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Business
Recruitment
Report

**APPENDIX C**

**BUSINESS RECRUITMENT, RETENTION, AND MANAGEMENT ORGANIZATION REPORT**

10.4.2004

# Recommendations for Central Retail Management and Recruitment For Downtown Santa Maria California

**Recommendations by:**
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## Introduction

As a part of a downtown specific plan study Burnes Consulting was engaged to make observations and recommendations pertaining to a retail recruitment strategy for the downtown area of Santa Maria.

The Natelson Company, Inc prepared a market study for the Santa Maria primary, secondary and regional trade areas. In their study they comment, "The retail market conditions in the Santa Maria region are somewhat unusual". Their reference is to the fact that Santa Maria has a rather large reach (30 miles) into a large trade area. This is perhaps one of the key factors that have allowed Santa Maria retailers to expand over the years. One of the key questions that experienced retailers will have is; "Can Santa Maria maintain the large regional penetration"? Many retail site selectors interviewed for this project maintain that it might be impossible for Santa Maria to maintain this large radius from which their sales are drawn. Why? One of the factors that allowed Santa Maria to establish this large penetration was the fact that other communities had not implemented retail revitalization programs or new growth areas were experiencing the housing boom that precedes the retail growth that inevitably follows. As the region becomes more retail savvy the regional radius will likely shrink, but this does not mean that the retail demand in Santa Maria will not remain strong or that the downtown area of Santa Maria cannot recapture a place of regional influence. The course of action taken to revitalize the downtown will be the critical component in insuring success for the entire community.

This report covers a lot of areas that are critical to restoring and revitalizing the retail heart of Santa Maria. In this report we hope the reader clearly walks away with an understanding that Santa Maria can have a regional downtown core. The first several pages of this report give an in-depth accounting of the state of the mall in America today. This is not to be confused. We lay out the state of the mall to demonstrate that Santa Maria is in fact a unique community that has all of the ingredients to create the ultimate "lifestyle downtown center". Malls just like Santa Maria's Town Center Mall have struggled with solvency for the last decade and most have not been able to make the traditional model work. Malls have had to tear off roofs, tear down or make other radical improvements just to stay in business. The times are changing and so are the customers. Today and in the future as you will read the lifestyle mall is going to be the standard fare. Lifestyle malls offer recreational, retail, and other uses. Lifestyle malls even offer living units for built in customer base!  Santa Maria is in the drivers seat. The districts surrounding the Town Center Mall can all add value to the mall and with planned improvements that have been discussed with Town Center Mall ownership Santa Maria could potentially develop one of the first Lifestyle Downtowns!  McClelland Street offers destination attractions of city hall, a new library, a fantastic recreation center and ball fields and other businesses that are destinations for people.  Main Street can be the specialty retail, restaurant and entertainment area with top shelf independents adding flare, image and selection to the district.  Town Center West can be an extension of the mall adding specialty service retail in the mix to continue to add selection and variety.  Residents already live within walking distance of all of the districts in downtown and more residential should be encouraged to bring a community and *round the clock* environment to the area.  All of the pieces of the puzzle are there they must be neatly fit together in a process that is comprehensive and organized.  As you read the section that profiles the future of the mall pay close attention to what the most prominent development companies are doing to make their malls competitive.  As you read the visions for malls of the future do not just think of the Santa Maria's Town Center Mall but rather think of all of Downtown Santa Maria as the lifestyle center and the Town Center Mall as one major component!

Imagine an area the size of Downtown Santa Maria that could have retail, restaurant, and entertainment uses, residential, government and services uses as well as recreational and community uses such as churches, museums, and libraries.  This is what the mall of the future will be only it will be an environment that is largely formula and while very successful will never have the power in the punch that Downtown Santa Maria can have.

As the reader moves from the profile on the mall and retail in general a host of recommendations are being made as a result of our participation in this project.  There are two recommendations that should not be glossed over and in reality form the basis for all of the other recommendations.

1. **Central Retail Management.** The city must be the driving force in the development, implementation and continued development of a Centralized Retail Management program (CRM).  We are squarely recommending that the city adopt the Main Street Four Point Approach as the management template for the CRM and be trained how to use the approach.  The Main Street management model is not hard to learn but is a vertically integrated management model that

restores four identified values necessary for revitalization. Main Street has been the most successful management model for economic development period. While we are recommending this management model we are recommending the city take a commanding and leading role in the start-up. The leadership and funding simply does not exist in the private sector to do the job necessary. Santa Maria should expect to commit NO LESS than $100,000 per year to a CRM program. The Main Street approach does rely very heavily volunteers and Santa Maria's program should not be any different, but the job here is more complex than that of smaller downtowns. The city should take the leadership role in bringing the private sector to the table, getting them organized and trained, and assisting them in building as a partner with the city a solid CRM program, but while this is going on a program must be moving forward. If the city can and will commit to being the primary source of funding for the first few years history has shown us that the CRM's become capable of adding to that base so the city is no longer the majority of the operations budget. If retail revitalization is to be successful it must be managed just as recreation, police services, and fire services are all managed. Note that according to the National Trust for Historic Preservation for every dollar invested in the administration of a CRM program the return is forty-two again that is 42:1 an outstanding return.

2. **Be Predictable.** Santa Maria will be asking private investors, independents, public agencies, taxpayers and others to make large investments in the downtown area based on the fact that the city is promoting a new plan that they will stand behind. These investments will be seen as risky if the city waffles. This revitalization will occur over many years and the city must be willing to stand fast and not waiver from their focus. If the city then encourages, promotes or approves competing commercial developments (much larger than neighborhood commercial) then the downtown projects will likely suffer if not be scraped all together. Investors in the mall will not take kindly to their investments being diluted by competition. The top shelf pioneers (that often kick the process off in the first place) will bolt or never come to Main Street at all if they think the city is serving two masters. Santa Maria is not contemplating a small venture on anyone's part. The Natelson Company has identified opportunity and elasticity in the market but it is limited and will not stretch to the point

that competing developments will all make sense. Those cities that have held the line and made the tough calls to protect their plans for downtown have been successful; those cities that have waffled and sent mixed signals to the development and investment community are still wondering what went wrong? **The revitalization process must be protected from future unraveling or today is the best day your downtown will ever have.**

Finally, as a part of our scope of works our final product is to include the training of a CRM team. We are recommending a slight change in that scope of work or at least the timing of the work. We would recommend that the training for both the public and private components of a CRM organization be delayed until the city has accepted the downtown plan and committed to supporting the plan in such a way that downtown is the focus for all new retail development. If for some reason this process is delayed or perhaps goes in another direction the city has not wasted training money to train a team for something that will not happen. In the event the city whole heartedly moves forward in accepting the downtown plan and offers up downtown as THE retail core focus then the team will be trained *to the plan* and all of the unique elements of the plan thus basing projects on expected outcomes of the plan.

## Overview

Interviews in the community support the observation that the Town Center Mall will be THE critical component of the success or failure of the downtown area. While this statement may be true to some extent it can also be said that the area surrounding the mall will be as critical to the success of the MALL. Both of these statements are true in that the mall and the surrounding area are connected. In interviews with mall developers, retail visionaries and respected retail consultants many observations about the future of malls and how we may work to keep the mall and the environment outside the mall strong are discussed. In conversations with these national leaders in the retail industry one important observation should not be overlooked; Santa Maria has all of the pieces of the puzzle to transform their downtown area into a regional powerhouse built not just on retail but on lifestyle. With that said the following interviews have shaped the thinking for our recommendation that Santa Maria engage in a program of *Retail Betterment and Attraction* VS the traditional approach of *Retail Recruitment*.

### The Future of Retail, The Mall and Downtown

It's a beautiful spring Saturday 10 years from now. Shoppers are feeling optimistic so they hop into their hydrogen-powered SUVs — to buy that sofa for the living room or to sample the latest vacation togs for their upcoming vacation.

But where will they go? To the gigantic, newly renovated super-regional mall in the next town? To the mixed-use development down the road; the one with the hockey rink, the doctors' offices and as many restaurants as stores? Or to the home furnishings mall, crammed with furniture, antiques, linens and kitchenware, but not a pair of socks in sight?

Welcome to retailing's multiple-choice future. As much as malls and shopping centers have morphed in the past few years, even more changes are coming. The retail cycle is shrinking, change is accelerating and store sizes and formats are in flux. There will be some stunning new designs and lots of white-hot technology, but the biggest changes will be less obvious: redesigned malls with different kinds of anchors and different tenant mixes, and lots more space for non-retail uses. Everywhere, there will be a new focus on convenience, including, perhaps, daycare facilities and a place to check your coat.

No one can say for certain what the world of 2014 will look like, and interviews with industry insiders produce some predictable predictions. Developers with a heavy focus on enclosed malls say they'll remain the big dogs; those who've invested deeply in lifestyle and power centers think that they'll be on top, and that a lot of the older enclosed malls will be long gone.

Get beyond those disagreements, though, and a common vision emerges. The retail center of the future — whether it is enclosed or open-air, big or small, themed or general — will be designed **to resemble a community, not just a place to shop**. That means environments that place as much emphasis on recreation (everything from skate parks to jogging paths to entertainment complexes) as they do on consumption. The developments under way in 2004, as well as various re-malling/de-malling projects already point to a future in which retail blends with other functions. By moving beyond the thinking in Santa Maria that there is the downtown area and then there is the mall will help us all see the advantages Santa Maria already has over other communities where regional shopping is concerned.

Visually, the “shopping center” of 2014 might not look like an old-fashioned Main Street, **but it will function like one**. Consumers will be able to visit a grocery or a post office, keep appointments with doctors and dentists, relax with a workout or a facial, take in a movie, enjoy a gourmet meal or hang out with neighbors at an outdoor concert. The activities that consumers will want in the future are centered around more than just retail. The more we extend this vision the more regional the draw for the area. Santa Maria has the beginning of a civic plaza that can serve as a connection between the downtown mall and recreation, library and city services, potential museums and services such as legal, medical and accounting. Communities that can package recreational, educational, professional services and government services along with the department store driven mall, specialty restaurant, retail and entertainment in and around the mall will likely become the power-centers of the future.

If this vision of the future seems familiar, that's because architect Victor Gruen, the father of the enclosed mall, painted it 50 years ago. The Austrian refugee envisioned just such a future when he sketched out his first mall in Minnesota in 1956, describing the mall as a way to replicate the community centers of the pre-automobile American cities in the new suburbs. “By affording opportunities for social life and recreation in a protected pedestrian environment, by incorporating civic and educational facilities, shopping centers can fill an existing void," he wrote in 1960 in *Shopping Towns USA*. Santa Maria has all of these amenities in place in the downtown area.

Clearly, Gruen's vision was not often realized. With a seemingly insatiable demand for new shopping venues, developers saw little need for non-retail amenities and focused instead on finding great locations, lining up the best tenants and creating attractive spaces for consumers to stroll from store to store. They succeeded from coast to coast: The regional mall was the ideal product for the America of the late 20th century — a land of upwardly mobile, mostly white, suburbanites living farther and farther from the urban core.

