

A Report
to
The
Celebrate Downtown
Saratoga Committee

Formula Businesses
and
The Local Economy
in
Downtown Saratoga Springs

An Informal Analysis

Submitted By:
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Introduction

1. Background

In January 2006, Saratoga Springs Mayor Valerie Keehn raised an issue regarding the city's downtown business district. Specifically, she was concerned about the number of locally-owned businesses closing on Broadway and concomitant reports by business owners that tourists are expressing a dissatisfaction with the direction downtown development is taking. Her desire was to explore options that would ensure Saratoga Springs maintains its vitality, while supporting and encouraging locally - owned businesses.

In response, the Mayor asked Ms. Hilary McLellan to form an informal advisory committee comprised of local stakeholders and interested parties. That group was established in February and subsequently named *The Celebrate Downtown Saratoga Committee*.

The committee was charged with identifying and exploring strategies, policies, effective practices, resources, and potential programs by which the Mayor -- and the city as a whole -- can utilize to promote balanced growth, economic vitality, and maintain the authentic historic character of downtown, now and into the future. Four goals were established as a framework to carry out that mission:

- 1) Preserve the authenticity of our historic downtown
- 2) Enhance the downtown economy through the identification of problem-solving strategies and improving the mix of businesses downtown (commercial, retail, residential), and attracting more local residents to shop downtown
- 3) Enhance the distinctive sense of community that already exists and find ways to promote a sense of community, including channels for civic participation
- 4) Celebrate, promote and preserve the strengths of downtown through community education, arts, and civic events.

The Committee is due to present its recommendations to the mayor in mid- 2006.

2. Report's Purpose

This report was created as a resource for *The Celebrate Downtown Saratoga Committee*, specifically as an aid in fulfilling Goals #1, #2 and #3 (above).

3. Author

Tech Valley Times, LLC is a regional news service and multimedia production company. The news service portion of the firm, as part of its editorial focus, covers regional economic development and quality-of-life issues and trends in the greater Capital District area of New York, which includes the city of Saratoga Springs and the

county of Saratoga. Personnel from that firm were used for the data gathering research (i.e., inventory and survey) portions of this report.

The corporation's principal, Robert Millis, led the effort. Mr Millis holds a BA in Urban Sociology, an MA in Economics and is well versed in statistical research. Prior to founding Tech Valley Times, he spent two decades in the software development industry. For the past three years, he has been recognized as a leading advocate and proponent of the so-called "demand-side" and "creative class" arguments for economic development in local, regional and national policymaking.

Mr. Millis is a fourth-generation Saratogian and a member of *The Celebrate Downtown Saratoga Committee*

4. Disclaimer-Research

This paper is done as an Informal Analysis, which can best be described as a being in-between the "gut feel" approach and a scientifically valid research survey analysis (complete with its attendant "+/- 3% degree of accuracy.") The lack of resources (time, budget) for carrying out the latter precluded it from taking place, as did the fact that the timing and need for such is not seen as a requirement at this time.

The methodology utilized as part of this Informal Analysis is discussed in each of the two relevant sections.

5. Disclaimer-Opinions

The components of this paper -- its research data, methodology, analysis and recommendations -- represent the efforts of Tech Valley Times LLC and the conclusions and opinions of Mr Millis. It does not necessarily represent the opinions of other committee members, nor the committee as a whole.

6. Areas of Study

This report is divided into two sections, each analyzing one aspect of the "Broadway portion" of the Saratoga Springs downtown business district:

1. The influence of **Formula Businesses** on Broadway
2. The status of a **Local Economy** (local trade) on Broadway

7. Definitions

For the purpose of this report, the following definitions apply:

Core Broadway: From the northern (Holiday Inn) side of the Circular Street intersection to the Van Dam Street/Whitney Arterial intersection

South Broadway: From the Washington Inn / Adirondack Trust Company branch to the southern (Stewarts Shop) side of the Circular Street intersection

Full Broadway: Both Core Broadway and South Broadway, combined

Broadway Entity: Any active operation, commercial or otherwise, that has a Broadway or South Broadway operating address and which conducts its affairs on the ground floor/first floor. This includes those entities with a short number of walkup steps

Formula Business: A commercial sales establishment which are required by contractual or other arrangement to maintain any of the following: standardized ('formula') array of services and/or merchandise, trademark, logo, service mark, symbol, decor, architecture, layout, uniform, or similar standardized feature, such are commonly witnessed doing business in similar fashion in other (non-local) geographic areas.

