

Assessment of Long-Term Commercial Vacancies in Saint Paul

MPA/MPP Capstone Paper

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Degree Requirements**

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Date**

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Executive Summary

Long-term vacancies in the City of Saint Paul are detrimental to neighborhood vitality and depress economic growth. Based on our analysis, we recommend the following actions for reducing long-term commercial vacancies:

- **Improve Processes**
 - Create and maintain a comprehensive list of commercial vacancies.
 - Better align Historic Preservation Commission activities with other City departments.
 - Promote signage to activate spaces and invigorate Saint Paul streets.
 - Expand online permitting.
- **Incentivize Behaviors**
 - Increase property taxes on long-term commercial vacancies.
 - Use tax revenues (from long-term commercial vacancies) to provide tax incentives to attract new businesses.
- **Activate Spaces**
 - Create a business pop-up/incubator program.

Scope & Process:

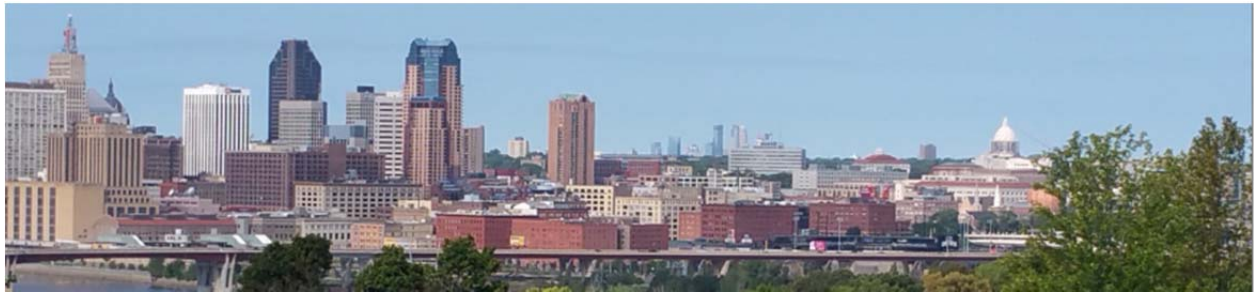
We implemented an exploratory approach in which discoveries in the first phase of the project informed and directed the work plan for subsequent phases. Work proceeded in three phases, which may be likened to a medical process: observation, diagnosis, and prescription.

Findings:

Observational analysis indicated that the West Side district (District 3) contains numerous commercial vacancies, while commercial vacancies in the West 7th district (District 9) and Summit Hill district (District 16) are relatively scarce. Downtown (District 17) has many conspicuous commercial vacancies. Impacts are different in different types of neighborhoods.

Factors that affect long-term commercial vacancies include: economic climate, building condition, space size and configuration, zoning, traffic, accessibility, demographics, competition, business interests of building owners, ease of doing business in the city, skills of developers and entrepreneurs, access to capital, and more. Qualitative interviews indicate that official processes related to commercial space are complicated and decision making feels inconsistent.

Our recommendations are based on the integration of our observations, qualitative interview results, and research of programs in other cities. We recommend actions to reduce long-term commercial vacancies that include: improving City of Saint Paul processes and access to information, creating incentives for changing behaviors, and implementing a new economic development program.



Assessment of Long-Term Commercial Vacancies in Saint Paul

Commercial vacancies have a depressing effect on every type of neighborhood, including commercial corridors, residential neighborhoods, and downtown areas. Long-term vacancies are detrimental to neighborhood vitality and livability, and they depress economic growth. The effects can be exacerbated in poorer neighborhoods with lower property values. Vacancies tend to lower the value of adjacent properties, contributing to a large scale downward cycle.

We investigated long-term commercial vacancies in Ward 2. We defined “long-term” as longer than one year. We began by exploring quantitative data and observing the area. Qualitative interviews expanded our understanding of issues specific to Saint Paul. Connections between our observations and stakeholder experiences were used to evaluate program, policy and process solutions.

Our original research questions included:

- Where in Saint Paul are long-term commercial vacancies occurring?
- How, and in what ways, are the city of Saint Paul’s local ordinances, policies and procedures for commercial space use and business development affecting vacancy rates?
- What factors drive long-term commercial vacancies? What factors affect place-specific business development? How do they work, and how are they different from place-to-place?
- How are various neighborhoods in Ward 2 differently (or comparably) experiencing the issue? What drives those distinctions? Who is being disadvantaged by those differences?
- What strategies are other cities implementing to address high commercial vacancy rates?

Work on the project proceeded in three phases:

- ❖ Phase 1 - Observation
- ❖ Phase 2 - Diagnosis
- ❖ Phase 3 - Prescription

The rest of this report describes the phases in detail and concludes with our recommendations.

Phase 1 - Observation

Phase 1 focused on the review of data. We looked for existing data on long term commercial vacancies. We reviewed city processes for zoning, permitting, and business development, and we toured Ward 2 to identify vacant spaces. We also began exploration of possible solutions by reviewing practices in other cities.

