



**Main Street
Economic Restructuring 101
Baltimore Main Streets**

National Trust Main Street Center

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Downtowns of Yore



**Economic Decline of Traditional
Commercial Districts**

A Functional ZONE admits one single quality (function) of a City at the exclusion of all others

EXCLUSIVE




All that is not specifically obligatory is strictly forbidden

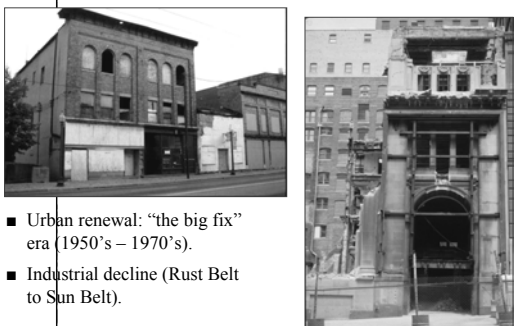
- Changes in land use patterns at the turn of the 19th/20th century.
- Rise of zoning

Economic Decline of Traditional Commercial Districts

- Changing transportation technologies (1900's-1950's).




Economic Decline of Traditional Commercial Districts



- Urban renewal: "the big fix" era (1950's - 1970's).
- Industrial decline (Rust Belt to Sun Belt).

Economic Decline of Traditional Commercial Districts



- Shopping malls to big box retailers.
- Sprawl/bad land use decisions.




Retail Trends

- Super stores or category killers are generating more than one-third of sales today.
- Rise of lifestyle centers.
- Durability of consumer spending.
- Consumer loyalty has disappeared.
- Convenience.
- Mall destination businesses remain strong

Retail Trends continued

- Dining and entertainment districts.
- Strong retail viability of urban and suburban locations.
- The challenge of chain stores and small businesses.
- In some areas, rural population growth may spur new retail development.





Internet and E-Commerce

- In 2003, e-commerce sales reached \$55 billion from \$45 billion in 2002.
- Sell more to current customers while providing them with better service.
- 78 percent of 2002 Main Street Community Trends Survey respondents indicated that the number of business going on-line had increased.
- On-line retailing not slowing the opening of leased-site locations.
- Internet is creating new opportunities for “location-neutral” main street businesses

Current Economic Trends



- Returning retail- increase in retail /property values up
- Intensified focus on sprawl/Smart Growth
- Low-interest rates.
- Strong demand for infill residential/commercial/mixed-use sites.
- Older shopping malls and strip centers are declining.
- Main Street programs are becoming more sophisticated.

Current Economic Trends



- One-third of MS communities reported an increase in upper-floor occupancy.
- Increase in the number restaurants in their districts.
- More buildings being rehabilitated.
- Real parking problems.
- Attendance at special events continues to rise.

Current Main Street Economic Trends

- Sprawl and bad land use decisions.
- Continued dominance of “big-box, superstore, power center” retailing.
- Changing economies. Economic decline still a real factor.
- Little support for small business development.
- Little support/understanding for historic preservation-based development.
- The “big fix” is still alive and well.
- Money.



Economic Restructuring Definitions

- Intensifying use of land, infrastructure and buildings.
- Increasing the economic value of the business district through sensible business and real estate development.
- Learning about the district's economic condition and identifying opportunities for future market growth.
- Creating an environment where investment can occur.
- Measuring economic performance.
- Planning for future economic growth.
- Assisting local decision-makers make better informed decisions about economic issues.



Core ER Mission

- To reverse the cycle of disinvestment and expanding commercial activities and other economic uses by increasing the level of investment in infrastructure, property and businesses.



Truths about Economic Restructuring

- Economic restructuring is difficult.
- Not many Main Street communities and neighborhoods have effective ER programs.
- Every commercial district is unique. It is difficult to draw comparisons between commercial districts.
- Need to build on assets.
- Main Street programs deal with independent business and property owners.



Economic Restructuring Work Areas

- Data Gathering/Market Analysis
- Business Development
- Property Development
- Financial Incentive Program
- Planning and Zoning
- Monitoring Economic Performance



Ideal ER Committee/Who Serves?