(Note: a "formula business" distinction is recognized as being more useful than the more typical "chain store" definition, in that it includes locally-owned franchises and affiliates).

Local Trade: Goods and services being bought by residents of the city of Saratoga Springs.

Formula Businesses
in
Downtown
Saratoga Springs

A Creeping Threat
or
Healthy Competition?

An Informal Inventory
with
Opinions & Recommendations

Tech Valley Times LLC
Robert Millis, Author

1. The Question

What is the extent of so-called *formula businesses* in downtown Saratoga?

2. Why is this Important?

Downtown Saratoga's strength is based primarily on its historic, small town America, *the way we used to be* appeal. This "human dollhouse" experience of its Main Street commercial district -- which runs counter to the realities of most cities in North America -- has long been the prime asset (along with the race course) of the city's economic balance sheet.

There is a concern in some quarters that this asset is endangered by the Broadway presence of nationally prevalent, *cookie cutter* businesses that would dilute the unique aspect of visiting Saratoga. Proponents of this viewpoint would argue, "After all, why would someone want to come here to walk into the same stores and restaurants they can walk into at their local mall back home?"

3. Needed: An Inventory

An Inventory of the Broadway business district was undertaken as a means of assigning facts and contributing to this discussion.

4. Methodology

Walking Tour:

- In late April, two employees of TVT were assigned to walk Broadway
- Each was given a primer on the definition of *Formula Businesses*
- The pair proceeded to identify each individual Broadway Entity. Empty businesses were not counted, unless it was known who the incoming tenant (if any) was.
- Each entity was assigned various tags:
 - Name of Entity
 - Class: Commercial, Govt, Religious, School, NPO, Residence
 - Sub-Class (Commercial Only): Retail / Non-Retail Traffic
 - Specific: Hotel, clothing, etc
 - Formula Business? (Y/N)

As a means of highlighting the visual impact of the current formula business landscape, an estimate was made of the curb space (linear footprint) each was utilizing, and the total of all such instances was compared to an estimate of the total curbside length of the street.

A report was accumulated for both the Core Broadway and the South Broadway areas and hereby follows.

5. Broadway Inventory Findings

5.1 Core Broadway

- * Number of Entities: 127
 - Commercial: 116
 - Gov't / Public Space: 5
 - Non Profits: 2
 - Schools or Religious: 3
 - Residence: 1
- * Commercial's Traffic Flow (116)
 - Retail & Hospitality type of traffic: 101
 - Non-R&H type of traffic: 15
- * Formula Businesses
 - Count: 28
 - As a % of all entities: 22%
 - As a % of all Commercial: 24%
 - As a % of all Retail/Hospitality types: 28%
 - As a % of Curb Space: 23%

5.2 South Broadway

- * Number of Entities: 38
 - Commercial: 37
 - Residence: 1
- * Commercial's Traffic Flow (37)
 - Retail & Hospitality type of traffic: 35
 - Non-R&H –type of traffic: 2
- * Formula Businesses
 - Count: 15
 - As a % of all entities: 39%
 - As a % of all Commercial: 41%
 - As a % of all Retail/Hospitality traffic types: 43%
 - As a % of Curb Space: 46%

5.3 Full Broadway

- * Number of Entities: 165
 - Commercial: 153
 - Gov't / Public Space: 5
 - Non Profits: 2
 - Schools or Religious: 3
 - Residence: 2
- * Commercial's Traffic Flow (153)
 - Retail & Hospitality type of traffic: 136
 - Non-R&H –type of traffic: 17
- * Formula Businesses
 - Count: 43
 - As a % of all entities: 26%
 - As a % of all Commercial: 28%
 - As a % of all Retail/Hospitality traffic types: 32%
 - As a % of Curb Space: 31%

6. Observations

1. Formula businesses dominate the city's southern entrance (South Broadway), continuing a trend of the past several decades.
2. The past decade has seen an increasing emergence of formula businesses in the Core Broadway area, especially in one concentrated location at the Congress and Washington Streets intersections.
3. A few retail businesses that do not fit into the strict *Formula Business* definition nonetheless exhibit "chain store" like qualities. Although locally owned and non-franchise holders, these stores market themselves (store displays, signage, etc) foremost by the national brands they carry. An argument could be made that these stores should be counted as Formula Businesses for that reason, which would skew the related percentages by one or two points.
4. There is no full service, sit down – style Formula Restaurant in the Core Broadway section.

