

DOWNTOWN DELRAY BEACH

**2004 PATRON PROFILE,
CLUSTER ANALYSIS
AND
RETAIL DEVELOPMENT STRATEGY
UPDATE**

Prepared for

Delray Beach Downtown Development Authority

July, 2005

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FOREWORD

This report was prepared for the Delray Beach Downtown Development Authority. The overall objective of this market analysis was to generate recommendations to guide the ongoing retail revitalization of Downtown Delray Beach. The goal of the cluster analysis was to match the most appropriate uses with sources of consumer support within clusters and to identify instances where the vitality of market support for individual clusters can be spread to adjacent clusters to create greater economic opportunities.

This is a subjective analysis based largely upon data supplied by The Delray Beach Downtown Development Authority. There is no warranty as to the validity of the data. The recommendations herein are based upon analogous urban revitalization experiences, multiple site visits to Delray Beach, a review of planning documents and economic/demographic data, and interviews with community leaders and Downtown stakeholders. The author acknowledges the contributions made by the following individuals:

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From a planning perspective, Downtown Delray Beach has been defined as the area several blocks to the north and south of Atlantic Avenue as it extends from Interstate 95 to the Atlantic Ocean. For analytical purposes, the Downtown Development Authority and the City of Delray Beach have sub-divided Downtown Delray Beach into a series of eight “clusters” that reflect physical boundaries and functional differences. In fact, these planning clusters have little in common except close physical proximity. The Beach zone east of the Intracoastal Waterway is dramatically different in form, content, and function from the

blocks of West Atlantic located between Interstate 95 and Swinton Avenue. Similarly, the core blocks of Atlantic Avenue from the Intracoastal Waterway to Swinton Avenue have unique challenges and opportunities from those facing adjacent planning clusters.

From a pragmatic perspective, Downtown Delray Beach consists of contiguous sub-areas that have vastly different “reasons for being” and different sources of consumer support that must be considered when formulating mercantile recommendations for each cluster. The West Atlantic sub-area is the site of many neighborhood-dependent businesses while the businesses in the Atlantic Avenue core are heavily dependent upon a broad regional consumer market plus seasonal residents and tourists. The Beach zone is almost completely dependent upon resort tourists. The core area of Downtown Delray Beach is the most appropriate setting for a general retail transformation. The Beach zone and West Atlantic area are specialized enclaves that must respond primarily to their unique constituencies although failing to capitalize upon the diversity of customer segments available in Downtown Delray Beach via mercantile/restaurant content with some appeal to other customer segments would be counter-productive and self-limiting.

Stimulating restaurant development and providing a year-round calendar of family-oriented event programming established Downtown Delray Beach as a powerful destination for dining and entertainment. Downtown Delray Beach can continue as a vibrant multi-faceted urban center that draws patrons for a variety of activities. Thousands of new residents are seeking the lifestyle of urban living in Downtown Delray Beach. The community has much to offer tourists and local residents through arts/cultural activities and community events. Downtown’s retail base can evolve in such a way that “comparison goods” shopping is a primary trip generator. The time has come to bolster the breadth and depth of retail merchandising in order to elevate “shopping” from a secondary or tertiary trip activity to a “primary” trip motivator. There are significant redevelopment opportunities throughout the Downtown area that can be addressed with sensitive urban design and transportation planning, strategic public and private infrastructure investment, and retail-focused economic development policies. The end result of public sector and private investor collaboration will be an attractive, unique, livable Downtown that generates economic opportunity for a broad cross-section of the community.

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NOTES ON THE NATURE OF A “STRATEGY”

The formal definition of “strategy:”

A plan, method or series of maneuvers
for obtaining a specific goal or result
Random House Collegiate Dictionary

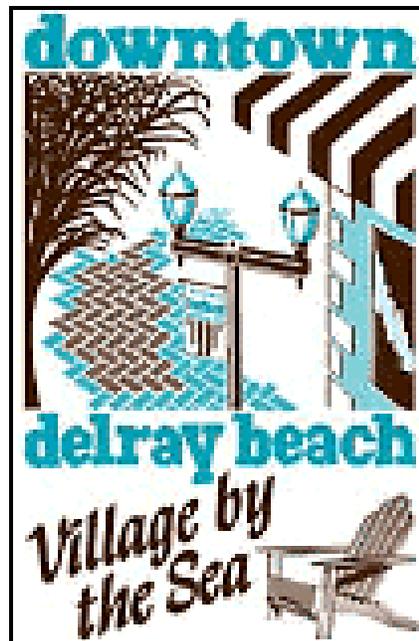
Several functional definitions of “strategy:”

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

Promoting Downtown Delray Beach as a “Village by the Sea” is an example of a positioning strategy that has implications on patrons’ expectations of the Downtown experience and content.



