Retail Strategy for the City of Cambridge

Market Analysis and Recommendations Report

Prepared for the Economic Development Division of the Department of Community Development, City of Cambridge

August 2017

Photo: Gretchen Ertl Photography

Acknowledgements

Executive Office
Louis A. DePasquale, *City Manager*
Lisa Peterson, Deputy *City Manager*

City Council
E. Denise Simmons, *Mayor*
Marc C. McGovern, *Vice Mayor*
Dennis J. Carlone
Leland Cheung
Jan Devereux
Craig A. Kelley
David P. Maher
Nadeem A. Mazen
Timothy J. Toomey, Jr.

City Staff - Cambridge Community Development Department
Iram Farooq, *Assistant City Manager*
Sandra Clarke, *Deputy Director*
Cliff Cook, *Planning Information Manager*
Christina DiLisio, *Associate Economic Development Specialist*
Lauren Shuffleton Drago, *Intern, Economic Development Division*
Lisa Hemmerle, *Director of Economic Development Division*
Jeff Roberts, *Land Use and Zoning Project Planner*
Pardis Saffari, *Economic Development Specialist*

Business Associations
Cambridge Chamber of Commerce
Cambridge Local First
Central Square Business Association
East Cambridge Business Association
Harvard Square Business Association
Huron Village Business Association
Kendall Square Association
South of Porter Neighborhood Group

Consultant Team
Larisa Ortiz Associates, *Lead*
MJB Consulting, *Strategic Advisors*

Photo: Massachusetts Office of Travel and Tourism

Contents

Introduction

In January 2017, the City of Cambridge Economic Development Division (Client) contracted with Larisa Ortiz Associates ("the Consultant") to lead a Retail Strategic Plan for the City. The goal of the Retail Strategic Plan is to develop a strategy of best practice policies and programs that will support and enhance the ground level active use and retail environment in Cambridge.

The Retail Strategic Plan outlined here is based on an assessment of the current retail landscape and trends, a City-Wide and District-Level analysis of demographics, psychographics, market supply and demand, as well as extensive outreach to industry experts, institutional partners, and local business community leaders.

In May 2017, the Consultant presented findings from the first phase of the work (Market Analysis + Guiding Principles) to the City, to attendees at the Carl Barron Business Forum sponsored by the Cambridge Chamber of Commerce, and the Economic Development and University Relations Committee, a public forum hosted by City Council at City Hall. Feedback on the findings and Guiding Principles were subsequently incorporated into the Final Recommendations. In June 2017, the Consultant presented the second phase of the work (Final Recommendations + Action Plan) to the Economic Development and University Relations Committee.


Photo: John Hawkinson via Twitter

The report is divided into five key sections as follows:

1. **Methodology**
2. **City Wide Analysis** of overarching industry trends as well as an analysis of the impact of these trends on the City and its retail economy
3. **District-Level Analysis** of the City's nine commercial districts (Harvard Square, Central Square, Kendall Square, Inman Square, East Cambridge, Porter Square, North/Upper Mass, Huron Village/Observatory Hill and Fresh Pond/Alewife) focused more narrowly on categorizing the Districts and assessing retail opportunities
4. **Recommendations and Best Practices**
5. **Action Plan** that summarizes roles and responsibilities associated with the implementation of the recommendations

Methodology

Background Document Review

The Consultant began by reviewing previous documentation provided by the Client. This included review of documents developed through the City Master Planning process, Envision Cambridge (an ongoing study) and K2C2 Study (completed in 2012). The Consultant also reviewed applicable municipal plans, laws that impact each of the City's commercial districts including the City of Cambridge Zoning Ordinance (Articles 4, 6 and 7) and the related 2015 Commercial Land Use Classification Study prepared by Community Opportunities Group, Inc.

Finally, the Consultant reviewed studies produced by the City's Community Development Department, Economic Development Division including the Market Profiles and the Consumer Intercept Studies of each commercial district. These documents provided critical insight into the issues and concerns that have been raised in the past, and the context to the development of the retail strategic plan.

Site Visits and Stakeholder Interviews/ Focus Groups

The Consultant conducted two site visits that included a physical diagnostic of each district and a set of stakeholder meetings and interviews. In collaboration with the Client, the Consultant engaged local stakeholders who represent a variety of perspectives, including:

- Business associations
- Local business owners through in-store visits
- Local resident associations
- Civic and political leaders
- Representatives from major anchor institutions
- Commercial real estate professionals
- Property owners through in-person conversations, phone interviews and focus groups.

Market Analysis

The Consultant pulled market data at both the City-Wide level and at the District-Level, including information from various sources including the United States Census, the American Community Survey 2008-2012 Five-Year Sample, ESRI Business Analyst Online, Loopnet, CoStar, and International Council of Shopping Centers U.S. Mall Performance Report.

Employment and primary worker data was pulled from the U.S. Census Bureau's Center for Economic Studies OnTheMap portal. The portal identifies small-area workforce characteristics based on 2002-2014 LEHD Origin Destination Employment Statistics (LODES).

City-Wide data was pulled from a trade area defined by the City of Cambridge's boundaries. District-level data was pulled from trade areas determined in coordination with the Economic Development Division of the City. These consisted of a 0.5 mile radius from the main intersection within each district, commensurate with a neighborhood-serving trade area.

Methodology

Guiding Principles, Recommendations and Best Practices Research

Based on the findings from the market analysis and feedback from the Client, a set of guiding principles were identified as a framework for the development of strategic recommendations that addressed market and regulatory challenges affecting the City's retail environment. For each recommendation, the Consultant conducted research on best practices that illustrate programmatic and/or policy alternatives that have been effective in addressing similar issues elsewhere.

Deliverables

The Consultant's work resulted in the following three deliverables:

1. Market Analysis & Guiding Principles: PowerPoint presentation
2. Recommendations & Action Plan: PowerPoint presentation
3. Final Report: Written report (this document) of the Market Analysis & Guiding Principles and Recommendations & Action Plan

Photo: Massachusetts Office of Travel and Tourism

City-Wide Analysis

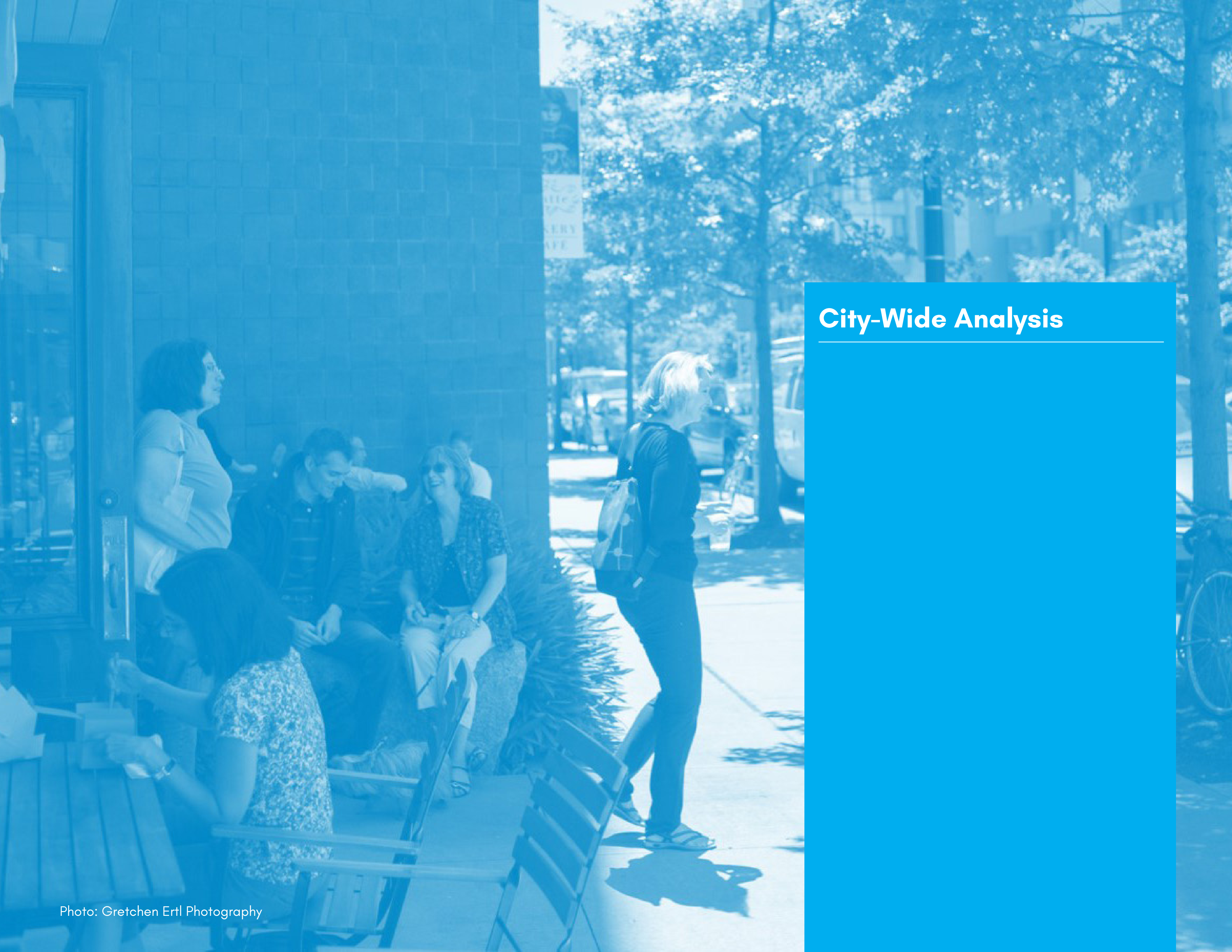


Photo: Gretchen Ertl Photography

City-Wide Analysis

While the full impact of changing consumer shopping habits remains unknown, retail real estate is increasingly feeling the reverberations of online shopping and its corollary - a strengthening market for products and services that cannot be purchased online. In turn, we anticipate that businesses' success in the new retail marketplace will require innovation and ingenuity from the businesses, the business associations that serve them, and the City.

