



City of Yamhill
A small taste of Oregon

Planning Commission Packet

December 18, 2023

6:30 pm

MEMORANDUM

TO: Yamhill Planning Commission
FROM: Walt Wendolowski, Contract Planner
SUBJECT: Formula Business Code Amendments
DATE: December 11, 2023

I. BACKGROUND

During their November meeting, the Commission directed planning staff to return with possible Code language to prohibit or restrict formula businesses within the City. Proposed language is found in Attachment “A” and will be reviewed below.

II. ISSUE INTRODUCTION

The Institute for Local Self Reliance (ilsr.org) provided the following comments on formula businesses:

“A growing number of cities and towns are enacting policies that restrict the proliferation of “formula businesses” — stores and restaurants that have standardized services, décor, methods of operation, and other features that make them virtually identical to businesses elsewhere.

“Having saturated malls and other shopping areas, many formula retailers and restaurants are increasingly locating in downtowns and neighborhood business districts. Because they all like to follow one another, it’s not uncommon for formula businesses to arrive in an area *en masse*, squeezing out independents and causing a speculative run-up in rents that results in the wholesale transformation of a business district almost overnight.

“This can have long-term economic consequences as the downtown or neighborhood business district loses its distinctive appeal and no longer offers opportunities for independent entrepreneurs. Low-margin businesses that meet the basic needs of surrounding neighborhoods, such as grocers and pharmacies, may be pushed out as rents rise and the area attracts more formula restaurants and apparel stores. Perhaps of greatest concern, formula businesses tend to be fair-weather friends and can disappear quickly when the economy contracts or their corporate strategy shifts.

“To prevent and mitigate these problems, some cities and towns have adopted ordinances that prohibit formula businesses, cap their total number, or require that they meet certain conditions to open. A ban on formula businesses does not prevent a chain such as Starbucks from coming in, but it does require that

Starbucks open a coffee shop that is distinct — in name, operations, and appearance — from all of its other outlets. Although there are a few examples of a chain complying with a formula business ordinance by opening a unique outlet, in most cases, they refuse to veer from their cookie-cutter formula and opt not to open.”

Briefly, the formula business model creates a commercial district indistinguishable from others while driving out local entrepreneurs - one community effectively looks like another with no local character. Further, not all the profits remain locally, and strategic decisions are subject to corporate – not local individual – goals.

Interesting to note, local businesses have greater value on a square foot basis than a formula business, and consequently a greater property tax benefit. I made a comparison on the relative property values of a small downtown business versus one of the largest formula businesses: Wal-Mart. Wal-Mart occupied 18.85 acres of land with a real market value (RMV) of \$23,883,350 while a small brew pub occupied only 0.07 acres with a RMV of \$206,030. On a per acre basis, Wal-Mart’s value is \$893,227 while the pub’s value is \$1,447,857. Per acre, there is greater tax value in the pub.

This example illustrates the Institute for Local Self Reliance’s concern with the influx of formula businesses. Wal-Mart’s headquarters are in Arkansas, which is where the store’s profits go; conversely, the pub, and property are locally owned, which is where the money stays. Locally owned and operated businesses offer greater economic and tax benefits for the community.

III. DISCUSSION

Attachment “A” includes proposed amending language which is reviewed below:

- A. Definitions – Chapter 10.08 will contain a new definition. The definition is extremely thorough and clearly identifies a formula business. Please note the definition is clearly applicable to the McDonalds and Dollar Stores of the world but also applies to regional chains such as Black Bear Diners.
- B. C-3 Zone – The General Commercial zone will require conditional use approval to establish a formula business in the Central Business District. However, since the primary concern is the public “face” along Maple Street, the Commission may wish to refine the limitation to just those parcels within the CBD that front Maple Street.
- C. Chapter 10.108 includes special conditional use provisions with a new Section added to address formula businesses. The use must comply with existing conditional use decision criteria, be designed/situated to enhance the City’s rural character, and specifically avoid standard frontage designs and styling clues that alert the public to the purpose of the business. Finally, common logos, styling clues, etc., are prohibited.

