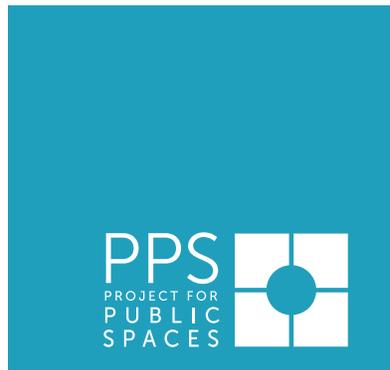
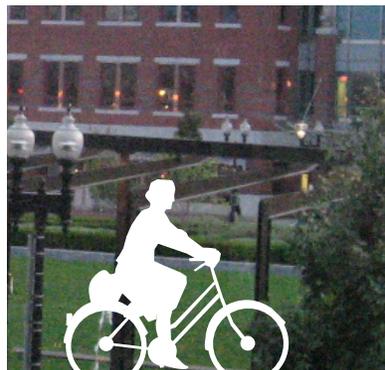


An Implementation Plan for a Public Market in Boston

May 2011



Submitted to:

Massachusetts Department of Agricultural Resources

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EXECUTIVE SUMMARY

Boston has a long history of public markets – at one time the city boasted a series of markets to serve its citizenry and visitors. As in most cities, Boston’s indoor public markets fell victim to ‘modernization’ and they all closed, with the exception of the revamped physical structures of Quincy Market and Faneuil Hall which were converted to ‘festival markets’ having little connection to Massachusetts’s producers, farms and fisheries.

As the tradition of the public market makes a well-deserved reappearance into the everyday life of American cities, Boston – with its burgeoning popularity of outdoor farmers markets - is well positioned to be the next great market success story. Moreover, a new public market has the potential to strengthen Massachusetts’s agricultural economic base by providing farmers, fisheries and producers of value added products a new and significant outlet for their products. The proposed market also has the potential to save small family farms from going out of business, thus strengthening the communities from which these farms and businesses are based. Public markets are also job creators, and the proposed market has the ability to create new jobs for Massachusetts residents, both in the market and throughout the regional food industry.

Project for Public Spaces’ (PPS) overall effort in this project was to provide the Massachusetts Department of Agricultural Resources (MDAR) with a guide to successfully implement the long-awaited public market in Boston. This implementation guide was created utilizing our research on the market’s potential consumer demand and vendor/product availability, as well as our experience and knowledge in planning and operating public markets. Meetings with the Task Force, interviews with local stakeholders, and two public meetings also informed our work. Accompanying this guide is a portfolio of resources (each chapter ends with a list of relevant resources) including the results of our detailed research and sample documents provided by public markets from around the United States.

Ultimately, the proposed public market is well positioned for success. It has a strong sales potential, extensive interest from potential Massachusetts vendors, enthusiastic support from the public, a great location and strong government commitment. We believe that this implementation guide showcases the market’s potential and will support the Commonwealth in its effort to create a great, new destination with broad public benefits.

Key Findings

1. **Customers:** Management needs to have laser focus on its core customers for the public market -- nearby Boston residents who will use the public market as their secondary food store and who will be looking for quality product, a unique experience, and a personal connection to the vendors. Customers from the immediate Boston metro area can also be expected to be attracted, albeit less

frequently than nearby residents: they too will be drawn by special products, one of kind vendors, and the experience. Office workers and tourists will be attracted to the market for lunch and eating food on the premises, but it is critical that the market not devolve into a food court.

- 2. Connection to Haymarket and Market District:** Consumers surveyed clearly understand that Haymarket offers a different, low-price option. Because many consumers currently frequent both Haymarket and farmers markets, there should be a strong synergy between Haymarket and the public market. The principle of agglomeration economics used in our study shows that both markets will have higher sales when both are operating, in part because of the broader selection and range of price-points that the two markets will offer. To encourage synergy and coordination, market district interests and communication should be coordinated by the public market operator to include the operators of Haymarket, Parcel 9, and local independent businesses.
- 3. Focus on Quality, Freshness, and Value:** The public market's primary emphasis should be on a full range of high-quality, fresh products, including high quality specialty foods. Shoppers must, in the least, be able to buy the fresh product that they can buy at any competing supermarkets and more. The public market cannot be viewed only as an expensive place to shop. A range of price points should be available in the market, and product sold by weight, allowing smaller purchases. The connection to Haymarket, as noted, increases supply for the bargain and specialty food shoppers on Fridays and Saturdays.
- 4. Product Source:** The public market can showcase a wide range of Massachusetts products, especially during the growing season (June through October) and strengthen the region's agriculture and fisheries economy, but it will need to extend its product selection to meet consumer demand. Whenever possible, product sold at permanent stalls and daystalls should be source-identified from Massachusetts, the New England region, nationally and internationally. Permanent market vendors should be offered incentives, both financial and promotional, whenever practical, to increase the amount of Massachusetts product in their inventory and/or product ingredients used, as well as setting guidelines on the amount of non- Massachusetts inventory that can be carried on a year-round basis, so that consumer demand can also be met. Daystalls can have more rigorous limits in terms of product sourcing, and priority should be given first to products that are "Massachusetts grown or produced."
- 5. Buy Local Branding for the Market:** While the market should strongly embrace the buy local message, consumers from our surveys are not currently clear what "local" means, and many consider "New England" as "local". A branding consultant should be retained by the market operator so consumers clearly understand the mission and character of the public market, including how this relates to Massachusetts's "Commonwealth Quality" program.

- 6. Vendors and Businesses:** All businesses should be locally owned and operated. To provide customer choice, the market should have internal competition within food categories, and no exclusives on products should be granted. There is an ample pool of potential vendors interested in full time stalls to recruit from for the market, especially given the limited amount (about 14,000 rentable square feet) of retail space that needs to be filled. There are a number of existing aggregator and consolidator businesses poised to provide Massachusetts and regional product to potential permanent stall vendors. Because cooperatives organized by commodity groups to sell product at the market either do not currently exist, take time and financial resources to establish and/or have a high rate of instability and failure, the market needs to be open to using third party retailers with strong business skills. The majority of farmers surveyed are mainly interested in using daystalls and selling their fresh produce on a seasonal basis. Management will have to be selective in achieving the right mix, and utilize daystalls to keep the market fresh and changing.
- 7. Merchandise Mix:** While primarily a fresh food market, the market can feature limited prepared foods without becoming a food court. There is great opportunity for some of the vendors to supplement their fresh product with prepared foods, even if the market has limited venting potential for cooking. Public seating will provide a place to eat, but outdoor café seating and picnic tables on the Greenway could seasonally expand seating. The market is not dependant on having a full service restaurant, which would increase the construction budget and be challenged by a lack of ventilation for cooking. Small cafes are possible, however.
- 8. Market Character:** The public wants the public market to be welcoming, not fancy in appearance, and a “real place.” Display should not be too “precious.” All shoppers should feel welcome. Finishes and design treatments assumed in the cost estimate are “basic”: sealed concrete floors, painted ceilings, etc. with an emphasis on lighting product and displays. Vendors will be responsible for their own stall designs, but design guidelines should be clear about the character and functionality of these stalls.
- 9. Layout and Facility:** While accommodating a public market in many positive ways, the Parcel 7 site will present ongoing challenges for management, due to lack of onsite storage, non-universal plumbing access, limited venting for cooking, and small loading areas. The layout of the market, to be more fully developed during the design process, should emphasize ease of customer circulation and flexible public spaces that can be used for seating, demonstrations and daystalls.
- 10. Market Exterior:** The exterior arcade for the building should extend the daystalls along the perimeter of the market. The building should have an “indoor outdoor” feeling, especially on the Blackstone-side of the building to create a connection

with Haymarket. Within the constraints of Haymarket utilization of the space on Fridays and Saturdays, the outdoor space should be programmed as a multi-use public space. The market building does not look currently like a market, but, its height and architectural features such as the towers, offer great potential for iconic signage that customers can see from the downtown area and the North End.

- 11. Greenway Connection:** The public has stated that they are looking forward to the public market bringing activity to the Greenway, and there were extensive ideas provided at the public community workshop about specific uses and activities that are appropriate for the park space adjacent to the market. While not necessary to implement the market, the public market's oversight committee should develop a plan working with the community to retrofit the adjacent Greenway to better accommodate the types of recreational uses identified at the workshop and to develop ways to better program and manage this space in concert with the public market and the market district.
- 12. Parking and Deliveries:** Parking and deliveries will be a challenge and require further investigation. Parking for vendors and delivery access were identified as major obstacles. While there are 310 public parking spaces in the Parcel 7 garage, half are monthly parking spaces and data shows that the garage is often heavily occupied midday weekdays and Saturdays. Validations for Haymarket and local restaurants are provided, and the public market will need a similar program. Additional parking in the Government Center garage should also be arranged by the public market's oversight committee. For deliveries, access to the current loading dock will not provide nearly enough space, and curb deliveries will have to take place on Blackstone Street and Hanover, and coordinated with Haymarket. A thorough assessment of parking should be undertaken by the public market's oversight committee so that an accurate picture of the volume, timing, and location of parking and deliveries can be better planned.
- 13. Organization and Oversight:** The Commonwealth, as owner of the building, should organize a seven to nine member public market oversight committee representing different state and city agencies and public interests to assist the Commonwealth in establishing a lease of the market, set the mission for the market, and establish broad guidelines for its development and operation. The oversight committee will decide how the real estate development and construction process should be organized as well. A non-profit market operator should be selected through an RFP process.
- 14. Operator is Key:** Establishing an effective operator is core to the successful implementation of the public market. Responsibilities will include creating the right tenant mix, atmosphere, and image; dealing on a daily basis with vendors; promoting and marketing the market; and managing the mechanics of property management on a complex site. For start-up, the report outlines an extensive list

of operator requirements, which includes real estate development experience and establishing relationships within the market district with Haymarket and the future operator of Parcel 9. The market will require extensive permitting. The operator will also have significant fundraising responsibilities for the market.

- 15. Budget and Funding:** The total cost of implementing the public market is estimated to be at least \$8.5million, including design, build-out, construction contingency pre-opening expenses and a projected operating shortfall. The construction budget is order-of-magnitude and will need to be recalculated during the market design process. It is critical that the market operator have access to sufficient working capital, including the ability to provide rent incentives and tenant allowances for stall construction. In addition to funding from the Commonwealth a fundraising campaign led by the operator should approach a variety of Federal, State, local, and private sources and should commit to opening the market debt-free.
- 16. Break Even Success:** Sources of income for the operator include rents from permanent stalls and daystalls. The operator will achieve break-even status at an average of \$75/sq ft for permanent tenants, using triple-net leases – with annual sales of \$16 million. Vendor sales should be able to sustain higher rent levels, however. Using the Huff Gravity Model, we estimated that the market has the potential to capture \$15.5 to \$19.5 million in sales, so the break-even level is well within the range of feasibility.

CONSUMER DEMAND

Introduction

Farmers Markets have been growing rapidly throughout America as consumers are looking for fresher, natural, and organic products as well as supporting local businesses. Following the success of farmers markets, interest is expanding in continuing the farmers market experience beyond the traditional harvest seasons and making it a year-round experience in the form of what some may call a public market.

However, public markets are different from farmers markets. These public markets require a different business model, which requires more capital and a management structure to operate the stalls. Many of the vendors at public markets are no longer seasonal sellers, but year-round vendors. As a result, one of the draws of farmers markets – their ephemeral nature - has changed. In addition, the public market's strength is in fresh foods and not in selling frozen foods, grocery items, national branded products, or sundries. To compete for the consumer's time, the public market must provide in-depth variety offered through internal competition. Vendors selling similar products distinguish themselves through price, service, and unique offerings. In essence, a public market is a cluster of specialty food stores taking advantage of agglomeration principles for the common benefit of the public and the vendors.