- Merchants
- Property owners
- Realtors
- Bankers/commercial bankers
- Residents
- Marketing professionals
- Developers
- SBDC representative
- Computer wizard
- Business students
- Retail brokers



First-Year Activities

- Establish committee w/ 5 to 10 volunteers, write committee job descriptions, start meeting monthly.
- Develop a realistic and strategic work plan.
- Attend state, local or regional training.
- Initial data gathering for market analysis.
- Start/complete retail market analysis
- Complete business and building inventory.
- Establish appropriate incentives for business development and design improvement (w/ Design Committee).
- Conduct business retention activities.
- Start ER library.



Mature ER Committee (3+ years)

- Active business retention efforts
- Business recruitment team established and recruiting new businesses.
- Effective relationships developed with property and business owners.
- Exploring/undertaking property development initiatives.
- Market analysis redone/revised.
- Zoning code revised/neighborhood plan adopted.
- New incentives developed.




Market Analysis/Purpose/Applications

- Gain commercial district market knowledge and insight.
- Gain commercial district market knowledge and understand market strengths (supply) and opportunities (demand).
- Underlying basis for future business retention and recruitment efforts.
- Local consumer attitudes are important.
- Promotion and design applications.
- Market analysis: an art and science.




Market Analysis Components/Process

- 1) Understanding Existing Market Conditions
- 2) Determining Market Opportunities by Retail Category/Sector.
- 3) Devising Business Development Strategies.
 - Market Position Statement




1) Understanding Existing Market Conditions

- Building and Business Inventory
- Analyzing the Commercial District Business Mix
- Determining the Trade Area
- Analyzing Trade Area Demographics and Lifestyles
- Focus Groups
- Consumer Surveys.



Building & Business Inventory

| | |
|---|--|
| <ul style="list-style-type: none"> ■ Building Information <ul style="list-style-type: none"> - Building condition - Square footage - Taxes - Zoning - Amenities - Sale Dates - Landmark status | <ul style="list-style-type: none"> ■ Business Information <ul style="list-style-type: none"> - Business classification - Products/merchandise - Space use - Square footage - Employment - Business hours - Advertising patterns |
|---|--|




Analyzing Business Mix

- Classifying commercial district businesses according to NAICS.
- Means of comparison to other communities:
 - Does your commercial have fewer or more retail or service businesses than the comparison communities?
 - How concentrated is business activity in the commercial district area compared to edge-of-town locations?
 - Is the community under-served or over-served in specific business categories?
- Comparison communities chosen carefully,

Trade Area Determination

- Trade area- geographic area from which a commercial district draws most of its customers
 - Primary (convenience)
 - Comparison shopping trade areas
- Potential businesses want to know where their potential customers live/who they are.
- Determining trade areas
 - Business inventory/surveys.
 - Reilly's Law of Retail Gravitation.
 - Natural boundaries.
 - Zip codes




Demographic Analysis

- Demographic facts about the trade area.
 - population
 - household size,
 - income,
 - age,
 - education,
 - race and ethnicity,
 - housing,
 - employment.
- Analysis:
 - Demographic profile of trade area
 - Demographic trends
 - Demographic trends comparison


Lifestyle Demographics

- Enables us to understand interests, opinions, and activities a particular consumer lifestyle segment.
- Strong similarities in demographics/ purchasing patterns, lifestyle preferences.
- *Example- Country Squires. The wealthiest residents in exurban America live in Country Squires, an oasis for affluent Baby Boomers who've fled the city for the charms of small-town living. In their bucolic communities noted for their recently built homes on sprawling properties, the families of executives live in six-figure comfort. Country Squires enjoy country club sports like golf, tennis and swimming as well as skiing, boating and biking.*




Market Analysis/Data Collection

- Demographic information.
 - US Census
 - Market data firms, CACI, Claritas
 - Psycho-demographics information/consumer segments groups
- Other information
 - Local retail sales data/ US Census of Retail Trade
 - Consumer Expenditure Survey.
 - Commercial district base maps
 - Previous market studies
 - Dollars and Cents of Shopping Centers




Consumer Surveys

- Measure consumer attitudes and shopping habits
 - Where people are shopping
 - Attitudes towards commercial district, generally and specifically
 - Differences in shopping habits with those who live outside the area
 - Make better decisions on business development, marketing efforts.




