

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 22, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 77 : OPTIONS TO HELP ENCOURAGE A STRONGER RETAIL MIX ON ALEXANDRIA'S MAIN STREETS

This memorandum is in response to a request from Councilman Krupicka regarding retail attraction:

Retail attraction continues to be a challenge due to the diversity of property owners and the difficulty in attracting major anchor tenants that can draw people to the city. Individual property owners are not interested in providing the reduced rents that an Anchor Tenant would normally command due to their indirect benefit to other businesses in the area. I'd like to see if we can develop a way around this problem. Could we develop a targeted BPOL Tax or other incentive options we could develop to help encourage a stronger retail mix on Alexandria's main streets?

Staff from the Alexandria Economic Development Partnership (AEDP) was asked to respond to this request and provided the following feedback:

As of April 1, 2011, the retail vacancy rate in Old Town is 4.2% and in Del Ray it is 1.4%. For comparison, according to published industry research, the retail vacancy rate in the Washington metropolitan region is currently 7.4%. The region remains the leading market for retail interest and expansion in the country.

Incentive programs may be an appropriate tool to help attract retail to new and redeveloping markets in Alexandria; plans for such programs have been included in many recently adopted Small Area Plans. While incentives are intended to help attract highly desirable retailers, they should not be viewed as a solution that will completely mitigate some of the challenges we currently face in attracting retail to include:

- buildings that were not designed to meet retail requirements (historic and mixed use);
- lack of balance between daytime and nighttime population (mixture of uses); and
- demographics that do not support retailers' requirements.

While retailers may be enticed by a tax-break inspired incentive, that alone will not make them move into a storefront that they are not convinced will produce required sales margins.

Small Area Plans which include specific language and initiatives related to retail attraction are listed below. As each of these plans enters implementation phase, the specific initiatives are being defined by internal staff groups.

- **Arlandria-** *“Revitalize the area with mix of uses that are desirable from a market perspective, including pedestrian-scale retail, by providing: Flexibility in parking for change of use; Administrative review for desired uses (limited restaurant operations, live theater, outdoor market); Promote infill and redevelopment consistent with long range vision for an active pedestrian retail street; FAR incentives; Scale, height, bulk, setbacks to create an “urban village”; Provide flexibility to implement the proposed marketing strategy; Public art and murals; Signage and community identifying banners; Store frontage guidelines.”* Source- *A Long-Term Vision and Action Plan for the Arlandria Neighborhood*
- **Braddock Road Metro-** *“the Plan recommends that \$4–6 million of the funds generated through new development (see Chapter 10) be used to assist with the retention of existing neighborhood-oriented businesses and the recruitment of new ones. Qualifying businesses must comply with a specific set of criteria to be determined as part of the implementation phase of the Plan, and would need to demonstrate a viable business plan and financing. The Alexandria Economic Development Authority and other organizations can help develop assistance criteria as well as tools for recruitment.”* Source- *Braddock Metro Neighborhood Plan*
- **Landmark/Van Dorn-** *“The redevelopment of Landmark/Van Dorn will add a variety of new retailers to the area, and the area will become a more popular retail destination. Redevelopment can have the effect of displacing longtime locally-owned stores and restaurants – businesses that provide both economic opportunity as well as unique destinations. Based on work conducted for this plan area by a retail consultant, this plan recommends that a retail retention strategy be pursued. When an existing retail center is to be redeveloped, this plan recommends that a portion of the retail space in the new development be reserved for displaced retailers. During the redevelopment process, the City and the developer will work together through its economic development partnership (AEDP) to identify retailers who are the best candidates for retention and to identify opportunities to temporarily locate the displaced businesses that will ultimately be located in the new space. The temporary space may be within nearby existing retail centers or in new retail space that is not yet leased. As these businesses are relocated into the redeveloped space, initial leasing terms should be comparable to the rates paid by the businesses prior to redevelopment.”* Source- *Landmark/Van Dorn Corridor Plan*
- **Potomac Yard-** *“The Plan requires the submission of a comprehensive retail strategy that addresses coordinated management and maintenance issues. The retail strategy will be required prior to the submission of a development special use permit for the first building and/or block to ensure that the retail properties are managed in a comprehensive manner for the entirety of North Potomac Yard. Future design guidelines will have standards for the design of the retail uses, storefronts and signage.”* Source- *North Potomac Yard Small Area Plan*

- **2009 King Street Retail Plan-** *This study includes a number of recommendations to assist with growing and retaining King Street's retail base, some examples include: "revising policy and enhancing public-private marketing and recruitment strategies to identify, attract and retain businesses; developing a centralized database of available properties for review by prospective and existing retailers, improving wayfinding signage to assist visitors with locating business and parking areas; better manage on-street parking through increased enforcement and more time restrictions at metered spaces, encouraging more use of garage parking for long term parking and by installing smart meter technology; providing street scape improvements; providing retailers with strategies for enhanced window and advertising displays; expansion of trolley headways; and coordination of special events to help draw visitors and customers." Some recommendations are already underway. In addition, AEDP and City staff will be working over the next year to seek redevelopment proposals for the 900 block of King Street which is currently a parking lot. Given the size of this lot a large retail store would be an appropriate end user on this site.*

The only retail neighborhood not addressed above is the Carlyle district. There have been many discussions about improvements and enhancements that would support the retail and restaurant district. The City and AEDP staff is working with the newly formed Carlyle Community Council to better address these issues.

As discussions and implementation plans progress, the staff teams can consider the feasibility and effectiveness of Business License (BPOL) tax relief or other financial incentives to planned initiatives to help accomplish specific retail attraction goals in each area. It should be noted that in recent years the City reformed its BPOL process so that all small businesses (including retailers) with an estimated gross of \$2 million or less, no longer pay the gross receipts tax on estimated gross. This effectively has eliminated the gross receipts tax for the first calendar year that a business is in operation, and reduced BPOL taxes by 10% to 90% the second year (based on the business opening date in the first calendar year). The City is the only jurisdiction in the State to implement this change. Also, recent small business process and regulatory reforms and implementation of Economic Sustainability recommendations (such as the one-stop permit shop) have been of major benefit to small businesses.