**The Consumer Is Changing**

But the America of the 21st century is starting to take on a different look. And these changes affect what kind of consumer's retailers will target and how they will want to reach them. The baby boomers, the huge demographic cohort that grew up with the mall industry, are now moving toward retirement. Their spending is expected to slow down as their income growth ends. That will pose some tough challenges for the department stores they patronize — and which remain the most important anchors at regional malls. "Who shops at department stores these days? People 50 and over," says Kurt Barnard, president of Barnard's Retail Consulting Group in Upper Montclair, N.J. "Young people were brought up on specialty stores, and they avoid department stores." If an area can foster an environment where specialty retail stores are in the same proximity as a mall or department stores they both seem to flourish from the attraction of different markets that often cross over.

**New and Emerging Markets**

Ethnic and racial diversity will also play a role. Fast-growing Hispanic, Asian and African American populations are accumulating significant buying power. According to projections by the Selig Center for Economic Growth in Athens, Ga., the spending power of Hispanic-Americans will reach $926 billion by 2007, a 315 percent gain from 1990 — compared to an expected 131 percent gain for all American consumers. That Hispanic buying power, as well as that of Asians and African Americans, is concentrated in and around certain cities.

Figuring out how and where these consumers shop will play an important role in retail development. Hispanic families, for example, are known to take the whole family along when they go shopping. So, perhaps, a retail development that offers entertainment, dining and community events will draw more Hispanic families. Troy Peple, president of Chainlinks Retail Advisors of Vienna, Va., expects retailers to fine-tune their focus on these increasingly critical ethnic customers. “The more adept retailers will specialize more,” says Peple. “We are going to have retailers specializing more in ethnic clients in the local market.” Santa Maria certainly has the room in the downtown area to host family friendly events thus keeping the family engaged in the area not just as a retail area but also as an area for the family to use.

**Urban Centers on the Rebound**

Finally, there is the trend of in-migration to urban centers and older, close-in suburbs from the outlying suburbs where the biggest regional malls are found, but where many consumers have grown weary of long commutes and lack of convenient amenities. Young professionals flock to 24/7 downtowns while empty-nester baby boomers are trading their suburban spreads for the restaurants, theaters and easy commutes of urban life.

The back-to-the city movement is a clear trend poised to continue well into the 21st Century, according to the Urban Land Institute. Inner cities will account for at least **40 percent** of the total increase in U.S. purchasing power between 2000 and 2045, according to the U.S. Census Bureau.

Nationally, the increase in city housing permit activity from 1999 to 2000 exceeded the average annual increase in city housing permits from 1990 to 1998 by 35 percent. By contrast, suburban housing permit rose 21 percent.

From Boston to Miami to Denver to Chicago retail development is following these new urbanists. Washington, D.C., is a good example. The district has seen a surge of retail development that reflects not only the gentrification of formerly blighted areas but also the rising affluence of the city's African American and Hispanic residents. In addition, developers recognize that the outlying suburban areas — where they have concentrated their energies for the past two decades — are reaching retail saturation.

An equally significant force shaping the mall of the future is income distribution. After almost 30 years of nearly stagnant income growth for the average American family, the great middle class, who has supported the conventional shopping center, is under stress. The erosion of the middle class is an ominous development for mid-price retailers, including department stores. “You'll see a continued decline unless they can recast themselves, and it's hard to compete on value,” Peple says. “The people who are on fire are the retailers that emphasize value, specialization and convenience.”

**How Will The Mall Compete?**

So, what's ahead for the mall industry? “The business is at a critical point,” says Nathan Forbes of The Forbes Co., a shopping center developer based in Southfield, Mich. “You have a depleting pool of retailers, a depleting pool of successful department store chains, and you have a lot of shopping center space competing for the same tenants. The developers and cities that can show the most ingenuity in creating an interesting environment, both from a shopping and an experiential standpoint, **will be the ones that will create an asset that'll withstand the test of time.”** The Town Center in Santa Maria may be in a better position to re-tool than malls in other locations *because* of its location in downtown. Transition malls (discussed later) often have a difficult time re-inventing themselves because they were built as retail only and we are moving into a lifestyle driven retail cycle. Santa Maria’s Town Center however is in the heart of downtown. While the location of the mall years ago dealt a blow to the historic downtown district it is this very location today that will likely pave the way for its survival. The Town Center Mall has the opportunity to reconnect with the surrounding neighborhoods and retail areas to offer a complete downtown complete with department store shopping, specialty shopping, recreation, living space, restaurants, government centers and other amenities that are all *in play* for today’s successful retail centers.

Stan Laegreid, a principal at Callison Architecture Inc., notes that while “maybe years ago, we were looking at 80 to 100 openings,” only two mega-malls are opening their doors this year. There are few available development sites, and powerful fortress malls often dominate the best markets.

So “maybe the mall of the future is going to be a stealth mall; it's going to be a mall, but one that is disguised as not being a mall,” says Gregg Pasquarelli, a Columbia University professor and co-founder of ShoP Architects. What he means is that we should expect retail to be developed on smaller sites and **infill sites in a pedestrian- and mixed-use friendly way**. The benefit to Santa Maria is that the Town Center Mall exists in an area that can resuscitate the pedestrian quality that once graced the area.

Simon Property Group, the biggest mall developer, does not necessarily dispute the analysis of critics — but it does challenge some conclusions. “Malls over time have begun to look very similar to one another. For the most part they have a similar tenant mix and are formatted the same way,” says Michael P. McCarty, senior vice president of research and corporate communications. “You need to constantly reinvent your offering, so it matches up with what consumer wants.”

But McCarty says it's important to separate fads from genuine trends. “Anybody who has been in this industry long enough to have perspective knows that we have a tendency to promote the concept du jour,” McCarty says.

Are lifestyle centers and outdoor formats a fad or a trend? Developers have built more than 10 million square feet of lifestyle center space since 1995. According to *Retail Traffic*'s Developers Expansion Plans survey, at least 22 more such projects will appear before 2004. According to the survey, developers will produce about 8.25 million square feet of new regional mall space in 2003 and 8 million in 2004, down from the 11.5 million delivered in 2002. Six new regional malls will open next year, compared to 11 in 2001.

For now, Simon says, there's no need to choose one format over the other. “Our position has been that both of those concepts ought to be part of your repertoire,” McCarty says. “We certainly have done our share of lifestyle centers, and you will see an increasing number of them.” A prime example is Bowie Town Center, which Simon opened in suburban Washington, D.C., in 2001. “But open-air centers won't necessarily be the majority,” says McCarty. “We will build whatever is appropriate for the market. We would exclude nothing.” That includes hybrid projects that blend styles. Simon's Mall of Georgia in Atlanta, for example, is considered the first mall built in the now-popular indoor/outdoor format.

Still, Simon concedes that its future growth is not based on building more regional malls — whatever the format — for a nation that already has 20 square feet per capita of retail space. “The key for us going forward is being focused on our existing portfolio of assets and making sure the innovations are in there,” McCarty says. This is one reason why Simon and other developers invest so much in recalling and adapting existing properties to new formats.

If the retail gurus are correct and the customer of the future (and the trend is playing out today) then the free standing mall that offers no adjacent services could be in trouble if not heading for extinction. Building lifestyle centers can be an investment that developers are not willing to risk although all admit that the trend is in that direction. The benefit to Santa Maria is that there is a lifestyle / indoor-outdoor mall already in place; it just needs further refinement. The interviews conducted for this section reaffirm that the City of Santa Maria has an opportunity that is not often available to other towns and regions. Santa Maria has the “bones” of the future in place.

In the near term, nobody is questioning the viability of the enclosed regional mall. These properties continue to enjoy low vacancies, increasing rents and steady lease renewals. Productivity for enclosed malls of all sizes, of which there are 1,182 in the U.S., was pretty much unchanged in 2002 — generating annual sales of $330 per square foot, just $4 less than a year earlier, according to the International Council of Shopping Centers.

But not all such malls are going to survive. The industries less profitable malls are already struggling to reinvent themselves to capture new tenants and traffic. CB Richard Ellis Retail Services team says three distinct mall segments currently exist: Between 20 and 25 percent of the nation's 2,000+ malls (includes malls of all types not just enclosed malls) are A quality or “fortress malls” and are typified by sales of more than $400 per square foot. Some 40 percent to 45 percent are “franchise malls,” with sales of $300 to $400 per square foot. The remaining 30 percent to 40 percent are “transition malls” — the ones that need help. The Town Center Mall in Santa Maria is classified as a transition mall in the inner circles of the industry.

**“Retailers are limiting expansion activity to only the best locations, so fortress malls are holding on,” this is according CB retail services senior manager Bob Burke.** “This segment is seen as the source of the greatest stability for the next 10 years." Transition malls will likely experience a complete transformation within 10 years either into alternative retail formats such as power centers or non-retail uses, this according to Burke. Most transition malls are not in locations that are conducive to combining specialty retail, outdoor experiences and recreation opportunities as they were built as stand alone properties that were to be destinations within themselves. Many franchise malls will attempt an upscale shift in merchandise mix to attain fortress status or move downscale by bringing in more discount-store anchors and in-line tenants. For example, Faison & Associates closed its 27-year-old South Square mall in Durham, N.C. to rebuild a power center anchored by Target and Sam's Club.

Paco Underhill, the founder and managing director of Envirosell, a New York-based retail research firm, says that focused centers will become routine. "I think you'll see malls that are much more themed. They'll be after specific customers — people who are interested in home furnishings, the outdoors or luxury goods," says Underhill. That however is the mall that was built as the destination and is not connected to other consumer collectors such as water parks, libraries, grocery stores or government centers. These malls certainly have opportunities destination transition malls do not.

**"The future is local, not global. It will be much more integrated with hotels and housing,"** according to Underhill. "The mall will be much more focused on what the customer wants and where it is. We'll see much more programming and we'll explore the broader edges of entertainment and sports."

**Building Communities Builds Retail**

The trend that makes the most sense to many crystal-ballers and gurus in retail real estate is the community center idea. Longtime May Co. executive and Build-A-Bear Workshop founder Maxine Clark, who has a reputation as a keen observer of retail trends, believes the most successful projects in the future will incorporate important family functions alongside retail stores — medical and dental offices, for example.

"There should be public places for events that bring people to the mall," says Clark. "Maybe even portable kiosks that can be 'rented' by kids to sell their wares — i.e., Girl Scout cookies — from time to time, so [the center] is more community oriented. Maybe a sports arena on the grounds for soccer or hockey or whatever." Anything, in short, that brings families together in a safe, secure and fun setting. That's why Henry Gruen's Southdale Center, the nation's first enclosed mall, featured a public auditorium, an ice rink and even a school.

Envirosell's Underhill would go a step further. He believes malls and shopping centers will evolve into "a combination of lifestyle-facilitation places where we can go and execute all of our needs, not just some." That would mean malls with groceries, schools, day care and farmers' markets in the parking lots. (He also expects to see more malls with coat checks, which would encourage shoppers to spend more time — and money.)