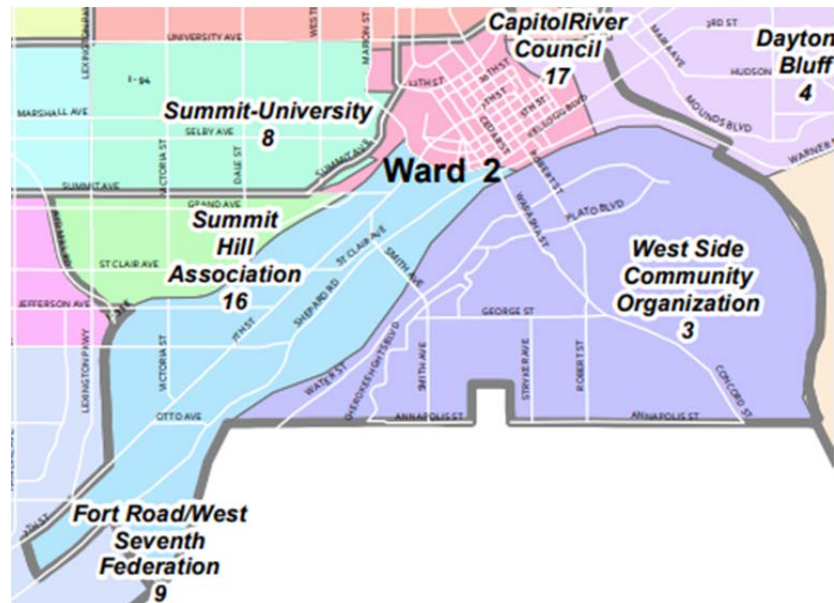
Data Collection

No source of data reliably records commercial vacancies in Saint Paul or the length of time spaces have been open. Saint Paul does not collect data on long-term commercial vacancies, and we were not able to access comprehensive data from third party sources. Quantitative analysis was a nonstarter for this reason. We therefore relied on observation as our data collection method to determine location and condition of open spaces. Information gathered in this way is descriptive only and length of time vacant is not accurately observable. Tours helped us to assess the extent of vacancies in the different neighborhoods and grounded us in neighborhood-specific contexts. However, determining the status of a space through brief visual observation is very difficult. A space that looks vacant may be in use as a storage facility or may be in development, but the appearance of a vacant space may have the same impact on neighborhood perceptions. We did not undertake a full mapping exercise of vacant spaces, which would be outside of the scope of this project.

We investigated apparent vacancies through driving and walking tours of Ward 2 conducted both singly and in pairs. We used walking tours in the downtown area both for safety in congested traffic and to allow exploration of the skyways. We then met to review our notes and photos of vacant spaces and to discuss our observations.

Data Analysis

Ward 2 is made up of four neighborhood district councils with unique characteristics that affect the analysis of commercial vacancies. The four neighborhood districts are: West Side Community Organization, District 3 (West Side), Fort Road/West Seventh Federation, District 9 (West Seventh), Summit Hill Association, District 16 (Summit Hill), and Capitol River Council, District 17 (Downtown).



Ward 2, Saint Paul

West Side.

The West Side district contains a mix of industrial and residential neighborhoods, including the West Side neighborhood above the river bluff, District Del Sol, and the Holman Airfield area. In addition to large areas zoned industrial, the area is primarily zoned for single and multiple family residential with pockets zoned for local and community business (stpaul.gov). Median household income for the West Side in 2016 was \$46,086, and 54% of the population of 15,689 was of color (Minnesota Compass).

Commercial spaces in the West Side neighborhood containing the Stryker Avenue area and District Del Sol are generally smaller street-front properties of only a few floors. Commercial spaces embedded in the residential areas have more vacancies, while the relatively well-travelled corridors have relatively few vacancies. In addition, the more industrial area below the bluff contains abandoned restaurant spaces along South Robert Street.

Commercial vacancies in the West Side are primarily of concern for the Stryker Avenue area (images 1 and 2). They impact the neighborhood by giving an impression of abandonment and economic depression, which then affects neighborhood livability and property values. Areas like Smith Avenue (image 3) which are well travelled are not experiencing the problem. The vacant restaurant spaces along South Robert (image 4) are an eyesore along a well-travelled corridor into Downtown.



Image 1: South Stryker Avenue near Elizabeth Street West



Image 2: South Stryker Avenue and King Street West



Image 3: Smith Avenue South and King Street West



Image 4: South Robert Street and Plato Boulevard

West Seventh.

The West Seventh area contains a wide mix of uses. Much of the area is zoned for single or multiple family residential, but there are pockets zoned for industrial space, office service, central business service, and different levels of business (stpaul.gov). West Seventh Street in particular is zoned for business. Median household income for the West Seventh area in 2016 was \$57,746, and 75% of the population of 11,133 was white (Minnesota Compass).

Very few commercial spaces remain vacant along eastern portion of West Seventh (closer to Downtown). The few non-residential properties along Randolph Avenue and other east-west corridors are almost fully occupied, but the western portion of West Seventh has a few open commercial spaces.

In general, the West Seventh area gives a thriving impression, with very few commercial vacancies. The most visible vacancies are independent single story buildings that formerly housed small businesses (images 5 and 6). Vacancies in historic buildings that were formerly vacant are currently in development (Keg and Case) or recently opened (Parlour Saint Paul).



Image 5: West Seventh Street and West Jefferson Avenue



Image 6: West Seventh Street and South Chatsworth Street

Summit Hill.

The Summit Hill district is primarily zoned residential, with Grand Avenue standing out as the primary business district (stpaul.gov). Median household income for the Summit Hill area in 2016 was \$76,673, and 86% of the population of 7,754 was white (Minnesota Compass).

Vacant commercial space in the Summit Hill district (including Grand Ave.) is scarce. The area appears vibrant (image 7).



Image 7: Grand Avenue and Lexington Parkway South

Downtown.

Downtown is very different from the West Side, West Seventh, and Summit Hill areas in that it contains only one single family home. Residences are either condominiums or large apartment buildings. Distinctive features include large office buildings, the capitol complex, the Lowertown historic district, and large entertainment venues. Zoning is central business, central business service, or capitol area jurisdiction (stpaul.gov). Median household income for the Downtown area in 2016 was \$39,077, and 70% of the population of 8,065 was white (Minnesota Compass). Significant changes in the Downtown area in recent years have included the Green Line light rail, Union Depot reopening, and the opening of CHS field.

Vacant commercial spaces downtown are conspicuous. The type of space spans a wide range, including empty storefronts in the skyways, seemingly deserted areas of 7th street, empty

historic buildings in Lowertown, and vacant restaurant or retail spaces on the street level of office buildings.

Vacancies are more concentrated downtown than in other areas of Ward 2. Areas of Seventh Street, a major traffic corridor, appear almost wholly deserted (images 8 and 9). In other areas, pockets of vacancies are scattered among other street facing businesses (image 10). Commercial vacancies are also interspersed between other businesses in the skyway (image 11). The Lowertown Historic District includes entire buildings left vacant (image 12). The vacancies overall make the downtown area unappealing for visitors and for businesses considering locating in Saint Paul. They also make the area feel empty and unsafe.