Consumer Surveys continued

- Survey Types
 - Business owner survey
 - Customer intercept survey
 - Telephone survey
 - Mail surveys
 - Focus Groups
- Things to consider
 - Survey instrument design.
 - Include questions for desired answers
 - Road testing surveys
 - Sample size? Four-hundred (400)
 - Carefully draw conclusions




Advantages/Disadvantages

| | |
|---|---|
| <ul style="list-style-type: none"> ■ Mail Survey <ul style="list-style-type: none"> - Few workers required - Consumer who use and do not use commercial district - Low response rate - Costly ■ Phone surveys <ul style="list-style-type: none"> - More random sample - Cheap - More labor intensive - Negative attitudes | <ul style="list-style-type: none"> ■ Intercept Survey <ul style="list-style-type: none"> - Target actual commercial district users - Immediate - Cheapest - Time consuming - Difficult to get large samples. |
|---|---|



Focus Groups versus Surveys

| | |
|--|---|
| <p>Focus Groups</p> <ul style="list-style-type: none"> ■ qualitative information ■ not predictive ■ easier to do? ■ cheaper to do? ■ interpretation is more subjective | <p>Surveys</p> <ul style="list-style-type: none"> ■ quantitative information ■ predictive power ■ hard to do well? ■ more expensive? ■ interpretation is more objective |
|--|---|



2) Determining Market Opportunities

| | |
|--|---|
| <ul style="list-style-type: none"> ■ Measuring potential demand by retail category- <ul style="list-style-type: none"> - The number of dollars people are likely to spend on something. - Based on average household expenditure and # of households in a geographic area. ■ Need the Consumer Expenditure Survey ■ Household population in trade area | <p style="text-align: center;"><u>Formula</u></p> <p style="text-align: center;">Number of Trade Area Households X Typical Sales per Households = Potential Demand</p> |
|--|---|



Market Opportunities

- Market demand for groceries in a 10,000 person household trade area.
- Rule of thumb: different household incomes (and sizes) spend different amounts of money.

| Hsld. Income | # Hslds. | Sales/hsld. | Market demand |
|---|-------------|----------------|-----------------------|
| Under \$5,000 | 400 hslds | x \$1,703/hsld | = \$ 681,200 |
| \$5,000-\$10,000 | 550 hslds | x \$1,790/hsld | = \$ 984,500 |
| \$10,000-\$15,000 | 650 hslds | x \$2,200/hsld | = \$1,430,000 |
| \$15,000-\$20,000 | 1,100 hslds | x \$2,437/hsld | = \$2,680,700 |
| \$20,000-\$30,000 | 1,900 hslds | x \$2,598/hsld | = \$4,936,200 |
| \$30,000-\$40,000 | 2,200 hslds | x \$2,834/hsld | = \$6,234,800 |
| \$40,000-\$50,000 | 1,700 hslds | x \$3,176/hsld | = \$5,399,200 |
| \$50,000-\$70,000 | 1,000 hslds | x \$3,582/hsld | = \$3,582,000 |
| Over \$70,000 | 500 hslds | x \$4,023/hsld | = \$2,011,500 |
| Total potential demand for groceries | | | = \$27,940,100 |



Sales Leakage/Surplus

- Measures sales leakages or surpluses within designated trade area.
 - Leakage- retail opportunities
 - Surplus- retail opportunities?
- Need local sales information
 - State, county, municipality.
- Sales leakage and surpluses are not an exact measurement.
- Results need to be compared and analyzed against survey results.

| <u>Formula</u> | |
|-----------------|---|
| Actual Sales | - |
| Potential Sales | = |
| Leakage/Surplus | |



Sales Leakage/Surplus continued

Grocery Stores Potential: \$27,940,100
 Grocery Stores Actual: \$10,467,250
 Leakage: \$17,172,850

Question- Can this community support a grocery store?