Clark points to the Easton Town Center in Columbus, Ohio, as an example of a center that has already moved in that direction. "It is almost a community — shops, restaurants, hotels, big box, all basically on the property," she says.

The 1.5-million-square-foot center, which opened in 1999, is a collaboration between designer Steiner + Associates, The Georgetown Co., The Limited and California Governor Arnold Schwarzenegger. It is pedestrian-oriented, with open-air squares, and even a children's park. Its anchors are Nordstrom, Barnes & Noble, Lazarus, Virgin Megaspore and AMC Theaters. But it goes beyond the conventional: It has spas and a fitness center, for instance, as well as a comedy club and a mammography center. Easton Town Center has also been more adventurous than other major malls in its tenanting. The mall seeks out and makes room for new cutting edge retailers with new and unique concepts.

Yaromir Steiner, the president of Columbus-based Steiner + Associates, which specializes in "new urban retail" centers, believes the public thinks of shopping and leisure as linked activities. "It goes back to how people have always liked things," Steiner says. "Shopping and leisure were always mixed together in the town center, in the agora. They were always in the same general area." Steiner says future shoppers will demand better overall design. "People want shopping environments to give them a sense of place," he says. "Their demand for good-feeling spaces is increasing. They are not willing to accept long hallways with anchors at each end anymore."

Steiner also says that shoppers are no longer willing to accept inconvenience. “The old mantra of ‘Let's keep the cinema at the end of the parking lots’ is finished,” he says. **They want it on the new “Main Street,” just like it was when the theater was downtown**. Outside areas “will have most of the leisure-time uses — clubs, theaters, bars — and also branded retailers, which will increasingly locate there because they don't need to be in a mall,” Steiner says. Strongly branded stores, including Talbots, Gap, AnnTaylor and Banana Republic, “have become a destination in their own right, and they don't need the validation of the department store.”

**Lifestyle Lessons**

Retailers, of course, are watching the industry's evolution closely, and one of the biggest, Federated Department Stores, isn't betting the farm that the traditional enclosed mall is a relic. At current rates of lifestyle-center construction, “there will probably still be only a third as many of those as regional shopping centers” in a decade, notes Gary Nay, vice president of real estate at Federated.

But Nay isn't dissing the benefits of lifestyle centers. Indeed, Federated has “paid a lot of attention” to their growth and has experimented with a small store that might fit that format, but Federated thinks it will have a relatively small impact on us and the traditional department store.

Still, Federated sees that change is coming to the traditional mall. “The regional mall is certainly of a big concern to us,” Nay says, **adding that some properties, especially the class C centers, “will have to get better or go away.”** Those that improve will likely take lessons from lifestyle centers, which Nay says are tackling some important issues.

“There are a number of things that are being dealt with in open-air lifestyle centers,” including amenities and ambience,” Nay says. “The old regional mall frequently was lined with truck ports and delivery docks. When you drive up to a lifestyle center, you see restaurants and attractive landscaping. We'd like to see more of that — additional restaurants and leisure-time activities.”

Apparently Nordstrom agrees. The Seattle-based retailer has opened several new stores in hybrid indoor/outdoor malls in the past year. It even tinkered with its format, cutting store size from the average 190,000 square feet to 122,000 square feet to fit into Los Angeles' The Grove, an open-air project that has since become a prime destination for L.A. locals and tourists.

Will that be enough to keep department stores in the starring role they have always played in mall development? Robert Taubman, CEO of Bloomfield Hills, Mich.-based Taubman Centers, thinks so. “People have pronounced their death now for years and years, but we strongly believe that consumers like department stores. They're highly promotional, often in the newspaper every day during the week. They're extending credit. They are a flexible stage for many different types of products,” he says.

No one expects Nordstrom, Bloomingdale's and Macy's to go away, but analysts expect the war of attrition to continue to eliminate some lesser names. “The Wal-Marts and Targets and Kohl's of this world have been kicking the crap out of the department stores and have a lot of momentum, and it's going to be hard to turn that back,” says David Kass, president of Continental Retail Development, a shopping center developer in Columbus, Ohio. “These guys have taken a lot of market share.”

“What you'll end up seeing in 10 years are shopping centers that are more of a hybrid — discount retailers mixed with specialty. The line has grown much funkier,” says Kass. That trend is illustrated by the new breed of power towns such as Desert Ridge Marketplace in Phoenix.

“We've been seeing a trend toward fewer department stores,” says developer Nathan Forbes. “When they go out through consolidation or bankruptcy, developers are looking at their options. Discounters? Additional uses like restaurants and ancillary retail, maybe a large Nike or Sony store? Are you better off taking a department store box and figuring out what else you can do with it?”

Maxine Clark figures that the department store will evolve not become extinct. “While they're struggling, they'll still be around.” she says.” Department stores still play an important role, as they drive traffic to the parking lot with sales and their aggressive advertising.” That does not mean that the same old department stores will have those anchor slots. Discounters such as Target and Kohl's may emerge as their replacements, after all, they are department stores. If that happens it will be important for the mall and the discounters to work together to make sure their common interests are served.

Underhill, who wrote the bestseller *Why We Buy: The Science of Shopping* and has another book titled *Walking the Mall*, also sees nontraditional anchors stepping up to the plate. “The era of the department store anchor is coming to a close,” he says. “We'll see a broad collection of other types of stores as anchors.” Target, he says, could be “fantastic,” and L.L. Bean or upscale supermarkets could succeed nicely as anchors.

Simon's Michael McCarty believes there will be a big role for department-store anchors in the centers of the future, even open-air centers. He points to Bowie Town Center, which he calls “a poster child for what people think is the next generation of lifestyle centers.” Opened in 2001, it has a Main Street, lined with individual stores. But it also has two traditional anchors: Sears and Hecht's. Lifestyle centers “don't necessarily exclude traditional department stores. It's a concept whose architecture is being studied intensely by us and others.”

**We Don’t Recruit We Attract**

With whatever changes occur in shopping center design, with whatever shifts might take place in tenant mix, the one thing that nearly everyone agrees on is this: The successful properties of the future will be the ones that try hardest to **make shopping a good experience**. **That means creating places where people want to be** — not just because it's where they have to go when it's time to replace those ratty bath towels. “There will be a recognition that the customer's experience starts in the parking lot, and there will be a driving desire to define your mall as something different from the next mall down the road,” says Underhill.

The consequence of that, says one developer, will be a great deal of renovation and upgrading of existing properties. “There is going to be a wholesale recycling of the retail environment in the coming years. There will be a revolution in quality.” Deciding what to build and where — and how to even approach the decision — will be the challenge for developers and retailers in the coming decade. To meet all the needs of a changing America, the retail real estate industry might have to sacrifice some sacred cows and rethink many assumptions.

The outdoor elements of today's lifestyle centers may just be the start. As retail and mixed-use projects attempt to attract consumers with community activities, look for more park-like spaces to be built, with jogging paths, duck ponds and band shells.

The enclosed mall is dead! Long live the malls! The mall will evolve, perhaps incorporating different types of anchors and adding services and amenities to give consumers something more than a great selection of stores. Increasingly, however, malls may be attached to open-air and mixed-use projects.

Unless the biggest trend in retailing — the triumph of the big-box stores — suddenly reverses, the coming decade will bring these upstarts into mainstream retail real estate development. Power centers are morphing into power towns and traditional malls as well as lifestyle centers are looking for ways to accommodate these high-traffic tenants.

With space at a premium and Americans tiring of the perpetual traffic jam, mixed-use development will become even more pervasive. But the uses will multiply. In addition to retail, office and residential components, these projects are also likely to have venues for civic and social functions — post offices, day care centers, community theaters.

The trend toward mixing shopping with recreation is here to stay. But the retail center of the future won't be complete with just a movieplex. There will be a range of diversions to keep the traffic coming: an aquarium, a comedy club, an IMAX, a concert venue.

The conclusion of the discussions with various developers and those shaping the future of shopping is that transition malls are the ones most in trouble. Transition Malls as stated by most of those interviewed are often stand-alone and have few adjoining amenities. The malls are a tough nut for revitalization as good retailers recognize that shopping patterns are changing and these malls are not in a good position to recapture market share. So for the mall recruitment is often a package of incentives that further strains the financial picture of an already fragile situation.

**Recommendations for Central Retail Management and Recruitment**

Our recommendations for Santa Maria are the result of interviews with industry professionals, onsite observations, review of the Natelson Company's market study and participation in interviews and public presentations in Santa Maria. Santa Maria's Town Center is in fact a transition mall. The retail industry classifies the Town Center as a transition mall and thus retailers' especially national and regional chains are in search of malls that have either made the transition or for more of the fortress mall. The amount of national general merchandise retail chains has dropped from roughly 650 ten years ago to just around 211 today. There are fewer branded retailers in the market place and they are being very finicky about locations. The good independent retailer is in much the same position. Good retailers are thriving but there are just fewer of them to go around and those that are successful are being very cautious where location is concerned.

Santa Maria is in a very enviable position for retail revitalization. If the trend holds, and most analysts expect that it will, tomorrow's consumer is going to respond to a hybrid shopping experience. Imagine a downtown area that can offer an enclosed shopping environment with major department store anchors, specialty retail and restaurants that are both in the mall as well as outside the mall, civic buildings close in to shopping, area recreation centers, museums, and activities for children as well as alternative entertainment and it is all located in the heart of the city with people living in and around the downtown area! The icing on the cake would be if these services were all connected in such a way that consumers could have the *park and walk* experience. This scenario is in fact the direction that downtown Santa Maria is moving in. Santa Maria has the existing infrastructure mostly in place and the planning for the area is all moving in this direction. It is natural at this point in the process to start thinking about retail recruitment.

Typically retail recruitment is a process that is fairly straightforward and easy to implement. Retail recruitment is a step-by-step process with the key steps;

1. Inventory the businesses in the area
2. Market study to determine the amount of demand the area can support
3. Identify the deficiencies in the area

4. Develop a plan to correct the deficiencies in the area
5. Assemble a recruitment team to implement the recruitment plan.

The recruitment team then has a hand in developing a cadre of marketing materials that may include brochures to web sites; identifying potential retailers for targeting; if possible they then make contact in person if not by mail followed up by phone. The typical recruitment program also includes some type of incentives that may range from moving expense reimbursement to a few months of free rent. Fortress malls and high market downtowns generally do not have to offer many incentives and as long as they maintain their image, marketing and promotions efforts and keep quality retailers they generally *attract* those wanting to be a part of their success. While we agree that every retail area that wants to improve the number and quality of retailers they now have must engage *at a minimum* in the type of retail recruitment program we have described we are recommending that the City of Santa Maria engage in a *Centralized Retail Management* program and focus on retail *attraction* vs. retail *recruitment* only. We are recommending a Centralized Retail Management and Recruitment program that uses a management approach modeled on the National Main Street Centers Main Street Four Point Approach. Because of the <u>enormous</u> potential of this downtown area we would urge the City of Santa Maria *in the strongest way* to implement a Centralized Retail Management program to accelerate the revitalization of the area. The main street approach is not unfamiliar to the City of Santa Maria and they have as a part of this contract insured that a citizens group and staff will be trained on the approach and how it may be used in Santa Maria. We are recommending that the approach be slightly refined and that the City of Santa Maria have a larger role in this effort.