Image 8: Seventh Street East and Robert Street North



Image 9: Seventh Street East and Robert Street North



Image 10: Robert Street North and West Fifth Street



Image 11: Securian Center



Image 12 (a and b): Fourth Street East and Wacouta Street

Additional Information

We also explored Saint Paul's resources for businesses that might fill commercial spaces. We looked at economic development grant and loan programs, the Pocket Guide to Opening a Business, Heritage Preservation Commission (HPC) processes, the Comprehensive Plan, and the Full Stack initiative in the Department of Planning and Economic Development (PED). We reviewed services and assistance available for new businesses, inspection criteria, and permitting processes in the Department of Safety and Inspections (DSI) (stpaul.gov).

Phase 2 – Diagnosis

In Phase 2, we looked for the underlying causes of commercial vacancies in Saint Paul. Our goal was to understand the interconnections between the experiences of various stakeholders and to then connect those experiences to our observations. We interviewed 25 stakeholders who represented varying aspects of commercial development.

Data Collection

Interview design.

We first identified a variety of factors that affect commercial vacancies. After determining question categories, we framed questions in ways that connected to stakeholder groups: property owners, business owners, business development organizations, neighborhood organizations, real estate professionals, and City of Saint Paul departments. Question categories included:

- Space characteristics - the physical characteristics of commercial spaces, including size, condition, freestanding or part of a larger building, zoning, historic designation, etc.
- Zoning & inspections - the experiences of participants with the zoning and inspections processes in Saint Paul.
- Business characteristics - the characteristics of businesses and how those affect their experiences.
- Customer impacts - how the customers of a business affect the businesses use or choice of a commercial space.
- Area demographics - how the demographics of the immediate area affect the use of commercial spaces.
- Experience - the interviewee's personal experience working with commercial spaces and the city of Saint Paul.

Questions for each interviewee group are listed in Appendix B.

Interview administration.

Each member of the team was assigned two of the stakeholder groups to interview. Interviews took place between March 9 and April 13, 2018. We conducted interviews in person whenever

possible with some interviews conducted over the phone. We took notes of all responses, augmented with follow-up questions by email. After compiling and transcribing notes, each team member summarized common themes and critical reflections by question category and stakeholder group (Appendix C). We then met to discuss interconnections between stakeholder perceptions and to connect interview findings with our observations.

Analysis

Interview responses varied by contact group and also by individual. Individualized perceptions and experiences were the norm, but some responses were common among almost all groups. We identified the themes below (not ranked).

Navigating official processes in Saint Paul is complex and difficult.

Interviewees across most stakeholder groups consistently reported that City of Saint Paul's departments do not appear to communicate with each other. Business and property owners felt that lack of coordination between departments creates difficulties. For example, HPC, PED, and DSI seem unaware of each department's efforts to work with businesses opening in historic buildings. Business owners feel that city employees have no sense of urgency when it comes to processing licenses and permits. Business and property owners are frustrated by unexplained delays that cost them money. This theme affects all areas, but seems to be experienced more frequently by Downtown business and property owners.

Information is hard to find.

Information on commercial vacancies is scarce and incomplete. Prospective business owners have trouble identifying viable spaces. What licenses are required, criteria for inspections, and other official information are perceived as difficult to find. Entrepreneurs new to business ownership or property development are most strongly affected by this.

Decisions appear to be arbitrary and inconsistent.

Interviewees experienced inconsistently applied requirements. In some cases, neighboring businesses receive different responses to the same questions. In other cases, the same business might be given different instructions from two officials in the same department regarding the same issue. For small business owners in particular, unclear expectations can create delays in passing inspections which result in a financial hardship that they are not in a position to withstand. Inconsistent enforcement can tarnish a city's reputation, dissuading prospective business owners from locating in that city. The perception of unequal treatment may also result in legal liabilities.

You have to know the right people to get things done.

Almost every interviewee discussed the need to be well-connected as a distinct characteristic of doing business in Saint Paul. People with established networks and recent transplants to Saint

Paul alike recognize that this is true. Newcomers to business or to Saint Paul consider it a barrier. Underrepresented and disadvantaged groups who have not yet made the required connections are disparately affected by the “who-you-know” dynamic. The dynamic may be related to long-term underfunding of service departments to the extent that staff workloads are unmanageable; the squeaky wheels get attention first. Again, the perception of unequal treatment may result in legal liabilities.

Grants and loans are hard to access and may not be worth the transaction costs.

In some cases, interviewees were unaware of grant and loan programs available. In others, the requirements for eligibility were seen as too prescriptive and not necessarily worth the effort. For instance, grant or loan programs that require union labor may increase project costs. Cash flow can also be a problem for small businesses or start-ups who cannot afford to front costs before being reimbursed. Often, only the financially empowered can afford to take advantage of grants.

Some spaces are not worth the investment necessary to make them profitable.

Some spaces require significant investment to make them desirable for occupancy - and able to pass inspections - and current owners may not feel motivated to make the investment. This is exacerbated in protected historic spaces that require specific and expensive renovations, but it also applies to non-historic spaces. Private investment depends on market conditions, and the market may not offer sufficient motivation for the public good. Demographics of the immediate neighborhood dictate the market viability for many businesses.

The downtown population is insufficient to support retail investment.

The number of workers downtown during the day and the size of the residential population are not sufficient to make the area appealing to established retail investors (chains). Reportedly, a downtown population of roughly 20,000 would be necessary for investment by many established retailers. Independent, specialty shops may have lesser population requirements for viability. Unique, destination shops, restaurants, or event venues have the greatest potential with the current downtown population.

Historic preservation requirements can be a barrier to business development.