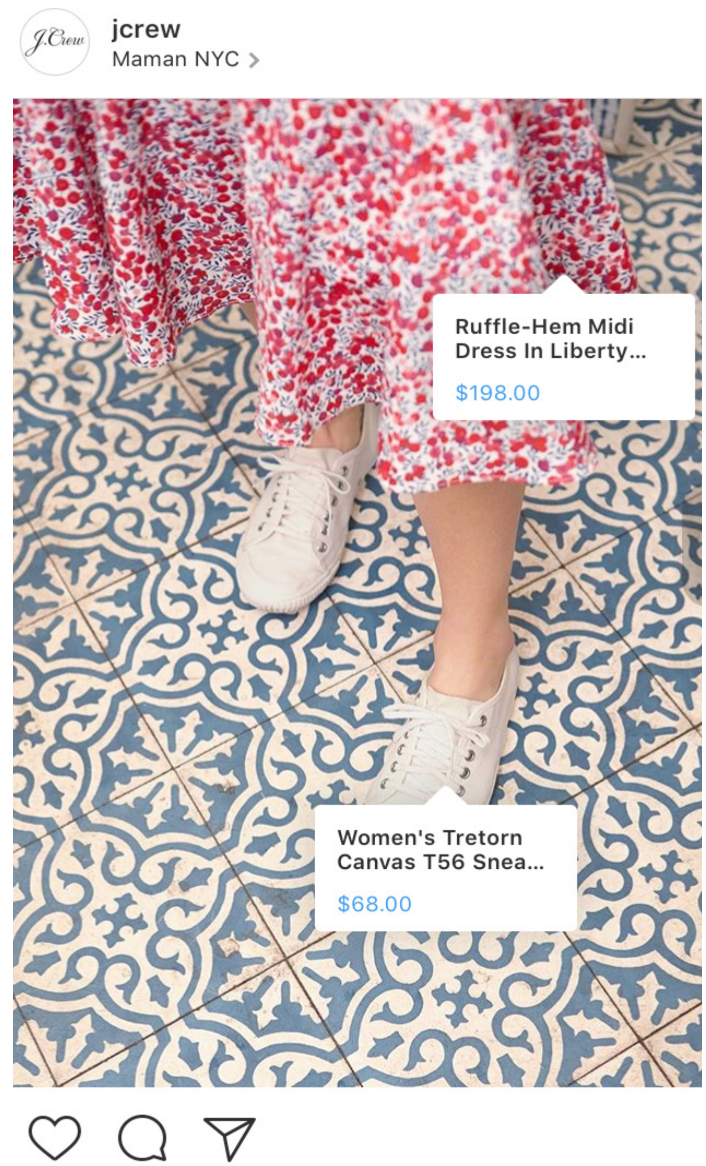
1. Overall State of Retail: Changes in Consumer Habits

Consumer habits and tastes change rapidly and in the last few years this has had three main impacts on retail including the growth of omni-channel retailing, the growth of food establishments, and the expansion of experiential and service-based retail. These retail trends are a response to consumers seeking convenient, unique, and memorable shopping experiences.

a. Growth of e-commerce and online tools

According to the Census Bureau of the Department of Commerce, retail sales via e-commerce in the U.S. reached nearly $395 billion in 2016 [1]. This 15% increase from 2015 indicates that people are buying more online, regardless of type of device or method of payment or fulfillment. Online sales, however, are affecting retail categories very differently. While sales for computers and consumer electronics, and apparel and accessories account for a large portion of e-commerce sales – 45.6% in 2016[2] – food and beverage only accounted for 2% of ecommerce sales last year. In fact, although more consumers are turning to e-commerce for some goods, these sales only contribute to 11.7% of total retail sales in 2016, (excluding fuel and car sales)[3].

Digital tools are also making an impact on retail sales in the U.S. According to a November 2013 survey of US digital shoppers by research consulting firm Accenture, 78% of respondents reported "webrooming,"[4] or browsing and researching digitally before heading to a store to make a purchase. The same survey also reported that 72% of respondents engaged in "showrooming", or buying digitally after having browsed and researched a product in-store. Digital tools appear to be having an influence on shoppers in both directions



1 U.S. Census Bureau News, 2017. Quarterly Retail E-Commerce Sales 4th Quarter 2016.(Available online: https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)
2 eMarketer, April 2013. (Available online: https://www.emarketer.com/Article/Retail-Ecommerce-Set-Keep-Strong-Pace-Through-2017/1009836_)
3 (Available online: http://marketingland.com/report-e-commerce-accounted-11-7-total-retail-sales-2016-15-6-2015-207088)
4 (Available online: https://www.emarketer.com/Article/Retailers-Look-Merge-Offline-Online-Shopping-Experiences-2014/1010812)

and are leading consumers to merge their online and offline shopping experience.

In Cambridge, the trends of e-commerce and digital shopping tools are even more pronounced as 92% of residents are reported to have internet at home and 60% of residents made a personal purchase online in the last 30 days. These rates far surpass Boston and the U.S. (Figure 1) [1] and are increasingly being acknowledged by local business owners.

In an interview with a local specialty ice cream store on Lower Massachusetts Avenue, the owner revealed that the business experienced a spike in visitation and sales after posting new products on Instagram. Another Cambridge business manager selling a niche retail product in the form of vegan shoes indicated that in 2016 over 50% of the store's total sales were made online.

While bricks-and-mortar retailers are increasing their online presence, conversely, online retailers are opening bricks-and-mortar locations to serve as showrooms and fulfillment centers that allow customers to both test products and pick up orders. Former strictly

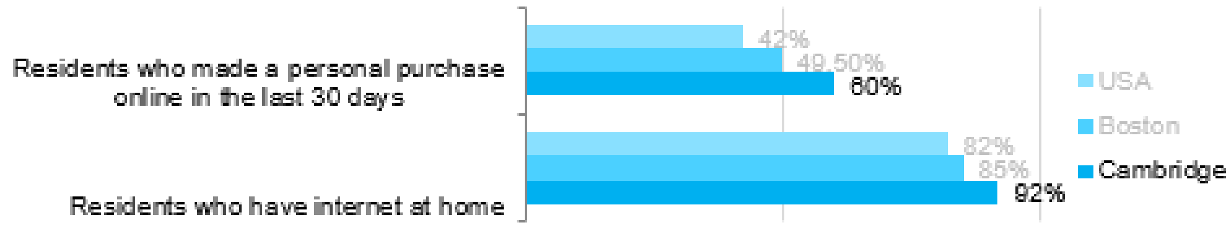


Figure 1 E-commerce participation by geography. Source: ESRI Business Analyst Online 2016.

online retailers such as Amazon, Warby Parker, and Bonobos have now opened bricks-and-mortar locations all across the country (Table 1).

National chain retailers are also strategically using their bricks-and-mortar stores as fulfillment centers. Target in Central Square, Cambridge is the latest local example of this rising concept. The new Target will reportedly feature a separate entrance specifically for online order pick-ups.

Target is not the only big-box store adapting to the changing retail landscape. Grocery store companies like Kroger and Stop and Shop, and national chains like Walmart are also right-sizing and occupying smaller footprints that can be accommodated in more urban or downtown retail spaces.

Online Retailer	Current no. of bricks -and -mortar locations
Amazon	10
Warby Parker	50
Bonobos	30

Table 1 Current no. of bricks-and-mortar locations by online retailer, March 2017. Source: LOA.

Photo: Washington Post

1 ESRI Business Analyst Online 2016. Electronics and Internet Market Potential Report

City-Wide Analysis

b. Shifts in consumer dining habits

In the first quarter of 2016, the Bureau of Economic Analysis reported that restaurants accounted for 15% of all core retail spending (excluding motor vehicles and parts dealers). Following a post-recession economic recovery, restaurant sales grew over 20% between 2012 and 2015, surpassing all other core retail categories. In 2009, immediately after the 2008 recession, retail sales fell by 10% but restaurant sales fell by only 1%[1].

The most recent expenditure data confirms the above findings that restaurant sales are growing. In the first quarter of 2016, and for the first time in history, U.S. consumers spent more on dining in restaurants and spending on meals outside the home than on buying groceries and eating in/buying food at home. Personal consumption expenditure data from 2015 show higher annual growth in spending on meals outside the home (+5%) than on goods (+4%), services (+3%), and food at home (0%)[2].

This expenditure is attributable mostly to older age groups. While Americans between 25-34 years old, i.e.,Millennials, spend on average $2,921 annually on food outside the home, those between the ages of 35-54 spend on average 14% more[3].

One key motivation for this shift in spending on meals outside the home is likely that consumers are finding it more convenient to eat out than cooking for themselves at home. In a 2016 survey conducted by the National Restaurant Association (NRA), 8 in 10 consumers reported that dining out with family and friends is a better use of their leisure time than cooking and cleaning up[4].

These fundamental and cross-generational shifts in consumer dining habits are also impacting the local retail climate in Cambridge. In 2016, total sales from food services and drinking places was $404,153,691 with a $133 million surplus confirming that Cambridge is already a dining destination[5]. Restaurants already make up the largest retail category City-Wide (38% of retail businesses)[6] and are serving as main retail anchors in a number of local districts including Inman Square and Kendall Squares. In Harvard Square and Central Square, restaurants also serve as key anchors.

However, stakeholders revealed in interviews that the growth of food establishments in Cambridge is creating a more competitive environment for operators.

1 Bureau of Economic Analysis Q1, 2016.
2 Bureau of Economic Analysis Q1, 2016.
3 TD Bank, 2016
4 NRA Restaurant Industry Pocket Factbook, 2016. (Available online: https://www.restaurant.org/Downloads/PDFs/News-Research/PocketFactbook2016_LetterSize-FINAL.pdf)
5 ESRI Business Analyst Online 2016
6 Economic Development Division Business Data 2016

Photo: LOA

City-Wide Analysis

c. Expanding experiential and service-based retail

In addition to increased spending on food outside the home and dining out, consumers are spending less on products and more on experiences and service-based retail. During the 2016 holiday season, experience-related purchases (including travel, sports events, and shows), came up as the top spending category for consumers[1]. Meanwhile, the 2016 Census showed a decrease in total sales in the past year for a number of retail categories including department stores (-5.6%), electronics and appliances (-3.2%), general merchandise (-1%) and clothing and accessories (0% growth) and as a result in early 2017, a large number of retailers closed an unprecedented number of stores.

In Cambridge alone, from 2001 to 2015, overall net retail establishments declined by approximately 15%. Electronics & Appliance Stores and Sporting Goods/Hobby/Book/Music Stores experienced steeper declines (40% or more) in net establishments. In fact, these two retailer types accounted for approximately 70% of overall losses in net establishments during that time period[2].

Figure 2 National Retail Store Closures in Q1 2017. Source: Business Insider 2017 – "More than 3,200 stores are shutting down – here's the full list".

1 Holiday Consumer Pulse Poll 2016. Rubicon Project. http://rubiconproject.com/insights-report/holiday-shopping-habits-2016/
2 HR&A Cambridge Market Scan 2016

City-Wide Analysis

Experiential or service-based retail involves in-person interactions and thus can be best transacted at physical locations, for example restaurants, cinemas, theaters, personal service businesses, health and fitness facilities, and art galleries and studios. Many traditional retailers are now adapting their store formats and programs to increase experiential offerings via personalized services and hands-on product testing.

The table below shows examples of traditional types of retailers and some strategies undertaken to incorporate customer experience within stores:

Retailer	Experience
Home improvement stores	DIY home décor classes
Electronics and appliance stores	Cooking classes, model kitchens
Sporting goods stores	Rock climbing walls, equipment testing, yoga classes
Café, restaurants	Social gatherings, outdoor dining*

Table 2 Experiential retail by store type. Source: LOA.

In Cambridge, the 2017 City-Wide Business Survey indicated that sales improved in experience-based retail categories such as food services and dining, and entertainment but declined for other traditional retail businesses.

In fact, an increasing number of stores in Cambridge are offering more in-store events and a number of restaurants are seeking to expand and enhance their dining experience by adding rooftop dining. Harvard Book Store, for example, holds between 350 and 450 author readings each year in order to drive business to the store. Commercial districts have long recognized the value of events in driving visitation, as one interviewee reported. Harvard Square Business Association alone holds 74 events annually and a number of other business associations have increased and diversified their number of events throughout the year, from Oktoberfests and Chilli Competitions to Smoke Rib Fests. Business associations in Cambridge play a vital role in creating experiences and attracting people to the City's commercial districts.

*Anecdotal evidence (by individual business owners on multiple media outlets) has shown that adding a deck or patio can increase revenue from 20% to 60%, depending on number of seats added and whether the area is weatherized[1].

1 Simmons Advisory Group: Best Practice for Increasing Restaurant Revenue? Just Add a Patio (http://www.vsag.com/restaurant-best- practices-add-a-patio-increase-revenue/; NJ BIZ: Restaurants finding outside eating spaces can have big payoffs. http://www.njbiz.com/article/20140616/NJBIZ01/306139997/restaurants-finding-outside-eating-spaces-can-have-big-payoffs)

Photo: Lara Gorden via Pinterest

City-Wide Analysis

The City-Wide analysis identified a number of significant trends shaping the retail environment in Cambridge including the following:

2. City-Wide Analysis

- Accessibility – meaning the ability for customers to walk, bike, drive or take public transit – is unequal among the City's commercial districts. Less multi-modal districts, in particular those where businesses are not easily accessible via mass transit, may require customized strategies to ensure businesses remain accessible and convenient to customers.