The National Main Street Center developed the Main Street Approach to downtown and neighborhood commercial district revitalization. The National Main Street Center is a program of the National Trust for Historic Preservation. The approach is based on four points and relies on eight principles to produce fundamental change in traditional commercial business districts. Typically, interest in developing a local Main Street program comes from business or property owners, city government, bankers, civic clubs, the chamber of commerce, historic preservationists or other civic-minded groups. Community leaders (both public and private sector) discuss goals, establish an organization (Main Street programs are usually independent non-profit organizations), secure money to hire a Main Street manager, and create committees as well as a board of directors to carry out the work. Once established, the program's participants examine the commercial district's needs and opportunities and develop a long-term, incremental strategy based on the Main Street Four Point Approach to strengthen its commercial activity and improve its physical environment. Partnerships are key to the success of a Main Street program. Main Street is an inclusive program that relies on the cooperation of many organizations, government agencies, and business and property owners to implement a comprehensive program of work.

The main street approach works. Most often the grass roots effort results in an organization that struggles for money, lacks expertise and all too often lacks the legitimacy that it needs to accomplish its mission. In larger cities, with what are often more complex problems, the main street model has worked well to help shape the area and attract new businesses to the area at the same time. What makes the successful organizations different from those using the same management approaches that are less successful? The answers are easy to find 1. Money and 2. The city is heavily involved sometimes to the point that they help keep the process *organized*.

For retail recruitment to be successful and for Santa Maria and the Town Center Mall to be able to recruit the type of tenant that will benefit them the most they must first be able to show improvement in the existing assets. That is they will only be able to attract marginal tenants or those requiring so many incentives that their return on investment is marginal. It is the old theory *success attracts success*. Brand name retailers will help regain strength for the area and ironically they follow those pioneer retailers (largely independents) that find areas where they can succeed. Main Street has been successful in so many (thousands) of communities in the U.S. because they use a largely volunteer network to implement projects that focus on changing or improving the *social and promotional quality* of the area, the *physical image* of the area and the *economic success* of the area while keeping the process organized and managed. As the focus is on improving the existing area within this framework other upstart and pioneer retailers start to be attracted and the cycle begins. In other words **retailers will be more likely recruited to an area that is being managed and has a plan for implementing specific projects that will result in increased traffic and sales.**

Because downtown Santa Maria has all of the ingredients in place for the downtown lifestyle center the management approach (main street) should be taken even more seriously. We are recommending some slight modifications to the process (described in detail) all designed to implement a program to manage the area and act as the catalyst to recruit new and exciting retailers into downtown. Because there are several key players involved (city, mall, property owners, retailers) all of them should work together to create what might be described as grown up mall management for the entire downtown area. The bottom line is that there must be the demonstration of the ability for the area to be more successful, a spirit of working together, and some type of organized management in place before the better retailers are going to consider a move to Santa Maria and there must be a believable plan for the physical improvements in the mall and the surrounding areas before many if any branded retailers will become interested. There is an abundant supply of retail space available today so retailers do not want to be placed in the position of an areas success dependent upon them being there they want to be in those places that were a success *before* they arrived.

A local Main Street program is typically housed within a private nonprofit organization. A strong board of directors sets forth a vision for the revitalization effort. Staff and committees execute projects and activities within the following four program areas:

- **Organization:** **increasing the political value of downtown** by building an effective volunteer-driven management organization guided by professional staff with broad-based public and private support. Projects that typically fall under this committee include: nonprofit incorporation, bylaws, budget, personnel management, work-plan development, volunteer recruitment, board elections, fundraising, insurance, accounting, membership, and an annual report.

- **Design:** **increasing the physical value of downtown** through both new and rehabilitation construction and through the design of public spaces that will attract more people to walk and gather on a regular basis. Projects include: art in public places, banners, building survey, cleaning and maintenance, design guidelines, facade improvement programs, historic district designation, streetscape improvements, signage, seismic retrofit, window displays, and compatible infill development

- **<u>Economic Restructuring</u>: increasing the economic value of downtown** by diversifying it with an appropriate mix of current and new businesses suitable for the given market place. Retaining and strengthening existing businesses, recruiting appropriate new businesses and developing appropriate economic restructuring strategies to sustain the economic vitality of the district. Projects might include: business retention and recruitment, small business education, business and property inventories, parking, market analysis, upper story uses, and transportation.

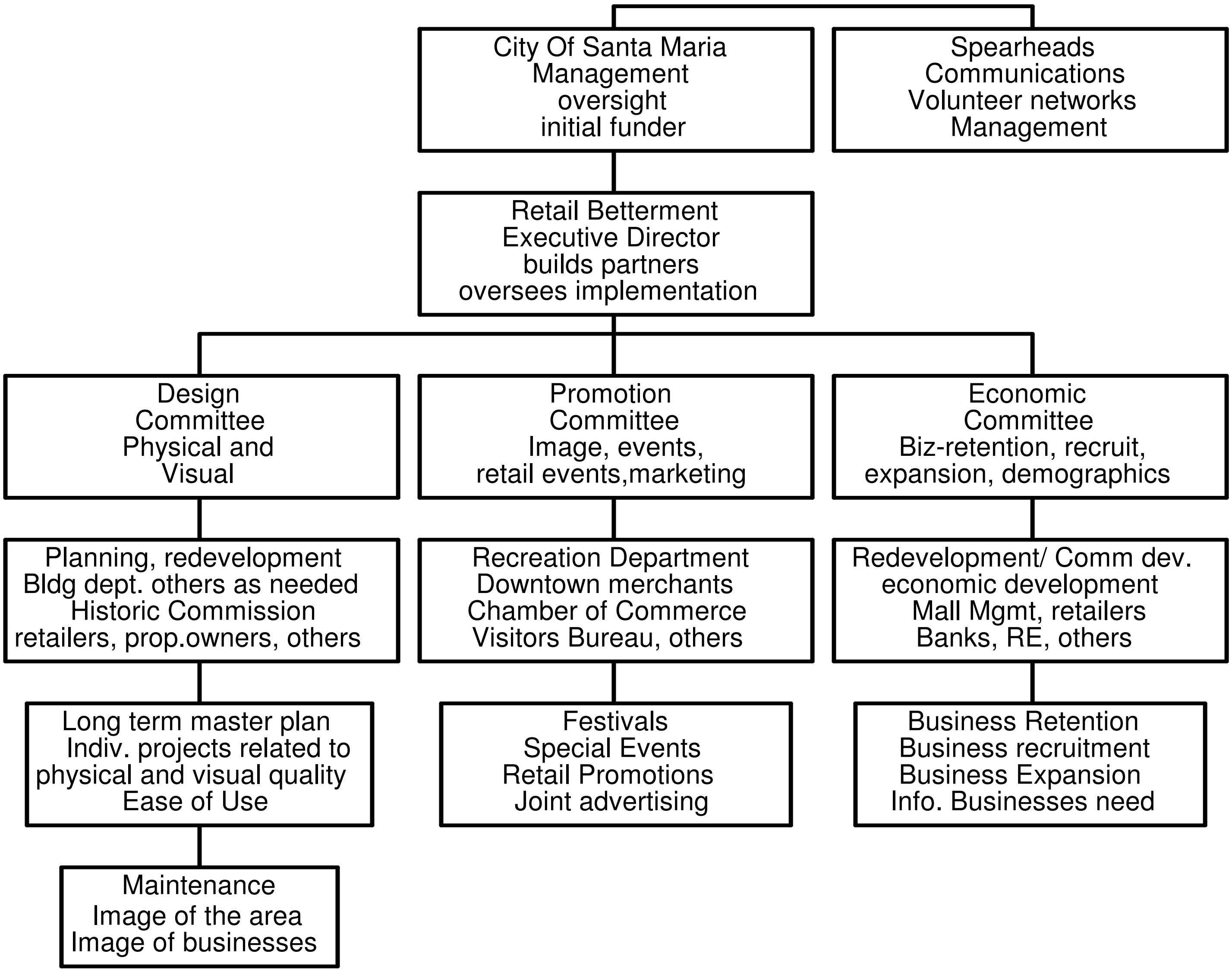
- **<u>Promotion:</u> increasing the social value of downtown** through branding (creating a positive image of downtown), retail promotions and special events. Creating a unified, quality image and developing promotion strategies that bring people to the district. Projects under this committee might include cooperative advertising, business directory, and calendar of events, special events, retail events, image campaigns, marketing plan, sponsorship, and walking tour.

This is the typical main street program as it is organized in the country today. But as cities are becoming more engaged and more competitive for the retail dollars they are learning that the retail and the recreational, residential and governmental communities are all connected when downtown is concerned. More and more cities are finding value in the main street approach as it focuses on the areas that need attention and programming for downtowns to be successful. Cities with the complex opportunities like those that exist for Santa Maria find that while the main street approach works but leaving it largely to an outside non-profit and largely staffed by volunteers does not.

We recommend that the City of Santa Maria become the organizing agent to implement a four-point management approach to help revitalize the downtown district and recruit new retail into the downtown area.

The following graph is for discussion purposes but it changes the typical four-point approach to a three-point approach. The function of the organization committee (communication, advocacy, networking and volunteer management) becomes a function of the city. The city in fact becomes the facilitator and the supervising body for the implementation of the Centralized Retail Management program. The city would employ (or job shift) one person to facilitate the implementation of projects in three specific areas. All of which play an important role in retail recruitment. If the Santa Maria Town Center and Downtown Santa Maria are going to be a role model for re-use and revitalization relying on a sparsely funded mostly volunteer network would most likely not deliver the results everyone wants to see. On the other hand a well organized program that has the legitimacy, participation and funding of the city could immediately move forward with small projects in each of the three areas, begin to bring all partners together to move the revitalization plan forward, and maintain a consistent line of communication to the retail industry that will result in retailers giving Santa Maria a new look. With the city in a major leadership role all participants (volunteers included) will be more likely to complete assignments and work with more passion. This would create a go-to-group for the downtown area, a group to facilitate all issues dealing with downtown. As city departments are represented (or perhaps in the leadership role) on each committee there will be fewer chances for conflict or duplication. Think of the area as one great big lifestyle mall that integrates public amenities of recreation, history, education, government centers and living space with the private amenities including retail, entertainment, services, restaurants and living space in one defined area! Wouldn't you expect that this area would have Centralized Retail Management?

