Commercial Stabilization: 
Getting Ahead of Neighborhoods in Transition

Larisa Ortiz, Director 
LISC’s Commercial Markets Advisory Service

August 1, 2008
Presentation Agenda

I  LISC Overview

II  Framework for Commercial Stabilization

III  Commercial Stabilization Policies
Local Initiative Support Corporation (LISC)

**Our Mission:** The transformation of distressed communities into healthy and sustainable communities.

LISC supports local community initiative with:

- Loans, grants and equity investments
- Local, statewide and national policy support
- Technical and management assistance
Where LISC Works

30 Urban Programs

Rural LISC Sites in 36 States
LISC’s Commercial Markets Advisory Service

Our Mission:
Provide local LISC offices and their affiliates with the tools and resources to advance locally driven commercial corridor and commercial development activity.

Our Tools and Resources:
- Learning opportunities from peers and experts
- Practical guidance and tools
- Access to information resources
- Financial resources
Presentation Agenda

I LISC Overview

II Framework for Commercial Stabilization

III Commercial Stabilization Policies
A Tool-Kit for Public Sector Engagement

Options for Engagement in Commercial Stabilization

- Regulatory Tools
  - Zoning Policy
  - Binding Agreements (CBA’s)
- Non-Regulatory Tools
  - Incentives
  - Technical Assistance
Presentation Agenda

I LISC Overview

II Framework for Commercial Stabilization

III Commercial Stabilization Policies
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Framework for Commercial Stabilization
I. Decrease Competition

Policies aimed at preventing or diminishing competition from certain retail stores.

Some examples include:

- Ground Floor Bank Restrictions
- Formula Ordinances
- Street Frontage Limitations
Case Study: 125th Street, Harlem, NY

Bank Proliferation

Chase takes up entire ground floor in new Astor Place site

125th Street's banks occupy corner sites at prime intersections

Trend In NYC And Other Cities

“[Washington Mutual has] has expectations of opening on average approximately 50 branches a year over the next five years”
- NY Metro Area SVP, Washington Mutual

“[A bank] can literally have one location two blocks from another [sic] without experiencing any cannibalization.”
- EVP, New York-based Commercial Brokerage Firm

“Banks are the worst; they are pricing out other desirable retailers from prime ground floor space in their race to open more branches”
- Steve Moore, Downtown DC BID Director

“In North Vancouver, residents are bemoaning the eviction of a number of family-owned businesses for bank branches.”
- Vancouver Sun, December 2003
A Bank on Every Block

By DAVID W. DUNLAP

From water testing competitions to impromptu subway surveys, a look at what your neighbors are up to in the five boroughs.

- What We Did on the Q Train
- Read Related Posts

Comments of the Moment

It's always something. Out here in the Great
Bank Proliferation

- In 2007, Banks on 125th Street were signing leases at $140/sf, a 36% increase over other retailers.

**125th Street core has many...**

- 100% of all uses (GLA)
- Banks

**Average Urban ‘Entertainment’ District**

- 14% banks
- 2% banks

*Source: ULI Shopping Center Development Handbook & NYC EDC field survey, 2006*
Zoning Policies

Ground Floor Bank Restrictions

Zoning Restricts Bank Branches on 125th Street

By DAVID W. DUNLAP

March 14, 2008, 12:10 pm

There’s nothing fundamentally wrong with banks. (Why, we use one ourselves for the
Commercial Markets Advisory Service.

City Room

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People & Neighborhoods
Staten Island

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A look at what’s happening on the borough’s beaches, main streets and barber shops.
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Comments of the Moment

“’It’s always something. Out here in the Great Midwest, parking is free all over the place. You can pay for indoor parking if you can handle the $50-75 charge. Sound interesting? Move to Omaha.”

—— Butch Cavernish
In Court Over Parking Spaces: She Won’t Stand for It

“But what about our dear, departed governor, Eliot Spitzer? When’s the hammer going come down on his head? We’re waiting.”

—— Siouxsie, Brooklyn
Ground Floor Bank Restrictions

- Ground floor is limited to lobby/atm/escalator

After strategy:
II. Increase Competitiveness

Improving the capacity of existing businesses to attract more customers

• Technical Assistance (both public and private)
• Public Investment Options
Technical Assistance

• Improving Competitiveness
  • Help businesses improve their management
  • Evaluate and modify inventory to appeal to changing customer base
  • Commercial district marketing and promotions
  • Commercial district markets studies and planning support

• Keeping Rent Levels Reasonable
  • Help businesses negotiate fair rents and longer term leases
  • Prevent unfair evictions in favor of higher rent terms
Technical Assistance

Making Business Districts More Competitive

- Neighborhood Marketplace Initiative (NMI), Urban Solutions, San Francisco, CA
  - Partners
    - LISC, City of San Francisco
  - Program Overview
    - Technical and design assistance to businesses and owners
    - Centralized Leasing for selected corridors
    - Financial resources and forgivable loans to improve the facades and interiors of buildings
Technical Assistance

Making Business Districts More Competitive

- Sixth Street Economic Revitalization Program (est. 2003)
  - 61 facade and tenant improvement projects
  - 28 new businesses

- Neighborhood Marketplace Initiative (NMI) (est. 2006)
  - Expansion of the program to six (6) commercial corridors throughout the city
  - 19 businesses leases secured
Urban Solutions leasing assistance

- Compile a comprehensive list of vacancies
- Track down landlords, determine why space is vacant
- Convince landlords to let US lease space
- Market spaces, conduct showings
- Maintain database of lease terms
- Support lease negotiations
Urban Solutions: Architectural Services