Developing public markets is complicated and there is a paucity of reliable information on existing public markets. This primary research is designed to help provide information about the customers that will help management make better decisions about the market's design and mix.

Goals

The objectives of the research are to gain an understanding of consumer beliefs, opinions, attitudes, and behavior in order to establish a niche for the public market in Boston. Another major objective is to estimate potential sales for the market to help establish an appropriate tenant mix. The overall goal of these objectives is to provide a comfort level that the public market can be economically sustainable.

Methodology

To achieve the goal, three avenues of market research were conducted. First, there was a focus group among 12 local citizens; next, was the completion of an online survey with 400 Boston area residents. The analysis concluded with using an economic model used by the supermarket industry, known as a Huff Gravity Model, to estimate market shares among the trade area's competition.

Key Findings

Competitive Analysis

- The marketplace is very competitive with shoppers fulfilling their food needs through multiple delivery channels. Every place where food is sold is competition for the public market and food purchases today are spread among many different channels and within each channel has its own set of competitors. The public market will likely compete more intensely with Whole Foods and will mostly complement Trader Joe's and Haymarket – each of these are specialty niche channels providing a different offering than the public market. (Resource Portfolio A, p. 50-51)
- The public market will feature Massachusetts grown and produced products as a way to help differentiate it from its competitors; however, there is no indication that a public market exclusively selling Commonwealth grown and produced products can be economically sustainable. (*ibid.* 24)
- Consumers are generally satisfied with the current offerings especially in the areas that they consider important. (*ibid.* 54-59)
- High quality fresh produce is the most important reason in selecting where to shop and it is essential for this market. (*ibid.* 58)
- While the public market's emphasis is on locally grown and produced products, it is also essential that the market carry other produce that is not indigenous to New England, such as citrus fruits and bananas. The lack of these types of items will diminish the attractiveness of the market and lower overall sales potential because these are products that consumers buy regularly. If such products are not available, the consumer will reduce their frequency of visiting the public market and will shop at the public market only for special occasions. (*ibid.* 17-18, 55)

Haymarket

- Customers understand the difference between Haymarket, farmers markets, and the concept of a public market. (*ibid.* 24, 44-48)
- About three of 10 Boston area residents now shop at the Haymarket at least annually and this will provide excellent exposure to the market as well as providing new customers for the Haymarket. (*ibid.* 45)
- Haymarket customers frequently shop at farmers markets and should by inference shop at the public market. (*ibid.* 44)

Local Food

- Emphasis on locally grown and produced foods will be very important to the success of the public market and it will serve to help differentiate the public market from conventional supermarkets and Haymarket.
- Customers perceive local as being from New England/100-miles from Boston. Defining the Commonwealth as "local" did not register highly with customers. (*ibid.* 33)
- Customers buy local if they think it helps the local economy, but more importantly, they also want to buy the freshest products. (*ibid.* 34-35)

Sales Potential

- The Huff Gravity Model, which measures the interaction between *convenience* and *selection* estimates the market could have the potential to capture approximately \$19.5 million of Boston's \$548 million in fresh food expenditures. (As a conservative approach, we recommend providing a range which starts at 20% less than the model suggests, that is, \$15.5 million to \$19.5 million in estimated sales potential.) The model's proxy for selection is the size of the market; it is self-evident that the larger the size of the public market the more products it can offer. However, while the public market will not have the same overall variety as supermarkets; ideally it should exceed supermarkets in the depth of offering in fresh and specialty food items. The sales potential includes the expenditures for all produce items. The model assumes that the public market will offer customary fresh products found in local supermarkets. (*ibid.* 10-16)
- If items such as citrus are not available and other fresh fruits and vegetables are only available seasonally the estimated produce sales could drop by more than half. Likewise, if seafood and meats, such as lamb, are also seasonally limited, further erosion of sales will occur. These limiting affects become cumulative because customers seldom are aware of the seasonality of food and when they find that products are not available they look elsewhere to fulfill their needs. (*ibid.* 14-16)
- Not included in the potential capture of fresh food sales is the approximately \$25 million in lunchtime prepared food expenditures by the estimated 56,668 office workers within a quarter-mile. (*ibid.* 19-20)
- In addition to the office workers, tourism, which brings an estimated 19 million people annually to Boston, was not considered. The Freedom Trail, which runs adjacent to the market site, is estimated to bring more than a quarter-million visitors to this site annually. The office workers and tourist were not considered because their primary purchases are in prepared foods and consumable food products. (*ibid.* 21)
- Survey results show that the Congress/Hanover location is a convenient place to shop for food for 46% of the respondents. (*ibid.* 19)

Challenges

The market conditions for this public market are sufficient to it. However, market conditions alone are insufficient to ensure a successful public market. Any introduction of new channels of food distribution, like the public market, need to earn a place among the many choices their customers have in shopping for food.

The ability for this public market to be successful depends upon it capturing sufficient market share from other food channel venues. The public market captures market share by doing a better job than its competitors do in meeting the needs and wants of its customers. This can be accomplished by being more convenient to the customer or by

offering more selection (this is what the Huff Gravity Model measures). Increased market shares can also be accomplished through a combination of meeting other factors important to customers in choosing where to shop, like product freshness, better pricing, or a host of other factors --including local Massachusetts products.

This public market will feature local food products and a challenge is to create a stronger desire to purchase Massachusetts products than our research now shows. (*ibid.* 24, 33)

The plan for this public market is to tap into what our research shows is the customer's desire for very fresh local foods at an affordable price point. Another part of the plan is to provide the customer with a wide variety of locally grown and produced specialty foods that are not widely available at other food venues in the area and in providing a continuous stream of innovative food ideas that will regularly bring the customer back to shop.

The public market needs to provide customers an experience of both place and shopping. It does this through appropriate atmospherics in the design of the public market and in keeping the offering fresh by bringing in daystall vendors with a combination of the freshest produce or unique product offerings that provide the public market with "affordable exclusivity."

Recommendations

- Provide a non-exclusive focus on Massachusetts fresh products.
- The public market should lead the process of building the Massachusetts "brand" by showcasing local items and providing demonstrations showing how consumers can incorporate Commonwealth grown and produced products into their meal planning.
- Remain flexible if execution of the plan does not achieve sales objective by expanding the offering to include more prepared foods. This location can serve a very large office market population and with its location on the Freedom Trail, it can serve tourists.
- In addition to providing the staple fresh food products like produce, meat and fish, provide a wide selection of high quality, specialty, fresh foods products.
- The public market must look and feel different from local supermarkets and especially from Whole Foods, Trader Joe's, and Haymarket. The design of vendor stalls should allow for individual character and identity, but together the public market should have an underlying design theme that creates a sense of place. The public market also needs to deliver a different shopper experience – the public market has the ability to engage its customers more directly and interactively with its individual vendors in a way that other channels cannot. Emphasis should be on high-quality, fresh products, but the display should not be too "precious" and pricing of the products should allow everyday shoppers feel welcomed at this market.

Conclusion

This location provides the public market with many attributes for success. Adjacent to the Haymarket this location is an established regional center for buying fresh food products. The public market is well served by public transportation and also offers very convenient parking. The primary trade area (*ibid.* 7) provides an immediate residential base of high-income households and the office population within walking distance (*ibid.* 10) offers more than 56,000 workers. While this public market is not targeted to tourists, its location on the Freedom Trail and proximity to the historic Quincy Market, Boston's major tourist attraction, provides additional potential support.

The success of the public market relies upon it becoming a destination for fresh food products. The public market should offer very high quality fresh foods, feature locally grown and produced products, and a wide assortment of products that are only sold at the public market. Careful attention is needed for developing appropriate "atmospherics" that create a shopping *experience*. Finally, product pricing must be competitive to create value.

Resource

A_Consumer Research PowerPoint

VENDOR AND PRODUCT AVAILABILITY

Introduction

The creation of a public market in Boston offers the opportunity to strengthen the region's farm and fisheries economy through direct sales at the market, and offers a powerful tool for creating more awareness of, and demand for, Massachusetts farm and fisheries products. Vegetable and fruit producers, livestock farmers, the horticulture industry, fisheries and seafood industry, and specialty food producers have expressed an overwhelmingly positive response to selling year round and seasonally at this market. Even with this positive response, it is important to understand the impact that seasonal production and producer capacity will have on product supply and diversity, as well as consumer demand for products grown outside of this region and climate. Despite some of the seasonal barriers to product availability, there are strategies identified in this report that allow the focus to remain on family farms, sustainability of production and product source identification, all of which are growing trends in agriculture in Massachusetts and across the United States.

Methodology

To assess vendor and product availability and to collect the broadest base of information, a combination of methods were used to gauge the following:

- Models of selling: permanent stalls, daystalls, selling to independent retailer at market
- Product Mix: supply, seasonality, advice on product selection based on Massachusetts production
- Vendor Interest: vendor availability and barriers to participation

Information was gathered through:

- Interviews with: (Resource Portfolio B)
 - MDAR project and department coordinators and managers
 - Commodity group leaders
 - Buy-local project managers
 - Distributors
 - Consolidators
 - Farmers
 - Specialty food producers
 - Food business owners
 - Local food consolidation, distribution and retail businesses
- Vendor Interest Survey: paper and online surveys were submitted by 138 potential vendors, with approximately 128 surveys fully completed. (Resource Portfolio C)
- Informational Meetings:

- Vendor Information Meeting and Market Site Tour, February 24, 2011 at the Massachusetts State House. Over 125 potential vendors were in attendance. (Resource Portfolio D)
- Harvest New England Conference Trade Show, March 2-3, 2011. Photo display, information and education provided to potential vendors; survey dissemination; interviews with potential vendors and industry professionals.

Key Findings and Challenges

1. There is more potential interest for vending space than there will be space available. (Resource Portfolio C, p 3, Question 7)
2. Potential vendors would like to sell products as follows: (*Ibid.* 3, Q9)
 - a. Permanent stall, selling year round - 46%
 - b. Daystall, similar to a temporary farmers market model, especially when seasonal product is available - 44%
 - c. Sell product to an independent retailer at the market or hire staff to sell product at the market: This model includes producers clustering their product in one space, for example meat and cheese, and having staff to manage it or collectively selling to someone who will retail it at the market – approximately 10%.
3. Core agriculture, seafood and horticulture products – meat, dairy, fish, shellfish, cheese, plants and flowers – are available year round in Massachusetts, with an interested pool of vendors poised to establish permanent stalls with these products, especially for fish and seafood where producer groups appear to have the necessary infrastructure to move forward as soon as possible. (*ibid.* 1, Q2)

Challenges:

- Producers are more interested in having someone sell their product rather than being present to sell it, in most cases, and recognize the need to cluster products from other farms. For example, a meat counter may feature a number of farms' products because one farm may raise beef while another raises pork. (Producer and Distributor Interviews)
- There are few commodity or producer cooperatives that have already formed or have the necessary infrastructure to meet the demands of maintaining a permanent stall at a market and the long term survival rate of commodity or producer cooperatives has been relatively low. The lobster and fishery industries may be the only exception at this time. (Interviews with DAR staff, commodity group leaders, farmers, fish and seafood industry members)
- Product supply and variety will be an issue with some commodities and outside of the growing season (June through October).

