CITY OF PEORIA, ARIZONA

RETAIL POTENTIAL ANALYSIS

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INTRODUCTION

This Retail Potential Analysis report is the product of a contract between The Wadley-Donovan Group (through its economic-development unit Wadley-Donovan GrowthTech [WDGT]) and the City of Peoria, Arizona. Six other deliverables are being submitted in conjunction with this report: An Economic Base & Target Industry Analysis; a Community Assessment; a Program & Plan Exploration report; an Economic Development Strategy; an Implementation/Action Plan; and an Economic Development Implementation Strategy (EDIS).

Two other firms collaborated with WDGT to form the project consulting team: Garnet Consulting Services, Inc. and DANTH, Inc. Garnet conducted the infrastructure, utility, and real estate analysis of this report, and participated in or conducted the other project reports except for this report, which was completed by DANTH.

The findings presented herein are those of the WDGT team only. We have examined the City from a corporate location, downtown and retail marketing perspective and from our knowledge of locational trends, decision-making factors, and economic-development and retailing best practices and activities.

This retail-potential analysis required independent research to review Peoria's operating environment for the retail-industry sector. For this study, DANTH and the WDG team:

- Reviewed prior studies and plans supplied by the City of Peoria
- Conducted a four-day fieldwork trip
  - Toured Peoria retail centers with city staff
  - Visited retail centers in Glendale
  - Visited Westgate, Biltmore Fashion Park, Kierland Commons, Scottsdale Old Town, and Arizona Center
- Interviewed six developers and brokers
- Communicated with city staff
- Analyzed data from the Bureau of the Census, Bureau of Labor Statistics, HUD, City of Peoria, W. P. Carey School of Business at ASU, and other sources.
- Used drive-shed analyses and data sets available through ESRI Business Analyst
- Consulted our network of professional contacts
- Applied our 35+ years of experience

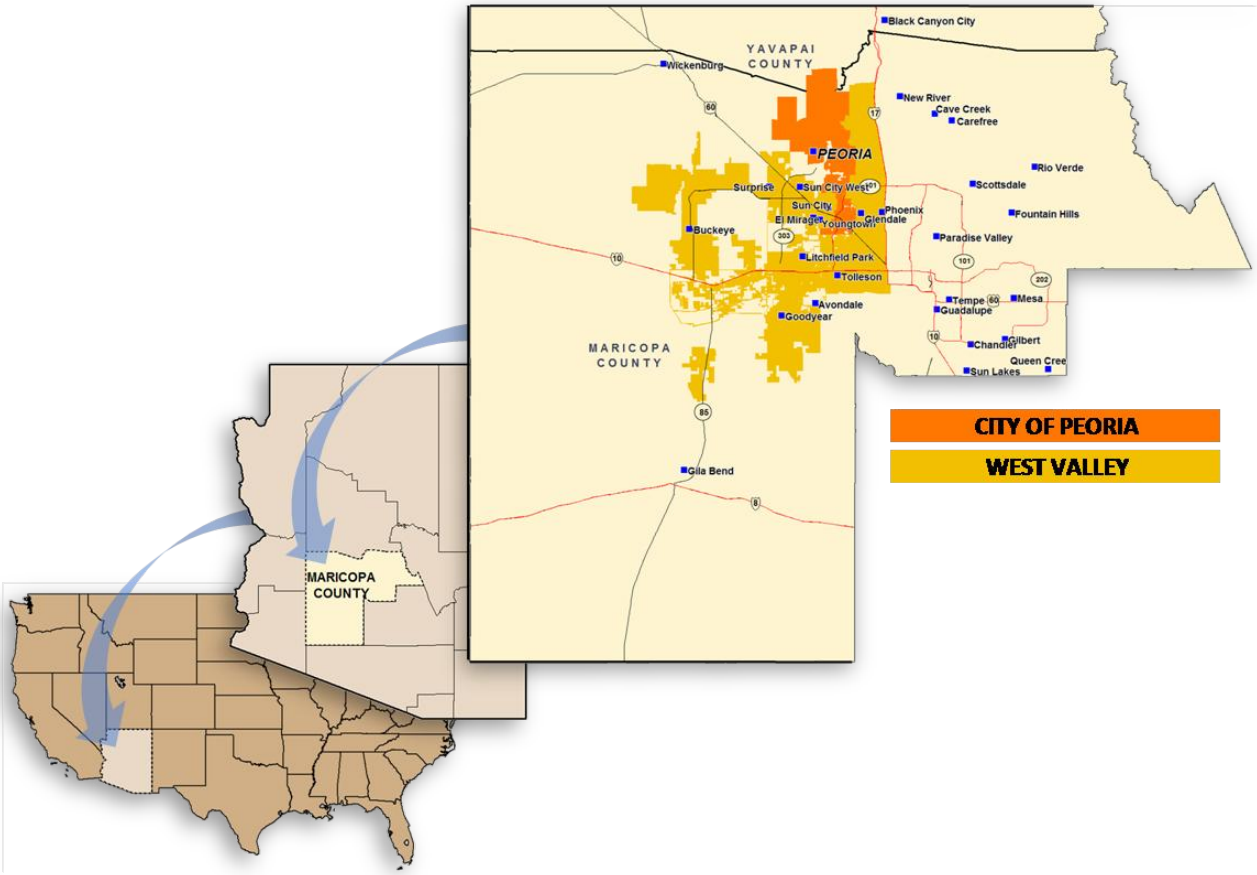
A study of this nature can do no more than describe local conditions. The actual impact of these conditions for any given organizational activity will vary, reflecting the different characteristics and structure of each organization. The consulting team's principal findings and conclusions are recapped in the Executive Summary, followed by a detailed presentation of our findings.

The Wadley-Donovan Group is the nation's oldest independent management consulting firm that specializes in location consulting and economic development. Its corporate clients include many of the world's leading companies. WDG has two operating units—Wadley-Donovan GrowthTech (economic-development and workforce-development consulting) and Wadley-Donovan-Gutshaw (corporate-location consulting). The Wadley-Donovan Group conducted this project through its GrowthTech unit, which advises economic development agencies, workforce development groups, and local and state governments across the country and overseas on a variety of economic-development and workforce-development issues.

Garnet Consulting, located in Pleasant Valley, Connecticut, is an economic development consultancy founded in 1986. Garnet specializes in strategic planning; industrial and business-park master-planning; market and feasibility studies; community and organizational evaluations and team-building, economic and community development education; and other economic development services for communities, companies, property owners, or buyers. Garnet works nationally and internationally, and frequently teams with WDG.

DANTH, Inc, based in New York City, is a national leader in downtown and commercial district economic revitalization consulting and retail recruitment and redevelopment. The firm has worked with big cities and small towns, urban centers and rural communities across the country, from Pasadena, CA to Meredith, NH and many points between. It creates highly customized programs for its clients, based upon rigorous research, 30 years of experience in urban revitalization, and a creative, non-cookie-cutter approach.

The City of Peoria, Arizona and the West Valley in the Context of the United States



EXECUTIVE SUMMARY

Peoria has a significant retail sector that includes more than 40 shopping centers. The amount of per capita retail space, 55.67 square feet, is 26% above the national average. With this foundation, Peoria residents rate retail shopping opportunities available to them favorably.

Peoria's retailers have been affected by the national recession. They are seeing trends that are reflective of the national situation in which Americans have become more deliberate consumers, being careful about what they buy, and basing their purchase decisions on "needs" rather than "wants". Peoria's residents, largely solidly middle class, historically tended to be value price-oriented shoppers. Now they are even more cautious about spending on retail purchases.

These conditions have produced two results:

- Shopping centers in Peoria are largely dominated by "value" retailers that offer little or moderate retail diversity; there is a scarcity of specialty and high quality, small independent retailers; and there are no shopping centers like Kierland Commons or Westgate that feature public spaces and a pedestrian orientation
- Absorption of new retail space in the City, along with the rest of the West Valley, has slowed considerably, exacerbated by a combination of reduced demand for retail space stemming from lower retail sales volumes, and a permitting and approval process that is seen by developers as comparatively more difficult than other Phoenix area cities.

This report focused on three of the City's key retail areas: Northern Peoria, the Sports-Entertainment District, and Old Town. Each has its own unique characteristics, assets and challenges.

Northern Peoria

- Developers report a lot of unabsorbed space and weakened tenants
- An analysis of the drive shed characteristics of five retail locations in Peoria, Phoenix and Scottsdale shows Lake Pleasant Towne Center is an "immature" market in size, but has relatively high household incomes
- However, the dominant lifestyle groups in its drive sheds now are prone to be deliberate consumers
- The completion of the Loop 303 and a real uptick in the economy very likely will bring retail growth back to this area
- However, attracting more upscale retailing near the Loop 303 will require attracting more Young Entrepreneurs and High Society lifestyle households to the area
- They will look for high quality of life environments with lots of public and private amenities

The Sports- Entertainment District

- The Sports Complex and Arrowhead Fountain Center interact and are co-dependent, forming a meaningful Sports-Entertainment District
- This district has significant existing year round assets such as hotels, an 18 screen cinema complex, restaurants, an ice rink, and a theater.
- Consumer leisure behavior suggests some additional uses are possible (e.g., a theme park, bowling, putting green, carousel, auto shows).
- Many opportunities to promote, brand and strengthen the district are being lost because the District lacks the "central management" available to malls and business improvement districts (BIDS). For example, the district could be linked to Peoria's large auto dealership "mall" on W. Bell Road
- The District badly needs a great public space to serve as a focal point for its identity and a venue for popular informal entertainment activities

Old Town

- Old Town has crowded consumer retail market areas with lots of competition
- Future retail growth would be best pump primed from in-close assets (e.g., municipal complex, University at Peoria Place, commuter rail) that can attract or generate customer traffic
- Distances and the ambience along the walkways usable to pedestrians will be keys to benefiting from the above assets
- Some new retailers will want locations close to these strong assets, even though the market is otherwise crowded
- Linking both sides of Grand Ave should wait until they both are stronger. If done too soon attempts to link them will very likely fail
- The ability of Old Town shops to capture student expenditures will depend on their proximity to the new university and their "magnetism." A college student can be expected to spend about $4,200/yr on retail and entertainment

CONCLUSIONS

Currently, Peoria's retail market is crowded. New entrants are either "retail raptors" who are able to compete for and win market share or are enabled by population growth. Concurrently, retail growth is weak and likely to be so for five or more years because the economy and population growth engine is stalled. Due to this weakened population growth, Peoria needs to attract customer traffic generators (colleges, rail stations, resorts, offices) on which new retail can build. The attraction of a university to Old Town and the siting of a commuter rail station there are two excellent examples of what can be done.

Meanwhile, this is the time to leverage existing customer traffic generating assets to attract both customers and tenant prospects through marketing, promotions, and district management – in the Entertainment District now and in Old Town in the future

There is a real need to encourage developers to create more diverse shopping center environments by providing incentives, plans, guidelines and "jawboning". There is also a growing need to encourage and cultivate more small independent retailers. This is a difficult task because new small firms have a very high failure rate and have substantial needs for capital and management assistance

The nature of future retail growth around the Loop 303, Sports Complex and Old Town will be impacted by well-activated public spaces and quality private project amenities (commercial and residential). The creation of such space will not only create a strong recreation amenity for Peoria's citizens, but also draw more customer traffic and serve as a *de facto* incentive for developers

Young professionals and High Society lifestyle segments are keys to Kierland-like retailing coming to northern Peoria. They are very demanding about such amenities as parks, cultural facilities, awesome public spaces, high quality restaurants, and "watering holes." "Walkability" -- i.e., the ability of people to feel safe and walk easily along an interesting path -- is a critical element for successful retail/entertainment districts. Project planning and implementation in Peoria needs to take into greater consideration how pedestrians actually behave.

THE NATIONAL ECONOMIC CONTEXT

The national economy is slowly emerging from the most severe recession since the Great Depression of the 1930's. Incomes are stagnant, job security is still a major concern, and experts predict job recovery will take at least five years. The housing market remains a huge drag on recovery: the number of "underwater" mortgages, according to Mark Zandi, chief economist of Moody's Analytics and co-founder of Moody's Economy.com, is expected to increase from 25% in 2009 to 50% in 2011. Consumer behavior has changed in ways that experts such as McKinsey, the global management-consulting firm, expect will be long lasting. The consumers' free-spending behaviors of the 1990s and 2000s are gone; consumers now are far more deliberate and cautious about purchases. Their needs now have a more powerful position in their decision-making than their wants.