City of Santa Maria Retail Betterment Program




At the outset there will be issues to overcome where funding and staffing are concerned. Centralized Retail Management programs always struggle with those issues. The fact of the matter is that Santa Maria cannot afford to let those minor issues stand in the way of what could be hundreds of millions of dollars of investment and returns on those investments. CRM programs can use traditional forms of funding to help support the operations or the program and to implement identified projects. The most common forms of funding are;

- Assessment districts
- City and county governments and agencies
- Sponsorships for projects specific

- Grants for projects specific
- Memberships and general fundraisers

The commitment to this structure will require that the city accept many of the responsibilities that an outside non-profit often would. By the city doing this they have made a definitive statement about their intention to focus on the revitalization of this area, and because of this may develop disincentives for commercial development that may be in conflict with the revitalization efforts in downtown.

**Final Recommendations**

In conclusion the following recommendations are offered to the City of Santa Maria for the recruitment of retail businesses but most importantly to institutionalize the type of management that good retailers are attracted to:

1. **Maintain a comprehensive and adequately funded Central Retail Management program based on the National Main Street Approach**. There is almost 100% consensus among the professionals working in the field of downtown development that the Main Street Four Point Approach is the most accepted management model in the world today. It is in everyone's interest to maintain a comprehensive downtown management program. The program works best when a true public / private partnership is developed. The City of Santa Maria has invested money in downtown for capital improvements and will continue to do so. These investments should continue and include investments in a CRM. At the same time a CRM should work to increase private investment so that the city's <u>percentage</u> of investment is decreased. There are many options for a main street /CRM program to develop revenue streams, some ideas for consideration include;
   - ⇒ **Membership development.** Many downtown programs will develop a membership program where members receive certain benefits by joining the organization. Membership should not be restricted to those business or property owners that reside in the downtown area. Business owners, commercial property owners, and residents outside the district can develop membership programs that encourage individual participation. It is a common occurrence that some individuals and businesses will want to contribute more money than that of the standard membership. Many organizations will develop special giving categories such as the *president's circle* to encourage a higher level of giving.

⇒ **Fees for services**. Most CRM programs have a level of services that are the benefits of memberships. Most businesses will view the very existence of the management office as a significant benefit. The management office can offer other add on services or packages to increase revenue to the office. Some of the more popular add on services include advertising packages, insurance services (in partnership with a local insurance office or broker), web-site design and hosting (CRM buys sites at a discount through a distributor and resells them at a profit that is residual or ongoing), promotion packages, credit card services and loan packaging.

⇒ **Special events and festivals**. At the very least special events and festivals should be break-even endeavors. As the years go by many of these festivals grow quite large and have the opportunity to cover most expenses through sponsorship allowing CRM to capture the profits from various activity and product sales.

⇒ **Residual fund-raising.** Re-occurring or residual income is desired by any organization. There are three popular programs that allow CRM's to generate consistent income on a monthly or yearly basis. 1. The first program is the Visa credit card program. The Visa program partners the local program office with a Visa franchise operator. The local program office role is to get individuals to apply for *their* Visa card. The card is issued by the partner bank with all of the legal and logistics handled by the bank. The program receives a percentage of the interest charged on all outstanding card balances. Flemington New Jersey Main Street nets in excess of $30,000 per year with this program. 2. Long distance carriers and issuers of telephone cards will offer organizations a program similar to the Visa program. The program receives a percentage of the long distance charges incurred by those individuals or businesses that have been signed up for service by the CRM. 3. Web-site hosting. Many CRM programs have entered into agreements with major web hosts to resell sites. The most popular program requires a $5,000 investment on the part of the CRM. For this fee the CRM receives 100-hosted web sites at a monthly cost of $9.95. The web sites are then resold to businesses for an average of $29.95 per month. The re-seller handles all billing and offers 24-hour technical assistance as well as monthly changes for the business. Selling all 100 web sites at the suggested rate would generate $2000 per month or $24,000 per year.

⇒ **Assessment Districts.** Assessment districts (discussed further in recommendation #15) are used at least in part to fund downtown revitalization organizations. California law allows for several types of assessment districts for infrastructure and organizational funding but the most popular and typical for downtown revitalization purposes are Property Based Improvement Districts and Tennant Based Improvement Districts. While most attempts at securing the necessary support for an improvement district are successful timing is of paramount importance. Downtown organizations should not try an implement an improvement district "right out of the shoots" but rather wait until they have proven they can be successful as an organization. This is again the reason for the public /private partnership, the public side is often the founding source of money and as the organization matures and is able to develop other funding strategies the public sector becomes a smaller percentage of the overall operations budget.

2. **Ground floor retail ordinance.** As a downtown starts to revitalize there is a fragile balance that must be recognized. The retail and government district is the core of Downtown Santa Maria. There has been a vision established that identifies the future of downtown as a specialty retail, restaurant and entertainment district connected to the mall and the adjacent government and residential centers. To foster the development of the retail core we recommend that a ground floor retail ordinance be established in the 100% retail areas of downtown.

3. **Downtown Specific Plan.** As the revitalization of downtown progresses potential investors will weigh their risk of investment. One of the biggest risks that a developer or investor makes is an investment into the unknown. A Downtown Specific Plan should be a guiding document that investors can count on as one that has been thought out with the intention of implementation. If vacant lots are to be banked for future use, what will those uses most likely be? Is there a plan to re-route traffic or expand a courthouse square into a prime promotional area? Land use, parking, traffic circulation, alternative transportation routes, housing, and other uses that are addressed in the formation of the downtown specific plan should be quickly prioritized by the city and those projects should have some sort of time line so that investors can measure risk. And by the same token if the mall does not have a concrete plan for revitalization that compliments the downtown specific plan and addresses some

significant changes the prospects of them landing any quantity of quality tenants will continue to diminish.

4. **Do Not Unravel Downtown.** Along with the support of the specific plan it is critical that the leaders of Santa Maria understand that investment will **not** come if the development community can't count on the city supporting revitalization. It is not enough for the city to *support* the process vocally they must be careful about sending mixed signals by encouraging and approving commercial projects that will ultimately compete with the development projects they hope to kick off in the downtown. The current ownership of the Town Center Mall is working to attract new businesses and planning for future investments. These investments will be based on the potential of the area as well as the support and actions of the city towards competing developments. If investors become concerned that competing projects will continue to be encouraged and improved before the Town Center and Downtown projects can be fully funded and on a road to progress the entire process **will** come tumbling down. Investment is all about return on investment and risk and the lowering of risk often measure that. If the city makes a solid commitment to downtown and holds the line by **not** approving or encouraging any new commercial development that would compete with downtown then the risk to investors is again lowered and this could be the incentive needed to move the process forward. This is not only true for large investors this is true for the small business owner as well. Small businesses will respond to revitalization and they will be the ones that begin to replant the area as pioneer businesses. Small businesses will take as gospel that the plans will be supported and implemented. Cities have in the past killed this important pioneering process by trying to have a downtown revitalization program while courting developers that are planning competing commercial developments in other areas. The small businesses will be the pioneers and if the major investors never come for fear of dilution the pioneers will die on the vine.

5. **Develop a Recruitment Package for Downtown.** The typical recruitment package will contain a demographic profile of the community (the Natelson Company), a listing of the current vacancies, what types of uses are being recruited for (shoes, clothes etc), typical costs for a retail operation (permits, rent, etc.) and incentives, information on the community and if any significant plans are in place for major

changes then the package tends to become more elaborate. Lastly there should be a contact a go-to-group for people to direct questions to. Once the package is constructed (they do not need to be elaborate) they should be distributed.

⇒ **Membership in California Downtown Association, National Main Street Center, International Council of Shopping Centers, National Retail Association and related state and national organizations**. Membership in these organizations will offer Santa Maria the opportunity to network with other professionals making them aware of Downtown Santa Maria's recruitment targets. Often the next store to locate into the downtown is an expansion of a business in a neighboring community or a lead offered by another professional.

⇒ **Send the recruitment package to area Real-estate Brokers and Shopping Center Managers.** It is often the case that the local mall will receive an inquiry from a business prospect that they cannot accommodate for whatever reason; the lead will only be turned over if there is a known need in the downtown. In Santa Rosa California the local mall management makes it a practice to feed leads to the Downtown Association. In Santa Maria the mall and the downtown share common needs…. each other.

⇒ **Small Business Development Centers and area Chambers of Commerce should have the Santa Maria Recruitment Package so that they may feed the organization the names of those they are working with to establish a business in Santa Maria.**

⇒ **Retail Lease Trac**. Santa Maria should maintain a relationship with this organization. Lease Trac profiles companies that are in search of a location within a certain region. Lease Trac (for a fee) will furnish the names and contact information for developers and individual business prospects. The prospects have been categorized by business type and the type of demographic the business is targeting.

⇒ **Website Promotion**. The Santa Maria recruitment information should be designed into the website for downtown.

⇒ **Attendance at trade shows**. Many small California Downtown areas are reporting success at attending trade shows as an exhibitor to lure developers to their downtown areas. The most successful trade show seems to be the ICSC show that is held annually in Las Vegas.

⇒ **Newspaper advertising**. From time to time Santa Maria should consider an ad (even in the classifieds) of regional newspapers in areas like San Francisco and Los Angeles. Many individuals and businesses are leaving the metro areas on a daily basis and re-locating into smaller communities to combine a lower cost of living and quality of life.

⇒ **Marketing in Trade Association Newsletters**. Because Santa Maria now has a good indication of the types of businesses that would work in their downtown they can advertise for them in association newsletters. Santa Maria should purchase a National Trade Association Directory (Columbia House) which lists all trade association contacts for business associations related to the business types targeted for recruitment.

6. **Attend trade shows where business brokers can be educated about the opportunities in Downtown Santa Maria.** Conferences such as the International Council of Shopping Centers can be a place to make valuable contacts.

7. **Develop quarterly property owner meetings.** These meetings will enhance the communication between Santa Maria and the property owner. This face-to-face contact will become invaluable, as property owners are needed to support other projects.

8. **Develop real estate brokers breakfast**. This is a real opportunity to keep open the lines of communication with the real estate community. Over time Realtors will become used to notifying the CRM as the status of various downtown properties change. As the downtown market heats up there may be the consideration to increase the frequency of these meetings.

9. **Create a business recruitment team that can work leads communicate with property owners and field real estate broker inquires.** The business recruitment team should be made up of stakeholders in the downtown. We would recommend a city representative, a property owner, a banker, a real-estate professional and a business owner(s). Recruitment prospects (especially small businesses) will respond in a positive way to those communities that go the second mile to get their business relocation. Some communities will even invite

a recruitment prospect and their family to spend a complementary weekend in the community.

10. **Update vacancy listings**. The CRM must maintain accurate information to insure that they will continue to be a clearinghouse for information. The CRM should develop a process for up-dating their database periodically. Vacancies (and other property changes) can be updated by physically walking the district with a hard copy of the database, networking with Realtors, and mailing out annual property owner surveys. City Hall can supply a list of building permit and business license applications, which would indicate a change in a downtown space. In some areas the local telephone company or utility supplier will supply a list of commercial connects and disconnects which would alert Main Street that there has been a change in a downtown space.

