



EXIT INTERVIEWS FINDINGS REPORT MAY 6, 2019

EXECUTIVE SUMMARY

Why are retail businesses, restaurants and service-based businesses leaving Boulder? What's changed? And is there anything that the City of Boulder can do to help support these businesses to stay? These are some of the questions that began the process of the Exit Interviews.

The assumption for many has been that businesses (particularly small local businesses) close because of property taxes and the cost of doing business. Insight from these exit interviews provide better understanding of the shift in Boulder business within the last 2 years. These findings also provide a more intimate view of what businesses owners are going through as they try to thrive in Boulder. Additionally, this qualitative approach lends insight and perspective for recommendations to create a more supportive environment for small, local businesses in the City of Boulder.

PURPOSE

Our purpose for conducting these interviews was to gain insight into why businesses were closing in Boulder. Our goal was to facilitate 20 interviews with brick and mortar businesses that closed in the last 2 years, to document findings, and to define themes with businesses that can help with future planning, understanding and potential increased support from the City.

METHODOLOGY

The Boulder Small Business Development Center (SBDC) conducted a series of Exit interviews from March 29th-May 1st, 2019 as a qualitative approach to learning more about the reasons that retail, restaurant and service-based businesses have left the City of Boulder in the last 2 years.

The SBDC performed extensive research to find as many business contacts as possible within a 5-week time period. The criteria for our search was businesses within the City of Boulder that were brick and mortar, retail establishments, restaurants or walk-in service businesses that had closed within the last 2 years.

To create a target list, several sources and means were used. City staff contracted with [name of consultant company] and sought input from its economic vitality partners (including SBDC) to develop an anonymous email survey of current and past City of Boulder retail establishments. The survey was distributed to 174 businesses that were identified through confidential tax records. *Out of that list, 6 businesses responded that they would be willing to be interviewed to provide more feedback to the City. All were contacted by the SBDC; 1 provided an interview.* Due to the confidentiality of tax records, the SBDC was unable to obtain the business names and contact information from that emailed survey.

The SBDC then began a more widespread search. From the combined knowledge of City staff, the SBDC, and other economic vitality partners, we created a new target list of businesses that were known to have closed their doors -- including those of high interest. The SBDC expanded this list by mining through The Daily Camera, other business databases such as Reference USA, through word-of-mouth, researching social media and by looking for signage of more recent closings. Our intention was to provide a range of businesses in different areas around the City, of various sizes and various types of business.

In tandem with gathering this information, we developed a guideline of interview questions that were edited, improved and approved by City staff (this was a collaborative effort). We agreed that interviews would be guided by these questions, that we would begin with an exploration of the initial expectations that the business owners had when they started their business and what they experienced overall.

The SBDC reached out to all on the target list and as permissions were received, conducted exit interviews with the intention to learn more about why businesses of all sizes moved from Boulder. Although there were several large (corporate) retailers on the list, we were only able to get agreement from and to speak briefly to a representative from one large chain. All of the other exit interview participants were small business owners with 2-35 employees at their peak.

All interviews were facilitated by Suzi Bahnsen, SBDC Asst. Director, who has 20 years of expertise in marketing, market research and business ownership. Interviews were conducted in person and over the phone. Additional research to build the target lists was provided by Eladia Rivera, who has over 20 years of research background as a retired Boulder Public Library employee and consultant for the SBDC.

Please note that participants were promised anonymity, that names of businesses and individuals would remain confidential for this report. We did ask to record interviews, but we encountered resistance from interviewees and curtailed that request after a few contacts. In addition, although the interview guidelines and questions were fairly straightforward, we found that many of the interviewees had an emotional response to the questions. We felt that asking to record obstructed the flow of the interviews. Therefore, we did not record our discussions. Notes were taken; All interviews are transcribed, and those transcriptions are held as SBDC confidential records.

In total, we created an outreach list of 72 businesses that had closed in the City of Boulder in the past two years. Of those contacts, **22 interviews** were completed, which was a 30.6% participation rate. (The goal was to reach 20 businesses.)

