarrow, executive director of the Rochester Downtown Development Authority.

The DDA's business development assistant leads the expansion visits to communities, which are selected by Downtown Rochester's seven-member business development committee. The committee includes Tevarrow, the business development assistant, three DDA board members, a city councilwoman, and a local real estate agent.

"They'll put together a hit list of communities they think we should be visiting, and then they'll actually go out and make those visits with us. It's helpful that we have an elected official or another business owner with us. It's not just us as downtown staff members, but people in the community saying, 'We'd love to have you here, because we think you're valuable," she says.

"A lot of times, we go to towns because we hear there's
a lot going on there. So we don't necessarily set up appointments or have a hit list [of individual businesses]. But if
there's somebody we see who we think, 'Wow. They would
be a great fit for us,' then we'll go in to visit."

"Well over a dozen"

Of course, if there's another DDA in a city the group is planning to visit, Downtown Rochester will try to call them ahead of time to let them know they'll be in town and making their rounds.

\*\*expansion location\*\*

\*businesses have\*\*
been recruited.\*\*

"Well over a dozen" expansion location businesses have been recruited through these informal drop-in visits in the last five years, Tevarrow estimates. "Because we are so active in recruitment, retention, and promotions, we do have a lot of people coming to us, which is nice. But that doesn't mean that we shouldn't still be out there prospecting."

## Albany, NY: Striking ads and public relations drive prospects to website

In Albany, NY (pop. 94,000), the Business Improvement District set an ambitious goal for its "Only Downtown Albany" campaign. A series of ads and news stories were designed to drive prospects to download the BID's comprehensive Business Relocation & Development Package. Before the campaign launched, the BID averaged about 100 hits a month to its recruitment web page. After the launch, hits increased 118 percent.

The campaign is focused on filling vacant office space by highlighting the unique business opportunities and amenities that set downtown apart from nearby office parks.

The BID worked with a local creative agency, which undertook surveying members of the BID's business committee to determine what they saw as downtown's strengths, as well as some of the challenges and common objections to downtown as a business location.

Based on the survey, five ads were created that spotlight key benefits of a downtown Albany business location:

**Move In. Move Up:** Explains how downtown Albany's urban center is uniquely qualified to take businesses to the next level.

**Bytes & Bites:** Celebrates the technology infrastructure of downtown Albany, in particular its Albany FreeNet wireless Internet network.

**Easy Come. Easy Go:** Reinforces downtown's exceptional accessibility and transportation systems, and educates readers about the Capital City's convenient and strategic location for growing a company.

**Plenty of Parking:** Shows three businesspeople using a park picnic table as an alfresco office, this ad turns a common misperception about downtown

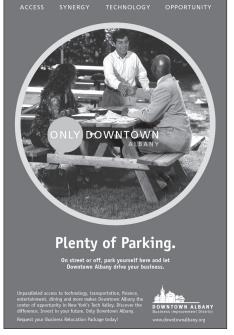
Albany — the perceived lack of parking — on its ear. Instead, the ad highlights the quality of life that workers enjoy with downtown's many parks and plazas.

**Meet Market:** Reinforces the benefits of proximity to clients and colleagues, stressing that you can conduct business with colleagues on the way to lunch and back.

Each ad also includes the tagline: "Unparalleled access to technology, transportation, finance, entertainment, dining, and more makes Downtown Albany the center of opportunity in New York's Tech Valley. Discover the difference. Invest in your future. Only Downtown Albany."

The BID initially designated \$50,000 for ad placement in such local publications as the business section of the daily *Times Union* and the weekly *Capital District Business Review*, as well as the statewide *New York Real Estate Journal*. An ad in Amtrak's *Arrive* magazine targeted New York City commuters.





Downtown Albany, NY's recruitment ads feature downtowner's at work.

And online ads were placed at sites including CityFeet.com, LoopNet.com, and Craigslist.com.

The BID also retained a PR firm to increase awareness of the downtown area's benefits, and build on urban trend stories in local, regional, and national publications, and other media. The budget for the public relations campaign was \$12,500.

### San Leandro, CA: Downtowners recruit in their own words

Area demographics are one of the most important factors used in determining where to locate a place-based businesses. The City of San Leandro, CA (pop. 79,000), sang the praises of its demographic diversity in a campaign that aimed to attract new businesses and developers.

"What we've done is, we've taken real people, who live and work in the City of San Leandro, and we've used them to tell people about our demographics," says Cynthia Battenberg, business development manager for the city.

"If you go to DowntownSanLeandro.com, all these people will pop up, and you can read about them," she says.

