

Learning From The City of Cambridge Retail Strategic Plan

by Larisa Ortiz & Lisa Hemmerle, CPA

As retail spending habits and environment change before our very eyes, no community is immune to the widespread impact that these changes are wreaking on land use decision making, economic development planning and public policy interventions. Even in a place as economically robust as Cambridge, Massachusetts, residents have become increasingly concerned about high-profile

vacancies and have raised the call to action. In 2017, the City of Cambridge's Economic Development Division decided to bring in an expert to help develop a Retail Strategic Plan for the City that would ensure that the policy and programmatic responses were realistic, tactical, and informed by real life market conditions and retail trends.

After a competitive procurement process, the City hired Larisa

Ortiz, formerly with Larisa Ortiz Associates and now with Street-sense, to lead a comprehensive **Retail Strategic Plan for the City**. The Plan, rooted in an approach that Larisa had developed for the City of New York titled the Commercial District Needs Assessment, the methodology incorporated a city-wide analysis of overarching industry trends; a district-level analysis of

(continued on page 2)



The retail scene on Cambridge Street in Cambridge, MA.

CAMBRIDGE RETAIL STRATEGIC PLAN, CONT. FROM P. 1

the City’s nine key commercial areas; and an action plan with strategic recommendations and best practices.

A plan is only as good as the support it receives, and the Retail Strategic Plan and process were instrumental in building consensus among city leaders, Cambridge residents, and businesses — consensus that enabled the City to devote resources and programmatic solutions towards the city’s retail challenges. Perhaps most notably, the City launched a Food Truck Pilot Program focused on supporting women- and minority operators, as well as new food entrepreneurs that has evolved into a Food Operator Incubator program. The creative solution, designed to provide entrepreneurial opportunities for food businesses, created more diverse food options in targeted areas, brings additional street level amenities to Cambridge public spaces. The Plan also helped re-energize previously abandoned efforts to explore Business Improvement District formation in Central Square recently passed by City Council. In addition the City is also in the process of adopting updates to Commercial Land Use Classification codes to support new retail formats that reflect trends and disruption in the industry, such as combining multiple use types.

The Retail Strategic Plan is a uniquely comprehensive approach to planning in the face of significant retail

In addition to the APA Economic Development Planning Award, the Retail Strategic Plan was selected by the International Downtown Association (IDA) to receive an IDA Award of Excellence and was also featured in the Summer 2018 publication of *Massachusetts Planning*, by the Massachusetts Chapter of the American Planning Association.

disruption, one that considers physical and business conditions, market and demographic data, and an assessment of local administrative capacity and retail-related regulatory and zoning frameworks. The Plan provides the City of Cambridge with a blueprint for action to preempt and adapt to the fast-changing retail and

(continued on page 3)



CAMBRIDGE RETAIL STRATEGIC PLAN, CONT. FROM P. 2

commercial real estate landscape. As a result of key findings and recommendations outlined in the plan, the City has implemented a range of complementary programs and policies that address both market and regulatory challenges affecting the City’s retail environment. This includes publishing an annual district assessment for one of Cambridge’s nine commercial districts, incorporating feedback from both customers and businesses; creating a vacant storefront program; launching a grant program that supports district level design, promotion, and resiliency; providing a small business data dashboard to help new and longtime Cambridge business owners access market research and understand the city’s business climate; launching a Construction Mitigation program to help lessen the impact of necessary city construction projects for small businesses; providing legal and translation services for small businesses, and many, many more.

Transferability

One of the selling points of the approach was that the methodological framework was that it had been successfully replicated in other communities, and across both strong and weak markets, including the City of New York, where the Commercial District Needs Assessment is now a tool that is widely used to inform City policy and resource allocation at the corridor level.

This City staff also pride themselves on the replicability of their programs to other communities, such as the Comprehensive District Assessment Approach, Land Use Code flexibility, Business District capacity building, Construction Mitigation, food use incubation, translation and legal services, etc.

Quality

The Retail Strategic Plan resulted in a few key guiding principles that continue to inform new strategies and approaches to retail and that help ensure that the plan remains an active tool that helps inform programmatic decision making.

Guiding Principles At-A-Glance:

1. Drive experience by ensuring that districts and businesses offer unique activities and events.
2. Thrive online by enabling businesses to grow online sales and enhanced social media presence.
3. Help small business remain competitive through targeted technical assistance and financing support.
4. Improve access to ensure convenience/visibility to customers (*also during road construction*).