EXECUTIVE SUMMARY

From many goals emerged one vision for Downtown Delray Beach: a sustainable mixed-use district with unique characteristics that are pertinent to many diverse constituents.

From the public sector perspective, Downtown revitalization efforts positively affect the economic structure of a community and maximize the fiscal return on investment in municipal infrastructure. From the private sector perspective, Downtown revitalization maximizes the economic performance of businesses and generates long-term asset value for investors.

Reviving the retail sector of any Downtown is challenging for a variety of reasons. Some of the issues facing Downtown Delray Beach are unique while others reflect the dynamics of American retailing. The general obstacles to revitalizing the retail function of a Downtown district include the strength of suburban competition and the lack of understanding of urban site opportunities within the retail industry. Shifts in the economics of American retailing have made it difficult for small independent merchants to succeed. The physical barriers to retail rejuvenation of many Downtown areas include inadequate and/or costly parking, one-way streets that confuse patrons, fragmented property ownership, inconsistent operating hours and standards, and narrow, deep buildings that are functionally obsolete in the perspective of contemporary chain retailers. Downtown areas with many independent property owners are at a natural disadvantage to planned retail areas under single ownership as economic reality forces independent owners to make leasing decisions that are in the best interest of their individual needs rather than decisions that fulfill a comprehensive merchandising plan for the betterment of the entire district.

In the past, Downtown Delray Beach had a broad mercantile base with department store retailing and a comprehensive assortment of comparison goods merchants. There was no competitive suburban retailing. Established local retailers predominated. In recent decades, apparel retailing has concentrated in nodes with multiple department store anchors. An onslaught of chain retailers in suburban locations provided overwhelming competition that gradually caused the downfall of Downtown as the primary regional shopping destination. Across the country, malls and chains have caused independent local retailers to become an endangered species.

In addition, highway widening removed some neighborhood-oriented businesses from the West Atlantic corridor. Automobile-oriented businesses such as service stations located here without recreating a mercantile base for the adjacent residential community.

Community event programming initiated interest in the core of Downtown Delray Beach and generated periodic visits to Downtown by a broad cross-section of the community. Pioneering merchants gradually created a unique market niche for Downtown Delray

Beach by using inexpensive spaces for art galleries, design studios, specialty shops and restaurants. Patrons included tourists and seasonal residents plus year-round residents from nearby areas of Palm Beach and Broward counties.

As suburban retailing becomes increasingly mundane and devoted to “task-oriented” chore shopping, the core of Downtown Delray Beach is well-positioned to serve as a regional destination for “recreational shopping” for unique specialty goods in an environment that offers dining and entertainment as important elements of drawing power. Chains entering the Delray Beach retail market have strong site options that meet their criteria for accessibility and co-tenancy. Downtown Delray Beach is a viable site option for some—but not all—national merchants. Downtown’s promoters and property owners can pursue an alternative merchandising strategy that acknowledges Downtown’s existing strengths as a specialty retailing zone comprised of local merchants thereby sustaining its unique regional market position. This is a time tested model that offers a great possibility of on-going success in Downtown Delray Beach in light of Downtown’s current stature as a “place” defined by arts, entertainment, and specialty shopping.

The western end of Atlantic Avenue can be physically enhanced to become an attractive “gateway” to Downtown Delray Beach while continuing to serve nearby residential neighborhoods. Providing everyday goods and services in a mixed-use environment that also includes residential and office uses can create economic opportunity for entrepreneurs. Gentrification need not overtake the Western Atlantic Avenue corridor; redevelopment programs and economic development policy can focus upon building capital and wealth for residents of the community.

Independent and chain merchants seek out retail nodes that generate strong sales with occupancy costs that allow for operating profits. The most effective way to sustain Downtown Delray Beach’s retail revitalization is to undertake actions that enhance the profitability of current merchants and restaurants while preserving the entrepreneurial environment of Downtown Delray Beach so that it can attract a greater variety of retailers.

The Community Redevelopment Agency (CRA) can serve as the catalyst for change in Downtown Delray Beach by playing an active role in causing the strategic redevelopment of Cluster 1 and a critical parcel known as the “library site.” Developments in these locations can alter the course of Downtown Delray Beach’s retail revitalization. Without these significant interventions, Downtown’s mercantile offering may not live up to the full potential as described in this report. Together, the CRA, the Downtown Development Authority (DDA), the Joint Venture, and the City of Delray Beach represent a formidable team that can guide the evolution of Downtown Delray Beach.