The new deliberate consumers are predominantly in quintiles two, three, and four of household incomes.[1] They basically support middle-market retailing, and they are shopping more than ever in "value retailers" such as Wal-Mart, Target, Best Buy, etc. Their aspirational, "trading up" purchases have in turn declined substantially.

The top quintile, which has the core shoppers for the luxury retail market, has also shown signs of caution. It is expected to have the strongest spending rebound from our Great Recession, though most experts do not anticipate a full return to prior high expenditure levels anytime soon.

During the Great Recession some well-known chains closed (e.g., Circuit City), and many more have teetered on the edge (e.g., Talbot's, Chico's). Though national retail sales have finally shown some increases, they are still nowhere near the glory days of the past two decades. Most national chains have substantially reduced their numbers of new stores, and they are placing them in strong, proven locations where, based on sales, retailers have and continue to meet or exceed their sales targets (which can vary by chain and location). Retail chains are waiting to get into the very strongest malls which offer them the highest sales per square foot. In their assessments of market area potential, they now only will count real residents; units planned, under construction, or vacant are disregarded. Many chains reduced their numbers of stores during the recession, and some continue to do so (e.g., Williams-Sonoma). Many national chains are also looking for smaller stores, even moving into smaller spaces as their leases come up for renewal (e.g., Ann Taylor).They are also more concerned than ever about sales cannibalization resulting from having stores located too close to each other.

The retailers most interested in new locations are big-box value chains, drugstore chains, and personal-care-products stores. Some fast-food chains are also expanding.

As a consequence, many developers and landlords, in cities large and small, are looking increasingly at small independent operators to fill their vacant spaces. These are typically small existing merchants with few employees who either want to move to a better location or open a branch store. Some are "newbies," especially in smaller towns and districts. Of course, these small operators carry along a whole different set of problems and challenges:

- High failure rates for new firms
- Small firms have a tougher time than ever finding new capital
- Frequently weak name recognition

Bottom line: Nationally, the key factor in business recruitment, now more than ever, is the behavior of the national retail chains. They are looking for much less new retail space than in previous decades and for far fewer new locations. Those looking the hardest are precisely the types of retailers Peoria now has in

[1] The U.S. Bureau of Labor Statistics defines 2008 household income quintiles as follows: the lowest quintile ranges from no income to $19,064 with a median household income of $10,263; the second quintile ranges from $19,065 - $36,270 with a median of $27,442; the third quintile ranges from $36,271 - $59,086 with a median of $47,169; the fourth quintile ranges from $59,087 - $93,357 with a median of $74,090; the highest quintile ranges from $93,358 to the highest income with a median of $158,652.

abundance. Those looking the least are the types Peoria needs and wants. Small independent operators are increasingly being looked at to fill vacant retail spaces.

THE LOCAL ECONOMIC CONTEXT

The Phoenix Metro Area

Economic growth in the Phoenix metropolitan area and the West Valley has been hit hard by the recession. In the past it has been driven by population growth due to in-migration, but that recently has slowed substantially. According to the U.S. Bureau of the Census, in the 12 months ending July 1, 2009 Metropolitan Phoenix gained only 12,000 new residents; it was drawing about 100,000 a year just a few years before. Housing permits in February 2010 were -83% off their February 2007 peak (see Table 1). Also since 2007, unemployment has increased by 148%, while median home prices are -37% from their market peak.

TABLE 1: Some Key Economic Indicators for the Phoenix Metropolitan Area

Change in New Building Permits, February 2007-February 2010	-83.61%
Change in Unemployment, January 2007-January 2010	148.65%
Change in New Jobs Added, February 2007-February 2010	-10.01%
Change in Median Home Price from Market Peak	-37%

In February 2010, according to RealtyTrac, Arizona was the second highest state in mortgage foreclosures *(CNBC.com| 11 Mar 2010 | 12:17 AM ET)*.

The West Valley and Peoria

DANTH's interviews with local developers, our field visit, and a review of relevant data indicate that the national and regional economic conditions described above also hold in the West Valley and Peoria, even to the point that about a half of the developers reported they are looking to small independent operators to fill their centers.

Interviews with local developers showed a general consensus that the West Valley's housing development and population growth have been hurt significantly by the recession—with Vistancia being a possible exception. One developer claimed there were a record number of foreclosures in the West Valley. Others cited numerous unsold units and cleared-and-improved lots waiting for construction, but no buyers in sight. There was also a consensus that the housing recovery will not happen soon, certainly not for at least another five years. But there is a belief that the opening of Loop 303 and its connection to the I-17 will eventually bring housing and population growth back to northern Peoria.

The available data support the developers' views. By the end of 2008, according to data provided by the city, the housing-unit-vacancy rate for Peoria had reached 10.9%, while the total for the West Valley ascended to 16.8%. Housing construction, as indicated by the number of issued building permits, plummeted from a peak in 2005 by over 90% at the end of 2009 in both Peoria and the whole West Valley.

TABLE 2: Residential Building Permits in Ten West Valley Communities 2005-2009

Source: U.S. Bureau of the Census

YEARS	# PERMITS	UNITS	UNITS % OF 2005
2005	15,031	16,327	100%
2006	7,061	9,075	56%
2007	4,978	7,166	44%
2008	2,503	4,985	31%
Yr to Date Reported 12/09	1,258	1,288	8%

Does not include unincorporated Sun City and Sun City West or West Phoenix, which is part of Phoenix

TABLE 3: Residential Building Permits, Peoria, AZ, 2004-2005
Source: U.S. Bureau of the Census (http://censtats.census.gov/bldg/bldgprmt.shtml)

YEARS	# PERMITS	UNITS	UNITS % OF 2005
2004	2,281	2,389	69%
2005	3,077	3,457	100%
2006	1,572	1,572	45%
2007	1,196	1,999	58%
2008	852	1,826	53%
Yr to Date Reported 12/09	302	302	9%

RETAIL IN PEORIA: AN OVERVIEW

The Absorption of Retail Space in Peoria

An old and reliable adage among retailers is that "stores follow roofs," so it may be expected that when an area has strong housing-related problems, retailing will also suffer. The developers we spoke to all mentioned that the absorption of new retail space in Peoria and the West Valley has slowed to a trickle. Retailers that follow housing growth have all but disappeared from the leasing scene.

A number of Peoria's new centers were cited as being in difficulty:

- Park West was seen as a troubled shopping center. GGP's attempt to widen its tenant base by attracting independent retail operators and education tenants is, in the Peoria context, innovative and may additionally make for a more interesting shopping environment, but it also suggests a current lack of interest among national chains.
- Several said that there was far too much new retail space in the four centers at the intersection of Lake Pleasant Road and Happy Valley Road. One estimated that two-thirds of the new retail space there could not be supported by current trade-area-consumer expenditures. Another cited the closing of a nearby Safeway and the postponement of a Walgreens, and claimed that many other retail chains there are doing far below expectations and more closings are probable.

The Amount of Space

According to the City of Peoria's calculations, in 2008 there were 7,093,562 sq ft in the city's existing retail inventory. Since then four centers with about 1,700,000 sq ft have been added, bringing the total to about 8,793,562 sq ft. The Census Bureau estimated Peoria's population in 2008 at 157,960. That translates into 55.6 sq ft of retail space per capita. A recent estimate by the International Council of Shopping Centers showed the comparable national figure to be about 46.6 sq ft per capita. In early 2010, Peoria was about 19.5% over the national average. ESRI estimates Peoria lost about 8,400 residents in 2009, so that would translate into an even higher per capita figure of 58.7 sq ft. that is 26% above the national average.

This space was basically distributed among 44 neighborhood and super-community/community centers. Among the latter are many power centers, which are usually dominated by discount department stores, warehouse clubs, or "category killers." (In the retail context, About.com defines "category killer" as "A large retail chain store that is dominant in its product category. This type of store generally offers an extensive selection of merchandise at prices so low that smaller stores cannot compete.") These retailers (e.g. Wal-Mart, Target, Lowe's, Home Depot, Best Buy, Office Depot, etc.) usually provide a value formula in which price plays an important and sometimes predominant role. These are the stores that are increasingly capturing the shopping dollars of middle-class America.

The household incomes in most of Peoria's retail drive sheds are solidly middle class. For example, the median household incomes in the 10-minute drive sheds of Park West and the Sports Complex are $59,626 and $67,456, respectively; that of the Phoenix Metro is $61,208. These households will have many deliberate consumers. In particular, they have a lot of retired people living on fixed incomes, and a lot of up-and-coming

families who are starting out with new homes, furnishings and cars, young children, and not much left in their budgets for discretionary expenditures.

One thing that could explain Peoria's high per capita rate is tourism, both transient and second-home owners. We lack data on that. However, Peoria's tourism does not seem to be anywhere near as strong as Scottsdale's, for instance, where developers report it has a very large impact on retail sales.

For a city of its size, Peoria certainly already has quite a lot of retail. Nevertheless, there still can be opportunities for new retailers to enter a crowded market and capture customers:

- Peoria's National Citizens Survey was completed in 2010 and found that 27% of the respondents rate retail shopping opportunities as fair and 8% as poor (as opposed to good or excellent). These folks are open to being won over by new retail entrants no matter how crowded the retail space situation may be.
- In non-recession conditions, many retail chains are quite willing to enter crowded markets, because they feel they are strong competitors and can win market share. Their prime concerns are usually how many of "their type customers" are in the market area and whether the new store will cannibalize the sales of any of their other stores.
- While the amount of space per capita is an indication of how crowded a market is, it does not say anything about the condition of that space or the competitive ability of the firms tenanting it. Peoria's retail space, both in general and for currently vacant space, runs the gamut from old, antiquated, and needing replacement, to new, modern, and attractive.

The West Valley's Reputation

Some claim that the West Valley has a pejorative reputation among some developers and many retail site selectors. But, as one developer recently summed up the situation, the current inventory shows that might be true for the specialty chains, but it certainly is not true for the big-box value retailers focused on the middle market. All that middle-market-oriented retail space suggests a definite strength. The question is: how can it be leveraged to achieve other retail development goals?

How Peoria's Citizens View Their Shopping Opportunities

In the National Citizens Survey, Peoria residents rated the retail shopping opportunities available to them favorably compared to about 240 other surveyed jurisdictions. Twenty-two percent of the respondents rated them excellent, while 43% rated them as good.

There were, however, some interesting statistically significant differences:

- Those north of Bell Road have higher evaluations than those to the south;
- Renters have higher evaluations than homeowners.

The Lack of Diverse Shopping Experiences

While there is strong, well-evidenced citizen satisfaction with the shopping opportunities accessible to Peoria's residents, our field visit found a lack of diversity in the shopping experiences available in Peoria. This lack of diversity may influence the nature of Peoria's long-term retail growth as well as impact its quality of life. For example, in Peoria's shopping centers, one gets the impression that the same retail chains are offering the same merchandise time and again. However, while Peoria may not have within its borders many specialty retailers, many are located just beyond the city limits in malls and strip centers and within easy travel times for Peoria's residents. This proximity and easy access may explain a good deal of citizen satisfaction with available shopping opportunities. Bell Road, a very powerful retail corridor, is a good example of this. Glendale's Arrowhead Towne Center is close to the Peoria city boundary, and is a very powerful regional mall with 1.2 million sq ft of space. It has such chains as Apple, Coach, Macy's, JC Penny, Aeropostale, Dick's Sporting Goods, Forever 21, Buckle, American Eagle, Clark's, etc. But a number of other shopping centers are also located within a two-mile section of Bell Road, as well as a number of what appear to be stand-alone establishments.

Most of the chains in this corridor will not locate another store within five to 10 miles. Other malls, often fairly large, are within a 15-to-20-minute drive of most parts of Peoria. **Westgate is developing to the southwest, and how it tenants up will impact the potentials for Park West, Old Town, and the Sports Complex**. **This is a major challenge for Peoria.**

Our recent field trip to Peoria additionally found monotony in shopping environments, which can also lead to dull, routinized shopping experiences. While the Phoenix metro area has shopping areas that are pedestrian-oriented and geared to stimulate informal entertainments—Kierland Commons, Desert Ridge, Tempe Marketplace, Scottsdale's Old Town and Westgate come to mind—none of Peoria's 44 shopping centers attempt to create such an environment. Most have a u-shape or a kind of archipelago-power-center design that is antithetical to pedestrian traffic, but favored by big box retailers because it brings their parking field up close to their doors. Some developers claim that folks in Arizona do not really want walkable shopping centers, especially after the May heat sets in, but then there is Kierland et al to counter that claim.