(continued on page 4)



Retail on Massachusetts Avenue in Cambridge.



Signs of the Food Truck Pilot program.

CAMBRIDGE RETAIL STRATEGIC PLAN, CONT. FROM P. 3

5. Build capacity of local business associations to enhance marketing and promotion of districts.
6. Fill gaps in the retail environment to ensure continuity of active ground floor activity.
7. Address regulatory barriers that prevent retail flexibility and undermine small businesses.

Beyond strategic programs and policy recommendations, the Plan also analyzed the degree to which each commercial district is supported and managed by a complicated mix of public and non-profit sector business entities. This consideration was important to ensure that recommendations were reflective of what the City and its partners could accomplish with existing — or clearly defined additional — resources and staff. This assessment of *Administrative Capacity* also included a

consideration of the zoning and regulatory environment — a key area where City policy plays a significant role.

Implementation & Results

Early implementation of the comprehensive retail plan has reaped numerous benefits. Most notably, in recognition of the growing competition of on-line retail and continued demand for food & beverage options, the City launched a *Food Truck Pilot Program*. The program has grown customer satisfaction across the City’s commercial districts. A survey of the Pilot found that food trucks were providing customers with new, convenient, and diverse offerings of food and beverage, and over 78% of respondents rated the food trucks as having a positive effect on the overall pedestrian experience. In addition, the focus on women and minority operators, has been a success. More than 70% of the food truck operators are women and/or minorities. The success of the pilot led to development of a full food operator incubator program for fiscal year 2020.

(continued on page 5)



Zina's revised storefront on Cambridge Street.



Cambridge Google Small Business.



Punjabi Dhaba restaurant in Inman Square, Cambridge.

CAMBRIDGE RETAIL STRATEGIC PLAN, CONT. FROM P. 4



Cambridge Woman in Blue storefront.

Following recommendations in the Retail Strategic Plan, the City also re-energized earlier efforts to explore the formation of a Business Improvement District in Central Square. The BID was passed by City Council in June 2019. Additionally, the City organized the first session of advanced training for business association leadership, which was held in June 2018 with now regular meetings of group to discuss a variety of topics, from vacant storefront activation strategies to Small

Business Saturday promotions. The City has also started the formal exploration of programs to address the growing challenges of vacant storefronts, including a Vacant Storefront Creative Design Contest that solicited locally-made artwork to be displayed in vacant storefronts. The contest received over 600 submissions and was most recently featured in the *Boston Globe*.

Finally, the direct implementable recommendations of the Plan also enabled the approval of a new senior business liaison for the division starting in Fiscal Year 2019 who provides additional capacity allowing the division to launch other elements of the plan.

Comprehensiveness

To conduct a comprehensive commercial assessment, the methodology covered four key areas of analysis; Physical Environment, Business Environment, Market Demand, and Administrative Capacity, and applied this assessment framework to each of the City’s nine commercial districts. In addition to a consideration of quantitative data, the methodology was also unique in that it analyzed the degree to which each district had adequate Administrative Capacity and the appropriate zoning and regulatory tools. This was vital to ensuring that recommendations were reflective of the City and its partners’ capacities, and supportive of new, innovative business models.

— Larisa Ortiz leads the New York office of Streetsense and serves as Managing Co-Director of the Research and Analysis team. Reach her at lortiz@streetsense.com. Lisa Hemmerle, CPA, is Director of Economic Development for the City of Cambridge. Reach her at lhemmerle@cambridgema.gov.

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CHAIR:
Rebecca Leonard, FAICP
Lionheart Places LLC
rebecca@lionheartplaces.com

EDITOR:
Brian Wilkerson
Revolution Advisors LLC
bwilkerson@revolution-advisors.com

