

Business Association Meeting with Larisa Ortiz Associates

March 2, 2017 8-10am

Police Headquarters 1st Floor Community Room

Present were Larisa Ortiz, Principal, Patricia Voltolini, Associate, Larisa Ortiz Associates, Larisa Ortiz Associates, Lisa Hemmerle, Economic Development Director, Pardis Saffari, Senior Economic Development Specialist, Jason Alves, East Cambridge Business Association, Patrick McGee, East Cambridge Business Association, Lukas Friedlaender, Boutique Fabulous, Denise Jillson, Harvard Square Business Association, Alexandra Lee, Kendall Square Association, Alicia Kendall Square Association, David Maher, Cambridge Chamber of Commerce, Michael Monestime, Central Square Business Association, Steve Diamond, University Real Estate, Frank Kramer, Cambridge Local First, Charlie Marquardt, Cambridge Local First, East Cambridge Business Association, Fred Meyer, Aggazi Neighborhood Group, Ruth Ryals, Buena Vista Social Club.

Ms. Ortiz stated that the retail environment is changing and this study is an opportunity to have a holistic view of what Cambridge looks like currently and in the future. Ms. Ortiz gave a brief summary of her 25 years of experience working in Economic Development in commercial corridors years. She stated that she caught the Economic Development bug early and dug deep into the retail environment. She noted that her firm has worked in over 100 communities nationwide.

Ms. Ortiz stated that most of the conversation will be for her firm to receive feedback from the public. She gave a summary of a PowerPoint presentation. She noted that the goal of the work is to develop best practice policies and programs that will support and enhance the ground level active use land and retail environment in Cambridge. She explained that this goal will be accomplished in four ways: Public Policies/Investments, Marketability/Visibility, Tenant Mix and Administration Capacity. She stated that she has worked in communities with many resources as well as communities with limited resources. She stated Larisa Ortiz Associates is excited to work with business associations as well. Ms. Ortiz explained that LOA plans to make recommendations for the right mix for each district. She stated that the idea is that each district has its own DNA, each district wants to be something. She stated that LOA approaches this by trying to understand who are the people who are going to these places currently. She stated that the main goal is to categorize all of the districts and improve what is there. She stated that they will look at who has the responsibility to take this work on. She stated that it takes time and effort to build relationships in the commercial real estate industry and they want to make sure the recommendations are a reflection of who can get this work done. She stated that it is the mission of LOA is that communities reap significant rewards when they take the time to accurately understand their stakeholders and local market dynamics before leaping into action. She noted that this will allow the prioritization of a set of solutions that temper market realities with the interests of diverse voices in the community. She explained that LOA will return to Cambridge at the end of February or beginning of March to have many more interviews with key stakeholders. She noted that her current visit to Cambridge was to visit all of the districts and explained that inclement weather made that very difficult. She stated that LOA will use the information from this hearing to do a deep dive into market data.

Ms. Ortiz stated that there are four areas that make retail work: Physical Environment, Business Environment, Administrative Capacity, and Market Data & Demographics. She stated that shoppers are often agnostic about whether they purchase something from a mall or a district. She stated that we live

in environment where people have options so it is imperative that commercial districts are competitive. She stated that the physical environment is important and explained that data doesn't talk about unique cultural institutions that bring people to a particular district. She said that data can only tell so much and LOA looks to communities to give flavor and texture to the data.

Alexandra Lee stated that they have a budget, but not enough staff capacity to take on additional roles. They would look to volunteers.

Ms. Ortiz asked what everyone is seeing with retail on a citywide level. Mr. Kramer notes that developers are coming in from all over the world and that the tenant mix is changing and shifting.

Mr. Marquardt stated that the taxes paid by commercial side in the city is large. His taxes went up 20% one year and 25% the next. Mr. Marquardt stated that businesses get no services included with those tax levels like trash pickup, street cleaning, shoveling.

Ms. Jillson noted that Uno's has left and they didn't want to pay the taxes. The assessment is higher so the taxes are higher. Outside investment is driving up building assessed values by city.

Mr. Marquardt stated the city is aggressive with assessments of commercial versus residential.

Ms. Jillson stated that she has tax assessment data dating back to 2012 and it is amazing how the values have changed.

Mr. Maher said the LLCs are tricking the assessed values and making it hard to see ownership. He noted that Bob Reardon is looking at how to better disclose sale prices which is a change that needs to take place at the state level.

Ms. Ortiz asked what the barriers are for new business to open

Mr. Marquardt state that people want affordable retail, but you can't get that without affordable rent.

Mr. Monestime state that the size of the footprint is better suited to small spaces

Ms. Jillson state that there are things the city can do and to look at Curious George's location bought by a REIT for \$83M, a \$20M overpayment. The City activists want affordable retail but there needs to be compromise between the developer covering their costs and pushing to support small businesses on the ground floor.