- Some agriculture producers have said they will not participate in the market unless they receive exclusive rights to sell their commodity product.
4. Fresh produce will be abundantly available from Massachusetts farmers during the typical growing season (June through October). In addition, more farmers are growing greater quantities of winter storage crops and extending their season by producing leafy and salad greens during the winter months. However, quantities and varieties of fresh Massachusetts produce outside of the typical growing season will always be limited. At the same time, warm weather produce and produce not typically grown in the Northeast, such as bananas, avocados, and citrus fruits, will always be in high demand by consumers. (Resource Portfolio E, p. 1)

Challenges:

- Of the 46 produce farmers who completed the survey, only 12 are interested in having a permanent stall, and of those only five want to sell year-round; the remaining produce farmers are interested in daystalls, but only six of these want to sell year-round.
 - Farmers interested in daystalls want guarantees that they will be able to have the same space in order build up their customer base.
 - Most of the produce farmers plan to hire someone to represent their farm at the market rather than be present to sell all the time, but are willing to be present on occasion.
 - A considerable number of farmers and farmers market managers who were interviewed want this site to be most like a year round indoor producer-only farmers market at which there should be absolutely no re-selling of any type despite consumer demand.
 - Market organizers will have to grapple with the issue of selling out of season and non-native produce in order to meet consumer demand and ensure economic sustainability. (*Ibid.* 1)
5. Over 60% of survey respondents (Resource C, p. 1, Q2 & 3) - the largest group in attendance at the Vendor Interest Meeting on February 24 - were non-agricultural, food-based businesses from the Boston area who expressed strong interest in selling at permanent stalls. Many of these potential vendors want to sell specialty foods (nuts, coffee, tea, spices, oils, vinegars, etc.), value-added products, baked goods, and prepared foods. Competition for space will be highest among these businesses.

Challenges:

- The majority of the product ingredients are not from locally sourced materials, but the final product is mostly, but not always, made in Massachusetts. For example coffee beans grown in Mexico are roasted by local independent roasters. (Vendor interviews)
- Most of these businesses are not yet interacting with or supporting the farms and fisheries of Massachusetts; however, they are independent,

local businesses. (Vendor and sustainable business network personnel interviews)

6. Barriers to Participation: The following are the most commonly identified barriers to participation by all potential vendors: (Resource Portfolio D, vendor, consolidator, distributor and Buy Local program personnel interviews)
- The cost of participation—rent, utilities, etc.
 - The availability of stall storage (both day and permanent) and remote ‘dry’ storage
 - Availability of refrigeration
 - Size of stall
 - Loading and unloading conditions
 - Location, availability and cost of parking
 - Travel expenses (tolls, etc.)
 - The success of the market and the vendor’s ability to get a good return on investment

In summary, there is a strong supply of potential vendors:

- There is a wide variety of products that are grown, raised and caught in Massachusetts that could be sold at the market, both on a permanent and daily basis, allowing for the variety of product sold at daystalls to be constantly changing.
- Fresh Massachusetts grown produce will be abundant during the growing season (June through October) but will be very limited during other times of year while the demand for a year round supply of fresh fruits and vegetables will remain high. (Resource E, p. 1)
- There is an abundance of non-agricultural food businesses that would like to sell at the market.
- However, there are limits to vendor participation at the market. Despite a strong desire to have farmers and fishermen/women selling at the market on both a full and part time basis, the reality for these professionals is that they have their businesses to run and will be available on occasion, but more likely will hire staff to be present at the market or have one person sell clustered products from a number of businesses, such as meat, cheese, dairy and fish.

Recommendations

The opening of the public market is only the beginning of an opportunity to support Massachusetts producers and we believe that opportunity will increase as producers become confident in the market as a viable outlet for their goods. We think the best strategies to ensure availability of the maximum amount of Massachusetts product are to provide incentives (rent reduction, added promotions, linkages between the market’s food businesses and producers of local ingredients) for participation and to promote Massachusetts producers through a comprehensive branding message that identifies the market as a trusted source for Massachusetts grown and produced products. The following are specific recommendations on how to address the key challenges while

focusing on strengthening the region's farm and fisheries economy through direct sales at the market while also maintaining an economically sustainable, vibrant market.

- All vendors should be locally owned and operated businesses.
- In the absence of producer or commodity group cooperatives that are poised to be vendors, the market needs to have independently owned, third-party businesses with strong business and marketing skills to sell agriculture, horticultural and fish/seafood products.
- Product Mix: In order to provide a year-round product mix, while supporting Massachusetts producers in a major way, market management can employ a variety of strategies including:
 - Heavily promote Massachusetts products grown seasonally and year round, especially "Commonwealth Quality" program vendors, through the market's branding message and ongoing marketing strategies, for example hosting "Massachusetts Apple Month" and "Maple Breakfasts" at the market.
 - Work to expand linkages between Massachusetts producers and permanent stall specialty and value added food vendors (bakery, prepared foods, etc.) as part of the role and responsibility of the daystall manager.
 - In light of the demand for a year round supply of fresh produce, limit the number and square footage of year-round fresh produce resellers at the market and offer incentives (rent reduction stall location, added promotions, etc.) for buying and source-identifying local produce, and for using local consolidators/distributors.
 - For year round, permanent-stall produce vendors, establish guidelines that encourage inventory to include an annual cumulative minimum percentage of Massachusetts grown produce (selling maximum amounts of Massachusetts grown produce in season but also offering out-of-region produce throughout the year to meet demand). This would take into consideration seasonal availability while making a wide variety of produce available year-round.
 - Daystall participation should be limited to producers only, and first prioritize Massachusetts producers and secondly New England producers, in order to replicate a typical farmers market environment.
 - Retailers selling only fresh Massachusetts produce could receive financial incentives or priority space assignments, especially during the non-growing season.
 - In order to benefit from the market's branding message, food businesses, especially those selling prepared foods and value added products, should be strongly encouraged, if not required, to identify product ingredients that are sourced in Massachusetts. And, businesses using local ingredients should receive additional promotional attention with signage, media attention, etc., to spotlight the producer/business linkages.

- Source Identification: When it is not possible to provide product from Massachusetts, initiate a system to identify the source of fresh food products, especially that which supports family farms from the region and beyond:
 - Develop a strategy for selling products from other regions, especially in the off season, which is source identified. (*ibid.*1)
 - When practical, utilize consolidators/distributors that only source local products or from source identified producers. (*ibid.* 3)
 - Encourage market participation by source identified product retailers. (*ibid.* 2)

- Producer Participation: In order to encourage producers to sell their product directly at the market, either full time or at daystalls:
 - Provide incentives for farmers/fishermen/women and/or their family members to attend the market. These incentives could include a reduction in rent or a priority stall placement.
 - Develop a schedule of promotional activities that bring producers to market for special events and allow producers or commodity groups to participate, educate and promote themselves, for example, “Meet Your Farmer Day” or “Massachusetts Livestock Farmers Day”.

- Non-agriculture food businesses, vendors selling specialty foods, value added products or prepared foods: Vendors that are not growing their own ingredients or who don't yet sell source-identified products/ingredients but are locally owned businesses.
 - Actively support and promote all local businesses at the market even if not yet sourcing local ingredients because they are Massachusetts-based and independent.
 - Non-agriculture food businesses could have a higher rent for their stall spaces that offsets lower rent for producers' spaces. It could be a temporary start up program or could be a permanent part of a rent structure.
 - Develop guidelines for specialty food and value added product vendors that encourage them to use Massachusetts sourced ingredients in the creation of their products.
 - Heavily promote businesses that are working in partnership with Massachusetts agriculture and fisheries, so that there will be an incentive for other businesses/vendors to follow suit.

- Institute an inspections program that will ensure the integrity of the market's rules and regulations.

Resources

B_Interview List for Vendor Study

C_Vendor Interest Survey Results – Aggregate

D_Vendor Meeting Notes – Feb 24, 2011

E_Case Studies of Local Food Businesses

F_Vendor Feasibility Studies

PUBLIC MARKET DESIGN, MERCHANDISING AND ACCESS

Introduction

Parcel 7 is a building that was largely planned as a way to disguise the ventilation shafts for the Central Artery, and as a transportation hub, including a 318-car parking garage and new entrance to the Haymarket T Station. The existing retail configuration, approximately 27,500 square feet in size, was not laid out as a public market and therefore some specific planning parameters that would normally be included in a design process (venting, plumbing, service, storage, etc.) for a public market were not integrated into the design.

As part of preparing the implementation plan for the market, PPS prepared a conceptual layout of how the space could be configured. The purpose of this plan was to identify overall operating constraints and opportunities for the public market, while developing a preliminary number of leasable square footage and an order-of-magnitude cost estimate. While the plan shows that a market can be successfully accommodated on Parcel 7, the building does present some constraints which will present on-going operational challenges for the market.

The building can accommodate a broad merchandising mix of food products. The location of plumbing and storage facilities, however, will constrain the location of vendors that require these facilities to certain locations. A draft merchandising plan and layout presented below will provide general guidance to management to guide their leasing efforts. Leasing, by necessity, involves working with specific tenants to accommodate their specific needs so the “merchandising plan” must remain flexible and responsive to changing conditions, now and over time.

Because markets function as strong social spaces, flexible indoor and outdoor spaces need to be built into the market design. On the interior, these spaces can accommodate public seating, events and demonstrations, and daystalls. On the exterior, the layout of the market includes a public plaza space adjacent to Blackstone Street and there is additional public space available on the Greenway.

Finally, parking and deliveries will be a challenge for Parcel 7. Potential vendors have already indicated these as major concerns. Because many customers for the market will come from the immediate downtown area, access needs to be viewed as “multi modal” – walking, biking, and taking advantage of the connection of the market to the Haymarket “T” station; nonetheless affordable parking will still be required.

This section contains the following main sections:

- **Design and Layout**
- **Merchandising Plan**
- **Parking and Deliveries**

DESIGN AND LAYOUT

Goals

The goals of the design component are:

- To identify the potential amount of leasable square footage and public, flexible space
- Maximize customer circulation throughout the market
- To develop a preliminary cost estimate for development and construction
- To identify key design opportunities that need to be carried through in a future architectural design process

Methodology

To achieve these goals we conducted multiple site visits to Parcel 7, reviewed existing construction drawings and MassDOT provided a detailed memo about the constraints of the site, along with detailed information about the operational practices and usage patterns of the parking garage. (Resource Portfolio G) Based on this information, we prepared two optional concepts and order of magnitude cost estimates, reviewed with the project Task Force. These two concepts were consolidated into a preferred plan and revised cost estimate presented in this report.

On February 23, during our second site visit, we also facilitated a Community Workshop in which over 100 members of the greater Boston community weighed in on the types of products they would like to buy and activities they would like to see at the proposed market. Workshop participants also shared their thoughts about how the market should “look and feel”. (Resource Portfolio H)

Key Findings

1. Parcel 7 can accommodate a public market of approximately 27,500 square feet with approximately 14,000 square feet of indoor leasable space for permanent retail stalls and daystalls, plus storage and service areas. However, there are several challenges, as outlined below that will need to be addressed in detail design and in market operations.
2. Relatively few modifications to the existing building will be necessary to accommodate the market. These include new entrances and storefronts with flexibility facing Blackstone and the installation of interior ramps to accommodate level changes. The total estimated construction cost is \$7.6 million or \$280 per

square foot (not including additional start-up costs presented *Start Up Financial Requirements and Sources*). This cost estimate is based on specific exclusions which are identified on the first page of the estimate. (Resource Portfolio I)

3. Attendees at the February Community Workshop would like to see the following activities and design elements in the proposed market:
 - Indoor Activities – Attendees would like the market to host a range of educational opportunities including cooking classes, activities related to the seasonality of local food and kids activities.
 - Outdoor Activities – Attendees would like the outside of the market to feature live music/entertainment, outdoor public seating, a variety of agricultural/food demonstrations, and food trucks.
 - Design Elements: Attendees would like to see the market be built in a sustainable and “green” manner; have a lot of natural light; reflect Boston and the New England tradition ; feel comfortable, inclusive, and rustic.

