mayors innovation project



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Best Practices for Pop-up Shops

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FRAMING THE ISSUE

Pop-up shops have long been used to help promote small businesses and attract tourists during the holiday season, but in the wake of the COVID-19 pandemic, some cities see pop-up shops as an opportunity to revitalize vacant storefronts and jump start the local economy. This brief focuses on two programs that have taken a holistic approach to pop-up shops in an attempt to support small businesses, building owners, and the community as a whole.

Pop-up Shop City Examples: Denver and San Francisco

DENVER

Popup Denver is a partnership between Denver Economic Development & Opportunity, an agency of the City and County of Denver, and Downtown Denver Partnership. The program started in 2021 and chose 5 small businesses through an application process to receive three months of free rent and a stipend to set up shop in a formerly vacant retail space in parts of the city that are still struggling to recover from the COVID-19 pandemic.

None of the five businesses in the original cohort transitioned into a full time lease, spurring Popup Denver to launch a second round of pop ups in 2023, this time offering businesses "wraparound services". These services will include access to business planning and financial literacy support, moving the program from an effort to activate storefronts to a business development initiative.

In round two of Popup Denver, operators will be provided with a space for a minimum of six months and will not be required to pay base rent, just operating expenses. Additionally, the program offers two different tracks;

- **Maker Track (28 selected)**
    - Intended for designers and producers of retail goods and require technical assistance to help develop their brand.
    - Makers will receive an opportunity to feature their products and their company in a professionally managed retail collective presented by Wells Fargo.
    - Makers will be invited to participate in monthly workshops with Wells Fargo on business planning; capitalizing growth; and other topics to help develop their business model.
- **Explorer Track (2 selected)**
    - Designed for experienced storefront business operators who have not yet entered the downtown Denver market.
    - Explorers will be given an opportunity to open a storefront on the 16th Street Mall in Denver, supported by a $20,000 package of tenant improvement funding and vendor services, including: architectural/engineering; interior design and permitting; digital marketing; safety/security; and peer mentoring.

To learn more about Popup Denver, the Mayors Innovation Project had a conversation with Sarah Wiebenson, Director, Economic Development, Downtown Denver. Below are highlights from that conversation.

Original goals of the program

- Since the pandemic, folks in Denver have decided they do not want to have to commute, even if they do not want to work from home. Retail downtown has started to focus on those living in the neighborhood and civic uses compared to previously focusing on attracting the business lunch crowd.
- Currently the program only focuses on one area of downtown Denver. The downtown partnership has great relationships with the property owners and helps sell the vision and justify rent abatement. They have found that the property owners were open to rent abatement for a certain amount of time, so no one is tying them into a long term cost.
- The city is trying to move away from using the term "pop-up", opting to focus more on "tenant development."
- Pop up spaces in round 1 ranged from 1,500 square feet to up to 6,000 square feet. Operating expenses were too expensive in bigger spaces. It is important to try and get smaller retail spaces.
- The city found it harder to get property owners in the second round because they were feeling more optimistic in the local economy. As a result, Denver tried to move from 3 months to 6 months to help the businesses stabilize.
- The city found it very important to offer design assistance, permitting assistance, as well as connect the businesses with inspectors who are familiar with the program to help with what can be a convoluted permitting process.

Lessons learned from round 1 to round 2 of Pop-Up Denver and why there was an introduction of wrap-around services.

- The creation of two separate tracks was in response to feedback that the three-month time period was not enough for people who had never had a storefront before. There was a large learning curve involved for business owners and many components (i.e. staffing, marketing, security, etc.) to consider and account for.
- The downtown space is not always easy for new businesses. It can be too big of a leap for some new businesses. Denver decided to use a "funnel", meaning they would see who was further along with their operation and who needed more up front support.

- The Marker track consisted of more inexperienced operators who did not get their own storefront, but did receive business planning support, financial literacy training, etc. from Wells Fargo. The program also created gift bags to highlight the various products and is now starting a retail collective with the entrepreneurs who were not ready for the Explorer track.

- The Explorer track was designed for neighborhood size businesses looking to make their first foray into Denver. The aim of the Pop-up Denver program is to help to sell the Denver brand to new businesses. The program treats business owners taking part in the program as long-term tenants, taking the time to work with owners to design the space so that it fits their business needs. The city is covering the cost of tenant improvements and the program is focused on doing fewer spaces with larger tenant improvements.

- The co-op model is also something to consider.

  - This model allows businesses to rent shelves by the square inch. They get 50% of the profits while the operator of the space gets 50%. Also, if a business comes in to staff the store, they are able to get mentorship from the operator, learn how to do merchandising, etc. When the business provides staffing to the operator, they receive 80% of profits.

Selection process to encourage BIPOC businesses.

- The first round of Pop-up Denver wanted to welcome in BIPOC entrepreneurs but only two BIPOC-owned businesses applied. As a result, the city decided to change the selection committee. City staff personally went out to nonprofits that support BIPOC entrepreneurs to ask them to serve on the selection committee, but the program still ended up with majority white-owned businesses. The feedback was that 1) there was a lack of understanding about the opportunity and 2) lack of access to capital and technical assistance was a barrier. The program currently has a diverse Maker track but not as much for the Explorer track.