CONCLUSIONS

Downtown Delray Beach faces multiple challenges in its mercantile evolution. The foremost barrier is the overwhelming shift away from independent merchants to chain retail conglomerates. A second major inhibitor is the shift from neighborhood retail settings to regional retail nodes. The contemporary American retail economic model increasingly favors fewer and larger stores sustained by greater aggregations of consumers in order to focus upon volume and price. As with most Downtowns, attracting new businesses is inhibited by fragmented property ownership that makes it difficult to create effective co-tenancy and by high rents that reflect prevailing property values. Attracting “catalyst tenants” with leasing coattails of sufficient strength to draw other quality merchants typically requires deals that are financially onerous for individual building owners who lack the ability to recoup the costs of such lease terms on adjacent space in the way that is standard operating procedure for a shopping center owner.

Despite these factors, Downtown Delray Beach is a vibrant mixed-use district with a substantial offering of restaurants and specialty retail goods. Downtown’s appeal as a shopping destination is secondary to its appeal as a restaurant setting and entertainment venue. Conditions favor the addition of more “comparison goods” merchandise to enhance Downtown’s appeal as a destination for purposeful shopping. Regional malls are distant; new housing is bolstering Downtown’s residential base; tourists and seasonal residents bring a constant flow of dollars to the market; and a growing segment of the population is eager for a return to personalized shopping in the type of unique setting available in Downtown Delray Beach.

Downtown Delray Beach’s stakeholders should feel optimistic about the potential facing Downtown. Existing restaurants and retailers form a strong base for an initiative to intensify Downtown’s retail offering and move its merchandising direction toward “comparison goods.” This evolution can result in Downtown emerging as a destination for shopping trips that are now oriented to regional malls.

Downtown Delray Beach’s retail evolution does not require that its unique charm and pedestrian character be compromised in favor of an “open air mall” or a faux Main Street “lifestyle center.” Downtown’s transformation into a destination for “comparison goods” can occur without a preponderance of chain merchants. Some new retail square footage can be created through mixed-use developments that contribute to the Village streetscape.

Not all of the eight Downtown planning clusters are equally suitable for retail development or as the site of “comparison goods” retailers. Cluster 1 is a neighborhood retail node requiring public investment to improve the quality of the physical environment and nurture the entrepreneurial capacity. Cluster 3’s Pineapple Grove Way is a secondary retail setting that can achieve greater success by being promoted as a specialized “destination within a destination.” Cluster 8 is a sub-district

with unique consumer support that may be difficult to integrate with other portions of Downtown because of the bridge that forms a physical and psychological barrier. Clusters 4 and 6 are truly the core of the Downtown shopping district and the most appropriate setting for additional “comparison goods” retailers. Several large redevelopment opportunities within these three clusters can add significant amount of retail space.

The foremost challenge to building the retail base of Downtown Delray Beach is demonstrating its sustained destination drawing power as a shopping district. In response to prevailing challenges and opportunities, Downtown’s promoters should continue to market Downtown Delray Beach as the center of the region’s arts and cultural activities and a growing mixed-use district for entertainment, dining, and specialty shopping. The evolving retail base will most likely consist of local entrepreneurial merchants with links to the arts/cultural activities occurring in Downtown as well as specialty retailers with cross-over appeal among local residents, part-year residents, and tourists. Chain retailers are seldom pioneers. If they opt to enter a Downtown district it is because they are convinced that existing sales volumes in appropriate retail categories present low-risk opportunities.

The Downtown Development Authority and other stakeholders should optimally focus on encouraging/guiding retail recruitment where market conditions are favorable but not widely recognized rather than encouraging or accommodating additional restaurant development since market conditions for foodservice uses are favorable and well-known. The public sector no longer needs to “prime the pump” for restaurants; Downtown’s restaurant/night club momentum is market-driven. Conversely, The Downtown Development Authority and the public sector should concentrate its efforts on Downtown’s retail mix if it is to become a more robust “comparison goods shopping destination.” Focusing on retail recruitment may lead to an environment in which retail stores assume greater importance in Downtown’s drawing power among a broader cross-section of the local resident population. The ultimate goal is to create a retail assortment that attracts purposeful comparison shopping trips rather than drawing recreational outings in which casual browsing is secondary to dining or strolling.

Much has been accomplished in returning Downtown Delray Beach to a place of importance within the region. Armed with the proper economic development tools and leasing messages, public and private sector promoters can stimulate additional retailer interest in Downtown Delray Beach.

RECOMMENDATIONS

Today, patronage of Downtown Delray Beach is primarily driven by dining and entertainment. Shopping is secondary to these trip generators. Circumstances are favorable for increasing the importance of shopping as a primary trip motivator. This can be achieved through the addition of more “comparison goods” rather than more restaurants or impulse merchandise such as gifts and souvenirs.