Developing a historic property depends on commitment to a vision. The restrictions imposed on development in a historic property - and the burden of additional approval processes - prevent some developers and small businesses from considering historic properties. Even those who are attracted to historic properties are frustrated by extreme interpretations of historic preservation regulations. In particular, signage regulations are perceived as too restrictively interpreted.

Empty spaces affect the surrounding community.

Empty spaces make people uncomfortable. Poor maintenance makes that worse. Surrounding businesses are affected when customers see the area as unappealing or unsafe. Conversely, a perception of vitality creates further vitality. Activating spaces through intentional public investment provides benefits for developing and established businesses and the city overall.

Interpretation

The themes revealed in the stakeholder interviews can be connected and summarized as follows:

- Working with City of Saint Paul departments can be confusing and frustrating, which leads to barriers for businesses trying to occupy empty spaces. Processes are perceived as arbitrary, in large part because of the “who-you-know” climate for doing business. Our observations verify that information can be difficult to find and subject to interpretation. A complete list of commercial vacancies is not available. Outsiders find it difficult to understand relationships between departments. Information on economic development grants and loans is difficult to find, with no link from the main PED website. Having to know the right people seems to be an officially accepted way of doing business in Saint Paul; step two in the Pocket Guide to Opening a Business in Saint Paul states: “Make connections: as they say, it’s not just what you know, but who you know.”
 - Working with Saint Paul departments is perceived as an issue for all neighborhoods, but neighborhoods with more open spaces will be more strongly affected. Less well-connected populations (including immigrant communities, people of color, the less educated, and the less affluent) are more likely to experience this issue. We identified the most open spaces in the Downtown area. The West Side has the most diverse population with the lowest average income.
- The lack of a large downtown population contributes to why that area has an observably higher rate of commercial vacancies than other neighborhoods. Many buildings in the Downtown area are subject to Historic Preservation requirements which complicate development. Restrictions on signage make buildings appear unoccupied. The appearance of being unoccupied does not stifle business only for a specific space; it also makes the surrounding area appear less active and makes it feel unsafe. Businesses do not want to locate where they will not be seen.
 - This issue of population size is focused on the Downtown area. With a lack of residential population, commercial ventures depend on drawing others to the area as a destination. Businesses on Grand Avenue in the Summit Hill area have successfully made this a priority.
- Empty commercial spaces affect the surrounding community. The condition of some spaces is not desirable, and some spaces are not configured for the current market. Owners may not be motivated to take the steps required to make the space marketable. However, long-term commercial vacancies are detrimental to neighborhood vitality and livability and have economic consequences for a neighborhood. Therefore, long-term commercial vacancies are a problem that the City should address.
 - Commercial vacancies in the West Side area and West Seventh area affect neighborhood livability and property values of immediate neighbors. Vacancies

Downtown affect other businesses in the area and make it difficult to recruit new corporate businesses to the City.

Phase 3 – Prescribe

Solution Sources

In Phase 3, we looked more broadly for best practices in economic development and programs for activating underutilized spaces to develop our recommended solutions. Academic searches focused on key words like: vacant commercial space, creative placemaking, destination urbanism, and economic development. The cities highlighted below are notable for either creative programming or a positive economic development climate. We used the solutions implemented in other cities to remedy similar issues to better inform our recommendations. We also brainstormed for other potential solutions.

Buffalo, NY

Buffalo, NY, a city with a population of 256,902, struggled to maintain a thriving downtown commercial retail district. As a remedy, city officials adopted a destination urbanism philosophy. Their goal was to make the downtown shopping district into an experience for both Buffalo locals and tourist alike. This was achieved through the public-private partnership in which the City of Buffalo supports the Queen City Pop-Up markets.

Small retailers use downtown spaces rent-free to test retail concepts and create a shopping destination. Local retailers interested in participating submitted an application to a selection committee, comprised of representatives from the Queen City Pop-Up partner organizations. Participants reported a 50% increase in sales. Prior to the 2017 holiday season, roughly 40% of previous participants opened permanent stores after participating in the pop-up. The initiative has generated significant economic momentum, culminating in over \$6.1 billion in new investments.

Fort Worth, TX

Fort Worth, TX, is the smaller sister city to Dallas. It has a population of 854,113, in comparisons to Dallas's population of over 1.3 million. With its larger size and resources, Dallas naturally attracts more business. To combat this disadvantage in the local market, Fort Worth offers business development support including: a one-stop business assistance center for small business owners, elevated online permitting and tracking, wait-time trackers for permit service staff, and interactive zoning maps. The combination of their online and brick and mortar assets helped Fort Worth Issue 340 commercial permits in the past 30 days (as of April 24th 2018).

The value of these seemingly small, city-provided business development tools is greater than the sum of their parts. Fort Worth has successfully cultivated an image of a city that is business friendly. This is expressed in their retail occupancy rate of 94.8% in the fourth quarter of 2017.

Roanoke, VA

Roanoke, VA, currently has a population of 99,897. Roughly two decades ago, Roanoke officials astutely pinpointed the source of their commercial development problem being the lack of a downtown population. There were not enough consumers in the local area to support any business. So rather on focusing on business development, Roanoke officials focused on residential developments, converting vacant spaces into condos, and affordable housing. The downtown population swelled to 20-fold what it once was in 2000.

With the influx of population came an influx in demand for goods and services. Entrepreneurs became eager to open up shop in the region of downtown Roanoke that in the recent past was a retail desert. The city then put concerted efforts into streamlining the business development process and offered prospective entrepreneurs tools to aid their endeavor. The City of Roanoke's official website has a detailed database listing all space available for lease. The information is accessible in table format and in an interactive map. These tools and the increased population has helped drive the commercial (retail) vacancy rate down from 21% in Q1 2010 to 12.9% in Q1 2016.

Hamilton, Ontario

The City of Hamilton lies at the west end of Lake Ontario. In 2017 Hamilton's population was 539,039 and is estimated to reach 542,007 in 2018. Over 24% of Hamilton's population was born outside of Ontario and migrated from countries that include, China, Pakistan, India, Iraq and Columbia.

