



Downtown Pops!

Program Guide

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City of Santa Cruz Economic Development



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Program Overview

Unlock your business potential and help build a vibrant downtown. Our program lowers barriers and fuels growth for local entrepreneurs.

Downtown Pops! is the City of Santa Cruz's commercial activation program designed to breathe new life into our downtown commercial spaces and support local businesses.

Originally launched as a pilot in 2021 to help businesses open brick-and-mortar locations, it has since expanded due to its success in achieving its initial goals. The program has already supported numerous businesses in three different spaces, showcasing its effectiveness in lowering barriers to entry for entrepreneurs and activating vacant storefronts. Building on this momentum, Downtown Pops! now aims to have the same positive impact in dealing with residual commercial vacancies since the pandemic.

Through Downtown Pops!, the City partners with property owners to activate vacant storefronts, providing flexible lease options and reducing financial barriers for entrepreneurs. The program also now includes a Business Retention Model to assist in the smooth transition of ownership for existing downtown businesses, helping to prevent vacancies and maintain our cherished local establishments. This initiative is a key component of the City's broader Vibrancy Ordinance, an economic development strategy aimed at revitalizing our downtown core.

Background

The economic impacts of the COVID-19 pandemic led to a significant increase in vacant storefronts across downtown Santa Cruz. Downtown Pops! was specifically created to address this vacancy crisis, aiming to stabilize the commercial real estate market and reinvigorate our downtown as a regional commercial destination. The program achieves this by **offering guaranteed income to property owners, lowering operating costs for new businesses, and providing a pathway for businesses to test new concepts** towards potential long-term tenancy. Past participants include:

1122 Pacific Ave.



Childish Toy Shop

Childish successfully transitioned from a Downtown Pops! pop-up to signing a long-term lease at this location.

1349 Pacific Ave.



Terra & Self

After a successful run with Downtown Pops!, Kenne and Terra and Self secured a permanent lease on Soquel Ave..

1349 Pacific Ave.



RREVV Gallery

After testing a brick and mortar concept with Downtown Pops!, RREVV continues to thrive as an online business.

1528 Pacific Ave.



Stripe

Even after changing ownership and relocating, Stripe exemplifies the lasting impact of the Downtown Pops! Program.

703 Front St.



Curated By The Sea

The Downtown Pops! Program helped Curated By The Sea establish its downtown presence, leading to a long-term lease at the same spot, now operating as MK Contemporary Art.

Program Process

The success of the Downtown Pops! Program hinges on **quickly matching promising businesses** with suitable, **ready-to-use vacant spaces**. City Staff plays a crucial role in facilitating this process to ensure a smooth transition for both tenants and property owners.

> Eligible Space Requirements

Availability for Short-Term Leases: Property owners must be willing to offer their space for the program's typical short-term lease durations (6 to 18 months), understanding the program's pop-up nature.

Move-in Ready Condition: The space must be ready for occupancy by a tenant, with essential infrastructure in place and operational. Pop-up businesses are expected to operate within the existing physical structure without requiring major modifications.

> Application Review & Tenant Selection

After the application period closes, applicants are selected by a dedicated City panel. This process focuses on matching applicants with available spaces to best advance program goals

We aim to maintain a pool of qualified tenants for timely activations, and while you may apply for a specific space, **final placement depends on fit.**

Once selected, tenants enter into a Sublicense Agreement with the City.

> Site Identification & Agreement

The process begins with the City and a Property Owner (or their representative) entering into a Master Lease Agreement. This agreement formalizes the property's participation in the Downtown Pops! Program, allowing the City to manage the space for temporary pop-up activations.

Once this agreement is in place, the space is then advertised during an open application process to attract potential pop-up tenants.

> Streamlined Permitting

Typically, no new permits are associated beyond securing a **zoning clearance** and **business license** for the selected space.

The program aims to utilize spaces where the existing zoning and building conditions already accommodate the proposed temporary use, meaning the use itself should not be changing, and **significant building improvements should not be necessary for tenancy.** However, program participants are eligible for a \$1,000 tenant improvement grant to assist with minor improvements.

Who Should Apply?

While the City welcomes all proposals for temporary activations, we're seeking concepts that will bring fresh energy and diverse offerings to downtown Santa Cruz. Our goal is to fill vacant spaces with businesses that enhance the streetscape and social environment, providing memorable experiences for both locals and visitors.

We particularly encourage proposals that demonstrate:

Unique Retail or Experiential Services

We are actively looking for businesses that provide retail merchandise or experiential services **not currently represented Downtown**, or those that **fill an underserved niche** to ensure a diverse and complementary Downtown experience.