- The City's population is growing and remains young, but it is diversifying and slightly aging. Despite making up the greatest proportion of the residential population (43%), millennials are decreasing in numbers.

- Cambridge is a major employment center and its workforce is an important segment of the local customer base.

- Cambridge is a regional eating and drinking destination and well served by existing retail offerings. Leakage analysis suggests that the City's main opportunities lie in creating environments that support existing retailers (including restaurants). In addition, significant spending occurs from students and others living in group quarters – 16% - which are not reflected in the Census data and therefore the retail leakage analysis.

- Retail rents in Cambridge are reportedly a challenge for many small business owners despite being comparable to nearby competitive districts.

- The City's regulatory environment creates hurdles for small businesses, particularly hybrid retail stores and experience-based retail.

- The City has a large number of neighborhood and business associations that provide key services to businesses and commercial districts, but these have a vast disparity of budget and operating capacity.

The full findings of the City-Wide analysis are organized into five main sections below: (a) Physical Environment, (b) Market Data and Demographics, (c) Business Environment, (d) Structural Challenges, and (e) Administrative Capacity.

Photo: Massachusetts Office of Travel and Tourism

City-Wide Analysis

a. Physical Environment

Overall, commercial districts in Cambridge have clearly-defined nodes of activity and are relatively walkable. Accessibility, however, is not equal among the commercial districts. Districts such as Fresh Pond/ Alewife, Porter Square/ Lower Mass, North/ Upper Mass and Huron Village appear to be less multi-modal based on lower walk scores, bike scores, and transit scores. Conversely, the higher vehicular traffic counts of these districts suggest that businesses depend on the ability of residents, visitors and employees who come by car.

As a result, it behooves us to recognize that transportation needs differ across the districts and that less multi-modal districts may require tailored transportation strategies to accommodate the needs of businesses whose customers likely arrive by car.

In Porter Square/Lower Mass (between Mellen St and Somerville Ave), for example, the existing parking ratio of 0.56 parking spaces per 1,000 SF of retail limits the ability of businesses to capture sales from the thousands of daily drivers. In comparison, downtown districts across the region possess parking ratios of at least 2 parking spaces per 1,000 SF.

The low parking ratio is a result, in part, of the side street residential parking restrictions that prevent daytime parking by customers, business owners and employees.

	Harvard Square	Central Square	Kendall Square	Inman Square	Fresh Pond/ Alewife	East Cambridge	Porter Square/ Lower Mass	North/ Upper Mass	Huron Village
Traffic Count	16,079*	13,566*	19,900*	16,880*	44,938**	7,268**	21,188***	6,000***	N/A
Walk Score™	98	97	88	93	78	93	94	91	80
Bike Score™	98	99	99	88	93	88	78	83	93
Transit Score ™	81	72	75	70	64	83	73	70	64

Table 3 Multi-modal districts in Cambridge. Source: ESRI Business Analyst Online; WalkScore TM; City of Cambridge

b. Market Data, Demographics + Psychographics

Residents

The City of Cambridge is experiencing steady growth in its population and it is projected to become more densely populated. The City's population remains young, but it is slightly aging. Despite making up the greatest proportion of the residential population (nearly 43%), millennials are decreasing in numbers and advancing to older age groups, but will continue to make up the greatest proportion of the population by 2021. This may be attributed to the concentration of several small and large colleges within Cambridge that admit a sizable number of young students annually.

In fact, it is important to note that 16% of Cambridge's population is composed of non-institutional group quarters. The Census Bureau classifies all people not living in housing units such as houses, apartments, mobile homes or rented rooms as living in group quarters. Non-institutional group quarters, more specifically, refers to those living in college dormitories (or group homes, missions or shelters). This portion of the population and its spending is unaccounted for in the Census data and therefore the leakage analysis in this report.

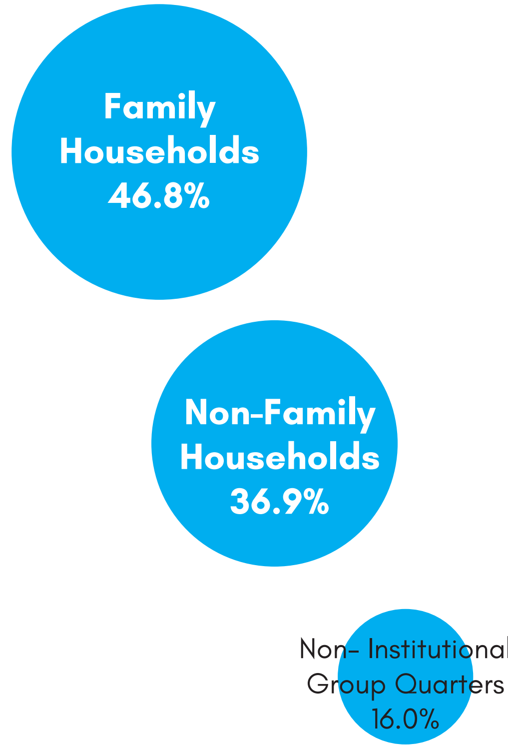


Figure 3 Household Composition in the City of Cambridge. Source: ESRI Business Analyst Online 2016.

	2010	2016	2021
Total Population	105,162	110,562	115,640
Population Density	15,766/ sq mile	16,576/ sq mile	17,337/sq mile
Median Age	30.3	31.3	31.6
Population aged 20-34	44.5%	42.8%	42.9%

Table 4 Demographic Characteristics 2016. Source: ESRI Business Analyst Online 2016

City-Wide Analysis

As Table 5 shows, the Median Household Income (MHI) in the City is projected to continually rise to $82,030 in 2021, however a consistent portion of the population (20%) remains low income (households with incomes <$25,000).

Furthermore, population in Cambridge is diversifying. The White population has declined over 5% in the last 6 years and is projected to decline by an additional 4.5% in the next 5 years. The Hispanic, Asian and Black populations are all growing and projected to increase between 1% and 2% each by 2012.

	2010	2016	2021
Median Household Income (MHI)	$64,790	$74,196	$82,030
Households with income <$25,000	24.5%	20.5%	20.4%
White Population	66.6%	61.1%	56.6%
Black Population	11.7%	12.8%	13.8%
Asian Population	15.1%	18.3%	20.9%
Hispanic Population	7.6%	9.3%	10.9%

Table 5 Demographic Characteristics 2016. Source: ESRI Business Analyst Online 2016

Photo: Massachusetts Office of Travel and Tourism

The City's car and home ownership trends are typical of most urban areas. Cambridge has lower car ownership and higher renter-occupied housing units than state and national levels, with only 69% of households owning/ leasing any vehicle, and 67.75% of housing being renter-occupied.

2016	Cambridge	Massachusetts	USA
Percentage of households that own/ lease any vehicle	69%	83%	86%
Renter- occupied housing	67.75%	39.35%	37.24%

Table 6 Car and home ownership 2016. Source: ESRI Business Analyst Online 2016.

City-Wide Analysis

Psychographic

A psychographic analysis was conducted to identify customer groups in Cambridge, and describe the socioeconomic characteristics of these residents. The analysis provides a detailed summary of the consumer spending habits of consumer groups, including their demographic characteristics, lifestyle and spending characteristics. The top five psychographic segments found in Cambridge are:

Metro Renters

32.0%

MHI: $52,000

Well-educated/ still enrolled in college

Interested in **fine arts**

Well-informed customers

Prefer environmentally - safe products

Very **sociable**

Laptops & Lattes

30.8%

MHI: $93,000

Health-conscious consumers

Environmentally- conscious

Image-conscious

Tech-savvy

Trendsetters

32.0%

MHI: $51,000

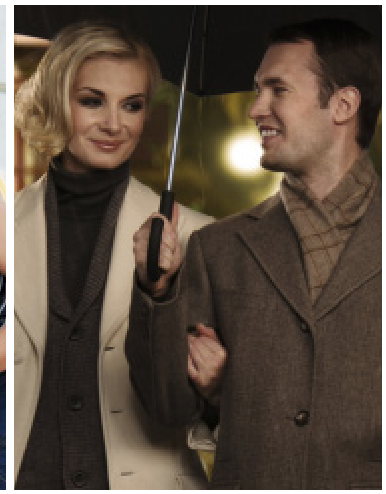
Young, educated, single

Image/ style-conscious

Upscale living

Attentive to health + nutrition

Enjoy **good deals**



Urban Chic

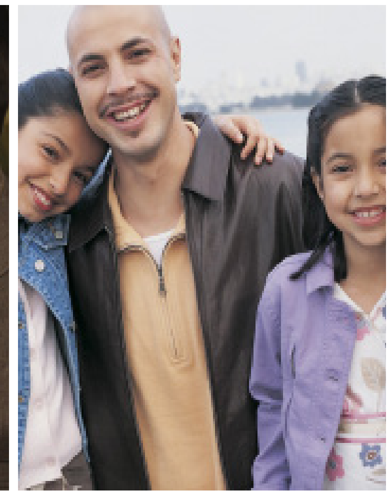
4.0%

MHI: $98,000

Well educated and well-connected consumers

Tech-savvy

Maintain **'green' lifestyles** and eat **organic foods**



International Marketplace

3.0%

MHI: $41,000

Young, diverse **family** market

Mostly **Hispanic**

Less educated

Attentive to **personal style**

Source: ESRI Business Analyst Online 2016.

City-Wide Analysis

Workers

Another significant segment of market demand comes from workers and employees in Cambridge. Cambridge is a major employment center. The city has a strong worker-to-resident ratio of 1:1, with a total of 108,372 primary jobs made up mostly of those in professional, scientific and technical service (26.6%) and educational services sectors (26.4%). This is likely attributed to the location of Harvard University, MIT, Google, and other large life sciences and technology employers within the city.

It is important to note that these numbers, however, do not account for self-employed workers or sole proprietors (including free-lance workers). Due to the presence of a growing start-up environment with flexible work spaces throughout the city, it is likely that total workforce numbers in Cambridge are higher than reported, particularly in districts like Kendall Square and Harvard Square.