Challenges

The key challenges for the design of the market deal mainly with servicing, support, and HVAC/plumbing issues:

- Lack of basement /storage area: there is no storage on the lower levels and there is no freight elevator to the upper floors. All storage will have to be accommodated in vendor stalls or in limited storage areas on the ground floor or on a small mezzanine.
- Plumbing: existing plumbing service can be provided only to stalls where there can also be a drainage system set up. About 25% of the permanent stall square footage shown on the conceptual plan does not have direct access to water. Tenants in ‘dry’ areas could have access to water across the aisle, or in other non-contiguous spaces.
- Kitchen Venting: because of the parking garage and office space on the upper level, there is currently only one location where kitchen exhaust can be located. This will restrict the amount of on-site premises cooking that can take place in the market. A restaurant, under this circumstance, is not feasible for the market.
- Loading: because of the limited size of the loading dock on New Sudbury Street, along with general traffic flows on this street, additional loading in and out of the market will have to take place from Blackstone and Hanover Streets, though loading docks will not be required on these streets. Curb cuts for hand carts would be helpful.
- Restrooms: because of limited space and plumbing issues, the size of restrooms is 15-18 stalls, depending on configuration.
- Identity: Parcel 7 does not look currently like a market, because of the function the building serves as a ventilation system for the Central Artery. However, it is a very visible structure, both from the downtown area and the North End.

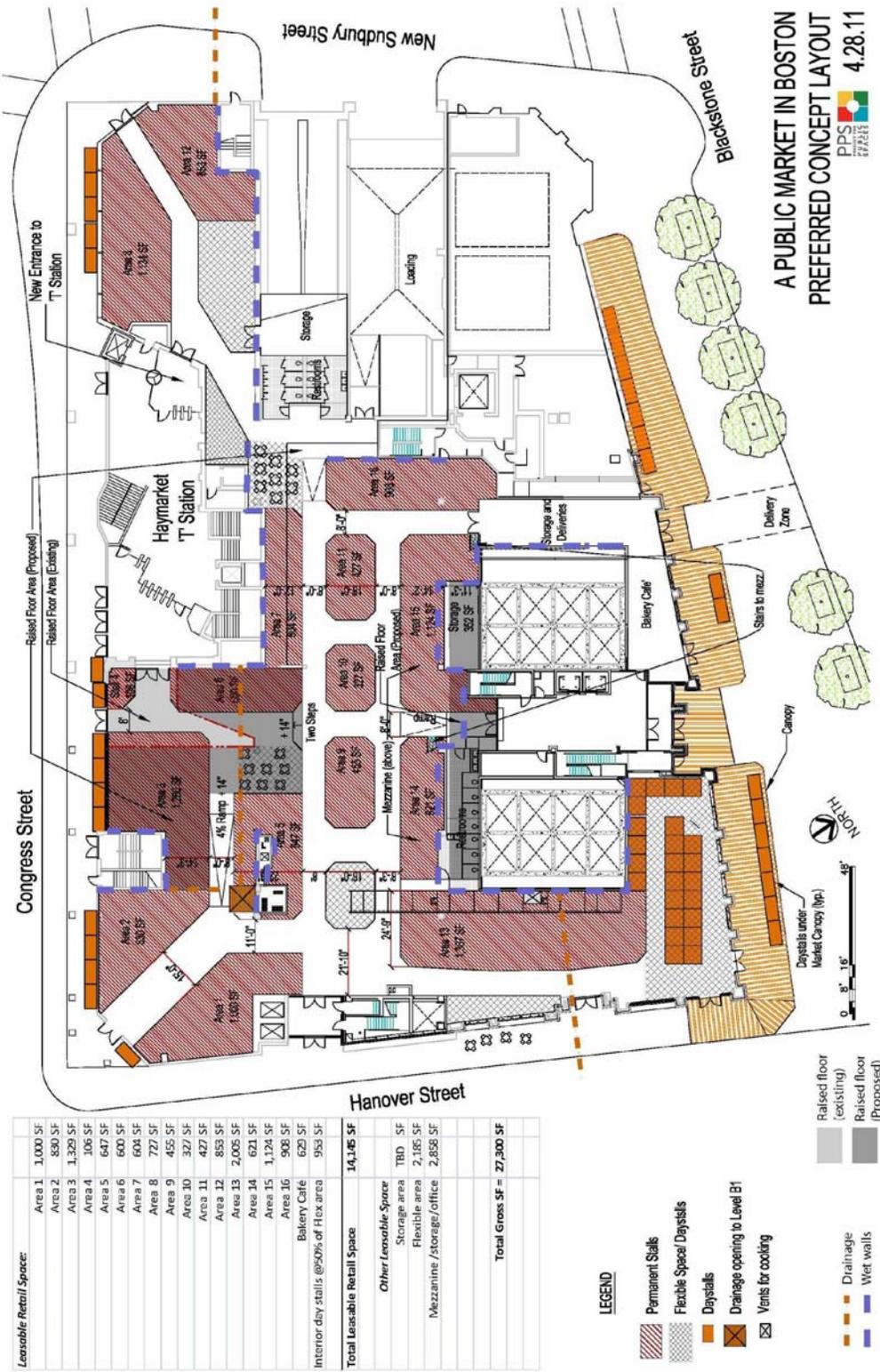
Recommendations

- **Design Character:** The public wants the public market to be welcoming, not fancy in appearance, and a “real place.” Display should not be too “precious.” All shoppers should feel welcome. Finishes and design treatments assumed in the cost estimate are “basic”: sealed concrete floors, painted ceilings, etc. with an emphasis on lighting product and displays. Vendors will be responsible for their own stall designs, but design guidelines should be clear about the character and functionality of these stalls.
- **Layout Principles:** The public market layout (See Figure 1) includes the following characteristics:
 - Provides multiple entrances from all surrounding streets, adding additional doors on Blackstone and Hanover to increase connectivity to Haymarket. A diagonal aisle from the Congress Street corners will bring people towards the center of the market. An additional direct entrance into the Haymarket “T” Station is also recommended.
 - “Race track” circulation with generally eight foot aisles that allow customers to flow through the market without encountering dead-ends. Multiple cross aisles also allow customers to shop between vendors.
 - Approximately 14, 000 sq ft of permanent stall space. Actual stall spaces will range from 100 – 600 [or more] sq ft and will feature an overhead structural frame for signage and lighting, and stubbed in utilities. Tenants will responsible for their own equipment, subject to design guidelines which should be developed for the market during the design process.
 - Approximately 2000 square feet of interior flexible program space. This space can be used for seating, daystall rentals, and special events, such as cooking demonstrations.
 - Exterior daystall vending spaces, located beneath the arcade of the building, including an extended canopy structure facing Blackstone Street. Additional multi-use programming as well as a wide range of community activities, as suggested at the public workshop meeting could take place around the exterior of the market.
 - Storage space to be incorporated into vendor stall. Limited storage space is shown at the Blackstone entrance and under the parking garage ramp, or possibly in mezzanine space. There will be little or no overnight storage for daystalls.
 - Mezzanine space for market management office. Alternatively, offices could be located on an upper floor of Parcel 7, although the finishing of this space may not coincide with the market development schedule.
 - Separate restrooms for vendors and customers.
 - The existing loading dock will be used to locate the market’s trash and recycling facilities.
 - Many of these suggested community activities for the public market are more appropriate to be accommodated on the Greenway itself, and this will necessitate more active programming along with some design

modifications to the park. Activities mentioned at the workshop that could be featured on the Greenway include agricultural demonstrations such as milking and temporary cranberry bogs, a bocce court, public seating and an urban vegetable garden.

- Not shown on the plan, but included in the cost estimate, is the need to create an iconic signage system that takes advantage of the building's height and architectural features, such as the towers, and its visibility to the North End and downtown.

Figure 1: Public Market Conceptual Layout (Resource Portfolio J)



MERCHANDISING PLAN

Goals

The overall goal of the merchandising plan is to pull together the results of many different aspects of the study: the demand analysis assessed what would draw customers to the market; the public workshop identified specific products people wanted and the vendor availability study identified the issues and opportunities specifically for Massachusetts producers. The merchandising plan is intended to be a guide for the leasing effort, during which specific space needs and requirements of recruited tenants can be identified. The location of specific tenants in the market will drive circulation patterns, and create synergies and competition important for overall customer interest and satisfaction.

Methodology

The merchandise plan guidelines were prepared after all of the other research (consumer, vendor, and community) was completed.

Key Findings

1. With the 14,000 square feet of indoor leasable, there is space for 20-30 permanent retail stalls plus 40-60 interior and exterior daystalls, totaling close to 100 individual vendors during peak season. There will be sufficient space to create competition in major food categories (meat, fish, poultry, produce, dairy and baked items) as well as considerable product variety.
2. Daystalls seem to be in high demand by farmers and small scale producers and will allow management to vary the merchandise mix on different days of the week and seasonally. There is room for 40-60 smaller interior and exterior daystalls which can be rented by the day, week or month. With flexible areas, in fact, management can increase daystalls by removing seating if so desired.
3. Potential customers are looking for a wide variety of fresh, specialty and prepared food products, as demonstrated in the list generated at the public meeting. Attendees at the February Community Workshop would like to see the following products in the market: cheese, affordable fish and seafood, produce, bread, meat and poultry, locally grown or made products, wine and beer, eggs, and coffee/tea, etc.
4. Because of limited access to venting, there will be limited cooking in the market. However, foods can be prepared off site or cooking not requiring hood vents could take place in the market.
5. Cost estimates showed a restaurant tenant allowance would increase the construction budget by as much as \$1 million.

Challenges

The key challenges for the merchandising of the market deal mainly with servicing, support, and HVAC/plumbing issues that have been identified in the design section, above. Specifically, a restaurant is challenging because of the lack of kitchen venting potential in the corner space at Congress and Sudbury, the only location where a large restaurant would be suitable. Finally, recruiting and leasing to specific tenants will be a challenging task – perhaps the most important task—of market management. The complexity of the real estate development and construction components of the market cannot be allowed to distract from this task.

Recommendations

- **Fresh Food Product Mix:** The market should provide the following fresh food products, with more than one vendor carrying each product:
 - Fish and Seafood, 10%
 - Produce – Fruit and Vegetables, 12%
 - Cheese and Dairy, 6%
 - Bread and Baked Goods, 10%
 - Meat, Poultry and Eggs, 12%
 - Deli/Charcuterie, 8%
 - Daystalls, which will feature a variety of fresh and specialty food, 8% (can be increased, based on actual demand)

- **Specialty Food Product Mix:** The following types of products should be provided to augment the fresh food products:
 - Locally Roasted Coffee/Tea, 3%
 - Herbs and Spices, 3%
 - Pasta - fresh and dry, 3%
 - Maple and Honey products, 1%
 - Nuts and Dried Fruit, 1%
 - Candy and Chocolates, 3%
 - Vinegars and Oils, 1%
 - Preserves - Jams, Jellies, Salsas, 1%
 - Wine, Beer and Spirits, 7%
 - Bakery/Café, 5%
 - Flowers, 5%
 - Miscellaneous – 1%

- **Prepared Foods:** While primarily a fresh food market, the market can feature limited prepared foods without becoming a food court. Prepared food offerings can be part of a fresh food tenant's offerings, rather than renting space to an exclusively prepared food tenant. There is great opportunity for some of the vendors to supplement their fresh product with prepared foods, even if the market has limited venting potential for cooking, but this needs to be managed so

it does not take over. Public seating will provide a place to eat, but outdoor café seating and picnic tables on the Greenway could seasonally expand seating.

- Non-food products: Generally, there should be minimal non-food products at the market, although there should be one or more flower vendors and cooking related uses (i.e., a cookbook stall) would reinforce the mission of the market.
- Restaurant: The market is not dependant on having a full service restaurant, which would increase the construction budget and be challenged by a lack of ventilation for cooking. Small cafes are possible, however.
- The merchandising diagram (Figure 2) shows a layout of permanent market stalls and temporary daystalls in the market, with an overlay of the following criteria for locating specific types of vendors - these factors will also have to be taken into consideration in producing a Tenant Design Criteria: (Resource Portfolio K)
 - “Wet” Stalls: stalls with direct access to water; appropriate for meat, fish, etc.
 - “Dry” Stalls: stalls without direct access to water
 - Locations for vendors who create maximum visual impact on customers (flowers, produce, etc)
 - Location for vendors who require a venting system in order to bake or cook on site (prepared food, bakery, etc.)
 - Key locations for “anchor” vendors that will be viewed by customers as major destinations (to be determined during the leasing process)

Figure 2: Merchandising Diagram (Resource Portfolio L)



PARKING AND DELIVERIES

Goals

Developing a complete plan for vendor parking and deliveries, and customer parking was not part of this implementation planning process. During the study however, some limited analysis was conducted in order better understand the key challenges with parking and deliveries.