Ms. Ortiz asked if small businesses are getting good lease terms

Mr. Maher stated an example businesses owner that put a large amount of money into tenant improvements but only had an 18 month lease.

Ms. Jillson stated that businesses need to be educated to look at annual sales and projections and never pay more than 20% in rent.

Ms. Ortiz stated that not more than 10% is recommended as a general rule.

Mr. Kramer stated that the city and business associations can combine resources and find ways to incent landlords.

Ms. Jillson stated an example of how many honeycombs does ** store need to sell per day.

Ms. Saffari stated that they supplement their business model with wholesale and farmers markets.

Ms. Ortiz asked about attractive business models and trends.

Mr. Meyer stated Amazon.

Mr. Diamond stated lowering rents

Ms. Lee stated they use their website; events; wayfinding kiosks to help small businesses

Mr. Kramer stated they use the CLF directory.

Ms. Ortiz asked if folks are looking toward the internet more

Mr. Monestime stated they are looking at a wayfinding model; their website; social media and an app for Central Square.

Ms. Ryals stated they get their funding through Lesley college

Ms. Ortiz stated that students are likely using their devices not a map.

Ms. Jillson stated that they still print maps and spend \$50K per month on advertising from their \$600K budget; they have a website which gets 5M hits over 10 years, 18K twitter followers, 50K Facebook followers. They have a staff who has 80% of her time dedicated to social media.

Mr. Alves state their website needs to be updated and they use social media.

Ms. Lee noted that using pop ups in vacant spaces is important. Ms. Jillson said working with art organizations to fill empty spaces. Ms. Ortiz stated that liability insurance is using the big issue.

Mr. Maher stated that land banking seems to be happening and that the council is looking at tiered tax systems for small businesses.

Mr. Marquardt stated commercial users are paying a large share of property taxes in the city.

Ms. Jillson stated permitting with the city is onerous.

Mr. Marquardt agreed and stated that there is only on electrical inspector for the entire city right now.

Ms. Jillson stated the city is thorough but there is not enough staff. As the amount of development has increased, the number of staff has not.

Mr. Marquardt noted that the city is generating fees from permitting and that ISD generating revenues which should be used for staffing.

Ms. Jillson stated that the city has \$14M in mitigation funds and wished some of that would be used for businesses that development is having an adverse economic impact.

Mr. Diamond stated that a tiered tax system would benefit small businesses.

Mr. Marquardt mentioned land use and how a crepery had to get a variance to use a former bakery site.

Mr. Alves stated that a 1KSF space in East Cambridge wanted a change of use but couldn't afford the ADA upgrades, or wait for the State variance process so they are using the space for office instead. The foot traffic is good though since the courthouse closed.

Mr. Maher asked how long permitting takes.

Mr. Friedlaender stated 0-60 days depending on whether it is a naïve business owner or they are using a lawyer. City must walk through the steps with the former.

Mr. Marquardt stated that even after all the permits are signed you still need to get your certificate of occupancy, which is yet another signature.

Mr. Alves stated that there are classification issues, referring to the land use tables

Ms. Jillson stated that we are moving towards experience based retail to compete with the damage Amazon is doing. She mentioned Shroeners bookstore closing but still having an online presence. She stated that HSBA has 80 events per year, but that you need to be in a location for 45 minutes before you spend your first dollar.

Ms. Saffari noted that more businesses need to be multimodal, allowing customers to order online and pickup in the store. It's a capacity issue for many small retailers.

Mr. Kramer stated that the city needs to help them learn.

Mr. Diamond stated the need for more customer parking where resident parking exists. He stated it should switch during the day and include business parking stickers or stickers for the owners.

Mr. Maher noted that the city tried this with 2 hour or permit. The problem was enforcement.

Mr. Magee stated neighbors would complain that I want to take your parking. This needs to come from the city not the businesses. City council is not reading the letters sent from the businesses.

Mr. Kramer stated there needs to be a push towards buy local; bank local

Mr. Friedlaender stated that he has given up on the boutique model, noting that Amazon Prime has 8M members. We need to envision what it will look like and that promotion is key.

Mr. Jillson stated we need to look at the short-term, at 5 years and at 10 years.

Mr. Alves stated that the business association hosts events and beautifies their area with \$50K in flowers, lights and flags and then receives a \$7500 water bill from the city for it, or cut checks for closing the street for events that promote the area.

Ms. Jillson agreed that HSBA pays these fees to the city for the public purpose of activity the district.

Ms. Hemmerle thanked everyone for their participation.

The meeting adjourned at 10:10am.