Kierland Commons, the developers interviewed all agreed, is an unusual success. It has a wide range of uncommon attributes that cannot be replicated easily in the West Valley:

- At its inception, lots of upscale retailers could not find space in the Scottsdale Fashion Square and were looking avidly for locations where they could enter the Scottsdale market area.
- The household incomes in the Scottsdale area are much higher than Peoria's.
- There are many luxury resorts nearby and very strong year-round tourist traffic in Scottsdale.
- There is a substantial daytime market, especially in the nearby business park by the airport.
- Even so, it took Kierland a number of years to catch on.

Peoria lacks a traditional downtown and traditional neighborhood retail nodes. Both of these types of shopping environments can have chain stores, but they also are hospitable to the development, nurturing, and growth of small independent operators, who often have distinctive and popular shops based on unique merchandise, high levels of customer service, and an attractive shop (both inside and out). Many successful downtowns have both national chains and independent merchants. The former frequently provide drawing power, while the latter provide uniqueness.

In other parts of the country (e.g., Texas, California, Oregon, Washington, Iowa, Illinois, Ohio, Pennsylvania, North Carolina, Virginia, New York, New Jersey, etc.) there are still significant numbers of small independent merchants. They often provide specialty shops that prove to be not only very popular, but also a community asset that residents brag about to others. Some examples:

- An old fashioned ice cream parlor that has been around for over 50 years and makes its own ice creams and whipped cream
- A fish store that draws from several neighboring communities and supplies over 40 restaurants
- A corset and lingerie shop that has been in business for several decades
- A shop that sells dresses for bridal parties
- A shop that hand-makes cigars
- A shop that makes it own candies, especially chocolates
- A furniture and cabinet maker
- A shop specializing in wooden toys for children
- A high-end women's clothing store that pampers, pampers, and pampers its clients

For photos see:
http://picasaweb.google.com/dmilder/ForPeoria?authkey=Gv1sRgCJuagYfJpcHHCQ#5454059726091972098

Urban Design

Pleasing architecture, great public spaces, and shopping center design can also enhance the shopping experience. One developer thought that Peoria's retailing would be more interesting if a well-conceived set of design standards were adopted that yielded more attractive shopping centers.

The designs observed during our field visit in Peoria showed no existing shopping center or district with a pedestrian focus. The car is completely king.

Years ago, when the first shopping malls were being invented by people such as Victor Gruen, the basic aim was to replicate a downtown's dense core of shops, all within easy walking distances of each other, but to situate that retail island in a sea of parking. Most of America's truly great malls, in terms of both repute and sales, still follow that formula.

The rationales for this formula are efficiency and convenience:

- Shoppers can quickly, easily, and safely access all the retail destinations they might want to shop in or browse on foot while only having to park their cars once.
- Retailers easily can share the customer traffic each attracted both individually and *en masse*.

But many of today's big-value retailers—the type found in Peoria—have neither the need nor the desire to share customer traffic with nearby retailers; hence, the type of shopping centers characteristic of Peoria.

In recent years, many of the most successful malls are of the "lifestyle" and "town center" varieties, such as Easton Center in Columbus (OH), The Grove in Los Angeles, CocoWalk in Coconut Grove (FL), and Kierland Commons in Scottsdale. These shopping malls all make well-activated public spaces, sites for people-watching and informal entertainments, prime features, and assets.

The Approvals Process in Tough Times

During the recent recession, some of the oldest and best developers spent their time and energy on gaining control of key properties at very reasonable prices and doing the planning and other preparative work for the new projects they want to start when the economy sufficiently recovers. They adhered to guidelines for handling tough times that their families have followed for generations.

There also are some general guidelines for dealing with economic downturns that are widely taught within the economic-development community. Together they constitute a strategic posture that should inform our focus and recommendations. These guidelines are:

- In tough times willing developers and tenant prospects are like manna from heaven; you must be sure to have a high "conversion rate" with them, getting as many as possible to sign the dotted line!
- Use tough times to assemble land for projects and to create the plans for developing them.
- A tough economy often provides the time to focus attention and resources on ameliorating key barriers to development and recruitment.

Regarding the conversion rate, the five local developers asked were unanimous in saying that Peoria's approvals process is too difficult and needs improvement, though a few thought that it was no worse than other cities in the valley. However, a majority did think that Peoria's process was more arduous and complicated than those in other towns. One developer complained that the city did not work with the developer; rejections were made without discussion, and it was impossible to talk things through with the city. Another mentioned that the grand opening of their project was delayed because an approval was rescinded out-of-the-blue by a second person, and took quite a length of time to correct.

But the strongest concerns about Peoria's approvals process were voiced by the three developers who are trying to attract small, independent business operators. These applicants usually lack any experience with the permit-approval process, and therefore may not know what permits they need or how to get them. These business operators often lack the legal support available to larger firms and may not be able to afford an

attorney. There were two reports from interviewed developers of it taking eight weeks for their tenants to get needed permits.

Barriers to Creating More Diverse and Interesting Shopping Experiences

There now are a number of formidable barriers to attracting more middle-market specialty stores to Peoria:

- As stated above, these stores are looking for far fewer locations and for far less space.
- Also as stated above, there are already many of them in shopping centers having trade areas that cover Peoria's residents.
- There are few if any places to put them; they generally do not mesh with the power centers so popular in Peoria.
- Local developers were almost unanimous in thinking that big-box power centers were the best way of providing retail to Peoria's middle class shoppers. It also may be that attracting the middle-market specialty retailers is tough enough that it increases their costs and risks.

In talking with the local developers, it became apparent that the critical path for quickly achieving this objective runs through them. Retail recruitment entails selling several things: physical space, an environment/location and market access. Without the space to sell, business recruitment is like little kids playing house. The developers provide the space, decide on the format of the project it is located in, and are heavily involved in recruiting the tenants.

Park West's perceived current difficulties are cited by other developers as proof that the specialty store and/or lifestyle-center formulas will not work, and are a vindication of their current shopping-center formats. Our analysis suggests that Park West's problems may be caused by other factors, such as:

- Strong competition from Westgate City Center, located just 2.4 miles away. It's a very strong entertainment-based lifestyle mall attached to a sports arena, football stadium, 20-screen cinema with an IMAX, many restaurants, and retailers such as Fossil, Puma, Sketchers, The Body Shop, etc.
- A relatively modest median household income in the important 10-minute drive shed: $59,626 (We would note here that while many of the same demographics pertain to Westgate City Center, the developer of this center is consciously attempting to create and/or capitalize on other traffic generators including the housing to be developed in the immediate vicinity, IMAX Theater, the sports complex, hotels and public spaces included in the center.)
- The recession-influenced inability to attract the necessary critical mass of well-respected specialty retailers
- Its lack of visibility from Route 101

The highly regarded Kierland Commons took some years to gain traction, and Park West should be given an equal length of time to succeed. Its success could help make local developers take a serious look at other shopping center formats. If Park West fails, it probably will be a lot harder to get another developer to try a lifestyle-like format any time soon in the city.

Developers and savvy brokers, like other people, will go with what works for them, what's easiest, and what they know best how to do. The challenge is to get them to entertain new ideas and to associate those ideas with viable profit potentials, maybe even getting them to make these ideas their own. This will require relationship-building with these developers and brokers. A high batting average is not required to produce significant results. And one or two successes can then "model" the behaviors of more of them.

RETAIL IN NORTHERN PEORIA

A Demographic Comparison of Five Retail-Entertainment Locations

To put the retail in northern Peoria in some perspective, a demographic and lifestyle segment analysis was done that looked at the 5-, 10-, and 20-minute drive sheds of Peoria's Sports/Entertainment District; Park West, Lake Pleasant Towne Center, Desert Ridge, and Kierland Commons. The results are presented in Tables 4-6, which refer to consumer groups defined and discussed in ESRI's Tapestry Segmentation system[2].

TABLE 4: Key Demographic Variables for Five Retail/Entertainment Centers: 5-Minute Drive Shed

Source: ESRI Business Analyst Online

Key Demographic Variables	83rd Ave. at Stadium Way	Park West	Lake Pleasant Towne Center	Desert Ridge Marketplace	Kierland Commons
2009 Total Population	36,549	35,519	3,379	25,577	12,921
2014 Total Population	40,039	40,045	4,317	30,031	13,624
2009-2014 Pop: Annual Growth Rate e	1.80	2.40	5.00	3.30	1.10
2009 Total Households	13,417	13,003	1,217	9,794	5,117
2014 Total Households	14,603	14,488	1,562	11,452	5,409
2009 Median Age	38.3	36.7	36.3	35.8	41.6
2009 Pop 25+ by Educ: Bach or Grad Deg	30.2%	17.5%	29.4%	41.2%	49.7%
2009 Per Capita Income	$35,053	$26,743	$39,048	$39,702	$45,693
2014 Per Capita Income	$36,361	$27,958	$40,578	$41,749	$47,771
2009-2014 PCI: Annual Growth Rate	0.70	0.90	0.80	1.00	0.90
2009 Median Household (HH) Income	$79,009	$63,968	$119,303	$84,296	$97,365
2009 Average HH Income	$93,993	$72,838	$124,955	$100,820	$115,324
2009 Aggregate HH Income	$1,261,100,498	$946,817,267	$151,820,814	$987,426,673	$589,999,254
2014 Aggregate HH Income	$1,455,859,702	$1,119,566,410	$175,189,164	$1,253,780,150	$650,819,743
2009 HHs w/Inc over $100,000	4,924	2,821	768	4,045	2,495
2009 % HHs w/Inc over $100,000	37%	22%	63%	41%	49%
2009 Owner Occupied HU	9,477	10,352	1,135	7,309	3,484
2009 Retail Goods - Total Expenditures	$436,007,966	$330,543,320	$51,793,482	$340,354,635	$202,222,277
Tapestry - Boomburbs	2,055	-	808	3,529	-
% Tapestry - Boomburbs	15.3%	0.0%	66.4%	36.0%	0.0%
Tapestry - Up & Coming Families	2,762	4,094	37	3,083	-
% Tapestry - Up & Coming Families	20.6%	31.5%	3.0%	31.5%	0.0%
Tapestry - Enterprising Professionals	-	403	-	1,780	2,326
% Tapestry - Enterprising Professionals	0.0%	3.1%	0.0%	18.2%	45.5%
Tapestry - Milk and Cookies	227	2,235	-	33	-
% Tapestry - Milk and Cookies	1.7%	17.2%	0.0%	0.3%	0.0%
Tapestry - The Elders	792	2,533	-	-	-
% Tapestry - The Elders	5.9%	19.5%	0.0%	0.0%	0.0%

[2] ESRI is a California-based international firm specializing in the application of Geographic Information Systems (GIS). ESRI's Tapestry Segmentation system is a geo-demographic market segmentation that classifies all U.S. neighborhoods into one of 12 LifeMode summary groups and 65 segments based on socioeconomic and demographic characteristics. Several of these segments pertain to Peoria, and are defined elsewhere in this report. Tapestry is widely used by retail developers and retailers to understand potential customer groups in an area. For detailed information on the Tapestry system, see http://www.esri.com/library/brochures/pdfs/tapestry-segmentation.pdf.