Methodology

Vendor surveys and outreach identified concerns for parking and deliveries, and during the conceptual design and layout process, the need for additional service and delivery areas was evaluated and provided. MassDOT provided information about the current utilization of the Parcel 7 garage for two, one month periods (November 2010 and January 2011).

Key Findings

1. Parcel 7 Garage is a heavily used facility:
 - There are 310 public parking spaces, including 154 monthly parking spaces, although management “uses” many of these spaces during the day when monthly parkers are not using their spaces.
 - January 2011 data showed that garage is often heavily occupied midday weekdays, Saturday (day and evening) and Friday evenings (patterns change).
 - The garage is used extensively for short term parking: The majority of non-monthly customers (56%) park for less than one hour. Less than 10% park for more than two hours. Cars are entering the facility throughout the day, almost equally.
 - Validations for Haymarket and North End businesses are provided. Most of the validations are for North End businesses: in November, 2010, there were 13,459 validations with 2/3 being for less than \$2, compared with 2,104 validations for Haymarket with 93% being for less than \$2. (Validation for Haymarket is available only on Friday and Saturday).
2. Additional parking in the Government Center garage is available but this was not investigated during the study.
3. For deliveries, we found the following:
 - Access to the current loading dock will not provide nearly enough space. MassDOT has stated that they need 24 hour access for a vehicle to enter the loading dock area and service the ventilation system. This reduces the loading area in half, with space for only a few trucks at one time.

- While many public markets load from all sides (which is part of the market experience) it will not be possible to load from Congress Street due to vehicle volumes. Blackstone and Hanover will have restrictions on Thursday afternoons, Fridays, and Saturdays because of Haymarket vendors.

Challenges

The limitations on parking and delivery will require creative management strategies.

Recommendations

- The public market's oversight committee should hire a transportation consulting firm to thoroughly analyze the parking demand so that an accurate picture of the current utilization of parking can be assessed and parking plan developed, including validation procedures for the Parcel 7 garage for public market shoppers. This study should include a more thorough utilization study of the Parcel 7 garage as well as the Government Center garage.
- Given the parking challenges, transit, pedestrian and bike options should be encouraged, The location of the Haymarket "T" Station with direct access into the market presents important marketing opportunities, and the proposed market design adds an additional entrance as well as circulation which allows commuters to short-cut through the market.
- Deliveries will need to take place on Hanover and Blackstone Street, in addition to the loading dock on Sudbury. The loading dock will need to be managed to assure that access by MassDOT is possible 24 hours a day. The loading dock will also be where the market's trash and recycling facilities should be located. Loading from Hanover and Blackstone will require further study in terms of current utilization of these streets for traffic, parking, and loading, including for Haymarket, and how to manage loading from these streets for the public market.

Resources

G_MassDOT Parcel 7 Memo
H_Community Meeting Notes – Feb. 23, 2011
I_Conceptual Cost Estimate
J_Public Market Conceptual Layout
K_Sample Tenant Design Criteria
L_Merchandising Diagram

MARKET OVERSIGHT AND MANAGEMENT STRUCTURE

Introduction

The best public markets are governed by and for the public.

Everyone thinks of a successful market as ‘theirs’ and this will certainly be true in Boston – where many will lay claim to this right including the Commonwealth, City, food community, customers, taxpayers, and the Haymarket vendors.

Based on our knowledge and experience working with other public markets we are recommending a structure for the oversight, development and management of the market to provide the people, the Commonwealth and the City the security that they are proceeding in a manner based on proven, best practices of successful public markets.

Goals

The following goals address the needs of the Commonwealth, City, vendors and customers.

Oversight Objectives

- Fiscal solvency of market
- Maintain integrity of the building
- Maintain the mission of the market
- Operate with public goals

Operational Objectives

- Operate at a high standard of maintenance, cleanliness and security
- Have centralized control over all aspects of the market
- Solicit and attract owner operators with an emphasis on local products
- Operate primarily as a fresh food shopping destination
- Reduce waste – operate in as ‘green’ a way as possible

Fundraising and Economic Objectives

- Maximize ability to raise public and private funds
- Leverage Commonwealth funds
- Open the market debt-free
- Build the local food economy
- Operate self-sufficiently in terms of annual budget

Public Goals

- Preserve the integrity of the market
- Provide affordable business opportunities for local vendors

- Offer healthy, reasonably priced products
- Educate market shoppers about the importance of buying local food and community health
- Make the market a welcoming gathering place

Market District Goals

- Build the market district as a destination
- Work collaboratively with vendors from Haymarket, the Blackstone Block and the North End
- Work collaboratively with diverse community and business interests
- Help with the evolution and planning for Parcel 9

Methodology

PPS researched and presented to the Task Force a broad spectrum of management structures that are in use today at public markets. (Resource Portfolio M) Based on the particular needs and resources available in Boston, three markets were looked at in more detail: (Resource Section N)

Eastern Market, Detroit
 Reading Terminal Market, Philadelphia
 City Market, Kansas City

Each of these markets has developed its own approach that works – and they are all different. In each case, the owner of the market is either the City or the State – and each wanted to preserve some oversight because they are ultimately responsible for the project

The unique nature of the public market scenario – property ownership by MassDOT; available State bond bill funding for the project designated for the MDAR; the Boston Redevelopment Authority’s plans for the district; the public’s enthusiasm for the market; the operating history of Haymarket vendors and a growing pool of local vendors –must all be considered when crafting a management and oversight structure that is right for the interim period of development and the long term operations.

Key Findings

1. MassDOT, landlord of the property, needs to have a strong ability to oversee the development and operation of the market project in a way that does no harm to the extensive exhaust and control systems operating within the premises, nor to inhibit its ability to lease the upper floors and operate the Parcel 7 building for the best interests of all its tenants.
2. The Commonwealth, working with MDAR, intends to apply millions of dollars of public funding into the market project and needs to ensure the project is developed and operated responsibly in accordance with a publicly stated mission.

3. It is imperative to institute an authoritative oversight entity to give this project focus, impetus and guidance. The oversight entity can manage the development and interim phases of the project until an operator is selected and full funding is in place.
4. There is broad public interest in the market which needs to be formally included in the process.

Challenges

- Maintaining positive momentum and opening the market by 2012.
- Building consensus through openness and public participation.
- Completing the fundraising.
- Having enough faith in the project to proceed without knowing every detail first.
- Allocating time and commitment from key people to make this happen.

Overall Recommendations

- The Commonwealth as Landlord and Chief Funder is the primary force to create the market. As such, the Commonwealth has the responsibility of assembling a group of stakeholders that will become the principal public overseers in the project as recommended herein.
- The support of the Governor in conjunction with the Mayor of Boston is imperative.

Market Oversight Recommendations

PPS recommends a tiered system of oversight as follows:

- Create a Public Market Oversight Committee (seven to nine members from the Commonwealth, the City of Boston and public) with the responsibility to guide the mission, development and operations of the public market, without getting bogged down in the day to day management of the market.
- Recommended members of the oversight committee are such that no single interest group is in control and the market is operated for the best interests of the public.

Initial Roles and Responsibility

- Set mission and broad guidelines for development and operations of the market. (Resource Portfolio P)
- Assist in the development and pre-opening phases of the market.
- Issue an RFP and select the market operator. (Resource Portfolio O)
- Assist the Commonwealth in the establishment of a lease to an operator. (Resource Portfolios R and S)
- Act as a liaison for future development in the market district.

Future Roles and Responsibilities

- Ongoing overseer of the markets operator and mission. (Resource Portfolio P)
- Ongoing fundraising assistance.

Management Structure Recommendations

The Task Force was presented with a thorough overview of management structures currently used in the United States. (Resource Portfolio M) Historically, most markets were publicly operated by the municipalities in which they were located. Over the last few decades during which there has been a strong revival of public markets, we have witnessed a major shift away from publicly operated markets with many cities getting out of the market management business.

The three forms of management structures are as follows:

Public

This form, once common, is when the city owns and operates the market. The few cities that still manage markets have, for the most part, assigned the responsibility to a city department, such as parks and recreation, with additional help provided from other city agencies such as sanitation. At one time it was common for a city to have a department of markets because many cities had more than one market - sometimes as many as two dozen. Baltimore is the last city in the United States with any vestige of this type of system but even they have set up a non-profit corporation to assist in the management of their historic municipal market system.

It is also our experience that cities are not effective at keeping markets competitive in an increasingly fierce battle for the consumer's time and money. As cities continue to experience fiscal challenges, their markets are often shortchanged with limited labor, maintenance, promotions and other tools to operate competitively and effectively.

More and more cities have transferred operations of their markets to non-profit entities, which unburdens the city from coming up with ongoing capital and operating funds. In every case, this transfer has proven to be a good move for the market and the city.

Private

Some cities have transferred operations of their public market to a private operator, generally a commercial real estate management company. In each case, the transfer has been with a historic market (Resource Portfolio M), not a new undertaking such as the proposed market in Boston. In this instance the city enters into a management contract after soliciting competitive bids for an operator through an RFP or RFQ process. The city maintains oversight to periodically review the performance of the private management entity.

In other cases, such as the new Ferry Building Marketplace in San Francisco, the new indoor market is operated by a private real estate development company. Products at this market are extremely high end, with a lot of prepared foods and tourist oriented merchandising. This type of arrangement would not be appropriate in Boston, where the proposed public market is intended to sell primarily local products to local people. The need to constantly increase revenues would put undue strain on the mission of the market.

Non-Profit

The most successful and prevalent way to organize and operate a publicly owned market is through a non-profit management structure. This type of structure can be organized to suit the particular needs of the 'public' whether it is a city or state.

Under this system, the city or state retains ownership and control over the facility, and establishes a long-term lease with an independent, 501 c(3) corporation to operate the market. The lease spells out the terms of the agreement, and varies according to each city or state. The structure of most of the non-profits includes a broad-based board of directors, including citizens, vendors, nearby businesses, and usually one or more representatives of the city or state government.

Most of the historic publicly owned markets in the United States have within the last three decades been transferred to non-profit operators. In each case, the operator must work within guidelines set forth and approved by a public body whether it is in a lease document or formal operating guidelines.

Non-profits are also tapping into new sources of funding (foundations, corporations, grants) that public entities were not able to access. The results are in many cases dramatic – such as in Detroit where the city-owned Eastern Market, recently transferred to non-profit operation, and has raised millions of dollars. (Resource Portfolio X)

Recommendation for the Public Market in Boston – Non-Profit Operator

We believe a non-profit management structure is the best way to proceed in Boston because a non-profit market operator can access wide sources of funding, easily establish partnerships, be held publically accountable to the mission of the market and unburden the government from managing and operating the public market. This will require a strong commitment by the Commonwealth (with help from the City) to set in place the appropriate oversight and control mechanisms and then, most importantly, move to the side and let the non-profit operator run the market without political interference.

Recommended Management Structure Next Steps

Solicit Responses for a Market Operator

- Based on the recommended mission and guidelines from the oversight committee, a public RFP should be issued to solicit bids from those qualified to operate the market. (Resource Portfolio O)
- An open RFP process stipulating the goals and characteristics of the public market in Boston as defined by the market oversight committee will be the best process to find the most effective operator.

Note: For a more complete description of the roles and responsibilities of a market operator, see *Operator Capabilities*.