For example, a little girl with a jump rope may pop up as the home page picture, and she'll have a story to tell, beginning with "Downtown San Leandro is the place for me! I love to go shopping there with my mom. ... After shopping we usually get hungry and eat somewhere downtown, but sometimes we eat before we shop because sometimes shopping takes a long time and a lot of the times, if I am good, I even get ice cream!" She goes on to say how nice it would be if there were a toy store or candy shop downtown.

Refreshing the home page might bring up another important demographic profile, that of the downtown employee. "As one of the many consumers who enjoy shopping in San Leandro, I am always excited to hear about a new

clothing boutique or restaurant opening," a young professional woman says. "It is estimated that San Leandro residents alone spend over \$1.6 billion annually on shopping and dining, which proves that I am not the only one who enjoys sitting down for a meal at a nice restaurant and shopping downtown where I can pick up a gift for a friend or something for my home."

A bar at the top of the page guides site visitors to information on making building improvements (e.g., the city's downtown design guidelines, and information and applications for the awning, sign and paint program, and the

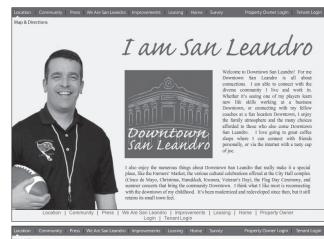
commercial rehabilitation program).

There are also links to additional information on leasing opportunities, press clippings, and community events.

The city spread its "We Are Downtown" message at local and regional conferences of the International Council of Shopping Centers.

Postcards, posters and even dinner plates have also been used as promotional tools.

The plates were mailed along with a handwritten message which said: "The table is set. Everything is ready except for you."

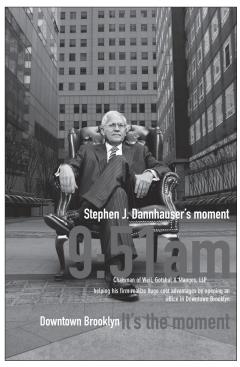


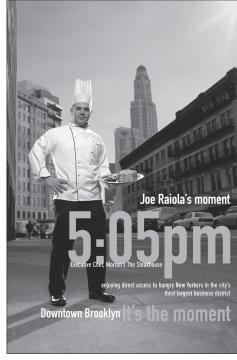


Downtown San Leandro's website emphasizes its diverse demographics.

## Brooklyn, NY: People and their stories market commercial space

The business recruitment campaign in Brooklyn, NY (pop. 2.5 million), has as much to do with people and their stories as it does with the numbers. The campaign was designed to reach two primary groups, says Joe Chen, president of the Downtown Brooklyn Partnership.





Commanding photos and clever text work together in these striking business recruitment postcards.

- Commercial and retail real estate brokers. In a downtown of this size, commercial and retail real estate brokers largely present the alternatives that companies choose from, Chan says. "When we did our research, there was a stunning lack of knowledge and familiarity about downtown Brooklyn, and the fact that it was a location option for a diverse group of commercial and retail businesses."
- Real estate leasing decision-makers. "The second target group was the real estate folks in companies in the industries that we think we stand to attract," he says.

The bulk of the program revolved around a direct marketing campaign to 1,500 of those commercial and retail real estate brokers and corporate decision-makers.

The direct mail piece includes a cover letter explaining that this is the right moment to look into downtown Brooklyn and a collection of full color, 5-3/4" x 8-3/4" postcards. Each postcard features a photograph of a downtown businessperson or resident and brief text describing their "moment" or the reason that downtown Brooklyn is the place for them.

For example, one postcard shows the chairman of a corporate law firm, with 35,000 square feet of office space downtown. His moment is "helping his firm realize huge cost advantages by opening an office in downtown Brooklyn."

The mailer was complemented by video testimonials from an even wider variety of business leaders, which were posted on a dedicated recruitment website. Print advertising based on the direct mail campaign ran in *The Real Deal*, a trade magazine widely read by commercial and retail brokers.



#### **Downtown Development Center**

36 Midvale Road, Suite 2E Mountain Lakes, NJ 07046 Telephone (973) 265-2300 Fax: (973) 402-6056

Email: info@DowntownDevelopment.com Website: DowntownDevelopment.com

#### Additional titles in this series include:

Downtowns Welcome Seniors

Essentials for Business Recruitment & Retention
Improving Downtowns Curb Appeal
Increasing Your Impact With Volunteers
Revitalizing Downtown With The Arts
Ringing Downtown Cash Registers

For more information on these and other materials, visit the Downtown Development Center at **DowntownDevelopment.com**