Broad & Family-Friendly Appeal

Concepts should appeal to **diverse customer bases**, including families, and aim to complement, rather than directly compete with, existing nearby businesses.

Business Viability

Successful applicants will need to **demonstrate strong business viability**. This can be shown through previous sales data and financial projections, or other methods that provide confidence in the likelihood of long-term success. Ideally, our pop-up tenants will use this program as a springboard to **sign a long-term lease** in a permanent Downtown location.

Currently, we cannot accommodate food service concepts in the Downtown Pops! Program. Our program prioritizes rapid activation in "move-in ready" spaces, and food service operations typically involve permitting processes that extend beyond our timeline.

Tenant Eligibility Criteria

Successful applicants for the Downtown Pops! Program must meet the following minimum qualifications to ensure a high quality and successful pop-up operation:

- **Operational Experience & Planning:** Applicants must demonstrate knowledge in the operation and management of a retail, service, or similar business through a comprehensive business plan. We strongly encourage applicants to work with the Santa Cruz Small Business Development Center if you need assistance writing a comprehensive business plan.
- **Financial Capacity:** Applicants must demonstrate sufficient financial capacity to cover initial lease costs, security deposit, and ongoing operating expenses for the duration of the pop-up.
- **Managerial & Staffing Resources:** The applicant must show they have adequate managerial and staffing resources in place to maintain a high-quality, successful operation throughout the pop-up term.
- **Program Alignment & Concept:** The proposed pop-up concept must align with the Downtown Pops! Program goals of activating vacant spaces and enhancing downtown vibrancy with complimentary, not duplicative, uses. Concepts should be innovative, engaging, and contribute positively to the downtown environment.
- **Insurance & Compliance:** Applicants must commit to obtaining and maintaining comprehensive general liability insurance as required by the City, and be in good standing with all City ordinances and regulations, with no outstanding violations.

Lease structure

Downtown Pops! operates through a **master license agreement** between the property owner and the City, and a **sublicense agreement** from the City to the tenant.

The program utilizes tiered rental models based on the size of the activated space, providing transparent and accessible options for participation.

Model 1: Spaces under 4,000 square feet

This model is designed for smaller, more nimble pop-up activations, offering an accessible entry point for small businesses.

Master Lease Rate (City to Property Owner)

- *Minimum:* \$1.25 per square foot (SF)
- *Maximum:* \$2.50 per SF, or the advertised market rate for the property, whichever is less.

Sublease Rate (Tenant to City)

- *Rate:* 10% of the tenant's gross sales.
- *Cap:* This 10% of sales is capped at \$2.50 per square foot (SF) or the advertised market rate for the property, whichever is less.

Model 2: Spaces 4,000 square feet or more

This model encourages the activation of larger vacant spaces, often presenting greater opportunities for impactful activations.

Master Lease Rate (City to Property Owner)

- *Minimum:* \$1.25 per square foot (SF)
- *Maximum:* The City's subsidy for the master lease rate is capped at a maximum of \$5,000 per month.

Sublease Rate (Tenant to City)

- *Rate:* 10% of the tenant's gross sales.
- *Cap:* This 10% of sales is capped at \$2.50 per square foot (SF) or a maximum of \$5,000 per month, whichever is less.

Basic Terms:

- Lease terms are six months, with an option to extend up to a maximum of eighteen months, with approval from the City and Property Owner.
- City executes lease with owner providing sublet rights to City and indemnifying both parties.
- Owner/Landlord reserves right to terminate lease with 90 day notice for any reason.
- Owner/Landlord reserves right to terminate lease with 60 day notice subject to securing permanent tenant (Pop-up program will not impede filling vacancies on a more permanent basis).
- City reserves right to select and relocate pop-up tenants, as needed.
- City monitors tenant sales reports and confirms rents paid are appropriate.

Lease structure

(Continued)

Model 3. Business Retention Model

Recognizing the vital importance of preserving our established downtown businesses and especially our anchor tenants, the City's Economic Development and Housing Department has strategically integrated a Business Retention Model as a key component of the Downtown Pops! Program. This tool is specifically designed to provide targeted support during the crucial period of ownership transition for existing downtown businesses.

The aim is to facilitate smooth transitions, prevent undesirable vacancies, and minimize disruption to the vibrant commerce of our downtown.

- **Rent Reimbursement:** Provides rent reimbursement of up to \$1.25 per square foot (SF) or a maximum of \$5,000 per month.
- **Duration:** Not to exceed a maximum of 6 months.