Selection Criteria for Market Operator

Ability to:

- Adhere to the mission of the market
- Fundraise now and in the future
- Balance and satisfy the many constituents of the market
- Attract the right tenants and merchandise mix
- Strong management and organizational capabilities
- Strong retail and promotional skills
- Financial strength to get through the opening years
- Understand and appreciate the burgeoning local food movement

Create a Lease between the Commonwealth and the Operator

- Once an operator is chosen, the lease agreement would be written as the final agreement between the Commonwealth and the operator.

Key lease terms:

- Reporting methods to the Commonwealth and the oversight committee
- Operating and Maintenance Standards
- Clear definition of roles of Landlord and Operator (i.e. capital costs and which party is responsible)
- Role of operator in the pre-opening and development phases

Resources

M_Public Market Organizational Options

N_Public Market Management Structures

O_Sample RFQ for Market Operator

P_Pike Place Market By Laws

Q_Eastern Market By Laws

R_Lease Agreement between the City of Detroit and Eastern Market operator

S_Lease Agreement between the City of Kansas City and the City Market operator

OPERATOR CAPABILITIES

Introduction

Operating a public market is considered one of the most demanding jobs in real estate management – for you are not only dealing with the basics of property management, but with an emotionally charged background where people’s livelihoods are on the line every day.

The mechanics of property management are a given – the facility must be well run for the benefit of the tenants, customers and the landlord. Bills must be paid, staff hired and reports written – these are all expected as a minimum from a market operator.

Creating the right tenant mix, atmosphere and image of the market are the truly critical skills to ensure the success of the market.

A skillful market operator must be able to juggle many responsibilities without losing sense of the priorities and without getting overwhelmed with demands that are often just ‘ventings’ from frustrated tenants.

Markets are inherently competitive and while vendors’ needs are relentless, the market ought to be operated first and foremost for the customer, as they are the arbiters of the market’s success.

For all the surveying we have done at markets, ‘the atmosphere’ is what customers like most, a culmination of management decisions that create the overall experience.

Leasing (the merchandising) and promotions are the two most important parts of managing a market. Weak market managers are those who spend too much time on the computer in the office worrying about the paperwork (which is important too!) and not enough time managing the merchandising and experience for the customers.

Goals

See *Market Oversight and Management Structures*.

Challenges

- Getting the market opened on time and on budget.
- Managing the diverse needs of vendors and customers.
- Making the market an affordable place to shop for all income levels.
- Constructive coexistence with the Haymarket Pushcart Association.
- Establishing and maintaining the market as a regular, fresh food shopping destination.

Recommendations

Ten Capabilities for the Operator of the Public Market:

1) **Property Management:**

- Physical Plant – keeping the building and building systems in good condition
- Maintenance – cleanliness, safety and durability
- Improvements – constantly making things better
- Janitorial – day to day cleaning of all public spaces

2) **Tenant Management:**

- Leasing – getting the right tenants, bolstering the mission
- Lease Maintenance – rent collection and billing, lease renewals
- Relations – spending time with each tenant, troubleshooting, coaching
- Enforcement – rules and regulations (Resource Portfolio T); abiding by the lease terms (Resource Portfolio U)

3) **Financial Management:**

- Accounting Systems – tracking all income and expenses
- Reports to Board and oversight committee – regular and transparent reporting
- Goal Setting – break even operationally and establish a capital reserve
- Long Range Capital Planning – capital improvements and long term maintenance

4) **Fundraising:**

- Fundraising campaign – initial development and ongoing

5) **Promotions and Communications Management:**

- Customer Relations – keeping the customer informed and happy
- Media Relations – keeping the market in the public eye
- Events, Promotions, Advertising – reinforce the mission and build sales
- Education – promote awareness of how the market builds community health
- Outreach to Partners – stretch limited advertising dollars through partnerships

6) **Staff Management:**

- Hire – interview and hire all staff
- Fire – monitor performance and if necessary replace employees
- Direct – motivate good conduct, teamwork and efficiency
- Oversee – evaluate needs and redirect staff as needed

7) **Board Management:** If a non-profit is chosen to be the market operator, it will have its own board of directors, which is a separate entity from the market's oversight committee and the board will establish its own reporting requirements from the market operator.

- Reports – present regular operating and financial statements

- Meetings – schedule and plan
- Committees – work with subcommittees as needed
- Fundraising – assist with planning and execution of fundraising

8) Manage the Mission:

- Education – make it obvious why the market is in business
- Leasing – recruit tenants whose products fulfill the mission
- Outreach/Partners – work with like-minded partners whose missions overlap

9) Manage the Merchandise Mix:

- Use Clause in the leases – prevent merchandise ‘creep’ and unfair competition
- Inspections – regularly inspect farms/food businesses to ensure product integrity and compliance with market’s rules and regulations
- Balance of product categories – manage the overall percentages of products sold
- Internal Competition – builds quality, keeps prices fair and attracts customers

10) Community Engagement:

- Outreach to all sectors of the food buying public
- Encourage community participation in educational and promotional events

Intangible Capabilities

• **The Importance of Satisfying the Customer:**

All of the above responsibilities need to be orchestrated and executed to suit the boss – the customer. No market can succeed, if it does not first and foremost satisfy the needs of the customer. The market should not be a special occasion shopping venue, or too expensive – both will result in negative word of mouth that can douse the highest and most noble ambitions. Management must spend quality time on the floor of the market every day, engaging and observing customers.

There needs to be a wide range of product choices to satisfy the ethically high-minded as well as the cost-conscious.

• **Creating a Welcoming, Inclusive and Enjoyable Atmosphere:**

The market should not be intimidating – it should be comfortable and informal - putting people at ease to spend time and money in the market. Some of this can be controlled through design, but much of it is an attitude of caring and courtesy (not forced or unnatural) that gives the market a good feeling. Many markets rely heavily on repeat customers, and a positive word of mouth about the market experience is one of the most important outcomes that must be created.

Market Staff and Responsibilities

- **Manager/Director** – overall responsibility for market including operations, staff oversight, financials, reports, planning and development (Resource Portfolio V)
- **Assistant Manager** – assists Manager and takes lead with promotions, events, education, outreach
- **Facilities Manager** – oversees market maintenance, security and physical property
- **Daystall and Outdoor Manager** – manage schedule of daystalls and outdoor market, manage inspections program and connect Massachusetts producers to permanent vendors
- **Clerical** – Office administration, phones, correspondence, billings, records and lease maintenance
- **Maintenance** – daily cleaning and upkeep of market and surrounding sidewalks and plaza
- **Inspectors** –Ensures compliance with the market’s rules and regulations, including sourcing and quality
- **Security** – Uniformed presence during limited market hours – can be eliminated or increased based upon actual need

Potential Additional Staff

- **Loading and Traffic Management** – based on the suitability of the loading dock and other doors for vendors and deliveries, additional personnel may be required to police and coordinate activity.
- **Daytime cleaning** – based on actual customer traffic volumes, additional daytime help may be required to keep the market floor, bathrooms, entrances, etc. clean and presentable.

Resources

T_Sample Rules and Regulations

U_Sample Landlord and Tenant Lease

V_Sample Manager/Director Job Description

START UP FINANCIAL REQUIREMENTS AND SOURCES

Cost Estimate

The following figures represent all costs to design and build-out the market, pre-opening expenses and projected operating shortfalls. (Resource Portfolio I) These financial estimates do not include the important capital improvements that must be made before any tenant may occupy the building, including the design and repair of the expansion joints and elevator shafts, which the Commonwealth will make but were outside the scope of this project.

| | |
|---|---------------------|
| DIRECT COSTS (INCLUDING GENERAL CONDITIONS) | \$ 4,391,710 |
| Overhead and Profit (7.5%) | \$ 329,378 |
| Contingency (15%) | \$ 708,163 |
| Escalation (3%) | \$ 162,878 |
| Architectural, engineering and sub consultant fees (7%) | \$ 391,449 |
| SUBTOTAL | \$ 5,983,579 |
| COST PER SQUARE FOOT | \$ 219.18 |
| ALTERNATES | |
| Mezzanine Allowance | \$ 160,048 |
| Tenant Interior Allowance - Inclusive of Equipment and Lighting | \$ 1,085,175 |
| Café(s) Allowance - Inclusive of Equipment and Lighting | \$ 125,108 |
| Day Stall Allowance | \$ 213,840 |
| Office Allowance | \$ 69,615 |
| SUBTOTAL | \$ 1,653,786 |
| SUBTOTAL DIRECT COSTS AND ALTERNATES | \$ 7,637,365 |
| COST PER SQUARE FOOT | \$ 279.76 |
| START UP AND PRE-OPENING COSTS (see details below) | \$ 667,000 |
| OPERATING LOSS PROJECTIONS (see details below) | \$ 265,000 |
| FUNDRAISING EXPENSES | TBD |
| TOTAL | \$8,569,365 |

Start Up Budget and Pre-Opening Costs

| | | |
|--|-----------------------------------|------------------------------------|
| Labor | | |
| | Manager - 1 year prior to opening | \$90,000 |
| | Assistant Manager - 4 months | \$20,000 |
| | Facilities Manager - 2 months | \$10,000 |
| | Maintenance Staff - 2 weeks | \$5,000 |
| | Subtotal | \$125,000 |
| | Benefits – 30% | \$37,000 |
| | | |
| | Labor Total | \$162,000 |
| | | |
| Leasing Expenses | | \$25,000 |
| Tenant Coordination | | \$75,000 |
| Development Coordination | | \$100,000 |
| Graphics and Communication | | \$25,000 |
| Office Set-up | | \$30,000 |
| Legal – leases, forms, documents | | \$15,000 |
| Accounting – set up systems | | \$10,000 |
| PR and Opening Campaign | | \$25,000 |
| | Subtotal | \$305,000 |
| | | |
| | Total with Labor | \$467,000 |
| | | |
| Fundraising Campaign | | (5% - 10% of total campaign costs) |
| | | |
| Operating Loss Projections (see proforma) | | \$265,000 |
| Start-Up Capital Reserve | | \$200,000 |
| | | |
| TOTAL START UP COSTS | | \$932,000 |

Funding Guide

In spite of the economic challenges we are facing, public markets are proving to be excellent investments which spur local job creation and provide venues for small scaled businesses that are priced out of traditional retail projects built to suit larger tenants.

More money is being raised as a result of decades of continued growth in public markets and foundations and government agencies see the evidence that markets help people and communities to sustain themselves.

While there are no specifically designated capital funds for public markets, many market projects have received Federal (capital and/or operating) funding from sources listed in this section. (Resource Portfolio X)

The timing for the public market could not be better in terms of interest and credibility for the project.

Federal Funding Sources

United States Department of Agriculture

USDA – Rural Cooperative Development Grants

http://www.rurdev.usda.gov/RD_Grants.html

Grants are made to non-profit organizations for establishing and operating centers for cooperative development for the primary purpose of improving the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives.

USDA - Farmers Market Promotion Program (FMPP)

www.ams.usda.gov/fmpp

This grant program was designed to increase domestic consumption of agricultural commodities by improving and expanding, or assisting in the improvement and expansion of, domestic farmers markets, roadside stands, community-supported agriculture programs, and other direct producer-to-consumer market opportunities; and develop, or aid in the development of, new farmers markets, roadside stands, community-supported agriculture programs, and other direct producer-to-consumer infrastructures.

For a full list of Federal sources of funding for public markets visit the **USDA's Know Your Farmer, Know Your Food** website at <http://www.usda.gov/knowyourfarmer>

United States Department of Commerce

Economic Development Administration

Apply directly to the appropriate EDA regional office to discuss proposals and obtain additional information.

For contacts specific to Boston and New England go to:
[http://www.eda.gov/PDF/DevDirectory/EDA_Dir_Sec3\(MA\).pdf](http://www.eda.gov/PDF/DevDirectory/EDA_Dir_Sec3(MA).pdf)

Federal Appropriations

Some markets have been successful getting significant direct appropriations (earmarks) from their United States Senator or Congressional Representative (i.e. Toledo Farmers Market, OH; River Market, Little Rock, AR).

