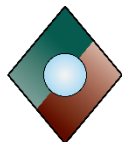


Interim Report: Case Studies

Ensuring a Vibrant Downtown Retail Destination:
A Retail Assessment and Strategy for Downtown Madison

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August 2016

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Introduction

The Case Studies are one of the three analyses we have undertaken to help understand the current and future retail environment in downtown Madison. The case studies provide an opportunity to study other cities' experiences with downtown revitalization and the retail market in particular, and to analyze some of the strategies other cities have employed to augment retail offerings downtown. In the next phase of our study we plan to draw upon some of the strategies we encountered in these four cities, ones that have particular relevance to Madison, and to incorporate a tailored version of them into our recommendations for Madison.

We chose four peer cities—Iowa City, Iowa; Ann Arbor, Michigan; Raleigh, North Carolina; and Austin, Texas—whose experiences with downtown retail vibrancy provide insight and learnings to Madison. We selected these cities based on the following criteria:

- ◆ Cities that have implemented a variety of “interventions”, providing Madison a robust set of possible strategies
- ◆ Cities that are encountering issues, and have characteristics, similar to those in Madison, including:
 - increase in downtown housing;
 - robust restaurant/bar scene;
 - destination area;
 - a variety of users: students, downtown workers, metro area residents, visitors
- ◆ Cities with downtowns that are active every day throughout the day.
- ◆ Cities of a scale similar to Madison, and with similar amenities including a university, attractive downtown area, attractive natural features.
- ◆ Cities whose interventions are somewhat recent but have already demonstrated some impact.

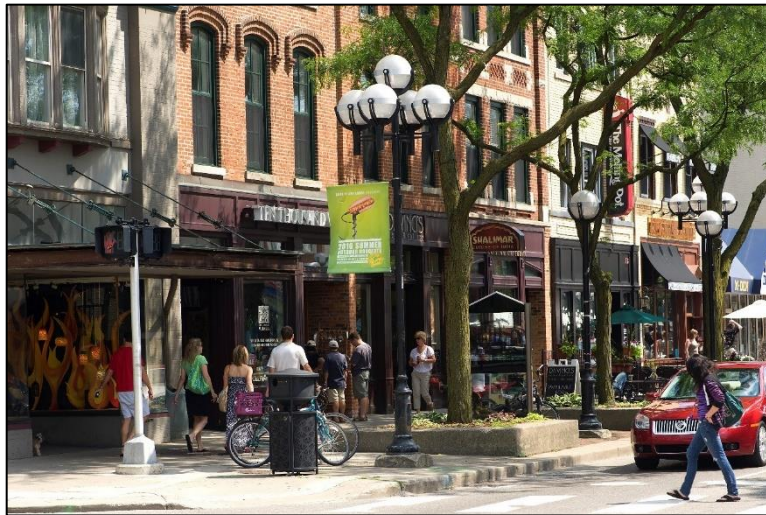
While we assessed each of the four cities' strategies to support retail development, we took a slightly different path with Austin. Austin had been identified to us as a city whose downtown includes an overabundance of bar and club establishments and suffers from the negative impacts of this concentration. In this review, we tried to shed light on some of the reasons for this overconcentration and ways it is seeking to remedy the issue.

Ann Arbor, Michigan

Ann Arbor has a population of 117,000 and is home to the University of Michigan which has 43,600 students. Ann Arbor's downtown has become a 24-hour activity center. There are more than 5,500 people living downtown and 1,800 employers with 28,300 employees. The downtown is comprised of approximately 67 blocks, 0.42 square miles, and it includes the University within its boundaries. Its increasingly dense population supports a broad mix of businesses, services and lively sidewalks. Ann Arbor's confidence in its downtown's offerings and its proactive approach to enhancing the downtown environment can provide ideas relevant to Madison's goals for its downtown.

The **Ann Arbor Downtown Development Authority (DDA)** was created by the State of Michigan in 1982; it is one of many that were created in cities around the state in response to urban decline. Its mission is to undertake public improvements that have the greatest

impact in strengthening the downtown area and attracting new private investments. Some recent projects they have initiated include a Downtown Street Design Manual which won awards from the Michigan Association of Planning, the Michigan chapter of the ASLA and the International Downtown Association; and a Parking and Transportation Study. They have also undertaken public infrastructure improvements such as improving sidewalks and landscaping, and they provide support for a high volume of public events. An innovation district has recently been created to draw start-up firms.



