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Light Rail Construction:
Mitigation of Business Interruption

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A survey of methods used in six cities during recent projects

INTRODUCTION

Considering the difficult experience many Houstonians had during the construction of the region's first light rail line from Downtown to the Medical Center, the Gulf Coast Institute recently explored the experiences of six big cities engaged in building new light rail transit systems. We selected the cities of Los Angeles, San Diego, Dallas, Portland, Minneapolis, and Salt Lake City, all of which have recently built their first line or added to their light rail system. We tried to reach representatives of the transit agency, the local government, and the business community, and in many cases had to follow leads to reach individuals who had first-hand experience during construction. This paper covers one part of that ongoing effort.

As seen in Houston, construction of light rail can have a disruptive affect on businesses, just the same as utility and street development. Businesses directly abutting the roadway are especially at risk if access by customers or suppliers is interrupted by the temporary elimination or blocking of driveways, sidewalks, ramps, and parking. Businesses are also subject to periodic power outages and other utility service interruptions that are inherent in any infrastructure improvement project. Other business disruptions may be caused by the diversion of traffic and reconfiguration of lanes, street lighting, traffic signals, and sidewalks.

Where such disruptions are prolonged, some businesses, particularly those dependent upon walk-up trade, may experience reductions in sales revenue. Customers view such disruptions as obstacles to overcome in reaching the business and many opt to make fewer visits, to go elsewhere for services. Some may continue this pattern of behavior long after all obstacles are removed. The appropriate level of assistance or other mitigation efforts is a crucial issue to the public acceptance and ultimate success of a light rail system.

In these six cities, where negative effects have been successfully mitigated, the majority of businesses directly impacted by construction not only survive, but thrive once light rail service begins. Much of this evidence is anecdotal, but the city of Portland, which had the most extensive mitigation efforts, kept records on the affected small businesses as part of that effort and showed clear success. While some amount of business closure is inevitable, and not always because of infrastructure construction, future transit development in the Houston area can be done in a way to ensure business has a fair chance of surviving and then thriving when construction is over.

Business owners report that those businesses that become proactive in seeking out and maintaining up-to-date information, anticipating and planning ahead for the changes and potential financial loss, are much more likely to "weather the storm." Even businesses without the flexibility to rely upon capital reserves benefit from taking a proactive and planned approach to light rail construction, just as they might to any change in their business environment. But these businesses in particular appear to benefit from the support that well designed and implemented mitigation programs offer.

Mitigation programs take many forms but usually offer financial, marketing, management, information, and communication support. Such programs have proven successful in markets where an earlier project had been considered solely as a transportation improvement project rather than a neighborhood improvement project. Once these cities learned about the negative impacts, they exerted strong leadership, incorporated the many business concerns into their contracts as contractor criteria, modified their management processes to be more collaborative and responsive, and assured accountability for business impacts in their staffing structures.

In our contact with leaders from these six other cities, it became apparent that the concerted efforts of the City and the Transit Authority to help small businesses made the difference in the perception of the transit project and the strength of the business surrounding the transit area. We collect the many efforts here as examples, without judgment about which are most appropriate for the City of Houston.

The Gulf Coast Institute is developing resources to help inform the civic discussion about the alignment of the proposed University rail line on the west side of Main Street. The Institute was perhaps the earliest to call for looking at Richmond as an alignment option for this line several years ago. At the present, we are still convinced it is the best option to achieve the strategic regional goal of linking our biggest activity centers with high-quality transit.

Additional resources can be found at www.gulfcoastinstitute.org

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MANAGEMENT AND FINANCIAL ASSISTANCE

In several cities, the transit authority or the City set up low interest loan funds to mitigate the temporary negative effects of light rail construction on small businesses. For example, when the downtown alliance of businesses in Salt Lake City complained about those that went out of business in the previous light rail development, the City established a revolving low interest loan program and set aside funding for construction mitigation up to $20,000 at 3% interest. Salt Lake City's Allison McFarlane, in the City's Economic Development office, said "The businesses did not need to have strong credit; it was meant just to float those businesses during the construction. So the business needed to simply be within one block of the construction and show they were being impacted." A total of 1% of project costs of any City project now goes to mitigation. There are rewards for contractors if they finish early and can show minimal impact. "It all worked better than expected. People had good feelings in the end," said Tim Harpst, the City's Director of Transportation.

Portland Development Commission

During construction of Portland's Interstate line, TriMet (the transit authority) was able to assure that management and financial assistance were provided to businesses as a result of a collaboration between the City, Portland Development Commission, Albina Bank, and Cascadia Revolving Fund.