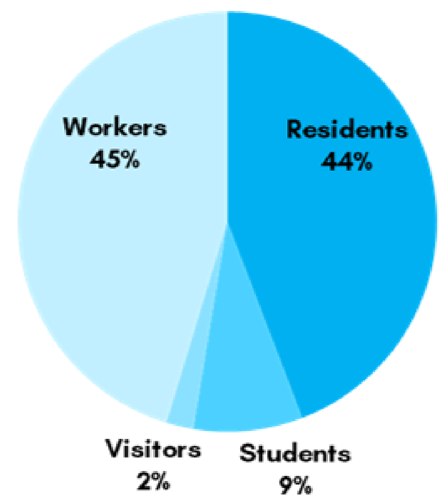


Figure 5 Market Composition of the City of Cambridge. Source: ESRI Business Analyst Online 2016; Cambridge Hotel Directory; LOA Calculations

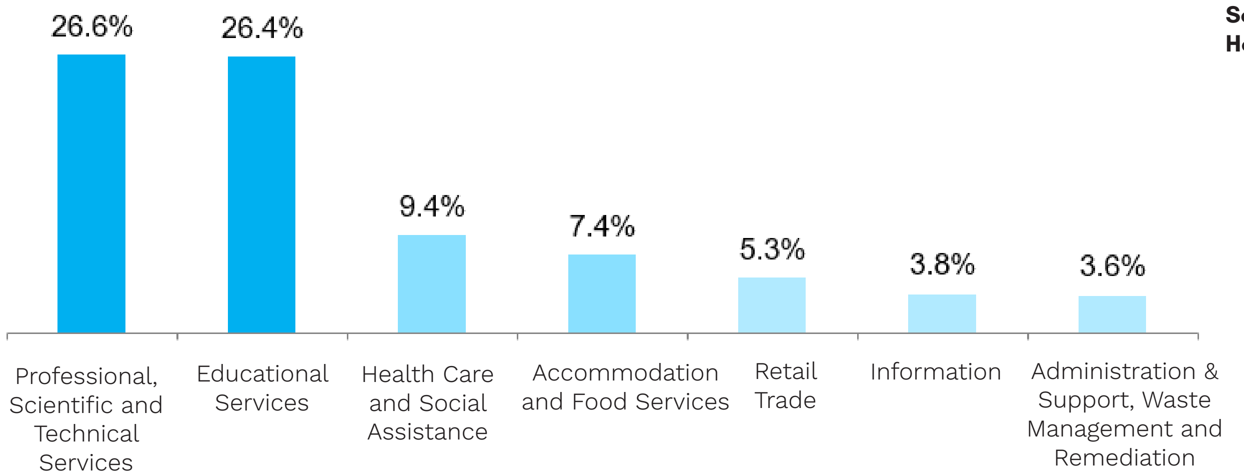


Figure 4 Workers by industry in the City of Cambridge. Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2nd Quarter of 2014)

City-Wide Analysis

Strategic Positioning

The Strategic Positioning Matrix developed by LOA maps the dominant psychographic segments and offers insights into where customers fall with respect to price point and lifestyle habits. This Matrix offers a clearer picture of what kinds of retail will succeed in meeting the needs of the dominant market segments. The Matrix plots the psychographic profiles of residents, students and workers in Cambridge based on income levels (vertical axis) and lifestyle choices (horizontal axis). “Low” income on the axis refers to Median Household Income (MHI) below $45,000, “Middle” income refers to MHI between $45,000 and $90,000, and “High” income refers to MHI above $90,000. The income levels translate to corresponding price points for a successful retail zone. The horizontal axis, on the other hand, is driven by three main lifestyle categories: Traditional, Contemporary, Hip/Trendy. The area of convergence of the various tapestry segments therefore reflect the kinds of businesses that are most likely to succeed.

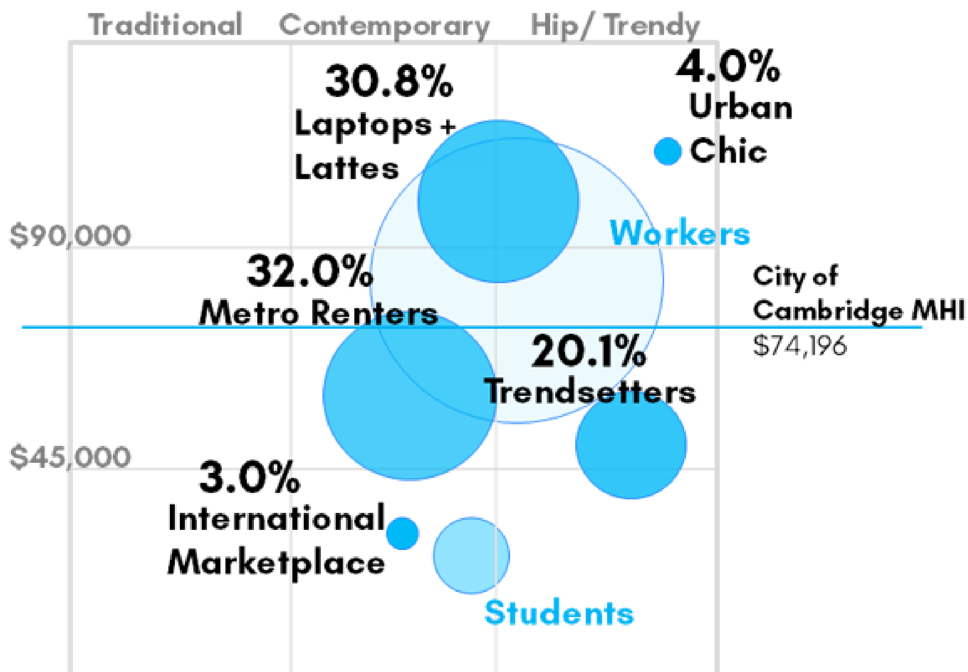


Figure 5A Strategic Positioning Matrix. Source: ESRI, LOA

Given the above market composition, customer traits and income levels, Cambridge retailers need to offer contemporary, hip and trendy merchandise at a mix of price points for a customer base with both moderate to above average income levels. Moreover, to meet student budgets, lower priced options should also be made available.

City-Wide Analysis

c. Business Environment and Leakage Analysis

The City of Cambridge has approximately 4% vacancy rate for ground floor retail[1]. In comparison, the national retail vacancy rate is approximately 10%. Low vacancy rates can sometimes result in upward pressure on rents.

A large proportion of existing businesses fall under the category of food services and drinking places. The category makes up about 38% of the total number of retail businesses, re-emphasizing the City's role as a dining destination. At the time of the analysis, prior to Target's opening at Central Square, general merchandise stores made up less than 1% of total number of retail businesses. Other major retail categories and their share of retail businesses are shown in Figure 6.

Leakage/ Surplus Analysis

City-Wide retail leakage and surplus analysis compares the total discretionary income of residents within the City of Cambridge against the total estimated sales for local businesses, also within the City.

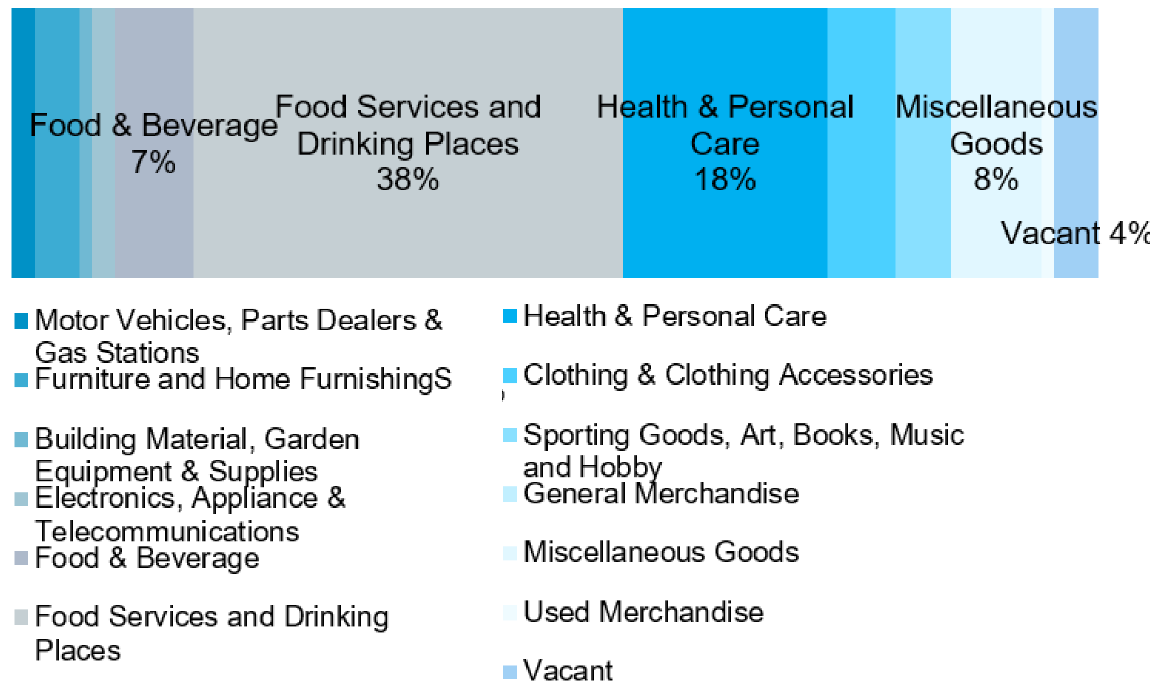


Figure 6 Business Mix in the City of Cambridge. Source: EDD 2016 Business Data.

Note: Miscellaneous Goods refers to florists, office supplies, stationery and gift stores, used merchandise stores and others. Food & Beverage refers to grocery stores, specialty food stores and beer/wine/liquor stores.)

1 City of Cambridge Economic Development Division Business Data 2016

City-Wide Analysis

The market analysis outlined here offers insight on how residential spending and business sales intersect. It offers us a deeper understanding as to the degree to which local businesses as a whole are capturing residential spending – or if spending is instead being driven by visitors and employees – which would be reflected in high surplus figures. When business sales are less than what residents spend locally, this is known as "Leakage". It means that residents are likely spending a portion of their incomes outside of the defined trade area.

Retail leakage and surplus analysis is but one assessment of market potential that offers some insight into categories for growth for both existing and new businesses.

Retail leakage at the City-Wide level is found in the categories of general merchandise stores, grocery stores, building materials, garden equipment & supply, furniture & home furnishings and specialty food stores. These figures are for the City as a whole and do not necessarily reflect opportunity in any one category in any one particular district. For that information the reader will have to look to the District-Level retail leakage and surplus analysis for additional insight.

In Cambridge, retail surplus is found in the categories of food services and drinking places, clothing and accessories stores, and health and personal care stores. This reinforces our assessment that Cambridge is a regional eating and drinking destination, and holds its own as destination for comparison shopping.

It should also be noted that demand assumptions outlined here reflect only residential spending from those living within the City. The data does not take into account workforce and visitor demand – though the degree to which outside spending drives retail sales can be gleaned if there is significant retail surplus. Nor do the figures take into account the potential spending of 16% of total Cambridge residents who are categorized as living in group quarters (institutional, or non-institutional).

Note: General merchandise leakage was calculated based on data collected before the opening of Target in Central Square

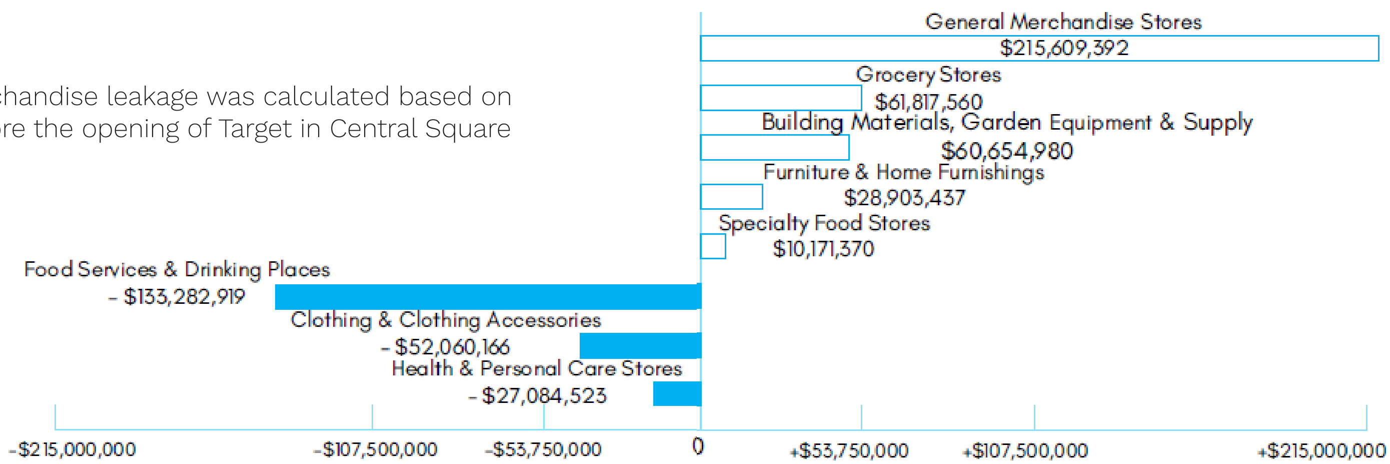
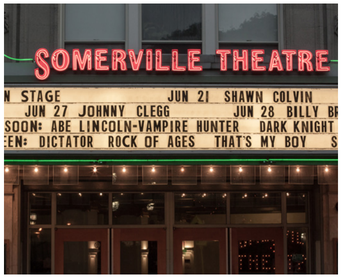


Figure 7 Retail Leakage of City of Cambridge. Source: ESRI Business Analyst Online 2016.

