

2014 Magazine Street Independent Business Survey



March 2014

About Stay Local!

Stay Local! is Greater New Orleans' Independent Business Alliance, a non-profit membership organization that connects New Orleans' locally-owned, independent business to customers, resources and each other.

We believe that New Orleans' independent businesses are the backbone of the city's culture, economy and character. To ensure our independents are a defining feature of New Orleans for generations to come, we provide promotion and marketing, workshops and events, and advocacy services to locally-owned, independent businesses throughout the five-parish area. Stay Local! is an initiative of the Urban Conservancy.

www.staylocal.org

About the Survey

Throughout 2013, Stay Local! received reports from member businesses along Magazine Street about a tide of unaffordable rent increases occurring along the corridor, coinciding with an increased interest in Magazine Street from national chains. In response to these reports, Stay Local! surveyed Magazine Street independent business owners to assess the pervasiveness of this trend.

The 2014 Magazine Street Independent Business Survey gathered data from 23 locally owned, independent businesses located between the 1900 block and the 5800 block of Magazine Street from a combination of phone and in-person interviews performed throughout February 2014. Sixty-nine percent of businesses surveyed were retailers; 17% were food & drink businesses, and 13% were service providers. Twenty-one of the 23 businesses surveyed were leasing their space. Eighty-seven percent of respondents were business owners, and 13% managers who were able to speak to the businesses' financial position.

Key Findings

Rents for commercial space on Magazine Street are increasing at an unusually high rate.

65% of businesses surveyed have “noticed a higher than normal rate of rent increases along Magazine Street.” Another 13% answered that they were “not sure” because they were not personally aware of or experiencing it, but didn’t doubt its existence. Only 22% were not aware of higher than normal rent increases.

65% have noticed a “higher than normal rate of rent increases along Magazine Street”

While a few businesses reported that this trend dates back to Katrina, the majority of respondents became aware of this trend in the past 1 to 2 years. When respondents were asked what these businesses attribute the rise in rent to, the answers volunteered included, in order from most common to least:

1. Popularity of Magazine Street (demand)
2. Gouging/greed by landlords
3. Interest from national chains
3. Rental market is operating at full occupancy
3. Improving surrounding neighborhood

“It’s plain and simple: national chains are coming in, so landlords are demanding more money.” - Magazine St retailer

Key Findings

Independent businesses are worried about the effect that these rent hikes might have on their businesses.

78% of businesses surveyed are worried about the effect that rent increases might have on their business. The businesses who reported they are not worried either own their building or have a good relationship with their landlord.

78% are worried about the effect that rent increases might have on their businesses' viability

Additionally, 76% reported being "afraid that rent increases will eventually force [them] to leave Magazine Street."

"The rent hike I'm facing when my lease is up next year will probably put me out of business." - Magazine St service provider

Key Findings

Changes threaten Magazine Street's unique character.

Most independent businesses surveyed have a nuanced view of the role of national retailers along the corridor. Many business owners are quick to point out that the current crop of national retailers on Magazine have done a good job of fitting in and participating in community events. Additionally, independent businesses value the spill-over traffic a nearby chain can provide.

At the same time, business owners stressed a desire for balance, and worried that Magazine may be nearing a tipping point where an influx of additional chains leads to rent hikes that displace much of the current crop of independent businesses. This influx of chains is ultimately seen as a threat to Magazine's unique character: 74% of businesses surveyed feel that an influx of national retailers on Magazine Street threatens the street's character.

74% feel that an influx of national retailers threatens Magazine Street's character

"You're looking at a corporate takeover of Magazine Street, like East Village, NYC or Rodeo Drive." - Magazine St property owner

"If this continues, small businesses will be forced out, and the street's eclectic nature will be lost." - Magazine St retailer

Key Findings

Independent businesses want a clear course of action.

Some businesses surveyed mentioned mechanisms that will work to limit these processes, including parking constraints, or the hope that this will correct itself if pricing too many businesses out results in excessive vacancy.

Nevertheless, the desire for deliberate action to address the issue of affordability is clear: 74% of businesses surveyed agreed that “steps of some kind should be taken to manage affordability along Magazine Street,” with an additional 9% qualifying their response with “depending on the steps.”