1. The Downtown Development Authority and other public agencies should concentrate their efforts on retail recruitment rather than continued restaurant development. Retail recruitment should focus upon targeted merchandise categories including apparel/shoes, jewelry, home furnishings, books/music, and antiques/art galleries. By adding depth of merchandise in these lines, Downtown Delray Beach can evolve into a competitive “comparison goods” shopping destination with regional drawing power.
2. The Downtown Development Authority and other public sector agencies may have their greatest impact on Downtown retailing through efforts to stimulate new developments containing high-quality contemporary retail space. Existing buildings have physical limitations in their ability to accommodate contemporary retailers. It is difficult to obtain increments of 3,000 to 5,000 square feet with appropriate depth and frontage in key blocks on Atlantic Avenue. Accommodating some larger retailers may be predicated upon development of new retail space.
3. Adequacy and location of public parking are critical determinants of continued success of Downtown and its ability to attract interest from experienced retailers. Clusters 4, 6, and 8 lack sufficient parking for retail customers. Parking should be viewed as a powerful economic development tool that can be used to influence private investment activity.
4. The City of Delray Beach stimulated pioneering restaurant development by granting leniency in parking requirements for restaurants in Downtown. The City of Delray Beach should re-evaluate the desirability of continuing the in-lieu fee provision of Ordinance 35-04 now that Downtown is a successful dining destination.
5. Cluster 1 should be prioritized for public sector investment. This cluster is best viewed as a neighborhood-oriented commercial district featuring basic consumer goods and services. The physical format of development within Cluster 1 should be designed in full recognition of the area’s role as the “gateway” to the larger Downtown area. There is a substantial opportunity to generate wealth and business opportunities within the West Atlantic community.

6. Marketing messages should assume greater emphasis on the retail content of Downtown Delray Beach. Marketing would optimally lead consumers' to perceive Downtown as a unique niche retail destination. Downtown's marketing activities must be comprehensive and coordinated. The public and private sectors must address the need for a steady stream of marketing funds.
7. Event programming is responsible for much of the current vibrancy of Downtown Delray Beach. The importance of event marketing and community events in generating publicity, patrons, and sales cannot be understated. Events staged in Downtown Delray Beach are successfully appealing to diverse customer segments (local residents, seasonal residents, tourists). The Joint Venture should evaluate the adequacy of funding and staffing in light of the importance of this function.
8. Specific retail-oriented economic development incentives should be considered as public policy to encourage the broadening of the retail base in Downtown Delray Beach. In some cases, such incentives can facilitate leasing and contribute to survival of fledgling entrepreneurs. No economic development tools can compensate for excessive rent demands, and there is some evidence of unreasonable rental expectations by property owners in Downtown Delray Beach.
9. The City of Delray Beach may consider an ordinance that requires mercantile activity at street level as a means of preventing offices and other businesses from usurping prime retail space. Similar ordinances are in force in many cities including Daytona Beach, Florida.
10. The City of Delray Beach should seek opportunities to add new activity generators as anchors within Downtown. A multiplex cinema and entertainment venues would reinforce Downtown's regional drawing power and generate spin-off business for restaurants and retailers. Activating additional performance spaces within Downtown would provide new concentrations of activity for the benefit of nearby businesses.

INTRODUCTION

This retail merchandising strategy is predicated upon understanding Downtown Delray Beach's current role as a regional destination for dining, entertainment and shopping.

An analysis of event patronage generated a geographic depiction of Downtown's current drawing power and established Downtown Delray Beach's retail trade area. A random regional telephone survey of adult residents of the trade area provided a baseline measurement of Downtown's market penetration and frequency of use by primary motivation.

Sales estimates were prepared for the eight clusters in Downtown Delray Beach. The composition of each cluster was evaluated for vacancy, amount of "comparison goods" retail space, and restaurant square footage. The current allocation of space was then compared to the general space allocation of a Downtown functioning as a "shopping destination" for "comparison goods." This comparison served as the basis for general merchandising recommendations for Downtown Delray Beach. Each of the eight planning clusters has been addressed for its future content within the overall merchandising recommendations.

The analysis is accompanied by a series of observations and recommendations based upon analog experience in Downtown areas facing comparable challenges and opportunities.

EVENT PATRON SURVEYS

Much of the renaissance of Downtown Delray Beach is attributable to event programming with concurrent appeal to residents and tourists. The Joint Venture's tradition of hosting a variety of community events and celebrations has attracted positive attention to Downtown while generating sustained crowds of patrons. Family-friendly events provided reasons for residents and visitors to venture into Downtown Delray Beach long before specialty shops, galleries, and restaurants lined Atlantic Avenue.

