

# Memorandum



CITY OF DALLAS

DATE June 5, 2009

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT Main Street District FOCUS Retail Program

The Office of Economic Development proposes the creation of the Main Street District FOCUS Retail Program through the use of financial incentives to attract retailers, improve existing vacant retail space and support downtown revitalization initiatives. The attached briefing describes in detail the program's purpose, objectives, and incentive components.

Should you have any questions, please contact me at (214) 670-3314.

  
A.C. Gonzalez  
Assistant City Manager

C: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Deborah Watkins, City Secretary  
Tom Perkins, City Attorney  
Craig Kinton, City Auditor  
Judge C. Victor Lander, Judiciary  
Ryan S. Evans, First Assistant City Manager  
Ramon Miguez, P.E., Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
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Jeanne Chipperfield, Director, Budget & Management Services  
Karl Zavitkovsky, Director, Office of Economic Development  
Vernaé Martin, Assistant Director, Office of Economic Development  
Hammond Perot, Assistant Director, Office of Economic Development  
Helena Steven-Thompson, Assistant to the City Manager

# Main Street District FOCUS Retail Program



**Economic Development Committee Briefing**

**June 12, 2009**

# Briefing Objectives



1. To propose a Main Street District **FOCUS** Retail Initiative that generates complimentary retail surrounding Neiman Marcus, using Downtown Connection TIF District funds dedicated to this purpose.
2. To identify properties and improvement needs in the area of focus.
3. To outline a list of incentive tools – the Tool Kit – and an evaluation and recruitment process required to execute this strategy.
4. To seek Economic Development Committee input and recommendation for Council approval of the FOCUS Retail Program.

# Background



- City Council authorized establishment of Main Street District Initiative Loan and Grant Program on October 22, 2008 which included two primary components:
  - Retail Recruitment Incentive (rent subsidies, tenant and façade improvements)
  - Marketing, Leasing and Promotions
- Eligible businesses were primarily located in the Main Street District Retail Core (Main Street between Akard and Ervay).

# Background



- Results were mixed
  - New retailers added (Joseph A. Banks)
  - Service providers such as CVS and JP Morgan Chase, as well as new restaurants (Charlie Palmer's, Dallas Fish Market) have opened without subsidy.
  - Urban Market Grocer has remained open
  - Smaller businesses (Kul Design, Swirl, Crimson in the City) did not survive, despite continued assistance.
  - Incentive Program brought retail attention to the CBD core that didn't previously exist, **but** downtown retail market has not yet matured.

# Background



- **Lessons Learned**

- Retail needs a critical mass of residents and vice versa
- Negative perceptions related to public safety and parking adequacy are impediments to shoppers and businesses
- Incentives help small businesses enter the marketplace, but they need a strong residential market to survive
- National chains won't commit until local entrepreneurs establish legitimacy of the area
- Successful retail recruitment requires a juggling act between improving the physical environment, stimulating small business and attracting national retailers

# Background

- On April 9, 2008, City Council approved a new downtown retail direction (in partnership with DOWNTOWNDallas) with two primary components: Retail Business Assistance and Retail Catalyst Incentives.
  - **Retail Business Assistance** initiatives have included incentives to (1) Jason's Deli to commit to extended hours of operation, (2) the CADD Gallery (3) completion of a Downtown retail cooperative and Resource Center, and (4) Internship program for local high school and community college students.
  - **Marketing and Recruiting** efforts and hiring of a dedicated retail recruiter have been put on hold, pending development of a catalyst incentive program.
- **Retail Catalyst Incentives (Main Street District FOCUS Retail Program)** are the topic of this briefing.

# What is the Main Street District FOCUS Retail Program Concept?

- Outgrowth of the Mayor's Downtown Task Force Retail Committee recommendations.
- Objective is to generate contiguous complimentary retailers surrounding Neiman Marcus and build on Mercantile Block and Main Street Garden initiatives.
- Targets specific blocks: 1500-1700 blocks of Main Street, 300-400 blocks of Ervay, and 1800 block of Commerce (see Map on page 9 and Appendix 1 for list of properties requiring immediate attention).
- Incentive Tools include:
  - White Box Grants
  - Tenant Improvement Grants
  - Forgiveable Loans to Retailers
  - Matching Grants for Façade Improvements

# FOCUS Retail Program Concept (cont'd.)



- Funding source is the Downtown Connection TIF (DCTIF) District Retail Initiative Line Item Budget in the amount of \$1,531,489 (funded by TIF Bond Issuance).
- Program Marketing will be handled by DOWNTOWNDallas, the City's Marketing/Leasing Partner.
- Approval process for individual subsidy incentive requests includes: screening by Downtown Retail Committee, approval by DCTIF District Board, ECO Committee, and City Council.

# Map: FOCUS Program Targeted Blocks

**Objective: To create an environment of contiguous complimentary retail in order to create a stable Retail District.**



# FOCUS Retail: Incentive Tool Kit



- Various incentives, subsidies, and grants that can be allocated to an approved applicant.
- Flexibility on the use of funds based on tenant needs and condition of available rental space.
- Priority to tenanting spaces adjacent to Neiman Marcus and “clean up” the neighborhood.
- Evaluation criteria will be tailored to this program, but similar to that used in the Phase II Retail Program (see Appendices 2a and 2b).
- Council approval required for all individual incentives.