TABLE 5: Key Demographic Variables for Five Retail/Entertainment Centers: 10-Minute Drive Shed

Source: ESRI Business Analyst Online

Key Demographic Variables	83rd Ave. at Stadium Way	Park West	Lake Pleasant Towne Center	Desert Ridge Marketplace	Kierland Commons
2009 Total Population	254,864	292,629	38,037	243,509	118,786
2014 Total Population	276,474	324,397	47,545	264,345	126,137
2009-2014 Pop: Annual Growth Rate	1.60	2.10	4.60	1.70	1.20
2009 Total Households	98,827	102,002	14,317	94,802	47,776
2014 Total Households	106,619	112,592	17,701	102,796	50,778
2009 Median Age	41.3	33.4	39.1	36	40.7
2009 Pop 25+ by Educ: Bach or Grad Deg	26.1%	17.5%	27.1%	32.0%	47.4%
2009 Per Capita Income	$32,089	$23,893	$35,689	$33,195	$45,270
2014 Per Capita Income	$33,477	$24,844	$37,027	$35,038	$48,391
2009-2014 PCI: Annual Growth Rate	0.90	0.80	0.70	1.10	1.30
2009 Median Household (HH) Income	$67,456	$59,626	$81,316	$67,022	$86,803
2009 Average HH Income	$82,055	$68,360	$95,213	$85,047	$114,276
2009 Aggregate HH Income	$8,109,171,313	$6,972,469,498	$1,363,158,626	$8,062,636,075	$5,459,653,167
2014 Aggregate HH Income	$9,255,408,170	$8,059,330,714	$1,760,466,415	$9,262,244,822	$6,103,948,173
2009 HHs w/Inc over $100,000	28,223	19,254	5,515	27,221	20,851
2009 % HHs w/Inc over $100,000	29%	19%	39%	29%	44%
2009 Owner Occupied HU	77,892	71,895	12,852	61,955	32,289
2009 Retail Goods - Total Expenditures	$2,826,675,282	$2,440,393,607	$472,905,653	$2,791,656,011	$1,872,239,613
Tapestry - Boomburbs	11,389	2,414	3,538	7,356	3,414
% Tapestry - Boomburbs	11.5%	2.4%	24.7%	7.8%	7.1%
Tapestry - Up & Coming Families	16,622	25,973	6,457	6,359	697
% Tapestry - Up & Coming Families	16.8%	25.5%	45.1%	6.7%	1.5%
Tapestry - Enterprising Professionals	844	403	-	13,235	12,138
% Tapestry - Enterprising Professionals	0.9%	0.4%	0.0%	14.0%	25.4%
Tapestry - Milk and Cookies	12,969	13,342	-	17,242	1,354
% Tapestry - Milk and Cookies	13.1%	13.1%	0.0%	18.2%	2.8%
Tapestry - The Elders	26,334	15,827	3,245	216	-
% Tapestry - The Elders	26.6%	15.5%	22.7%	0.2%	0.0%

TABLE 6: Key Demographic Variables for Five Retail/Entertainment Centers: 20-Minute Drive Shed

Source: ESRI Business Analyst Online

Key Demographic Variables	83rd Ave. at Stadium Way	Park West	Lake Pleasant Towne Center	Desert Ridge Marketplace	Kierland Commons
2009 Total Population	1,127,037	1,372,039	294,007	1,147,040	589,662
2014 Total Population	1,238,769	1,526,992	331,892	1,226,033	629,946
2009-2014 Pop: Annual Growth Rate	1.90	2.20	2.50	1.30	1.30
2009 Total Households	409,101	462,137	120,379	446,676	243,215
2014 Total Households	447,226	512,305	134,005	476,173	259,363
2009 Median Age	34.4	32.3	44.4	36	38.5
2009 Pop 25+ by Educ: Bach or Grad Deg	21.0%	18.9%	27.3%	30.7%	36.5%
2009 Per Capita Income	$25,963	$22,826	$34,237	$32,645	$37,972
2014 Per Capita Income	$27,067	$23,898	$35,824	$34,528	$40,292
2009-2014 PCI: Annual Growth Rate	0.80	0.90	0.90	1.10	1.20
2009 Median Household (HH) Income	$59,928	$55,180	$66,699	$62,612	$67,218
2009 Average HH Income	$71,203	$66,828	$83,243	$83,394	$91,786
2009 Aggregate HH Income	$29,128,519,458	$30,882,980,619	$10,020,693,213	$37,249,809,520	$22,323,755,754
2014 Aggregate HH Income	$33,529,859,778	$36,491,757,635	$11,889,605,595	$42,331,981,026	$25,381,810,305
2009 HHs w/Inc over $100,000	83,795	82,857	35,441	119,283	73,469
2009 % HHs w/Inc over $100,000	20%	18%	29%	27%	30%
2009 Owner Occupied HU	278,408	302,109	98,069	269,870	157,258
2009 Retail Goods - Total Expenditures	$10,168,580,246	$10,801,180,700	$3,502,182,586	$12,866,980,235	$7,711,118,277
Tapestry - Boomburbs	14,538	13,721	22,359	24,622	11,302
% Tapestry - Boomburbs	3.6%	3.0%	18.6%	5.5%	4.6%
Tapestry – Up & Coming Families	64,952	62,790	19,676	24,764	12,458
% Tapestry - Up & Coming Families	15.9%	13.6%	16.3%	5.5%	5.1%
Tapestry - Enterprising Professionals	8,656	1,234	831	25,197	24,683
% Tapestry - Enterprising Professionals	2.1%	0.3%	0.7%	5.6%	10.1%
Tapestry - Milk and Cookies	52,131	46,058	3,791	34,995	20,868
% Tapestry - Milk and Cookies	12.7%	10.0%	3.1%	7.8%	8.6%
Tapestry - The Elders	45,639	36,408	42,603	5,536	2,928
% Tapestry - The Elders	11.2%	7.9%	35.4%	1.2%	1.2%

Given the current economic situation, it is best to be prudent and look at the data for 2009 (and 2010 as they become available) rather than any very uncertain projections/forecasts for 2014 and beyond.

The data for the Lake Pleasant Towne Center (LPTC) drive shed confirm what many developers said: the retail market for the centers at this intersection is still "immature," in the sense that it is small and hasn't reached its population-growth potential. See Tables 4 through 6. So while it has the highest 2009 median and average household incomes of the five-minute sheds and the second highest to Kierland in the 10-and 20-minute sheds, **northern Peoria lags badly behind all the others on the total number of households, the number of households in the $100k+ category, and in aggregate retail spending**. **This intersection does not have a strong tourist trade or daytime population, and certainly is not benefiting from any frustrated, upscale-retailer space demand**. Many of these demographics will probably change when the economy rebounds and population growth returns to the area, but **for the next five+ years the northern sector of Peoria does not look like a viable location for retailers.** There is a lot of available space yet to be absorbed and the consumer market remains immature.

With a rebounding economy and a return to in-migration and population growth, the opening of Loop 303 can have its full impact. A completed Loop 303 would then very likely attract strong, proximate residential growth, and with that, developers and commercial retailers will be likely to follow. **However, the start and rapidity of development in this area is dependent on a number of factors, including: provision of necessary utilities, securing the land from the Arizona State Land Department, a rebound in the economy, and population growth with significant disposable income to support new retailers.**

Lifestyle Analysis

The type of retail to emerge in Northern Peoria will be heavily influenced by the density of the residential growth and the income levels and lifestyles of the occupants of those new units. The type of housing developed in new areas associated with the completion of the Loop 303 will have a direct impact on the type of retailing that decides to locate there.

Our lifestyle analysis revealed that while the household incomes are indeed relatively high in Northern Peoria, the mix of lifestyle segments living in the drive sheds surrounding the shopping centers at Lake Pleasant Road and Happy Valley Road differ substantially from those in the sheds for Desert Ridge and especially Kierland Commons. The biggest difference is in the group of lifestyle segments that ESRI's Community Tapestry Handbook terms "Upscale Avenues." (See Exhibit A for a definition of the Community Tapestry Segment definitions.) For example, while 41.7% of the households in Kierland's 10-minute shed and 24.4% of those in Desert Ridge's shed fall into this life-mode group, the total for the Lake Pleasant shed is 0% (see Table 7).

TABLE 7: Major Lifestyle Segments in 10-Minute Sheds:
Kierland Commons, Desert Ridge, and Lake Pleasant at Happy Valley
Source: Community Tapestry reports from ESRI Business Analyst

		PERCENTS		
Tapestry Segment	**LifeMode Group**	**Kierland 10-Min. Shed**	**Desert Ridge 10-Min. Shed**	**Lake Pleasant/ Happy Valley 10-Min Shed**
Suburban Splendor	High Society	12.7%	2.9%	5.1%
Exurbanites	High Society	11.8%	3.5%	0.0%
Boomburbs	High Society	7.1%	7.8%	24.7%
Sophisticated Squires	High Society	5.9%	3.6%	2.3%
Connoisseurs	High Society	5.5%	0.0%	0.0%
Top Rung	High Society	2.9%	0.7%	0.0%
	Sub total	***45.9%***	***18.5%***	***32.2%***
Enterprising Professionals	Upscale Avenues	25.4%	14.0	0.0
Urban Chic	Upscale Avenues	11.0	4.2	0.0
In Style	Upscale Avenues	5.2	6.2	0.0
	Sub total	***41.7***	***24.4***	***0.0***

TABLE CONTINUES NEXT PAGE

TABLE 7 *(continued)*: Major Lifestyle Segments in 10-Minute Sheds: Kierland Commons, Desert Ridge, and Lake Pleasant at Happy Valley
Source: Community Tapestry reports from ESRI Business Analyst

		PERCENTS		
Tapestry Segment	**LifeMode Group**	**Kierland 10-Min. Shed**	**Desert Ridge 10-Min. Shed**	**Lake Pleasant/ Happy Valley 10-Min Shed**
Aspiring Young Families	High Hopes	1.8	4.6	0.0
The Elders	Senior Styles	0.0	0.2	22.7
Retirement Communities	Senior Styles	1.0	2.2	0.0
Silver & Gold	Senior Styles	0.9	0.0	0.1
	Sub total	***1.9***	***2.4***	***22.8***
Milk and Cookies	Family Portrait	2.8	18.2	0.0
Up and Coming Families	Family Portrait	1.5	6.7	45.1
	Sub total	***4.3***	***24.9***	***45.1***
Cozy & Comfortable	Suburban Periphery	0.0	3.3	0.0
Crossroads	Small Towns	0.0	4.4	0.0
Inner City Tenants	Metro Cities II	0.0	3.0	0.0
Young & Restless	Metro Cities II	0.3	6.1	0.0
	Sub total	***0.3***	***9.1***	***0.0***
Trendsetters	Solo Acts	3.2	0.0	0.0
	TOTAL	***99.1***	***91.6***	***100.1***

Within this group of lifestyle segments there is one critical asset for upscale retailing that Kierland Commons and to a lesser degree Desert Ridge have, but is absent in the Peoria locations, including those in the north: a significant number of "Enterprising Professionals" in the five- and 10-minute drive sheds (See Tables 4 to 7). In many parts of the nation, developers and brokers refer to these mostly young professionals as "Walking Wallets," because they have a lot of discretionary money to spend and they eagerly spend it. They have well paying, if not the highest paying jobs. But they have not yet "nested," so they rent and do not have high mortgage payments or the high medical, education tuition and fees, or childcare bills to pay. In many cities these young professionals have energized and popularized their downtowns and pioneered neighborhood revitalization. In the five-minute sheds, 45% of Kierland's households are young professionals and about 18% of Desert Ridge's, while LPTC has none. In the 10-minute sheds, 25% of Kierland's households are young professionals, as are about 14% of Desert Ridge's; again, Lake Pleasant's shed has 0%.

As demographic and urban development experts as diverse as Richard Florida and Joel Kotkin have noted, "Enterprising Professionals" tend to decide where they want to live based on an area's ability to provide the cultural, social, and physical environment that will allow them to have the quality of life they are looking for. They decide where to live and then look for employment nearby. Knowledge-based firms then often look to locate where the young professionals like to live. "Enterprising Professionals" are frequently employed in management, finance, computer, sales and office/administrative support positions. They move frequently to find growth opportunities and better jobs. They love to travel and enjoy visiting theme parks, networking, socializing, jogging, swimming, and video gaming.

The lifestyle analysis also showed that in the LPTC's 10- and 20-minute drive sheds, 67% and 51% of the households, respectively, are either "Up-and-Coming Families" or "The Elders"—market segments that comprise miniscule or small proportions of Kierland's and Desert Ridge's sheds. Though of a similar age to the Enterprising Professionals, the Up-and-Comers' lifestyles are quite different. They make very good salaries, but they recently have nested and started their families. With new mortgage payments, the costs of furnishing a home, and the additional costs of having and raising children, few dollars are left for discretionary purchases. These families were strong deliberate consumers even before our Great Recession. They are more so today. (See Tables 5 to 7).

The Elders are retired people. Though some may have relatively high incomes, most of their household incomes are fixed and constrained. They have long had deliberate consumer behaviors that the recent recession reinforced.

These two market segments, which dominate Northern Peoria's current drive sheds, also are not the aspirational, "trading up" type of consumer that frequents upscale stores. Their dominance of the drive sheds diminishes the attractiveness of locations in the sheds for upscale retailers.

Northern Peoria's lifestyle segments also differ significantly in the composition of the wealthiest life-mode group, "High Society." This group accounts for 45.9% of Kierland's households in the 10-minute shed, versus 32.2% in the comparable Lake Pleasant shed. Within this life-mode group, the Kierland shed has households in six market segments, the largest of which–"Suburban Splendor"–accounts for 12.7%. In contrast, the Lake Pleasant shed has only three market segments in this High Society group, and one—"Boomburbs"—dominates with 24.7% of the households.

Boomburbs are dual-income households, between 35 and 44 years of age, usually with children and very time-pressured. Their net worth is usually lower than implied by their household incomes. Nevertheless, according to the ESRI Community Tapestry Handbook, Boomburbs "represent the top market for home built-ins and recent purchases of everything from household furnishings, baby furniture, and equipment to cars and camcorders." They also have a lot of demand for sport utility vehicles, lawn care, new trees, and casual apparel. They like sports and are likely to do their food shopping at upscale grocery stores. They are also technically savvy and their children are a top market for video games and PC use."

