



MADISON'S POP-UP SHOP PILOT PROGRAM: A CATALYST TO SUPPORT HISTORICALLY UNDERREPRESENTED ENTREPRENEURS

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Small Business Equity and Recovery Program (September 2020)

Funding for the Madison Pop-Up Shop pilot program was made possible after the Madison Common Council created the Small Business Equity and Recovery (SBER) program on September 1, 2020.¹ The program specifically identified pop-up retail as one of the possible initiatives that should have access to SBER funds. As one of the possible sub-programs within the SBER guidelines, pop-up retail was identified as an important opportunity to help support and increase entrepreneurship within historically underrepresented groups within the community.

Madison Pop-Up Shop Initiative Introduced (May 2021)

On May 18, 2021, the Madison Pop-Up Shop Initiative was introduced to the Common Council. The Initiative was designed to support entrepreneurs from historically marginalized communities, particularly BIPOC business owners. In collaboration between the City of Madison, JD McCormick Properties, and local business owners that support BIPOC entrepreneurs, the Initiative would provide space within two vacant storefronts along State Street for BIPOC entrepreneurs to build a retail presence in downtown Madison. JD McCormick Properties initially approached the City's Economic Development Commission and offered to lease their vacant storefronts along the 400 block of State Street at a below-market rate for at least a year to host pop-up retail establishments. In turn, the City's Office of Business Resources contacted and partnered with the Latino Chamber, Black Chamber, and Hmong Chamber to identify retailers to locate at these pop-up shop spaces.

The Pop-Up Shop Initiative called for the City of Madison's Economic Development Commission (EDC) to hold a master lease for the spaces along the 400 block of State Street for over a year. Individual retailers would have the opportunity to move in and out of these spaces depending on their needs and success. An initial goal of the Pop-Up Shop Initiative was for retailers to achieve short-term success and continue to work with the City to find opportunities to locate to more permanent spaces elsewhere along State Street. Announcing the new Initiative on May 18th, Mayor Satya Rhodes-Conway

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¹ Report of Economic Development Committee, *File # 61605 Amending the 2020 Adopted Capital Budget of the Economic Development Division to appropriate \$750,000 for a Small Business Equity and Recovery Program (SBER)*, MADISON COMMON COUNCIL (September 1, 2020), <https://madison.legistar.com/View.ashx?M=M&ID=715275&GUID=F9912035-2FCF-400E-9BAF-F69D796173E5>.

stated that “[t]his is ideal for new or smaller businesses because of the lower cost and risk, which can help open doors for historically marginalized entrepreneurs. Pop-up shops bring in new foot traffic and can help current brick and mortar retail in the area as well.”²

Madison Pop-Up Shop Program Approved (May-June 2021)

On May 19, 2021, the Economic Development Commission (EDC) approved the resolution (Legistar #65499) to use a portion of the Small Business Equity and Recovery (SBER) program to fund the Madison Pop-Up Shop Initiative.³ Then on May 24th, the City’s Finance Committee recommended that the Common Council adopt the resolution. Finally on June 1st, the Common Council adopted the resolution to fund the Madison Pop-Up Shop Program.⁴ The resolution directed the Economic Development Commission to transfer \$100,000 of the existing SBER fund from the Economic Development Division (EDD) to the Community Development Authority (CDA) who, the resolution indicated, had been asked to manage the Madison Pop-Up Shop Program.⁵

The Economic Development Commission had initially proposed that the Pop-Up Shop Program be managed by the CDA rather than the EDC. Broadly speaking, Community Development Authorities (CDAs) throughout the state are charged with working on real estate projects. For example, Madison’s Community Development Authority runs all the City’s housing-related programs, either through housing owned directly by the City or through its Section 8 program. In addition, the Madison CDA owns and operates the Village on Park where it manages the retail leases. Pointing to this experience in a public memo ahead of the Economic Development Committee’s May 19th meeting, Matt Mikolajewski explained that the CDA’s leadership and experience working with retail leases are similar to what the Pop-Up Shop Program would require.⁶ In addition, Madison’s Office of Business Resources and the City’s Office of Real Estate Services provided close support to the pilot program during the initial summer planning stages and will continue do so into the fall and the start of the pilot program. As applications opened in August for the pilot program, City Business Resources Manager, Saran Ouk, expressed what, in practice, future City support for BIPOC entrepreneurs would entail:

² Satya V. Rhodes-Conway, “Mayor Announces Madison Pop-Up Shop Initiative,” *Mayor Satya's Blog*. May 18, 2021. <https://cityofmadison.com/mayor/blog/mayor-announces-madison-pop-up-shop-initiative>.

³ See Appendix.

⁴ Report of Finance Committee, *File #65499 Pop Up Shop Program – SBER Funding*, MADISON COMMON COUNCIL, (June 1, 2021), <https://madison.legistar.com/View.ashx?M=M&ID=816012&GUID=E1E573DA-3054-4C4F-B51B-E011D2691269>.

⁵ Economic Development Committee, *File # 65499 Pop Up Shop Program – SBER Funding*, MEETING OF THE ECONOMIC DEVELOPMENT COMMITTEE (May 19, 2021), <https://media.cityofmadison.com/Mediasite/Play/4ef714b274254019b1087a376769c68f1d?Mode2=Video>.

⁶ Matthew Mikolajewski, “Madison Pop Up Shop Program Memo (Legistar #65499),” ECONOMIC DEVELOPMENT DIVISION, (May 13, 2021), <https://madison.legistar.com/View.ashx?M=F&ID=9411635&GUID=DB5AF747-4590-4567-9870-CD06C7BC96C8>.

