



**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: August 6, 2019

AGENDA TITLE

Consideration of a motion to accept the July 9, 2019 Study Session Summary on the Citywide Retail Study Final Report.

PRESENTER/S

Jane S. Brautigam, City Manager
Yvette Bowden, Director, Community Vitality and Parks and Recreation Department
Sarah Wiebenson, Hill Community Development Coordinator, Community Vitality Department

EXECUTIVE SUMMARY

This agenda item provides a summary of the July 9, 2019 study session on the Citywide Retail Study final report.

The purpose of the study session was to present key findings and request council feedback on the proposed Citywide Retail Strategy framework objectives and next steps, namely:

1. Does Council wish to add or remove any topic areas from the proposed strategy framework?
2. Of the proposed topic areas, are there any that council consider a particular priority?
3. Does council agree with the list of next steps identified by staff for pursuing the Citywide Retail Strategy?

STAFF RECOMMENDATION

Suggested Motion Language:

Staff requests council consideration of this matter and action in the form of the following motion:

Motion to accept the July 9, 2019 study session summary on the Citywide Retail Study Final Report.

BACKGROUND

At the city council study session on July 9, 2019 staff presented key findings from the final report of the Citywide Retail Study and requested feedback on the proposed Citywide Retail Strategy framework objectives and next steps. Proposed strategy objectives included: address retail deserts; monitor retail trends; optimize existing retail space; address reported retailer challenges; and maintain affordable commercial.

SUMMARY

Community Vitality staff began by thanking the many contributors to the project, including the city's non-profit partners, staff members from other city departments and members of the public who completed the shopper and retailer surveys.

Staff began by reviewing the purpose of the Citywide Retail project and direction provided by council on the scope of work for the project at a study session on July 10, 2018. Next, staff listed the key findings from the Citywide Retail project study phase, namely:

- Boulder's retail inventory and sales are strong and competitive.
- Boulder sales tax revenues both benefit from and are reliant on spending by non-residents (i.e. workers and visitors)
- Sales tax revenues are relatively flat, signaling a need to take proactive measures to identify opportunities to meet shopper needs (i.e. address retail deserts and unmet needs) and be ready for changes in consumer behavior
- Residents are calling for access to more affordable and inclusive goods
- Retailers are calling for more city support and options for affordable space

Key findings were followed by slides with data that supported the findings and topic areas for further exploration in the Citywide Retail Strategy.

Questions from Council

Council Member Yates noted that the increase in sales tax revenue from dining out possibly negatively correlates with the decline in food store sales. He asked if the study include a look at food store sales in the neighboring benchmark communities. The Council Member pointed out that it would help to know whether grocery sales are going to other communities, or if people aren't buying as many groceries. Staff responded that this could be explored further in the strategy.

Council Member Morzel asked for clarification on whether the Hillside shops were included in residential retail access (grocery and pharmacy) analysis of the North Boulder Annex node. It was clarified that the Hillside shops were included as providing grocery access, but it is listed as a pharmacy desert because (although the shops at Hillside may carry some pharmacy items), it is not currently possible to fulfill a prescription within the North Boulder Annex node.

Council Member Morzel asked how the retail vacancy rate would change if the Macy's space converted to housing. Staff responded that if the space was used for housing it would no longer be included in a square footage count of retail vacancy. For now, the Macy's space is occupied, i.e. the data is a snapshot in time. The takeaway is the impact that one large plate space can have on the overall vacancy picture.

Council Member Brockett pointed to areas of the report suggesting the need to attract certain types of retailers to satisfy unmet retail needs in the community, asking for the city's latitude to be involved in this. Staff responded that some cities create retail attraction programs to undertake this type of effort which could be initiated by Council as an outcome of the Citywide Retail Strategy. The Council Member pointed out that additional work is needed during the strategy phase to determine what types of retail are needed, with attention to supporting walkable access from particular neighborhoods and areas of the city. Staff clarified that these are typically not regulatory programs, but likely a blend of marketing and incentives.