The Joint Venture conducted random intercept interviews of patrons at three events in 2003/2004 as a means of understanding the drawing power of events held in Downtown Delray Beach and to evaluate the spending impact of event patrons on retail goods and food/beverage items. The surveys also facilitated the creation of demographic profiles of event patrons.

A total of 882 surveys have been included in this analysis covering "Art and Jazz on the Avenue" (October, 2003), "Holiday Tree Lighting" (November, 2003) and "Art and Jazz on the Avenue/Foto Fusion" (January, 2004).

Two of the three surveys were conducted during South Florida's winter tourist season, with the January event occurring a time that coincides with high season. The impact of seasonal residents and tourists is exaggerated as a result of the timing of this event research. Despite this seasonal bias, the event research provides several valuable insights:

- The geographic drawing power of events held in Downtown Delray Beach allows for the definition of a "retail trade area" for Downtown businesses.
- The demographic composition of local residents and tourists attracted to Downtown Delray Beach supports marketing efforts and will be useful in the solicitation of new retailers and restaurants.
- A perspective on the magnitude of the "daytrip" market currently drawn to Downtown Delray Beach will facilitate discussion about a strategy to develop the regional market as an adjunct to Downtown's "retail trade area" and out-of-town tourists/seasonal residents.
- The relationship between event attendance and sales of retail goods and food/beverages clearly illustrates the economic value of the Joint Venture's community events.
- Satisfaction ratings by event patrons provide critical feed-back regarding the ease and convenience of parking within Downtown Delray Beach.

DELINEATION OF DOWNTOWN’S “RETAIL TRADE AREA”

Zip codes of local event patrons have been plotted on a map to form the functional “retail trade area” for Downtown Delray Beach.

Downtown Delray Beach draws patrons from a broad area extending from central Palm Beach County in the north to Pompano Beach in the south.

- ➔ Zip code 33445 generates one-quarter of all event traffic. Seven other Zip codes collectively generate 49 percent of all Downtown event patrons.

DOWNTOWN DELRAY BEACH’S “RETAIL TRADE AREA”		
PERCENT OF LOCAL EVENT TRAFFIC BY ZIP CODE		
33445 (25 percent)	33436 (4 percent)	33426 (1 percent)
33444 (9 percent)	33432 (3 percent)	33462 (1 percent)
33484 (9 percent)	33431 (3 percent)	33442 (1 percent)
33483 (8 percent)	33433 (3 percent)	33441 (1 percent)
33437 (7 percent)	33463 (2 percent)	33460 (1 percent)
33446 (6 percent)	33496 (2 percent)	33461 (1 percent)
33487 (5 percent)	33486 (1 percent)	33498 (1 percent)
33435 (5 percent)	33434 (1 percent)	

STRATEGIC CONCLUSIONS:

Downtown Delray Beach’s event programming and its mercantile/restaurant content provide a unique niche within this geographic market.

- ✓ This Zip code analysis provides a clear focus for on-going event marketing efforts. Zip codes at the fringes of the trade area can be targeted for increased visitation as one strategy for stimulating event patronage in Downtown Delray Beach.

DOWNTOWN’S “RETAIL TRADE AREA”

Event patron home Zip code tracking allowed for the delineation of Downtown Delray Beach’s functional “retail trade area.” The trade area as shown on the accompanying map extends approximately 15 miles to the north and south of Downtown and 9 miles to the west. Downtown’s trade area generally conforms to a 20-minute drive radius.

Downtown Delray Beach’s retail trade area had a year-round population of 803,300 in 2003. By 2008, the population is projected to reach 877,200. Growth over the five-year period is expected to add 74,000 new residents.

- ➔ There are more than 347,200 households in Downtown’s “retail trade area.” The estimated count of housing units is larger at 403,560. Vacant housing (awaiting sale or occupied seasonally) accounts for 55,940 units—14 percent of the total.
- ➔ The average household income of residents of the “retail trade area” was approximately \$68,250 in 2003.