City-Wide Analysis

Competitive Districts

In order for retail to thrive, commercial districts need to be aware of other nearby districts and shopping centers that may be competing for similar customers. There are several competitive districts neighboring Cambridge including Davis Square, Union Square, Assembly Row, and Downtown Boston. Each of these districts has its own niche and advantages that Cambridge can complement or compete against.



Davis Square

Davis Square in Somerville is directly adjacent to North/ Upper Mass commercial district. Like its neighboring competitor, it primarily serves local residents but is also popular among Tufts University students and faculty. The Tufts shuttle drops students and staff at Davis Square regularly.

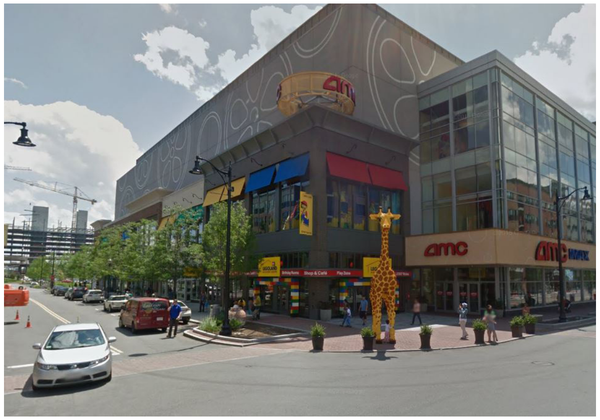
Average asking rents in the district are $46 SF/Yr, and it is known as a dining and cultural destination with wide offerings of cuisines and entertainment venues such as the Somerville Theater. The district is most vibrant in warmer months when the Davis Area Resident/ Business Initiative and other community groups organize events and seasonal outdoor street festivals.

Union Square

Union Square in Somerville is located close to Inman Square in Cambridge. The district primarily serves nearby residents and as a result may be competing for Inman Square's customers. At the same time, however, Union Square's efforts in attracting new creative workers with maker spaces may benefit Inman Square with spillover spending. Average asking rents in the district are $43 SF/Yr. The wide variety of cuisine including Peruvian, Portuguese and Indian restaurants also makes Union Square a dining and drinking destination. It is anchored by a popular Korean and Japanese grocery store, the Union Square Farmers Market on weekends, and destination eateries like Union Square Donuts.

City-Wide Analysis

Located in Somerville off the MBTA Orange Line, Assembly Row is a new mixed-use development that features apartments, an outlet mall, and about 1.6 million SF of office space. It also fronts the Mystic River with a six acre public space available for events in the summer. With average asking rents of $50 SF/Yr, the development is anchored by the new LegoLand, AMC Cinema and American Fresh Brewhouse. The outlet mall, which now mainly serves as a one-stop shopping destination for visitors and tourists, is supplemented by an adjacent big box development with K-Mart, Staples, Bed Bath & Beyond and TJ Maxx.



Assembly Row

Across the river from Cambridge is downtown Boston, highly accessible and served by three T-stations and walkable narrow streets. This competitive district has the largest set of retail offerings and it is a regional destination for comparison goods and services. It is anchored by large public institutions and Boston Common. With average asking rents ranging from $34 to $116 SF/Yr, downtown Boston offers a mix of both large national retailers and smaller, local businesses. Its various entertainment and cultural destinations including the historic markets such as Faneuil Market and Haymarket draw visitors from all over the country. A large concentration of hotels supports longer stays for domestic and international visitors. Given the district's proximity to Cambridge, there is an opportunity for the City to draw customers from the neighboring competitor.

Downtown Boston

City-Wide Analysis

Stakeholder Feedback on Business Environment

An online survey was conducted in collaboration with the Cambridge Community Development Department's Retail Strategic Plan. The survey was made available to Cambridge small business owners for 6 weeks (January-March 2017). The survey link was distributed through the Economic Development Division newsletters, business association's newsletters, social media, and business events. EDD staff also visited businesses in key commercial districts to explain the purpose of the survey and solicit email addresses for further, more individual follow up.

Sixty-eight businesses answered the survey. The respondents were distributed fairly evenly throughout the city, mostly appearing in key commercial districts. The distribution of responding businesses appears to be consistent with the relative density of businesses in each district.

According to the 2017 City-Wide Business Survey and focus groups, there has been an increase in the cost of operating businesses City-Wide, including increases in rents, utilities, and property taxes. This is compounded by the fact that many retail properties in Cambridge have Triple Net Leases, requiring tenants to pay all insurance, maintenance and property taxes. Despite the increasing real estate costs, however, average asking rents in the City have remained unchanged year-on-year for the last three years, and remain below that of nearby competitive districts outside Cambridge, with the exception of Harvard Square.

Photo: LOA

d. Structural Challenges

Based on stakeholder interviews and discussions, three major structural challenges seem to constrain the success of retailers in Cambridge. First, the permitting process faced by many business owners was described as long and uncertain. In order to start the application process with the City, local businesses must have secured a space, which requires signing a lease and making monthly rent payments long before opening their doors for business. We were also told that it is unclear to applicants how long it will take for the City to give all necessary permits for the business to start operating. At multiple interviews for this study, businesses reported it took from 4 to 6 months (and in some case even longer) to get all the necessary permits and approvals to open their doors. This disproportionally affects undercapitalized small businesses who have limited resources available at the outset.

Discretionary permitting is also a concern for small businesses. If community approval is required, small businesses may not be adept at working to gain community support for their concept and the potential that a business idea may be scuttled because of a few vocal residents can deter business operators.

In other instances, the inclusion of small batch manufacturing of food items (e.g. specialty ice cream, craft beer, vegan snack foods, custom spices) as part of retail storefront operations often triggers zoning code violations. In the case of a specialty food producer with a retail storefront, the manufacturing portion of her business cannot grow to more than 50% of her business. If it were to do so, manufacturing would become the primary use of a site presently zoned for a retail use. For a business that might wish to pursue a change of use in order to bring the business in alignment with the zoning code, the owner could face not only the need to apply for a Special Permit but in some cases a Variance as well – both of which carry lengthy community hearing processes.

In light of the rapidly changing retail environment, flexibility for retailers is important. Outdated land use restrictions – particularly those that prevent businesses from testing new concepts and incorporating new offerings – limits the ability of retailers to diversify their revenue streams.

City-Wide Analysis

e. Administrative Capacity

Cambridge has an active network of business associations that work both at the City-Wide and at the District-Level. The Cambridge Chamber of Commerce and Cambridge Local First are organizations that support and represent the interests of businesses throughout the City. At the District-Level, an open invitation was made to all of the City's business associations and the Consultant conducted a focus group with 8 of them. These include the Kendall Square Association, the Harvard Square Association, the Central Square Association, The East Cambridge Business Association, the Porter Square Neighborhood Association, the Mass Avenue Improvement Committee, and both the Chamber of Commerce and Cambridge Local First.

Local business associations, however, operate under very different budgets (from less than $2,000 to over $600,000 per year) and capacity (from zero to six full-time staff) that create challenges for the smaller associations (usually serving smaller districts) to offer extensive resources and assistance to small businesses.

The Economic Development Division of the City has a staff of three and while extremely proactive in their efforts to support local business through training and other resources, is limited in what it can accomplish with a small staff. Furthermore, Massachusetts State laws prevent governmental agencies from providing certain types of assistance directly to businesses, including legal advice, curtailing the City's ability to provide business to business services. This is where business associations can step in and fill this gap if properly resourced.

Photo: LOA

3. Citywide S-W-O-T

The current Strengths, Weaknesses, Opportunities, and Threats of the City's retail environment are outlined below:

a. Physical Environment

Overall, the City of Cambridge boasts walkable streets and clearly-defined commercial nodes. However, there are some commercial districts that lack alternative transportation options and are less multi-modal, and therefore rely on adequate parking for visitors and employees who have no other option but to arrive by car. As a result, parking availability and increasing availability of other modes of transportation is absolutely critical to business success. It is also important for the elderly and disabled for whom the automobile is a requirement. We noted that in some districts, there are restrictions that limit the ability of non-resident shoppers to park in existing spots located on side streets within 100 feet of an intersection. Not only does this impact accessibility by those arriving by automobile, it also forces store owners and employees (many of whom might be unable to get to work on public transit) to park in the most convenient spaces that should be made available to customers first.

Some districts were also found to face a lack of retail continuity on main streets due to vacancies. Promoting short term active uses may be a viable strategy to ensure ground floor spaces are filled in problematic areas.

b. Business Environment + Structural Challenges

There is currently strong demand for retail spaces throughout the City of Cambridge, and particularly in districts with strong institutional and commercial anchors such as Harvard Square and Kendall Square. There is also a strong presence of small businesses in Cambridge, creating a promising picture for local entrepreneurs trying to open storefronts.

However, a problem faced by many small businesses today is the rising cost of operations, including higher rents (as a result of the demand for space), taxes, and utilities (due to Triple Net leases). This is compounded by high build-out costs, outdated regulations and unclear permitting processes that constrain small entrepreneurs early on in the process of starting a business. It is therefore important to consider opportunities to decrease financial and regulatory barriers for new businesses and to reduce complexity in dealing with permits at various City departments. The current City project of integrating these departments into a single online portal, for example, will greatly assist business owners.

The rapidly changing behaviors and habits of consumers also require that business owners keep up-to-date with omni-channel retailing and retailing best practices. Technical assistance for small businesses via local business associations can be a helpful tool to engage businesses to adapt to changing consumer behaviors. Technical assistance in building online presence through review websites such as Yelp or TripAdvisor, for example, can boost businesses in commercial districts.

c. Administrative Capacity

Despite the active role of local business associations, the limited budget and staff capacity of the smaller associations put them at a disadvantage and constrain their ability to provide assistance and needed resources to small businesses. Despite these limitations, however, business associations have in general greater liberty in the types of assistance they can provide to local businesses and are often in better position to provide direct and indirect support. As previously mentioned, the City's Economic

Development Division is also limited by budget, staff, and especially State regulations that constrain what it can and cannot provide to businesses.

As changing shopping habits grow the need for an “experience economy”, the role of local business associations to support activities, events and marketing at the district-level will become increasingly critical to support business sales. The existing network of business associations and their already active role within their districts present an opportunity to the City’s Economic Development Division to further engage and strengthen these associations to expand its reach and services to local businesses. Associations can be helpful to engage businesses to adapt to changing consumer behaviors. Technical assistance in building online presence through review websites such as Yelp or TripAdvisor, for example, can boost businesses in commercial districts.

d. Market Data and Demographics

Overall, the dense and diversifying population of the City of Cambridge creates strong demand for retail goods and services in the City as a whole. The professional workforce also provides additional retail demand in some districts, particularly in Kendall Square, Central Square and Harvard Square. These districts are in a position to also target the worker populations and boost daytime sales through after-work dining and entertainment.