The Story

Ann Arbor has been experiencing growth in downtown living. Since 2010, 1,500 new housing units have been constructed downtown, a mix of apartments and condos. It is forecasted that there will be demand for approximately 1,800 additional housing units downtown by 2019. This is due largely to demand from workers living outside the area and a growing number of empty nesters who are downsizing and desire to live downtown. In addition, there is demand for increased office space.

Currently, office space rents are too low to make new development feasible and property owners are selling to residential developers to maximize sale price. This demand for space downtown and the resulting population living and working downtown influences the retail mix. A downtown

market study suggests that downtown Ann Arbor does not currently capture all of the retail activity generated by people in and around the city, and could support an increase in grocery, shoe, home furnishing, sporting goods/hobby and electronics/appliance establishments.

Strategies

The DDA has initiated two important efforts that complement downtown development and make it more successful. The DDA monitors and tracks downtown activity and vitality. This gathering of useful information celebrates the attributes that make Downtown a memorable and beloved place and, thereby, helps the DDA understand how to direct its

activities and provides critical information to downtown businesses that helps them understand the market and do business planning.

The 2014 State of the Downtown is a useful model for tracking downtown vibrancy. Its analysis of business activity could be useful to Madison. Elements of the report include: changes in private investment including office and residential development, retail mix, rents, vacancy rates, job density, demographics, transportation use and facilities (including use of the Go!Pass, a transit pass the DDA makes available to downtown employees for travel around downtown), and other quality of life measures including infrastructure improvements, crime statistics, event and venue information.

The report also highlights DDA projects and their impacts. The report is a unifying document for downtown. It demonstrates how public and private activity interface to create downtown's vitality, and by summarizing the DDA's activities and their impact, the report builds enthusiasm for the mission of the DDA and for downtown's continued success.

The second initiative is a Downtown Street Design Manual which the DDA created in partnership with the City of Ann Arbor and downtown businesses and residents. It guides street design that supports and strengthens the uses and activities unique to the

diverse areas of Downtown. The Guidelines provide standards for public infrastructure projects, and are used during the site plan review process to guide private development. The Guidelines start with the assumption that streets and sidewalks should:

- ◆ Accommodate desired levels of activity
- ◆ Be flexible and able to adapt to different seasons, demands, activities
- ◆ Allow funkiness by embracing public art, interesting landscaping and unique materials.

The Guidelines are meant to reinforce Downtown's identity and unique sense of place and, in addition to the obvious facilitation of safe and efficient traffic circulation, to strengthen commerce and economic vitality downtown. Quality streets:

- ◆ Accommodate retail, outdoor dining and public seating, all of which create an engaging environment.
- ◆ Are front doors of businesses
- ◆ Allow and encourage businesses to "own" the street in front of their establishments
- ◆ Increase access to business through bicycle parking and inviting transit facilities
- ◆ Support deliveries and quick transactions through convenient short term parking

Raleigh, North Carolina

Raleigh has a population of 439,900 (2014). It is part of the Raleigh-Durham-Chapel Hill metropolitan statistical area which has a population of two million. Downtown Raleigh is one of the fastest growing downtowns in the United States. Its population has increased 53% since 2000 to 6,000 people. Within one mile of downtown’s center the population is 15,000. Housing continues to increase. 2,400 residential units are under construction now and in the near future, adding 4,000 more residents to downtown. Downtown’s population is younger. 54% are ages 25-40, compared to 40% nationally.

Companies are increasingly attracted to downtown Raleigh because of the amenities, including restaurants, retail, night life, attractions and proximity to growing businesses. Currently 50,000 people work downtown, and employers are increasingly locating their offices near where their employees live.



their employees live. And thus the streets are vital, there is activity day and night, and people want to be there.

The **Downtown Raleigh Alliance (DRA)** produces reports regularly that help retailers understand the market and that they can use for business planning. They have created the 2016 State of the Downtown, a Storefront Inventory Report in 2015, a Pedestrian Count study in 2015, and a Downtown Retail Market Analysis and Positioning Strategy in 2009 followed by a Downtown Experience Plan for 2015-2025. This plan’s conclusions include the following.

Strategies

1. Identify a retail toolkit

Public support can catalyze and help businesses succeed downtown. Public support in Raleigh can include recapitalizing the Downtown Loan Pool Program. The Strategy suggests using the resources

to provide below-market interest loans or grants to help with construction and fit-out costs and to target retail with this assistance. A second suggestion is to expedite permitting applications and waive licensing fees for new retail businesses, and allow flexibility in zoning and/or licensing to support pop-up shops and other short term business efforts that increase vitality and spark business development. Packaging and publicizing these initiatives as a “toolkit” concentrates their impact and demonstrates commitment to the retail business and real estate community.