Lois Cortell, Portland Development Commission's Urban Renewal Program Development Manager at the time, indicated that PDC offered business assistance in the form of:

- Pre-development assistance
- Business loans
- Storefront façade improvement funds

"The intent was to offer a suite of programs that businesses could take advantage of including our usual loan and grant instruments," stated Fred Atiemo, PDC's Business Program Manager. PDC was responsible for business assessment. "We used a consultant outside of PDC (Cascadia Revolving Fund) to assess the condition of businesses before the construction and then again immediately after construction." A small loan program (up to $100,000) would be made available to businesses if their cash flow was impacted and they could not meet their obligations.

"In addition the low interest loans and storefront improvement grants were targeted specifically to the light rail-impacted businesses, Atiemo said. "With regard to those, our approach was to look at the last two to three years and assess any changes in revenue. But to be candid, the Mayor and TriMet made it clear that they wanted no businesses to go down, so even to those businesses that were already failing or fragile we tried to offer public assistance of up to $25,000 on a short-term loan basis to see them through and to give them an opportunity to redefine themselves in order to succeed."

Eligibility was relatively easy. "Our definition of who qualified was anyone directly on the Interstate Avenue Line because all were considered impacted and all had the opportunity to take advantage of any of the programs offered," Atiemo said.

Albina Bank

Bob McKeen, President of Albina Bank, a minority-owned community bank, was a member of the Interstate Corridor Urban Renewal Area Committee and was therefore involved on the Interstate MAX [the name of Portland's rail line] Advisory Committee. He developed the idea to bring several banks together to develop a $5 million loan fund to provide assistance to small businesses threatened by construction. When he had difficulty convincing other banks to join him in this cause, he decided to do it alone. He recognized that some of the more fragile businesses would need technical assistance, which his bank was not equipped to provide. He then approached Cascadia to assume responsibility for such assistance.

Cascadia Revolving Fund

Cascadia Revolving Fund is a 21-year-old nonprofit community development financial institution (CDFI) based in Seattle with offices in Portland since 1999. Cascadia provides financing and business assistance to underserved entrepreneurs, small businesses, and community-building organizations. [www.cascadiafund.org]

"In urban areas, we provide services to women, minority, and low-income borrowers. In rural areas, we offer services to anyone, believing that rural areas are currently distressed economic communities," explains Cascadia's Oregon Director Raymond Lanza-Weil.

"Normally, Cascadia can provide that assistance because we are receiving loan fees from borrowers. So in this case, we needed to be compensated," said Lanza-Weil. "We took an initial step of verifying the needs from the perspective of the business owners. What we learned was that the businesses were ticked off at TriMet for what they believed would ruin their business for months on end. They feared they would be decimated and would lose money." According to Lanza-Weil, the businesses believed that TriMet should give them money rather than loan it to them, and if loaned, the borrower should be offered below market interest rates (market rates were about 5% and they wanted 2-3%).

Cascadia went back to the Interstate MAX partners (TriMet,

Metro, Portland Development Commission), the City's Office of Economic and Community Development (OECD), and Albina Bank to report what they were hearing on the street. The City and TriMet were asked to "park" their available public funding to an Albina Bank Fund at no interest, thereby avoiding depositor expense on that capital. This capital would then supplement the capital the Bank had available to lend. Albina Bank would then have a pool of capital, interest free, that could be used to make these low interest loans available to Interstate Avenue borrowers. The problem was that the law requires public money to be deposited in an interest-bearing account. So neither public agency could enter such an agreement. As a nonprofit organization, Cascadia made it possible for the public agencies (TriMet and PDC) to grant public funding of a combined $160,000 to be used in addition to any targeted funds made available by Albina Bank for financial assistance to Interstate Avenue borrowers.

The Targeted Financial Assistance Program

As it turned out, the storefront improvement grants and low interest loans were administered by Cascadia Revolving Fund. The loans were made in amounts up to $25,000 for small businesses and light industry such as print shops. Cascadia was able to reduce the interest rate for Interstate borrowers from its typical 12-15% interest to a rate of 3% because it was provided the pool of capital from which the loans were made.

"This was a partnership to offer financial assistance in the form of economic development micro loans to businesses that TIF (Tax Increment Financing) can't fund," said Lois Cortell, PDC's Urban Renewal Program Development Manager.