2003 SUMMARY OF KEY TRADE AREA CHARACTERISTICS	
Population	803,300
Housing Units	403,560
Households	347,200
Average Household Income	\$68,250

SOURCE: ScanUS

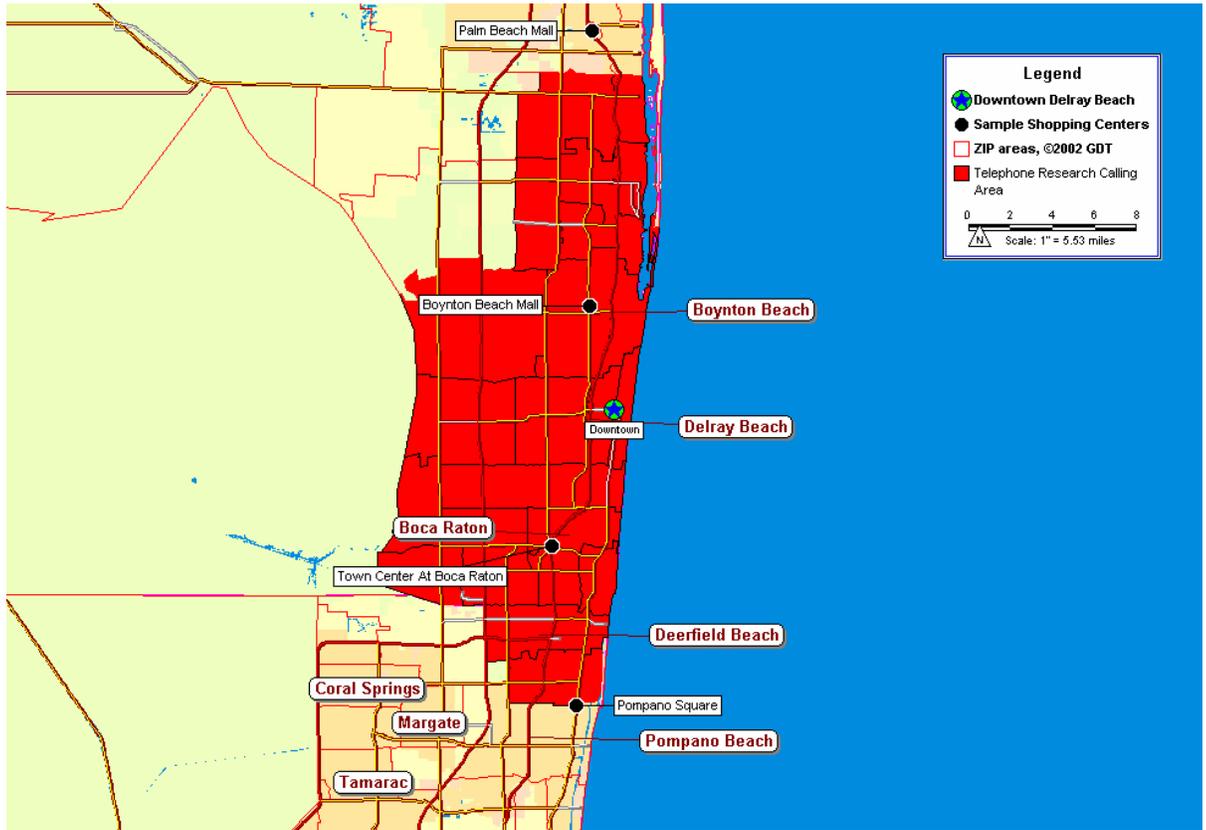
STRATEGIC CONCLUSIONS:

Downtown Delray Beach has a relatively populous retail trade area. While there is economic diversity within the retail trade area, almost one-third of all households have annual incomes between \$40,000 and \$100,000.

A trade area with this combination of population density and affluence has significant consumer spending capacity:

- ✓ The permanent residents of Downtown Delray Beach’s retail trade area generate more than \$3.5 billion annually in expenditure potential for “comparison goods” such as apparel, household furnishings, jewelry and other “mall-type goods.”
- ✓ The residents of the retail trade area spend approximately \$600 million annually on restaurant meals.

DOWNTOWN DELRAY BEACH'S "RETAIL TRADE AREA"



CONSUMER SEGMENTS

It stands to reason that the composition of event traffic varies by customer segment according to the timing of the event.

- ➔ Permanent residents are defined as year-round South Florida residents; most reside within Downtown Delray Beach’s “retail trade area.” They range from 28 to 82 percent of Downtown event traffic.
- ➔ Seasonal residents are defined as those non-permanent South Florida residents who stay for 1+ months in the Delray Beach area. Seasonal residents vary from 9 to 37 percent of Downtown patron traffic.
- ➔ Short stay visitors are defined as those non-permanent South Florida residents who visit the Delray Beach area for less than 1 month. Short stay visitors vary from 9 to 22 percent of Downtown event traffic.
- ➔ Regional daytrippers are permanent South Florida residents who generally reside beyond Downtown Delray Beach’s “retail trade area.” Depending upon time of year and event, daytrippers account for 1 to 14 percent of Downtown Delray Beach’s event traffic.

