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**MARKET ANALYSIS
AND RETAIL RECRUITMENT STRATEGY
FOR
DOWNTOWN JACKSON**

Prepared for

*City of Jackson
Department of Community Development*

June, 2003

FOREWORD

This market analysis has been prepared for the City of Jackson, Department of Community Development primarily as a resource in guiding the retail revitalization of Downtown Jackson. The analysis addresses office and entertainment uses only as they relate to broad strategies for positioning Downtown as a more important multi-purpose destination. It is critical to address retail revitalization within the larger context of economic development initiatives and community planning activities.

The City's Economic Development and Community Planning Department and The Enterprise Group are responsible for commercial development and business recruitment using many local, state, and federal incentive programs. Retail development and recruitment fall outside the primary mandate of The Enterprise Group since its focus is upon stimulating manufacturing employment and other "base" economic sectors. The Downtown Development Authority (DDA) has traditionally been responsible for downtown retail development and recruitment efforts. This effort has occurred with uncertain mandate, insufficient market data and virtually no economic development tools.

The findings and recommendations presented in the retail analysis should be useful as the City and Downtown Development Authority proceed with the implementation of historic preservation and adaptive re-use programs within the Michigan "Main Street" guidelines.

This analysis incorporates consumer research undertaken for the purpose of measuring Downtown Jackson's role as a multi-purpose destination within the region. Experience in many cities has shown that vibrant retailing is an outcome of fully functional downtown areas; attempting to restore a dysfunctional downtown with retailing as a leading use is usually unsuccessful because the strategy violates many of the dynamics of modern retailing. At best, retail rejuvenation can occur simultaneously with other public and private efforts to bolster the importance of Downtown as a multi-purpose activity center. Most of the communities that attempted to use retailing as the leading edge of downtown revitalization found their efforts to be unsuccessful. The visual reminders of retail "silver bullets" include empty enclosed malls and unused pedestrian malls in many American cities. The few notable exceptions are communities with unique circumstances that are not present in Jackson.

Downtown Jackson suffers from the absence of a comprehensive urban design plan. A supportive environment for retail revitalization will emerge in response to the creation of a comprehensive plan and from initiatives that broaden Downtown's role from "an employment base for several thousand workers" to a destination for frequent discretionary purposes by a broad cross-section of the region's residents and visitors.

Blount Hunter
H. Blount Hunter Retail & Real Estate Research Co.
July, 2003

NOTES ON THE NATURE OF A “STRATEGY”

The formal definition of “strategy:”

Strategy: *noun* / a plan, method, or series of maneuvers for obtaining a specific goal or result
Random House Collegiate Dictionary

Several functional definitions of “strategy:”

Strategy: *noun* / a well-reasoned action plan that matches knowledge of present market conditions (opportunities) with appropriate practices and procedures (tactics) to achieve desired results

Strategy: *noun* / a flexible action plan that enables its implementers to respond to changing circumstances

Strategy: *noun* / a plan so clear that new participants easily understand its intentions; a plan so clear that deviations become readily apparent; a plan so clear that its final achievement becomes widely recognizable

EXECUTIVE SUMMARY

Reviving the retail sector faces many challenges. Some of the challenges are unique to Jackson while others reflect the dynamics of American retailing.

In the past, Downtown Jackson had a broad retail base with department stores and a comprehensive assortment of comparison goods merchants. Established local retailers predominated. An onslaught of chain retailers in suburban locations provided overwhelming competition that gradually caused the downfall of Downtown as a regional shopping destination. Across the country, malls and chains have caused independent local retailers to become an endangered species.

With few viable merchandise voids in the community's retail market, Downtown Jackson's search for a viable retail niche is constrained. Its retail future must evolve from a base of surviving "destination" specialty shops and several restaurants.

Chains entering the Jackson market have strong site options that meet their criteria for accessibility and co-tenancy. Downtown Jackson is not one of those site options nor is it poised to become a competitive option for this category of tenant. Acknowledging this dynamic, Downtown's promoters can pursue an alternative merchandising strategy. As suburban retailing becomes increasingly mundane and devoted to "task-oriented" chore shopping, Downtown is well-suited to position itself as a place for "recreational shopping" for unique specialty goods in an environment that offers dining and entertainment as important elements of drawing power. This is not a unique model, but it offers a great possibility of success in Jackson in light of Downtown's current momentum toward becoming a "place" defined by arts, entertainment, and family fun.

Quantitative and qualitative research conducted for this analysis revealed a broad sense of opportunity facing Downtown with citizens' expectations of good things to come. Indeed, many point to the many physical enhancements that have been implemented in the past five years as sources of pride. Existing merchants speak of loyal customers, and restaurateurs are optimistic since Downtown seems to have quickly established itself as a dining destination.

Downtown is an occasional destination for many reasons other than shopping. Its shopper base is small but loyal; its user base for entertainment is larger and offers potential for growth—especially by tapping into the needs of 18 to 44 year olds who are typically the leading edge of downtown revitalization.

The most effective strategy for retail revitalization is to enhance usage of Downtown Jackson through events and dining in order to demonstrate a viable market for retailers. The initial wave of new retailers will survive on the small daytime workforce and impulse purchasing by patrons drawn to Downtown for reasons other than shopping. As the retail base increases over time, Downtown may emerge as a critical mass with sufficient drawing power that it serves as a "destination" for drawing an adequate level of patrons with "shopping" as their primary purpose for visiting.

The retail recruitment strategy will be facilitated by defining the City's vision for Downtown Jackson in the form of a Comprehensive Downtown Plan. A larger vision is necessary to capture the interest of prospective merchants and to assure them that Downtown's future direction offers reasonable opportunities for profitable operations. The Armory Arts project, Grand River "sculpture walk," restoration of the Michigan Theater, and planned amphitheater are developments that will bolster Downtown Jackson's role as an important destination for arts and entertainment. All of these developments can be harnessed as "anchors" for generating traffic and initiating retailer/restaurateur interest in Downtown Jackson. These developments and the series of on-going community events must be employed strategically to provide maximum economic impact for the benefit of existing merchants while becoming major parts of the "Downtown Jackson story" to be packaged and presented to prospective businesses.

This environmental scan and market analysis contains specific recommendations regarding the need for retail-oriented economic development tools to facilitate retail revitalization and provides an outline for a retail recruitment program that assumes that the Downtown Development Authority will embrace retail recruitment as its core mission with appropriate organizational staffing, budgeting, and accountability.

RECOMMENDATIONS

1. Initiate a comprehensive downtown planning process to provide a blueprint for future public and private sector investment. Link existing initiatives to a broad strategic plan for Downtown Jackson. The public process of creating a comprehensive downtown plan earns greater citizen support and inspires more private sector investment than incremental actions that appears to be randomly generated by the public sector without input from citizens and the private sector. The comprehensive downtown plan should address key elements such as:
 - a. Land use
 - b. Urban design
 - c. Transportation
 - d. Economic development
 - e. Environmental considerations
 - f. Public and human resources
2. Pursue participation in the Michigan Main Street Program to provide a structured approach to the physical and economic revitalization of Downtown Jackson.
3. Continue to improve the landscape and physical environment of Downtown Jackson with a “place making” program that focuses upon creating a safe and attractive pedestrian environment. These efforts are necessary for retail rejuvenation and residential development. The Michigan “Main Street” program will assist with guidelines for historic preservation and adaptive re-use. Strict design criteria should be established with incentives for adoption and strict enforcement.
4. Define the blocks of Michigan Avenue between Jackson Street and Mechanic Street as Downtown’s “primary retail zone” for focused revitalization effort. Add overlay zoning and land use restrictions on this area to facilitate street level retail activity. Match economic development incentives to this geographic zone.
5. Concentrate retail development on Michigan Avenue between Jackson Street and Mechanic Street to create an effective “critical mass.” Focus secondary retail development efforts on Pearl Street, Francis Street, and the blocks of Jackson and Mechanic streets located between Courtland Street and Louis Glick Memorial Drive.
6. Establish functional and thematic linkages between the key activity centers in Downtown. Link all outlying destinations to the “primary retail zone” on Michigan Avenue to support the strategy of creating a concentrated mass of retailing and dining.

7. Add civic institutions and attractions as a means of reinforcing the regional drawing power of Downtown Jackson. Actively pursue the renovation of the Michigan Theater and the development of new attractions such as an automotive collection, ice rink, amphitheater, outdoor art museum, or children's arts center. Enhance the role of the Grand River Farmer's Market in conjunction with the creation of the Grand River Path and Sculpture Garden.
8. Create an event marketing agency with public mandate, measurable goals, and appropriate funding to activate Downtown with year round event programming. In recognition of local needs, this agency may be a municipal department, a quasi-private organization, or a private sector initiative. This function may reside within the Downtown Development Authority (DDA) although event marketing should not detract from the DDA's main function of retail recruitment. Whatever its organizational structure, this agency must be capable of generating corporate sponsorship and other forms of private funding to accomplish the objective of providing on-going entertainment for families with the full intention of generating cross-visitation within Downtown. This is an essential element of "place making."
9. Build upon the current momentum of Downtown as a dining and entertainment destination by solidifying the sales performance of existing restaurants and broadening the offering of restaurants. Solicit mid-scale to fine dining operators to increase the drawing power of the node. Incorporate dining as a major appeal in marketing messages; encourage restaurant operators to promote themselves to reinforce the image of Downtown as the region's most complete dining destination.
10. Recruit retailers capable of simultaneously being "destination" merchants and serving the needs of the key user segments (daytime workforce and dining/entertainment patrons visiting Downtown evenings and weekends). Focus solicitation efforts on independent merchants in priority categories including new and used books, music, cards, gifts, upscale consignments, antiques, art, and handcrafted items (jewelry, clothing, furniture, home furnishings). An absence of national retailers is not a set-back or a compromise in the retail revitalization of Downtown Jackson.
11. Increase the visibility of Downtown Jackson to tourists and travelers to the region. Connect Downtown with major events such as NASCAR Race Week and the county fair. Support Downtown's ability to serve tourism through an initiative to improve the lodging and conference facilities within Downtown. Marketing messages can be based upon history, architecture, culture/arts, and recreation in addition to dining/entertainment/shopping. "Place making" efforts are important to providing an authentic experience for visitors.
12. Establish public policy guidelines within a Comprehensive Downtown Housing Strategy. Adopt best practices from other communities and adapt current

programs to the needs of a wide range of developers. Coordinate “place making” efforts with the private sector for maximum catalytic impact.

13. Implement sales performance tracking measurements to record progress toward goals. The DDA and City should collaborate on the creation of geo-coded retail sales tax records that can be used to track annual sales performance of all retailers and restaurants within the DDA’s boundaries. The DDA should also track changes in real estate property tax revenue. Implement market-wide “reach and frequency” consumer research on a regularly scheduled basis to assess changes in Downtown’s usage pattern and patron demographics.
14. There are dual strategies for generating increased traffic and sales in Downtown Jackson:
 - a. Capitalize upon current patrons by encouraging cross-utilization of retailers and restaurants regardless of primary purpose for Downtown visit
 - b. Grow the user base primarily by increasing frequency of visits to Downtown by current patrons; target increased reach among 18-44 year olds
15. The primary local marketing target is 18-44 year olds who represent 35 percent of the adult population of Jackson County. The objective is to increase the percent of local residents within this age range who visit Downtown as well as increasing their frequency of visits. In addition, it is important to target increased spending by adding retail merchandise and food/beverage alternatives that will appeal to this consumer segment.
16. Positioning Downtown Jackson as a “must see” destination for visitors is a marketing opportunity that targets the region’s estimated 750,000-1 million annual tourists and daytrip visitors. This customer segment is lucrative for its overall size—5-8 times larger than the total population of Jackson County. This customer segment could ultimately account for 30-40 percent of the total sales volume of Downtown (compared to an estimate of less than 10 percent today).