Space Demand Analysis

| Formula | |
|-------------------------------------|--|
| Leakage of Sales Volume | \$ 17,172,850 Grocery Store leakage |
| X | X |
| % of leakage that could be captured | 5.00 % possible capture |
| = | = |
| Potential Additional Sales | \$858,642.50 Additional potential sales that could be captured |
| / | / |
| Estimated Sales per Square Foot | \$157.00 Estimated Sales per Square Foot |
| = | = |
| Potential New Retail Square Footage | 5,469.06 Potential New Retail Square Footage |

Considerations

- Survey and focus group findings
- Trade area demographic and lifestyle findings.
- Non-local market segments
- Retail mix analysis
- Competitiveness of existing stores
- Consumer behavior and trends

Business Opportunities

| | #1 | #2 | #3 | #4 |
|---------------------------------------|----|----|----|----|
| Appropriate Available Space | | | | |
| Complements Existing Business | | | | |
| Serves Target Customer Group | | | | |
| Fills Gap in the Business Mix | | | | |
| Complements Existing Business Cluster | | | | |
| Identified in Customer Survey | | | | |
| Identified in Business Survey | | | | |
| Gap Identified in Leakage Analysis | | | | |
| Fits With Market Position Statement | | | | |

Business Prospect Matrix



Business Retention & Expansion

- Often overlooked as the most effective business development strategy.
- Repositioning businesses to be more successful.
- Can make a critical difference for marginal businesses: Can aid in the recruitment process.
- Build credibility for local MS program.
- Can and should be started in ER Committee's first year.




Business Retention & Expansion

- Types of Retention/Expansion Activities:
 - Business development workshops
 - One-on-one technical assistance/repositioning businesses.
 - Business visitation team
 - Providing market information
 - Business succession/transition
 - Resource library
 - Financial assistance




**Business Retention/Expansion:
Things To Know**

- Establish a business retention team/subcommittee.
- Know the market- develop market-driven business retention strategies.
- Identify and work with key businesses on business retention/expansion opportunities.
- Offer assistance (ER and Design).
- Recognize early warning signs of business failure.
- Promote businesses to target markets.
- Plan for business retention.



Business Development Workshops

- Offered once of twice a year.
- Survey merchants on potential topics at regular intervals.
- Can be coupled of in-store technical assistance opportunities.
- Topics:
 - Merchandising/storefront merchandising
 - Store/floor planning.
 - Customer service.
 - Inventory control.
 - Business operations/accounting/rec ord keeping
 - Business planning.
 - Marketing.
 - Façade improvement and signage.



Business Visitation Team

- Volunteer subcommittee formed and formally trained.
- Makes regular visits to businesses to provide information/technical assistance.
- Advanced questionnaire developed and summary report furnished after report.
- Responses to business issues developed after completed report.
- Establishes direct line of communication to MS program.
- Monitor changes to commercial district business base.



Business Succession/Transition

- Selling/transitioning a retail business is complex.
- Review/determine which businesses are worth keeping.
 - Consider multiple factors in the review.
- Determine business value.
- Finding a buyer
 - Regular business recruitment activities.
 - Business acquaintances.
 - Trade associations.
 - Employees/managers.
 - Competition.
 - Broker.



Passive Business Recruitment

- Recruitment activities when market analysis is not completed
- Typical activities
 - prepare information packet for regular inquiries.
 - Generating prospect list with business recruitment team on "hot" leads/through the grapevine
 - Reacting to space inquiries.
 - Available property list in website or other publication.
 - Publicity/advertisements.
 - Encouraging entrepreneurial start-ups.
 - Incubator.
 - Identify home-based, expansion opportunities.
 - Partnering with SBDC, other institutions.



Active Business Recruitment

- Active Recruitment Activities
 - Developing and soliciting a list that includes "hot" and "cold" prospects.
 - Start to finish recruitment process
 - Forming a business recruitment team.
 - Developing a formal recruitment packet/marketing materials.
 - Developing an incentives program.
 - Business cluster planning.
 - Encouraging entrepreneurial activity.
 - Developing support services to newly-recruited businesses.