The loan program targeted exclusively to existing Interstate Avenue businesses was intended to mitigate the loss of revenue during a period expected to be 6-12 months "when construction was on their doorstep," indicated Raymond Lanza-Weil. He noted that "this was counterintuitive for most banks, but we felt these were unique circumstances and that viable businesses deserved a safety net … Our approach was to interview all businesses on the line and offer the full variety of programs with no threshold required and allow them to take advantage of [these programs] as they felt they needed," explained Tony Jones, also of Cascadia.

Lanza-Weil also noted that "Cascadia had the advantage because we were not TriMet. TriMet had sharp, happy, positive people, but TriMet was perceived as the Devil. We could put ourselves at arm's length from TriMet and demonstrate that we understand why the businesses were mad or concerned and conduct ourselves as an independent agency there to help the businesses."

Business and Technical Assistance

Cascadia also provided business and technical assistance delivered by staff lenders who are generalists. Support was offered in three general areas according to Lanza-Weil.

- Many applicants and borrowers were considered by Cascadia to be good technicians but not business managers. For example, many did not know the difference between an income statement and a balance sheet. So for them, Cascadia generally helped them understand how to use financial tools and assistance to improve their business success.
- For larger, more sophisticated borrowers, Cascadia offered business coaching that is "more friendly and supportive," than the usual adversarial relationships they may experience with other lenders. Cascadia does not have the same lender liability issues so it can focus on the financials and business coaching (signs, space configuration, curb appeal, accounting, advertising).
- If the client's needs were beyond their parameters, Cascadia leveraged its nonprofit status to find professional assistance. An example included a Pilates studio that was threatened with eviction but hadn't the financial means to retain legal help. Cascadia was able to obtain that legal assistance from a professional on a pro-bono basis due to their nonprofit status and pass that expertise along to the client.

SINGLE POINT OF CONTACT/COMMUNITY RELATIONS

In Salt Lake City, Tim Harpst believes "The secret for our success was the advocate for property owners who has the ability to talk to the project manager, whether it is the Transit Agency, City, or State." That advocate was Bill Knowles, an independent contractor who served as construction mitigator and was paid by the City and the transit authority. Knowles had regular contact with the businesses and if something came up, he got the issue resolved. One example was the reconfiguration of parking areas for apartment complexes and high rises in the area to help them absorb some street parking that was being removed.

Allison McFarlane says, "Working with the businesses has been so successful." She notes that Bill Knowles was involved with the Citizen's Advisory Committee that was made possible through funds allocated by the City and UTA for construction mitigation and on a committee for communications on the University Line extension to the Medical Center. Since that time the City has used him in a couple of other projects and Tim Harpst says that there are plans to do the same as they go forward with about 30 redevelopment projects in the downtown area.

Portland's TriMet set up an intricate relationship with the affected businesses to manage communication and mitigation throughout the project. Their support included:

- *One on one contact with businesses:* Four community rela-

tions staff and construction supervisors assured advance information was received. This was on a daily basis when construction was adjacent. Community relations staff, art program coordinator, and DBE staff all lived in the community or had connections there and reflected the community's diversity.

• *24-hour construction hotline:* Answered by operators with community relations staff being paged for after-hour issues and two dozen construction staff accessible on a 24-hour basis.

• *Business Association support:* Office space and notification offered to a newly formed University Avenue Business Association and financial support to print and mail their independently produced monthly newsletter keeping businesses informed.

Business owner Joe Dennis says, "TriMet did a wonderful job of managing the project. When it happened, there was a tremendous amount of complaining and there were legitimate concerns, but TriMet was great at communicating and did everything they could to help businesses weather the storm."

In Dallas, a North Central Task Force (NCTF) was created to oversee the construction of the Blue and Red Light Rail Lines as well as renovating the Central Expressway. The NCTF looked at customer access in detail in the design of the segment. NCTF chair Walt Humann said business operators typically thought construction would kill them. Dickie's BBQ, for example, thought it would be disastrous to be shut down during Thanksgiving. Since DART was the single project manager – the single point of contact – it could tweak the design and modify the construction schedule to ease businesses' pain, including Dickie's. If DART couldn't or shouldn't make changes, at least business had buy-in. They understood why there had to be shutdowns.

CONSTRUCTION GUIDELINES, PROJECT MANAGEMENT

In Dallas, the NCTF had to fashion a consensus plan for both highway and transit, as the project involved renovating the Central Expressway as well as construction of light rail lines. Consequently, during the interview, Walt Humann interspersed highway experiences with light rail experiences. Humann says the NCTF looked at 128 possible solutions. He maintains that, "If you have a good contractor and a good agency that are willing to work in private/public partnership, a lot can be accomplished." There were three adjunct components to the NCTF's plan:

• *Utilities:* the NCTF brought in all of the CEOs of impacted utility companies to coordinate construction.