GENERAL OBSERVATIONS

In recent decades, Downtown Jackson has undergone dramatic changes driven by decentralization of residential and mercantile activities. While Downtown retains a position of prominence as a site for civic institutions and office employment, it lacks a clear identity and suffers from diminished mercantile vitality following the departure of Jacobson's and other retailers. The historic urban fabric has been preserved with a walkable street grid, but traffic engineering modifications have created one-way street pairings and a loop roadway that has resulted in auto-oriented businesses on the edges of downtown and reduced vitality on Michigan Avenue, the city's traditional "main street."

Although Downtown Jackson contains the civic buildings typically found in most city centers, it has few special attractions, uses, or facilities that make it a unique and inviting place. The Michigan Theater is an important venue to return to prominence as a venue. Despite attractive streetscapes and the renovated Bucky Harris Park, Downtown Jackson has few significant public gathering places. Additional public space along the Grand River—perhaps with an amphitheater—will provide public gathering space that is essential to positioning Downtown Jackson as a family destination.

Important regional venues for arts and entertainment are not concentrated in Downtown Jackson as they tend to be in other communities. Jackson is fortunate to have a community symphony, several museums, and an active arts community; however, it is unfortunate that the vast majority of festivals, concerts, and events are held in suburban locations such as Potter Center, the county fairgrounds, or Ella Sharp Park. If located within Downtown, these venues would generate substantial traffic for the benefit of retailers and restaurants. Instead, their decentralized locations make it difficult to harness their full economic impact potential. This places additional emphasis upon maximizing the impact of the Michigan Theater and open-air venues for events and entertainment as traffic generators for the benefit of merchants and restaurants.

While the community's architectural heritage is largely intact, demolitions have resulted in vacant lots interspersed throughout Downtown. Many of these lots have been paved for parking. While parking is a necessity for workers and short-term users, parking lots diminish the appearance of the environment and deter pedestrian activity when they break continuous linear façades of retail storefronts. Maintaining parking capacity must be balanced with maintaining the image and functionality of an intact pedestrian district. At some point, the City must address the need for structured parking with user fees; maintaining retail activity at street level is critical to integrating large parking structures into the fabric of the city.

Urban renewal created a fortress hotel/meeting center complex on the edge of Downtown. Aside from its austere design, the current condition of the property prevents it from functioning as a magnet for business travelers, tourists, or meeting delegates. The office portion of this complex is leased and functional; however, the

hotel is not viable in its current condition. Local sources suggest that the “honeycomb” method of construction diminishes the flexibility for reconfiguration to the standards of a contemporary hotel and limits the adaptability of the building to other uses.

The new Consumers Energy corporate complex is an important addition to Downtown Jackson. Retaining this major corporate employer was critical to the community and to Downtown Jackson. The movement of office employees several blocks farther from the prime retail zone on Michigan Avenue could cause a gradual shift in the center of mercantile and restaurant activity. One retailer has already relocated within Downtown to be near Consumers Energy’s employees and a new fast food restaurant is being developed in close proximity to the new headquarters complex. Linking this employment center to the core of Downtown Jackson is important since the blocks of Michigan Avenue between Jackson Street and Mechanic Street remain the most important critical mass for retailing in Downtown. Jackson Community College owns

The extended downtown area of Jackson has a workforce estimated at 6,500 employees including Foote Hospital. The vast majority of these employees work beyond a 5-minute walk of the traditional retail core of Downtown Jackson. The actual number of full-time workers in the core of Downtown is very modest at approximately 3,225. The City is to be lauded for participating in retention of the headquarters of Consumers Energy. The County and City remain large employers in the central business district of Downtown. Foote Hospital is a major economic engine with a large employee base at its medical complex on the eastern edge of Downtown and via administrative offices located at One Jackson Square. The local banking and brokerage community is well represented with financial offices and branches in Downtown. This sector represents a large employment base comprised of many small firms. The Jackson Symphony Orchestra maintains offices in Downtown even though Potter Center is its primary performance venue. Jackson Community College owns a large block of space with the intention of scheduling classes within Downtown.

Rediscovering the beauty of the Grand River provides a rare opportunity to create a beautiful and unique amenity for Downtown. The proposed river path “sculpture walk” will link residential neighborhoods and the Armory Arts Complex to Downtown Jackson while also providing a backdrop for new destinations such as an amphitheater and sculpture garden. Focusing attention on this area of Downtown can enhance the importance of the existing Grand River Farmers Market as regional destination.

The medical complex of Foote Hospital and Doctors Hospital on the eastern edge of Downtown is a relatively self-contained use. Its separation from Downtown by merely a few blocks precludes direct impact from doctors’ offices and spending by employees and patients. The Fairgrounds complex is also located far enough from Downtown that its direct impact is diminished. Over the long term, efforts to link the pending Armory Arts project to Downtown will determine the extent to which this development creates direct economic impact on the retail/restaurant base in Downtown Jackson.

The key to successful revitalization of Downtown Jackson is broadening its capacity as a multi-purpose destination so that it plays a more important role in the life of the community. Retail revitalization will respond to the larger strategy of positioning Downtown as a multi-purpose destination. By form and function, Downtown must offer a high quality environment that is of human scale and pedestrian-friendly, accessible and attractive to local residents, workers, and visitors. Downtown's mercantile content must be unique to differentiate it from other more complete commercial areas. Its image and identity must be based upon an urban "sense of place" that is widely sought and a source of community pride.

The Downtown Development Authority and the City of Jackson must actively market Downtown's strengths while acknowledging and addressing its current liabilities and limitations. Public policy must support the broader initiative of creating an important multi-purpose destination with appropriate tactical tools to accomplish specific retail revitalization goals.

OBSERVATIONS FROM A RETAILER'S PERSPECTIVE

Downtown Jackson lacks attractions and venues that generate sustained use by local residents and tourists. As new attractions and venues are added, retailers will acknowledge their patrons as potential customers. Downtown's core daytime workforce of 3,225 full-time employees is a very modest base for retailing although demand for lunch meals is readily apparent.

Although Downtown Jackson has several viable retail merchants, it is not a significant retail destination within the region compared to Westwood Mall or the key nodes on West Avenue and Highway 94 at Route 127. Major national retailers in these nodes have clustered into formidable "destinations" for shopping supplemented by cinemas, restaurants, and a wide variety of services. Local and regional merchants have followed the national retailers to these suburban sites. Jackson's primary retail nodes are within close proximity to Downtown, yet patrons of these retail destinations do not necessarily traverse Downtown en route to these more significant retail clusters.

Downtown Jackson can be a good retail site for some retailers but it is not a viable option for most retailers. Independent retailers are more likely to appreciate the opportunity to establish businesses in Downtown than chain retailers. Chains rarely deviate from site selection models that incorporate quantitative and qualitative factors. The straight-forward quantitative factors are trade area demographics, co-tenancy requirements, sales performance of existing merchants, and building design standards; the subjective qualitative factors include compatibility of setting and corporate image and perceived degree of risk.

Downtown Jackson is not a suitable site for department store retailing. This limits its appeal to specialty merchants—especially apparel retailers—that need to position themselves in retail nodes with department store anchors. Tenant recruitment efforts can be successful over the long term by targeting merchandise categories that are not dependent upon department stores for co-tenancy and a specific entrepreneurial merchant typology.

Chain retailers will perceive most of the retail spaces in Downtown Jackson to be obsolete. Most store spaces in Downtown Jackson are long and narrow with frontage of 20-40 feet and depth of 100 feet or more. Chain retailers demand rectangular spaces with frontage of 40-100 feet with depth no greater than 60-80 feet. Fortunately, Downtown's retail floor plates are less of a deterrent to restaurants and independent businesses.

To compete with Westwood Mall and other retail clusters in Jackson would require a minimum of 350,000 square feet of anchored retail space. It is doubtful that a sufficient critical mass of comparison goods retailers could open simultaneously in Downtown to establish a viable shopping destination on a par with competitive retail centers in the market. Absent the introduction of a critical mass, the retail revitalization process will be evolutionary in nature.

Non-retail uses such as offices, a senior center, Friends of the Court, can occupy prime retail spaces in Downtown Jackson. These users are more flexible in their site criteria than retailers and could occupy space on side streets or upper floors outside of the prime retail zone (Michigan Avenue between Jackson Street and Mechanic Street). The City should consider following the example of Daytona Beach, FL and other communities by enacting zoning regulations that prioritize ground level spaces within key zones for retail use.

The quantity and placement of short term parking within Downtown Jackson does not support retail development. Mixing hourly and monthly parking in the same parking lots confuses infrequent patrons. Monthly parking can be placed at the periphery of Downtown with short-term parking located at the retail core. Local residents using Downtown on a discretionary basis for shopping and dining--the user segment that is most sought for Downtown and most important for retail revitalization--has the least favorable perception of parking availability and convenience. The City has previously commissioned a study of parking that examined Downtown parking capacity. While outside of the scope of this assignment, it is recommended that parking consultants evaluate the specific parking needs of transient shoppers in the core of Downtown identified as the "primary retail zone." Planning for additional parking capacity is warranted as retailing and restaurant uses return to Downtown Jackson. Given land constraints, a multi-level parking structure may be needed.

Downtown Jackson has a small base of viable specialty retailers and several destination restaurants. Market support for additional retail is modest at this time although there may be greater support for additional quality restaurants to create a critical mass dining cluster with synergistic drawing power that is greater than the individual power of each restaurant.

Existing merchants survive because they are long established and accessible and because they have "destination" drawing power based upon exceptional selection, expertise, or service. Downtown Jackson is not currently at a tipping point whereby a cadre of new merchants can be expected to locate in Downtown merely in response to increased publicity about available spaces. Downtown does not lack retailers from a lack of promotion or because retailers misunderstand its merits; Downtown lacks retailers because it lacks sustained levels of activity that cause retailers to feel confident that they can generate adequate sales and profitability. Adding additional retailers will require a phased process that reflects sustained traffic from greater use of Downtown for a variety of reasons by a broader cross-section of residents and tourists.

RETAILING IN DOWNTOWN: UNDERSTANDING THE FUNDAMENTALS OF RETAILING

Retail development--in urban environments as well as suburban settings--is driven by business fundamentals that must be acknowledged and considered when creating a recruitment strategy or merchandising plan:

Retailing follows consumers; it leads customers with rare exceptions. Retailers look for established markets as signified by sustained traffic; they are reluctant to be pioneers. Ironically, retailers seek levels of traffic, which they themselves tend to generate. By far, most retailers are “convenience retailers” dependent upon being near their best customer prospects. They must see a steady stream of their customer type to be comfortable with a potential site. Some merchants can be classified as “destination retailers” because their customer franchise is so strong or their offering is so unique that they can draw patrons to any site they select. One effective strategy is to establish the retail legitimacy of an urban location with “convenience retailers” followed by adding “destination retailers” to the mix.

Consistent traffic is a prerequisite for most retailers. The level of rent that retailers are willing to pay is in direct proportion to traffic and sales opportunity they perceive. Inconsistent traffic is perceived to be risky, and in fact, inconsistent traffic makes it difficult for retailers to plan inventory purchasing and staffing. In urban settings, chain retailers are often willing to wait to commit to a lease until local entrepreneurs have established the legitimacy of a retail site. Increased rent is an acceptable trade-off for diminished risk and higher probability of immediate profit.