Meanwhile, in areas that lack density and/ or nearby daytime populations, including Kendall Square, Fresh Pond/ Alewife, and East Cambridge, solutions might include a mix of new residential or office development to enhance demand for retail.

The majority of consumers in Cambridge currently tend towards more contemporary and hip/trendy goods and services at middle to high price points. However, it is important that retailers also consider existing demand from students at local colleges and the consistent percentage of low-income populations in the City, and offer goods and services at lower price points to be able to serve those population groups and capture that demand.

Photo: Massachusetts Office of Travel and Tourism

District- Level Analysis

Photo: Massachusetts Office of Travel and Tourism

District- Level Analysis

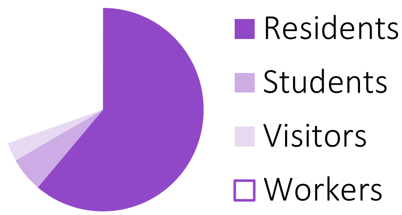
There are two main types of commercial districts in the City of Cambridge: regional or specialty districts and neighborhood or community districts.

1. Regional/ Specialty Commercial Districts

Regional or Specialty Commercial Districts consist of larger corridors with higher numbers and concentration of businesses that often attract and benefit from additional visitor demand due to their higher and/or specialized set of offerings. These districts often have high daytime populations with high worker-to-resident ratios, as shown below in the district market composition charts. Districts in this category include Harvard Square, Central Square, Kendall Square, Inman Square and Fresh Pond/Alewife.

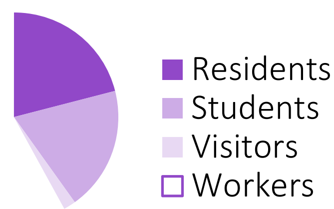
Customer Composition by District

Figure 8 Central Square



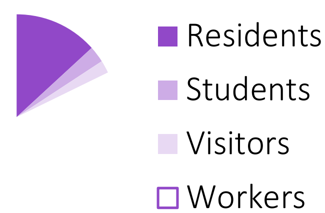
Central Square is a popular dining, entertainment and shopping destination for local residents, workers and visitors located in the heart of Cambridge. It has the highest population density among all districts (31,377 persons per square mile) and second busiest subway station in the City (16,525 daily passengers). Despite the district's large set of offerings (nearly 120 businesses) there is opportunity for additional retail in a number of retail categories particularly clothing and accessories, building materials, garden equipment and supplies, and sporting goods, hobby, books and music.

Figure 9 Harvard Square



Harvard Square is a young and vibrant district anchored by many cultural and educational institutions. With over 200 businesses and strong worker and visitor populations Harvard Square is the largest and busiest commercial district in Cambridge, which is confirmed by its transit ridership of over 23,000 daily passengers (the highest in the city) and total retail surplus of over $40 million. Despite such large set of offerings, there is still opportunity for additional retail in the district, particularly grocery stores, general merchandise and building materials and garden supplies.

Figure 10 Kendall Square

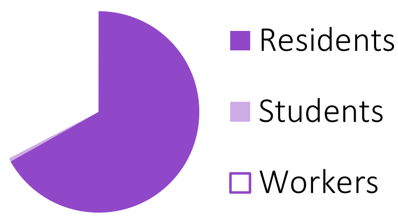


Kendall Square is a rapidly developing district anchored by educational institutions and a large number of tech and professional offices that bring thousands of workers to the district. It has the third busiest subway station in the City (15,433 daily passengers) and a large set of restaurants and drinking places that make the district a dining destination. The over 212,000 of retail SF in the pipeline for the district will help to meet existing retail demand for groceries, general merchandise and furniture and home furnishings.

District- Level Analysis

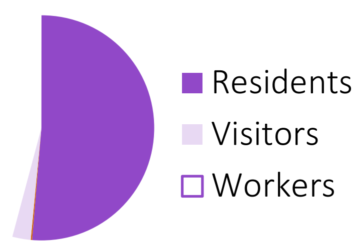
Customer Composition by District

Figure 11 Inman Square



Inman Square is a convenience-oriented shopping district serving a large residential market with moderate to high incomes. The large number of eating and drinking places in the district, however, make Inman Square also a dining destination. The district's large residential population of over 21,244 residents (the second largest among the City's districts) creates significant demand for goods and services particularly in the categories of general merchandise, clothing and accessories, health and personal care, building materials and garden equipment and food services and drinking places.

Figure 12 Fresh Pond/ Alewife



Fresh Pond/Alewife is a car-centered shopping district anchored by large convenience and entertainment offerings. Despite an overall surplus of $50 million the district has opportunity for additional retail in the categories of general merchandise and clothing and accessories.

Source: ESRI Business Analyst Online 2016; Cambridge Hotel Directory; LOA Calculations

District- Level Analysis

District Profiles

		Harvard Square	Central Square	Kendall Square	Inman Square	Fresh Pond/ Alewife
No of businesses		210	119	65	69	46
Total Population*		16,165	24,788	7,018	21,244	6,495
Population Density (per sq mile)		20,462	31,377	12,017	26,891	8,222
Total No. of Workers		23,379	11,277	36,303	10,291	5,779
Worker-Resident Ratio		1.4:1	2:1	5:1	0.5:1	1:1
MHI		$65,380	$73,057	$62,118	$75,162	$43,951
Categories of Residential Leakage	Grocery	✓		✓		
	General Merchandise	✓	✓	✓	✓	✓
	Building/ Garden Materials	✓	✓		✓	
	Clothing & Accessories		✓		✓	✓
	Furniture & Home Furnishings			✓		
Upcoming retail SF		-	41,916	212,853	1,546	13,428
Surplus/Leakage		Surplus	Leakage	Surplus	Leakage	Surplus

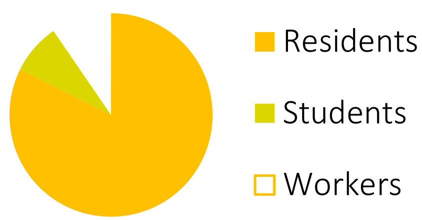
Source: ESRI Business Analyst Online 2016; OntheMap Census Bureau

District- Level Analysis

2. Neighborhood/ Community Commercial Districts

These districts are primarily neighborhood-serving and meet the needs of local residents. They are smaller districts with fewer businesses and a more convenience-oriented mix of retail offerings. Districts in this category include East Cambridge, Porter Square, North/Upper Mass and Huron Village/ Observatory Hill.

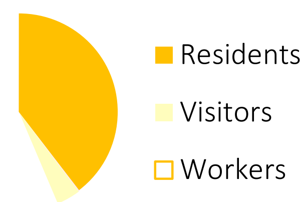
Figure 16 Huron Village/ Observatory Hill



Huron Village/Observatory Hill is a neighborhood oriented district with a home furniture and furnishings retail niche that could expand its grocery, general merchandise and restaurant offerings. It serves a very wealthy, residential and walkable neighborhood with limited public transit options.

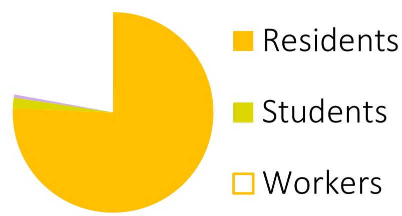
Customer Composition by District

Figure 13 East Cambridge



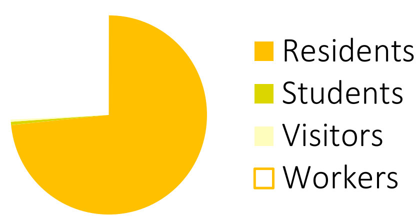
East Cambridge along Cambridge Street is a culturally diverse and walkable district with convenience retail offerings and an eclectic mix of eating and drinking places serving a limited residential population (the third lowest among all districts). The presence of Cambridge Galleria within walking distance of Cambridge Street presents competition to retailers along Cambridge Street willing to capture demand from the considerable workforce population in the district.

Figure 14 Porter Square



Porter Square is a convenience oriented district with a variety of food and drinking places serving a wealthy and dense residential neighborhood. It is anchored by educational and cultural institutions and the Porter Square Shopping Center with opportunities for additional retail in general merchandise, clothing and accessories, health and personal care, building materials and supplies, and food services and drinking places.

Figure 15 North/ Upper Mass



North/Upper Mass is a growing district serving a fast developing residential neighborhood with a moderate to high income customer base. Despite considerable number of businesses along upper Massachusetts Avenue (52 in total), the district lacks a strong node and retail continuity, which make it a less attractive destination than the nearby competitive district of Davis Square. Still, leakage numbers reveal that North/ Upper Mass has the opportunity to build its offerings in categories such as grocery stores, general merchandise, health and personal care, and building materials & garden equipment, and hobby stores in the moderate to high price range.

District- Level Analysis

District Profiles

		East Cambridge (Cambridge St)	Porter Square	North/ Upper Mass	Huron Village/ Observatory Hill
No of businesses		55 (excl/ Galleria)	39	52	33
Total Population		11,989	16,887	13,235	12,528
Population Density (per sq mile)		15,176	21,376	16,753	15,858
Total No. of Workers		16,992	4,832	4,612	1,329
Worker to Resident Ratio		1.5:1	0.3:1	0.3:1	0.1:1
MHI		$67,931	$85,990	$79,381	$101,017
Categories of Residential Leakage	Grocery	✓	✓	✓	✓
	General merchandise			✓	✓
	Building/ Garden Materials		✓	✓	
	Clothing & Accessories		✓	✓	
	Food/ Drinking Places				✓
Upcoming retail SF		36,440	9,293	480	-
Surplus/ Leakage		Surplus	Leakage	Leakage	Leakage

Source: ESRI Business Analyst Online 2016; Cambridge Hotel Directory; LOA Calculations

Recommendations & Best Practices

Photo: Gretchen Ertl Photography

Recommendations & Best Practices

Based on the analysis, a set of guiding principles were developed to ensure that Cambridge remains a viable location for businesses small and large to locate and thrive. The recommendations and strategies in this section are organized by the following guiding principles:

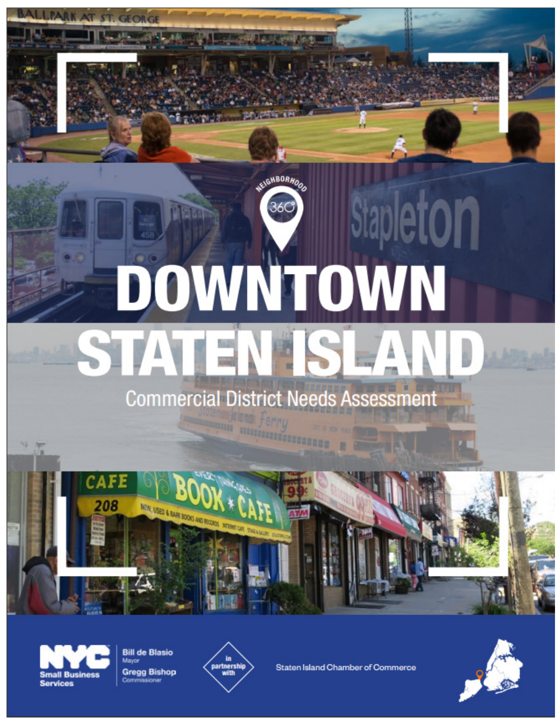
Guiding Principles at-a-glance
1. **Drive experience** by ensuring that districts and businesses are active and vibrant places for residents to spend their time and discretionary income.
2.**Thrive online** by enabling businesses to build and maintain mechanisms that support more robust online sales as well an online and social media presence.
3. **Help small business remain competitive** through targeted technical assistance and financing support.
4. **Improve access** to ensure that local businesses are both convenient and visible to customers and employees and that barriers to access or visibility are mitigated during road reconstruction.
5. **Support and build capacity of local business associations** by seeking ways to grow and sustain operating income and staff in order to improve marketing and host events, as well as offer more robust technical assistance directly to local businesses.
6. **Fill gaps in the retail environment** to ensure continuity of active ground floor activity when vacancies do occur and along less trafficked side streets through business relocation efforts.
7. **Address regulatory barriers** that prevent retail flexibility and undermine small businesses with limited startup capital.