11. **Cluster Retail in Specific Areas.** Downtown Santa Maria is largely a regional downtown or at least has the opportunity to cement their future as a regional downtown and center for government and commerce. The types of businesses that should be targeted for downtown will fall into almost all categories of businesses. The primary types of businesses that will be a target for downtown will be; box type specialty retailers like Cost Plus, specialty national and regional retailers, specialty independent retail of all types, service retailers such as auto supply and custom auto supply, entertainment retailers, restaurants, and general services retail. The key will be the placement of retail so that it produces the most return on investment to the business and to the city.

⇒ **The Town Center Mall**. The mall has a recruitment team of professionals and will largely follow a mall formula; that being two to three major anchors and specialty retail, restaurant and entertainment venues sprinkled in between. The mall recruitment effort will often result in finding tenants that are not suitable for the mall at the present time but good businesses nonetheless. The mall should be a part of the CRM team so that these leads will not go wasted and perhaps businesses that are not a good fit for the mall will fit elsewhere in the downtown area. The mall is also hopeful to land a movie theatre as a tenant in the mall. This dynamic could enhance the types of retailers that could be attracted both inside and outside the mall.

⇒ **Town Center West**. The area west of the mall across Broadway has been identified as Town Center West. This area is already home to a Mervyns and has ample space for another larger type box store. Service retail that focuses on the auto related and custom auto related uses could be a destination attraction in this area. A specialty retail box such as Big 5 Sporting Goods would also be suitable for this area. The Town Center West should focus on destination driven businesses that are nationally or regionally branded for the box pad. Service retail businesses such as phone centers, electronics retail and service and other related businesses would all find success in the Town Center West area. Town Center West will complement the mall both in uses and scale. Town Center West will have one or two additional box stores that will serve as an additional anchor for the entire downtown area thus adding strength to the mall's anchors. The smaller scale retail in the Town Center West will likely be specialty retail and again just give the shopper one more good reason to shop downtown; density of retail and selection.

⇒ **McClelland Street District**. This district will never be a destination retail area but rather the retail will be a resulting function of the civic nature of the area. The McClelland Street area is largely the civic area with civic recreational, administrative, library and museum functions along this street. The sports complex and the new library are going to be focal points and people collectors for the area. City Hall as it always has will continue to be a destination for this area. Make no mistake about it the McClelland Street area is very important to the other retail districts even though it will not have the types of retail or be the sales tax generator that the Town Center Mall, Town Center West or Main Street for that matter. Because McClelland Street offers so many other activities it adds to the place making of downtown and starts to create the lifestyle edge for the downtown area. The types of businesses that will be suitable and profitable in this area will largely serve the uses in the area. Neighborhood restaurants, coffee houses and other similar uses will likely be successful. A reading room that sells hard to find used books, an Alpha Graphics type business support company, a deli or sandwich shop, and a coffee house or an ice cream stand will likely be successful in this area conversely a dress shop, a children's store or a sporting goods store likely would not. General merchandise retail relies on the density of other retail to create the synergy for meaningful shopping to occur. McClelland Street should be used largely as a recreational and civic draw to keep downtown a destination.

⇒ **The Main Street Area**. The artery of Main Street will largely be inhabited by smaller specialty retail, restaurant and entertainment uses. While independent "pioneer" businesses will largely dot all of the downtown districts the Main Street Area will see the largest concentration. These independent businesses offer the shopper another venue for selection. Good profitable independents are highly sought after and are no less finicky about an area than a national chain because they know they are a hot commodity for the shopper. The vast majority of these businesses will likely be independently owned and the best of the best will be recruited only when they are certain that plans are solid and the city is squarely behind the revitalization effort. This area should not be off limits to franchises or chains but know they will likely have a higher comfort level with downtown in general when they see the well run independent making a buck. Specialty retail and restaurants will be the most likely candidates. A real opportunity is for this retail to use the rear access and open to the Town Center West area along the new walk that has been installed by the city. Presently the type of retail occupying Main Street is marginal. Unless the truck traffic on Main Street is diverted in some fashion Main Street will not be a pedestrian friendly environment that will find support for specialty ready to wear, home décor and entertainment, service retail, entertainment or restaurants. Large truck traffic precipitates safety issues in the minds of shoppers thus limiting the market that will use the area for serious shopping. On the other hand if a pedestrian friendly environment is created along Main Street this likely will be one of the first major transition areas. The current businesses are serving a population that *has* to walk along Main Street not a population that *wants* to walk along Main Street.

12. **Develop a downtown website.** The downtown website can be used by business owners shopping for sites and a host of other uses. The Downtown Santa Maria web site should act as a selling tool for downtown. By maintaining links to more tourism-oriented sites Santa Maria can focus on providing information needed by those individuals considering a downtown for their business venture. Some of the information contained on the website should include:

    ⇒ Information about Downtown Santa Maria. Users will enjoy reading about the history of Downtown Santa Maria and the surrounding area. The location of Santa Maria, the downtown and how to get there from other major destination cities will give the reader a frame of reference for the location. There should be a description of the type (specialty retail, restaurant and entertainment) of downtown Santa Maria is cultivating. Pictures of new retail, restaurant or entertainment businesses that have located to the district should be included.

⇒ Information about CRM program as well as their vision and mission statements. Businesses will be impressed by the fact that downtown is managed. Santa Maria should take the opportunity to provide education about the main street approach, their annual work-plans for each committee and other relevant information related to the successful management of downtown.

⇒ Calendar of events and promotions. There should be a complete listing of all downtown events and promotions. We would recommend that the event calendar also include the days that the city council, planning commission, other city commissions and the CRM commission and committee meetings as well.

⇒ The downtown database can be managed and up-dated by using any one of several Internet applications. Realtors should be encouraged to update property information on-line as they write leases or listings. Business prospects or Realtors thus simplifying the process of location shopping could view vacancies.

⇒ Contacts and links to other agencies. A link to the Chamber's web site would provide further information about the region and perhaps other promotions. Links to downtown businesses would provide direct access to businesses for product information or as a way to contact businesses to request information.

⇒ Downtown Incentives. The web site should stress the ease of doing business in downtown. A complete listing of services as well as incentives available to businesses that are considering a downtown location should be displayed.

⇒ Information request form. The web site should have a form to collect information from the potential prospect. The type of space do they need, for what use, budget for rent, special needs (restaurant etc.), time frame for relocation, Realtor's name, prospect's name and contact information as well as other relevant information should be a part of this form. Sometimes business owners will make an inquiry long before they need space or are going to make a move. The information gathered should be stored into a contact database that will interface with the downtown property database so that property information can be sent to the prospect as appropriate spaces become available.

⇒ A business card page for professionals serving the needs of downtown. Businesses often need contacts for insurance, legal, accounting, equipment, furniture, fixtures, carpentry, moving, licensing or other professional services that can make their relocation seamless. This web page is a business-to-business web page where the business card is the advertisement.

⇒ The downtown newsletter. Businesses will find it interesting to read the downtown newsletter to keep up on the happenings in and around downtown. Past newsletters should be archived on this page as well.

12. **Develop a plan for improvements that will enhance the image of downtown.** These improvements may be a part of the downtown general plan and the ideas that have come from that plan. These projects have been identified as projects that are often some of the first to occur. All of these projects are easy to implement, will not take the place of or deter the general plan, will build and foster team work and can be pointed to as immediate success.

⇒ **Information centers and kiosks**. The existing information centers are in need of updating. New locations for information kiosks should be determined as a part of the way finding. Information on these kiosks should not omit other shopping areas in the city. Other shopping areas should be encouraged to mention downtown on their information centers.

⇒ **Implement a seasonal banner program to enhance the image**. One of the eight guiding principals of Main Street is that improvements are incremental. The implementation of simple enhancements like those of colorful banners is an incremental step toward the improvement of downtown's image and defining the area.

⇒ **Enhance the gateways to downtown**. The first impression is often the most important impression. The current gateways or entry points to downtown are in need of attention.

⇒ **Establish a downtown clean and safe program**. A successful downtown creates impressions in the customer's mind. Two of the most important messages that a downtown must send to the customer is that it is clean and safe. The CRM program should have periodic clean-up days. These clean-up days should be frequent and consistent and be well publicized in the community. The clean-up days should not tackle the entire downtown at once but rather focus on smaller areas this will give the program more exposure on a more frequent basis. Safety is always an issue for those visiting downtown. Downtown Santa Maria does not seem to suffer from the extreme safety issue that other areas (Downtown Fresno) do which is fortunate. The CRM office should partner with the senior center or another organization to create a downtown docent program. The downtown docents can roam the downtown area and provide information to the shopper, a direct contact to emergency services if needed (eyes and ears), and adds to the overall all-safe feeling of downtown.

13. **Additional business incentives**. In addition to these incentives the City should work together with the CRM to develop additional incentives. In cases where the incentive is already in place consideration should be given to better promotion of the incentives. Some of the recommended incentives would be:

⇒ **Business relocation expense incentive.** The level of assistance can be a set amount or based on the projected amount of sales tax the business would generate.

⇒ **Second floor occupancy incentive**. This incentive would help keep service businesses out of primary retail locations. The incentive should be targeted to offices or individuals that will occupy 2nd story suites. In some communities there are loan funds targeted for building purchases by business and then offer and additional incentive if the owner maintains their residence in an upper story.

⇒ **Waiver of license fees.** Business license fee waiver in year 1 and then a reduction of the fee for the next 3 to 5 years.

⇒ **Building department fee waiver / discount.**

⇒ **Special inspections by the building department with written code analysis.** Businesses are always concerned about the improvements they may have to make to a space prior to occupancy. A simple review of the space by the building department (in a timely manner) would provide the business or property owner a list of necessary improvements (with code sections noted) to have as a part of their budget or negotiation process.

⇒ **Site plan review fees waived.**

⇒ **Downtown Loan Program**. Create a downtown loan program that would target the quality existing businesses and those wanting to relocate to downtown Santa Maria. The loan should be targeted for improvements and expansions and based on the successful history of the business.

⇒ **Facade Grant Program.** Most communities have some sort of a façade improvement program in place for the downtown area. The façade program should be governed by design guidelines that protect the history of the architecture and compliment the vision the community has for the area. The Facade Grant Program should match the investment made to facade improvement or renovation dollar for dollar up to $5000 or $10000. Most downtown's in California have established facade grant programs and have found that this program continues to stimulate facade improvements even after the funds run out.

14. **Business retention**. It is important to assist the independent business owner with education and other programs to insure their tenure in downtown is a good one. One of the best ways to insure that the businesses stay healthy is to provide education programs and training. We recommend:

⇒ **Grade the existing businesses in the district to determine what their training needs are**. Members of the Economic Restructuring Committee on a long-term basis can do the business grading. Because grading the businesses will be of interest to Main Street the process should be free to the business. A grading form is provided in the appendix of this report.

⇒ **Implement business-training seminars.** These workshops should be developed with the assistance of the Chamber of Commerce, Small Business Development Center, County Job Training Office and other related agencies. A small fee should be charged for the workshops to offset any related expenses.