The core of downtown Hamilton was home to Firestone, Westinghouse and Stelco in the past. The relocation of these large firms presented a scenario that caused a spike in commercial vacancies. The community felt that the existing rebate for owners of vacant spaces would harm surrounding residents, homeowners and other businesses. There was also a sentiment that these rebates would only benefit property speculators.

In June 2017, the Financial Planning, Administration and Policy Division of the City of Hamilton proposed a taxation approach to discourage the negative economic impact of commercial vacancies. The recommendation was to eliminate the property tax rebate designed to give owners of vacant units relief during economic downturns. This cost the city \$11.7M between 2011-2017. The recommendation to phase out the program was proposed with the following strategy:

- 30% rebate in 2017
- 15% rebate in 2018
- 0% rebate in 2019

Solution Evaluation

We developed a tool for evaluating solutions based on factors affecting long-term commercial vacancies and consideration of cost to the City. We identified five criteria for selecting possible solutions.

- A. **Cost to Saint Paul.** Cost is an inherent consideration for any public policy solution. We considered solutions requiring a high level of investment from the City to be undesirable unless a higher return was ensured. A solution requiring minimal investment was more highly weighted. This criterion is not related to our analysis of the factors affecting long-term commercial vacancies, but it is an important consideration for the City.
- B. **Improves Business Owner or Property Owner Experience.** Getting businesses into vacant spaces is essential to reducing commercial vacancies. Therefore, making it easier for business owners to get into spaces and for property owners to make those spaces appealing is important. We evaluated solutions based on whether they would improve the business or property owner's experience, incentivize them to fill vacant commercial spaces, or enable them to do so more easily. Enabling business or property owners to do business easily and efficiently will remove barriers to filling commercial spaces.
- C. **Increases Saint Paul's Competitive Position.** Saint Paul competes for businesses with Minneapolis and surrounding suburbs and with other cities nationwide. We evaluated solutions based on whether they would give Saint Paul an advantage over other cities competing for business investment. Creating a welcoming business environment increases our competitive position and helps fill vacant spaces.
- D. **Who Benefits.** Identification of beneficiaries addresses our stakeholder perspectives and helps protect against creating disparities. We evaluated solutions more highly if they would benefit a larger number of stakeholders.
- E. **Who is Disadvantaged.** The converse of Who Benefits, this recognizes that solutions may create a burden for some parties. We evaluated solutions highly if they did not disadvantage as many stakeholders.

The solutions we evaluated do not include all possible policy, process or program solutions that might affect long-term commercial vacancies. We intentionally are not duplicating existing initiatives either in progress or in development in Saint Paul. For instance, the 4th Street Market District, the River Balcony project, the focal areas of the new Downtown Alliance, the designation of Opportunity Zones eligible for federal development funds, Neighborhood and Cultural STAR Programs, Full Stack Saint Paul, and other initiatives are already working to improve the economic vitality of Saint Paul and help activate vacant commercial spaces.

Option scoring is summarized in Appendix D.

Recommendations

We recommend the solutions below.

Improve City processes.

Create and maintain a comprehensive list of commercial vacancies.

Information on vacant spaces is very difficult to find. Businesses have difficulty searching for available space, property owners are not getting their spaces in front of broad audiences, and city offices are not able to coordinate on issues that affect the spaces. Creating and maintaining a comprehensive, searchable database would enable coordination of information including time vacant, size of space, zoning, Certificate of Occupancy, when last occupied, permits issued, inspections outstanding, owner/manager contact information, historic designation, pending grant applications, and more. Public information should be easily accessible by the public. Removing the mystery behind spaces would help level the playing field by reducing the importance of insider knowledge.

Evaluation: This option would improve business and property owners experience by making data on open spaces easily accessible. It would moderately improve Saint Paul's competitive position by making it easy to find and evaluate vacant spaces. It benefits a wide variety of stakeholders without disadvantaging any particular group. It would require some investment from the City for the development or purchase of a data management solution.

Better align HPC with other City departments.

Coordination of city departments with HPC is frequently cited as creating frustration for business and property owners and creating barriers to activating historic spaces. Include in HPC membership a member of DSI and a member of PED. The cost to the city would be moderate, while the benefit of enhanced communication and coordinated services may significantly impact the user experience. HPC would have the opportunity to develop greater understanding of how decisions impact business development which would make Saint Paul more appealing to potential developers of historic spaces. This recommendation would not threaten the standing of historic spaces, but it has the potential to expand understanding, communication, and coordination among departments.

Evaluation: This solution would help business and property owners by helping to coordinate City processes related to development of historic spaces. Cost to the City would be to for expanded staffing in City departments to acknowledge coordination of efforts between departments as part of workloads.

Reduce restrictions on signage to activate spaces.

Businesses depend on signage to draw customers and activate the public realm. A perception of vibrancy will help Saint Paul to compete for business investment. Based on stakeholder

feedback, regulations of the Saint Paul City Code related to signage in historic districts are being interpreted in a very restrictive manner. Interpreting regulations as written (without interpreting the regulation more restrictively) would assist business owners in attracting customers and make areas of Saint Paul more appealing to potential businesses. This item is one of the most frequently cited frustrations of business and property owners in historic areas. We hope that historic integrity of buildings can be maintained while still allowing businesses reasonable opportunities to let customers know that they are inside the buildings. Banners to promote districts and other way-finding information will also increase vibrancy.

The Local Initiative Support Corporation (LISC) has identified prominent business signage as an integral component of creative placemaking. Creative placemaking has markedly helped communities to combat chronic disinvestment. Revitalization in image leads to a revitalization in economic development.

Evaluation: This solution would result in minimal cost to Saint Paul while directly addressing business and property owner concerns about activating spaces.

Expand online permitting.

Saint Paul currently has online permit application processes for roughly 8 different types of permits, primarily restricted to contractors. Expansion of online permitting, including tracking of permit processing with connections to responsible employees, will increase transparency of permitted processes for both business owners and city departments, support open communication on issues with pending permits, promote timely processing, and increase accessibility for users. Expanded online permitting has been implemented in other cities.