CHAIR-ELECT:
Sean M. Maguire, AICP
SUNY Schenectady
smaguire@gmail.com

ADVERTISING:
Jeff Mills
J.M. Communications
jmcommunications@comcast.net

TREASURER:
Corey Proctor
Forrest County, MS
cproctor@co.forrest.ms.us

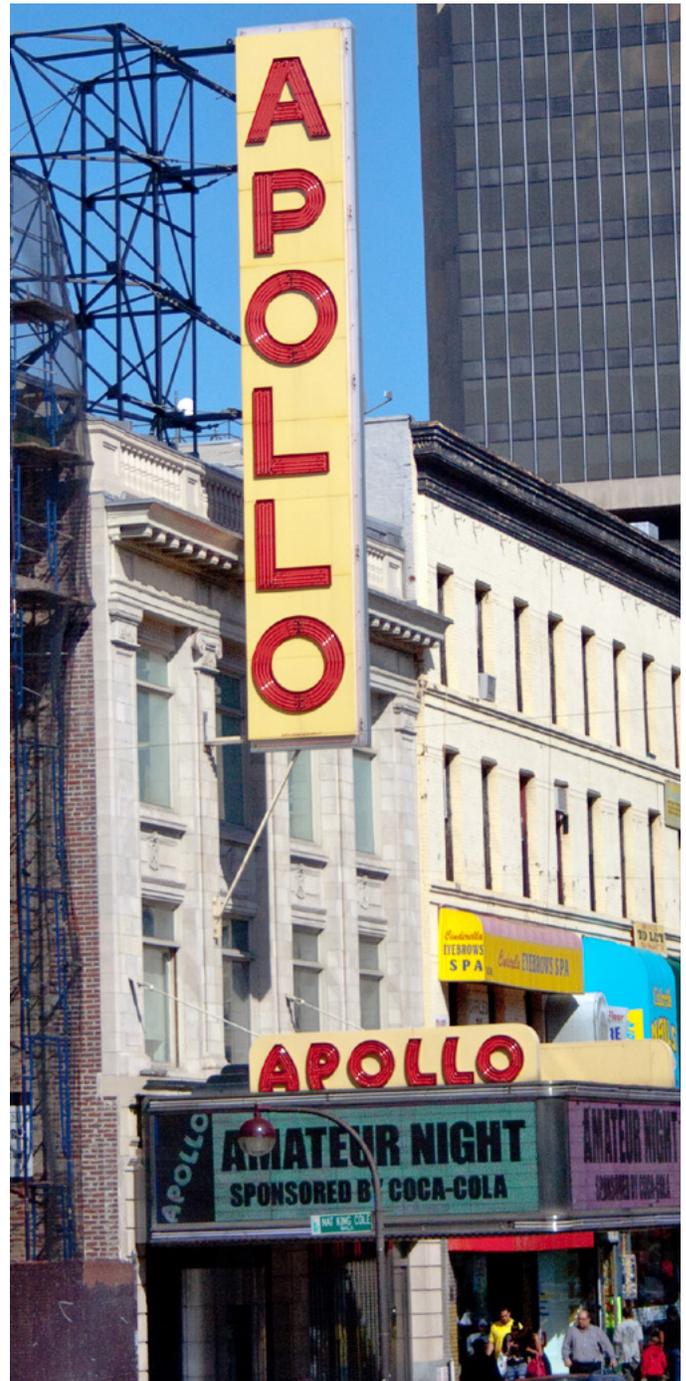
Will Opportunity Zones Translate to Community Economic Development?

by Nur Asri, AICP

In December 2017, Congress established a new community investment tool that is now being widely referred to as Opportunity Zones. The **Investing in Opportunity Act** that was first introduced in Senate in early 2017 authorizes the designation of Opportunity Zones in low-income communities and provides tax incentives for investments in these zones, including deferring the recognition of capital gains that are reinvested in the zones until December 31, 2026. These major tax breaks are intended to alleviate the uneven economic growth trends experienced across the country and to revitalize economically distressed communities that have suffered from a lack of investment over the last few decades by enticing investors to reinvest in an estimated \$6 trillion in unrealized capital gains in low-income census tracts. In a joint statement by Senators Tim Scott (R-SC) and Cory Booker (D-NJ), and Congressmen Tiberu and Kind, the leaders made clear their joint objective with Opportunity Zones, “Too many American communities have been left behind by widening geographic disparities and increasingly uneven economic growth. We come from different parties and regions but share the common conviction that all Americans should have access to economic opportunity regardless of their zip code.”