⇒ **One on one-business assessments to help business owners improve weak areas of their business**. The Small Business Development Center (SBDC) should be contacted to provide these assessments on a quarterly basis to all interested businesses. Most often this service is offered for free by the SBDC.

⇒ **Offer a secret shopper program**. This is a potential fee for service program that can be offered by the CRM office. Most businesses are willing to pay a small fee ($25) to have their business shopped. If the CRM office cannot implement this program the SBDC often offers this type of service.

⇒ **Survey existing businesses to determine their relocation or expansion needs.**

15. **Start the process of forming a Property Based Improvement District (PBID).** A consultant should be retained to assist in the formation process of a PBID.

**What is a PBID?**

⇒ A self help tool to manage and fund vital business district programs.
⇒ A unique private/ public property owner assessment mechanism
⇒ Proven successful in over 1500 cities throughout the US and Canada
⇒ Developed, managed and controlled by owners who pay into the fund
⇒ Must receive a majority endorsement by owners prior to adoption
⇒ Can be set up for 5 years at a time and re-established for 5 year periods
⇒ Can fund an array of supplemental business district programs such as:

-Maintenance
-Public safety
-Image enhancement
-Marketing and promotions
-Physical improvements
-Management / operations
-Can contract with the City or County to guarantee base level of tax-supported services.

**Benefits of a PBID**

⇒ Higher property resale values
⇒ Enhanced rental incomes from vacant and underutilized space
⇒ Greater pedestrian activity
⇒ Improved business climate
⇒ Attract new businesses and investors
⇒ Properly funded and managed Business District programs and services
⇒ Cleaner sidewalks, streets and parking lots
⇒ Real and perceived public safety improvements
⇒ Stronger and united voice in Business District matters

**Steps to form a PBID**

1. Assemble a core representational group of District stakeholders as a steering group.
2. Establish a master database of Business District Properties.
3. Identify District issues, needs and priorities, develop solutions, evaluate options. This process incorporates a survey of all property owners in the boundary area to determine which types of projects that they are willing to fund.
4. Transform solutions into draft PBID plan, including;
   *Boundaries and benefit zones
   *5 year work plan / 5 year budget
   *Assessment formula and calculations for each property owner
   *Base level services agreement with County / City to determine the services currently being offered. This will insure that funds will not be used to replace existing services.
   *District management structure. This involves the incorporation of a non-profit organization if one does not exist to oversee and manage the funds.
5. Outreach / education program. At this stage property owners are informed of the proposed program, plan and potential costs. Support is solicited for the petition process.
6. Petition support campaign. At this phase signatures must be gathered that represent 51% of the proposed assessments so that the City can authorize a ballot election. The petition only authorizes the ballot election it is not a binding process.
7. File majority support petition with County for formal processing / adoption.
8. Ballot election, formal adoption, billing, collections, District implementation.

## Appendix

### The Main Street Approach

The competition for customers in downtown areas is fierce. Downtowns across the country are making remarkable comebacks and maturing into cash generators for cities, centers of pride for the community and destinations for businesses, customers and residents. This phenomenon has not occurred without a plan. The most comprehensive plans being developed are in those downtown areas that have active management programs that are public / private partnerships focusing exclusively on the improvement of the downtown area in several areas. The most successful management model developed in the last twenty years has been that of the National Trust for Historic Preservation's National Main Street Center located in Washington D.C.

***What happened to Main Street?***

Main Street's problems stem from profound changes in the retailing industry over the past four decades—changes that are the result of transportation and land use patterns as well as an unprecedented boom in commercial overbuilding. Dramatic suburban commercial growth and the development of major discount retailers on the periphery of communities have drawn customers and investors away from the central business district. A vast oversupply of retail space has undermined Main Street's traditional role as a retail center. Tremendous stocks of high-quality historic commercial buildings need financing to make them safer in earthquakes. Local permit processes need revamping to encourage entrepreneurial investment in building rehabilitation and business ventures. Outmoded business practices of long-term merchants and inexperience of new small business owners have constrained traditional business districts from reaching their full market potential.

### *What is the Main Street Approach to Revitalization?*

The National Main Street Center developed the Main Street Approach to downtown and neighborhood commercial district revitalization. The National Main Street Center is a program of the National Trust for Historic Preservation. The approach is based on four points and relies on eight principles to produce fundamental change in traditional commercial business districts. Typically, interest in developing a local Main Street program comes from business or property owners, city government, bankers, civic clubs, the chamber of commerce, historic preservationists or other civic-minded groups. Community leaders (both public and private sector) discuss goals, establish an organization (Main Street programs are usually independent non-profit organizations), secure money to hire a Main Street manager, and create committees as well as a board of directors to carry out the work. Once established, the program's participants examine the commercial district's needs and opportunities and develop a long-term, incremental strategy based on the Main Street Four Point Approach to strengthen its commercial activity and improve its physical environment. Partnerships are key to the success of a Main Street program. Main Street is an inclusive program that relies on the cooperation of many organizations, government agencies, and business and property owners to implement a comprehensive program of work. There is a sample organizational chart in the appendix of this document that shows how various organizations participate in the Main Street Approach.

## The Four Points

A local Main Street program is typically housed within a private nonprofit organization. A strong board of directors sets forth a vision for the revitalization effort. Staff and committees execute projects and activities within the following four program areas:

- **Organization:** **increasing the political value of downtown** by building an effective volunteer-driven management organization guided by professional staff with broad-based public and private support. Projects that typically fall under this committee include: nonprofit incorporation, bylaws, budget, personnel management, work-plan development, volunteer recruitment, board elections, fundraising, insurance, accounting, membership, and an annual report.

- **Design:** **increasing the physical value of downtown** through both new and rehabilitation construction and through the design of public spaces that will attract more people to walk and gather on a regular basis. Projects include: art in public places, banners, building survey, cleaning and maintenance, design guidelines, facade improvement programs, historic district designation, streetscape improvements, signage, seismic retrofit, window displays, and compatible infill development

- **<u>Economic Restructuring</u>: increasing the economic value of downtown** by diversifying it with an appropriate mix of current and new businesses suitable for the given market place. Retaining and strengthening existing businesses, recruiting appropriate new businesses and developing appropriate economic restructuring strategies to sustain the economic vitality of the district. Projects might include: business retention and recruitment, small business education, business and property inventories, parking, market analysis, upper story uses, and transportation.

- **<u>Promotion:</u> increasing the social value of downtown** through branding (creating a positive image of downtown), retail promotions and special events. Creating a unified, quality image and developing promotion strategies that bring people to the district. Projects under this committee might include cooperative advertising, business directory, and calendar of events, special events, retail events, image campaigns, marketing plan, sponsorship, and walking tour.

## <u>The Eight Guiding Principles</u>

1. The Main Street Approach is a comprehensive approach to revitalization. Unlike many revitalization strategies that have been tried in the past, the Main Street Approach is comprehensive, addressing all areas in which action must take place. In the past, districts have covered entire blocks of building facades with aluminum slipcovers or demolished portions of the district in hopes of attracting a developer to build something new. Design improvements alone will not bring about meaningful change; effective marketing, a strong organizational base and solid economic development strategies are all necessary to reverse the cycle of decay and sustain preservation activity.

2. The Main Street Approach relies on quality. A district's architecture tells the history of a community and reflects the pride past generations felt. These buildings embody quality in construction, craft and style that cannot be replicated today. The quality inherent in its commercial architecture and in the services offered by its businesses make a district unique in the marketplace and gives it many marketing advantages. The

projects undertaken by the local Main Street program should reflect this high level of quality to reinforce the district's special characteristics.

3. A public-private partnership is needed to make meaningful, long-term revitalization possible. To make a revitalization program successful, both public and private entities must be involved, as neither can bring about change alone. Each sector has unique skills and particular areas in which it works most effectively; combining the talents of both groups brings together all the skills necessary for revitalization to occur in a unified program.

4. The Main Street Approach involves changing attitudes. The economic changes experienced by traditional commercial districts in recent decades have made shoppers and investors skeptical about the district's ability to regain economic viability. Because of its physical decay, many people have forgotten how important a community's historic commercial buildings are to shaping its identity and explaining its unique history. Changing people's attitudes--demonstrating that positive change is taking place--is central to a successful revitalization program.

5. The Main Street Approach focuses on existing assets. Each community is unique and has special characteristics that set it apart from all others. By creating a strong revitalization effort based on the district's unique heritage, a local Main Street program creates an organizational structure that builds on its own specific opportunities. In this way, the Main Street program is adaptable.

6. Main Street is a self-help program. Without the will to succeed and the desire to work hard to create change, no revitalization program will flourish. Grant programs can help fund pieces of the work-plan and consultants can provide guidance, but without local initiative, the Main Street Approach will not work.

7. The Main Street Approach is incremental in nature. Traditional commercial districts did not lose their economic strength overnight; it happened over years, with small declines leading to a severe downward spiral. Improvement must be gradual as well. Cataclysmic changes, like those brought about by urban renewal's large-scale land clearance programs, have rarely created long-term economic growth. The Main

Street Approach relies on a series of small improvements that begin to change public attitudes about the district, making the area's investment climate more favorable. Gradually, the small changes build to larger ones as the local revitalization organization gains strength and becomes efficient in mobilizing resources for revival.

8. The Main Street Approach is implementation oriented. By identifying and prioritizing the major issues that a district must confront, revitalization organizations can develop work-plans that break down the large issues into smaller tasks. Then, by developing a strong network of volunteer support, Main Street programs can build organizational structures capable of achieving the quantifiable tasks mapped out in the work-plans.

The National Trust for Historic Preservation identifies ten principles of a successful Main Street Four Point Approach organization. They are:

1. Widespread community support.
2. Broad-based community representation in an advisory capacity.
3. A distinct constituency.
4. A clear, shared sense of mission and well defined set of goals and objectives.
5. Committed, dependable funding.
6. Working committees.
7. Full-time management.
8. A well-thought out work plan based on the four point of the Main Street approach: design, organization, promotion and economic restructuring.
9. A commitment to work and succeed over time.
10. Strong public-private partnerships.

## <u>Components of the Organization</u>

The components of the Four Point Approach program include the Board of Directors, the Committees and the Executive Director. Each of these components and their roles are described below:

## Board of Directors

Typically a Main Street Board of Directors is a strong, working board capable of developing and implementing policy to create positive change in Downtown. The success of the Downtown revitalization effort depends largely on the board's ability to identify and mobilize resources, build volunteer support, develop new leadership and maintain a clear focus on the downtown's needs and opportunities. Collectively the Board of Directors assumes the legal and philosophical responsibility for all activities of the program. Individually, board members provide leadership for the program, serve as advocates of downtown revitalization and support the board by serving responsibly and with dedication. Below is a detailed description of the areas of responsibility that the entire Board should be aware of:

* ***Policy makers***
  - Legal and fiduciary responsibilities of the organization
  - Ensures effective organizational planning (short and long term)
  - Sets the working policies for committees and management as a reflection of the organization's mission

* ***Finance***
  - Approves and monitors the program's finances through the budget process
  - Helps raise funds
  - Assumes responsibility for non budgeted expenditures
  - Manages resources (human and financial) effectively and in the best interests of the organization and the community it serves

* ***Public Relations***
  - Understands the organization's program of work AND communicates it to the community
  - Relates programs and services to other organizations
  - Creates prestige for the program
  - Enhances the organization's image
  - Walking, talking advocate for the program; if not you...who?