State and Local Foundations

Many markets have raised a majority of their capital costs from local foundations. For instance, the Milwaukee Public Market raised \$5.4 million out of a total of \$10.5 million from local foundations. In Boston, this will likely prove to be a valuable source of funds as well. (Resource Portfolio W)

National Foundations

The following national foundations have also provided grants to market projects, in certain cases the impetus for doing so is because they are based near the market.

Ford Foundation
Kresge Foundation
C S Mott Foundation
McKnight Foundation
Kellogg Foundation
Catholic Campaign for Human Development
Bank of America Foundation
Local Initiatives Support Corporation
Robert W. Johnson Foundation

Recommendation

Capital campaigns can be time consuming and costly and the public market operator must allocate a majority of its time to developing and implementing the project for a 2012 opening. Fundraising for the project is best done by hiring (at a cost) an outside, professional fundraiser, or working with volunteers to take the pressure off the limited, pre-opening market staff.

With a total need of \$8.5 million, in addition to the other necessary capital improvements to the building, PPS recommends that Boston have a modest, online public fundraising campaign for small donors and seek the good majority of funds from large donors. Other public markets have raised several millions of dollars from two or three foundations.

Resources

W_List of State and Local Foundations

X_Funding Sources from Sample Public Markets

START UP OPERATION REQUIREMENTS AND PROCEDURES

The operator, once selected, will have a long list of duties to accomplish before the market opens, including hiring a market manager one year out and adding staff as needed up until opening day.

Steps for Opening the Market

Pre-Opening Requirements

1. Formation of oversight committee
 - Establish mission, guidelines and oversight (Resource Portfolios P and Q)
2. Oversight committee issues guidelines for market development, operation and oversight
3. The Commonwealth issues RFP and selects the operator
4. MassDOT executes lease with the market operator
 - Key terms:
 - Oversight and development roles
 - Access, safety and operational issues
 - Building Interface Issues
 - Parking
 - Maintenance vs. Capital Costs
5. Operator hires manager (Resource Portfolio V)
 - Up to one year before opening
 - Begin leasing and outreach
 - Coordinate operations
 - Set up office
 - Set up systems
 - Hire staff
 - Open the market for business
6. Oversight committee and operator establish development team
 - Point persons for development phase
 - Design/Architecture/Engineering
 - Financial coordination
 - Tenant coordination
 - Construction management
 - Permitting
 - Role of manager/operator
7. Operator establishes policies and documents, approved by oversight committee
 - Rules and Regulations (Resource Portfolio T)
 - Lease applications
 - Tenant leases (Resource Portfolio U)
 - Tenant Design Criteria (Resource Portfolio K)

- Tenant allowance
- Establish hours of operation
- 8. Establish District Relationships
 - City Departments (health, safety, fire)
 - Haymarket Pushcart Association
 - MBTA Station
 - North End
 - Rose Kennedy Greenway

On-Going Operating Requirements

1. Tenants
 - Lease maintenance
 - Billing
 - Relations
 - Enforcement and inspections
2. Facilities
 - Maintenance systems
3. Financials
 - Accounting systems
 - Reports to operator's board of directors and the market's oversight committee
 - Goal setting
 - Long range capital planning
 - Fundraising
4. Communications
 - Customer relations
 - Media Relations
 - Events, promotions and advertising
 - Education
 - Outreach to partners
5. Staff
 - Hire
 - Train
 - Manage
6. Reports
 - Operator's board of directors
 - Oversight committee

Required Permits to Open and Operate the Market and Individual Tenant Spaces

There are a series of permits and regulations governing the following:

- 1. Public Market Building**
- 2. Permanent Tenant Spaces**
- 3. Temporary Daystall Spaces**

NOTE: "The Health Division of the Boston Inspectional Services Department administers the Massachusetts State Sanitary Code in Boston. The Massachusetts State Sanitary Code regulates food service practices and restaurant management" - City of Boston website

Public Market Building

Parcel 7W is the official site designation which lies within the Central Artery Special District (Boston Zoning Code, Article 49) and is also governed by the adjacent Government Center/Market Districts (Boston Zoning Code, Article 45).

Due to Parcel 7's highly sensitive functions market plans will need to be reviewed by the following agencies:

- MassDOT
- Federal Highway Administration

Construction of the Public Market would be categorized under the 'Small Project Review' and requires the following:

- Exterior Changes - Boston Landmarks Commission, Massachusetts Historic Commission
- Interface with MBTA - MBTA
- Design - Boston Redevelopment Authority (BRA)
- Site Plan - BRA
- Sign design/location - BRA
- Zoning Compliance - BRA

Once the above are given preliminary approval from the BRA – the project then moves to the Inspectional Services Department (ISD) for the following:

- Construction drawings - ISD
- Floor plans - ISD
- Water and Sewer Plans - ISD
- Electric plans - ISD
- Fire Protection- Boston Fire Department
- Cooking and Exhaust Systems - Boston Fire Department
- Place of Assembly Permit - Boston Fire Department

Once construction plans are approved the following permits are needed:

- Building Permit – ISD
- Electrical Permit - ISD
- Plumbing Permit - ISD
- Gas Permit - ISD
- Sidewalk Café Permit- Public Improvement Commission, City of Boston
- Certificate of Occupancy - ISD
- Site Cleanliness – ISD

Also required:

- Signed affidavits of architects and engineers
- Performance Bond
- Name of Contractor

Permanent Tenant Spaces

Permanent stall spaces will be built-out by the tenant and fully equipped for display and various levels of food production depending on what is being sold. Tenant is responsible for putting together a comprehensive plan for its leased premises showing all proposed improvements including display fixtures, counters, materials, equipment, plumbing, electrical, signage and lighting. Market management will create a Tenant Design Criteria to help guide the tenant in terms of permitted equipment, materials, uses, heights, setbacks and submission requirements.

The following is a synopsis of the permit process from the Boston Health Division's website: <http://www.cityofboston.gov/isd/pdfs/fsapp.pdf>

- Plan Review Procedures (for a new establishment without a current permit)
 1. Fill out a Health Division Application
 2. Pay appropriate fees
 3. Have three (3) copies of plans for review
 4. Submit one (1) copy of all new equipment specification forms from manufacturer with NSF/UL approval. NSF standard #7 for refrigeration
 5. Submit one (1) copy of menu w/consumer advisory if appropriate
- After Health Division Approval
 1. Submit stamped plans to Building Division w/ Building Permit applications and appropriate fees
 2. Building permit has to be signed off by appropriate inspectors
 3. Apply/obtain the appropriate Certificate of Occupancy and/or Certificate of Inspection from Building Division
 4. Bring copy of CO/CI to Health Division
 5. Request a "Pre-Opening" inspection from the Health Division
 6. Submit a copy of the Food Manager Certification & Worker's Compensation Insurance to the Health Division

Tenants must also show proof of the following to the Health Division:

- Signed Permission from Landlord (the lease document will also suffice)
- Proof of Workers Compensation Insurance
- Federal Tax ID Number (or social security number)

For additional details and information regarding Food Safety and Processing Regulating Documents:

- *US Food and Drug Administration Food Code* - <http://www.fda.gov/food/foodsafety/retailfoodprotection/foodcode/default.htm>
- *Massachusetts Sanitary Code* http://www.mass.gov/?pageID=eohhs2modulechunk&L=5&L0=Home&L1=Provider&L2=Guidance+for+Businesses&L3=Food+Safety&L4=Retail+Food&sid=Eeohhs2&b=terminalcontent&f=dph_environmental_foodsafety_p_food_reg_fact_sheet&csid=Eeohhs2

Note: Fish and Seafood tenants will undergo additional compliance requirements from:

- *National Shellfish Sanitation Program (part of the FDA)*

And will need to obtain additional permits:

- *Retail Seafood Dealer Permit from the MA Department and Division of Marine Fisheries*

(Wholesale Seafood Dealers are permitted to open one retail seafood outlet)

Temporary Daystall Spaces

Daystall spaces will be located in open areas for farmers and others to set up on a daily basis, using tables, pop-up tents and other simple forms of display that would be removed at the end of the day. Daystall spaces will be located inside the market and outside of the building under the market canopy.

The MA Food Protection Program for farmers markets provides some guidelines and permitting requirements:

http://www.mass.gov/Eeohhs2/docs/dph/environmental/foodsafety/farmer_market_guidelines.pdf

Permits required for the City of Boston, in addition to State and Federal requirements for producers where applicable (i.e. meat, dairy):

- All vendors - Farmers Market Retail Permit
- Value-added and prepared foods - Boston Health Division Permit
- Farmers selling uncut fruits and vegetables - No Boston Health Division Permit required
- Shellfish - Retail Dealers Seafood Permit – pilot program at markets

Wine, Beer and Spirits

Selling alcohol has its own unique permitting procedures. Permits for alcohol are required from the Commonwealth and 'local licensing authorities'. Depending on the beverage, vendor and type of operation (café, retail, etc), specific permits will be

required. The following introduction to the process is taken from the ABCC website (<http://www.mass.gov/abcc/licensing.htm>):

“In Massachusetts there are retail level and state level alcoholic beverages licenses. Retail license applications as well as any license changes require the prior approval of both the local licensing authorities (the "LLA") and the Alcoholic Beverages Control Commission ("ABCC"). All general on premises, restaurants, taverns, clubs, veterans clubs, hotels, package, stores, conveniences stores, and supermarkets require a license that has been granted by the LLA and approved by the ABCC. The ABCC approves approximately 13,000 such transactions a year.

However, the ABCC is the sole agency responsible for approving and issuing state licenses. All manufacturers, wholesalers and importers, out-of-state suppliers, brokers, salespeople, warehouses, planes, trains, ships, ship chandlers and every motor vehicle commercially transporting alcoholic beverages in Massachusetts require an ABCC issued license or permit. The ABCC issues approximately 10,000 such licenses and permits each year.”

ONGOING OPERATIONAL COSTS

Goals

The market opens debt free, covers all operating expenses and builds a fund for major repairs and improvements.

Methodology

Annual operating expenses were calculated and based on leasable square footage of 14,000 square feet.

Rent levels are recommended as follows:

Daystalls: range of \$30 - \$50 per space, per day, average \$40. Rents will vary based on season and day of the week.

Permanent stalls: range of \$65 - \$125/sq ft, per year.

- The lowest base rent of \$65/sq ft is for fresh food tenants with no value added products, for example a butcher or a produce seller.
- Base rents increase as the proportion of merchandise a tenant sells consists of value-added components such as cooking, smoking, baking, curing and other processes that add value and increase the profitability of a raw or fresh product, for example a baker or cheese maker would pay a higher base rent (recommended \$75/sq ft) than a produce seller, or butcher.
- The highest rents would be paid by tenants selling prepared, ready to eat foods. As we are not suggesting that any tenant should be permitted to only sell prepared foods, the highest rent of \$125/sq ft would be averaged into a base rent, depending on how much space is devoted by a fresh food tenant for selling prepared foods. For example, if the fishmonger had 20% of his or her space devoted to selling chowder or fish sandwiches, the rent would reflect a blended \$65/sq ft for the 80% of space used for fresh fish, and \$125/sq ft for the 20% of space devoted to selling prepared foods resulting in a base rent of \$77/sq ft.
- No tenant should be permitted to sell only prepared, ready to eat foods – so, in fact no tenant will be charged \$125/sq ft.

Rent Differentiation:

There are other factors than 'product' to consider when determining base rents such as:

- Location – certain areas of the market will have higher traffic and be worth more
- Size – small spaces are generally rented for a higher base rent than larger spaces
- Investment – a tenant making a large investment may be given an incentive of lower rent to help them get started
- Disincentive for non-local – tenants selling a high percentage of non-local products should pay a higher rent than those selling the same local products.

- Corners – corner spaces have more frontage and are worth more
- Volume - rents increase as volume increases – this is an option that can be considered, but will require monitoring with percentage rents.