Qualified Opportunity Zones were nominated by governors of each state from a pool of over 41,201 eligible low-income census tracts and then designated by the Treasury. Based on 2011-2015 ACS, eligible low-income census tracts have a poverty rate of at least 20% or have an average family income of no more than 80% of the middle-class family income within non-metropolitan areas or within metropolitan areas. Although designated Opportunity Zones are defined by the same criteria as those census tracts receiving New Market Tax Credits (NMTC), it must be noted that there are several distinctions between the tax benefits offered by the two

(continued on page 7)



The historic Apollo theater on 125th Street in Harlem, a qualified opportunity zone. (Source: PC Paul VanDerWerf, Flickr)

OPPORTUNITY ZONES, CONT. FROM P. 6

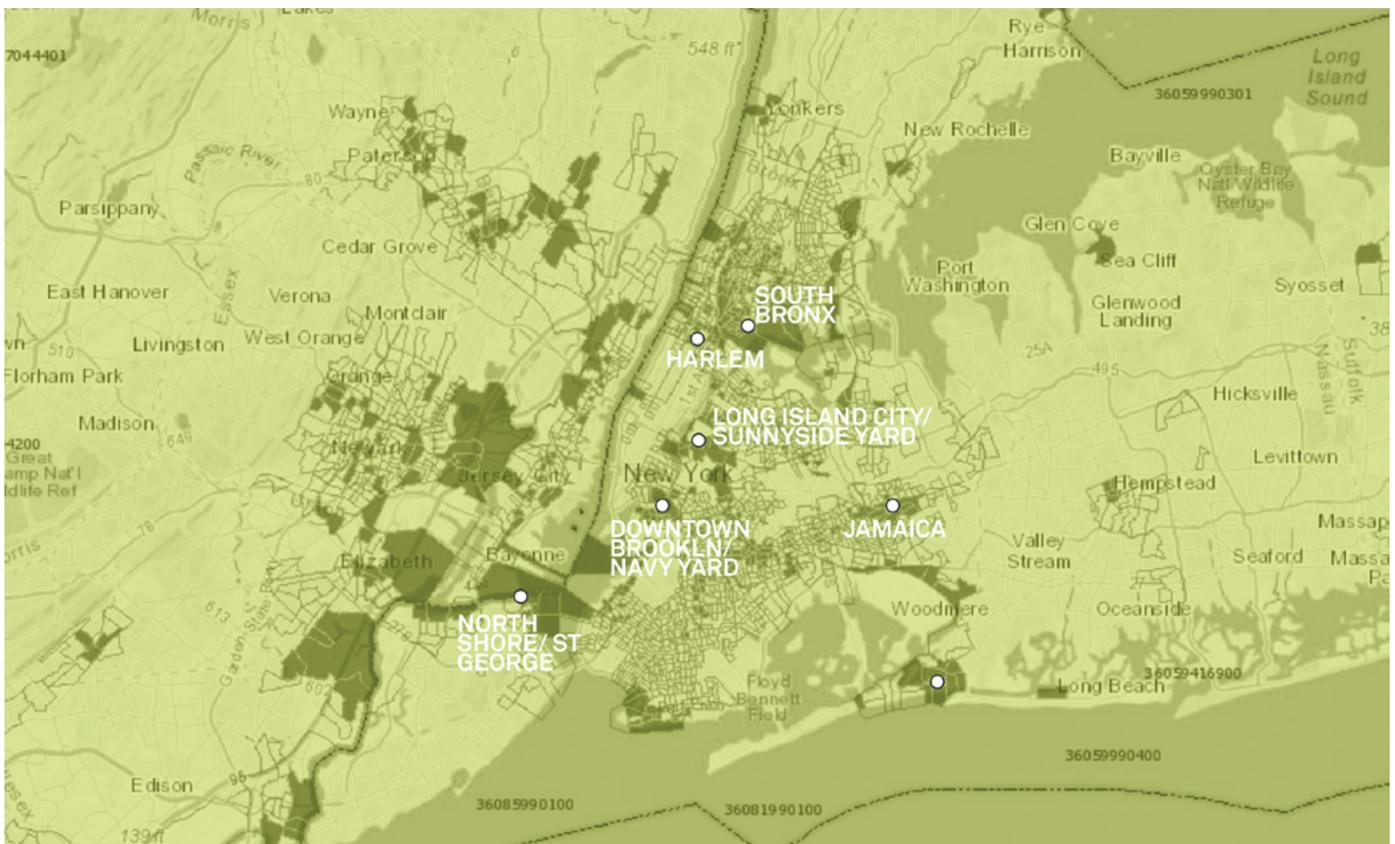
investment tools. While NMTC is capped at \$3.5 billion in credits, Opportunity Zones have not been allotted a ceiling amount for tax benefits. There are also currently no outcomes-based requirements or measurements for the investment in Opportunity Zones unlike NMTC, where investors are subject to outcome-based reporting or compliance requirements and Community Development Entities receiving NMTCs are held accountable to a community development mission.