Evaluation: Saint Paul would incur some development costs, but may benefit from greater efficiencies once implemented. Business and property owners navigating permitting processes would benefit from transparency and clarity.

Incentivize behaviors.

Increase taxes on long-term commercial vacancies.

Recent news stories have identifying cities that are considering increasing real estate taxes on buildings with long-term commercial (street-level) vacancies. Hamilton, Ontario, is planning on removing tax rebates established during the recession. The programs are being used to create incentives for property owners to act on open spaces more quickly. The tax should be constructed carefully to acknowledge issues beyond the control of the property owner (e.g., historic preservation requirements that do not allow for proposed uses of a building). The City would be able to use the additional revenue to fund other strategies to fill long term vacancies. The tax would encourage property owners to reevaluate lease rates to meet the current market. Potential businesses might be vetted and recruited as tenants more quickly. Building owners might choose to sell unoccupied buildings to developers who are more likely to activate the

spaces. Saint Paul will see more activated spaces, increasing the perception of prosperity and safety.

Evaluation: Property owners of empty commercial spaces would be disadvantaged by this solution. Business owners considering vacant spaces may benefit from lower rents. Saint Paul would receive additional revenue.

Use new tax revenues to provide tax incentives to attract businesses to empty spaces.

Use tax revenues from the previous recommendation to support tax incentives to entice start-up businesses to spaces that have been vacant for long periods. Provide rebates of taxes paid by businesses in spaces that have been vacant for longer than one year. The greatest incentives would be provided to the spaces that had been vacant longest. This incentive could be extremely attractive to small start-ups and would give Saint Paul a competitive advantage for attracting businesses. (This strategy would be available without the funding from the previous recommendation, but would score lower due to the investment required by the City.)

Evaluation: If tied to the previous solution, this option would benefit start-up businesses without increasing costs for Saint Paul.

Activate spaces.

Create a business pop-up/incubator program.

Create opportunities for local small businesses to test concepts by creating short-term pop-up opportunities in concentrated areas. Encourage private partners to donate commercial spaces for short periods of time (3-5 months), reducing costs for the city. Space donors could be building owners looking to demonstrate the potential of their spaces, or they could be private or nonprofit entities willing to cover the rent. The city would evaluate applications from small businesses looking to test their concept in a commercial setting. Award 4 to 6 businesses per season a modest grant to set up the space. The program would provide a test environment for small businesses and demonstrate the potential of the commercial spaces. The buzz created by an innovative program of this nature would make Saint Paul attractive to entrepreneurs and visitors alike.

We recommend the 4th Street Market District in the Downtown area for the initial roll-out because the community is already engaged in development of the corridor and property owners are likely to be open to activating spaces. Initial seasons for the program could capitalize on established events and contribute additional vibrancy:

- October - December - Saint Paul Art Crawl, tree lighting at Union Depot, European Market at Union Depot, lighting of Rice Park, etc.
- April - August - Saint Paul Art Crawl, Saint Paul Farmers Market, Saint Paul Saints, Music in Mears, Jazz Fest, etc.

Options considered and not recommended are discussed in Appendix E.

Conclusion

The City of Saint Paul is challenged by long-term commercial vacancies that reduce neighborhood vitality and livability and give the impression of depressed economic growth and potential. In Phase 1 of our project we reviewed existing data and observed the issue first hand. We determined that the Downtown area is most affected by commercial vacancies simply because the Downtown has the greatest concentration of vacancies. Commercial vacancies also affect the livability and vitality of other neighborhood areas that are more dominantly residential. In Phase 2, we explored the underlying causes of commercial vacancies by interviewing stakeholder groups. Stakeholders perceive City processes and policies as complicated and mysterious. We found that the City can do more to incentivize behaviors that promote use of spaces that have been left vacant. Creative programming can activate spaces and provide opportunities for businesses.

We recommend the following actions for reducing long-term commercial vacancies in Saint Paul:

- **Improve Processes**
 - Create and maintain a comprehensive list of commercial vacancies.
 - Better align HPC with other City departments.
 - Promote signage to activate spaces.
 - Expand online permitting.
- **Incentivize Behaviors**
 - Increase taxes on long-term commercial vacancies.
 - Use tax revenues (tied to tax on empty spaces) to provide tax incentives to attract businesses to empty spaces.
- **Activate Spaces**
 - Create a business pop-up/incubator program.

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Appendix A: Acknowledgements

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Appendix B: Qualitative Research Questions

Areas of Interest:			
Contact Type	Customer Impacts	Area Demographics	Experience
Business Development Org	What characteristics impact the customer experience and affect the attractiveness of space for an entrepreneur/developer?	How do the characteristics of local residents and businesses affect the choice of location for a new business?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)? How do the lease terms for commercial spaces vary from location to location (or owner to owner)? How does space owner reputation play into commercial space leasing?
Business Owner	What do your customers think of the space you are in? How do you know?	What do you know about the demographics of your chosen location? How did that affect your choice of location?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)? How do the lease terms for commercial spaces vary from location to location (or owner to owner)? How does space owner reputation play into commercial space leasing?
Neighborhood Org	How do the empty commercial spaces affect your neighborhood? (?)	What about the demographics of your area make it attractive - or unattractive to potential entrepreneurs/developers?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)? How does space owner reputation play into commercial space leasing?
Property Owner	How do customers of businesses in your property react to the space?	Who are the customers of businesses in your space? (Alt) How would you describe the potential customers in your area?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)?
Real Estate	What kind of spaces do you think will be attractive to customers of a start-up business? What aspects do you like to highlight when showing potential property owners a space?	What area demographics play into the ability to sell or lease commercial space in St Paul (Ward 2)?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)? How do the lease terms for commercial spaces vary from location to location (or owner to owner)? How does space owner reputation play into commercial space leasing?
City of St Paul	Explain how socio economic conditions influence customer responses to new businesses.	What area demographics play into the ability to sell or lease commercial space in St Paul (Ward 2)? Why?	Why do you think that there are long-term commercial vacancies in St Paul (Ward 2)?