• *Mobility Task Force (MTF):* To find a better way to build this particular segment, it interdicted at the design level, then interdicted again once construction started, and hired a mobility coordinator named Cliff Franklin, from the Texas Transportation Institute.

• *Communications component:* NCTF notified businesses a year in advance of what to expect and when, and kept them informed during construction.

As part of the North Central Task Force, they instituted a right of way task force. It determined what property was needed and, well in advance, called upon each owner that DART needed property from. The owner was asked to consider donating the property, if it was just a sliver. If DART needed more than just a sliver of property, the ROW Task Force asked each owner to be reasonable in his demand. The Task Force didn't want to have to utilize condemnation. Humann feels they were successful. Costs of right of way turned out to be nearly half the projections.

The Task Force not only relied on the Texas Department of Transportation and its contractors, but also got up close and personal with the property owners. For example, with ARCO, the Task Force met with the CEO and all ARCO employees. It told them what would happen and when. The NCTF asked if DART could break a hole in ARCO's parking garage and have the exit on Central Expressway, rather than on Greenville, and were given permission to do so. They asked ARCO to consider carpooling and vanpooling arrangements. They let ARCO know when there would be no access to the building for a week or two. Humann says "you have to get in the trenches and work individually with each of the property owners. They become part of the project."

For the Central Expressway part of the highway/light rail project, NCTF bought cell phones to give to police officers and had wreckers staged to haul off minor fender benders. Humann says he was told by the City of Dallas that they actually had a drop in complaints about Central Expressway during construction from before construction began.

In Salt Lake City, "We came up with a Design/Build Plan," John Inglish says, meaning that the design would not be finished at the time construction commenced. UDOT required two lanes in each direction be open and access provided to businesses at all times, so work was ongoing at night.

In one segment, on South Temple from downtown to the University, where there was a need for major infrastructure improvement, the businesses indicated that a loan was not enough. "Storefronts and all were involved, and it was a big project. The City's response was to develop road improvement project construction criteria for signage, public information, citizen advisory committees (CACs) etc.," said Allison McFarlane.

Portland instituted a series of construction guidelines that contractors had to follow to mitigate the effect on local businesses:

• Construction in "reaches" of about 4 blocks long

• Each phase of construction completed in one reach before starting the next reach

• About 8 weeks per reach to rebuild outside lane/sidewalk
• Street/sidewalk restored if gap between construction phases
• Vehicle route into parking, pedestrian routes into entrance provided at all times
• Driveway/doorway reconstruction scheduled to accommodate business hours (done before and after business hours when possible)
• At least one sidewalk open on each route at all times.

"We always guaranteed access to the business during business hours, doing any construction disruptions after hours," reported Ann Becklund, TriMet's Director of Community Affairs. "In fact, we implemented a holiday moratorium on construction so that businesses could capitalize on seasonal revenue."

Joe Dennis, President of the Interstate Avenue Business Association remarked, "They divided three miles of the project into three sections and assigned a staff person who was responsible for each section to work with the businesses. They picked a good contractor (Stacey & Witbeck), which was appreciated. They worked with the contractor well, too. There was thorough management." Dennis is owner of Interstate Special Events and explained that summertime is the big revenue season for his business. "We have trucks moving to and from our facility from 5 am until 11 pm daily. They were going to close our parking lot for a day or two and we could not agree to that. So they punched a hole in to get to our back lot at no cost to us so we could continue. That's how they bent over backwards for businesses not to fail. They did stuff like that for lots of businesses."

CONTRACTOR INCENTIVES

An innovative program in Salt Lake City provided business owners with control over contractor bonuses. A General Contractor (GC) managed all other subcontractors. The Downtown Business Association negotiated with the City and came up with a contractor pay incentive program that they implemented. The GC would be offered a significant amount of incentive pay controlled by the business and residential community as explained earlier. There was $1 million total to be paid quarterly. There was a community hotline to the contractor at all times for any complaints or concerns and he was to respond immediately. Of the $250,000 incentive pay per quarter, the contractor was awarded not less than 90% (and usually 95%) by the community representatives voting on his performance incentive bonus. This demonstrates "significant support by the community," asserted John Inglish. In addition, the contractor was perceived as being very responsive and there were few if any change orders. "We had low interest loans and other options available too but we put the control in the hands of the people likely to be impacted and they acted responsibly," confirmed Inglish. Traffic was always moving and businesses had access. "That concept worked very well for us," he said.