1. Drive Experience

As the market analysis revealed, experience is a key factor driving visitation at the District-Level and for individual businesses. We recommend the City of Cambridge to build the experience of its diverse commercial districts through necessary public realm improvements, local activities, and events. In order to build experience, an assessment of the physical conditions of all commercial districts is essential to identify necessary improvements that will enhance the attractiveness of each district and allow for community gatherings and events. These assessments can be led at District-Level by participating business associations.

Best Practice: Neighborhood 360 Commercial District Needs Assessment

Neighborhood 360 Commercial District Needs Assessment (CDNA) is a program from the NYC Department of Small Business Services (SBS) for identifying and evaluating commercial district needs and funding necessary improvements. Each CDNA is completed in partnership with local community-based organizations (BIDs, CBOS, LDCs) and identifies the needs and opportunities for local neighborhood commercial revitalization, with recommendations for public realm improvements, merchant organizing, public programming, district marketing and branding, business support services, and other quality of life improvements. Following the assessment, grants are awarded to community organizations for neighborhood development projects that include physical improvements. FAB Alliance, a business improvement district in Brooklyn, for example, received funding to activate its public spaces and plazas through a host of promotional events.



We also recommend the City to drive retail experience by supporting experiential, food and service-based retail City-Wide. Part of this effort includes continuing its City-Wide marketing efforts to promote and celebrate the diverse array of restaurants and business in Cambridge through its annual Taste of Cambridge campaign. Taking this a step further, the City should combine efforts with business associations and the Cambridge Office of Tourism to create an alliance that coordinates year-round marketing efforts promoting retail in Cambridge.

Best Practice: Philadelphia Retail Marketing Alliance

The Alliance is a combined effort of Center City District, the City of Philadelphia Commerce Department, the Office of the City Representative, Greater Philly Tourism, Philadelphia Convention and Visitors Bureau and Philadelphia Industrial Development Corporation to coordinate marketing efforts, communicate new market realities and attract new retailers.

Finally, in order to encourage district-wide events and activities, the City should consider providing competitive funding for business associations to organize events and programs in

Recommendations & Best Practices

their districts as well as encourage local business associations to take on stewardship of their public spaces and activate them with revenue generating activities (e.g. vendor markets).

Best Practice: San Francisco Plaza Program

The San Francisco Plaza Program encourages stewardship of city plazas by local non-profits or City-identified stakeholder groups. It leverages these groups to provide long-term activation, management, and/or maintenance of designated City Plazas. In addition, stewards can generate revenue from activities that can then be used to support the activation and maintenance of the Plaza.

2. Thrive Online

Growing business presence online through sales and marketing is fundamental for small businesses in Cambridge to thrive. In particular, growing online purchasing power by Cambridge residents will require businesses to increase their own use of online sales platforms to remain competitive. Fortunately, as technology improves, these platforms will become more accessible to smaller retailers. Alternatively, businesses can also ensure that they participate in online platforms like Amazon and Etsy.

In addition, businesses must become more adept at ensuring they are listed on mapping and review platforms like Google, Yelp or TripAdvisor. At this time, the City provides training and workshops on a number of these topics and these offerings should be expanded and made available to businesses in non-CDBG eligible neighborhoods.

Best Practice: Downtown Boulder, CO

Downtown Boulder provides an updated and publicly available online database of relevant articles from business journals and other publications as a public resource for business owners to learn to market and sell online. This ensures that businesses throughout the city are able to access similar resources at no cost.

Best Practice: Downtown Asheville, NC - Asheville- Buncombe Technical Community College

Asheville-Buncombe Technical Community College Small Business Center, in partnership with Downtown Asheville, provides online free of charge learning modules to potential and existing business owners. These modules include training on topics such as online selling, finance basics, forecasting sales, setting prices, social media marketing, customer relations and managing inventory. Each unit is designed to give entrepreneurs an introduction or refresher on key aspects of running a business in a short amount of time and at their own pace.

3. Help small businesses remain competitive

Based on stakeholder interviews and the 2017 City-Wide Business Survey, high commercial rents and shortage of local labor were among a number of factors affecting competitiveness of small businesses. Commercial affordability involves a complex and interrelated set of issues that affect small businesses in a variety of ways. Both financial and regulatory pressures can hurt emerging entrepreneurs and contribute to their displacement. To address these issues, the City can explore tax exemptions to proprty owners (however ensuring a pass through to tenants can be a challenge) and offer fee wiavers for new small and local businesses. They can also consider providing legal and financial support to small businesses that need to navigate leasehold negotiations (and renewals) along with a variety of licenses and fees. Moreover, remaining competitive in an increasingly challenging retail environment means staying on top of capital improvements that are necessary to attract and retain customers over time. Storefront improvements play an important role in ensuring business remain relevant and increase their profile, leading to higher sales that enable a business to retain a competitive position in the marketplace. In this scenario, the City can instead provide tax exemptions to property owners and offer fee waivers for new small and local businesses.

Best Practice: Commercial Affordability Tax Abatement

In Seattle WA, the City is considering providing property tax exemptions for a specified number of years to property owners who provide a defined combination of benefits to local small businesses as their tenants. These benefits can include creating tenant spaces with size and design features that align more with small and locally owned businesses; providing below market rents; providing tenant improvements; and curating small business tenants that are coordinated with neighborhood commercial district priorities.

Best Practice: Jump Start Philadelphia

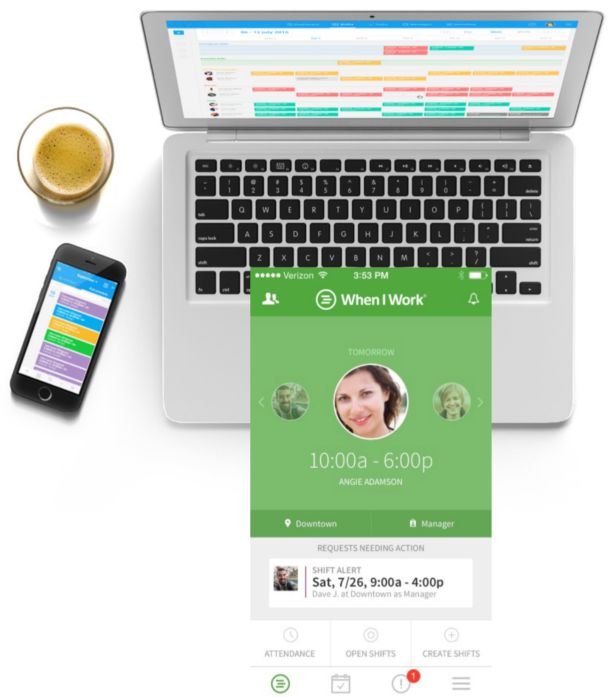
Jump Start Philadelphia exempts new businesses in Philadelphia from paying the Business Income and Receipts Tax during the first two years of operations. Additionally, fees are waived for eligible new businesses for a variety of licenses and registrations. Filing a New Business Waiver with the Department of Revenue has been made easy for applicants as it is automatically part of the online process of registering for the Business Income and Receipts Tax, and also within the application for the Commercial Activity License.

In addition to financial support, the City can also provide legal support to businesses during leasehold negotiations and other permitting processes. Given the limitations set by Massachusetts State laws preventing the City from offering certain types of assistance directly to businesses, including legal advice, business associations are better positioned to provide this legal support in partnership with local lawyers alliance groups that are experts in providing legal, compliance and governance support pro-bono.

Best Practice: NYC Department of Small Business Services

The NYC Department of Small Business Services partners with Lawyers Alliance for New York to provide legal, compliance and governance support to BIDs at no cost. The Alliance provides assistance on matters relating to lease or any other types of contracts.

In terms of addressing shortage of labor, a short-term alternative could potentially include educating business owners on available shift-sharing platforms and tools that serve to coordinate business activity and available staff. Digital applications such as SLING and When I Work are now available for businesses to use as scheduling tools that also enable staff of various participating stores to stay connected and informed on schedules and employee roles and availabilities. These tools use mobile apps, web, and text messaging to give participants access to schedules around the clock from anywhere.



Finally, the City is already running a successful Storefront Improvement Program that provides property owners and commercial tenants access to technical and financial resources to renovate or restore commercial building exterior facades. The funding for the program should be increased to allow for a greater number of participants from across the city.

Best Practice: Avenue NYC

Avenue NYC, a program of the NYC Department of Small Business Services, uses a mix of tax levy dollars, CDBG and bank foundation funds to provide community-based organizations with grant funding to support neighborhood storefront improvement programs.

4. Improve Access

The preceding market analysis found that the accessibility of commercial districts in Cambridge is unequal. While some districts are more visible and easier to get to by various modes of public transportation, walking and by bike, others are not. Moreover, street reconstruction has made accessibility a significant challenge for some communities.

This report supports all efforts to enhance access to customers, including bike lanes and improved walking environments. Additionally, we found that districts that are more car-dependent create challenges for employees, business owners and the elderly and customers with disabilities who may have greater private vehicle parking needs. This section highlights actions that the City can take with appropriate partners and agencies to improve visibility and accessibility of commercial districts for all users.

First, the City should continue to support wayfinding and promotion strategies for businesses in areas suffering from construction projects. Often, during construction, businesses report less foot traffic as customers face additional obstacles to get to certain storefronts or perceive businesses to be closed behind barriers put up during construction. In order to mitigate such impacts, the City should continue to assist businesses in procuring additional signage or provide support to business associations to organize district-wide promotions and marketing campaigns during construction periods.

Best Practice: Myrtle Avenue Construction Mitigation Sign Program

The Myrtle Avenue Brooklyn Partnership launched an 'Eat Drink Shop [HERE]' Campaign centered on educating the community about the construction and the businesses that still need their support during this time. With bright yellow signs and handouts that list all of the businesses that are open during the construction, this marketing campaign encouraged locals to continue to patronize the businesses in the area.

Best Practice: City of Sacramento, CA

The City of Sacramento requires that contractors provide signs noting businesses are open and accessible. This is required in traffic control plans for each construction and implementation is then left up to the contractor. Meanwhile, other cities relax zoning requirements and allow businesses to place promotional signs in locations they may not otherwise be allowed to. According to a study by the University of Wisonsin-Madison[1], seven cities, including Fort Worth and Seattle, allow businesses to place "Businesses are Open" signs in the construction area or physically produce and place these signs themselves.

Photo: Myrtle Avenue Brooklyn Partnership

1 "City of Milwaukee: Construction Mitigation Program" Available online: https://www.lafollette.wisc.edu/images/publications/workshops/2010-construction.pdf

Recommendations & Best Practices

Second, with the help of local employers, Massachusetts Bay Transportation Authority (MBTA), and the Environmental and Transportation Planning Division, the City should conduct an in-depth study of transportation needs of local businesses, retail employees, and special needs groups in less multi-modal districts, notably lower Mass Ave. Complementary to this, the study should also investigate the impact of allowing commercial side-street parking during the daytime within 100 feet of the Mass Ave arterial, something that has been tested in Huron Village.