Council Feedback

Council Member Yates suggested three approaches to attracting desired retail. In addition to incentives, he suggested that a regulatory approach should be included, especially linking the effort to the Use Table updates to remove barriers to locating retail where needed. Third, the Council Member stated that the effort should include an infrastructure approach suggesting that more than zoning and incentives are needed to open stores in certain areas. He pointed out that there are physical limitations as well, with need to explore opportunities to create space for corner bodegas at major intersections, e.g. the Broadway/Iris desert identified in the report and other areas where the city might need to change uses to remedy the deserts. The Mayor asked whether the findings of the report have been shared with staff in Planning and Development Services. Staff responded that the staff team working on the Citywide Retail Study includes a member of that department, and the collaboration would continue into the strategy phase.

Council Member Yates was surprised at the finding that rental rates in Boulder are comparable to those in neighboring communities. If rents and sales taxes are not the barrier, it may be other issues including a regulatory process that businesses feel has become more challenging. The Council Member suggested that the perceived complexity of the city's approval process is concerning, pointing out that the interaction may appear not "one city" but a "bunch of departments necessary to complete any process." This should be the priority target for streamlining. Finally, Council Member Yates suggested that businesses might be able to adapt to higher costs, but they may not wish to take on the additional challenge of a complex approval process.

Council Member Morzel echoed the call for incentives to attract the types of retailers to meet community needs, especially at Diagonal Plaza, which has lost much of its retail. This could benefit residents on both sides of 28th Street and beyond to 30th Street. Further, the Council Member wants to make sure Hillside shops are represented during any further outreach and analysis.

Council Member Morzel expressed a desire to distinguish further the “non-resident” customer, i.e. between workers (more likely to eat lunch or purchase convenience goods) and visitors to the community, either from neighboring communities or elsewhere. Staff acknowledged the distinction and clarified that the reliance on non-resident spending is Boulder’s current state, and that the recommendation is to be proactive and continue to monitor this dependence as the community ages and household spending levels may shift as a result. The goal is not to rely on non-resident spending, but to maintain diversification and serve the needs of Boulder residents. Council Member Yates asked for the percentage of sales tax revenue being generated by non-residents. Staff pointed to the overall pull factor of 1.5, which indicates that the share is between 30-40%. Council Member Carlisle asked when this dependence may have emerged, and whether it has only recently become the case. Staff responded that the strategy could include a look at historic trends for Boulder’s overall pull factor, if, and to the extent such data is available.

Council Member Brockett echoed the calls for addressing challenges with navigating the city approval process, possibly including an ombudsmen like-function within the city who knows how and with whom to coordinate across departments. He pointed out that this might be a particularly valuable benefit to smaller businesses. He would like to find a way to make that process easier; a faster and easier path for businesses that meet a certain threshold. He added that the answer may be to waive some fees for businesses under a certain size.

Council Member Brockett referred to open comments in the shopper survey that pointed to the need for affordable goods. There appears to be a gap in mid-sized stores such as sporting goods. Some spaces this size exist in town. Seems like an opportunity to meet that call for more affordable goods across broad categories, or through reconfiguration of other spaces.

Council Member Brocket echoed the call for removing barriers to allowing corner stores in non-commercial areas, pointing to the example of Alpine Modern Café (former Delilah’s) in the University Hill neighborhood. The Council Member said it is very functional, but you can’t do something like that almost anywhere in the city, citing Broadway and Iris would be a great location for something like that. He agreed with the idea of tying the Use Table discussions to the issue of employment center food deserts. The Council Member would like to express support for restaurants in industrial areas, which have received push-back in the past, but maybe the study findings justify revisiting the issue.

Council Member Brockett returned to the consultant's finding that rents in neighboring communities are roughly comparable to those in Boulder. Analysis did not sufficiently address the potential impact of property taxes. Small businesses report that "triple net" (insurance, common area maintenance fees and taxes) costs can get so high that they equal the base rent amount. He would like the strategy to include an effort to capture these numbers in greater detail and suggested to pick out a few representative properties in each neighboring community and normalize for any special district fees. This would help inform future tax discussions by Council. The importance of implementing the strategy was emphasized.

Council Member Weaver echoed the call for distinguishing between the needs of workers and other types of non-resident customers. Meeting worker needs should focus on dining out and convenience goods. Council Member Weaver added that there may be some degree of appropriate caution in introducing residential and restaurant uses in industrial areas which may create conflicts. To that end, he suggested the possibility of concentration limits as one approach to addressing this issue. Finally, Council Member Weaver added that there are indeed limited offerings in these areas but that there may be possibilities (e.g. shopping plaza at 55th and Arapahoe), creating such an opportunity for additional worker dining options that wouldn't necessarily act as a tourist draw.