LESSONS LEARNED

In this request and interview process we found a few road blocks to gathering responses from businesses. We heard that closing a business is an emotional act. Some business owners were not interested in talking about the loss.

Finding contact information is more difficult now than years past. Cell phone numbers aren't listed, and land lines aren't used as often. Most times, businesses that close, disconnect phone lines and cancel their email accounts.

Large corporations were the most difficult to reach. Without a contact name and referral, there was zero response by larger businesses like Whole Foods, Walmart and others to provide information.

Services like hair salons, chiropractors and other service providers that may have closed were difficult to find. We were unable to access tax lists to find businesses and many times there is no information when they shut their doors.

Recommendation regarding future interviews

If possible, interview businesses before they close or gather alternative contact information for follow up before they shut their doors. Consider ongoing "customer follow-up" initiatives with currently operating businesses to understand their concerns and – if appropriate - try to address issues before they become reasons for closure.

THEMES

What we heard in the interviews – in common for most all of the *small* business respondents – was that they opened in Boulder because they originally loved the City and expected that the clients that they would attract would help them to thrive. Many of them didn't want to move but had to. Some of the others, especially those that had been in business for over 10 years, were "fed up" and had a different view of how Boulder had changed.

When asked if they would consider locating their business in Boulder in the future, 10 of the 22 businesses said "yes". There may be an opportunity that this response uncovers.

Below are replies to specific questions that were conveyed by the interviewees and larger themes that arose from participants.

When you originally decided to locate your business in Boulder, how would you describe the customers you expected to capture?

- Business Owners on **The Hill** expected more University traffic from students and staff but said that people don't stay on The Hill to shop and eat. They all said that there were issues with the type of people walking around and police support. One business owner said that "the smell" of the area was the number one reason they moved. Parking on The Hill was a challenge for the business owners, their staff and their patrons.
- Business Owners on **Pearl Street** and downtown were hoping for foot traffic from Pearl Street Mall, from locals and tourists. Those that were on Pearl Street were attracting customers, but most said that their sales were flat. Some felt that people were not shopping on Pearl, only looking. One business owner was thriving on Pearl so they were pulling in patrons but had to close do to landlord issues.
- Business Owners in **other areas of the City** mentioned the types of clients they were trying to attract were focused on their niche (foodies, beer aficionados, coffee enthusiasts, equestrians, travelers etc.)
- Business Owners in **Gunbarrel** were disappointed in the area stating that no one stays in Gunbarrel to shop or dine. They were all disappointed in Gunbarrel as a place to do business, feeling as if they were paying the Boulder prices without getting the foot traffic of Boulder.

Are you getting the customers you were looking for in your new location?

All those that opened a business at a new or existing location said that they were getting the clients that they want to there and it was less expensive with less hassle to do business outside of Boulder. Mainly, these businesses had locations in Denver, Longmont, Lafayette and Golden.

When asked what they as business owners saw as the benefits of being located in Boulder:

- Half of the respondents said they love Boulder as a City. They love the mountains, the lifestyle and the beauty of Boulder. Some of them were residents of Boulder and had hoped to continue to have a business located in the City of Boulder vs travelling elsewhere to their business.
- 18% of businesses mentioned that their particular location was good for them for easy access and parking
- Two businesses that had been in Boulder for over 20 years originally started their business because of the Boulder biking community but said that Boulder has changed.
- 18% of businesses stated that the benefit was the affluence of Boulder

When asked what the drawbacks were of being in Boulder and what expectations weren't met:

- **High rent, taxes and the expenses** were too much to keep things going for 40% of interviewees
- **Landlord problems** were as challenging to businesses as the cost of doing business.
 - In some cases, it was the number one reason that they had to close. Out of 22 people interviewed, 3 said they had flooding problems that their landlords knew of and would not fix. This impacted their businesses negatively, and in one case they had to close several times because of water leaking from the ceiling.
 - With landlords passing the costs of increased property taxes to their tenants, it is difficult to have a profitable business. There's nothing left for the business owner. "They double rent and pass through property tax increases to the business owner"
 - Landlords can elect not to renew a lease and sell to bigger business. If they don't want to help with improvements, they can just cut out the small business owner. There's no protection.
 - *Note- there were a few landlords mentioned in interviews that will not be mentioned in this report. However, it is important to realize that this is not one landlord but a pattern of commercial real estate owners that have control.*
- A few businesses were disappointed in **lack of support for local small businesses** in Boulder.
 - The City did not support mountain biking in the community.
 - The City assumed that businesses can afford to hire additional police on The Hill to stop transients and intoxicated college students from harassing their customers.
 - One business felt a lack of support from the City when a marijuana company moved in next to their shop.
 - Navigating how to start a business or finding the right resources within the City was a difficulty mentioned by several businesses that had opened within the last 5-7 years.
 - Finding space to lease or own and navigating zoning issues was a major challenge.
 - A few businesses mentioned that each time they tried to find an answer to a city policy they received a different answer with no soft pass off from one department to the next
- **Staffing issues and the inability to find quality employees** was a challenge for about a third of the business owners. Employees from Boulder tended to be unreliable and uninterested in holding a job. There were a few businesses that said that this was a non-issue, but it was a more common theme to hear that it was difficult to find and keep staff.

- ***There's an arrogance issue in Boulder.*** *"Boulder needs an attitude adjustment" stated a few business owners.*
 - Some said that *things have changed in Boulder*, particularly those that had been in business for more than 20 years.
 - They felt that the City made it more difficult to do business than necessary being unsupportive and setting roadblocks.
 - They expressed that Boulder was not for the small business owner, that costs kept increasing, and there was concern that unless you were part of a large corporation or a chain, it was not sustainable to stay in Boulder any longer.
 - Many (but not all) of the business owners did not feel that the City cared when they closed their doors.
 - Some said they were simply "fed up" of the arrogance of the City.
- ***Parking*** was not the reason for anyone shutting their doors but many businesses credited parking as an issue for their employees and patrons. One business owner specifically mentioned that there is no free handicap parking. Cities like Chicago provide this type of parking.
- There were some business owners that ***struggled with finding property*** because the spaces available were mostly taken by marijuana business owners
- Business owners on The Hill felt that there's **nothing that keeps people on The Hill.**
- **Gunbarrel was a disappointment** for the 3 businesses interviewed there which included a brewery, a restaurant and a retail shop. One business owner called it the "forgotten child". Another business owner said it was like "Puerto Rico". Each felt abandoned by the City. "You have to pay the price of living in Boulder but you're not really part of the City."

What more could have been done to support your business when it was in Boulder?

Most respondents didn't have an answer for this question. They weren't sure. Some said that there was nothing the City could do unless they could help lower taxes or limit what taxes could be put on someone leasing from a property owner.

RECOMMENDATIONS FROM INTERVIEWEES

During each interview, we asked if the participants had any suggestions that might help current and future business owners. These were some of their responses:

- Help with licensing. Finding the right departments is hard to navigate if you haven't opened a business before in Boulder.

- If someone would help to find a property to buy that would be good.
- City could have been more active in keeping businesses in Boulder.
- A zoning advocate to help with information exchange would have been good.
- Make sure that there is enough room in industrial zoning for other businesses besides marijuana.
- It would have been nice to know of ways City could have supported the business. Didn't know of resources.
- Create a map of business types (office/industrial) to make it easier. It's difficult when you get different answers each time you call. *(This specifically referred to zoning and finding spaces to lease and/or own)*

QUOTES

These were actual statements shared by the respondents during the interviews.