Comparing Market Rents to Storefront Rents:

In a public market tenants only pay for the space they use, and as a result tenants can operate in spaces that are much smaller than a storefront where you pay for entrances, public spaces, seating, bathrooms, loading areas, and aisles, etc. Public market tenants typically operate in about half the space that would be used in a storefront. Therefore, market rents, which seem higher on a square foot comparison to storefronts, are in truth very competitive and often less expensive when you look at the base rent numbers. As a way of reinforcing this point, the proposed market is 27,000 square feet, yet only 14,000 square feet (almost half) is rentable to tenants.

Typical Monthly Base Rent Profiles:

Scenario 1 – Fish monger - fresh fish only, no prepared foods
 Stall Size - 400 square feet
 Base Rent - \$65/sq ft, per year
 Monthly Base Rent - \$2,166
 Utilities – separately metered, you pay for what you use

Scenario 2 - Fish monger - fresh fish 80%, prepared fish 20%
 Stall size – 400 square feet
 Base rent - \$65/sq ft for 320 square feet, \$125 for 80 square feet
 Monthly Base Rent - \$2,566
 Utilities – separately metered, you pay for what you use

Scenario 3 – Baker
 Stall size – 300 square feet
 Base Rent - \$75 per square foot
 Monthly Base Rent - \$1875
 Utilities – separately metered, you pay for what you use

Note: In addition to Base Rent, tenants will pay for their utilities and increases in annual operating expenses over the Base Year (the first year of operating the market).

Based on potential sales of between \$15.5million - \$19.5million (and this is only for fresh foods, the totals do not include any sales of prepared foods – so the actual total will be higher, based on the merchandise mix) from the Huff Gravity Model and knowledge of other markets in comparable locations, public market tenants will be able to afford, on average \$75/sq ft and higher.

As a way of measuring ‘fair’ rents – on average, a tenant can afford to pay 6.5% of sales, i.e.:

- Base Rent of \$65/sq ft represents 6.5% of \$1000 in sales per square foot = \$14 million annual sales
- Base Rent of \$70/sq ft represents 6.5% of \$1076 in sales per square foot = \$15 million annual sales – still below the market potential of \$19.5 for fresh food sales alone.
- Using the same 6.5% as an affordable percentage of sales as rent - the projected potential of \$19.5 million in annual market sales indicates achievable rents of \$90/sq ft.
- If the average market customer spends \$20 per visit, annual sales of \$15 million amounts to less than 750,000 shoppers per year or roughly 14,500 per week. The market is (predictably) going to attract well in excess of that.

Key Findings

Based on consumer demand projections and knowledge of other markets, we are **confident the market can comfortably support on average \$75/sq ft rent levels and cover all operating expenses within three years** – possibly sooner.

Challenges

- As noted in the Design chapter, the loading dock is very tight and without alternative loading/unloading options, the market may need additional labor to keep things running smoothly.
- Getting accurate tenant financial information is notoriously difficult in markets, making it hard to establish fair rent levels.
- Since prepared food tenants operate with a higher profit margin, they can pay more than the \$65 base rent. It is always a dangerous temptation, though, to lease space to those who can pay a higher rent.
- Rent levels should be differentiated based on size, product, location, investment, experience, importance to the market's mission and popularity.
- The building itself presents some challenges with water and exhaust. Conditions may push some fit-out costs higher for some tenants depending on their product line and location.

Recommendations

Rent

- Initially, we recommend that base rents start at \$65/sq ft with increases based on actual sales and costs to operate the market at its most auspicious level.
- Higher base rents should be charged for vendors with higher profit margin items, for example prepared foods and value added items.
- Rents should also be differentiated based on investment, location, size, product relevance to the market's mission, educational component and length of lease.

- Rent is a tool for operating the market – Any surplus operating funds from the market should be used for capital replacement and/or educational programs with wide reaching benefit to Massachusetts farmers and consumers.
- Triple Net Rents for indoor permanent tenants - each will pay a base rent, utility usage (metered), marketing fee and a share of increases in operating expenses over the “Base Year” As operating expenses increase, tenants should pay a proportional share of those increases. (Resource Portfolio Y)
- As sales increase, base rents should rise to enable management to provide the necessary services to operate the market with efficiency and keep it clean, safe and comfortable for all.
- Percentage rents are a transparent method of setting fair rents, and this is an option that can be considered. However, many tenants will prefer a higher base rent instead.
- It is recommended to keep rents lower in the beginning and let tenants get a good start.
- Outdoor, temporary tenants pay an average daily rent of \$40 – slower days could be less, and busier days could be higher.

Note: Additional income from indoor storage and the mezzanine may be possible once the final layout is complete.

Expenses

- The market will need a full-time staff to oversee all aspects of the market.
- As needed, the market should increase labor expenses, particularly with regards to cleaning and maintenance as warranted by the traffic flow.
- Market staff could also be paid an incentive bonus if the market performs well.
- Year 1 of the Operating Budget should be considered the Base Year – and all increases in operating expenses should be rebilled proportionately to the tenants. (Resource Portfolio Y)
- It is recommended that the market establish a capital reserve fund once it breaks even.

Operating Pro Forma

The operating pro forma shows the market breaking even in Year 3 at an average base rent of \$75/ sq ft.

| KEY ASSUMPTIONS | | | VACANCY RATES | | |
|-----------------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Months per Year | 12 | | Year 1 | 20% | |
| Operating Days per Month | 30 | | Year 2 | 15% | |
| Fringe Benefits (%) | 30% | | Year 3 | 5% | |
| Inflation Rate | 2% | | Year 4 | 5% | |
| Rent Growth over Inflation | 2% | | Year 5 | 5% | |
| Rentable SF | 14,000 SF | | | | |
| Base Rent | \$75/sq ft (average) | | | | |
| | | | | | |
| INCOME | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
| Indoor Rents | \$ 1,050,000 | \$ 1,092,000 | \$ 1,135,680 | \$ 1,181,107 | \$ 1,204,729 |
| Outdoor Rents | \$ 100,000 | \$ 127,500 | \$ 130,050 | \$ 132,651 | \$ 135,303 |
| Common Area Charges CAM | \$ - | \$ 22,610 | \$ 45,672 | \$ 69,195 | \$ 93,188 |
| Vacancy Lost | \$ (209,999) | \$ (163,799) | \$ (56,783) | \$ (59,054) | \$ (60,235) |
| Total Income | \$ 940,001 | \$ 1,078,311 | \$ 1,254,619 | \$ 1,323,899 | \$ 1,372,985 |
| | | | | | |
| EXPENSES | | | | | |
| Personnel | | | | | |
| Manager | \$ 90,000 | \$ 91,800 | \$ 93,636 | \$ 95,509 | \$ 97,419 |
| Assistant Manager | \$ 65,000 | \$ 66,300 | \$ 67,626 | \$ 68,979 | \$ 70,358 |
| Clerical | \$ 40,000 | \$ 40,800 | \$ 41,616 | \$ 42,448 | \$ 43,297 |
| Facilities Manager | \$ 55,000 | \$ 56,100 | \$ 57,222 | \$ 58,366 | \$ 59,533 |
| Daystall Manager | \$ 50,000 | \$ 51,000 | \$ 52,020 | \$ 53,060 | \$ 54,121 |
| Maintenance 4 f/t 4 p/t | \$ 220,000 | \$ 224,400 | \$ 228,888 | \$ 233,466 | \$ 238,135 |
| Farm & Fish Inspectors | \$ 15,000 | \$ 15,300 | \$ 15,606 | \$ 15,918 | \$ 16,236 |
| Security 2 p/t | \$ 50,000 | \$ 51,000 | \$ 52,020 | \$ 53,060 | \$ 54,122 |
| Fringe Benefits | \$ 175,500 | \$ 179,010 | \$ 182,590 | \$ 186,242 | \$ 189,967 |
| Advertising/Events | \$ 80,000 | \$ 81,600 | \$ 83,232 | \$ 84,897 | \$ 86,595 |
| Office | \$ 10,000 | \$ 10,200 | \$ 10,404 | \$ 10,612 | \$ 10,824 |
| Legal/Professional | \$ 5,000 | \$ 5,100 | \$ 5,202 | \$ 5,306 | \$ 5,412 |
| Insurance | \$ 20,000 | \$ 20,400 | \$ 20,808 | \$ 21,224 | \$ 21,649 |
| Fees/Permits | \$ 3,000 | \$ 3,060 | \$ 3,121 | \$ 3,184 | \$ 3,247 |
| Net Utilities | \$ 120,000 | \$ 122,400 | \$ 124,848 | \$ 127,345 | \$ 129,892 |
| Garbage | \$ 60,000 | \$ 61,200 | \$ 62,424 | \$ 63,672 | \$ 64,946 |
| Maintenance and Repair | \$ 30,000 | \$ 30,600 | \$ 31,212 | \$ 31,836 | \$ 32,473 |
| Pest Control | \$ 12,000 | \$ 12,240 | \$ 12,485 | \$ 12,734 | \$ 12,989 |
| HVAC Maintenance | \$ 10,000 | \$ 10,200 | \$ 10,404 | \$ 10,612 | \$ 10,824 |
| Alarm | \$ 8,000 | \$ 8,160 | \$ 8,323 | \$ 8,490 | \$ 8,659 |
| RE Taxes - pass thru to tenants | \$ - | \$ - | \$ - | \$ - | \$ - |
| Supplies | \$ 12,000 | \$ 12,240 | \$ 12,485 | \$ 12,734 | \$ 12,989 |
| Total Expenses | \$1,130,500 | \$1,153,110 | \$1,176,172 | \$1,199,695 | \$1,223,688 |
| Net Operating Income (NOI) | \$ (190,499) | \$ (74,799) | \$ 78,447 | \$ 124,204 | \$ 149,296 |

Resources

Y_Sample Common Area Maintenance Costs

CONCLUSION

Based on our research and experience we believe that a public market in Boston will be a wonderful addition to the City and a wise use of public and private funds. As previously mentioned, the public market has the potential to capture between \$15.5 and \$19.5 million in fresh food sales. There are over 100 local farmers, fishermen/women and specialty food producers interested in selling at the market on both a permanent and seasonal basis. The public market will also create jobs for residents of Massachusetts. In addition to the jobs that will be created to staff the market, permanent vendors will be employed and will employ full and part-time staff and farmers and local food producers will hire full and seasonal employees to work at daystalls. The potential increased demand for market products will also most likely create jobs in the state's agriculture, seafood and value-added industries.

The public's enthusiasm is high for this project and many see this market as both an opportunity to showcase the region's bounty and create a major community gathering space along the Greenway. Customers will be looking for high-quality, well priced items that are unique to the public market and if the market operator is successful in creating and maintaining this standard of excellence the market is poised to become a major community destination that is currently missing from the Boston landscape.

One of the market's proposed goals is to highlight and support the region's agriculture and fisheries economy. With this goal in mind, the Commonwealth and the City of Boston have an opportunity to invest in a project that will be a model for rest of the country. The public market in Boston could greatly strengthen the region economically and raise the public's awareness of the importance of buying local. As such, the public market will be a major commitment to this region's historic agriculture and fishing industry.

There are considerable bureaucratic challenges facing the public market's development. Three distinct governments – Federal, State and City – will need to be involved and coordinated as planning moves forward. There is a lot to do – establish an oversight committee, create a lease, solicit an operator, begin construction, attract tenants, etc - and opening the market will take time. Maintaining momentum and moving the project forward is vital, and while construction and behind the scenes development progresses, the public must be kept engaged in the process. The public's appetite is ravenous for this market, as seen in the success of the public workshop, and community involvement and communication to the public, including special events focusing on the future market, should be planned until the market opens.

Strong supply, demand, a great location and massive public and government support puts this project at a great starting point. Implementing the market will take time, resources and commitment, but our hope is that on opening day and beyond, the investment in the public market will reap benefits many times over, not just for Boston but for all of Massachusetts.