KEY CUSTOMER SEGMENTS AT DOWNTOWN DELRAY BEACHEVENTS			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Permanent Residents	82 percent	56 percent	28 percent
Seasonal Residents	9 percent	14 percent	37 percent
Short Stay Visitors	9 percent	16 percent	22 percent
Regional Daytrippers	1 percent	14 percent	13 percent

STRATEGIC CONCLUSIONS:

Downtown Delray Beach benefits from multiple customer segments that reflect several factors including the seasonality of South Florida and the uniqueness of events held in the Downtown area. Seasonal residents, tourist visitors, and daytrippers augment the consumer spending power of the permanent residents in Downtown Delray Beach’s “retail trade area.” The extent of the impact of these segments varies over the course of the year.

- ✓ Permanent residents of Downtown Delray Beach’s “retail trade area” are estimated to represent 50-60 percent of the sales potential of Downtown Delray Beach. Daytrippers are estimated to account for 10-15 percent of annual sales potential of Downtown Delray Beach with seasonal residents/tourists accounting for 25-40 percent of Downtown’s sales potential.

AGE AND INCOME OF EVENT PATRONS

Event programming influences the age and income character of event patrons.

- ➔ The Holiday Tree Lighting has broad community appeal while Jazz on the Avenue and Foto Fusion target sophisticated, affluent patrons.

ART AND JAZZ OCTOBER, 2003					
	TOTAL	TRADE AREA RESIDENTS	SEASONAL RESIDENTS	SHORT STAY VISITORS	REGIONAL DAYTRIP
Under 18	4 percent	5 percent	---	10 percent	*
18 to 34	12 percent	10 percent	12 percent	15 percent	*
35 to 44	12 percent	11 percent	18 percent	15 percent	*
45 to 54	19 percent	19 percent	18 percent	20 percent	*
55 to 64	22 percent	22 percent	29 percent	20 percent	*
65+	31 percent	33 percent	24 percent	20 percent	*
Up to \$49,999	N/A	N/A	N/A	N/A	N/A
\$50,000-\$99,999	N/A	N/A	N/A	N/A	N/A
\$100,000-\$199,999	N/A	N/A	N/A	N/A	N/A
\$200,000+	N/A	N/A	N/A	N/A	N/A

* Insufficient data

HOLIDAY TREE LIGHTING NOVEMBER, 2003					
	TOTAL	TRADE AREA RESIDENTS	SEASONAL RESIDENTS	SHORT STAY VISITORS	REGIONAL DAYTRIP
Under 18	7 percent	6 percent	6 percent	5 percent	7 percent
18 to 34	16 percent	15 percent	13 percent	10 percent	35 percent
35 to 44	25 percent	27 percent	25 percent	34 percent	26 percent
45 to 54	21 percent	20 percent	25 percent	23 percent	16 percent
55 to 64	16 percent	16 percent	11 percent	15 percent	16 percent
65+	16 percent	16 percent	21 percent	15 percent	2 percent
Up to \$49,999	28 percent	28 percent	23 percent	19 percent	38 percent
\$50,000-\$99,999	42 percent	37 percent	36 percent	23 percent	38 percent
\$100,000-\$199,999	22 percent	24 percent	27 percent	46 percent	8 percent
\$200,000+	9 percent	12 percent	14 percent	12 percent	15 percent

ART AND JAZZ/FOTO FUSION JANUARY, 2004					
	TOTAL	TRADE AREA RESIDENTS	SEASONAL RESIDENTS	SHORT STAY VISITORS	REGIONAL DAYTRIP
Under 18	23 percent	11 percent	21 percent	---	4 percent
18 to 34	17 percent	11 percent	5 percent	8 percent	17 percent
35 to 44	12 percent	12 percent	5 percent	18 percent	17 percent
45 to 54	15 percent	13 percent	8 percent	18 percent	17 percent
55 to 64	17 percent	25 percent	28 percent	28 percent	22 percent
65+	16 percent	27 percent	34 percent	26 percent	22 percent
Up to \$49,999	23 percent	17 percent	15 percent	9 percent	18 percent
\$50,000-\$99,999	43 percent	48 percent	56 percent	56 percent	47 percent
\$100,000-\$199,999	21 percent	25 percent	25 percent	28 percent	24 percent
\$200,000+	13 percent	10 percent	16 percent	6 percent	12 percent

STRATEGIC CONCLUSIONS:

A broad spectrum of events can be used to engage all sectors of the community.

PURCHASING BEHAVIOR OF EVENT PATRONS

Patrons of the three monitored events tended to mix retail and food spending with event attendance at a level that should be noticeable to merchants and restaurateurs.