# FOCUS Retail Tool Kit: White Boxing of Space

- **White-Box Vacant Retail Space**

Many street-front spaces in the Retail District are raw, undeveloped and unattractive. Retail experts agree that space in such condition is extremely challenging to lease.

Objective: Stimulate successful leasing and improve the overall appearance of the downtown environment.

Tool: Grants for White-Boxing

Bring properties to “*white box*” condition (base finish out including ceilings, lighting, demising walls, restrooms, HVAC, interior walls, etc.) with grants to property owners for base finish-out of spaces. Property owners would be required to invest a minimum of 25% of the total cost. Awards to be based on square footage.

# FOCUS Retail Tool Kit: Tenant Improvements

- **Retail Tenant Improvements (T/I)**

Retailers in today's marketplace are attracted with finish-out allowances and forgiven rent.

Objective: Attract retailers to the marketplace who would otherwise locate outside of the CBD.

Tool: T/I grants to be provided to retailers to enhance the space, provide permanent fixtures and equipment, and other structural improvements to customize the property for a particular tenant's needs. Grants to be based on recipient meeting program criteria and square footage of space occupied.

# FOCUS Retail Tool Kit: Forgivable Loans

- **Forgivable Loan**

As an initial attraction for targeted retailers, the market dictates a period of forgiven rent and/or upstart allowance for operational and marketing needs.

Objective: To attract targeted retailers to compliment the Main Street Retail District

Tool: Forgivable loan program for approved retailers. Retailer would be required to enter into a 5-year lease, report quarterly sales data, and adhere to specified hours that will encourage an active downtown. Award to be based on meeting program criteria and square footage of space leased.

- ▶ If the retailer reaches 3X's their "break even point", retailer required to contribute 5% of annual sales back to the FOCUS Program for as long as this measure is maintained. The break even point will be set upon loan award.

# FOCUS Retail Tool Kit: Façade Matching Grants



- **Matching Grants for Façade Improvements**

Objective: Continue the matching grant program currently administered by DOWNTOWN Dallas which provides up to \$25,000 for façade or public space improvements to private property owners or business lessees.

Tool: \$25,000 per grant award

# FOCUS Retail Tool Kit: Broker Incentives

- **Broker Incentives**

Due to decreased rents, subsidies and current market conditions, the brokerage community has by and large focused on other areas of the City.

Objective: Provide a financial incentive to brokers who typically focus their attention on areas outside of the CBD and do not direct their clients to the downtown retail district.

Tool: Broker incentive of 5% of market lease rate (\$20/sf), based on a 5-year term.

# FOCUS Retail Tool Kit: Recruitment

- **Retail Recruitment**

- A target list of 75 tenants (see Appendix 3a & 3b) has been assembled with advisement from Karen Katz, President & CEO of Neiman Marcus, Shelle Sills, VP & General Manager of Neiman Marcus, and local retail experts.
- Examples from the list include: Eileen Fisher, Stewart Weitzman, Gap Concepts, Container Store, Crate & Barrel, etc.
- Neiman Marcus has committed to assisting with the recruitment of companies from this list.
- Additional recruitment strategies to be implemented for this program include a direct mail sales campaign to the target list, direct telephone contact and visits from Ms. Katz and the Neiman Marcus retail team.
- DOWNTOWNDallas will continue as the City's marketing/leasing partner on these initiatives.

# Recommendations and Next Steps



- DCTIF District Board endorsement on June 8, 2009.
- Input and endorsement of Main Street District FOCUS Retail Program by Economic Development Committee.
- Economic Development Committee recommendation for City Council approval on June 24, 2009 of \$1,531,489 in DCTIF District funding of this initiative, subject to Council approval of individual incentive applications.

# Appendix 1

## Properties Requiring Immediate Attention

Property Address	Property Owner	SF/Current Use/Condition
1615 Main	Pillar Group L. Sweeney	20,000 sf; 4 stories; 5,000 sf floor plates; Vacant; No utilities; Non-operating elevator
1623 Main, Suite 123 Wilson Building	Forest City Enterprises	1,200sf, 800sf ground floor + 400sf interior balcony; Not ADA compliant
1800 Commerce (DalPark)	John Tatum	20,000SF ground floor; HVAC, electrical operational
500-700 Ervay The Merc - west side	Forest City Enterprises	15,000SF ground floor; 22,000SF second level, 15,000SF mezzanine <ul style="list-style-type: none"> <li>• Completely unfinished</li> </ul>