7. Opinion

1. It is the Author's prediction that Formula Businesses will continue to seek locations within the downtown business district, specifically on the main Broadway corridor.
2. As the reality of retail industry consolidation and as the mantra of economies of scale continue to gain influence in corporate boardrooms, retail and other service sector firms will continue to look as Saratoga as being part of their expansion strategies.
3. Such a reality will put upward pressure on commercial rents as new outside parties compete with local business owners for the limited number of available Broadway properties.
4. All other things being equal, the deep pockets of the Formula Business owners will generally prevail in such contests. Eventually, the local business owners may retreat entirely from the bidding war, and the competition for commercial space might become one between outside interests (Formula Business vs. Formula Business).
5. The establishment of a major full service Formula Restaurant / Bar -- such as TGI Fridays, Applebee's, or Jillian's -- on Broadway would have an immediate and profound negative effect on the asset value of downtown Saratoga.
6. The establishment of a significant number of additional types of Formula Businesses will likewise have a negative effect, albeit by means of a more subtle and longer - term dilution.

8. Recommendations

1. The city should move toward establishing ordinances and other mechanisms for controlling (or preventing) the advent of additional Formula Businesses in the Core Broadway area. There are a number of strategies for doing so that have been utilized in other communities; they should all be explored.
2. Furthermore, the city should begin a process of “connecting” the South Broadway area to the Core Broadway area in its planning processes. Now treated as two distinct areas, they should be treated as one. For example, South Broadway should be subject to many of the same design requirements as is the Core Broadway area. Of utmost significance would be the requirement that any new building construction be *built to the sidewalk* (which would also be needed). Such an initiative would serve as a means of not only gradually eliminating the city’s most embarrassing neighborhood, but by *extending Broadway* it would create a commercial development boom and expand the tax base.
3. Accordingly, the suggested mechanisms for controlling (or preventing) the advent of additional Formula Businesses would also be applied to the South Broadway area.

**The Current State
of a
Local Economy
In Downtown
Saratoga Springs**

And Does it Matter?

**An Informal Inventory
with
Opinions & Recommendations**

**Tech Valley Times LLC
Robert Millis, Author**

1. The Question

How much of the downtown economy is local trade?

2. Why is this Important?

Downtown serves as the central focus of any given healthy town or city, acting as its center stage for civic engagement by its citizenry. The ability to transact business with local merchants, randomly run into familiar faces and enjoy leisure and entertainment options in a common, compact section of town is the means for ensuring a sense of place and community.

A number of interested observers believe that Downtown Saratoga is failing to fulfill that role. The argument is made that the majority of the commercial and foot traffic activity is of a *non-local* variety, with only minor participation by city residents. This would lend credence to that contention, if true.

Furthermore, downtown merchants have long been concerned about this issue, specifically as the neighboring town of Wilton has aggressively moved to offer an alternative center of commerce for the local spending dollars.

3. Needed: A Survey

Data comparing the amount of local vs out-of-city traffic in the downtown businesses district is needed.

To partially meet such a need, a multi-part Survey was conducted as part of this report.

3.1 Methodology

In early May 2006, survey personnel were dispatched to the following locations:

- Broadway, in front of Professor Moriarty's restaurant
- Broadway, in front of Border's bookstore
- The Wilton Mall

Their instructions were to randomly stop pedestrians and ascertain their individual place of residence. In addition, Wilton Mall respondents that were Saratoga city residents were asked two additional questions.

3.2 Recognized Methodology Shortcomings

- It is a snapshot of a single day/month/season. Results in January or August would likely be different
- It does not take into consideration the weather
- It happened on a day with no convention or other draw
- The results are likely skewed by the choice of downtown survey locations in that both were close to Uncommon Grounds (with its high *locals* attraction)
- Likewise, the results are likely skewed by other factors inherent in such a limited, informal survey as this example

The survey results appear on the following pages.

4. Downtown Pedestrian Traffic Analysis

An Informal Survey

4.1 Weekday afternoon in May (Weather=Sunny, Warm)

Respondents: 112

- City Residents: 35%
- County/Capital Region Residents: 39%
- Further Out: 26%

4.2 Friday early evening in May (Weather=Pleasant)

Respondents: 55

- City Residents: 28%
- County/Capital Region Residents: 50%
- Further Out: 22%

4.3 City Residents at Wilton Mall

Respondents: 23

- # times downtown in past 30 days: 0 (median) / 0.6 (avg)
- \$ spent last time downtown: \$2.00 (median) / \$4.42 (avg)

5. Observations

1. Even though the 'age' of pedestrians was not tracked, there were some casual observations reported by the survey team. Those identifying themselves as city residents tended to be young; in the 20 to 40 year age range.
2. There seemed to be few aged 40+ city residents at both time-of-day periods.
3. Very few (if any) in the aged 60+ were observed on this particular day.
4. City residents were casually observed as typically making either smaller purchases (coffee, magazine) or no purchases at all (out for a stroll) then did their out of town counterparts. For example, the latter group tended to dominate the restaurant activity.