Information Needs For Recruitment

- Location
 - building inventory
 - base maps with clusters
- Business Concept
 - focus groups and surveys
 - business base analysis
 - leakage analysis
- Financing
 - local institutions
 - other regional, state, federal assistance
- Operators
 - make needs public
 - trips and interviews



Business Recruitment: Things to Know

- Market analysis should identify potential new businesses & sources of entrepreneurship (*market-driven strategies*).
- Recruitment team to be trained adequately to assist in the recruitment process.
- Thoroughly understand what potential business prospects wants and needs.
- What kind of retail should be considered?
- Publicize needs-let the community know Main Street is active in recruitment.
- Ask people (scouts?) to identify potential prospects.
- Best prospects are existing businesses.



Business Recruitment Process

- 1) Schedule road trips/send out scouts.
- 2) Vet potential prospect list/measure prospects against market analysis.
- 3) Determine final prospect list/make visit appointment with prospect/send recruitment package.
- 4) Conduct any follow-up/meet specific business needs.
- 5) Schedule/ prospect visit to the commercial district.
- 6) Follow-up/meet specific needs.
- 7) Celebrate opening
- 8) Support new business.



Recruitment Packet

- Profiles of available/buildings/storefronts.
- Concise descriptions of the commercial district.
- Neighborhood map/trade area map.
- Concise, readable demographic information.
- Concise, readable retail sales information.
- Testimonials.
- Financial incentives.
- Main Street program information.
- Promotions calendar.
- Contact information.




Managing the Retail Base


- Central retail lease management.
- Buying lease options.
- Buying properties.
- Old fashion elbow-rubbing.



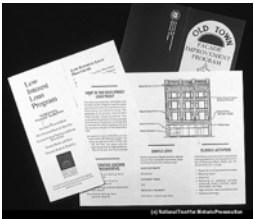
Financial Incentives




- A critical component to a successful revitalization program.
- Incentives must address critical priorities/issues.
- Multiple incentives/packaging efforts are becoming the norm.
- Business development activities most often stimulates building improvements.
- Marketing efforts needed.
- Capitalization ongoing.



Incentive Programs




- Small-scale improvements/business development purposes:
 - matching grants for storefront/sign/façade improvements
 - low-interest/revolving loan funds
 - inventory grants
 - micro-loan programs for business start-ups/expansion
 - design assistance
 - business development assistance.





Incentive Programs

- Major building rehabs
 - Low-interest/revolving loan fund.
 - Public sector- TIF, loans.
 - Federal and State historic preservation tax credits.
 - New Markets Tax Credit.
 - Other tax credits.
 - State programs/ DOT Transportation Enhancement Program.
 - Main Street — Hope VI (HUD) funds.
 - Revenue bonds.
 - Special sales tax.



Incentive Program Examples

- City of Chicago Small Business Improvement Fund
 - Funded through local neighborhood TIF's revenues.
 - Grants up to \$50,000 for interior rehabilitation work.
- City of Chicago Float Loan Program
 - CDBG funds.
- Chippewa Falls, WI, Business plan competition/grant program.



Real Estate Development



- Finding new uses for underutilized space
 - Small-scale design improvements and business development activities.
 - Incentive program important.
- Community-initiated development
 - Larger-scales project- "white elephant buildings".
- Encouraging infill construction/new development.


Community Initiated Development



- Development team formed.
- Multi-layered, multi-partner financing.
- Multi-phase, multi-year efforts.
- Market-driven use solutions.
- For mature Main Street programs.

Infill/New Development

- Identified development sites through planning processes.
- Mixed-use development as optimal choice.
- RFP processes/development agreements.
- Heavy use of TIF/incentives to lower development costs.




Finding New Uses

- upper-story housing/office
- light industry
- location-neutral businesses
- cottage industries
- corporate showrooms
- entertainment districts



Planning and Zoning

- Changing land use regulations
 - Encouraging new land uses
 - Regulating certain land uses; e.g., first-floor retail zoning
- Advocating for/and developing neighborhood master plan.
 - Enabling new uses
 - Understanding/unlocking development potential.
 - Revising zoning regulations.
- Monitoring community planning/development activities.



Measuring Economic Performance.

- Collect baseline data (from data gathering)
 - Census of Retail Trade, Population
 - state sales tax
 - assessed value of real estate
- Record information and change regularly
 - jobs, # of businesses, property investment
- Measure annual performance