Qualitative Research Questions – continued

Areas of Interest:			
Contact Type:	Space Characteristics (Physical)	Zoning/Inspections	Business Characteristics
Business Development Orgs	What types of spaces are most sought-after? What are the characteristics of spaces that are attractive to	How do zoning and inspection requirements in St Paul affect the ease of starting a business?	What types of businesses are easiest or hardest to start in St Paul? Do particular types of businesses experience particular hardships?
Business Owner	What about the space drew you to the location you are in/are interested in?	Describe your experience working with zoning and inspections in St Paul. How does that compare with other locations/experiences?	Describe your business? What characteristics of your business affect your choice of location?
Neighborhood Org	Describe the types of empty commercial spaces in your area.	How do people describe their experiences with zoning and inspections & St Paul officials when they are starting a business in your area?	What kinds of businesses do you see being attracted to your area? Is this different than the types of businesses that your organization would like to have in your area?
Property Owner	What do you see as the selling points for your property? What characteristics of your space make it difficult to sell/lease your space?	How do you interact with the City of St Paul in official ways (zoning, inspections)?	What kinds of businesses do you think would be attracted to your space? Are there types of businesses that don't think would do well in your space?
Real Estate	What are entrepreneurs/developers looking for in commercial spaces? How consistent is this between sidewalk/store-front and interior building spaces? What kinds of spaces are available in St Paul (size,	How does zoning and inspections (the official St Paul experience) impact the ability to sell or lease commercial space in St Paul (Ward 2)?	What kinds of businesses are attracted to spaces in St Paul? What kinds are not? Why?
City of St Paul	What are the commonalities (or varieties) of long-term commercial vacancy spaces in St Paul?	Describe how you perceive the zoning/permitting requirements & processes of St Paul and how they play out for different kinds of entrepreneurs/developers?	What kinds of businesses are attracted to spaces in St Paul? What kinds are not? How consistent is this between sidewalk/store-front and interior building spaces?

Appendix C: Qualitative Research Results Summary

Contact Type:	Areas of Interest		
	Space Characteristics (Physical)	Zoning/Inspections	Business Characteristics
Business Development Orgs	Desirable: high traffic, good repair, attentive landlord, reasonable rent, open floorplan, right-sized, parking, walkable. Not Desirable: low traffic, poor parking, requires renovation, requires rezoning, requires change in Certificate of Occupancy, run-down.	Challenging to navigate, arbitrary decisions, depends on who you know, inconvenient offices, seen as creating barriers rather than opening pathways, unpredictable.	Committed owners, unique businesses for the area, have sufficient capital to start-up & stay up. Established chains have no interest unless population is larger than currently in downtown area.
Business Owner	Desirable: proximity to light rail stop, Saints stadium, success of neighboring businesses, degree of private and public investment, bike path. Not desirable: vagrant activity, crime-rate, historic designation.	Lack of consistency between city employees. Doors would have never opened if business owners did not have connections to powerful players in the scene. Frequent, costly, and unexpected seemingly arbitrary regulations.	Business that are dependent on high levels of foot traffic try to occupy spaces that were located in high traffic areas.
Neighborhood Org	Unused and needing renovations, office type, former shops-repair type, small windows.	Front end info changes throughout the process, treated like every situation is totally new, too many moving pieces for application process, not entrepreneur friendly, huge barrier for expanding or opening a busn, very difficult to talk to one person, inaccessible and bureaucratic.	EXISTING-independent businesses, breweries and/or tobacco, restaurants WANT- grocers, more retail (maybe), services within walking distance, family owned with livable profit.
Property Owner	Property owners do not think their spaces are the problem. Potential use for the space may not match with current state.	Who you know is important. Decisions often seem arbitrary and unpredictable.	Want businesses that have legs and can be sustained (don't want to invest in renovations only for businesses to fail). Want businesses that make their office or residential spaces more appealing.
Real Estate	LOOKING FOR: exterior presence w/ signage, low ceilings w/ street access or collaborative space high ceilings w/ no hard wall offices, mixed spaces. AVAILABLE: office space, 350-300,000sq. ft.	Too many quick changes can be disruptive, more disruptive than collaborative, very detrimental if inspection delays opening a business, trying to move back to one-stop-shop.	Service related, people that need a smaller footprint, educational/health institutions, typically an expanding business, wants to be close to government.
City of St Paul	Commonalities are among neighborhoods, not spaces, including: crime rate, homelessness, existing successful businesses.	The problem is the City lacks vital information and fails in relaying the information they have to the public, resulting in an under-informed public.	In general, the same businesses that are attracted anywhere. Skyway businesses must be more specific and appeal to the M-F 9-5 commuter clientele.

