

CITY COUNCIL
BUSINESS AND COMMUNITY AFFAIRS COMMITTEE MINUTES

September 11, 2013

The City Council Business and Community Affairs Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 8:30 a.m. in the Municipal Building Conference Room located at 201 West Gray on the 11th day of September, 2013, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Castleberry, Heiple, and Chairman Griffith

ABSENT: Councilmember Williams

OTHERS PRESENT: Mayor Cindy Rosenthal
Ms. Tessa Beder, Norman Chamber of Commerce
Ms. Jacy Crosbie, 204 Mountain Oaks Drive
Mr. Don Wood, Director, Norman Economic Development Coalition
Mr. John Woods, Director, Norman Chamber of Commerce

STAFF PRESENT: Mr. Jeff Bryant, City Attorney
Mr. Terry Floyd, Development Coordinator
Ms. Jane Hudson, Principle Planner
Ms. Suzanne Krohmer, Budget Manager
Mr. Steve Lewis, City Manager
Ms. Leah Messner, Assistant City Attorney
Mr. Shawn O'Leary, Director of Public Works
Ms. Kathryn Walker, Assistant City Attorney
Ms. Syndi Runyon, Administrative Technician IV

Item 1, being:

DISCUSSION REGARDING CONDUCTING A RETAIL GAP ANALYSIS FOR THE CITY OF NORMAN.

Mr. Steve Lewis, City Manager, said the retail sales gap analysis and Retail Coordinator position go hand in hand. He said the City has received 40 applications and the Human Resources Department is in the process of narrowing that down to a handful for interviews. He said the City would like to obtain analytical data on a retail gap analysis before the Retail Coordinator is hired so that person can be given direction on how to proceed.

Mr. Terry Floyd, Development Coordinator, said a retail gap analysis estimates how many shoppers are coming to a community to purchase retail items. He said the retail gap analysis is a tool the City of Norman can utilize to better understand the areas of strengths and weakness in sales tax collection in its retail market. He said strategies can be developed to address weaknesses or sales tax *leakage* in the identified categories and areas of potential retail expansion or growth of existing retail sectors can be identified. He said local businesses can identify opportunities in an existing retail market and expand to cover that segment where leakage is occurring. He said some types of retail items include general merchandise, building materials, restaurants, and other types of merchandise the City receives sales tax on when purchased.

Mr. Floyd said the Oklahoma Tax Commission (OTC) categorizes individual items into separate retail sectors using North American Industry Classification System (NAICS) codes. He said categories generally analyzed as part of the retail gap analysis include general merchandise; building materials; restaurants; food stores; auto, accessories, and gasoline service stations; apparel and accessory stores; home furnishing and appliances; and other types of merchandise the City receives sales tax when purchased. Additional data utilized for the analysis can include population; per capita income for city residents; county per capital income; state per capital income; city sales data; per capital sales; and sales subject to sales tax.

Mr. Floyd said once data is collected it can be utilized to calculate the *pull factor* or sales gap coefficient for a city's total retail expenditures. He said the pull factor is the degree to which an entire retail market attracts non-local and local customers. He said a pull factor or sales gap coefficient over 1.0 indicates local residents and non-local residents are shopping in the local economy and a sales tax coefficient or *leakage* of less than 1.0 can indicate shoppers may be leaving the local economy to purchase items. A sales gap coefficient of 1.0 might indicate the city is capturing the expenditures of its local residents, but is not attracting non-local shoppers. He highlighted the pull factor of 50 cities in Oklahoma provided by the Center for Economic and Business Development and said Norman's pull factor is 1.35, which indicates Norman's market is pulling in non-local shoppers.

Mr. Floyd said retail gap analysis data can be further analyzed to indicate *pull* and *leakage* in individual retail sectors and can help identify expenditures in specifically identified retail categories to determine if *leakage* or *pull* is occurring in retail sectors. He said similar gap coefficient criteria can apply to specific sectors to determine *pull* and *leakage*. He said information can also be reported in terms of dollar amounts and surplus percentage with positive surplus percentage indicating *pull* and negative surplus percentage indicating *leakage*.

Mr. Floyd said retail development studies were completed in 2001 and 2007 and a retail gap analysis was included as part of the 2008 University North Park Tax Increment Finance (UNPTIF) District Cannibalization Study. The study conducted in 2001 outlined a population of 94,000; a pull factor of 1.25; an upward trend of pull from neighboring communities; and identified retail gaps in automotive dealers, gas stations, food stores, and home furnishings. The study suggested a number of business development strategies that included analyzing the local business sector to identify needs and opportunities to be pursued by a retail trade improvement program; assisting new business start-up and entrepreneurial activity by analyzing potential markets and local skills and matching entrepreneurs with technical and financial resources; providing assistance for businesses in identifying and obtaining financing; providing assistance to businesses in undertaking projects such as improving appearance, management of commercial areas, building renovation, improved customer relations, and other related items; developing a one-step permit center; and involvement of active organizations and the media in creating a healthy business climate.