Consumer traffic must demonstrate sufficient “buying power” to be of interest to retailers. Retailers have preconceived notions of their customers’ demographic characteristics and economic capacity. This insight is used to guide the site selection process. Retailers have too many viable site alternatives to take speculative risks; they must perceive their customer to be present or probable as the basis for leasing store locations.

Chain retailers have a limited number of prototypical store formats that they are willing to operate; deviating from these established formats is done only as a last resort in circumstances when demand for a location by the merchant is high. Retailers have created preferred floor plans for maximum profitability. Departing from established store formats or merchandise assortments is a dollars-and-cents issue that conflicts with the efficiencies of multiple unit operations.

If the general key to real estate is “location, location, location,” the key to strong urban retailing is creating and enhancing a “crossroads location” both in the literal sense of accessibility and in the figurative sense as a place where multiple customer segments can comfortably and conveniently interact. Automobile and pedestrian

accessibility, adequate parking, and street (or mall) visibility are site prerequisites for all retailing; to compete successfully with suburban retailing alternatives, urban retailing districts must draw multiple customer segments including daytime employees, nearby residents, tourists, and residents from throughout the region.

Most retailers have established criteria for site selection. In its most basic sense, a retail site is nothing more than a place from which to have direct access to shopper traffic with certain characteristics. In the early stages of retail development, it is important to deliver consistent demographics while traffic grows. Prospective retailers must “see” their targeted customer demographics in the flow of traffic available to them at a proposed site.

“High traffic vs. the right traffic” can be a fundamental trade off for retailers. In general, an area that delivers a high level of traffic will be preferred by more retail tenants than an alternative site with more favorable rental economics but less traffic. The American retailing model of mass merchandising is predicated upon low margin/high traffic. Some specialty retailers are capable of generating high profitability on low traffic if their margins are high. In other cases, retailers can survive in low traffic conditions if there is minimal competition or when consumers have highly desirable demographics; these are the circumstances that permit retailing to flourish in resort settings.

“Strong retailing requires a “critical mass” of merchants in order to be visible in the context of the larger, competitive retail landscape. The destination drawing power of a retail area is dependent on its size (critical mass), content, and location relative to its market and competition. The Jackson retail market is not lacking for retail competition as an analysis shows the per capita square footage of shopping space to be comparable to the national average.

Clustering of compatible retailers has become the norm in American retailing. “Birds of a feather flocking together” is the basis for successful shopping center development and applies no less to urban areas. Merchants seeking compatible customers will gravitate to “nodes” where multiple merchants have greater probability of drawing sufficient traffic than any single retailer could draw on its own merits. Stated in a neutral fashion, few retailers are willing to be “pioneers.” Stated in a judgmental fashion, retailers are “lemmings.” Some retailers view clustering as increased competition while most view clustering as a way of reducing risk and creating incremental business through synergy. Restaurateurs fear the competition inherent in clustering in the early stages of the evolution of a dining node. Restaurateurs generally perceive the benefits of a functional critical mass of dining options when a restaurant district achieves destination drawing power.

Control over environmental factors is important to retailers so they can focus their energy on “minding the shop.” The competitive advantage that shopping centers have over downtown districts is tight control over environment placed in the hands of a single developer or landlord. By comparison, downtown areas typically offer more

complex environments with fragmented property ownership often compounded by the problems of absentee ownership. The key environmental factors include a safe setting that is clean and well maintained with business spaces that are correctly sized and configured. Perception of safety is as important as actual statistical safety. Downtown areas require creative procedures for assuring property maintenance and cleanliness as opposed to malls and shopping centers where the developer provides centralized services in these areas. Establishing design criteria and enforcing the rules require special effort in non-centrally operated settings such as downtown districts.

Independent, entrepreneurial retailers are the first wave of new Downtown merchants yet they are an endangered species in American retailing. Mom-and pop retailers suffer in a world of increasingly large chain merchandisers due to small scale of operations, personality-dependence, and pricing constraints. Local merchants succeed by maintaining specialty niches and with admirable persistence. Expanding is often difficult for entrepreneurial retailers because they are fragile—often under-capitalized and without extensive management depth. Coaxing successful entrepreneurs into pioneering locations or expecting them to have capacity to expand to new stores challenges their capacity to survive. Chain retailers tend to ignore downtown sites unless and until local independent merchants prove the viability of retailing by successfully “establishing a market.” Until a viable retail market has been demonstrated, chain retailers will not show interest even at low rental rates; when sustainable market support has been demonstrated, chain retailers will pay a rental premium for reduced risk.

This summary of retailer preferences and perspectives has been provided to assist in understanding retailers’ current reaction to site opportunities in Downtown Jackson. These retail “facts of life” have been considered in the formulation of the tenant solicitation and marketing strategies for Downtown Jackson. Recommendations in this analysis have been based upon a clear understanding of retailers’ site requirements.

OVERVIEW OF JACKSON'S RETAIL HIERARCHY

Jackson has three principal retail nodes that must be considered when defining the retail niche for Downtown:

1. Westwood Mall
2. West Avenue Corridor/Jackson Crossing North/Jackson Crossing West
3. Business Route 94 Corridor

Westwood Mall is an enclosed, single-level regional center anchored by Elder-Beerman and JCPenney. The center has 500,000 square feet of space. A 206,600 square foot Wal*Mart Super Center will open in the Spring of 2004 on the site formerly occupied by a Montgomery Ward store. This new anchor will add significant drawing power to the center, thereby enabling it to compete more effectively with Meijer's, Kohl's, Target, K Mart and other value retailers in the market.

This center has 53 stores offering a relatively strong assortment of national chain apparel merchants including American Eagle Outfitters, The Gap, GapKids, Hot Topic, Christopher & Banks, Aeropostale, Victoria's Secret, Maurice's, and The Buckle. Finley's and Applebee's are popular restaurant offerings.

West Avenue Corridor/Jackson Crossing/Jackson West represents a formidable retail node of more than 1.5 million square feet. The primary anchors are Kohl's, Sears, Target, Toys R Us, Circuit City, Lowe's Home Improvement Center, Office Max, Michael's Crafts, Home Depot, and two multiplex cinemas with a total of 17 screens. Sam's Club, Olive Garden, Cracker Barrel, and Lone Star Steak House are located on Airport Road at I-94 just west of Jackson Crossing.

Local retailers, auto dealers, and chain restaurants are represented in the mix in this node, both in strip centers and freestanding locations. The strength of the node is based upon the cluster of value merchants and "category killers."

Route 94 Corridor features Meijer's super center and K Mart as anchors with services and fast food. Meijer's grocery-discount store format has earned it a very loyal following. This K Mart has survived the contraction of the chain, so it is presumably a strong performer. The retail node has an estimated 400,000 square feet of space.

The three major nodes in the Jackson retail market have nearly 2.5 million square feet of space. There is no definitive source for a comprehensive estimate of shopping center square footage in Jackson County; however, the estimated square footage solely within these three nodes equals the national average of approximately 15 square feet of shopping center space per capita. The Jackson retail market is not "under-served" or "under-stored." National chains have strong site options in these three nodes. There are few important voids in mainstream merchandise categories; however, Downtown Jackson can carve out a competitive niche in a counter strategy of local, independent businesses and specialty goods.

CURRENT DISCRETIONARY USAGE OF DOWNTOWN JACKSON

Consumer research affirms the limited drawing power of Downtown Jackson--especially for shopping. This analysis incorporates the results of a randomly conducted telephone survey of 400 households within the retail trade area defined by three successful Downtown merchants. A copy of the questionnaire and a map of the calling area are included in the Appendix.

On an expanded geographic basis, Downtown’s annual reach is 81 percent and its annual frequency is 35 visits for non-work purposes. It is evident that Downtown Jackson is currently attracting a wide cross-section of local residents for specific events and trip purposes.

As shown in the charts on the facing page:

- ➔ Usage of Downtown for non-work purposes is highest among 45-55 year olds and lowest among those over age 55. Compared to other communities where this research has been conducted, usage of Downtown Jackson lags by younger adults between the ages of 18 and 44. This consumer age segment is important as it is typically the leading edge of downtown retail and restaurant revitalization.
- ➔ Usage of Downtown Jackson increases as household income increases. This is a strong message to communicate to prospective merchants.

The most important non-work trip generators in terms of “reach” are:

Dining /Bar	31 percent
Shopping/Browsing	34 percent
Farmer’s Market	36 percent
Community Events	40 percent
Professional Service	45 percent
Event at Michigan Theater	53 percent
Library/Church/Post Office/ Government Office	53 percent

The most important discretionary trip generators in terms of “frequency of visit” are:

Event at Michigan Theater	2.1 trips per year
Community Events	3.2 trips per year
Farmer’s Market	8.5 trips per year
Professional Services	9.0 trips per year
Shopping/Browsing	14.4 trips per year
Dining/Bar	14.7 trips per year
Library/Church/Post Office/ Government Office	15.5 visits per year

- ➔ The important segment of 18 to 34 year olds uses Downtown with less frequency than other segments. This warrants a strategic response given the spending patterns and potential of this segment.
- ➔ While higher income households show greater usage of Downtown, their frequency of use is lower than the frequency of use of lower income households. This, too, warrants a strategic response.

As shown in the tables on the facing page:

- ➔ Community events enjoy moderately high reach but low frequency; event programming is a tactic used to generate sustained traffic in many downtowns.
- ➔ Attending church/visiting the post office/visiting government offices represents the most prevalent trips into Downtown Jackson as measured by incidence and frequency.
- ➔ Downtown dining and shopping/browsing earn the lowest levels of reach with relatively high levels of frequency. This suggests that Downtown Jackson's shoppers and dining patrons are a small but loyal subset of the local population. For comparative purposes, most consumers visit a regional shopping center once every 10-14 days or an average of 25 to 36 times per year.
- ➔ Downtown's "users" are younger and more affluent than its non-users. This has been factored into the merchandising strategy and recommendations for activating Downtown with more event programming focusing upon family entertainment.
- ➔ Restaurants/bars are currently the "most liked" aspect of Downtown Jackson. The second "most liked" aspect of Downtown is "the unique, historic architecture of renovated buildings."
- ➔ Critical improvements that would lead to increased usage of Downtown Jackson are "adding more shops" and "improving parking." "Adding more restaurants" and "eliminating one-way streets" are also important opportunities that would lead to greater usage of Downtown.

These findings reinforce the concept of Downtown Jackson as a multi-purpose destination. Capturing retail and food sales from users intent upon visiting Downtown for reasons other than shopping/dining is one of the fundamental challenges of capitalizing upon the traffic drawn to a "crossroads" setting.

The vast majority of current Downtown users are not interacting with the retailers/restaurants in the core of Downtown. Users have one primary trip purpose with little pattern of secondary activity once Downtown; they depart after visiting their intended destination.

Over the long term, building a retail base in the core area of Downtown Jackson will require dual efforts simultaneously executed:

- 1. To generate retail and restaurant sales as impulse spending by patrons drawn to Downtown for a variety of primary reasons other than shopping/dining*
- 2. To generate retail and restaurant sales as the direct result of “destination shopping/dining visits” to Downtown*

The long-term goal is to establish a critical mass of shopping and dining that will have significant drawing power to establish Downtown as a “destination” for shopping and dining. Until this goal is achieved, Downtown retailers and restaurants must capitalize upon patrons who are drawn to Downtown for reasons other than shopping and dining. Once in Downtown, patrons must be encouraged to cross-utilize the core retail area regardless of their primary purpose for visiting.