Recent research by Nielsen-Claritas, the demographic and marketing data firm, and a number of other firms have found that people in households with attributes similar to the Boomburbs have responded to the recession by becoming more concerned about their future financial security and more cautious in their spending and use of credit. It is expected that with the high incomes, their consumer spending will increase as the economy recovers, but it is doubtful they will return to prior high levels. **Once again, this is not a group that will strongly support upscale retailers.**

If Northern Peoria is to attract more upscale retailing in the future, it must not only attract a lot more Boomburbs, but also a lot more new residents in the other High Society market segments, and a substantial number of young professionals. These market segments will be highly driven by quality-of-life amenities. These amenities may be cultural venues such as museums and theaters, attractive parks and well-activated public spaces, quality restaurants and watering holes, unique retailing that offers intriguing, fashionable assortments, and high levels of service. **For many, tract housing will be out of the question, preferring instead planned communities, town houses, high-end rentals, condominiums, etc.**

It should be noted, however, that a more diversified, middle-market shopping environment could be supported by the lifestyle segments now being attracted to this area. Big-box value retailers do go to centers with lots of middle-market retailers. One example is CityPlace in Long Beach, CA. It has over 475,000 sq ft of "promotional and neighborhood retail uses" and over 300 residential units. It has city streets around and through the project, and effectively incorporated both residential and retail uses into an urban village. Its pedestrian-friendly environment has a number of plazas and walkways. Retail tenants include Nordstrom Rack, Wal-Mart, Ross, Payless, other major chains and many independents. Desert Ridge is another example. It is anchored by Target and Kohl's, has an AMC theater with an IMAX screen, an activated public space, and many specialty retailers.

How Many Do We Need?

Trying to determine how much residential density would be needed around the new Loop 303 segment to support a new upscale mall is a difficult task, because there are so many variables to consider, many of which can only be answered by a developer. Also, it is essential to recognize that the number and nature of households in a site's trade area is just one consumer market in the decision equation. As with Kierland Commons, The Grove in L.A., and many similar shopping centers, tourists and people employed in the area can also be of considerable significance.

Table 8 on the following page displays a "dimensioning exercise" that does not attempt to generate any definitive numbers, but does try to facilitate some insights about the magnitudes of the variables involved.

The first part of the exercise displays the number of households in the five-, 10-, and 20-minute sheds of LPTC, Desert Ridge, and Kierland Commons. Some relevant observations:

- The total number of households in LPTC's 20-minute shed is about half that of Kierland Commons and about a quarter of Desert Ridge's
- The closer to the LPTC, the greater the disparity in density: e.g., in the 20-minute sheds LPTC has 49.5% of Kierland's household density, 30% in the 10-minute shed, and just 23.8% in the five-minute shed.
- To be comparable to Kierland Commons today in the five- and 10-minute sheds, LPTC would need respectively 4.2 and 3.3 times the numbers of current households.
- But Kierland was born in 2000, when its sheds probably had smaller populations by about 20%.

Looking at possible new sites on Loop 303:

- The actions of the City of Peoria will have the biggest impact on the five- and 10-minute sheds, since all or substantial parts of them will be within its jurisdiction.
- Using Kierland as a "comparable" suggests that somewhere around 4,000 households in the five-minute shed and about 38,000 in the 10-minute would be required
- Using Desert Ridge for comparison suggests that about 7,800 households would be needed in the five-minute shed and around 76,000 in the 10-minute shed.

The second part of the dimensioning exercise shows how many households would be needed to support malls of various sizes and sales per square foot based on the following assumptions:

- Households have average incomes of $110,000. This is essentially the anticipated average household income for 2020. This would give time for an economic recovery and population growth to occur. This was based on the current average in the 10-mile shed. A compounded growth rate of 1.5% was added for 10-year period. These values are postulated for heuristic reasons, not projections or forecasts.
- According to the most recent consumer expenditure survey done by the Bureau of Labor Statistics in 2008, annual GAFO-related expenditures are about $9,400 for the $100,000 to $119,999 household income category.
- A mall would have a 10% capture rate. This is widely accepted as a prudent capture rate.
- There will be few if any sales from tourists or daytime populations. There is no reason to postulate otherwise at this time.

TABLE 8: A Dimensioning Exercise: The Number of Households Needed to Support an Upscale Shopping Center

Sources: * Bureau of Labor Statistics; **ESRI; ***London Group Report

Current Drive-Shed-Household Numbers**		5-mile shed	10-mile shed	20-mile shed
	Lake Pleasant at Happy Valley	1,217	14,317	120,379
	% Kierland shed	23.8%	30.0%	49.5%
	% of Desert Ridge Shed	12.4%	15.1%	26.9%
	Desert Ridge Marketplace	9,794	94,802	446,676
	Kierland Commons	5,117	47,776	243,215
2009 Lake Pleasant-Happy Valley Avg HH Income**			$95,213	$83,243
Estimated Shopping Center Sales Peoria Area:*			$242/Sq Ft	
	Mall Sales per Square Foot			
	$300	$500	$700	$900
Mall Size: Sq Ft	**Number of Households Needed to Support Mall**			
250,000	79,787	132,979	186,170	239,362
320,000	102,128	170,213	238,298	306,383
500,000	159,574	265,957	372,340	478,723
750,000	239,362	398,936	558,511	718,085
1,000,000	319,149	531,915	744,681	957,447
1,250,000	398,936	664,894	930,851	1,196,809

Assumptions:
1. Households have average incomes of $110,000
2. Annual GAFO related expenditures are about $9,400*
3. Mall would have a 10% capture rate
4. Few if any sales from tourists or daytime populations

The cells in Table 8 were filled in according to the following equation:

(((sales/sf*mall size)/HH retail expenditures)/capture rate)

The cell values can be easily changed by altering those for any of the variables. For example, a 20% capture rate could be used, or a different household expenditure rate.

Kierland Commons has a reported GLA of 320,000 sq ft. Desert Ridge has about 1.2 million sq ft.

It is doubtful that a developer would be interested in building an upscale mall with anticipated sales of just $300/ sq. ft. While the actual sales per square foot threshold that would be of interest to most higher end retail developers depends on many variables including land price, operating costs and customer demographics, our experience elsewhere suggests a minimum of $500/sf. ft. is a good guideline. Mall sales of $900/sq ft would be in the top 10% nationally.

THE SPORTS-ENTERTAINMENT DISTRICT

Though far too dispersed and not really a walkable area, this district already has several significant, year-round entertainment assets, proximity to significant flows of potential customer traffic, and trade-area market segments that are looking for sports-entertainment functions.

The Sports/Entertainment District's Current Assets

These assets exist now and do not depend on future development. In tough economic times, it is important to understand these assets and then leverage them as fully as possible.

- A really large restaurant cluster composed mostly of well-known chains. These restaurants report doing well in the fall and especially the winter seasons as well as during spring training. Summer brings a substantial fall-off in customer traffic. These restaurants draw a lot of people.
- A movie theater with 18 screens. Extrapolating from national data, this cinema can be expected to sell between 557,296 to 681,139 tickets annually.
- A legitimate theater
- Four hotels with 389 rooms located within an 11-to-13-minute walk of the Sports Complex; four more hotels with another 348 rooms within a three-to-six-minute drive. Smith Travel Research reported an occupancy rate of 61.7% in 2008. Assuming an average of 1.5 persons staying in each occupied room, the estimated average number of visitors staying at these eight hotels each day is 682. The estimated annual total is 248,930 hotel guest days. If they averaged $50/day for food, that would total about $12.4 million in demand. Regarding hotel guests, it is useful to keep in mind the "Four Times Rule:" tourists need things to do for four times as long as it takes them to travel.

In addition, this commercial area has the baseball fields and their strong seasonal drawing power during MLB's two-month spring training period. The Cactus League games reportedly have an attendance of 200,000+.

Polar Ice also draws numerous skaters almost year round.

The district is located in a very active commercial area. West Bell Road between 83rd and 87th Avenues, about 0.4 miles away, had an Average Daily Traffic (ADT) of about 69,000 vehicles in 2008, while East Bell carried about 35,000 vehicles per day; the nearby Route 101 south and north of Bell Avenue carries 112,000 - 120,700 vehicles a day; 83rd Avenue between Bell Road and Greenway Avenue had an ADT of 18,202 vehicles in 2008 and 21,051 in 2007. The high amount of traffic on 83rd Avenue in the district provides a desirable level of potential customers for merchants there. Not only will depressing 83rd Avenue only marginally improve walkability, it will also decrease the visual connection between establishments and potential customers in vehicles. Part of what merchants pay for in their rent is visibility; depressing 83rd Avenue will reduce this for the merchants in the immediate vicinity.

East Bell Road is a prime shopping strip. West Bell Road has a very large cluster of automobile dealerships that not only brings in shoppers looking for new cars, but also owners who need maintenance or repair work done and who often are looking for something diverting to do while they wait for their cars to be serviced.

Within a 1.5-mile drive of 83rd Ave and Stadium Drive are six shopping centers totaling over 1.8 million sq. ft. of space and estimated annual sales of over $500 million. These centers draw a lot of consumers into the area, with many of them probably already patronizing the Sports/Entertainment District's restaurants and cinema. Can more bites be taken from this apple?

Within the Sports/Entertainment Complex's 10-minute drive shed in 2009, there were an estimated 28,223 households with annual incomes of $100,000 or more. While they constitute about 27% of the drive shed's households, they probably accounted for over 50% of the total expenditures made for entertainment fees and admissions by all drive-shed households. In 2008 they had an estimated $165 million in entertainment-related expenditures, with about $49.7 million going for fees and admissions (see Table 9). They are and will be a prime target-market segment for businesses located in the Sports/Entertainment District. They also spend a lot on entertainment-related merchandise like pet clothing, equipment and products related to hobbies, playground-type equipment, and audio and visual equipment. While national attendance at museums, concert halls, plays, etc. has declined, individuals from higher-income households and the well educated remain among the strongest attendees.

TABLE 9: Estimated Annual Entertainment Expenditures of Households with $100,000+ Incomes: Sports/Entertainment District's 10-Minute Drive Shed

Source: Bureau of Labor Statistics, ESRI, and DANTH, Inc.

Expenditure Category	Per HH in USA -2008	Estimated Annual Expenditures by $100+k HHs within 10-min drive of the Sports Complex
Entertainment	$ 5,869	$ 165,640,787
Fees and admissions	$ 1,761	$ 49,700,703
Audio and visual equipment and services	$ 1,756	$ 49,559,588
Pets, toys, hobbies, and playground equipment	$ 1,523	$ 42,983,629
Other entertainment supplies, equipment, and services	$ 829	$ 23,396,867

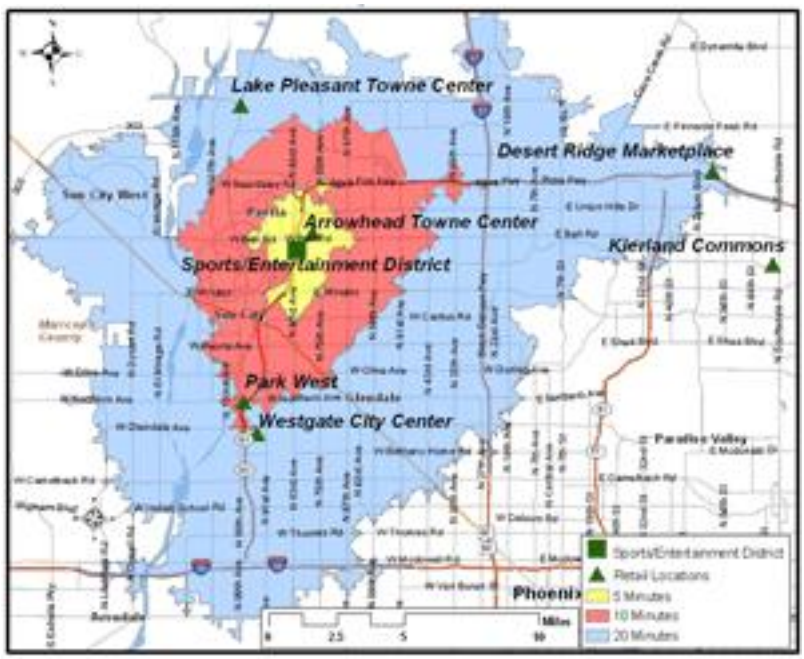
Almost 259,000 people live within the 10-minute drive shed of the Complex. They had a median household income in 2009 estimated at $67,456 (Phoenix Metro = $61,208) and they had total retail expenditures in 2009 of about $2.8 billion. In the larger 20-minute shed, the estimated population in 2009 was 1,127.037, equivalent to the entire population of San Diego, CA. Their median household income was $59,928, with total retail expenditures of over $ 10.1 billion. See Tables 5 and 6.