Since the investment tool was passed in Congress as part of the Tax Cuts and Jobs Act, the Internal Revenue Service (IRS) has released two sets of proposed regulations to provide guidance on how to effectively implement Opportunity Zones across the country, however, the legislation remains murky and concerns remain over the real impacts of investment on “community outcomes,” including quality job

(continued on page 8)

How Do Investments Occur in a Qualified Opportunity Zone?

A Qualified Opportunity Fund must be established in order to invest in eligible properties and businesses located in a Qualified Opportunity Zone. The Qualified Opportunity Fund is an investment vehicle that is set up either as a partnership or corporation that any entity can establish as long as certified by the Treasury. By investing in a Qualified Opportunity Fund, investors have a 180-day window to defer capital gains. These investments may be in the form of a stock or partnership interest in an opportunity zone business (either a new business/ startup, or an existing business) or investments in tangible business properties (either new construction or rehabilitation of existing real estate) located in an opportunity zone for any property acquired by the Qualified Opportunity Fund after December 31, 2017. To ensure investments actually occur in low-income census tracts, regulations have been put in place to ensure at least 90 percent of the assets in such funds must be invested in designated Qualified Opportunity Zones.



New York City Opportunity Zone — changing markets.

OPPORTUNITY ZONES, CONT. FROM P. 7



New towers and commercial development rising in the waterfront Qualified Opportunity Zone Census Tracts in the Queens neighborhood of Long Island City. (Source: PC simplethrill, Flickr)

creation, mixed and affordable housing development, and infrastructure improvements. Academics are quick to liken Opportunity Zones to previously tried-and-tested place-based investment tools such as enterprise zones and empowerment zones that have been shown, in numerous states, to have had “little or no positive impact” on economic growth. In some extreme cases, these tools have even resulted in tax giveaways for investment that would have already occurred and instead expedited the process of displacement.

These fears are warranted but if opportunity zones are used carefully and planned in tandem with regional leaders, community groups, and local populations, the upside could be substantial. The key ingredient to the successful investment of Opportunity Funds in our neighborhoods is ultimately the core mission driving those investments. Without the right mission and goals guiding these investments, Opportunity Zones may become inequitable places that end up displacing existing residents, businesses, and jobs.

In order to prevent history from repeating itself, community economic development planners will need to work to ensure investments in Opportunity Zones are guided by equitable policy and community plans to prevent displacement and to ensure that benefits respond directly to the needs of marginalized groups and individuals. To do this, cities will need to work closely with community-based organizations and anchor institutions in Opportunity Zones to better understand real needs on-the-ground. For the past year, several governments and community-based organizations have been working with third-party, independent advisors who are



The recently completed Empire Outlets shopping destination on the shore of St George, Staten Island is located in one of the lowest income census tracts in the city and a qualified opportunity zone. (Source: PC jpellgen, Flickr)

providing market expertise to help understand existing demand and supply of businesses and real estate in order to better prioritize projects and determine feasibility of certain projects in these low-income census tracts. The California Opportunity Zone Partnership, organized by non-profit Accelerator for America, with partnership of the State of California, Energy Foundation, Cities of Oakland, San Francisco, San Jose, and Los Angeles are doing exactly that by providing grants and technical expertise to three small-to-medium-sized California cities to help them work with independent analysts to attract inclusive investments into their Opportunity Zones. In Louisville, Kentucky, Accelerator for America has also supported the city to engage a consultant to create a replicable product — an Investment Prospectus — to enable the city to communicate its competitive advantages, initiate local partnerships, and identify sound projects that are ready for public, private and civic capital.

Beyond quantitative data, however, cities must make concerted effort to solicit the expert opinions of the people who experience life and who are currently working, or own businesses, in Opportunity Zones. These lived experiences are best understood through robust stakeholder engagement methods that economic development planners too often forget to use or do not prioritize. If there is anything to be learned from the failures of previous place-based investments, it's that there is also value in ensuring these investments are people-based. In fact, investments in human capital through education and job-training facilities, properties, and ventures, are becoming a significant focus in Opportunity Zones across the country.