NUMBER OF VISITS TO DOWNTOWN JACKSON IN PAST YEAR							
	<u>DINING</u>	<u>SHOPPING</u>	<u>COMMUNITY EVENT</u>	<u>FARMER'S MARKET</u>	<u>MICHIGAN THEATER</u>	<u>PROF. SERVICES</u>	<u>CHURCH/ CIVIC</u>
None	39%	43%	50%	44%	65%	55%	31%
1-3	29%	31%	39%	34%	32%	26%	29%
4-10	13%	13%	10%	13%	3%	12%	19%
11+	19%	14%	1%	9%	1%	7%	21%

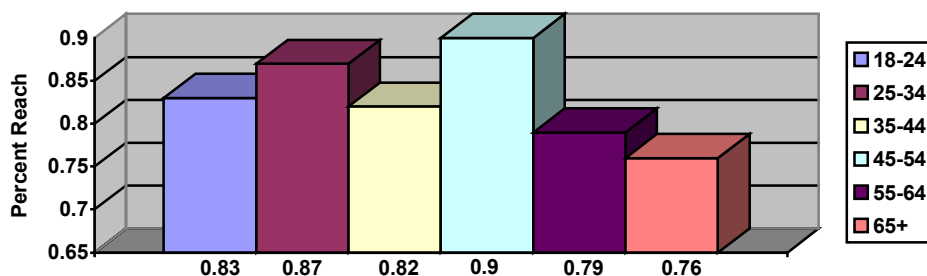
AGE / INCOME CHARACTERISTICS OF USERS AND NON-USERS OF DOWNTOWN JACKSON		
	<u>USERS</u>	<u>NON-USERS</u>
18-24	11 percent	10 percent
25-34	17 percent	12 percent
35-44	17 percent	18 percent
45-54	20 percent	10 percent
55-64	15 percent	19 percent
65+	19 percent	28 percent
Under \$25,000	23 percent	33 percent
\$25,000-\$39,999	24 percent	15 percent
\$40,000-\$59,999	20 percent	13 percent
\$60,000-\$79,999	11 percent	15 percent
\$80,000-\$99,999	6 percent	3 percent
\$100,000+	1 percent	-- percent

LIKE BEST ABOUT DOWNTOWN JACKSON	
	<u>ALL RESPONDENTS</u>
Restaurants and Bars	31 mentions
Architecture/Beautiful Renovations	24 mentions
Shops	21 mentions
Flowers/Landscaping/Parks	15 mentions
Convenience	11 mentions

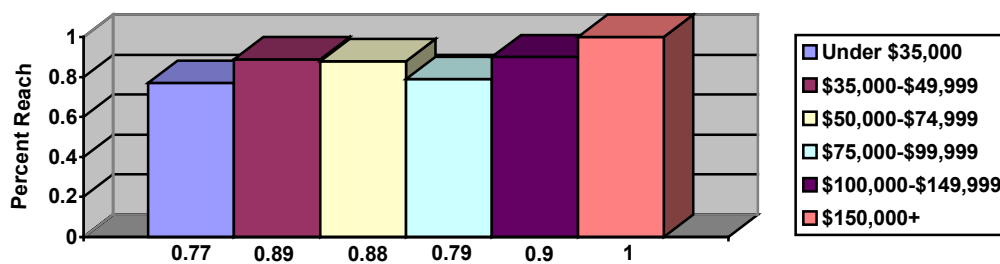
LIKE LEAST ABOUT DOWNTOWN JACKSON	
	<u>ALL RESPONDENTS</u>
Parking Hassles	91 mentions
Traffic/One Way Streets	71 mentions
Not Enough Stores	33 mentions
Nothing of Interest/Not Enough To Do	21 mentions
Construction Disruption	8 mentions

CHANGES THAT WOULD GENERATE MORE DOWNTOWN VISITS	
	<u>ALL RESPONDENTS</u>
Add More Shops/Department Stores	113 mentions
Add More Parking	58 mentions
Add More Restaurants	25 mentions
Improve Traffic Flow/Eliminate One Way Streets	24 mentions
Add Family Events/Family Activities	19 mentions
Improve Security	10 mentions

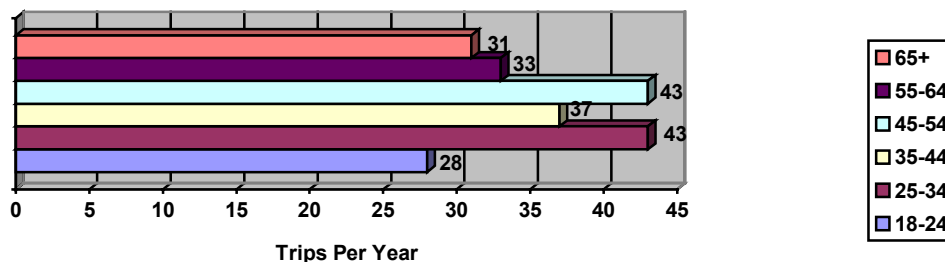
DOWNTOWN USE BY AGE



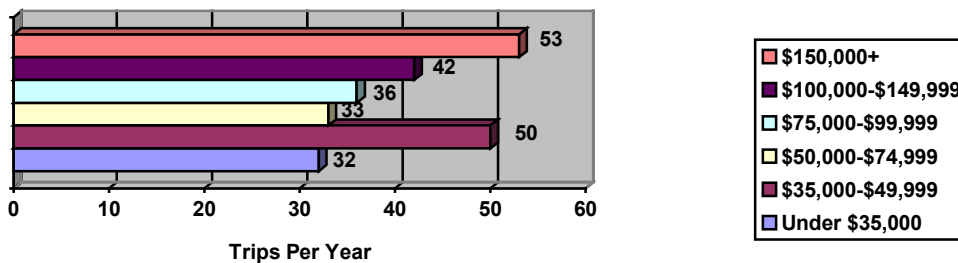
DOWNTOWN USAGE BY INCOME



DOWNTOWN FREQUENCY OF USE BY AGE



DOWNTOWN FREQUENCY OF USE BY INCOME



PERCEPTUAL RATINGS OF DOWNTOWN JACKSON

Respondents were asked to rank attributes of Downtown Jackson using a 1 to 5 scale with 1 representing “very poor” and 5 representing “very good.”

- ✓ Downtown’s receives its highest scores on operational issues such as “clean” and “safe.” These are areas where many Downtown areas focus their efforts.
- ✓ Parking issues generally received favorable scores even though parking issues were among the highest priority issues for corrective action.
- ✓ Downtown is a source of pride and is viewed as an important part of local history.
- ✓ Downtown earns its lowest scores for being a “fun family gathering place,” for being “exciting and full of things to do,” and for “wide selection of stores.”

PERCEPTUAL RATINGS OF KEY DOWNTOWN ATTRIBUTES	
Is comfortable for me during the day	4.1
Has clean sidewalks, streets, and public areas	4.1
Is an important part of the heritage of this region	4.1
Is well-lit at night	4.0
Is convenient for me to use	4.0
Has parking rules that are easy to understand	3.8
Has safe parking areas	3.6
Has a safe feeling overall	3.6
Has more positive qualities of an urban area than negative characteristics	3.6
Has buildings that are well-maintained	3.5
Is comfortable to me at night	3.4
Is something I’m proud of	3.2
Has parking that’s easy to find	3.2
Has a wide variety of restaurants	3.1
Has a good offering of cultural amenities	3.0
Has convenient parking for the places I want to go	2.9
Has a wide variety of bars and nightlife	2.9
Is a fun family gathering place	2.8
Has enough short-term parking for shoppers	2.8
Is exciting and full of things to do	2.6
Has a wide selection of stores	2.5

The attributes with the lowest scores are the areas of greatest need for improvement.

GUIDING PRINCIPLES FOR EXPANDING THE ROLE OF DOWNTOWN JACKSON IN THE LIFE OF THE COMMUNITY

Expanding Downtown Jackson's role in the community must reflect these principles:

- ➔ Downtown is a pedestrian-friendly historic setting with no peer in the Jackson region.
- ➔ Much of the investment in Downtown's infrastructure has already been made. The community has a vested interest in protecting its investment and adding uses that increase the value of the district.
- ➔ Downtown is important for the tax revenue it generates. Taxes generated in Downtown pay for services in neighborhoods throughout the City of Jackson.
- ➔ Downtown as a whole aspires to be greater than the sum of its parts. Its "brand image" can impart value to sub-areas and specific features within Downtown.
- ➔ Downtown must respond to real market opportunities via niche strategies that make it a genuine "gathering place" and a great place to live, work, and play.
- ➔ Downtown must have many "tools" available to overcome investor inertia and stimulate nascent market demand.
- ➔ Larger social purpose can be served by using public investment to leverage private investment.
- ➔ Public-private partnerships and broad-based leadership are essential to the success of Downtown reinvestment efforts.
- ➔ Public policy must support Downtown development through growth management plans which reward density and efficient development patterns and full utilization of existing infrastructure.
- ➔ Downtown's "vision" and positioning strategy must be authentic to the region and comprehensive in scope to achieve sustained success in broadening the role of Downtown Jackson in the life of the community.
- ➔ Downtown needs a strong champion and advocate with a broad constituency to coordinate and leverage community support and guide on-going development. The job is too large to be sustained exclusively by public sector support; the larger community must be involved from a grass-roots level up to the top echelons of the business community.

DOWNTOWN'S CURRENT AND FUTURE ROLES BY CATEGORY OF USE

Downtown Jackson's role in the community has changed from undisputed retail hub and commercial center as recently as the 1960s to an office employment node with secondary appeal as an occasional destination for specific retailers or entertainment such as a community event or a concert at the Michigan Theater.

Downtown has "low reach/low frequency" of use with very low usage for retail purposes. The isolation of key activity generators to the periphery of the core of Downtown has resulted in Downtown use that is predominantly "destination-specific" single-purpose trips with minimal cross-patronage of various sub-areas or uses within Downtown. Consumer research documents the core area's modest level of market penetration for discretionary, non-work activities. To be sustainable, future market position of Downtown Jackson must be grounded in market and economic realities. The competitive market influences the options available for niche development of Downtown.

OFFICE:

With 3,225 full-time workers, Downtown has the region's largest concentration of office employment. Downtown fulfills the traditional role as the center of finance, law, and government. Retaining the corporate headquarters of Consumers Energy Company was important for the long-term stability of Downtown Jackson.

Because of its unique atmosphere and the availability of non-traditional office spaces, Downtown Jackson can be positioned as the center of the region's "creative services" industry. Architects, engineers, designers, computer software developers, and consultants are typically drawn to downtown settings with amenities and environments similar to those of Downtown Jackson. Many of these workers avoid suburban office complexes because they are sterile and uninspiring. Downtown can even compete for medical offices given its proximity to a major hospital complex.

The Enterprise Group is presently charged with business recruitment efforts that would result in new office employment in the City of Jackson and Jackson County. Their efforts on behalf of Downtown Jackson necessitate accurate vacancy /rent statistics and cooperative relationships with local brokers. Office tenants can be sought via relocation of existing businesses and through start-up companies. Downtown Jackson has no multi-tenant office space that would be classified as "Class A" space using BOMA (Building Owners and Managers Association) standards. The absence of quality space is one of the factors that hinder downtown's ability to compete for corporate office relocations. Attracting a new employer seeking "Class A" space would require the construction of a new building. On the other hand, Downtown Jackson has ample "Class B" and "Class C" office space that may be incubator space for firms seeking less

prestigious backroom space or small start-up firms that cannot afford “Class A” space. The Atrium, the former Consumers Energy Building, and the Commonwealth Commerce Center are examples of “Class B” and “Class C” space. In addition, the former Jacobson’s building could be re-used as flexible office space with greater impact on Downtown than as a site for community college classes.