Mr. Floyd said the retail study conducted in 2007 outlined potential retail/restaurant targets for selected areas of Norman based on 15 minute drive time; site requirements for selected targets; demographic information for those areas; utilizing information in marketing packages for selected targets; and demographic profile information for student population. He said since that study, some of the targeted retail/restaurants have located to Norman.

Mr. Floyd said the retail gap analysis included as part of the UNPTIF Cannibalization Study outlined retail gaps and surplus for Norman; retail/restaurant categories within a five, seven, and ten miles of UNPTIF; identified gaps in most major retail categories particularly in the areas of supermarkets, convenience stores, building materials, pharmacies and drug stores, appliance and home electronics stores, and department stores; identified home electronics, appliance stores, hardware stores, office supply stores, and sporting goods stores as having the greatest potential for the UNPTIF; full service restaurants would be suitable in the UNPTIF, even with some over-servicing in the areas; and a City *pull factor* of 1.38.

Mr. Floyd said the past studies provided valuable information at the time they were conducted, but Norman's retail situation has changed in the ensuing years and Norman's population has grown possibly leading to different consumer spending patterns. He said some of the suggested business development strategies from earlier studies have been or are being implemented and a number of retailers that were suggested as part of those studies are now located in Norman. He said retail has grown in surrounding cities and there has been a huge growth in online retail sales. He said no sales tax is collected on online sales or new car sales. He said there is legislation slowly working its way through Congress to address online sales tax. A study from the National League of Cities shows Tulsa is losing approximately \$5.5 million a year in online sales tax.

Mr. Floyd said a retail gap analysis only indicates possible areas of sales tax leakage, does not give insight into why that leakage is occurring, whether the leakage is acceptable, and does not give any recommendations to stop the leakage from occurring, but the analysis does provide a starting point for discussions regarding opportunities for retail expansion and growth. He said detailed discussions will need to take place to evaluate areas of strength and weakness to better develop specific strategies to increase growth in the identified specific retail sectors and identify opportunities for the City to participate in those areas.

Chairman Griffith asked if a Request for Proposal (RFP) will need to be submitted for the retail gap analysis and Mr. Floyd said yes, that could be done. Mr. Floyd said the City has received a couple of informal proposals from companies that not only specialize in gap analysis, but specializes in retail strategies as well. He said the companies will assist in gathering demographic information, suggesting retail targets that would fit Norman, and provide contact information to the City for those targets. Chairman Griffith said he understood the cost is around \$45,000 for two phases of the analysis and Mr. Floyd said that is correct. He said the first phase would be an analysis to gather numbers starting with demographics and suggestions on targets. The second phase would be assistance in making connections with the retailers and marketing areas. Chairman Griffith asked if the companies would give Norman an insight into why leakage is occurring and Mr. Floyd said yes. Mr. Floyd said there may be leakage because the product itself is not as popular as it was, such as laptop computers and other electronics, as people move to ipads. He said other leakages could be attributed to people not spending money on particular items, such as motorcycles, because of the economy.

Councilmember Heiple asked the name of the companies that have contacted Norman and Mr. Floyd said The Retail Coach and Retail Strategies. Councilmember Heiple asked how long these companies have been in business and Mr. Floyd said approximately 15 years and some of their Staff have done this type of work well beyond that. Councilmember Heiple asked if the Staff consisted of Certified Public Accountants (CPA's), marketing gurus, etc., and Mr. Floyd said some the Staff have background in those areas and the companies bring in specialists from other areas as well.

Councilmember Castleberry said the City needs to define what it wants in the RFP then choose a company and Mr. Floyd agreed and said the RFP will be the driving force in looking at what services Norman wants. Mayor Rosenthal said that gets into issues of what the City does versus what the private sector does. She said when the City did the Buxton Study in 2007, defining the City's role was important because there were a lot of commercial businesses the City was targeting and that gets complicated. She said before the City starts talking to companies, it is important to think about what the City's role in this process will be. Mr. Don Wood, Director of the Norman Economic Development Coalition (NEDC), said the Buxton Study divided Norman's population into two year age brackets. He said most major retailers have a profile of the community they are looking for that have these specific age brackets. He said companies look for a spike type pattern and are very sophisticated in where they choose to locate based on these demographics because they know if they located in a certain demographic area they will be successful. He said the City cannot force a company to locate in Norman if Norman does not have the demographics the retailer is looking for. He said the Buxton Study helped match demographics to retailers that were looking for those types of demographics. He said the gap analysis can find specific areas that are not being met in Norman and the City can reach out to existing retailers and let them know

that according to the gap analysis there is an opportunity to sell specific products in Norman and give that business a chance to expand their inventory to meet those needs. He felt that would be a win-win situation for everybody. Councilmember Castleberry said national retailers have people on staff that research areas of product need for their company and work to get that product in their stores. He said a gap analysis would allow the City to help smaller businesses that do not have that edge. He said the data can be given to the Retail Coordinator so he/she can reach out to businesses to let them know what products are needed so the business will have the opportunity to provide that product.