- "You don't have to be in Boulder anymore to be a successful business."
- "I'd rather have a crappy place in Boulder than a nice place in Gunbarrel"
- "I've never worked so hard for so little money."
- "Support businesses rather than making it more difficult."
- "[A City Council Member] killed mountain biking in Boulder."
- "Don't lose track that there are different kinds of businesses."
- "Boulder employees are BAD."
- "The Hill is gross."
- "Gunbarrel is the Puerto Rico of Boulder"
- "There's an arrogant attitude as if you should be grateful to be in Boulder and it permeates through City staff- as if you're an annoyance."
- "Support local"
- "It's the City Approach vs City Policy"

- “Boulder is still the most beautiful paradise. The mountains center me. But something is wrong. I’m not sure if the City of Boulder can fix it. Right now, locals shun the downtown. There’s an attitude adjustment that needs to take place.”
- “I don’t think Boulder cares. People on the council have never owned a business and don’t understand.”
- “Google raised taxes. I’m fed up. And I am considering leaving Boulder all together.”
- “Longmont is responsive to business owners (more so than Boulder). They try and help. Boulder puts up walls. Though eventually things in Longmont will be more like Boulder.”
- “What we need- pot growers have. Any facility that is open has jacked up prices.”
- “Property management doesn’t care and there’s nothing you can do.”
- “Basically, we all just grit our teeth and bare it and then go out of business.”
- “If there’s anything that the City can do to incentivize landowners to keep small businesses alive, that would be great. Rents go up and it pushes up expenses each year and small business owners can’t keep up with big business, Landlords have no reason not to sign with a chain.”
- “No one makes money in downtown Boulder”
- “Boulder is going through something and has been. People walk downtown but don’t shop downtown.”
- “Create a product mix for zoning. We don’t need another retail bank.”
- “What did you expect when Google moved in? Everything changed.”
- “Boulder has become a nexus for outliers.”
- “Grow industrial opportunities and leave some room for different types of business besides marijuana”
- “Even with good business, you don’t have anything left after you pay for employees, rent taxes etc.”
- “It’s hard to know who to go to for different contractors for plumbing as an example. (Had to wait 2 weeks to get approval of contract.)”

ACTIONS TO CONSIDER

In the course of the interviews, some opportunities came up that the City may want to consider as potential actions to support businesses in the future.

- The City could create some of the dynamics like Denver. Providing more space for pop ups and art districts, combining different businesses under one roof for energy and interest. This would attract more experiential shoppers and foodies to the area.
- Help small businesses to understand how to navigate through departments in the City for zoning, policies and licensing- Perhaps partner with the SBDC for monthly workshops that are less labor intensive, scheduled with templated handouts or recorded. (webinars, video)
- Revisit the zoning resources available to small business owners with updated zoning restrictions, including a user-friendly map.
- Provide resource lists to businesses currently operating in Boulder so they understand all of the support channels the City has to offer. (SBDC, Chamber, Downtown Partnership, City Department list, etc.)
- Create a video series that helps provide answers from business owners on a panel where they share their stories. (Possible business mentor program)
- Help small businesses to purchase commercial property in Boulder. (Rent to own options or City supplemented programs)

EXIT INTERVIEW RESPONSES

Number of Businesses by Area:	Type of Business:	Current Location:
The Hill :3	Restaurant: 7	Own space outside of Boulder: 2
Gunbarrel: 3	Tap Room or Tasting Room: 3	Lease space outside of Boulder: 7
Pearl Street: 3	Retail: 8	Lease space in Boulder: 3
Community Plaza Shopping Center: 1	Restaurant/Retail: 2	Closed: 8
29 th Street: 1	Service: 2	Other: 2
Village Boulder Shopping Center: 1	Leased Business Space in Boulder When in Business:	- Sharing space with another business
Sunrise Center: 1	22	- Became a mobile business
Arapahoe Ave: 1	Current Location:	
Frasier Meadows: 1	Own space outside of Boulder: 2	Years in Boulder:
Crossroads East Shopping Center: 1	Lease space outside of Boulder: 7	1-5: 7
28 th Street: 1	Lease space in Boulder: 3	6-10: 3
15 th Street: 1	Closed: 8	11-20: 4
Lee Hill Road: 2		21 or more: 8