Downtown Jackson can have dual office market images: a prestige site for business and government employment and a center for creative entrepreneurship. The economic development strategy adopted by the City of Jackson or the Downtown Development Authority will optimally include soliciting start-up firms and others that require “Class B” or “Class C” space. Suppliers to Consumers Energy can be one target market. The office market in Jackson is not predictable such that projections of demand can be made. There is no history of absorption and dew space development that can be used as the basis for forecasting new building development or space needs. To generate new office tenants, the City and The Enterprise Group must actively recruit small entrepreneurial businesses as tenants for non-traditional space in Downtown Jackson. Existing office space can be used as a business incubator to provide a low-cost option for start-up firms.

HOUSING:

The consumer research conducted for this analysis probed the perception of Downtown Jackson as a good place to live. Fully 49 percent of respondents felt that Downtown would be a good place to live with the greatest support coming from seniors over age 65 and among households with incomes under \$50,000. This consumer feed-back reflects reaction to the current environment and housing selection in Downtown Jackson. The Downtown district already contains several residential projects for the elderly; broadening the residential base to include younger, active residents is an important goal that will impact the demand for consumer goods and services within Downtown. The introduction of unique housing units will result in induced demand by specific segments of the market to be described in detail in residential analysis by the Zimmerman-Volk Associates.

Financial incentives offered by the City of Jackson through the Michigan State Housing Development Authority (MSHDA) and the Downtown Development Board can stimulate the development of new rental units in several formats including loft-style space and traditional apartment. The program is currently has restrictions which require a majority of units to be set aside for residents with incomes not greater than 80 percent of the local median income.

Downtown offers Jackson’s “city life” alternative. No other neighborhood can compete with Downtown in this housing niche. The common denominators among those who chose to live in Downtown are active lifestyles and a desire to occupy non-traditional living space. This market niche includes positive diversity of age,

ethnicity, and income. Public policy should support new construction and re-use of existing structures and the development of mix of owner-occupied units and rental units. Zimmerman-Volk Associates has provided an assessment of residential development opportunity in Downtown Jackson to serve as the basis for a Comprehensive Housing Strategy with supporting public policy and related financing alternatives.

RETAIL:

Today's retail offering within Downtown Jackson is very modest. There is a small cluster of merchants with long operating histories and several newer merchants. Downtown lacks destination shopping for apparel and other comparison goods, and its offering of convenience goods for daytime employees and nearby residents is weak.

The larger retail marketplace constrains Downtown Jackson's potential as a retail center. In the vast majority of cases, department stores are necessary for drawing an effective cluster of national chain retailers. The placement of department stores in nearby suburban shopping centers mitigates against aspirations for Downtown Jackson's emergence as an open-air street version of a suburban mall.

Competitive retail areas in the Jackson area have “national chain stores” and “mass merchandise” as their common denominators. These competing areas are organized in effective “critical mass” clusters. Downtown Jackson is unlikely to attract mall-type retailers because it lacks department store anchors, its retail spaces are not configured to meet the needs of most retailers, and its parking inventory is inadequate. A stronger positioning opportunity is for Downtown to become the antithesis of the typical regional mall or suburban shopping center. A unique potential merchandising theme of hand-made goods and local-interest products can be interwoven with Downtown's broad niche as an Arts/Cultural and Entertainment District to create a strong positioning opportunity for the retail component of Downtown Jackson. This strategy has civic appeal because it provides opportunities for independent local businesses, artisans, and entrepreneurs--many of whom are unable or unwilling to locate in regional malls and shopping centers. There is also a natural synergy with the planned artists' colony in the historic penitentiary on the edge of Downtown.

The strategy of being the “un-mall” has been successful in cities as diverse as Corning, NY, Charlottesville, VA, Palm Springs, CA, and Ann Arbor, MI.

DINING:

Today, Downtown Jackson is one of many competing restaurant nodes. Over time, Downtown Jackson may be able to position itself as the region's most significant “Restaurant Row” of local, signature restaurants. The dynamics of Downtown Jackson

support the clustering of more full service restaurants as creative spaces are readily available. Unlike freestanding sites or suburban clusters, Downtown offers benefits to restaurateurs with strong potential lunch sales, executive “expense account” dining, and spin-off patrons from arts/culture/entertainment activities.

Downtown’s central location and easy accessibility make it a good location for restaurants with destination drawing power.

Downtown Jackson is well suited to be positioned as a restaurant district featuring primarily independent local entrepreneurs and multi-unit operations that are not perceived as “chains.” Dining can be an adjunct activity enjoyed in conjunction with other Downtown activities or it can be a destination activity in its own right. Dining will flourish as new activity generators are established within Downtown Jackson. The synergy that comes from creating a “Restaurant Row” with a cluster of restaurants tends to be beneficial for all operators.

ENTERTAINMENT:

Leisure-time entertainment can be active or passive; it encompasses many forms ranging from organized activities and large gated venues to small events and spontaneous gatherings. The trend toward higher spending for discretionary activities illustrates the importance of “entertainment” in our lives.

Within the region, there are many competing venues for entertainment (concert halls, theaters, and multiplex cinemas) and a diverse offering of activities. The region’s multiplex cinemas are located near the West Avenue retail cluster. These two facilities are relatively new and offer 17 screens. With the optimum population of 10,000 per screen, Jackson County (population 159,000) does not need additional screens.

The Michigan Theater is a historic theater that serves as a venue for many purposes including stage productions, concerts, and a children’s movie series. Its Downtown location is a competitive advantage, and this venue is (or can become) a major attraction for Downtown Jackson.

Downtown plays a role in the entertainment spectrum as the host to the Michigan Theater and several community events, but the decentralization of facilities prevents Downtown from serving as the region’s dominant multi-purpose entertainment node. Bucky Harris park is a small “pocket park” that is the site of many events. Other events are held in the streets of Downtown. Event programming must compensate for the absence of theaters and performance spaces by activating Downtown in such a way that it becomes the region’s undisputed “family entertainment destination.” Concerts, art shows, car shows, children’s’ programming, and community celebrations can draw traffic and establish Downtown Jackson as the region’s undisputed destination for family gatherings and community entertainment.

Downtown Jackson can become the region's dominant multi-purpose entertainment center for a broad segment of the local population by diversifying its offering of activities and by adding new entertainment options in the form of destinations and venues. Downtown can distinguish itself as the "authentic" gathering place for the community. Downtown can also distinguish itself with programming flexibility without the need for capital investment in new "buildings" by using streets, parks, and existing venues. Stimulating entertainment-driven patronage will generate economic benefits for Downtown's existing restaurants while leading to additional restaurant and retailer interest.

DOWNTOWN JACKSON AS A "PLACE":

It is important for Downtown to be perceived as a fun "gathering place" for the family. The experience of Downtown Jackson as a unique as a "place" can become one of its most important strategic attributes; however, Downtown's distinctiveness as a "place" is not fully evolved. Content, environment, and programming contribute to "place making" and the creation of Downtown as an "experience."

Streetscape and amenities contribute to the quality of "place" in Downtown as do the human scale of buildings and their architectural quality. But Downtown Jackson has no central public gathering place. The restored Bucky Harris Park is a small ceremonial space with limitations for programming. The potential for creating a gathering space exists in conjunction with the Grand River pathway project.

Downtown's physical environment and streetscapes have been enhanced but Downtown needs more comprehensive urban design planning and "place making" to become memorable as a "place" or an "experience." Over the long term, Downtown should become a compelling "place" by virtue of the unique experiences it can deliver. Today, patrons are attracted to specific destinations within Downtown. An interim goal is to consolidate strong activity generators within Downtown to drive visitation. A simultaneous goal is to draw people into the core of Downtown--onto the streets--rather than merely be satisfied that they visited a stand-alone venue such as the Michigan Theater. The plan to create a "sculpture walk" along the Grand River from Downtown to the Armory Arts complex is an excellent example of "place making." As the streets of Downtown Jackson fill with new uses, and activities, visiting Downtown will be a more complete "experience." Restaurants are the initial beneficiaries of "place making" efforts, but over the long term, retailers will respond to the sustained levels of traffic they see in Downtown Jackson.

SUMMARY

Today, Downtown Jackson is little more than a place of employment and an occasional destination for shopping, dining, or entertainment. Downtown has minimal connection to the local visitor economy. In the future, Downtown can

become the region's center of creative endeavors and a destination for specialty retail merchandise driven by quality dining and a broad array of entertainment options and experiences reflecting a special quality of "place."

DEFINING THE FOCAL POINT FOR RETAIL DEVELOPMENT

Retailers prefer to cluster in concentrated nodes or zones for the convenience of shoppers. Downtown Jackson's retail development strategy must acknowledge this fundamental site preference via the designation of a focal point for retail development.

The "primary retail zone" or bulls eye for retail development would optimally be the blocks of Michigan Avenue between Jackson Street and Mechanic Street. This area fits many of the criteria sought by retailers:

- ✓ Retail blocks are "double-loaded" meaning that storefronts face other storefronts across Michigan Avenue
- ✓ Short-term parking is available at curbside and in strategically located lots within this zone and adjacent to it
- ✓ Major employers and institutions are located within and adjacent to this zone
- ✓ The architectural quality of the buildings within the zone is consistently attractive
- ✓ A nucleus of existing retailers and restaurants exists in this zone
- ✓ Store spaces are available in various sizes and dimensions ranging from small spaces to large formats
- ✓ Pedestrian traffic is focused on these blocks
- ✓ Anchors such as The Michigan Theater, Bucky Harris Park, the Farmer's Market, and the library can "feed" patrons to this zone without significant obstacles

Concentrating retailers and restaurants along a portion of Michigan Avenue responds to consumers' willingness to walk approximately 1,000-1,500 feet in a double-loaded environment. This block of Michigan Avenue has the greatest potential for retail/restaurant uses to occupy virtually 100 percent of ground floor spaces.

Future retail and restaurant development should be encouraged to radiate outward from the "primary retail zone" onto other blocks of Michigan Avenue as well as Mechanic Street, Jackson Street, Pearl Street, and Francis Street as demand warrants. These secondary streets are located near major activity generators and employment centers.

Defining a "primary retail zone" is not intended to suggest that other streets in Downtown are inappropriate for retailers and restaurants. In fact, viable street retailing currently exists on Pearl Street, Mechanic Street, and Francis Street. The rationale for defining a "primary retail zone" springs from the strategy of solidifying the center first before radiating outward in order for results to be highly visible and to enable merchants to create synergies and capitalize upon cross-patronage. Many communities match economic development incentives with geographic zones identified as high priority development opportunities. This approach is recommended for Downtown Jackson.

DESIRED STORES AND RESTAURANTS IN DOWNTOWN JACKSON

All respondents were asked what stores and restaurants they would like to see in Downtown Jackson. Respondents were also asked about their preferences for local merchants, national chains, or a mix of both types of retailers.