* ***Personnel***
  - Selects, hires and evaluates executive director
  - Approves personnel administration policies
  - Active in soliciting, selecting and orienting new Board members

* ***Evaluations***
  - Reviews the program's operations
  - Monitors the program activities
  - Assesses its own performance

**Committees**

The National Main Street Center recommends that local Main Street programs set up three standing committees corresponding to three of the four points of the Four Point Approach—promotion, design, economic restructuring (business enhancement) and one standing committee (organization) to deal with membership development, fund raising and other organizational housekeeping chores.

Committees are the backbones of successful local downtown programs using the Four Point Approach.  A phenomenal amount of activity must be carefully coordinated if a downtown revitalization program is to be successful in reaching its goals.  Committees are the vehicles through which the Main Street Board implements the program's work plan and through which downtown revitalization actually takes place.

***Committees serve several important roles*:**

- Committees provide the people who actually implement activities.
- Committees provide a structured framework that allows volunteers throughout the community to be come actively involved in the downtown revitalization process.
- Committees enable members of many constituent groups with a stake in downtown's future to work together to accomplish common goals and to build new or strengthen existing relationships.
- Committees help develop new leadership to sustain the revitalization effort for years to come.

**Executive Director**
The Executive Director (ED) is the central coordinator of the Main Street program. The ED oversees daily operations, providing the hands-on involvement critical to a successful program. The ED also provides a communication link between committees, ensuring that activities in all four points of the approach are synchronized. The ED initiates and coordinates a wide range of projects, from supervising promotional activities to assembling market information. Most important, though, is the role as a full-time advocate for Downtown and as an authority on information, resources and programs related to the downtown revitalization effort.

***Why is Main Street important?***
City governments and businesses commonly ask Main Street advocates, "Why should we invest in downtown?" In response, here are a few reasons why your downtown or neighborhood commercial district is an important and worthwhile investment in the economic health and quality of life in your community.

- Main Street is a symbol of community economic health, local quality of life, pride, and community history. These are all factors in industrial, commercial and professional recruitment.

- A vital Main Street retains and creates jobs, which also means a stronger tax base. Long-term revitalization establishes capable businesses that use public services and provide tax revenues for the community.

- Main Street is also a good incubator for new small businesses -- the building blocks of a healthy economy. Strip centers and malls are often too expensive for new entrepreneurs.

- A vital Main Street area reduces sprawl by concentrating retail in one area and uses community resources wisely, such as infrastructure, tax dollars and land.

- A healthy Main Street core protects property values in surrounding residential neighborhoods.

- The traditional commercial district is an ideal location for independent businesses, which in turn: 1. Keep profits in town, chain businesses send profits out of town, 2. Supports local families with family-owned businesses and 3. Supports local community projects, such as ball teams and schools.

- Provide an extremely stable economic foundation, as opposed to a few large businesses and chains with no ties to stay in the community.

- A revitalized Main Street increases the community's options for goods and services: whether for basic staples like clothing, food and professional services or less traditional functions such as housing and entertainment.

- Main Street provides an important civic forum, where members of the community can congregate. Parades, special events and celebrations held there reinforce intangible sense of community. Private developments (like malls) can and do restrict free speech and access.

Many Main Street districts become tourist attractions by virtue of the character of buildings, location, selection of unique businesses, and events held there.

## Business Grading Template

### Customer Service

| | |
|---|---|
| • Hours of Operation. -------- | 1-10 |
| • Ease of payments (all credit cards, ATM's etc.). ------ | 1-10 |
| • Customer follow-up program.---------- | 1-10 |
| • Special Ordering.------------------- | 1-10 |
| • After hours.------------ | 1-10 |
| • Life celebrations.---------- | 1-10 |
| • Customer rest room. ---------- | 0 or 5 |
| • Returns , exchanges or credits--------- | 1-10 |
| • Has other unique or misc.. Customer services--------- | 1-10 |
| • Does not use the word “no” all over the store------- | 1-10 |
| • Generally customer driven.------------ | 1-10 |

### Advertising

| | |
|---|---|
| • Has an annual plan and budget.----------- | 1-10 |
| • Is frequent & consistent with advertising.--------- | 1-10 |
| • Looks professional in all attempts.----------- | 1-15 |
| • Measures the ROI of advertising medium against the cost of the advertising program----------- | 1-15 |
| • Creative in delivering the message.--------- | 1-10 |
| • Cross promotes all advertising.------------- | 1-10 |
| • Stresses services, quality and convenience over price.- | 1-10 |
| • Uses bounce backs with other businesses.-------------- | 1-10 |
| • Targets a demographic Vs shotgun approach.---------- | 1-10 |
| • Knows the top five advertising methods for their industry.------ | 1-10 |
| • Takes advantage of group buying and co-op advertising.-------- | 1-15 |

## Pricing Strategies

- Is primarily a discounter.---- 0-10
  (this # is negative, subtract score)
- Repackages, re-labels, or renames.----------- 1-10
- Bundles / breaks bundles.---------- 1-10
- Frequent buyer program.----------- 1-10
- Pre-sell program.--------------------- 1-15
- Limits number of sales per year.---------- 1-10
- Adds value instead of a sale.---------------- 1-10
- Uses D/C pricing strategies (A,B,C).------- 1-10
- Uses loss leaders to promote value and perception.----- 1-10
- Belongs to a buying group or network buying.----- 1-15
- Uses other creative pricing strategies.-------- 1-10

## Visual Merchandising

- Uses window / office displays that stand out.--------- 1-10
- Point of sale / shelf talkers.---------- 1-10
- Sign packages are neat, uniform and understandable.----- 1-10
- Impulse products close to check out.------------- 1-10
- Overall impression.---------------- 1-15
- Displays all services (sign package).----------- 1-10
- Welcome sign with mission and expectations.---------- 1-10
- Layout sensible and easy to navigate.----------- 1-10
- Signs are not hand written.------------- 1-10
- Uses in-store props and display “islands”.---------- 1-10
- Changes displays on a regular basis.--------------- 1-10
- Invests in props and display materials.---------- 1-8

## Product

- Clean, neat and dusted.-------- 1-15
- Services what they sell.--------- 1-10
- Wide selection(even of offered virtual)------------- 1-15
- Unique and specialty oriented.------------- 1-10
- Constantly up dating product line.---------- 1-10
- Offers some services for sale if product driven, and offers some products for sale if service driven.---------- 1-10
- Has no more than 30% of product or service line in direct price competition with discounters or other businesses.------- 1-10

- Turns inventory 6-8 times per year.---------- 1-10 (for most businesses, if inventory is turning more than 10 times per year the selection may be too narrow.
- Does not overstock (uses JIT, just in time inventory).-- 1-10
- Does not have inventory over 100 days old. ------------- 1-15

## Employees

- Neat and clean in appearance.-------------- 1-10
- Has written employee policies.--------------- 1-10
- Has written operations guidelines.-------------- 1-10
- Offers paid training for employees.------------- 1-10
- Employees are offered production incentives.------------- 1-10
- Has a benefit program for employees.-------------- 1-10
- Knows how to motivate rather than dictate.-------------- 1-15
- Pays at least 20% above minimum wage.------- 0 or 8

## Image

- Image is considered as good as the top 15% of the businesses in the community.--------------- 1-20
- Is neat clean and well maintained.---------------- 1-15
- Maintains all off site equipment (trucks, vans etc.)---------1-15
- Views the front of the building as an image statement even if business is a tenant.--------------------- 1-15
- Image is uniform(advertising, printing, displays etc.)------1-10
- Maintains a budget for maintenance of image. --------- 1-10
- Image is consistent with historic preservation efforts.----- 1-10

## Technology

- Has a fax machine.-------------- 0 or 10
- Has a computer.---------------- 0 or 10
- Uses inventory tracking / forecasting software.--------- 0 or 10
- Tracks customers and maintains a data base (w/ e-mail addresses). ------------ 0 or 10
- Has a web site. ------- 0 or 10
- Has a general store on the web and uses auto return software. ------------------ 0 or 10
- Has developed or is developing an e-commerce strategy.---------------------------- 1-10

- Uses the Internet as a resource for research.------- 1-10
- Uses technology to automate programs and processes (advertising etc.)---------------- 1-10
- Using technology to lower cost and increase efficiencies. ------------- 1-10

## Overall Management

- Belongs to a trade association.-------- 0 or 5
- Networks in the business community.-------- 1-10
- Belongs to a local business organization.-------- 1-10
- Stays current on industry trends.------------- 1-10
- Attends at least 2 educational programs per year. ------ 0 or 10
- Embraces technology.------- 1-10
- Has a business plan.---------- 0 or 10
- Updates business plan at least annually. ---------- 0 or 10
- Surveys or participates in a customer survey 2x per year. --------------------- 0 or 10
- Gets their business shopped at least once per year. ------ 0 or 10
- Knows and shops the competition.---------------- 1-10
- Understands ratio analysis of P&L and balance sheets.-- 1-10

## Location

- Easy to find and access.----------- 1-10
- Views web sites, brochures etc. as an extension of location.--------------------- 1-10
- Uses all "common sense entrances".----------- 1-10
- Brands location in advertising.------------- 1-10
- Invests in location regardless of ownership.-------------- 1-10
- Location matches use of space occupied.-------------- 1-10
- Taking full advantage of location.----------------- 1-10
- Values location of position (advertising etc.)--------- 1-10

How did they score?

**Multiply total by 1.035**

- **Score 935 -1098- Use as a trainer.**
- **Score 750 -935 - A good business. Needs training. A keeper.**
- **Score 600 - 749- Work with them. Needs training. Potential.**
- **Score 480 - 599 - Just barely average if not below. Better make serious improvements fast.**
- **Score 380 - 479 - Must make immediate change.**

Below 380 - Could be too late.

**Cost of An Empty Storefront Downtown**

| | |
|---|---|
| $250,000 | in lost sales |
| $12,500 | in lost sales tax revenue to state and local government |
| $15,000 | in lost rents to the property owner |
| $ 1,500 | in lost property tax revenue to local government |
| $51,000 | in lost loan demand to local banks for the building |
| $15,000 | in lost loan demand to local banks for the business |
| $ 750 | in lost property management fees |
| $24,750 | in lost business profits and owner compensation |
| $16,250 | in lost employee payroll |
| $55,500 | in lost payments to local utility companies |
| $ 3,500 | in lost advertising revenues to local media |
| $ 5,100 | in lost deposits in local banks |
| $ 1,250 | in lost fees to local attorneys and other professionals |
| $18,900 | in lost household income generated elsewhere in the community |