# Appendix 2a

## Funding Criteria: Main Street District Loan & Grant Program

### Phase II Funding Criteria:

#### Criteria

#### Rating Factor

Job Creation	75-100 jobs 7	74-50 jobs 4	49-25 jobs 2	< 24 jobs 0
Private Investment/Financial Viability/ Experience (excluding reimbursed TI's)	> \$3m 8	\$3m - \$1.5m 5	\$1.5m - \$.5m 3	< \$.5m 0
Square footage of retail store (public area only)	30,000+ 29,999 - 15,000 14,999 - 8,000	2 4 6	7,999 - 5,000 4,999-1,500	8 10
Attract other retailers (fulfill co- tenancy requirement)	10			
Hours of Operation	Evenings & Wknds 10	Sat & Sun 6	Sat & Thurs Night 4	Thursday Night 2
Uniqueness (number of stores)	unique 10	2nd in region 6	<5 in region 2	> 5 in region 0
Expressive Retail Facade	5			
Second Floor Occupation	5			
Located within the Core Target Area	10			
Sector of Market Served	Serves Downtown Residents 5	Serves Tourists &/or Regional Market Add 5	Serves Downtown Employees/ Relocation from Tunnels Add 5	
Ten year lease	5			
Minority/Women Owned Business	5			
<b>MAXIMUM TOTAL POINTS</b>	<b>100</b>			

# Appendix 2b

## Funding Criteria: Main Street District Loan & Grant Program

### Phase II Funding Criteria:

The incentive package will be determined by the following calculation:

**Rent Subsidy = Total ground floor SF x \$18 x year 1 + Total ground floor SF x \$9 x year 2**

**Tenant Improvements = Points Earned x Public SF x X X = desirability factor and can range from .50 to .60**

**Total Incentive Package = Rent Subsidy + Tenant Improvements**

- **The total incentive package amount can be allocated to permanent tenant improvements, rent subsidy, or a combination of the two, based on the tenant and landlords needs. The recapture provisions will also be determined on a case by case basis based on the incentive package.**
- **Retail Recruitment funds are to be used within the focus area, Main Street between Ervay and Akard Streets, and, if allocated outside of this area, the total incentive package shall be limited to \$250,000, to be exercised only by approval of a super-majority of the Retail Committee.**
- **Any restaurants/bars recommended shall be limited to an incentive package consisting of only the tenant improvement calculation. The limited incentive package may be applied to either tenant improvements or rent subsidy.**

# Appendix 3a: Retail Recruitment Target List

Eileen Fisher Stewart Weitzman Cole Haan Intermix Zales Club Monaco Ralph Lauren Liz Claiborne Family of Brands <ul style="list-style-type: none"> <li>• Access</li> <li>• Claiborne</li> <li>• Concepts by Claiborne</li> <li>• Dana Buchman</li> <li>• Liz &amp; Co</li> <li>• Bora Bora</li> <li>• Curve</li> <li>• Mambo</li> <li>• Realities</li> <li>• Usher</li> </ul> Gap Concepts <ul style="list-style-type: none"> <li>• Gap</li> <li>• Banana Republic</li> <li>• Gap Body</li> <li>• Old Navy</li> <li>• Gap Kids/Baby</li> </ul> Theory Nicole Miller Poleci Laundry Williams Sonoma	Women's Apparel Shoes/Accessories Shoes/Accessories Apparel Shoes/Accessories Apparel Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Cosmetics Cosmetics Cosmetics Cosmetics Cosmetics Apparel Apparel Apparel Apparel Apparel Children's Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Home Goods	DKNY Jeans Group <ul style="list-style-type: none"> <li>• DKNY Jeans</li> <li>• DKNY Active</li> </ul> Monet Group <ul style="list-style-type: none"> <li>• Monet</li> <li>• Marvella</li> <li>• Trifari</li> <li>• Enyce</li> <li>• Kensie</li> <li>• Kensiegirl</li> <li>• Mac &amp; Jac</li> <li>• Narciso Rodriguez</li> </ul> Juicy Couture Kate Spade Lucky Brand Jeans Mexx Fossil Container Store West Elm Crate & Barrell Elle Tahari Lafayette 148 Urban Outfitters, Inc. <ul style="list-style-type: none"> <li>• Urban Outfitters</li> <li>• Anthropologie</li> <li>• Free People</li> </ul> H&M JCrew Oakley	Women's Apparel Women's Apparel  Women's Apparel Women's Apparel Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel Women's Apparel/Accessories Apparel Children's Apparel Accessories Home Goods Home Goods Home Goods Women's Apparel Women's Apparel  Apparel Apparel Apparel Women's Apparel Apparel Accessories
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# Appendix 3b: Retail Recruitment Target List

<p>Kenneth Cole Limited Brand Concepts</p> <ul style="list-style-type: none"> <li>• Victoria's Secret</li> <li>• Bath &amp; Body Works</li> <li>• C.O. Bigelow</li> <li>• The White Barn Candle Co.</li> <li>• Henry Bendel</li> <li>• La Senza</li> </ul> <p>Express Limited</p>	<p>Apparel Lingerie/Cosmetics Cosmetics Cosmetics Home Goods Women's Apparel Lingerie Apparel Women's Apparel</p>		<p>Tory Burch Jemma Kidd BCBG Seven Vera Wang Origins MAC Chico's White House Black Market DVF Marc Jacobs</p>	<p>Shoes Women's Apparel Women's Apparel Apparel Women's Apparel Cosmetics Cosmetics Women's Apparel Women's Apparel Women's Apparel Apparel</p>
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