PREFERENCE FOR LOCAL MERCHANTS VS. NATIONAL CHAINS IN DOWNTOWN JACKSON	
Local Merchants	22 percent
National Chains	6 percent
Mix of Local Merchants and National Chains	57 percent
Don't Care	10 percent

Respondents profess a preference for local merchants or locals mixed with national chains; however, their “vocabulary” consisted almost exclusively of national chains. Many of the desired retailers would be impossible to secure in Downtown Jackson for one or more of the following reasons:

- Jackson is outside of the geographic area in which some of the chains operate
- Some of the chains are out of business
- Many of the merchants have never operated in an urban environment
- The population of Jackson County is inadequate for several of the desired merchants
- The general consumer demographics of the Jackson area do not meet the site selection criteria of several of the merchants
- Many of the desired retailers operate only in settings with multiple fashion department store anchors

The list of retailers demonstrates the overwhelming orientation of Jackson’s consumers to discounters, mass merchandisers, and moderate-priced retailers. Most of the desired retailers already have locations in Jackson; it is unlikely that retailers will feel the need to open second locations in Downtown Jackson given its proximity to the three key retail nodes.

A significant proportion of respondents suggested “local restaurants” as their preference for additional Downtown eateries. Suggestions ranged from popular ethnic cuisines (Italian, Chinese, Mexican) to classic American diners and family restaurants.

DESIRED STORES AND RESTAURANTS

Womens Apparel

Jacobson's (14)	Saks Fifth Avenue	JCPenney (5)
Marshall Field's (36)	Elder-Beerman (6)	Nordstrom
Kaufmann's	Proffitt's	Mervyn's (4)
Target (2)	Wal*Mart (13)	Meijer's (3)
Dillard's (3)	Kohl's (4)	Sears
K Mart	Belk	Marshall's (5)
TJ Maxx (9)	Old Navy (18)	any outlets (3)
Talbot's (3)	Polo	Tommy Hilfiger
Victoria's Secret (4)	Anna's (2)	Deb
Casual Corner	Liz Claiborne	American Eagle Outfitters
Burlington Coat Factory	Aeropostale	Lerner
Gucci	Prada	Ann Taylor (2)
Chico's	Fashion Bug (3)	Catherine's
Dress Barn	Forever 21	bebe
Express (2)	Rainbow (2)	Lane Bryant (3)
The Gap (3)	Petite Sophisticate	Paul Harris
J. Crew	Christopher & Banks	Rave
Eddie Bauer	Coldwater Creek	Motherhood Maternity
Banana Republic	Cato	The Avenue
Orchid Lane		

With the exception of Orchid Lane, all requested womens stores are national retailers.

Shoes

K Mart	Marshall Field's	Sears
JCPenney	Kohl's (2)	Wal*Mart
Jacobson's (3)	Meijer's	Naturalizer (3)
Thom McAn (2)	Hush Puppies (5)	any outlets (5)
Footlocker (8)	Bass (2)	Nike outlet (8)
Baker's (2)	Payless (13)	Clark's (2)
Rockport (2)	Reebok outlet	Nine West (8)
Timberland outlet (2)	Cobbies	Rackroom
DSW (6)	Pic Way (2)	Famous Footwear (2)
Parade of Shoes	Fibley's	Easy Spirit
Stride Rite	Jenco	Birkenstock (2)
Champs	World Rain	VNA Bootery

Many respondents requested "brands" rather than stores in the shoe category.

Mens Apparel

Kohl's (5)	Nordstrom	Sears (3)
Marshall Field's (16)	Burdine's	JCPenney (7)
Jacobson's (7)	Meijer's (3)	Dillard's (2)
Wal*Mart (11)	Mervyn's	K Mart (2)
Elder-Beerman	Burlington Coat Factory	Target
Belk	Furman's (14)	Kositchek's
Barney's New York	Mens Warehouse (5)	The Buckle
American Eagle Outfitters	Richman's (2)	S & K (3)
Oppenheimer (2)	Big & Tall (9)	any outlets (4)
TJ Maxx (4)	Structure (4)	Hanes
Old Navy (17)	Marshall's (3)	Nike
Abercrombie & Fitch (4)	A & N	Eddie Bauer
Hollister	Champs	J. Crew (2)
The Gap (2)	Brooks Brothers	Banana Republic
Casual Male	Aeropostale	

Among the desired mens apparel merchants is Lansing's Kositchek's—comparable to Furman's.

Childrens/Teens Clothing

Kohl's	Marshall Field's (10)	Dillard's
Wal*Mart (4)	Target	K Mart (2)
Sears	JCPenney (2)	Mervyn's
Jacobson's (3)	Belk	Old Navy (16)
Babies /Kids R Us (6)	The Gap (5)	The Childrens Place (3)
Gymboree (4)	Forever 21	Deb
Carter's (2)	American Eagle Outfitters (2)	Casual Corner
BabyGap (4)	Osh Kosh	Kids Footlocker
Rainbow	Nautica	Gadzooks
TJ Maxx (2)	J. Crew	GapKids (7)
Kid Bits	Fashion Bug	Aeropostale
Marianne		

One local merchant is among the list of requested childrens/teens apparel stores.

Home Décor

Marshall Field's (2)	Sears	Wal*Mart (3)
Elder-Beerman	Lowe's (2)	Home Depot
Jacobson's (5)	JCPenney	Kohl's
Great Indoors	Target	Pier 1 (23)
Kitchen Shop	Bed Bath & Beyond (20)	Linens n Things (14)
Welcome Home	TJ Maxx	Pottery Barn (4)
Calico Corner (2)	Crate & Barrel (5)	Lechter's
Moe's	Home Place	Williams-Sonoma
Broyhill		

Two local retailers are among the list of desired home décor stores.

Cosmetics/Body Care Products

Target	Wal*Mart	Bath & Body (20)
Merle Norman	TJ Maxx	The Body Shop (4)
Sephora	M A C	Origins
Crabtree & Evelyn (2)	Aveda (5)	Sally Beauty Supply (6)
Walgreen's	Clinique	any drug store

Respondents requested a mixture of "brands" and retailers.

Gifts/Jewelry

Petterson	Jewelry Factory	Marshall's
Barrington's	Zales (2)	Kay's Jewelers
Hallmark (9)	Corey's	Premier
McDivett's		

Several local retailers were requested in this category.

Books/Music

Books-a-Million	any Christian bookstore (14)	any teacher's store
Records	Jay's	Tower
Borders Books (35)	any independent bookstore (4)	Circuit City (4)
San Goody	Disc Jockey	Best Buy (6)
B. Dalton (5)	Waldenbooks (8)	Music World
any used bookstore	Wherehouse Music (5)	FYE (4)
Little Professor (3)	any musical instrument store (3)	Barnes & Noble (55)

National chains dominate the requests for electronics, music, and books although there were several specific requests for an independent bookstore.

Miscellaneous Retail

lawn mower shop	gold teeth store	hobby shop
car shop	antiques (3)	pet shop (3)
artwork	Harley Davidson store	Whole Foods
barber shop	laundromat	wallpaper store
banquet hall	ice cream parlor (2)	game room (2)
luggage store	furniture store	flower shop
grocery store	sporting goods store	country store
outdoor cafes		

Several of the requested miscellaneous stores are strong prospects for any downtown setting.

Restaurants

Chili's (27)	Chi Chi's (24)	Mongolian BBQ (18)
any Mexican (14)	TGIFriday's (18)	Macaroni Grill (7)
any local restaurant (15)	Bennigan's (7)	Outback Steak House (6)
Joe's Crab Shack (5)	any Chinese (8)	Applebee's (7)
Boston Market (4)	any Italian (4)	Red Lobster (6)
Olive Garden (5)	Big Boy (4)	Don Pablo (4)
Ruby Tuesday (3)	Panera Bread Co. (4)	Starbucks Coffee (7)
Hooters	Charlie's	Atlanta Bread Company
any soul food	Ponderosa (3)	Denny's (3)
Damon's (6)	Mountain Jack's (2)	any sushi (2)
any bakery (2)	Wendy's (2)	any German (2)
KFC	any Japanese	any Jamaican
Houlihan's	Steak n Shake	Rio Bravo (2)
Stillwater's	IHOP	Ryan's Family Steak House
California Pizza Kitchen	any deli	any bagels
Long John Silver	any comedy club	Subway
Taco Bell	any microbrew pub	Popeye's Fried Chicken
Church's Fried Chicken	Hard Rock Café	Tim Horton's
Sonic Drive In	Pizza Hut	Chicago-style steakhouse
Chuck E. Cheese	Papa Romano's	McDonald's (3)
Cracker Barrel (2)	any classic diner	Findley's (2)
Bob Evans (3)	Hunt Club	Rally's Hamburgers
A & W	Lone Star Steaks	Perkins (2)
Old Country Buffet (2)	Carabbas	any Greek
Quiznos Subs	Joey's Subs	any local coffeehouse
Schlotsky's Deli	Caribou Coffee	P.F. Chang's (2)

Many of the requested restaurants are already located in Jackson; others are drive-in or fast food restaurants. The desire for various types of ethnic cuisine appears to be strong.

The list of popular retailers in each category generally consists of merchants that are already located in the Jackson area. This demonstrates the type of competition any new merchants entering Downtown Jackson will face.

Residents' retail "vocabulary" is limited to businesses they patronize in Jackson or that they have encountered when visiting other (larger) communities. The lists of desired stores are predominantly oriented to national chains, but Downtown Jackson does not meet the site criteria of most national chains. Soliciting local and regional merchants will yield greater success than soliciting national operators.

**SALES CAPACITY ILLUSTRATION
DOWNTOWN JACKSON, MICHIGAN**

<u>CURRENT ESTIMATE</u>	<u>PCT. SALES BY SEGMENT</u>	<u>SALES BY SEGMENT</u>
LOCAL TRADE AREA RESIDENTS	0.35	\$2,915,500
DAYTIME EMPLOYEES	0.60	\$5,800,000
TOURISTS	0.05	<u>\$456,600</u>
ESTIMATED CURRENT SALES		\$9,132,000
SUPPORTABLE FOOTAGE AT \$200 PSF		45,660
<u>PROJECTED PERFORMANCE ALTERNATIVES</u> (WORKERS GENERATE 20 PERCENT OF SALES)	<u>PCT. SALES BY SEGMENT</u>	<u>SALES BY SEGMENT</u>
LOCAL TRADE AREA RESIDENTS	0.70	\$20,300,000
DAYTIME EMPLOYEES	0.20	\$5,800,000
TOURISTS	0.10	<u>\$2,900,000</u>
PROJECTED SALES CAPACITY		\$29,000,000
SUPPORTABLE FOOTAGE AT \$200 PSF		145,000
<u>PROJECTED PERFORMANCE ALTERNATIVES</u> (WORKERS GENERATE 15 PERCENT OF SALES)	<u>PCT. SALES BY SEGMENT</u>	<u>SALES BY SEGMENT</u>
LOCAL TRADE AREA RESIDENTS	0.70	\$27,100,000
DAYTIME EMPLOYEES	0.15	\$5,800,000
TOURISTS	0.15	<u>\$5,800,000</u>
PROJECTED SALES CAPACITY		\$38,700,000
SUPPORTABLE FOOTAGE AT \$200 PSF		193,500

ESTABLISHING SALES CAPACITY FOR DOWNTOWN JACKSON

No sales data exists for Downtown Jackson. By inference, it is estimated that Downtown Jackson's current total retail/restaurant sales volume is approximately \$7.1 million based upon the following assumptions:

- Using national averages for annual spending by office workers, Downtown Jackson's 3,225 full time employees and estimated 813 part time employees spend an estimated \$5.8 million annually in Downtown during/after the workday—with approximately \$4.6 million devoted to meals and \$1.2 million devoted to retail goods and personal services.
- It is estimated that the daytime workforce generates 70 percent of total retail/restaurant sales in Downtown.