Drive-Shed Analyses

As can be seen in Figure 1 below, there is a lot of actual and potential competition within and near the Sports/Entertainment District's drive sheds:

- While the Arrowhead Towne Center and the many other shopping centers along East Bell Road help generate potential customers for the district's entertainment functions, they conversely constrain its current potential to grow as a retail location.
- Westgate City Center, about ten minutes away, is a very strong sports/entertainment mall which combines proximity to a professional football team stadium with a pro hockey sports arena, a 20-screen, 4,000-seat cinema that also has an IMAX screen, a pedestrian-friendly WaterDance Plaza surrounded by eateries, and a family-friendly Fountain Park. Added to this are nearby hotels and residential housing. At the core of Westgate is a very walkable plaza that makes it easy to quickly access any of its attractions.
- At the edge of the district's 20-minute drive shed is the 1.2 million sq ft Desert Ridge Marketplace. It has, in addition to strong retail, an 18-screen AMC cinema with an IMAX and a Dave & Buster's.
- Kierland Commons, the metro area's premier lifestyle mall, is beyond the 20-minute shed, but close enough that it draws many shoppers from it.

FIGURE 1: Map of Sports/Entertainment District's 5-, 10-, & 15-Minute Drive Sheds



Sports and Leisure Activities of the Sports Complex/Entertainment District's Drive-Shed Residents

Exhibit B-1 in the appendix displays how many residents in the Sports/Entertainment District's 10- and 20-minute drive sheds are likely to engage in more than 190 sports and leisure activities. The list of behaviors has been sorted for each shed by the number of people expected to engage in each of them. The Market Potential Index (MPI) scores indicate where these participation rates stand to the national average of 100. These estimates were generated by ESRI Business Analyst based on usage data collected by Mediamark Research & Intelligence LLC. in a nationally representative survey of U.S. households.

Ignoring items related to functions already in-place within the district (e.g., a cinema, an ice skating rink, and a theater), the following items that offer potential were selected based on the number of people that participate, the MPI score and the ability to associate it with some possible District project or event:

- **Theme Park Visits:** An estimated 48,812 persons in the 10-minute shed visited a theme park in the past 12 months; 202,286 in the 20-minute shed did so. Their respective MPIs were 122 and 110.
- **Museum Visits:** 30,508 persons in the 10-minute shed and 105,226 in the 20-minute shed visited a museum in the last 12 months. Respective MPIs were 128 and 105. Is there a local museum looking for a new location?
- **Participated in Golf:** An estimated 27,432 and 110,688 persons in the 10- and 20-minute sheds engaged in the activity in the past year. The respective MPIs were 137 and 109. Discovery Green Park in Houston has a putting green, and a miniature golf course was built on part of a municipal parking lot in the Bayonne Town Center (NJ).
- **Bowling:** ESRI estimates that 24,019 persons in the 10-minute shed and 97,696 in the 20-minute shed bowled over the past year. MPIs were 114 and 110 respectively. Could the district be the location for a bowling alley? Bryant Park in Manhattan has a Pétanque (a form of boules) playing field that is basically just a bed of gravel. It could be installed as a temporary feature in a parking lot.
- **Video Games:** It is estimated that 24,436 persons in the 10-minute shed and 107,144 in the 20-minute shed played video games over the last 12 months. Respective MPIs were 107 and 111. This behavior fits with video game arcades and eateries featuring video games

- **Auto Show:** An estimated 17,138 persons in the 10-minute shed attended an auto show (MPI 106) over the past year. In the 20-minute shed the number was 71,345 with an MPI of 105. District parking lots could be venues for antique car shows, etc.
- **NASCAR:** NASCAR racing drew an estimated attendance of 14,220 from residents of the 10-minute shed (MPI 116) and 58,345 from the 20-minute shed (MPI 113). Auto show, car racing?
- **Bar/nightclub:** An estimated 35,029 went to a bar or nightclub in last 12 months in the 10-minute and 154,021 went in the 20-minute shed. MPIs were 97 and 102 respectively.

Household Recreation Expenditures in the Entertainment District's Drive Sheds

Household recreation expenditures can be quite substantial (see Exhibit B-2 in the Appendix). For example, the expenditures in 2009 in the five-, 10-, and 20-minute sheds for admissions to the category "movies, theater, opera, and ballet" were $2,785,134, $17,368,917, and $64,023,372, respectively. For sporting events and trips, the expenditures in the sheds were $1,106,203, $14,504,708, and $47,899,350.

The Spending Potential Index (SPI) indicates how these expenditure levels related to the national average, for which the SPI equals 100. The SPIs generally decline as the shed areas get larger.

Some items that stand out positively are:

- Fees for participant sports: could opportunities for engaging in sports be developed in the district? If the public could watch, it would also generate entertainment-drawing power.
- Fees for recreational lessons
- Fees for civic/recreational clubs. Are clubs looking for space, as the Shooting & Gun Club of Peoria has been? Or model railroaders? Model-plane flyers? Model-car racers?
- Expenditures on bicycles
- Expenditures on toys and playground equipment

Expenditures for playing arcade pinball/video games are comparatively low in each of the three sheds: $41,343, $248,087, and $1,006,369. The SPIs are also not impressive in the 10- and 20-minute sheds: 93 and 91.

Lack of Central Management

Many opportunities to promote and strengthen the district are being lost because it lacks central management. The City is now working with the Chamber of Commerce on a number of projects in the district:

- Physical improvements (signage, key intersections, hardscape and landscape)
- Identity creation
- District promotion
- Events to increase foot traffic (Peoria Spring Festival).

This is a strong step in the right direction. However, chambers of commerce usually have citywide perspectives, while the district has many needs and potentials that would be best addressed by an adequately funded and staffed organization focused just on the Sports/Entertainment District.

Such an organization would be able to take advantage of a many promotional and marketing opportunities. For example, Peoria has a very strong cluster of automobile dealers along West Bell, just minutes away from the Sports/ Entertainment District. Many other areas of the country have similar clusters, and we have frequently seen in such clusters many people take their cars to the dealers for maintenance, especially women, walk a few blocks to dine in nearby restaurants and frequent local shops while they wait for their car repairs to be completed. It is very likely that the Bell Road auto dealers have a lot of maintenance customers who are also looking for diversions. Some kind of transportation would be required to link the Bell Road auto-dealership customers with the Sports/Entertainment District restaurants, etc.

Many communities have antique car shows that are sponsored by local auto dealers and restaurants. The large, often under-utilized parking lots in the Peoria Sports/Entertainment District could provide an appropriate venue for such an event.

For most of the year, the district's large under-utilized parking lots also can be used for a wide range of other events such as:

- Farmers Markets (perhaps taking advantage of the proximity of the well-known McClendon Farms)
- Up-scale multi-vendor site for model car racing
- A site for model plane flying
- Crafts fairs
- Outdoor art exhibits
- A district organization could also take on broader marketing and business recruitment functions as demonstrated by Business Improvement Districts in Phoenix and Mesa as well as across the nation.

FIGURE 2: A Farmers Market in a Maplewood, NJ Municipal Parking Lot

FIGURE 3: Millennium Park, Chicago

The Lack of Vibrant Public Space as a District Focal Point

As noted above, many successful shopping malls feature attractive public spaces that facilitate and stimulate informal entertainments. These serve as the focal points of these centers and a central component of the image they project and sell.

Across the nation in communities large (e.g., Chicago, IL, Houston, TX, midtown Manhattan) and small, public parks have become key venues for informal entertainments and sparks for substantial economic growth on surrounding properties.

While "formal" entertainment facilities such as concert halls, legitimate theaters, movie theaters, sports stadiums, and arenas can generate significant economic benefits and make towns more attractive to residents, visitors, and workers, they are often expensive to build and all too often they are closed or have no event.

In addition, data from the U.S. Bureau of Labor Statistics indicate that most American households began reducing their expenditures for formal entertainments even before the current economic downturn. Furthermore, research published in the *Leisure* e-newsletter indicates that time-pressed families are increasingly looking for entertainment opportunities that last only about 45 minutes rather than the two to four hours usually demanded by formal entertainments.

FIGURE 4: Carousel in Mitchell Park, Greenport, NY

FIGURE 5: Kierland Commons – In the Morning

Great public spaces provide opportunities for people to engage in activities that they enjoy and that also interest and amuse nearby people-watchers. Think of the ice skaters drawing the ever-present crowds above

the rink in Rockefeller Center. Similarly, in Manhattan's Bryant Park, lounging patrons watch chess players, as well as each other. In much smaller communities we have seen wonderful public spaces with activities such as carousels where people can watch their children and the activities around them. Other towns have fostered entertainment with facilities such as:

- Model-boat ponds
- Children's pony rides
- Tables where people can play chess, checkers, or dominoes
- Wi-Fi hotspots to access and cruise the Internet on laptops
- Places to catch the sun: a favorite pastime for office workers and young tourists in the spring and summer
- Places to buy food and eat lunch alfresco
- Outdoor cafes for sipping coffee and eating snacks
- Slot-car racing for kids
- Water sprays or wading pools for children
- Interactive art installations that capture and play with people's images, make music, or move

Many successful shopping centers, such as Kierland Commons and Westgate City Center, have incorporated public spaces that encourage such activities.

Visitors will "perform" if the opportunities are there. Informal entertainments are usually public and usually priced right—either free or, when there are fees (e.g., to ride a carousel), affordable. They are also "sticky" activities, i.e. activities from which retailers can feed off the traffic brought in by the informal entertainments. Informal entertainments are also more likely to be available when the public would want to use them, as opposed to theaters, concert halls, etc. that are scheduled. Most often they are senior- and child-friendly—therefore parent-friendly, too.

Such public spaces also can have substantial economic impacts. Discovery Green in Houston has generated new investment in surrounding properties equal to seven times its cost and attracted one million visitors in its first 18 months of operation. Discovery Green is a 12-acre park that includes a 1-acre lake, children's playground, interactive water features, an amphitheater stage and slope, public art works, dog runs, and other features.

An Ernst & Young study showed that Bryant Park in midtown Manhattan has resulted in office rents double or triple those of comparables outside the district. In Greenport, NY, Mitchell Park sparked the construction of an adjacent 34-room hotel and a strong upgrading of the facades and quality of the retail operations along Front Street which it abuts.

These public spaces both add entertainment functions to a district and can become an important component of its identity.

OLD TOWN

The Vision

According to the Draft Revitalization Plan, the vision for Old Town Peoria is:

- "A distinct area that is uniquely defined by its charm and sense of place and differs in purpose and in atmosphere from any other place in the City and region."
- "A pedestrian-friendly destination with an integrated mix of land uses (civic, retail, office, residential, and cultural) woven together by attractive and cohesive street improvements."

Key Development Assets

Old Town's current assets that appear best able to be leveraged into future retail growth are:

- The vehicle traffic brought in along Grand Avenue (Rte 60), 16,600 to 19,700 ADT, and Peoria Avenue, 16,017 to 21,404 ADT.
- Peoria Place, a 126-acre cleared development site adjacent to the City's municipal complex. It is hoped that the site can attract a major college or university. This would bring a substantial number of students, faculty, staff, and visitors into the district. In turn, they would bring a significant amount of spending potential to local merchants for retail and entertainment goods and services. (See the analysis below.)
- The municipal complex attracts a steady flow of citizens to its offices, library, and courts, and has a workforce on site.

A station on a commuter-rail line is another very important expected asset for Old Town. The Valley Metro system already links Phoenix, Mesa, and Tempe. In many other parts of the nation, commuter rail has sparked redevelopment. It has happen all over New York, New Jersey, Illinois, and places in California: and it's catching on in car-oriented cities such as Columbus, OH and Charlotte, NC. In many other communities, new stations or enhanced direct service to the regional core has stimulated dense residential development close to the station and increased the prices for homes in the community, especially those within a half-mile's walking distance of the station.

Nonetheless, despite these assets, Old Town is in need of significant visual, functional, and economic revitalization.

The Importance of Walking in Leveraging District Assets

One important thing shared by big-box retailers like Wal-Mart, traditional department stores, most shopping malls, and successful downtowns and neighborhood commercial centers is the concentration of offerings and functions in a relatively compact area that is easily covered on foot. This proximity and walkability stimulates multi-purpose trips and the purchasing of multiple items. Sometimes this compactness is in a district, sometimes it is within a single large store, but the basic principle is the same. It is not an "urban" principle; rather it's an important axiom that many savvy retailers readily follow.