Best Practice: Huntington Village Parking Study

In Long Island, NY a study was conducted by transportation consulting firm Nelson-Nygaard to understand the parking needs of a downtown commercial district. The study, which found Huntington Village was a successful park-once district with high parking utilization rates, suggested valet strategies and the creation of loading zone strategies to manage and balance high demand. In addition, the study also proposed improving accessibility through investments in multi-modal transportation options.

Best Practice: Rhode Island Late Night Service Bus

With input from program partners and local employers, the Rhode Island Public Transit Authority made the informed decision to implement route extensions and supplemental late-night service on existing fixed routes to improve access to employment, including extended routes to large retail and industrial centers. In another example, VIA Metropolitan Transit in San Antonio, Texas, has extended its hours on many regular routes, several of which provide access to work for many service workers with shifts during non-traditional hours. Buses now run as late as 1:00 a.m., and service resumes again at 4:00 a.m.

Photo: MBTA

5. Support and build capacity of local business associations

Local business associations in Cambridge play a vital role in their commercial districts. They host events, promote their districts and provide resources, support, and networking opportunities to local businesses. Many of the recommendations in this study require the cooperation of local business associations. It is therefore essential that the City strengthen the role of local business associations in managing and promoting their commercial districts, including finding ways to ensure these associations have operating budgets that can be sustained over time. As previously mentioned in this report, a number of the local business associations have very limited budget and staff capacity and would benefit from having more adequate and stable sources of revenue.

One way to address this issue is through the exploration of a Community Benefit District (CBD) and/ or Business Improvement Districts (BID). Both types of organizations require legislative approval. A CBD is similar to a BID though it is much more inclusive in its governance. Both BIDs and CBDs are geographically-defined areas in a city in which an assessment funding tool is dedicated to provide improvements in that area including sidewalk cleaning, landscaping, branding and marketing, creative placemaking, security, small business assistance, historic preservation, park improvement etc. Having such district management organizations with sustainable funding streams can have significant impact on commercial district success that is reflected by retail sales growth[1].

Therefore, we recommend the City support the efforts of local business associations around Community Benefit District (CBD) and/ or Business Improvement District (BID) formation, including funding a CBD/BID feasibility study for all interested business associations and commercial districts.

In addition to supporting the formation of CBDs and/or BIDs, we also recommend the City assist business associations in finding tools that can generate revenue and/or provide technical support to business associations by partnering with experts in the fields of organization management and leadership skills. The City may also consider exploring partnerships with the City of Boston and other regional entities in order to provide this type of support.

Best Practice: LISC Chicago Business District Leadership Program

The six-month program is targeted at corridor management professionals and offers training in topics including commercial revitalization strategies and leadership skills. The program was inspired by the award-winning Coro New York Neighborhood Leadership program and aims to build networks and relationships between business district leaders, and provide field-based training by using the City of Chicago as a lab to explore, test and build commercial revitalization strategies.

Best Practice: International Downtown Association Emerging Leader Fellowship Program

This is a one-week experiential training program for commercial district management professionals to learn key leadership and place management skills, and gain practical tools in the areas of place-based economic development and public-private partnerships. Fellows receive technical in-the-field training provided by professionals within several business improvement district organizations across NYC.

1 Commercial Corridors: A Strategic Investment Framework for Philadelphia. E-Consult Corporation, 2009.

6. Fill Gaps

The City of Cambridge currently has a 4% commercial vacancy rate, extremely low by industry standards. However this rate differs by district and our projection is that the softening and retraction among retailers might increase vacancies over time. In order to ensure that underutilized commercial and even public spaces do not detract from the customer experience, the City can support programs that aim to encourage exciting short-term/ pop-up uses. The City is poised to launch the new Cambridge Food Truck Program to activate public spaces at different times of the day or week, expand entrepreneurial opportunities and provide even more diverse food options to local customers. The new and improved food truck program will take lessons learned from previous efforts to create an easier permitting process specific to food trucks and encourage clustering of food trucks.

Best Practice: Farragut Square, Washington DC

Farragut Square, Washington DC, is now a vibrant outdoor food court since the city implemented mobile roadway vending zones, or MRVs, in 2013 allowing trucks to vend for four continuous hours without breaking parking laws. The city rolled out eight MRVs that year, including ones at Farragut Square, Franklin Square, L'Enfant Plaza and Metro Center. 95 parking spots were made available in the MRVs and are handed out via a monthly lottery. These food trucks have become a popular attraction selling food at lunch hour to the thousands of workers and visitor in each district.

Beyond food trucks, the City can also build partnerships with local arts organizations and property owners to activate and curate empty storefronts with art installations while properties are still being marketed for lease and shown to potential longer-term tenants.

Best Practice: No Longer Empty

No Longer Empty (NLE) is a non-profit arts organization that partners with diverse stakeholders (property owners, developers, etc.) to activate empty spaces with arts exhibitions and a variety of programming that are free and accessible to all. Since its creation in 2009, NLE has welcomed over 165,000 visitors to their sites.

In Remix Rememory, one of NLE's work in Jamaica, Queens NY, an empty storefront inside The Jamaica Colosseum Mall was converted into an art exhibition featuring works by local artists that paid tribute to the mall as a landmark in hip-hop fashion and music culture since the 1980s. Like the other exhibitions by NLE, Remix Rememory was designed to be site-specific and responsive to the immediate community.

Photos: No Longer Empty

Best Practice: Storefronts Mount Vernon, WA

Storefronts is a neighborhood improvement program initiated and funded by the City of Mount Vernon. The program manager works with property owners to curate and produce temporary artists' installations and creative pop-up enterprises in available retail spaces. The program administrator signs a $1 month-to-month lease with a property owner and administers and pays for everything related to the program, including utilities and hiring staff to operate and maintain the installation. The storefronts remain for lease while the installation is up and can continue to be shown to potential tenants.

In the longer term, the City of Cambridge should consider setting up a business relocation grant program to encourage small businesses to open up establishments in vacant storefronts and retain businesses within the City. The grants may be allocated in a variety of ways to offset different relocation costs for pre-determined neighborhoods and geographies.

Best Practice: City of Laurel Main Street Relocation Grant Program

In this program, the City of Laurel, Maryland offers an eligible applicant reimbursement grants up to $10,000 if a business decides to relocate within the boundaries of the City of Laurel. In addition, if the business meets specific tenant mix goals set by the City, it may also receive property tax credits up to 100%. However, this tax credit must be used for property improvements and/or business promotion and shall not exceed three years.

Eligible costs may include moving costs, connection and transfer of new utility services, installation costs of equipment required for the business, interior remodeling of the new location, exterior signs, and other moving incidentals. Eligible costs may also include rent differential for a like or similar location (square footage, quality, location, visibility) for either six months or the balance of the lease (whichever is greater), but no longer than thirty-six (36) months. Professional, engineering, architectural and permit fees may also be included in the relocation costs.

Best Practice: City of Rochester Targeted Business Assistance Program

This program provides financial assistance to targeted small businesses located within or moving into the City of Rochester that may face barriers to obtaining the capital necessary for business growth and development. Available assistance includes low interest loans up to $150,000, interest rate subsidy grants and 50/50 matching equity grants of up to $10,000.

Eligible costs include furniture, fixture and equipment purchases, working capital and acquisition, construction and/or renovation of real estate, and must result in the creation and/or retention of private sector jobs.

Recommendations & Best Practices

Best Practice: Downtown Raleigh Alliance Retail Up-Fit Grant Program

The program, which aims to create an incentive to attract new retailers and aid in the expansion of existing retailers in downtown Raleigh, offers a 50/50 matching grant on property improvements up to $5,000. Tenant build-out improvements that qualify include design work, drawings, renderings and mechanical/electrical/ plumbing work, HVAC, fire suppression, flooring, lighting, accessibility compliance, utility upgrades, construction or demolition.

Eligible applicants include all retail businesses looking to locate within the Municipal Services District (MSD)/ BID or retail property owners located within the MSD boundaries, with preference given to those new businesses occupying first-floor space with a street-front presence, which complement the downtown retail mix and strengthen the existing retail clusters. In addition, existing retail businesses looking to expand by 30% or more in downtown are also eligible for grants.

7. Address regulatory barriers

Local zoning laws have significant impact on a city's retail environments. In Cambridge, the current table of uses in the zoning ordinance is creating unintended consequence for many small businesses that are seeking creative ways to remain competitive. In some cases, businesses that are beginning to venture into experiential retail concepts by providing community classes are re-categorized as Educational Institutions rather than traditional retail use, thereby triggering higher parking requirements despite no actual needs expressed by employees and customers. Practice Space in Inman Square is one such business affected by the current regulatory rules.

In other cases, new business formats that combine production and retail in the same facility, like microbreweries with tap rooms, or coffee roasters with a coffee shop, do not fit in any use classification and are required to apply for a zoning variance. The process adds cost and time to business applicants and may be a stronger deterrent for a small, local business that cannot afford to complete the process. Lamplighter Brewing Co., a newly established micro-brewery and taproom located close to Central Square was affected by this regulation.

We recommend the City adapt its commercial land use classification to allow for flexible and new retail formats. This includes adopting the recommendations made in the 2015 Commercial Land Use Classification study as the first step in turning Cambridge into a more supportive and friendly environment for small businesses.

Best Practice: City of Providence, Rhode Island

The City of Providence is a prime example of a City that has, in recent years, shown how zoning can be adapted to help small businesses thrive. The Department of Planning and Development, in the process of rezoning in 2014, introduced newer use types in the ordinance including microbreweries and Residential-Commercial/ Residential-Professional uses that encourage live-work spaces downtown. By doing so, the City is now using these new permitted types as a calling card for itself - inviting newer types of businesses downtown such as micro craft breweries and specialty food producers and retailers.

Action Plan

Photo: Gretchen Ertl Photography

Action Plan - Roles and Responsibilities

A thriving retail landscape requires engagement and commitment from stakeholders at multiple city and community levels. The following table presents a framework for assigning roles and responsibilities connected to the recommendations presented in this study.

	City of Cambridge	Business Association	Business
	City-Wide	District-Level	Inside the store
1. Drive Experience			
Public realm assessment	X - (Provide)	X - (Promote)	
Public realm physical Improvements	X - (Provide)		
Marketing & Promotion	X - (Promote)	X - (Provide)	X
Events	X	X	X
2. Thrive Online			
Online marketing TA	X (Expand provision)	X (Promote+ Provide)	
Online sales TA	X (Expand provision)	X	
3. Help Small Businesses Remain Competitive			
Tax exemptions	X		
Fee waivers	X		
Storefront improvements	X - (Expand geographic coverage)	X - (Promote)	
Legal support	X - (Promote)	X - (Provide)	
Labor support	X - (Promote)	X - (Provide)	
4. Improve Access			
Mitigate construction impact	X (Continue provision)	X - (Promote)	
Assess transportation needs	X - (Provide)		
Assess labor transport needs	X - (Provide)		
5. Support + Build Capacity of Business Associations			
CBD Formation	X - (Promote)	X - (Provide)	X - (Provide)
Additional TA + Financial Tool	X - (Provide)		
6. Fill Gaps			
New food truck program	X - (Approve/ Provide)	X - (Promote)	
Pop-up activation of empty storefronts	X - (Promote)	X - (Promote)	
Business relocation grant	X - (Provide)		
7. Address Regulatory Barriers			
Adopt recommendations from 2015 Commercial Land Use Classification Study	X - (Provide)	X - (Promote)	
Revise fast food order cap definition and classification for small batch manufacturing	X - (Provide)	X - (Promote)	

Note: 'Provide' - lead role; 'Promote' - supporting role

August 2017

LARISA ORTIZ
ASSOCIATES
commercial district advisors