(continued on page 9)

OPPORTUNITY ZONES, CONT. FROM P. 8



A view into Downtown Brooklyn from the Navy Yard — both located in major qualified opportunity zones in the outer boroughs of New York. (Source: PC Alan Harris, Flickr)

Beyond the most obvious kinds of investments in housing, retail, offices, or industrial spaces, states like Ohio and Florida are thinking strategically and being proactive in promoting the use of opportunity funds to close the gap in financing one of the most basic human needs — education. Across the country, both school districts and charter schools have been struggling to modernize and grow educational facilities to meet population demands. Charter schools have, for years, even struggled to access and afford sites for schools so the National Alliance of Public Charter Schools is leading the effort to educate charter school members across the country on how to leverage private capital through Opportunity Zones and are currently offering technical assistance through webinars. According to a recent report, charter schools in over 40 states might be able to access financing through the Qualified Opportunity Zone tax breaks, with over 2,000 schools that could be eligible for this financing stream over the next five years to pay for new buildings or to finance renovations.

If investors have until December 31, 2026 to defer capital gains via Qualified Opportunity Zones, why do we have to act now?

Given that investors will need to leave their investments in Qualified Opportunity Funds for at least 7

years before the end of 2026 in order to reduce their tax burden by 15%, **2019 is the year to act.** As planners, we need to arm ourselves with the right set of data to guide investment decisions in our low-income census tracts. Communities need to identify assets and signal their potential to investors to ensure financial upside works hand in hand with community development. If you're an economic development planner working in a Qualified Opportunity Zone, the time is now to reach out to community stakeholders, and to work closely with community-based organizations, to build a locally-informed case for investors who are setting up Qualified Opportunity Funds. Make clear the direction that your census tracts want to go, create a clear community outcomes criteria or checklist for investors so they can make every effort to root their investments in the needs of local people and local businesses.

— *Nur Asri, AICP is a Senior Research Strategist at Streetsense, an experience-focused and multi-disciplinary design and strategy firm specializing in retail, restaurant, hospitality, and mixed-use real estate solutions. She can be reached at nasri@streetsense.com.*



Economic Development Division: Roles and Responsibilities

Please consider filling one of the Division’s empty volunteer positions:

1. The **Student Representative** serves as a liaison between the division’s student members and executive committee; leads efforts to recruit student members to join the division; represents the division in activities and committees where student representation is needed; and promotes student involvement and engagement in the division.
2. The **Communications Committee Chair** will work with the Division Leadership to post information and promote the Division on Twitter, LinkedIn, Facebook, and Instagram. The Social Media Manager must be familiar with various social media platforms.
3. The **Marketing Manager** will work with the Communications Chair to develop brochures, publications, swag, and other marketing materials for the Division. The Marketing Manager must have experience with graphic design.
4. The **Fellowship Coordinator** will work with the Learning Chair to conduct the successful annual Fellowship Program. The Fellowship Coordinator will promote the fellowship, work with Division Leadership to select a fellow, and coordinate with the fellow at the NPC. Preference will be given to someone with connections to academia.
5. The **Membership Committee Chair** will work with the Division Leadership to encourage

membership in the Division. The Membership Coordinator must be interested in creating new benefits to encourage membership. The Membership Coordinator will also work to develop relationships between members through networking events and mentoring. The Membership Coordinator will ensure that the members with free membership are integrated into the division and supporting the work plan.

6. The **Diversity Committee Chair** will work with the Division Leadership to encourage more involvement from minorities and underrepresented members in the Division. The Diversity Committee Chair must be interested in creating new benefits to minorities and underrepresented members. The Diversity Committee Chair will also work to develop relationships between minority and underrepresented members through networking events and mentoring.
7. The **Awards Committee Chair** will work with the Division Leadership to develop a selection process for the fellowship and the Donald Hunter Excellence in Economic Development Planning Award. This includes developing the process, building awareness about the award, marketing it to membership, reviewing applications, and making a recommendation to the Executive Committee about winners.

If you are interested in volunteering, please reach Rebecca Leonard at rebecca@lionheartplaces.com or (970) 948-6281. Thank you!

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