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Kevin Coughlin
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MEMORANDUM

TO: Kevin J. Murphy, City Manager 

FROM: Diane N. Tradd, Assistant City Manager/DPD Director

SUBJECT: COUNCIL MOTION OF 1/30/18 BY COUNCILOR LEAHY
REQUEST CITY MANAGER WORK WITH DOWNTOWN REDEVELOPMENT SUBCOMMITTEE TO
IDENTIFY AND ENHANCE THE TYPES OF BUSINESSES THAT DPD IS ATTRACTING TO THE CITY

The Department of Planning and Development (DPD) welcomes and appreciates any opportunity to work with the City Manager's Office and the Downtown Redevelopment Subcommittee to evaluate and/or enhance the types of businesses that it works to recruit to the City. With the recent arrival of a new Director of Economic Development there has been an effort to evaluate how this is being done, and what should be done going forward.

The City's "Sustainable Lowell 2025" plan contains a clear objective to "Support vibrant neighborhood business districts that are easily accessible to all residents." The Economic Development (ED) Office has made a concerted effort to support this objective by carrying out key recommended actions associated with it:

- "Encourage a diversity of retail options within business districts that will provide local jobs and reinforce the livability of surrounding neighborhoods."
- "Continue to work with economic development partner agencies to maintain existing small business assistance and incentive programs, and increase the outreach and marketing of these programs in neighborhood business districts."

With respect to the first noted action, the Downtown does have a variety of businesses, ranging from ethnic restaurants, to clothing boutiques, and service oriented businesses such as salons, banks, and pet grooming businesses. The ED Office is always seeking new businesses to complement the current mix in the Downtown, as well as to support existing Lowell businesses that want to expand. The ED Office recently hosted the owner of a successful group of restaurants and coffee shops to see if he would like to expand his offerings to Lowell. They looked at three properties, connected him with property owners, and made him aware of the various means of support that the City can offer him or connect him to via partners. The ED Office maintains an active database of available properties where businesses can potentially locate or expand and works with a number of partners to encourage the use of valuable business assistance and incentive programs.

The Downtown Venture Fund is a particularly strong asset for encouraging business development in the Downtown. The City, in conjunction with the LDFC and other banking local partner banking institutions, formed the Downtown Venture Fund in 2000. The fund offers low interest loans of up to \$100,000 to businesses seeking to locate or expand in the Downtown area with flexible repayment options that include no payments in the first year. To date, the project has been a tremendous success, financing 40 new businesses in Downtown resulting in the creation of over eighty (80) new jobs and a total investment of over \$4 million dollars. The total leveraged private investment is estimated at \$2 million. The City is currently assisting two restaurants and a bakery through the application process.

Another action referenced in the "Sustainable Lowell 2025" plan is to "Fill vacant storefronts with pop-up galleries, satellite libraries and/or public art." The ED Office is currently researching the idea of introducing a retail incubator to the Downtown, which would occupy a vacant storefront and invite a set number of retail operators to occupy that space for a defined period of time at a below market rate. Those retailers would be provided an opportunity to sell their respective products to see if their businesses are viable. All the while, the City can work with those retailers to connect them to resources for developing a business plan or financing, and can identify space in the Downtown or elsewhere in Lowell that might be appropriate for a permanent bricks-and-mortar operation.

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A major challenge for the Downtown is filling upper floor office space. The vacancy rate for upper floor office space in the Downtown is currently 12% and the ED Office works to attract the following types of businesses:

- Start-ups (i.e. start-ups growing out of the I-HUB).
- Small and mid-size companies that benefit from being centrally located-employees, have access to urban amenities such as restaurants, entertainment venues, and public transit.
- Companies that benefit from close proximity to UML's research facilities and co-op programs.
- Companies that need to keep/obtain their HUB Zone Certification (Downtown is in a HUB Zone).

Challenges with respect to filling upper floor vacancies include the following:

- Dated/obsolete class C office space, property owners not willing to invest in space renovations unless lease has been signed. (chicken and egg situation).
- Not ADA compliant. (challenge for medical use types).
- Asking lease rate/sf not reasonable in some cases.
- Current spaces are too large and some landlords are reluctant to subdivide or create co-working/shared-spaces to respond to today's work environment.
- Available and competitive Class B office space outside of the Downtown/Lowell with better access to highway and on-site parking.

We welcome the opportunity to further discuss these issues and work on solutions to challenges with the City Manager's Office and the Downtown Redevelopment Subcommittee.

DNT/ns
2/2/18

cc: Andrew Shapiro, Director of Economic Development