Pedestrian activity in commercial centers is affected by a number of factors, including:

- The magnetism of the destination
- The distance to the destination
- How interesting, easy to walk, and safe the route is perceived to be by the pedestrian.

A dense, compact, multi-functional commercial area concentrates people, gives them more activities in which to easily engage, shortens distances between pedestrian destinations, and consequently, heightens pedestrian flows.

Some often used pedestrian-related metrics:

- Most initial core redevelopment-area functions should be within a quarter-mile radius of the core's center.
- Residential-retail-trip pedestrian shed is defined by a five- to 7-minute walk.
- Office-worker pedestrian shed is defined by a 1,000 ft. to 1,320 ft walk.
- Hotel-guest pedestrian shed is defined by a 10-minute walk.
- Commuter-rail walk shed is a 10-minute walk from a station.

The Grand Avenue Pedestrian Moat: Visiting Old Town and reviewing the plans proposed for it raises a number of observations resulting from its walkability.

According to Google Earth's measuring tool, it is as much as 270 feet from one side of Grand Avenue (including the rail line) to the other in some places. This is a wide "pedestrian moat," i.e., a physical barrier that impedes pedestrian activity. In between are a fairly busy four-lane highway and an active railroad track. The 270 feet is a dissuasion in and of itself, but the need to look for a safe and psychologically comfortable place to cross adds

both complications and time to any planned pedestrian activity. Depressing Grand Avenue and topping it with a deck/plaza would remove some obvious dangers. But unless the plaza has strong destinations at both ends and is programmed with activities, it is likely to be a rather barren, people-less, paved plain that lacks interest and discourages pedestrian traffic. It is doubtful that it would be used very often, though it is bound to be a very expensive improvement project that also runs the risk of decreasing the visual connection between establishments and potential customers in vehicles. Depressing Grand Avenue would have a greater chance of succeeding after greater densities of people—be they workers, shoppers, students, visitors, etc.—are attracted to nearby locations on both sides of the street and the plaza has activities, shops, or kiosks running across it.

That suggests that any pedestrian linkage between both sides of Grand should come later in the development process. Instead of creating the linkage early to stimulate development by putatively connecting both sides, it may be wiser to develop each side independently and then link them when they are sufficiently strong.

The Planned Commuter-Rail Station: Commuter-rail stations often attract retail close by, such as restaurants, coffee houses, gourmet or specialty food markets, etc. DANTH's field observations in several communities around the country reveal that commuters returning home will quickly frequent an establishment within a very quick and easy walk from the station. Such pedestrian access must be convenient; however, since the probability of commuters staying in the area is greatly diminished once they are in their cars. If these findings should hold in Old Town, given the width of Grand Avenue, then the new station's positive impacts on retail will likely be focused on nearby locations on the north side of the avenue.

The New University: Gary Ferguson, the Executive Director of the Ithaca Downtown Partnership, studied 11 towns nationwide to identify the economic impacts of the major colleges or universities located in them (unpublished manuscript presented to the Cornell University Civic Fellows Program). He found that in these college-town commercial areas:

- The strongest had multiple traffic generators supplementing the presence of the college or university, "all within short walking distances."
- The towns where the educational institutions had the biggest impacts all have the university abutting or even entwined with the commercial district.
- But in two other districts, nearby colleges had less impact.
- In Boulder, CO, the commercial district was able to attract customers from the university, though it is five to ten blocks away.

Geographic proximity, it appears, is certainly important, but not sufficient to assure positive economic impacts. But a magnetic commercial district such as Boulder's can draw customers from longer distances.

The closest part of Peoria Place, at the corner of Cotton Crossing and Grand Avenue, is not that proximate, about 0.43 miles, to the intersection of Peoria Avenue and Grand Avenue. It is considerably longer if more distant parts of Peoria Place are considered. The commercial district in and near the Peoria/Grand intersection does not have great magnetism. This equation—weak proximity and little commercial magnetism—suggests comparatively low pedestrian flows and few consumer transactions.

The new university at Peoria Place would be near the municipal complex. These venues are the two strongest, close-in markets retailers might want to target. There is a strong possibility that along Grand Ave many new retailers would prefer locations near Cotton Crossing to those near Peoria Ave.

College Student Spending Patterns

Some useful insights into the magnitude and nature of the spending-power students at a new university might bring to Old Town are provided in the Community Tapestry data set, a national study done by the U.S. Bureau of Labor Statistics (BLS), and a study done for the University of Wisconsin-Madison.

Student Consumer Behaviors: The "Dorms to Diplomas" market segment in the Tapestry lifestyle dataset covers college students. As can be seen in Table 10, their Market Potential Index scores are very high on a large number of items such as buying a sofa bed (419), an electronic game system (239), laptops (241), men's designer jeans (238), and sweaters (215). They are not much into formally "dining out," (78), but have well above average patronage of some family restaurant chains such as Bennigan's (369), and Chili's (212).

TABLE 10: Behaviors of "Dorms to Diplomas" (College Students)
ESRI Community Tapestry Market Segment
SOURCE: ESRI

Spending Category	MPI	Spending Category	MPI
Sample Purchases		Media	
Bought adventure book	267	Watches VH1	255
Owns a PDA	242	Watches Comedy Central	250
Owns a laptop	241	Public-radio listener	236
Bought men's designer jeans	238	Radio format -rock	229
Bought Men's sweater	215	Read women's fashion magazine	224
Exercise at club 2+/week	211	Restaurants	
Bought engagement ring	193	Dined at Bennigan's	369
Bought women's designer jeans	176	Dined at Little Caesar's	289
Diet control to maintain weight	158	Dined at Boston Market	226
Drank beer	140	Dined at Chili's	212
Personal care		Stores	
Purchased a sofa bed	419	Shop at Express	620
Purchased Sony Playstation	239	Shop at The Limited	387
Wear contacts	208	Shop at Banana Republic	369
Purchased office furniture	171	Shop at Lerner's	314
Use nutrition/energy bar	168	Shop at The Gap	233
Purchased cell phone	147	Shop at TJ Maxx	182
Purchased cooking products	131	Shop at Old Navy	181
Purchased frozen pizza	130	Shop at Target	138
Purchased bed/bath goods	113	Shop at Wal-Mart	97
Activities		Recreation	
Went dancing	254	Participated in Frisbee	327
Played pool	235	Participated in tennis	318
Played chess	212	Went backpacking on vacation	306
Went to bar/nightclub	204	Participated in jogging/running	282
Attended musical performance	187	Foreign travel personal reasons	259
Did painting/drawing	186	Participated in bowling	254
Went to movies in past 6 months	118	Participated in downhill skiing	205
Dined out in past 12 months	78	Participated in aerobics	193

Their MPI scores also indicate that while they pretty much like to shop everywhere, college students do prefer specialty retail stores, e.g., Banana Republic (369); Express (620); The Limited (387); etc. to the big-box value retailers such as Wal-Mart (97), and Target (138).

Expenditure Levels: The largest study of college-student expenditures was published in 2001 and based on several BLS consumer surveys conducted between 1996 and 1998. Table 11 presents its statistical findings in 2009 dollars. The table displays estimates of a student's retail and entertainment expenditures per quarter and for a three-quarter (nine-month) school year. Then it estimates how much 2,000, 3,000, and 4,000 students would spend in each expenditure category in a school year.

TABLE 11: National Student Expenditures 1996-1998 (in 2009 Dollars)
SOURCE: Geoffrey D. Paulin, "Expenditures of college-age students and nonstudents," Monthly Labor Review, July 2001, pp 46-50 Used BLS survey data

			Estimated School-Year Expenditures by # of Students		
Retail-Related Spending Characteristic	**Per Student Quarterly Total***	**School Year Quarter total***	**2,000 Students**	**3,000 Students**	**4,000 Students**
Food at home	$555	$1,666	$3,831,340	$4,998,510	$6,664,680
Food away from home	$139	$417	$834,900	$1,252,350	$1,669,800
House furnishings/ops	$117	$352	$704,220	$1,056,330	$1,408,440
Entertainment	$203	$610	$1,219,680	$1,829,520	$2,439,360
Totals	$1,226	$3,677	$7,354,380	$11,031,570	$14,708,760

**In 2009 dollars; updated by DANTH*

The largest School Year Quarterly total expenditure category is *food at home*, i.e., groceries, etc at $1,666 per nine-month school year. *Apparel* is the next strong category, $632, followed by *entertainment*, $610. The weakest expenditure categories are *food away from home*, $417, and *home furnishings and operations*, $352.

Based on the BLS study, the estimated school year totals for 2,000, 3,000, and 4,000 students are $7,354,380, $11,031,570, and $14,708,760, respectively.

The University of Wisconsin study is of interest because it focuses on the campus level, and its Madison branch has the retail-strong State Street pedestrian mall entwined with it.

The categories in the two studies are not consistent. The BLS uses its consumer-expenditure categories for goods and services, which can be spent anywhere. The Madison study focuses on the amount the students spent in specific kinds of local stores. It is likely that the Madison students spent more than the average college student because of the magnetism of the local retail and because of higher-than-average parental incomes.

The Madison study is probably best treated as an upper limit, depicting expenditure levels that students in a new university in Old Town will not soon attain because the local retail will not be as well established and robust.

Nevertheless, the estimated school-year expenditures per student in Madison are just about 15% above those in the BLS national study (see Table 12). The broad pattern of *food at home* being the largest expenditure category is the same in both, though food-for-the-home expenditures accounted for 45% of the BLS's estimated expenditures, and food stores captured 31% of the estimated student expenditures in the Madison study. Both studies generate estimates of relatively low expenditures related to furnishing and operating a residence.

TABLE 12: Academic Year (Nine Months) Estimated Spending: University of Wisconsin-Madison 2009 (In 2009 Dollars)
SOURCE: Northstar Economics. Univ. of Wisconsin-Madison's economic contribution to region

Category	**Average Monthly Spending-2009**	**School Year Total**	**2,000 Students**	**3,000 Students**	**4,000 Students**
General Merchandise	$81.46	$733	$1,466,199	$2,199,299	$2,932,398
Clothing & Apparel	$49.78	$448	$895,999	$1,343,998	$1,791,997
Food	$147.67	$1,329	$2,658,008	$3,987,012	$5,316,016
Furniture & Appliances	$15.37	$138	$276,746	$415,120	$553,493
Other Retail	$72.19	$650	$1,299,337	$1,949,006	$2,598,674
Eating & Drinking Establishments	$82.01	$738	$1,476,266	$2,214,400	$2,952,533
Amusement	$21.73	$196	$391,129	$586,694	$782,258
TOTALS	$470.00	$4,232	$8,463,685	$12,695,527	$16,927,369

Note: June 2003. 2009 data based on 2002 data and adjusted for inflation (factor of 1.19)

The big differences are in the relative strengths of eating-out type expenditures and amusement/ entertainment type expenditures. There is just a 10% difference if you compare the combined *eating-and-drinking* and *amusement* categories in the Madison study to the combined *food-away-from-home* and *entertainment* categories in the BLS study. But in Madison, the expenditures for food away from home account for 79% of the combines expenditure total for items, while in the BLS study, entertainment accounts for 59%.

The use of different categories and the strength of the eateries within a 10-minute walk of the university's Madison campus may account for these differences.

Commercial Space Implications: Table 13 focuses on the four store categories in the Madison study that attracted the most student expenditures. It then depicts how many square feet of new and vacant store space might be supported in Old Town at various levels of sales per square foot given student populations of 2,000, 3,000, and 4,000. New college student expenditures could support between:

- 4,500 sq ft and 12,993 sq ft of food store space
- 2,240 sq ft and 8,960 sq ft of clothing/apparel store space
- 3,248 sq ft and 18,000 sq ft of other retail space
- 2,460 sq ft and 14,763 sq ft of eating & drinking establishment space

TABLE 13: The Amount of Selected Retail and Restaurant Space Supportable by Old Town College Student Expenditures*
Based on the University of Wisconsin-Madison Study

Local Student Food Expenditures			
Sales/sf	***$2,700,000 (2,000 students)***	***$4,050,000 (3,000 students)***	***$5,400,000 (4,000 students)***
$300	9,000	13,500	18,000
$400	6,750	10,125	13,500
$500	5,400	8,100	10,800
$600	4,500	6,750	9,000
Local Student Clothing/Apparel Expenditures			
Sales/sf	***$895,999 (2,000 students)***	***$1,343,998 (3,000 students)***	***$1,791,997 (4,000 students)***
$200	4,480	6,720	8,960
$300	2,987	4,480	5,973
$400	2,240	3,360	4,480
Local Student Other Retail Expenditures			
Sales/sf	***$1,299,337 (2,000 students)***	***$1,949,006 (3,000 students)***	***$2,598,674 (4,000 students)***
$200	6,497	9,745	12,993
$300	4,331	6,497	8,662
$400	3,248	4,873	6,497
Local Student Eating & Drinking Expenditures			
Sales/sf	***$1,476,266 (2,000 students)***	***$2,214,400 (3,000 students)***	***$2,952,533 (4,000 students)***
$200	7,381	11,072	14,763
$300	4,921	7,381	9,842
$400	3,691	5,536	7,381
$500	2,953	4,429	5,905
$600	2,460	3,691	4,921

Drive-Shed Analysis

There are 60,268 and 309,223 residents in Old Town's five- and 10-minute drive sheds (see Figure 6). The median household income in the five-minute shed is $62,996 (see Table 14), slightly above the average for the Phoenix Metro of $61,208. The median household income dips to $58,095 in the 10-minute shed. Educational attainment levels are below the Metro area: 17.2% and 20.1% of the age 25+ year-old population in the five- and 10-minute sheds have bachelor or graduate degrees compared to 26.4% in the Metro Area.