MARKETING

In Salt Lake City, Federal Transportation Agency funds were allocated for business advertising and customer signage to assure customers that the businesses were still open. Examples of such advertising include:
• "Still in Business" advertisements
• Special sales promotions
• Coupons to use at Fourth South shops
• Businesses gave out car wash coupons to their customers to compensate for the dust
• Mini-celebrations were held as segments of construction were completed
• Contractor helped design and produce signs

Portland's TriMax had an "Open for Business" program to assist local businesses during construction with marketing to make sure they remained viable:
• Marketing campaign developed by TriMet
• Public signs and flyers (see sample sign)
• Special "Open for Business" signs and banners, directional signs, flyers showing the route into parking when blocked
• Feature advertisements
• Full-page advertisements featuring selected businesses, grouped geographically and timed to coincide with construction in front of their businesses
• "Doing Business on Interstate" promotional piece mailed to 16,000 homes
• Flyers for business advertising specials, direct mailed or hand delivered to surrounding blocks
• Monthly TriMet passes to winners of monthly drawings showing Interstate business receipts targeted to neighborhood associations, business organizations and big employers.
• Ads on buses with campaign theme and information
• A TriMet-launched Lunch Bus program taking people from TriMet and partnering agencies to Interstate eateries.
• Business directory on TriMet website and in direct mail piece to promote businesses.
• Procurements from Interstate Businesses for projects and special events such as catering, signs, and event rental.
• Scheduled special events to draw people to the area and other strategies to invest in Interstate businesses, business development workshops

"TriMet used to do nothing for the businesses. This time they really did a lot," according to Julie Rawls of Portland Development Commission's Public Affairs. "Their Lunch Bus Program worked very well. They put together a bus to take people from

different areas down to the restaurants along the alignment for lunch. It really helped the businesses a lot. We did it 5-6 times. We filled the buses for them," she says.

Tony Jones, of Cascadia Revolving Fund, who worked closely with the businesses throughout construction, offered examples of how businesses were helped. He described a flower shop that was unfortunate enough to have construction on its doorstep on Mother's Day. The owner called for help and the neighborhood liaison from TriMet rallied the support of people along the line and the partner agencies to order from the shop for the holiday. This saw her through that prime revenue generating holiday. Another example was of a catering services restaurant. Whenever special events were planned along the line, the neighborhood liaison made sure the catering service was tapped to provide service.

CONCLUSION

As with road and freeway construction, light rail construction can have a negative impact on local small businesses and can change the dynamic of the business climate within which those businesses were created. But a growing toolkit of tested mitigation practices can significantly reduce those impacts, and prepare businesses for new successes once construction ends and rail service begins.

Contributors

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PORTLAND CASE STUDY

Business Utilization of Support Programs

A considerable number of businesses took advantage of the support programs offered as indicated by the following breakdown of use by program.

Lunch Bus Program	11
North Portland Savings Guide	37
Local Employee Coupons	19
Interstate Business Development Workshop	18
Motel Signage	5
PDC Storefront Improvement Grants	18
PDC Interstate Avenue Grants and Loans	12

Of the 106 eligible businesses along the Interstate Corridor, 18 applied for the PDC Interstate Avenue Program Grants and Loans. Sixteen applications were approved. After 4 applicants withdrew their requests, 12 loans were made representing about 12% of businesses along the Avenue.

Raymond Lanza-Weil described the borrowers and their circumstances. Of the 12 Cascadia borrowers, all but two were reasonably strong businesses. Half or more could have been qualified at a regular bank. Immigrants with minimal language proficiency were less comfortable going through the bank lending processes.

Three categories of businesses were served:

- Strong businesses for whom the loans were financially more desirable with lower interest rates than banks
- Moderately strong businesses that preferred not to work with a bank
- Weaker businesses for whom a loan would have been considered a risk, but for whom a loan would provide a safety net to get through the process long enough to take advantage of the revitalization expected along the transit corridor.

Of the 12 borrowers, 4 of them were motels. Many were previously known for prostitution and drug dealing. They were beginning to be cleaned up about the time the LR was proposed. All four of the motel borrowers took advantage of both the loans as well as the storefront improvement grants. Located among the hospitals, university, and Swan Island industrial complex, these motels serve primarily business travelers and construction workers.

Marketing support was effective, so few businesses used the loan program, indicated Fred Atiemo, Business Program Manager for PDC. "All small businesses with the exception of one were retained as a result of the Cascadia Revolving Loan Program and collaborative efforts of TriMet, PDC and Metro," he says.