2. Target specific locations for retail

The Strategy recommends focusing and concentrating retail at the main downtown intersection in Raleigh and

The Story

The revitalization of downtown Raleigh illustrates in many ways the Brookings Institute’s findings about the progression downtown revitalization often follows. (*Turning Around Downtown*. Chris Leinberger. Brookings Institute 2005.) Entertainment venues spring up in an underused part of downtown. Rental housing, largely occupied by young people, follows. As the residential uses take hold, owner-occupied housing is developed and attracts often older people and those with more income. Local serving retail follows to meet the needs of downtown residents. Office development occurs because businesses want to locate near where

along adjacent streets with heavy pedestrian traffic. A downtown land use or retail use plan shows developers what the City is looking for and will support. The City can reinforce the attractiveness of these locations with streetscape improvements. In adjacent blocks that are less vibrant the City can allow opportunities for pop-up stores, parklets and public art installations to draw people.

3. Attract authentic retailers

In downtown Raleigh the community has expressed a preference for local and unique retail. These kinds of businesses help create a destination and sense of place downtown, and differentiate downtown shopping from that in outlying neighborhoods or the suburbs. In order for this to happen, smaller spaces (up to 3000 sf, for example) need to be created and property owners have to take the step to lease to this currently unfamiliar tenant type. The Strategy cites Kendall Square's experience (in Cambridge, MA) coordinating a tenancing strategy with property owners as a potentially successful way forward in Raleigh. In Kendall Square a broker-led strategy helped convince property owners that more authentic retail would add long-term value to real estate. In order for a similar effort to be successful the Downtown Business Association must partner with property owners and brokers so that they have the confidence to shift who they lease to and pursue this longer term strategy. Smaller-scale, authentic retail can also add value to the second story spaces, which often get low rents and are underused, by attracting compatible businesses. Increases in second story rents can off-set near term lower rents in ground floor retail.

4. Recruit a grocery store

A key component of growing retail is the establishment of a grocery store. A grocery store is dependent on

downtown residents and workers and should be located where access for these customers will be easy. Raleigh is experiencing enormous growth in downtown living, but should also continue to work at attracting office uses because it is this mix of customer base that supports a healthy and broad retail mix. Lowering the land acquisition cost for a grocery store could facilitate its arrival.

Another option for Raleigh is to activate an under-utilized property as a public market, similar to Reading Terminal Market in Philadelphia or Union Market in Washington, D.C. Though not a grocery store per say, a public market can meet grocery needs of those living and working downtown and in addition becomes a destination. A non-profit operating corporation could be established by the city to manage the market.

Additional Retail Support

The DRA offers other resources to retailers as well:

- ◆ The Retail Up-Fit Grant which is available for interior renovations, improvements and build-out of storefronts for retail businesses (and which is not available to restaurants, bars or offices)
- ◆ The Façade Grant Program which offers grants up to \$5000 (and requires a 50/50 match) to businesses in commercial areas for exterior improvements

Additionally, the DRA helps businesses navigate City zoning and licensing requirements, connects business owners with business loans, provides basic elements of a business plan, and coordinates the First Friday event which encourages and incents people to shop and visit downtown.

Iowa City, Iowa

Iowa City has a population of 72,000 and is home to the University of Iowa which has 32,100 students. Its downtown is lively and has 280 businesses, many of which are independent and locally owned, frequented by students, university staff, hospital staff, and other area residents. Within downtown, there are 1.2 million square feet of commercial development within two separate and distinct neighborhoods: the traditional Downtown and the Northside Marketplace.

The **Iowa City Downtown District** is an active organization that supports downtown businesses and promotes a vision for the area. Its goals are:

- ◆ To enhance downtown Iowa City's image as the region's premier urban destination to eat, shop, live, play, stay, and enjoy
- ◆ To ensure that the downtown is inviting, green, clean and safe for all
- ◆ To increase downtown's economic competitiveness
- ◆ To enhance cultural vibrancy and local innovation through inclusive cultural, educational and entrepreneurial programs to increase the number of people that visit downtown
- ◆ To partner to evolve and sustain success
- ◆ To live local



and shopping downtown. Their retail strategy includes establishment of an optimal tenant mix, attracting new local retail concepts, recruiting complementary businesses and creating metrics by which to measure progress.