FIGURE 6: Old Town's Drive Sheds

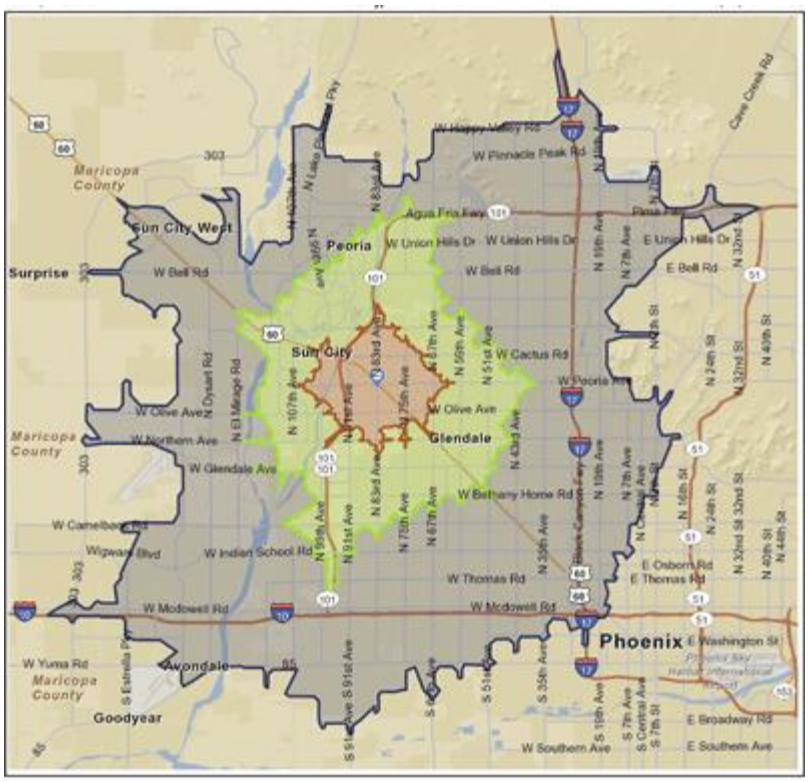


TABLE 14: Old Town Drive Sheds: Key Demographics
Source: ESRI Business Analyst Online

	Drive Sheds		
Key Demographic Variables	**5 Minute**	**10 Minute**	**20 Minute**
2009 Total Population	60,268	309,223	1,301,205
2014 Total Population	64,452	336,645	1,433,075
2009-2014 Pop: Annual Growth Rt	1.40	1.70	1.90
2009 Total Households	20,900	114,968	452,996
2014 Total Households	22,264	124,477	496,534
2009 Median Age	34.5	37	32.8
2009 Pop 25+ by Educ: Bach or Grad Deg	17.2%	20.1%	19.6%
2009 Per Capita Income	$25,521	$26,092	$23,883
2014 Per Capita Income	$26,652	$27,083	$24,975
2009-2014 PCI: Annual Growth Rt	0.90	0.70	0.90
2009 Median Household (HH) Income	$62,996	$58,095	$56,454
2009 Average HH Income	$73,064	$69,517	$68,261
2009 Aggregate HH Income	$1,526,882,137	$7,991,798,448	$30,921,464,545
2014 Aggregate HH Income	$1,717,743,665	$9,117,199,940	$35,790,626,148
2009 HHs w/Inc over $100,000	4,532	23,438	84,351
2009 Owner Occupied HU	16,239	80,298	297,248
2009 Retail Goods - Total Expenditures	$534,175,913	$2,790,510,797	$10,804,136,493
2009 Tapestry Household Base	20,900	114,968	452,996
HHs: Milk and Cookies	5,470	21,522	62,077
	26.2%	18.7%	13.7%
HHs: Up and Coming Families	5,029	17,776	59,641
	24.1%	15.5%	13.2%
HHs: The Elders	3,232	15,389	47,859
	15.5%	13.4%	10.6%
HHs: Crossroads	1,552	5,907	37,959
	7.4%	5.1%	8.4%
HHs: Sophisticated Squires	1,202	5,898	37,573
	5.8%	5.1%	8.3%

The dominant Tapestry lifestyle market segments are *Milk and Cookies*, *Up and Coming*, *The Elders*, and *Crossroads*. Besides The Elders, all are middle-income, strongly family-oriented market segments that are very likely to be stressed by recent economic conditions. They are value-oriented shoppers for whom price is a key component in the value equation.

Old Town currently lacks a strong retail base, and is surrounded in its five- and 10-minutes sheds by a lot of retail centers. There are four shopping centers totaling about 1.2 million sq ft of space within 2.7 miles or a four- to five-minute drive (see Table 15). There are 10 shopping centers with over 4.6 million sq ft within its 10-minute drive shed. Anchoring these centers are Target, Kohl, Ross, JC Penny, Lowe's, Wal-Mart, and Sears. The comparison-shopping goods-market looks very crowded. The Wal-Mart on West Peoria does bring customer traffic into the area

TABLE 15: Major Malls Within Five Miles of Old Town
Source: Directory of Major Malls, Inc * All within 10 minute drive

Center	Distance (miles)*	Anchors	GLA (in sq ft)
Peoria Town Center	0.19	None	205,000
Thunderbird Crossing	1.82	Sprouts	240,000
		Lowe's	
Home Depot/Staples Center	1.0	Home Depot	415,000
		Staples	
Peoria Crossing	2.28	Target	414,000
		Kohl's	
		Ross	
Park West	2.66	Harkins	355,000
		Chico's	
		Victoria's Sec	
Westgate City Center	3.49	35 shops	1,200,000
North Valley Power Center	3.77	Target	327,108
		JC Penny	
		Ross	
Northern Crossing	3.86	Lowe's	480,000
		Wal-Mart	
		PetSmart	
Arrowhead Marketplace	4.04	Best Buy	211,000
		OfficeMax	
Arrowhead Towne Center	4.19	Dillard	1,203,299
		Macy's	
		JC Penny	
		Sears	
Talavi Towne Center	4.92	Wal-Mart	292,237
		Mor Furniture	

With the strong surrounding competition and its current physical condition, Old Town does not appear to be a particularly competitive location for a major community or regional retail center. Furthermore, its drive-shed demographics and lifestyle market segments would not support an upscale, lifestyle-type center. The strongest and most immediate path to retail growth might entail capturing and leveraging customer traffic generated by such neighborhood assets as the municipal complex, the local Wal-Mart, the new university, the community theater, the new commuter rail station, etc. This strategic path would likely generate primarily neighborhood-level retail and food-service operations and some small specialty retail that did not compete with Wal-Mart.

A gap analysis within a drive shed subtracts estimated store sales (supply) from estimated consumer expenditures (demand). When a gap exists, i.e., when demand is greater than supply, it is interpreted as a leakage of sales to business operations beyond the drive shed. That is typically interpreted by practitioners of this analytical approach as a growth opportunity that can be realized by new local retailers recapturing the leaked sales. When drive-shed store sales exceed consumer expenditures, practitioners usually see that as a growth impediment.

It is best to treat such gap analyses carefully. Data on retail stores and their sales are often out of date because of churn and the under-appreciated difficulty of collecting accurate data on these firms. Furthermore, gap analysis totally disregards the competitive abilities of the existing retailers in the market area and the impacts of firms coming in and taking away market share from these existing firms. The gap analysis' theoretical assumption is that they will only take away sales "recaptured" from beyond the boundaries of the market area, but not from operations within it. It also fails to take into consideration the competitive importance of a retail operation's location within a market area.

Niche retail theory views the surpluses somewhat differently: as possible strengths that can be used to expand the geographic boundaries of a commercial district. A large surplus indicates that the growth prospects for a niche or market segment should be looked at carefully, but alone does not prove that such a potential exists.

Table 16 presents the results of a "gap analysis" for some neighborhood-type retail functions that was generated by ESRI Business Analyst. According to traditional gap analysis, the prospects for growing these retail and food-service functions in Old Town seem bleak: there are mostly surpluses and only NAICS 2532 (office supplies, stationery and gift stores) has any appreciable gap, about $2.1 million.

TABLE 16: Retail Gap Analysis: Old Town Five-Minute Drive Shed–Selected Industries
Source: ESRI and infoUSA®

Industry and NAICs Code	NAICS Code	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)
Grocery Stores	4451	$84,652,311	$108,144,886	-$23,492,575
Specialty Food Stores	4452	$1,688,936	$1,643,670	$45,266
Beer, Wine, and Liquor Stores	4453	$874,543	$474,140	$400,403
Health & Personal Care Stores	446/4461	$14,602,883	$15,736,066	-$1,133,183
Office Supplies, Stationery, and Gift Stores	4532	$4,194,861	$2,039,183	$2,155,678
Full-Service Restaurants	7221	$34,629,795	$37,163,588	-$2,533,793
Limited-Service Eating Places	7222	$37,548,852	$50,450,894	-$12,902,042

With a new university, the demand from students and faculty for more local business services and office supplies is very likely to increase. More so if a de facto neighborhood small-business incubator emerges near the new university location.

However, there are also reasons to believe that the new university and commuter rail station could create the opportunity for a food market in the under 15,000 sq ft range that offered a good combination of value and convenience. Wal-Mart Superstores indeed have very powerful food markets, but the sales area covers acres of spaces and the whole shopping trip can take some time. Many people see it and other large supermarkets as great places for the big, weekly, grocery-shopping trip, but not where they want to go quickly for a few items, especially on their way home from work. Students and commuters may generate a lot of shopping trips of this nature. So might the municipal complex's employees and visitors.

Similarly, students, faculty, commuters, municipal employees, and community-theater patrons are likely to frequent eateries and watering holes located within easy walking distances.

An improved economy and population growth in and around Old Town would generate additional opportunities.

Fear of Crime

The fear of crime for decades thwarted the revitalization and growth of commercial districts across the nation. Since the mid 1990s this problem has diminished as districts became revitalized and police departments adopted effective strategies such as community policing and ComStat programs to hold commanders accountable for their effectiveness. Such revitalized districts had two factors critical to reducing fear: substantial physical improvements and additional economic functions, and user densities that resulted in high pedestrian flows. Today, commercial districts with fear-of-crime problems really stand out, because so many other districts seem to have resolved this issue.

In the National Citizens Survey, Peoria's downtown—presumably Old Town—has a lower safety rating both day and after dark compared to the downtowns in the other benchmark jurisdictions. From our experience (DANTH has done a number of major fear-reduction projects funded by the National Institute of Justice), what is really telling and unusual in the survey results, is the large number of folks who feel unsafe there during the day.

This level of fear places Old Town's revitalization at a severe disadvantage. However, the survey had many "don't know" responses, and those respondents north of Bell Avenue, who probably know Old Town the least, had a much worse view of the area. A façade-rehabilitation program will help alleviate the problem, but will not cure it. Greater pedestrian traffic and more new structures and infrastructure will also make very substantial contributions.

Some communities create "decorated coffins," districts that have been prettied up with street improvements and new facades, but fail to attract strong new businesses and more shoppers. Such improvements undoubtedly can be beneficial, but often their positive impacts are greater if timed to coincide with the arrival of a major new project bringing new tenants and shoppers.

Other communities rush to create major public spaces, because having recreation responsibilities and ownership of some land, they are relatively easy to create. Unfortunately, these spaces become sites for a wide range of quality-of-life problems, because too often these public spaces lack sufficiently dense levels of nearby users.