6. Opinion

1. Proponents of the need for a strong local economy should be concerned by the results of the informal survey
2. The relatively high number of County /Capital Region residents during the weekday afternoon day part is likely evidence that Broadway's "upper floor" service sector office jobs seem to be held by non-local residents.
3. If true, this should raise concern for two reasons:
 - i. The effect it has on downtown parking needs: out of town workers will tend to park their car for the full eight-hour day, while local workers are more likely not to need such accommodations (walk to work, drop-off by spouse, ride a bike, etc).
 - ii. City workers prove to spend more time and money in the downtown districts in which they work than do their out of town colleagues, both during the work day and before/after their work shifts.
4. The relatively high number of County/Capital Region residents during the evening lends credence to the popular impression that downtown Saratoga has become "the bar district of the Capital Region." While such a characterization might be more accurate if deemed as the "summer nightlife district" instead, the realization of the fact that it is at least partially true is important for policymaking and logistical planning by the city.
5. Downtown Saratoga has, in fact, ceased being the commercial center for the vast majority of Saratogians.
6. Policymakers have to determine if this is a problem or not.
7. If the policymakers are of the opinion that a stronger local economy is in the best interests of the city, some would argue that they are then presented with what could be termed a "*Tax Receipts vs. Quality of Life*" dilemma:
 - i. Initiating mechanisms that would replace current tourist-focused businesses with locally - focused ones would likely have a negative effect on city tax receipts. The reasoning: tourist spending is greater than local spending.

8. The Author would counter that fear along three lines:
 - i. Tourists are attracted to Saratoga by the aforementioned unique *human dollhouse* experience of downtown. The rise of souvenir and trinket shops dilutes that experience, whereas the witnessing of a local economy in action (*the way we used to be*) enhances it. In essence, *getting local* will actually strengthen future tourism trade (and tax dollars) in the long term.
 - ii. Creative planning and incentives (i.e., getting the right types of locally - serving businesses into downtown) will have a snowball effect, with each new business attracting more local residents, who in turn do more trade at more locations.
 - iii. The quality of life aspect (i.e., improved civic engagement, etc) is *worth something* to Saratogians and maximizing tax collections should not be the primary motivator behind city policymaking.

7. Recommendations

1. Additional (and more scientific) empirical research should be devoted to this issue as a means of supporting and livening future discussion and debate.
2. Regional planning must be supported, assuming that such an effort is designed to improve both the overall economic climate and the quality of life aspects for the region.
3. Regional planning must be opposed if its purpose is strictly to maximize the tax and job bases without regard to regional land use and the social and economic interrelationships between communities. Specifically, sprawl (both retail and residential) must be discouraged on a regional level.
4. Local, county, regional, state and national economic development entities need to be taught the importance of downtown businesses to the local and county economic climate and their programs (tax incentives, training grants, etc) modified to encourage and foster a healthy, vibrant and meaningful Downtown Saratoga. Specifically, many of the same types of tax incentives currently used to encourage large corporations relocating into an area should be made available to small locally owned downtown businesses, given their collective importance to the local and regional economies.

5. *Buy Local* types of campaigns should be re-energized and improved. Results of past efforts appear to be mixed, at best. Best practices from other communities should be adopted.
6. Establish a Small Business Loan Fund
7. The “downtown parking issue” needs to be addressed not as a strictly *parking* issue, but as a citywide *transportation* and *community development* issue.
8. City planning policy needs to:
 - i. Encourage locally owned and locally serving businesses downtown
 - ii. Reverse the nearly - complete trend of downtown (upper floor) residences being converted to service sector commercial offices. This has resulted in the loss of hundreds of working and middle class living spaces, thereby robbing downtown of the single biggest support base for a local economy: people who live right there.
 - iii. Foster more of a mixed-use climate in the Downtown district.
 - iv. Keep public buildings downtown.
9. If necessary, establish a community owned business in the downtown district that meets the local-serving goal and which could jumpstart the transition. This could include a grocery store, performance center, or a movie theater. The preference, however, should be for private sector ownership.