Model 3 Eligibility Criteria:

- **Existing Downtown Business:** The support is for new owners taking over an existing downtown business or for a significant change in operation of an established downtown business.
- **Demonstrated Financial Viability:** Applicants must provide a comprehensive business plan demonstrating financial viability, including a proven sales history of the existing business and realistic future projections.
- **Established Community Impact:** The business must be an established entity within the downtown core with a recognizable brand and significant positive community impact.
- **Location Priority:** Priority will be given to qualifying businesses located on Pacific Avenue.
- **City Compliance:** The business must be in good standing with all City ordinances and regulations, with no outstanding violations.

Tenant Responsibilities

This section outlines the key financial responsibilities and operational requirements for all pop-up tenants.

Financial Responsibilities (in addition to rent)

- **Security Deposit:** A refundable deposit of \$2.50/ sq. ft. required upon signing the Sublicense Agreement.
- **First Month's Rent:** Payable upon signing the Sublicense Agreement.
- **Utilities & Refuse Removal:** All costs associated with utilities (e.g., electricity, water, gas) and waste disposal for the activated space during the tenancy.
 - *Downtown Pops! tenants receive 6 months of free wifi, courtesy of Cruzio.*
- **Insurance:** Maintaining comprehensive general liability insurance as required by the City throughout the duration of the pop-up.
- **City Fees:** Any applicable City of Santa Cruz Zoning Clearance and Business License fees, as well as other relevant assessments or fees. This shall include, but are not limited to, parking deficiency fees, business improvement districts, and the Downtown Management Corporation
- **Triple Net (NNN) or CAM Costs:** Any additional operating expenses, such as property taxes, building insurance, or common area maintenance (CAM) charges, as may be agreed upon in the Sublicense Agreement.

The City monitors tenant sales reports to confirm appropriate percentage rent payments. Any percentage rent collected from a tenant's sales that exceeds the maximum rent rate (as detailed in Appendix A) will be held in a tenant-specific account.

Operational Requirements

To ensure a vibrant and consistent downtown experience, pop-up tenants are required to adhere to the following **minimum operating hours**:

- **A minimum of four (4) days per week.**
- A minimum of seven (7) hours per day, scheduled between 10:00 AM and 10:00 PM.
- Operation between 11:00 AM and 8:00 PM is strongly encouraged to align with peak downtown activity.
- Operation on weekends and major holidays is **required year-round** to support downtown vitality.

Appendix A:

Understanding Rent

For spaces under 4,000 sq. ft.- City guarantees Owner/Landlord \$1.25 per sq. ft. minimum base rent, supplemented by 10% of Tenant's monthly sales, up to a cap of \$2.50 per sq. ft in total (or the advertised rate, whichever is less).

Any percentage rent collected above \$2.50 sq. ft. would be held in a tenant-specific account to support the tenant's growth into a permanent business or to cover rent during low performing months.

Example: **1409 Pacific Ave.**

- Size: 1,899 sf
- Asking rent: @ \$3.00/sf = \$5,697 + NNN
- Downtown Pops! rent paid to landlord: @ \$1.25/sf- \$2.50/sf = \$2,373.75- \$4,747.50

Month	\$1.25/ SF rent guarantee	Tenant sales	10% rent collected	Total amount paid to landlord
Month A	\$2,373.75	\$5,000	\$500	\$2,873.75
Month B	\$2,373.75	\$10,000	\$1,000	\$3,373.75
Month C	\$2,373.75	\$30,000	\$3,000	\$4,747.50*

**Additional \$626.25 from Month C's sales percentage is rolled over to cover future months where minimum rent is not met by tenant sales.*

Appendix B:

Property Owner Information

Partner with the Downtown Pops! Program to transform your vacant commercial space into a vibrant asset, generating income, increasing visibility, and contributing to downtown revitalization.

Why Partner with Downtown Pops!:

- **Guaranteed Income:** Receive a guaranteed minimum master lease payment from the City for your vacant property.
- **Vacancy Ordinance Exemption:** Participating properties are excluded from fees associated with the City's Vacancy Ordinance.
- **Showcase Your Property:** Active use brings increased foot traffic, effectively marketing your space to potential long-term tenants.
- **Reduce Vacancy Risks:** Mitigate costs and challenges associated with prolonged vacancy.
- **Simplified Process:** The City manages pop-up tenant selection, agreements, and day-to-day oversight.

The Downtown Pops! Program is designed to support your long-term goals:

- **Permanent Tenant Secured:** *If you secure a permanent, long-term tenant for your space, you may terminate your agreement with 60-day notice.*
- **General Termination:** *You can terminate your Master Lease Agreement with the City with 90-day notice.*



Ready to apply?

Learn more and apply at
ChooseSantaCruz.com/DowntownPops