Mr. Steve Lewis said Sooner Mall has Staff that chases major retail companies around the country and it is all about getting the right type of information about Norman's market to those retailers. He said the City needs to be more proactive and be able to go to the prospect to put a face to Norman, Oklahoma. He said major retailers travel less and less so many times cities have to go to them since the retail market is so much more proactive than it used to be. Mr. Wood agreed and said a gap analysis is the first step. He said most of these companies that do these studies will actually have someone accompany Staff and act as a type of coach. Councilmember Castleberry liked the idea of gathering the data first then once the Retail Coordinator is in place, there may not be a need for the second phase. Mr. Lewis agreed and said that is why phasing makes sense.

Chairman Griffith asked if the Chamber of Commerce and City of Norman will be sharing the data so contact could be with either source and Mr. Floyd said yes, the Chamber will be able to assist the City if the information is shared. Mr. Lewis said data will be shared with the Chamber, Sooner Mall, people involved in the UNPTIF, etc.

Chairman Griffith said he would suggest the northwest quadrant of the City as being the principle source of the leakage to retailers in Moore, Oklahoma. He sees the south and east being more of a draw because of the outlying rural areas and asked if that seemed to be correct and Mr. Floyd said it seems so. He said Ed Noble Parkway was not able to support all the tenants (restaurants) in the area. He said that may be some indicator for the Retail Coordinator to approach retailers that sell products that would be marketable in that area. Mr. Wood said a lot of retail activity can depend on drive time. For instance citizens in Blanchard cannot navigate to Norman as easily as they can navigate to Moore or Oklahoma City because there is no direct route.

Councilmember Heiple asked how the Chamber would use the gap analysis information and Mr. John Woods, Director, Norman Chamber of Commerce, said he would use it to show existing businesses what products are not currently available in Norman, but are needed because citizens are traveling outside of Norman for those products. He said the data would be used to define retail destinations and product voids so the idea of expansion is not just expansion of product, it could be expansion of a very unique store located on the west side of Norman that could expand to a second store on the east side of Norman.

Mr. Lewis said he was told that the Buffalo Wild Wings restaurant in Moore is the fifth strongest store in the country and the new store on Highway 9 in Norman will be very successful. He said a lot of those customers are coming from the south. He said access to restaurants is seen as a quality of life issue and there are a lot of communities that are starting to survey their citizens on what retail opportunities they would like to see in their community.

Mr. Wood said Norman needs to have destination retailers like COTSCO. He said in strategy, the City needs to be thinking of what they could do to help if COTSCO showed interest in locating in Norman. Mr. Floyd said there are Facebook pages devoted to bringing Trader Joe's to the Oklahoma City metro area and that is something the Retail Coordinator could pursue.

Councilmember Heiple said there is indication of leakage to internet sales and asked what would happen if there were a sudden shift and people did want to travel to big box retailers but shopped solely online instead and Mayor Rosenthal said that trend is already happening. Councilmember Heiple felt that retailers are looking for City's that are more aesthetically improved. He said large box retailers already know demographics so Norman needs to build a picture and paint the picture based on infrastructure. Councilmember Castleberry said there are a lot of start-up companies currently in Texas or Colorado that may one day be the next Walmart or COTSCO and are looking to expand. He said those are the companies that need to be targeted. Mr. Lewis agreed and said an example of that is Chuy's Mexican Restaurants who have recently moved into the Oklahoma market.

Chairman Griffith asked if a citizen survey would be worth the effort and how the survey could be coordinated with the gap analysis study and Mr. Floyd said the City could do an informal citizen survey online or do a mail out to citizens. Councilmember Heiple suggested putting a couple of questions in with the utility bills. Mr. Floyd said the City could post a survey on Facebook asking citizens what type of retail they want to see in Norman. Chairman Griffith felt a citizen survey along with the gap analysis study is a great idea. Mayor Rosenthal felt there was no need for a scientific survey and placing a few questions on Facebook and the City's website would be sufficient.

Chairman Griffith said there is consensus to move forward with an RFP and having that information ready for the Retail Coordinator would allow he/she to hit the ground running.

Items submitted for the record

1. Memorandum dated August 29, 2013, from Terry Floyd, Development Coordinator, through Steve Lewis, City Manager, to Council Business and Community Affairs Committee, with Attachment A, the Center for Economic and Business Development's Oklahoma Trade Pull Factor, Attachment B, Retail Sales Opportunity Gap Analysis from Canyon Research Southwest, Inc.
2. PowerPoint presentation entitled, "Retail Sales Gap Analysis," Council Business and Community Affairs Committee, dated September 6, 2013

Item 2, being:

MISCELLANEOUS DISCUSSION.

None

The meeting adjourned at 9:21 a.m.