- $0 Sheet Metal Trim
- $0 Paint
- Match adjacent brick color to be selected by the architect
- $0 Frosted glass lens throughout
- $0 Paint
- $0 Paint
- $0 Color at Entry
- $0 Display Window
- $0 Painting work to be done by artists of owner's choice

Street Bulletin Board
Urban Solutions: Façade Improvement - BEFORE
Improvements Included:

- TI funds for a new boiler
- Façade funds to retile storefront, replace doors, paint interior and exterior
Public Sector Investment Options

- Grants/Loans for Tenant Improvement and Façade Improvement programs
  - Funding Sources
    - Tax Increment Financing
    - Federal CDBG funds
    - Revolving Loan funds
Public Sector Investment Options

- Public spending in the context of comprehensive commercial revitalization efforts
  - Indianapolis FOCUS program, Boston Main Street, Bay Area Commercial Corridor Program
  - Grants/Loans for Tenant Improvement
  - Façade Improve programs
  - Use of City-owned land
  - Improvements to infrastructure and street
Physical improvements alone do not revitalize commercial corridors...
Comprehensive Commercial Revitalization

FOCUS Indy – Public-Private Partnership

- Indianapolis, IN
  - Fostering Commercial Urban Solutions (FOCUS)
    - Seven (7) commercial corridors selected through a competitive process to receive City and LISC support
- Partners
  - LISC
  - City of Indianapolis
  - Central Indiana Chamber of Commerce
  - The Indianapolis Coalition for Neighborhood Development
- Mission
  - To jumpstart commercial development in urban neighborhoods of Indianapolis and create dynamic models for community-supported revitalization.
Comprehensive Commercial Revitalization

FOCUS Indy – Public-Private Partnership

- Program Overview
  - Seven commercial districts were chosen to participate

- Programmatic Activity
  - Planning
  - Technical Assistance
  - Facade grants – 50% matching grant up to $10,000
  - Small business loans from $20k-$80k through LISC-backed bank loan pool.

Local Indy Business on a Participating Commercial Corridor
Program Funding

- **Sources**
  - Small Business Loan Grant Fund: $155k
  - Foundations: $300k
  - Corporations: $150k
  - Government (CDBG): $120k
  - National LISC: $198k

- **Uses (among 7 corridors)**
  - Additional Costs – Marketing/Evaluation: 4%
  - Neighborhood Staffing: 37%
  - Project Grants/Supportive Programs: 59%
Comprehensive Commercial Revitalization

Program Funding

Results - 2007
- 48 small businesses served
- 13 new businesses
- 42 new jobs
- 8 street cleanliness and maintenance projects
- 240 volunteers engaged
- $144,000 raised

Local Indy Business – Renovation supported by the FOCUS program
Hopefuls target E. 10th for rebirth

Community group sees hope in small projects

By Jennifer Whitson
jwhitson@ibj.com

That’s the vision for Hughes and a group of people working on spurring a turnaround for a commercial corridor on East 10th Street that stretches from just west of Rural Street to just west of Mayfair Building at 2032 E. 10th St. from a Canada-based corporation that buys debt-ridden properties. The unsecured property had been vacant for years and was the site of numerous break-ins. City officials signed an order to raze the building, but reversed course when
City-Owned Land

- City-owned vacant property
  - City-owned land provides leverage in negotiating for local business participation, longer leases and lower lease rates for small, locally-owned businesses
III. Incorporate local retail into new development

Finding ways to reduce the cost and risk to both the small entrepreneur and the developer of new construction projects

- Incentives
- Community Benefits Agreements
- Density Bonuses
Incentives

Over-the-Rhine Chamber – Supporting New Businesses

- **Background**
  - City explored CDBG for tenant improvements, but prevailing wage requirements made it unattractive to businesses.
  - City officials confirmed that the funds could be used for furniture, fixtures, equipment AND rent without triggering prevailing wage.
  - OTR Chamber requested $500k in city CDBG funds for this activity, received $160k.
Incentives

Over-the-Rhine Chamber – Supporting New Businesses

- **Business First AdVenture** (see [www.otrchamber.com](http://www.otrchamber.com))
  - **Program Overview**
    - Program funds can be used for furniture, fixtures, equipment (FFE) and rent for NEW businesses
    - 50/50 matching grant with a limit of $20k for FFE and a maximum of $10,000 in cumulative rent
    - $300 for signage (within $30k total) is allowed.
    - Assistance with one month’s rent per quarter after the first quarter
    - Stores must be open at least 50 hours a week
  - **Eligible businesses include:**
    - Arts, affordable food service, retail, resident and business services. Franchises permitted.
Incentives

City Roots
Customized Urban Gardening

• Urban gardening store specializing in customized solutions to accommodate gardening with urban lifestyle

• Occupies 1235 SF at 1133 Vine Street

Courtesy of Kathleen Norris & Associates
Retail Leasing Agent, Cincinnati, OH
Incentives

Relocated from a 1000 sf CBD space to a 2,650 SF space in 1213-15 Vine Street to allow the store to begin carry a new line of “urban” furniture

Courtesy of Kathleen Norris & Associates
Retail Leasing Agent, Cincinnati, OH
Community Benefit Agreements (CBAs)

- **Bronx Terminal Market**
  - Developer: Related Companies
  - City land and financing used as leverage

- **Terms of Agreement**
  - 18,000 sf along exterior streets
  - Aggressive marketing
  - Leased based on prevailing market conditions
  - Developer will be fined $60,000 for failing to comply with the CBA (with a cap of $600,000)
This presentation will be available on-line at
http://www.mayorsinnovation.org/

See handouts for a compilation of federal funding sources that provide support for commercial revitalization activities.