Fully functional Downtown areas that draw residents for a variety of trip purposes and penetrate their local tourist markets tend to rely upon the daytime workforce for no more than 15-20 percent of sales. Therefore, Downtown Jackson's sales capacity is approximately \$29-\$38 million.

- This level of sales volume would support 145,000 to 193,500 square feet of occupied space at an average productivity level of \$200 per square foot.
- There is upside sales capacity in downtown Jackson. Downtown's sales capacity is nearly 3-5 times greater than the assumed current level of sales.
- This level of projected sales capacity illustrates that Downtown Jackson is a relatively small niche market. In comparison, the Kohl's and Target stores on West Avenue probably generate combined sales volume in excess of \$33 million. A single Wal*Mart Super Center would anticipate sales of \$50-\$60 million while an average Costco Warehouse generates sales of \$110 million.

Downtown Jackson has significant upside potential predicated upon its ability to become a more important destination by residents and tourists. A performance forecasting model based upon similar urban settings suggests that Downtown Jackson has sales capacity of \$29-\$38 million based upon the size of individual market segments available to it and predicated upon a mix of tenants representing appropriate merchandise categories.

RETAIL-ORIENTED ECONOMIC DEVELOPMENT TOOLS

Jackson has no effective retail-oriented economic development incentives to use in its Downtown revitalization effort. Façade grants are inadequate; tax credits that apply only to building owners do not apply to tenants. Reliance upon independent merchants and start-up entrepreneurs demands programs tailored to businesses needing up-front working capital. Retail revitalization may proceed without retail development incentives, but at a slower pace than may be expected in appropriate incentives were applied.

The DDA must identify whether any existing state and local economic development tools are applicable to retailers. This report suggests that there are few—if any—financial incentives that apply to retailers or building owners preparing space for retail use. In the absence of existing programs, the DDA must take a leadership role in establishing the need for new tools that would assist in establishing new retailers in Downtown.

The “Economic Tools Matrix” produced by The Enterprise Group of Jackson is an excellent summary of existing federal, state, and local incentive programs. The criteria clearly identify the programs that are applicable to retailers.

The City of Jackson needs to broaden its incentives to include specific categories of retailers and restaurants within defined geographic boundaries. Because buildings in marginal physical condition tend to attract tenants of marginal quality, it is important to provide capital resources for building improvement that can draw tenants for leased space.

Any new programs should address the most typical scenario:

A new retail tenant wishes to lease a storefront in Downtown Jackson at prevailing market rent (estimated at \$5.00 per square foot gross), but the retail space is in poor condition. Because the tenant has no equity position in building, the tenant is unwilling to make capital investment to improve space. The building owner lacks the capital for necessary improvements to make space suitable for use by the retailer, and the prevailing market rent is inadequate to earn a reasonable return on the required renovations and improvements. (Examples include provision of functional HVAC system, restrooms, basic electrical wiring and panel, and “vanilla box” drywalls.) The economics of early-state urban retail rejuvenation are dysfunctional because low rents fail to offset high capital requirements of bringing new space to market. The stalemate continues until market rents justify the required capital investments.

- “Main Street” façade grants do not address this problem.
- Downtown is not included among Jackson’s five Renaissance Zones in which owners receive waivers of all state and local taxes for owners.

- The P.A. 198 Tax Abatement Program does not address this problem because retailers are ineligible.
- The P.A. 328 Tax Abatement Program for Personal Property does not apply to retailers.
- The U.S. and Michigan Historical Tax Credit program applies only if the building is listed on the National Registry of Historic Properties or designated a Local Historical Site.
- The Michigan Obsolete Properties and Rehabilitation Tax Credit program could be used to freeze property tax valuation at pre-rehabilitation level for up to 12 years thereby providing relief from incremental taxes triggered by property improvements.
- The Michigan Single Business Tax Credit program applies to brownfield sites rather than Downtown Jackson although credits may go to building owner or lessee.
- Michigan Economic Growth Authority (MEGA) grants for large-scale job creation and major capital investment would not apply to retailers.
- Economic Development Job Training (EDJT) may be used for grants to retailers generating new jobs, but in most cases, this is insufficient to cover the cost of preparing space for retail use.
- SBA Guaranteed Loans to retailers would not be approved for leasehold improvements to leased premises although this program might be a source of capital for building owners.
- Revolving Loan Fund through the Economic Development Corporation of Jackson County may be a source of capital assuming the property owner has adequate collateral. The leveraging ratio of 2 to 1 may not be adequate in instances when extensive improvements are required.
- Industrial Revenue Bonds are not applicable to retailers.

By Michigan law, the Downtown Jackson Development Authority has tax increment financing authority. Similarly, the Jackson Tax Increment Financing Authority and the Local Development Financing Authority are empowered to use tax increment financing for certain types of property rehabilitation. Many cities apply tax increment financing to close gaps in privately financed retail projects. At this time, the City's ability to use new tax increment financing is limited as funds have been assigned to the Consumers Energy Building.

The Jackson County Economic Development Corporation may be able to create a revolving loan package targeting rehabilitation of economically/functionally obsolete buildings for contemporary uses with improvements to include life safety and handicap accessibility features. The City may consider a loan program to assist property owners in the financing of alterations and improvements necessary for compliance with current building codes, fire codes, and accessibility codes. The City may consider waiving municipal fees such as building permit fees when property owners reuse or rehabilitate an existing building that has been vacant for a specified minimum time.

Many cities have established retail development grant programs and revolving loan funds to address the dysfunctional economic model of downtown retail redevelopment. Some communities make outright grants to support property renovation; typically these grants are expressed in terms of subsidy dollars per square foot of renovated space (i.e. \$3.00 per foot in the Kalamazoo, MI Building Revitalization Program). Many revolving loan programs have shared characteristics worthy of evaluation by the City of Jackson:

- ✓ Defined geographic district for concentrated development activity and strategic impact
- ✓ Inclusion of buildings over certain age without respect to historic restoration standards
- ✓ Interior leasehold improvements included in addition to façade improvements
- ✓ Applicability to targeted merchandise categories only (following recommendations from retail market studies)
- ✓ Selectively applied to businesses that can serve as “catalysts” to act as a draw for downtown while reaching out to a new customer base
- ✓ Below-market interest rates
- ✓ Loan forgiveness provisions for meeting established criteria related to duration of tenancy and “catalyst” quality of tenant

The three most widely used forms of financial incentives for retailers are programs that are not connected to building ownership:

- 1) Catalyst tenant grants
- 2) Performance grants based upon tax increment financing
- 3) Revolving loan funds

Catalyst Tenant Grants are cash inducements for specific types of retailers to locate in defined, high-priority zones. Communities establish stringent criteria defining the nature of “catalyst tenants” in order to provide incentives only those retailers that will have unusually profound impact on the direction or pace of retail revitalization. “Catalyst tenants” are “anchors” without necessarily being large format stores. These tenants can be expected to generate substantial retailer interest as a result of their decision to locate in a downtown area. Communities that employ this process are careful to provide narrow definitions of “catalysts” and to include specific geographic references to applicable site locations. An effective program could require funding of \$500,000 to \$2 million.

Performance Grants utilize tax increment financing to return incremental revenues to the retailer as long as performance benchmarks are reached. These grants are less attractive to retailers because they are paid in arrears and are not guaranteed. Bankers do not view these grants as collateral for borrowing, and they do not address the

problem of up-front capital shortfalls. Municipalities use these grants when it is not feasible to fund other programs or when they wish to share the risk with pioneering merchants.

Revolving Loan Funds are low interest lending programs that provide small business loans to people who have no credit history or access to commercial bank loans. Revolving Loan Funds provide the initial loans for business start-up and expansion. The ultimate goal is for these entrepreneurs to become financially independent and eligible for loans from commercial banks. Payments are generally returned directly to the fund and used to make new loans — hence, the term *revolving* loan fund.

“Best cases” include San Jose, CA, Memphis, TN, Kalamazoo, MI, Lansing, MI, Long Beach, CA, Oakland, CA, Eau Claire, WI, Monroe, MI, and Orlando, FL.

Experience in many communities has taught that the retail revitalization of Downtown Jackson will proceed at a slow pace without retail-oriented economic development tools.

RETAIL RECRUITMENT IMPLEMENTATION STRATEGY

A retail recruitment implementation strategy is neither complex nor mysterious, but it does require organizational capacity matched with responsibility and accountability. The organization that is the “champion” of Downtown retail revitalization lacks the requisite mandate, capacity, and tools to succeed in this mission.

The Downtown Development Authority (DDA) has traditionally been an advocacy group and merchants association for existing businesses with secondary emphasis upon new business recruitment. Retail tenant solicitation and recruitment should be considered the primary responsibility of the Downtown Development Authority. This function does not belong within the mission of The Enterprise Group nor should it be the primary mission of the City’s economic development agency. The DDA is in a stronger position to serve the specialized needs of retailers/restaurateurs than a broad-based economic development organization. The DDA’s future organization, staffing, and funding must reflect its role as the primary retail recruitment vehicle for Downtown Jackson.

The nine steps to establishing an effective retail recruitment program start with establishing a target tenant profile and lead up to cold-calling and selling:

- 1) Establish a Profile of Target Merchant Types and Merchandise Categories
- 2) Create a Business Fact Base
- 3) Prepare an Inventory of Economic Development Tools
- 4) Assemble a Database of Downtown Space Inventory and Lease/Purchase Terms
- 5) Establish a Merchant Retail Development Committee
- 6) Hold Broker Roundtables and Periodic Update Meetings
- 7) Initiate a Series of Local/Regional Reconnaissance Trips to Generate Prospects
- 8) Make Sales Calls on Qualified Prospects
- 9) Establish a Follow-Up Contact/Reminder Program

These nine steps reflect the four-step general business recruitment process as delineated by the National Main Street Center:

- I. **RESEARCH PHASE:** identify and qualify a list of prospects
- II. **SALES VISITS:** meet with prospects to begin the process of generating interest
- III. **PROSPECT TOUR:** showing sites in Downtown to prospects who indicate interest
- IV. **GRAND OPENING:** welcoming the new business

The Main Street Center's "Workbook for Downtown Business Development" emphasizes the following:

"A business recruitment packet is *never* a substitute for the *recruitment process*. Recruitment requires a solid strategy and human contact: A successful recruitment team must know the market for future investment, understand the existing commercial environment, ferret out potential recruits, contact them and follow up on that contact. A package of facts and figures cannot replace the need for personal communication and follow up.....An effective business recruitment package reflects the spirit and direction of the community."

Profile of Target Tenant Types and Merchandise Categories

Current Downtown retailers share important common denominators of specialized merchandise and exceptional product knowledge or levels of service:

- A guild jeweler who offers one-of-a-kind items and settings backed by exemplary service
- A photo store that supplements camera sales with camera repair, darkroom supplies, equipment for professionals, quality photo finishing and experienced staff
- A shoe store with top brands in stock and available for special order with staff trained in the art of foot measuring to assure proper fit for all members of the family
- A bike and exercise equipment retailer who successfully competes with discounters and mass merchants by offering high quality goods and repairs and staffed by biking enthusiasts
- A women's salon offering furs with selected shoes and accessories plus the service of fur repair and storage
- A skateboard specialty shop with a passion for the product

Optimally, tenant prospects will share these attributes of specialized offerings and customer care for these are the key ingredients that make them "destination" businesses. It is best if Downtown merchants "own their categories" so that they are not dependent upon mass co-tenancy especially in the early phases of retail revitalization.