Qualitative Research Results Summary – Continued

Contact Type	Areas of Interest		
	Customer Impacts	Area Demographics	Experience
Business Development Org		Depends on type of business. Established businesses want numbers of people in close range with sufficient income & education to have disposable income.	Overall needs: activated spaces, capital, technical support, clear processes, clear regulations, larger daytime population (downtown), security.
Business Owner	Most common complaint is lack of signage and restrictions on signage.	The areas had been markedly developed over the past few years. Business owner tried to place themselves in the up and coming areas as opposed to the areas that have current market saturation.	Successfully opening a business completely depends on being well connected. Where opening on the desired projected date is a matter of livelihood for small business owners, City employees do not have a sense of urgency to get anything done. Lack of communication between agencies. Processes are not streamlined. HPC has no desire to cooperate.
Neighborhood Org	Sense of blight effects confidence about neighborhood economy, causes uncertainty, pulls down the whole environment, community won't respond, less interesting to consumers/turn-off, affects the aesthetics/eye-sore.	UNATTRACTIVE- gentrification, people live in houses their grandparents built, 75% on or below the poverty line. ATTRACTIVE- residents dedicated to the area, high millennial population, high occupancy of residential & hotels.	Disagreements and discrepancies play into long term vacancies, if tenants don't pay for renovations owners won't, too many hoops for tenants is burdensome, owners must treat people well, how do owners set productive conditions, if owners aren't selling space that tenants want they'll move on, owners hold on to spaces for future opportunities.
Property Owner	Activated public and commercial spaces make areas attractive to residents and businesses. St Paul does not take advantage of or maximize its selling points. Need clearer identity.	Need a larger downtown population (daytime and residential) with high education and income to support retail expansion.	Need to more consistent processes & clear decision-making criteria. Need to attract large employers to downtown, need to activate the public realm (which increases perception of safety). Create downtown as a destination.
Real Estate	LIKE TO SHOW: less sterile natural look, open and not closed in, collaborative atmosphere, close to cheap parking-light rail-mass transit.	A good base of educated employees in the area, who works at what times, level of evening population, demographics more critical to retail than residential, safe atmosphere is important whether it's real or perceived.	Quality is lacking in buildings, St. Paul does a bad job of showing where/how diversity exists, landlords who didn't treat tenants and property well, too big or too small spaces without ease of sizing, poor condition = negative impression of management.
City of St Paul	City's view is that what matters is not socioeconomic status, but experience and know-how in navigating the processes.	Crime rate, vagrants, amount of traffic, historic designation, parking.	The city could do a better job in relaying the information it has to the public, but this is largely a market issue.

Appendix D: Option Scoring Summary

We acknowledge that option scoring is subjective. However, the tool is useful for framing decision-making criteria and for identifying pros and cons of options. Highlight indicates a recommended option.

Option:	Scoring Criteria:					F Total
	A Costs St. Paul	B Improves bus/prop owner experience	C Increases St Paul's competitive position	D Who benefits?	E Who is dis- advantaged?	
Improve Processes						
Create/maintain list of commercial vacancies	3	5	3	4	5	20
Better align HPC with licensing departments	5	3	3	4	4	19
Promote signage to activate spaces	5	4	4	4	3	20
Expand online permitting	4	4	2	3	5	18
Designate liaisons for disadvantaged start-ups	3	3	3	2	4	15
One-stop shop for business assistance	1	2	2	1	4	10
Incentivize Behaviors						
Tax on long-term commercial vacancy	5	3	3	3	4	18
Use tax revenues to provide tax incentives to new businesses	5	2	4	2	4	17
Better promote city of St. Paul	2	3	3	3	4	15
Expand grant programs for TI investment	1	2	2	2	4	11
Activate Spaces						
Create pop-up business incubator program	4	3	5	5	5	22
Activate the public realm with art/activities	4	2	2	2	5	15
Status Quo						
Do nothing	5	1	1	1	3	11

Appendix E: Not Recommended

The options below were considered by the project team but, are not recommended as priorities at this time based on scoring criteria.

- **Improve Processes**

- *Designate liaisons for disadvantaged start-ups.* (Score: 15 - A3, B3, C3, D2, E4) Start-up businesses from traditionally disadvantaged populations face particular difficulties when starting a business in Saint Paul. Immigrant communities in particular are less familiar with licensing and permitting requirements and processes, inspections, and HPC requirements. They are also less likely to have already developed the relationships needed to do business in Saint Paul, and they are less likely to be comfortable reaching out to their council member or neighborhood district council for assistance. A liaison designated to reach out to disadvantaged communities, familiarize potential entrepreneurs with Saint Paul processes, and assist with coordinating services may help minority entrepreneurs to get businesses started. The program would help combat Saint Paul's reputation for being a "who you know" city. However, the program would require additional staff (cost to the City) and may not have a substantial impact on long-term commercial vacancies.
- *One-stop shop for business assistance for new business owners.* (Score: 10 - A1, B2, C2, D1, E4). Creating a one-stop shop for all city applications and business development services would help start-up business less familiar with city processes by improving administrative services. Putting contacts for all services under one roof (PED, DSI, HPC) would help start-up businesses unfamiliar with the processes to navigate city administration. Processes could be redesigned as more linear and less circular. However, this solution is likely to be exceedingly expensive for the city to designate and relocate offices and to hire staff able to provide multilingual assistance. Impact on long-term commercial vacancies is unknown.

- **Incentivize Behaviors**

- *Better promote city identity, programs, and benefits.* (Score: 15 - A2, B3, C3, D3, E4) All businesses and property owners benefit to some extent from promotion of the city. The city is already investing in this area to some extent, as do almost all cities. However, Saint Paul may benefit further from press generated by successful programs than from investment in advertising. Improved promotion will also not directly address the factors identified by the qualitative analysis as affecting long-term commercial vacancies in Saint Paul.
- *Expand grant programs for Technical Investment (TI) for start-up businesses entering long-term commercial vacancy spaces.* (Score: 11 - A1, B2, C2, D2, E4). A grant program specific to Saint Paul that directly supporting TI for start-up businesses in commercial spaces that have been empty for a long time may directly impact vacancies, but it may be seen as unfairly benefiting property owners who are not doing as much as they should to entice tenants. This would require direct investment by the city of Saint Paul to be a competitive advantage over other cities, but it may increase tax revenues over time. However, the

qualitative analysis did not identify grant programs as an effective tool for affecting long-term commercial vacancies.

- **Activate Spaces**

- *Activate spaces with art installations and activities in the public realm in partnership with communities.* (Score: 15 - A4, B2, C2, D2, E5) Creative placemaking can activate spaces with artwork and community-focused activities, increasing community vitality and making commercial properties more attractive. Activated spaces draw people. While activating spaces with art installations in the public realm increases vitality, this does not directly address the issues affecting long-term commercial vacancies identified in qualitative analysis.

- **Status Quo**

- *Do nothing.* (Score: 11 - A5, B1, C1, D1, E1) Doing nothing is an acknowledged option. This does not cost the city any additional investment, but it promotes the downward cycle caused by long-term commercial vacancies. The only beneficiaries are the current power brokers with insider knowledge who have no incentive to change.