- D. One item to note is the design requirements of the CBD (Chapter 10.46) remain in place. They do not appear to conflict with the purposes of the of the proposed revisions but may enhance their purpose.
- E. Finally, included in Attachment “A” is an Option (item D.) for the Commission to consider. This option would prohibit the placement of formula businesses within the Central Business District – period. As noted in “B.” above, given the visual presence of Maple Street, this option could be limited only to CBD property located along Maple Street.

III. SUMMARY

The Commission has options to consider, ranging from a conditional use requirement to outright prohibition. Again note, all the suggestions apply only to C-3 zoned land in the Central Business District. To summarize the options:

- A. Allow formula businesses throughout the CBD but subject to a special conditional use.
- B. Allow formula businesses throughout the CBD but require a special conditional use only for those properties located along Maple Street.
- C. Prohibit formula businesses within the entire CBD.
- D. Prohibit formula businesses only along Maple Street and either outright or require a special conditional use elsewhere in the CBD.

Staff will proceed based on the Commission’s recommendations.

ATTACHMENT “A”
Proposed Development Code Amendments

- A. Amend Chapter 10.08 General Definitions with the addition of the following new definition:

“Formula Business” means a type of commercial business establishment, retail sales or rental activity and retail sales or rental establishment, including restaurants, hotels and motels, which, along with ten (10) or more other establishments, maintains two (2) or more of the following features: (a) standardized array of merchandise or standardized menu; (b) standardized facade; (c) standardized décor or color scheme; (d) uniform apparel; (e) standardized signage; or (f) trademark or service mark; provided, however, a “formula business” shall not include an automated, standalone vending machine.

1. “Standardized array of merchandise” means fifty (50%) percent or more of in-stock merchandise from a single distributor bearing uniform markings.
2. “Trademark” means a word, phrase, symbol or design, or a combination or words, phrases, symbols, or designs that identifies and distinguishes the source of the goods from one party from those of others.
3. “Service mark” means a word, phrase, symbol or design, or a combination or words, phrases, symbols, or designs that identifies and distinguishes the source of a service from one party from those of others.
4. “Decor” means the style of interior finishings, which may include but is not limited to, style of furniture, wallcoverings, or permanent fixtures.
5. “Color scheme” means selection of colors used throughout, such as on the furnishings, permanent fixtures, and wallcoverings, or as used on the façade.
6. “Façade” means the face or front of a building, including awnings, looking onto a street or an open space.
7. “Uniform apparel” means standardized items of clothing including but not limited to standardized aprons, pants, shirts, smocks or dresses, hat, and pins (other than name tags) as well as standardized colors of clothing.
8. “Signage” means a “business sign” as defined in Chapter 10.64 of this Code.
9. “Standardized” does not mean identical but means “substantially the same.”

- B. Amend Section 10.28.030 (Conditional Use C-3 Zone) with the following new language:

- (C) Formula Business located within the Central Business District (Chapter 10.46) and subject to provisions in Chapter 10.108 Specific Conditional

Uses.

Existing subsection item (C) becomes subsection (D).

C. Add the following new Section to Chapter 10.108 (Special Conditional Uses):

10.108.040 Formula Businesses.

In addition to the other provisions of Chapter 10.104, the following shall apply where formula businesses are permitted by conditional use procedures.

1. A formula business must demonstrate compliance with the criteria listed in this subsection in addition to all other applicable conditional use criteria contained in Section 10.104.030.
2. The applicant shall demonstrate in its application materials that:
 - a. The proposed formula business has been designed to preserve and enhance the City's small-town character and to integrate existing community architectural and design features which will preserve such character for the City. This criterion is designed specifically to avoid standard frontage designs and styling clues that alert residents and visitors to the purpose of the business.
 - b. The use of standard corporate logos, signage or similar markings shall be prohibited.
 - c. The building scale as compared to surrounding development is compatible.
 - d. Precautions have been taken to minimize adverse impacts of development and operation on the natural setting and abutting properties.
3. In the event the City determines that a permit application or permit subject to this section is for a formula business, the permit applicant or holder bears the burden of proving to the City that the proposed or existing use does not constitute a formula business. This determination and challenge shall be in the form of a written staff decision that is appealable to the Planning Commission.

D. OPTION

10.28.055 Prohibited Uses.

- (A) Formula Business shall be prohibited from locating within the Central Business District (Chapter 10.46).