74% agree that “steps of some kind should be taken to manage affordability along Magazine Street”

“Bring the competition on. We’re not afraid of that. But to maintain the street’s character? Yes, something should be done.”
- Magazine St retailer

Concluding Thoughts and Next Steps

This survey has made clear numerous points regarding the predicament facing Magazine Street's independent businesses. Prompted by a number of factors- including the popularity of the street, full rental occupancy, increased interest from chains, and unsympathetic landlords- rents are increasing at an unusually high rate along Magazine Street. Magazine Street is already an in-demand shopping street with little to no rental vacancy, a situation that naturally leads to upward rent pressure, all else being equal. But add to this the increased interest from national chains that the street is experiencing, and rents will increase at unusually high rates, as landlords are able to extract far more from deep-pocketed corporations than they are from local small business.

A Magazine Street that continues to be dominated by independent businesses benefits the New Orleans economy and New Orleans' distinct sense of culture and place. Study after study has shown that local, independent businesses provide a far greater economic benefit to a local economy than chains. A 2009 study on Magazine Street by Urban Conservancy and Civic Economics, *Thinking Outside the Box*, found that Magazine Street's independent businesses recirculate 32% of their total revenues locally, compared to a total local recirculation of just 16% by chains¹. This is because independents typically source business services and goods from other New Orleans businesses, as well as spend their profits and make charitable donations within the local economy. Chains, on the other hand, largely perform these activities out of state.

“Independents support each other's businesses. A chain recently moved in on our block, and they had their sign shipped in from Indiana.”
- Magazine St sign maker

Furthermore, Magazine Street's uniqueness and charm makes it one of New Orleans' treasures, and this is largely due to the predominance of independent businesses. As chains displace independents, the street, and consequently the city, will lose something uniquely New Orleans.

Because Magazine Street is a vital asset to New Orleans' economy, culture, and sense of place, the City and relevant stakeholders should consider ways to thoughtfully temper the current trend of chain encroachment and their resulting rent hikes that threaten the existence of Magazine Street as we know it. We will briefly explore steps that can be taken to temper the influx of chains.

Policy Tools

The clearest and most relevant example of a city placing curbs on chain businesses in order to protect distinct neighborhood character and support local small business innovation is in San Francisco, CA. In 2004, San Francisco adopted, by ordinance, a “formula retail policy” for the city’s Neighborhood Commercial Districts.

If a “formula retailer” (i.e., a chain) wants to open in one of these districts, they must apply for a conditional use permit that requires review and approval from the Planning Commission². In reviewing the application, the Planning Commission considers factors such as the existing concentration of chains in the neighborhood, whether similar goods and services are already available in the area, and how the business might affect the character of the neighborhood³. This process also provides an opportunity for the public to voice their support or opposition to a proposed business.

Between 2004 and June 2013, San Francisco received 95 formula retail conditional use applications. Of these, 64% were approved⁴. Since 2004, the City’s formula retail controls have been expanded by both ordinances and a voter-approved ballot initiative, indicating its popularity. Today, formula retail controls are in effect in much of the City, and in a number of neighborhoods, new formula retail is outright prohibited.

Non-Policy Tools

A number of non-policy related steps can be taken to temper the rate of rent increases resulting from an influx of national retailers on Magazine.

- Workshops and other business development initiatives geared toward independent retailers to equip them with skills to successfully compete with chain businesses.
- Better engagement with chains to ensure a healthy amount of cross-over traffic between chains and independents.
- Connecting independent businesses with real estate professionals who can assist with lease negotiations.

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- Marketing initiatives that celebrate and raise the visibility of Magazine Street's independent businesses.
 - Work with the Mayor's Office of Economic Development and the New Orleans Business Alliance to redirect retail attraction efforts to other parts of the City.
 - Events such as outdoor festivals, cash mobs, and block parties that drive customers to affected businesses.

Stay Local will convene meetings with affected stakeholders to discuss the conversation in more depth and plan next steps.

References

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- 2 - "Chain Stores (Formula Retail)." San Francisco Planning Department.
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- 4 - Strategic Economics, prepared for San Francisco Planning Department. *San Francisco Formula Retail Economic Analysis, Phase I Report (Draft)*. February 18, 2014.
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This report was written and compiled by Mark Strella, Stay Local Program Manager. Special thanks go to Travis Martin, Stay Local Program Assistant, and Taylor Jones, Master's of Urban and Regional Planning candidate at the University of New Orleans, for their assistance in surveying Magazine Street businesses.

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