Strategies

Iowa City has undertaken initiatives to improve downtown that we believe are relevant to Madison's goals for its downtown. These include:

- ◆ Property evaluation program through which architects evaluate buildings – exterior or interior – and provide conceptual designs and pro forma financial estimates to help building owners improve their space.
- ◆ Provide matching grants for building upgrades, especially targeted at increased leasing of underutilized space.
- ◆ Small business support and marketing including buyer groups for core services (graphics, printing, computer services, garbage) and essential goods (office supplies, retail packaging, etc.).
- ◆ Creation of a downtown district gift card.
- ◆ Identifying what is unique about downtown – its history, the presence of the University, the vibrant arts scene – and promoting the sense of place these elements create.
- ◆ Infrastructure renovations that have included lighting, seating, parking, water/sewer, etc.. Interactive art and programming during construction to minimize disruption to businesses.
- ◆ A Master Plan, retail strategy, market profile, storefront and signage guidelines.

The Story

In 2014 the Downtown District created a Retail Strategy and a Streetscape Master Plan, and in 2015 they completed Signage and Storefront Design Guidelines.

The Downtown District has been responding to an increase in people living downtown as well as visiting

Austin, Texas

Downtown Austin, Texas, is a thriving and vital environment that attracts area residents, University of Texas students, and tourists alike. Its renowned club and music scene is a central attraction, yet the concentration of bars and lack of a balance of uses has also created quality of life problems and prevented downtown from being a day and night destination that draws a variety of people.

The **Downtown Austin Alliance** is a partnership of property owners, individuals and businesses, active since 1993, and has been leading the effort to improve downtown Austin. They are a resource for creating change. Their website is comprehensive and illustrates the information tracking that supports decision-making as well as the initiatives going on in Austin to improve downtown.

<http://www.downtownaustin.com/daa/about-daa>

The City of Madison can look to Austin as an example of the negative impacts the concentration of bars can have on an urban entertainment district, and can also learn from some of the measures taken to mitigate these impacts and to attempt to evolve the district towards being a thriving bar/restaurant and retail district that is active around the clock, bringing people downtown and creating a place for successful businesses.

The Story

Sixth Street, a primary thoroughfare in downtown Austin, has been a destination for a long time. But back in 2001, with 55 liquor licenses in five blocks, the City wanted change. The concentration of bars and clubs meant the area was largely vacant all day, and then

busy with bar patrons from late afternoon until the early morning hours. The single use environment meant no retail and just a few restaurants to balance the evening and late night crowd and hours of activity. It narrowly attracted students and other young people looking for the party environment.

Excessive drinking, in part due to drink price competition that results when bars are concentrated, underage drinking, and resulting rowdy behavior, led to police involvement and police-led strategies to manage behavior. Barriers were erected to separate cars and pedestrians, and a visible police presence at bar time was routine. The district was not attracting people looking to go out to dinner, to shop, or to walk around downtown.



In 2005 the City of

Austin developed a comprehensive strategy for downtown retail. With 57 bars and clubs and only 14 retailers downtown, the City wanted to see more restaurants, as opposed to just bars, more live music at these venues, and more retailers that reflected Austin's unique character (for example, coffee shops, vintage clothing, etc) that would attract shoppers and create a lively attractive setting. They wanted people downtown throughout the day and wanted to shift the image of downtown as only a party destination.

A lot has changed in downtown Austin, but today, Austin still struggles with a concentrated bar scene. On the one hand these establishments attract a large clientele and pay high rents. On the other hand, there continues to be rowdy behavior that poses safety concerns, costs tax dollars, and keeps people away.

Parts of downtown have successfully transitioned to more mixed use areas (Congress Street) while others

have not (Sixth Street). As recently as August 2, 2016 *Texas Monthly* reported on the unsettled state of Sixth Street. Any change will require ongoing conversation and then consensus around a vision for the area.

How does this concentration happen and why? Property owners and police in Austin have attributed it to a lack of vision for the area. Urban entertainment districts often evolve on their own, without an overall vision for the area and planning that guides development activity.

This has been Sixth Street's experience. A cluster of bars arises in a run-down or underused part of town, and the city is happy to have the development and resulting improvements in the area. Not much thought is given to how the area can best develop. As more entertainment venues are created, the nighttime focus is reinforced and no retail arrives.

Property owners in Austin are comfortable leasing their space to bars because the financials are known. It is difficult to break out of what's known and take the risk of renting to a new use like retail. And furthermore, a new use will most often require extensive building renovation.

These areas often have historic buildings, buildings with unique character, and/or buildings that are old, human in scale, interesting and underused. Renovating these types of buildings is expensive. Often there are second story spaces that have potential but are vacant because accessibility laws and fire codes make renovation prohibitive.