The initial retail and restaurant prospects for Downtown Jackson are unlikely to be national chains because the current environment of Downtown Jackson leaves many of their site selection criteria unfulfilled. This analysis endorses the conclusions from the National Main Street Center with respect to national chains, department stores, and mall-type stores as being the least likely candidates for Downtown Jackson. This analysis echoes the conclusions that the most likely prospects for Downtown Jackson's initial retail revitalization include successful businesses from neighboring communities and local entrepreneurs.

The best prospects will fit two descriptions:

- ✓ Independent entrepreneurs and start-up businesses
- ✓ Local and regional multi-unit operations with locations in similar downtown settings in Michigan

Early business clusters must be destination uses that customers will seek out without regard to convenience of location:

1. Restaurants
2. Entertainment venues
3. Retailers with specialized products and services

Appropriate merchandise categories for merchant recruitment in a “pioneering urban environment” are:

- ✓ Eating and drinking places (casual and fine dining; ethnic dining; bistros and pubs)
- ✓ Services (personal service establishments and business-to-business service providers)
- ✓ Entertainment venues (theme bars, family-oriented facilities)
- ✓ Comestibles (candy, bakery, ice cream/yogurt, artisan breads)
- ✓ Retailers (initially oriented to impulse purchasing rather than comparison shopping):

New and used books

Art and craft galleries; handcrafted goods (jewelry, clothing, furniture, home furnishings, toys)

Antiques; home décor items

Greeting cards and gifts

Stationery and office supplies

Kitchen shop (with cooking school)

Upscale consignment shops (apparel, home décor items)

Sports equipment (new and exchange shop)

CD/tape exchange shop

Garden/flower shop

Create a Business Fact Base

A business fact base will be required to explain the merits of a Downtown Jackson location. This information will help sell prospects on the merits of Downtown Jackson and explains why investments in Downtown are likely to be rewarding.

- ✓ Reach/frequency of Downtown use (from retail market analysis)

- ✓ Demographic profile of Downtown patrons (from retail market analysis)
- ✓ Sales performance of key categories in Downtown Jackson
- ✓ Jackson County annual retail trends
- ✓ Downtown employee counts
- ✓ Traffic counts on Downtown streets
- ✓ Event/festival schedule with attendance estimates
- ✓ Housing unit inventory/current count of Downtown residents
- ✓ Current count of Downtown workforce (full- and part-time employment)
- ✓ Detailed statistical profile of tourists (annual count, length of stay, primary activities, spending on retail/food)
- ✓ County trade area map and demographics; 1-3-5 mile population summaries
- ✓ Comprehensive Downtown Plan with details for key development initiatives
- ✓ Summary of projects underway with costs, opening dates, statements of anticipated impact on consumer spending in Downtown

Perhaps the most valuable tool for demonstrating the growing vitality of Downtown Jackson is an annual summary of retail and restaurant sales within the Downtown area. It is strongly recommended that the DDA collaborate with local and state revenue officials to establish a process for tracking Downtown sales by cross-referencing business licenses and sales tax revenue data. A summary of annual sales performance by category can be compiled without compromising the privacy of individual businesses. The single most effective leasing tool used by shopping center landlords is their ability to cite sales volume, sales productivity (sales per square foot), and sales trends; providing comparable data for the downtown district is critical in the ability to initiate interest by new merchants.

Prepare an Inventory of Retail-Oriented Economic Development Tools

The DDA should prepare a summary of retail-oriented economic incentives to share with prospective retailers. The matrix of programs published by The Enterprise Group is a good example of providing highlights of each program.

Prospective merchants must be made aware that economic incentives are available to retailers and restaurants that lease space in addition to businesses that acquire or own real estate.

Assemble a Database of Downtown Space

The DDA should assemble a comprehensive inventory of existing space in Downtown Jackson using standardized fact sheets. The database should be in digital format for easy electronic transfer. Many downtown organizations post their building inventory files on their websites with links to local economic development agency websites. The inventory should be updated annually and when changes occur to specific buildings.

The computerized database must be fully accessible using multiple criteria:

- Organized by individual blocks within Downtown Jackson
- Classified by “or sale” or “for lease”
- Classified by size range and by rent per square foot

The database should include:

- Ground floor dimensions and square footage of every building (total leasable space using BOMA standards)
- Current zoning
- Total square footage of every building (total leasable space)
- Floor plan showing columns, exits, stairways, and other major features (as possible)
- Photos of all exterior elevations
- Name and contact address/phone number of building owner
- Sales price/rental rates
- Lease terms (triple net rent; availability of tenant allowance; services or utilities included in rent)
- Availability of on-site parking
- Standardized assessment of condition of ground floor space
- Name/business category of current occupants
- Future availability of space (expiration date of current tenant lease)

Establish a Merchant Retail Development Committee

Existing Downtown merchants have a stake in the future development of Downtown. Their input into desired co-tenancy is valuable as are their suggestions for specific tenants for solicitation; their participation as “ambassadors” helping to spread the word about business opportunities in Downtown is also valuable.

In some cases, established merchants may feel threatened by the prospect of new businesses that might be partially or directly competitive. Merchants must be reminded of the general vision of creating a strong destination for shopping as well as the principle of “clustering” that is the premise of shopping center development and which increases consumer convenience.

Hold Broker Roundtables and Periodic Update Meetings

It is important to include the local retail broker community in the tenant solicitation process. The DDA must be proactive in communicating Downtown Jackson’s strengths and its site opportunities to local commercial brokers. While not all of the tenant prospects will have brokers, it is important to establish good working relationships with

the broker community. In some cases, the greatest skeptics of Downtowns are brokers who have built their reputations making retail deals in the suburbs.

An initial broker roundtable should be convened when the DDA has completed its business fact inventory and property inventory database. Members of the Merchant Retail Development Committee can be introduced to brokers along with a list of targeted merchant categories and tenant profile.

The DDA should create a retail broker mailing list to use as a means of disseminating positive news and business updates about Downtown. This list should also be used by the DDA to notify brokers of new leasing/sale opportunities as they arise.

Periodic updates should be held at least on an annual basis. The DDA may wish to use these sessions to recognize the efforts of brokers who have contributed to the success of Downtown as well as a means of providing updated information about Downtown business conditions.

If deemed appropriate, the DDA may wish to implement a “broker bonus” program with cash awards paid to brokers who make deals with tenants in targeted merchandise categories. Kalamazoo, MI, Memphis, TN and Hampton, VA have successful broker bonus programs.

Initiate a Series of Local/Regional “Reconnaissance Trips” to Analog Communities

The DDA will not be able to achieve success by remaining within the confines of its offices. The DDA should include the position or function of Manager of New Business Development staffed by an experienced retailer or real estate professional who is assigned the responsibility for recruiting new retail tenants. Some reconnaissance trips may occur locally, but the majority can be expected to involve travel to markets in Michigan and surrounding states. Adequate budget should be allocated for a series of site visits to analog communities in search of tenant prospects for Downtown Jackson. This role must be viewed as being of equal or greater importance than daily contact with existing merchants. Initial visits should be made to Michigan cities that have made progress in their local downtown retail revitalization efforts.

Reconnaissance site visits are for the purpose of identifying prospective tenants for solicitation and recruitment. The designated representative of the DDA should complete a checklist for every merchant visited on a site visit. The checklist includes facts that will assist in qualifying the merchant as a prospect for Downtown Jackson while gathering information that will assist in understanding the merchant’s business needs. The checklist should be held in confidence by the DDA:

- ✓ Name of business owner
- ✓ Address and phone number of business owner

- ✓ Manager's name
- ✓ Estimated size of business
- ✓ Primary category of business
- ✓ Key merchandise lines, brands
- ✓ Number of employees per unit (full-time and part-time)
- ✓ Number of units and locations of units (if multi-unit operation)
- ✓ Average sales per unit
- ✓ Description of target customer (age, income, buying patterns, lifestyles)
- ✓ Typical rent/lease terms (if business leases space)
- ✓ Current expansion plans
- ✓ Familiarity with/connection to Jackson

Sales Calls on Qualified Prospects

Once a merchant has been qualified as a prospect for Downtown Jackson using the targeting criteria established in this analysis, the DDA representative should schedule a meeting with the owner(s) at a mutually convenient time. This meeting should be held at a time when attention will not be diverted by operating the store.

The goal of this meeting is to explain *why* the targeted merchant fits the desired criteria for tenant solicitation and *why* the merchant would succeed in Downtown Jackson. In preparation for this visit, the DDA representative should create a "Case for..." presentation that succinctly states "why" the merchant belongs in Downtown Jackson and "how" Downtown Jackson meets their needs. The "Case for..." presentation blends the knowledge gained from the checklist conversation with the DDA's downtown business fact base to demonstrate the probability of success in Downtown Jackson.

General perceptions of Downtown Jackson can be assessed at this time. Economic incentives should be discussed as deal facilitators rather than the main rationale for locating in Jackson as even the most unsophisticated merchant will resist opportunities that appear to be driven purely by financial incentives.

A secondary goal of the meeting is to obtain additional information about the prospective business. Desired knowledge includes sales volume and deal terms in existing locations. This will enable the DDA to calculate rent-to-sales ratios to guide the site selection process.

The National Main Street Center's workbook states candidly "...the team should be prepared to contact many prospects to get a few who will actually open a new business. The key is to keep the word out and be ready to respond when opportunity knocks."

Establish a Follow-Up Contact/Reminder Program

The DDA new business representative should send a written “thank you” letter to the business owner(s) to express appreciation for providing insight into the operation of their business and to affirm the possibility of a business opportunity in Downtown Jackson. It is more important to convey the existence of a business opportunity at this time than to suggest specific site options as it is the potential of the market rather than the real estate that will drive the merchant’s interest in Downtown Jackson.

The goal of the “thank you” letter is to continue the rapport established in the personal visit. The “thank you” note should include a specific invitation for the business owner to visit Downtown Jackson. Trips would optimally occur when there is a favorable level of activity in Downtown such as a community event or during the lunchtime peak when the sidewalks are active with pedestrians. At this time, members of the Merchant Retail Development Committee can fulfill their role as “ambassadors” and spokespersons for Downtown Jackson. The prospective tenant can be introduced to these merchants individually or as a group with the caveat that the potential tenant may not wish to divulge much information about their business at this time. A casual showing of site options is advisable as is an overview of economic development tools that may be financially advantageous to the prospective business owner.

On-going contact following the visit to Jackson should address questions or concerns that surface during the visit to Downtown Jackson. A more detailed discussion of economic development incentives can now occur with the prospective tenant.

Since the time required to complete a deal may be extensive, the DDA should add prospective merchant to a mailing list for positive news and articles about downtown Jackson. The DDA should not introduce a broker into the relationship unless and until requested by the prospective business.

The Downtown Development Authority should be structured around the core mission of retail recruitment. This is a sales-oriented function that would be undertaken with full recognition of the time and financial resources that will be needed to travel throughout the region on prospecting visits, cold calls, and follow-up appointments. The DDA should not abdicate its role as an advocacy group for existing merchants, but it must be adequately staffed and funded to accomplish the task of retail recruitment. The recommendation of a greater public sector commitment to event marketing could also become the responsibility of the DDA in the event that a separate agency cannot be established around this essential function.

APPENDIX