Council Member Weaver expressed appreciation for the inclusion of Spanish-language shopper survey responses in the report which he thanked Council Member Young for pointing out. Part of being a welcoming community is answering those calls for more grocery options and more affordable goods. Further, the Council Member suggested that this feedback is something the city would want to focus on referencing this feedback being another type of desert that needs to be addressed.

Council Member Young echoed the focus on this feedback and particularly on serving the needs of community members with lesser means. She suggested that the strategy include working with the two existing fruiterias in Boulder to find out what needed to improve their ability to meet consumers' needs. Council Member Morzel suggested that staff look into involving the Small Business Development Center (SBDC) and looking at other small business programs to support these types of businesses. Council Member Young suggested that revisiting the food truck ordinance might also support this effort; allowing non-motorized food carts would offer an alternative way to respond to some of the food deserts identified in the study. Council Member Morzel suggested an added benefit of addressing food deserts would be to reduce vehicle trips toward the city's climate goals.

Council Member Nagle agreed that administrative burdens can destroy a business. She suggested partnering with the Chamber of Commerce, the SBDC and other organizations to encourage liaison roles (possibly volunteers) to assist small businesses with navigating city processes. Loss of small businesses is detrimental to community character. Providing this type of assistance might help attract unique small business concepts. The Council Member added to help move "mom and pop" online merchants (e.g. Etsy vendors) into bricks and mortar locations.

Council Member Nagle echoed the suggestion to bring food trucks to serve worker needs to the east side of the city and potentially reduce mid-day traffic. The Council Member pointed out it could enhance Boulder worker experience and provide opportunity for culinary entrepreneurs.

Council Member Carlisle agreed with the need to improve the permitting process. It might be beneficial to involve an organizational management consultant to assist the effort.

The Council Member echoed the suggestion that a limit might be placed on restaurant uses in industrial areas to reduce potential conflicts.

Finally, Council Member Carlisle asked staff if there were statistics for how many customers are walking to access retail uses. For example, Hillside shops always has a full parking lot. It would be helpful to know, because creating “walkable” access may not be realistic.

City Manager Brautigam spoke to the feedback and questions related to retailer challenges with city permitting and approval processes. Additional staff support (both fixed-term and ongoing) has been approved and are in process for activation by the end of 2020. All planning processes are being evaluated (with consulting assistance), with lasting improvements being the goal. Council Member Carlisle requested that stakeholders be included in the process improvement planning, to provide user feedback. Council Member Brockett reminded Council that there was resistance in the past to stakeholder input including developer feedback. He encouraged Council to be more receptive to this type of user input in the current effort. Council Member Yates asked for clarification: does the process improvement effort include all aspects of business permitting, tax applications, and all aspects of starting a business in Boulder? The city manager responded that process improvement efforts are underway in both Planning & Development Services and in the Finance Department, which is improving the sales tax process through new software and other efforts. Council Member Yates encouraged that the two efforts be coordinated to consider ease of use by the city’s business customers. Council Member Weaver encouraged a one-stop shop for starting a business in Boulder. Council Member Morzel indicated it was a lot easier to start a business thirty years ago. It was acknowledged that the number of regulations has grown over time, and that city council continues to play a role in determining the number of appropriate regulations.

Mayor Jones pointed to food truck parks in Portland, OR, suggesting this could be an elegant (if not permanent) solution to meeting worker food needs in certain areas of the city. The Mayor added to keep it at a small scale, and not make as difficult as current regulations. Council Member Morzel pointed to parking lots used for weekend swap meets. Council Member Nagel suggested a farmer’s market for food trucks. Council Member Young agreed that the food truck ordinance needs to be revisited and amended to include push carts. Council Member Brockett supported inclusion of push carts, and

that these could provide more than just food. Council Member Young added that it creates great business opportunities.

Mayor Jones summed up that Council is in support of the proposed direction of the strategy, and that Council has underscored certain items of particular interest. She noted that Council is also supportive of the next steps proposed by staff including additional outreach and engagement, strategy development as outlined and reporting to Council for final review of the responsive citywide strategy.