Strategies

What to do? Improving the downtown environment has been on the agenda of the City of Austin for at least 25 years. While Sixth Street continues to be a challenge, other parts of downtown, including Congress Street have seen changes in business mix and increased vitality. The following tactics have been tried in Austin and have had success.

1. Create a vision for the area

Strong city leadership is required. A vision developed by the City, businesses, property owners, bar owners, and residents can guide development, give confidence to property owners who are leasing their space, and focus public investment. It is critical to have property

owners included and on board, and also the Police Department. When the City is not actively working toward its vision for an entertainment district, the Police often enter in a de facto role and create that vision by controlling the impacts of existing uses. What are Downtown's issues and opportunities? And what does Downtown want to be?

2. Give attention to the streets of Downtown and understand it and treat it as a place

. Assess how much of Downtown accommodates cars and how much accommodates pedestrians and tilt the balance toward pedestrians. Austin has been implementing a Great Streets Program that includes turning one-way streets back to two-way; widening sidewalks (from the standard 10 feet to 18 feet to accommodate patios and foot traffic); and beautifying the streetscape with trees, benches and planters. These public improvements have been built by developers and funded in part with parking meter revenues or developer contributions in exchange for zoning exceptions such as increased height; and some projects are solely public.

3. Subsidize retail development

Subsidize retail development to incent property owners to take the risk and lease to a new kind of tenant. Low or no-cost rehab loans, property and/or sales tax abatements can spark new businesses and get the ball rolling.

4. Encourage retail by hiring a retail coordinator

. This person can work with property owners and brokers to attract retail uses, provide tools and information that include up to date property vacancy lists, how to's for setting up a food truck or pop up shop (which, if successful, may lease space downtown) or sidewalk cafe, and demographic information about who is shopping Downtown. Austin's downtown business association created four profiles of the downtown shopper, found on their website, which help a potential business as they create a business model.

5. Create a parking plan

Create a parking plan (involving property and business owners) that provides a combination of on-street and off-street parking and makes wayfinding to off-street ramps or garages easy and pleasant.

6. Highlight the architecture

Highlight and promote Downtown's unique architecture and use it to create the sense of place. Maintain historic buildings and as a catalyst, make their renovation less expensive, at least in the short-term.

7. Create design guidelines

Create design guidelines for building renovation that maximize retail frontage.

Key Findings

The above case studies offer a broad menu of potential strategies that have been employed by cities facing similar challenges to those faced by Madison. Some of the recurring themes and lessons learned are summarized in this section as key findings.

Property owners play a key role. Strengthening downtown retail requires authentic engagement with property owners about a vision for downtown. Property owners make decisions about who they lease their properties to and the kinds of investments they make in their buildings. When property owners participate in and own the vision, they are more likely to make decisions, from tenant choice to façade upgrades, that support that vision.

Engaging the brokerage community to support retail tenants makes a difference. A coordinated tenant strategy that is supported by brokers can help bring retail businesses downtown. In a downtown where retail is an emerging use, proactive efforts to connect retail businesses to property owners can make the difference between renting to a new unfamiliar retail use or continuing with an existing but less desirable use. There are costs involved in turning a building over to retail and a property owner is more likely to make the changes if the coordinated strategy lessens his/her feeling of risk and promotes the vision of downtown retail.

The condition of the public realm makes a big difference. While the market fundamentally drives the demand for retail downtown, the retail market is substantively impacted by surrounding public infrastructure, the condition and attractiveness of buildings, the sense of place, the strength of the vision, and the organizational capacity of the business and property owners, public staff, real estate brokers and developers.

Business districts need an effective organization focused on the district. A critical component of coordinated activity to strengthen retail downtown is a strong downtown business association that has staff, a plan with a vision that it implements, strong relationships with area businesses and property owners, and resources to spend. Retail vitality emerges from the combination of an appropriate and desirable physical environment AND organizational capacity that coordinates people and resources around the vision.

Good information can improve effectiveness. Keeping an up-to-date trove of information about downtown helps create the vision, guides the downtown association's activities, directs public investment, and helps businesses understand the market, see their role in it and do business planning. Active display of downtown retail activity measures can build enthusiasm for new retail businesses, as well as public streetscape investments that to some might seem extravagant, and contribute to its success.

Residential growth is a driver. Downtown residential growth is the big driver of retail development. A key role a city and downtown community can play in revitalizing retail is to support downtown living and to help shape it. Cities can guide the location of new downtown residential development, and make sure that a mix of housing is developed so that a variety of people lives downtown. It is critical that affordable housing be a part of that mix. A healthy and diverse mix of housing downtown will support an array of retail uses to meet the needs of this population.