Downtown Boulder: 2	Other: 2 <ul style="list-style-type: none"> - Sharing space with another business - Became a mobile business 	Number of Employees: 1-29: 17 30-50: 4 50 plus: 1
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<p>Part of Franchise or Cooperative: 1</p> <p>When your business closed its location in Boulder, did you relocate, sell or close your business: Relocated business to new location outside Boulder: 6 Relocated business to existing location outside Boulder: 4 Moved to a different location within Boulder: 3 Sold business: 0 Closed business: 7 Other: <ul style="list-style-type: none"> - Owner Passed Away - Became a Mobile Business </p>	<p>Did you close all locations in Boulder: Yes: 18 No: 4</p> <p>Number of locations: 1: 14 2-4: 7 5 or more: 1</p> <p>Top reasons why business owners closed or moved from Boulder: Landlord Problems (Example, landlord won't fix the roof and it floods your space so you have to close down): 1 Landlord wouldn't renew lease: 18% 4 Landlord doubled rent: 1 Inability to find a location (zoning): 2 Just couldn't keep it going (Not enough customers, low sales, high expenses): 41% 9 Boulder has changed: 1 Other: 18% <ul style="list-style-type: none"> - Changed direction of business and didn't need the space - Owner past away - Bankrupt - Marijuana shop next door created bad environment for owner and customers Retiring: 2</p>
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<p>Overall, how would you rate Boulder as a place to do business? Excellent: 3 Very Good: 0 Good: 3 Fair: 5</p>	<p>Would you say doing business in Boulder has become easier, more difficult, remained the same or unsure Much easier: 0 Somewhat easier: 0</p>	<p>Why? <ul style="list-style-type: none"> - The bureaucracy is bad. Eco cycle and energy efficiency policies. - Property taxes up 20% </p>
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Poor: 4 [Not sure]: 4	About the same: 3 Somewhat more difficult: 3 Much more difficult: 7 Not Sure: 4	<ul style="list-style-type: none"> - It's hard to figure everything out. Zoning, water, etc. - Rent and expenses of doing business
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<p>In the two years or so before your business left Boulder, which of the following factors, if any, were significantly impacting your business' ability to thrive?</p> <ul style="list-style-type: none"> - 6 Local fees and taxes - 7 Lease rates for the space your business occupied - 3 Availability of suitable space for your business - 7 Cost of doing business (Utility costs, etc. - Please explain.) - 5 City policies and regulations (Any in particular?) Energy and recycling, hard to get permits - 5 Availability of parking for customers or employees (please explain) - 6 Ability to find and keep employees - 1 Competition from nearby communities - 2 Competition from online sales - 1 Other The Hill- Lack of Support, Building policies- you can't do what you want Lack of Sales Marijuana business next door 	<p>Which of the following factors were ultimately the most significant in your decision to close your Boulder location?</p> <ul style="list-style-type: none"> - 3 Local fees and taxes - 8 Lease rates for the space your business occupied - 1 Availability of suitable space for your business - Cost of doing business (Utility costs, etc. - Please explain.) - City policies and regulations (Any in particular?) - 2 Availability of parking for customers or employees (please explain) - 2 Ability to find and keep employees - It was a distraction from other businesses that were doing better - Bad landlord <ul style="list-style-type: none"> - Boulder doesn't market The Hill. - Parking is rough for employees and they give a lot of tickets. Hard for employees that already don't make much money. - Inability to get customers on West side of Pearl
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Over the next two to three years, where do you see your business going?
 Most businesses closed. Two businesses planned on staying and build their new business in their new location, two businesses planned to relocate from their current location, one business planned on growing multiple locations. No one that was interviewed was planning on selling their business.

Over the next two to three years, where do you see your business going?

- Most businesses closed.

- Two businesses planned on staying and build their new business in their new location,
- Two businesses planned to relocate from their current location
- One business planned on growing multiple locations.
- No one that was interviewed was planning on selling their business.

Would you consider locating your business in Boulder in the future?

- Yes- 10
- No-11
- Not sure-1