



Berkeley City Council Ad-Hoc Subcommittee on Small Business

Thursday, July 12, 2018

2:00 - 4:00pm

1947 Center Street, 3rd Floor, Magnolia Conference Room

Subcommittee Members

- Mayor Jesse Arreguin (Subcommittee Chair)
- Councilmember Lori Droste, District 8
- Councilmember Kate Harrison, District 4
- Councilmember Linda Maio, District 1

1. Call to Order

Meeting was called to order at 2:04 PM.

2. Public Comment

Yassi Eskandari from Sustainable Economies Law Center discussed the benefits of worker cooperatives, such as the Cheeseboard Collective, and how they are a valuable tool to small businesses, from succession planning to the upward mobility of employees, both of which support strong local economies.

Bill Ashley, owner of Copy Central, shared how parking around his business has been negatively impacted by construction. Mohammed Kilani from Elite Fashion Exchange seconded this concern, along with problems regarding rising rent prices.

3. Approval of Minutes

Minutes were approved from the May 10, 2018 meeting.

4. Roundtable Discussion on Commercial Vacancies

30 members of the public joined the meeting and provided a variety of comment throughout. The Mayor suggested to the Subcommittee that the discussion include the following topics: impacts of commercial vacancy on businesses in the broader community, causes, policy solutions, and potential unintended consequences of policy solutions and how we can avoid them. Councilmember Maio added she would like input on the adequacy of vacancies for commercial businesses. The following are main takeaways discussed by those in attendance:

- Perception/marketing of a district can negatively impact amount of visitors.
- Encampments create a significant impact on vacancies.
- Current vacancy rate is ~6%, and retail makes up less than 40% of that.
- Restaurants often open then quickly close and go up for sale. Only 20% of businesses up for sale actually sell, which creates a higher vacancy rate. One solution is business succession planning. Since employees are a “captive-audience”, businesses could aim their efforts at creating worker cooperatives.
- Property owners are not prioritizing maintenance, driving away potential tenants.
- Increased labor costs, changing types of retail, and outdated zoning prevents new businesses from establishing in Berkeley.
- Other cities offer monetary payments for opening a business as an incentive.
- Construction costs prevented older businesses from meeting ADA standards.
- Councilmember Droste mentioned there are two separate issues: addressing issues for existing businesses and attracting new businesses. She also mentioned we should check on item with Planning about pedestrian access during construction.
- Online commerce has drastically lowered survivability for many businesses in retail, and “punitive” solutions like a vacancy tax will only add a cost, not prevent future vacancy. Councilmember Harrison reaffirmed her item is not about adding a vacancy tax, but adding vacancy as a form of blight.
- Issues of vacancy have less to do with rent and more to do with numerous other costs to open and keep a business running successfully.
- For some landowners it is economically best for them to leave their properties vacant until they can lease at market rent.
- Rent increases have made running a profitable business, especially one with a specific consumer base, nearly impossible. Some locations will not provide enough foot traffic or customers needed to stay open.
- Problems are different in each district and right now Berkeley is in an awkward mixed-use development phase. Relaxing zoning, making any lease under 18-months over the counter, and taking parking away as a requirement can help.
- Permit Center needs to be more friendly and responsive to potential businesses so they choose Berkeley.
- Councilmember Maio stated that next time the Subcommittee meets, they should include the Planning Department, and that we should be thinking of how to attract people from the region to Berkeley.
- Councilmember Harrison remarked that new businesses should not just be focused on drawing in regional consumers, but also providing services for locals.
- It is too expensive for business owners and employees to live in Berkeley.
- There is a definite lack of anchor retail.
- The majority of requests received by brokers are for small properties, most of which are food service.
- Of the twenty-eight businesses closing, three are due to retirement. Since two-thirds of all small business owners are “baby boomers”, we should be prepared for the need for succession planning in the next decade.
- Councilmember Harrison elaborated on how vacancy makes blight worse. Her proposal specifically focuses on the few residential properties that have been vacated for over 120 days and showed evidence of blight. She also outlined

exceptions, such as vacancy due to fires, natural disasters, permitting processes, and inheritance.

- Councilmember Droste said it would help to define what determines vacancy.
- Lack of interested tenants is also a large factor. Many landlords are refusing to put money into their property until they have signed on a new tenant, but by not investing in improvements, it is difficult to find a tenant.
- Potential tenants may not be able to determine if their business meets permit and code requirements. One solution could be having staff walk through requirements so they can identify if they can afford to meet them.
- Councilmember Harrison shared that there is too much disconnect between the business community and the city, and asked how they could tackle this problem.
- Associations could be a better line of communication with businesses.
- Providing funding for the renovation of older buildings so they meet the modern needs of tenants could help. Councilmember Maio wondered if the revolving loan fund could also be used for this.
- Landlords and tenants disagree on what meets code standards. Having staff determine whether a property meets code, and if not, what improvements definitively need to be made, could help.
- While Berkeley is known for its community of “mom and pop” businesses it may not be able to economically sustain on these alone moving forward. There may be the need to change the business mix and prioritize additional types. The Mayor acknowledged the importance of delving into this point at a future meeting.
- Raising the minimum wage and cost of labor is also an issue businesses are dealing with that impacts their ability to stay open.

5. Scheduling Future Meetings

August 7th was tentatively decided on. Future topics to include worker cooperatives, succession planning, and update from the Planning Department, mitigation of construction impacts, and neighborhood conditions impacting businesses.

6. Adjournment

The meeting adjourned at 4:02 PM