“We always want to create opportunities for people who normally don’t have these types of opportunities, especially for State Street, making the State Street more diverse know that even though it’s temporary, we can still showcase small businesses wherever they decide to go. If they do want to stay on State Street, great. They could hopefully open up a business here or anywhere else in Madison. Our goal is to help establish these businesses, get them up and running, create awareness for their businesses and then just help them launch anywhere in the city.”⁷

Budget Administration

The Madison Pop-Up Shop Program commits \$100,000 to the Community Development Authority (CDA) to manage the pilot program. From this total amount, at least \$40,000 will be used to lease 1,894 square feet of first floor retail space at 440 and 444 State Street. This amount will cover the estimated first year cost of rent and potentially future months if the Program continues on a month-to-month basis. The retail space owner, JD McCormick Properties, would paint and prepare the spaces for use by pop-up retailers; however, no furniture would be included. The remaining Pop-Up Shop Program balance will be used to cover staff time and incidental costs related to managing the space. For example, given that the retail space was initially unfurnished, the CDA incurs upfront costs to rent or purchase furniture. In addition, the Program will provide possible financial support to entrepreneur of color organizations assisting with the effort to recruit and retain pop-up shop retailers. Funding may also be available directly to pop-up retailers if they require appropriate technical assistance.⁸

There may also be opportunities for the initial Program costs to cover an additional retail location. If this were to occur the Pop-Up Shop fund could be used for that purpose. That is, the Pop-Up Shop fund could be used to facilitate retail space expansion beyond its first year. For this to occur, the CDA would likely be required to issue regular financial reports, similar to what they already do to secure future funding at the Village on Park. These financial reports account for how funding is used. When applied to the Pop-Up shop Program, an accounting report from the CDA could support the justification to expand the Program in future years. After a review that the initial pilot program funds were used appropriately, the Economic Development Division could request to the Common Council expand the Program in subsequent years based, in part, on the CDA’s report of how their pilot project funds were used.⁹

It is also possible that the CDA and Economic Development Division could identify future properties throughout the community as spaces where additional BIPOC entrepreneurs could participate in the Madison Pop-Up Shop Program. As Matt Mikolajewski points out, if the initial commitment at 440

⁷ Robert Chappell, “So you want a shop downtown? State Street Pop-up Shop applications due August 12,” MADISON365, (August 6, 2021), <https://madison365.com/so-you-want-a-shop-downtown-state-street-pop-up-shop-applications-due-august-12/>.

⁸ *Id.* at 4.

⁹ *Id.*

and 444 State Street is successful, and if there appears to be demand for similar Pop-Up opportunities elsewhere, a request for additional funding may be made to the Common Council at a future date.¹⁰

Rent and Lease

After the CDA executes a master lease with JD McCormick Properties for 440 and 444 State Street, and identifies potential pop-up tenants, the CDA will then administer the sub-leases with those pop-up tenants. The pilot program is designed so that pop-up retailers will pay a below-market rent, or perhaps no rent at all. In practice, the CDA will lease the State Street retail space for a year at \$21/s.f. gross (rent includes all utilities, common area maintenance, etc.). This amount is below the \$37/s.f. NNN (no utilities, common area maintenance, etc. included) rate that JD McCormick Properties had previously leased this space for. Moreover, it should not be assumed that the tenant's sub-lease payment to the CDA will cover the cost of the master lease with JD McCormick Properties. Not only will the retail space at either location be shared by multiple pop-up tenants, but the lease for each pop-up tenant will be meant to vary depending on the unique needs of that retailer. For these reasons, the CDA will focus on the management of the property as needed; recruiting and partnering with new pop-up tenants as space becomes available.¹¹ But in relation to best practices elsewhere, the City will expect some level of rent that is paid, but at a level for each entrepreneur that is not overly burdensome. The Program expects a modest revenue from the rents but does not expect that the rent will cover the City's expense for the master lease.¹²

Mentorship Support

The City is very conscious of mentorship for these new entrepreneurs which is why Madison's Office of Business Resources will be heavily engaged to provide wrap-around support to these entrepreneurs and why the Program is partnering with the Black Chamber, Latino Chamber, and Hmong Chamber to provide resources and support to retailers so they are initially successful and able to move into a more permanent location. Other resources throughout the community that the Program will likely partner with are the Wisconsin Women's Business Initiative Corporation (WWBIC), Madison Development Corporation, and Small Business Development Center at the University of Wisconsin.¹³

Another aspect of providing mentorship relates to the fact that the City selected the Community Development Authority (CDA) to manage the pilot program. This choice was, in part, due to its greater

¹⁰ *Id* at 5.

¹¹ *Id.*

¹² *Id* at 4.

¹³ *Id.*

flexibility than the City has to processes contracts with organizations that could support BIPOC entrepreneurship. In addition, the resolution outlining the guidelines of the Pop-Up Shop Program is careful not to tie itself completely to the Chambers for mentor support. While the City is very grateful to work with the Chamber, the Program guidelines also allow the City to partner with other organizations that may also be able to help with the entrepreneur mentorship. With these reasons in mind, the CDA was selected because of their greater level of flexibility where, should an opportunity arise, program managers could take advantage of new partnerships.

As the Madison Pop-Up Shop Program finds success during its pilot year, the City will hope to expand the Program. This may entail finding other sites elsewhere throughout the city where similar Pop-Up shops could expand to. Ideally, the CDA will draw on their experience from this pilot year to guide efforts to improve the Program in subsequent years. Selected vendors are anticipated to be announced on August 26th and their shops will open September 5th.