SAN FRANCISCO

Vacant to Vibrant is a city funded effort to revitalize downtown San Francisco, an area that has struggled to recover post-COVID and has a high percentage of vacant storefronts. The program is managed by a nonprofit, SF New Deal, and is funded by $710,000 from the city's Office of Economic and Workforce Development. Selected businesses will be offered retail space for three months, with the lease signed by SF New Deal. The program will also support any businesses who are interested in extending their leases but cannot guarantee a permanent location.

Participating businesses will be assigned with a dedicated project manager to oversee the pop-up permitting process and liaise with the property owner/manager. The program will also provide participating businesses grants ranging from $3,000 - $8,000, as well as technical assistance that supports pop-up ideation, marketing, permitting, compliance and operations. Participating property owners will be provided with financial assistance up to $5,000 to cover tenant improvements and utilities.

Highlights from a discussion with Jacob Bindman, Chief Program Officer + Co-Founder, SF New Deal

Original Goals of the Program

- For San Francisco, popups are a catch all for temporary activation. The goal is not beautification, it is to provide a window into the future of downtown. In order to get collective investment in downtown to make zoning changes to change the neighborhood there has to be a higher level of care in downtown. If people can experience for a night, week, or a month they can see what the future of downtown could look like with more investment.
- The city is looking for ways to mitigate and remove the challenges for small businesses. Five to six city departments have to be involved in these temporary uses. The bulk of the work in this program is getting the appropriate permits.
- Almost every storefront in the program is multiuse, making things open during the day and night. Each space has a core tenant and then they get supplemental operators offered to them.

What is the City's role in this program?

- The city is funder. By virtue of how the permitting process works, we are trying to get leverage support from the city. A big portion of the budget is just funding city permits.

Providing Technical Assistance and Grants

- For the activator side, everyone gets a grant based on how much time they are spending in the space. 100% of permitting fees are covered, SF New Deal signs the leases and covers insurance.
- There are three tracks to the program. Food/beverage, nightlife, and sales. San Francisco hired TA providers who have run pop ups in each specific space. Each business gets 20 hours of TA to support business plans, marketing, etc.
- Businesses receive marketing support across the entirety of the cohort.

- Property owners receive compensation for utilities, marketing material for their space (photos, video, etc.), and social media benefits. They also receive a small amount of money for tenant improvements that is worked on with the tenant.
    - The biggest value add for the building owners is that SF New Deal signs all the leases and provides insurance.
    - 80 property owners have applied for the program.
    - Currently the program is focusing on spaces less than 5,000 square feet.

What are your goals for the next round of pop-ups?

- The goal is less focused on building momentum for this program, and instead the city hopes to alter the permitting process to allow more temporary uses all around the city.

Advice for other cities?

- There are a lot of various stakeholders to engage, and we benefited from being very explicit about what popups represented. Had hurdles of people saying $8,000 is an offensive amount of money to support local businesses so we needed to explicitly explain that we are not an incubator program, not a temporary to permanent program.
- Finding property owners who are willing to be the champions of the program. Strong perception that property owners are doing fine, so we don't care about them, but this model shows that everyone is struggling in different ways. Trying to find owners who are able to offer space and participate and then make sure we are able to defend them and the financing that is going to them.

OTHER RELEVANT POP-UP EFFORTS:

- Pop Up Primavera, San Antonio
    - Pop Up Primavera connects small businesses, creatives, makers, and entrepreneurs with a no-cost, short-term retail opportunity in downtown San Antonio. The goal is to enhance the pedestrian experience, create opportunities for local businesses to grow, and activate available properties in the Public Improvement District.
    - Short-term, limited shopping hours

- Main Street Pop-Up Program, Cincinnati
    - Managed by non-profit Cincinnati Center City Development Corp.
    - Flexible lease terms - short-term leases start at 3 months.
    - Option for lease renewal
    - Partnership possibilities - can share space with another entrepreneur.
    - Potential financial incentives - tenants can get support to find creative ways to help with start-up costs.
    - Combined with other efforts to reinvigorate Main Street, including a significant investment in the pedestrianization of Woodward Street.

Takeaways and Best Practices for Cities:

- Decide and explicitly state the goals of your pop-up shop effort. Economic development, local business support, reducing blight, finding permanent tenants, etc.
- Identify what types of businesses you are hoping to attract and base your level of support on their experience. Some businesses will need more than just free space, including business planning support, marketing advice, etc.
- Leverage existing city influence such as expediting necessary permits and inspections.
- Utilize existing community partnerships to help cast a wide net for potential participants.
- Prioritize small retail spaces.
- Work to find property owners who are willing to be champions of the program.

This brief is part of a series of publications MIP has released that was originally researched and compiled as a technical assistance memo to a participating member city. This memo was written in 2023 in response to a specific research question submitted by that member city. To make this publicly available, we've removed references to the original request and any location-specific recommendations. MIP members are invited to please reach out to us at knspear@mayorsinnovation.org to request their own policy memo on this or other topics.

For context, the original research question that prompted this memo was: The City is interested in pop-up shop programs across the country; we are most interested in any that are focused on filling vacant storefronts and transitioning pop-ups to longer term leases.

About Mayors Innovation Project

The Mayors Innovation Project is a learning network among American mayors committed to "high road" policy and governance: shared prosperity, environmental sustainability, and efficient democratic government. We are a project of High Road Strategy Center.

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