- ➔ Many—if not most—event patrons appear to make some type of retail purchase while in Downtown Delray Beach. An additional 15-20 percent of event patrons plan to return to Downtown Delray Beach after the event to make a retail purchase.
- ➔ The vast majority of event patrons appear to make some type of food/beverage purchase when attending events in Downtown Delray Beach.

RETAIL PURCHASING ACTIVITY AND INTENTIONS			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Already purchased retail goods	14 percent	29 percent	27 percent
Plan to purchase retail goods	33 percent	24 percent	32 percent
No intention to purchase retail goods	40 percent	41 percent	27 percent
Plan to return to purchase retail goods	15 percent	15 percent	22 percent

FOOD/BEVERAGE PURCHASING ACTIVITY AND INTENTIONS			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Already purchased food/beverage	41 percent	35 percent	63 percent
Plan to purchase food/beverage	45 percent	49 percent	28 percent
No intention to purchase food/beverage	15 percent	19 percent	11 percent

STRATEGIC CONCLUSIONS:

Events, festivals, and community celebrations are not merely generating traffic; they are generating successfully generating sales of retail goods, restaurant meals, and other types of food/beverages in Downtown Delray Beach.

- ✓ Purchasing proclivity is generally similar across all customer segments. This indicates that all patrons are prospective purchasers.

PERCEPTIONS OF DOWNTOWN PARKING AMONG EVENT PATRONS

Event patrons give "average" scores for ease of finding parking and convenience of parking locations in Downtown Delray Beach.

- ➔ Trade area residents and regional daytrip visitors are somewhat more negative in their perceptions of ease and convenience of Downtown parking than seasonal residents or short stay visitors. An hypothesis for the greater tolerance among the two categories of visitors is the likelihood that they live in larger urban areas where parking is more difficult to find and less conveniently located.

RATING FOR "EASE OF FINDING PARKING"			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Low 1	10 percent	7 percent	7 percent
2	4 percent	3 percent	3 percent
3	9 percent	4 percent	6 percent
4	4 percent	7 percent	7 percent
5	18 percent	10 percent	10 percent
6	6 percent	6 percent	7 percent
7	8 percent	12 percent	15 percent
8	12 percent	14 percent	14 percent
9	3 percent	9 percent	16 percent
High 10	25 percent	28 percent	16 percent
Average Rating	6.3	7.0	6.7

RATING FOR "CONVENIENCE OF PARKING"			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Low 1	11 percent	6 percent	6 percent
2	4 percent	2 percent	4 percent
3	7 percent	5 percent	6 percent
4	4 percent	5 percent	10 percent
5	15 percent	11 percent	11 percent
6	8 percent	9 percent	9 percent
7	9 percent	10 percent	15 percent
8	12 percent	14 percent	15 percent
9	5 percent	12 percent	7 percent
High 10	26 percent	26 percent	13 percent
Average Rating	6.4	7.0	6.2

STRATEGIC CONCLUSIONS:

The way in which parking is "managed" during events affects the general impression of parking conditions in Downtown Delray Beach.

- ✓ Enhancing the parking experience during events will improve the image of Downtown parking.

FIRST TIME VISITS TO DOWNTOWN AND OVERALL SATISFACTION WITH DOWNTOWN AMONG EVENT PATRONS

Community events draw new users to Downtown Delray Beach.

- ➔ Generally 20-30 percent of event patrons are first-time visitors to Downtown Delray Beach.

FIRST VISIT TO DOWNTOWN DELRAY BEACH			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
First visit	21 percent	29 percent	19 percent

Event patrons were asked to rate their “overall satisfaction” with Downtown Delray Beach using a 1 to 10 scale. Higher scores are preferable.

- ➔ Event patrons have highly favorable levels of “overall satisfaction” with Downtown Delray Beach.

RATING FOR “OVERALL SATISFACTION WITH DOWNTOWN”			
	ART & JAZZ OCT. 2003	TREE LIGHTING NOV. 2003	JAZZ/FOTO FUSION JAN. 2004
Low 1	N/A	1 percent	1 percent
2	N/A	---	2 percent
3	N/A	1 percent	1 percent
4	N/A	1 percent	2 percent
5	N/A	3 percent	1 percent
6	N/A	3 percent	2 percent
7	N/A	4 percent	8 percent
8	N/A	15 percent	16 percent
9	N/A	12 percent	25 percent
High 10	N/A	61 percent	43 percent
Average Rating	N/A	9.0	8.7

STRATEGIC CONCLUSIONS:

Event programming is a viable means of introducing new patrons to Downtown Delray Beach. Event programming is also demonstrating its effectiveness in reinforcing positive impressions of Downtown.

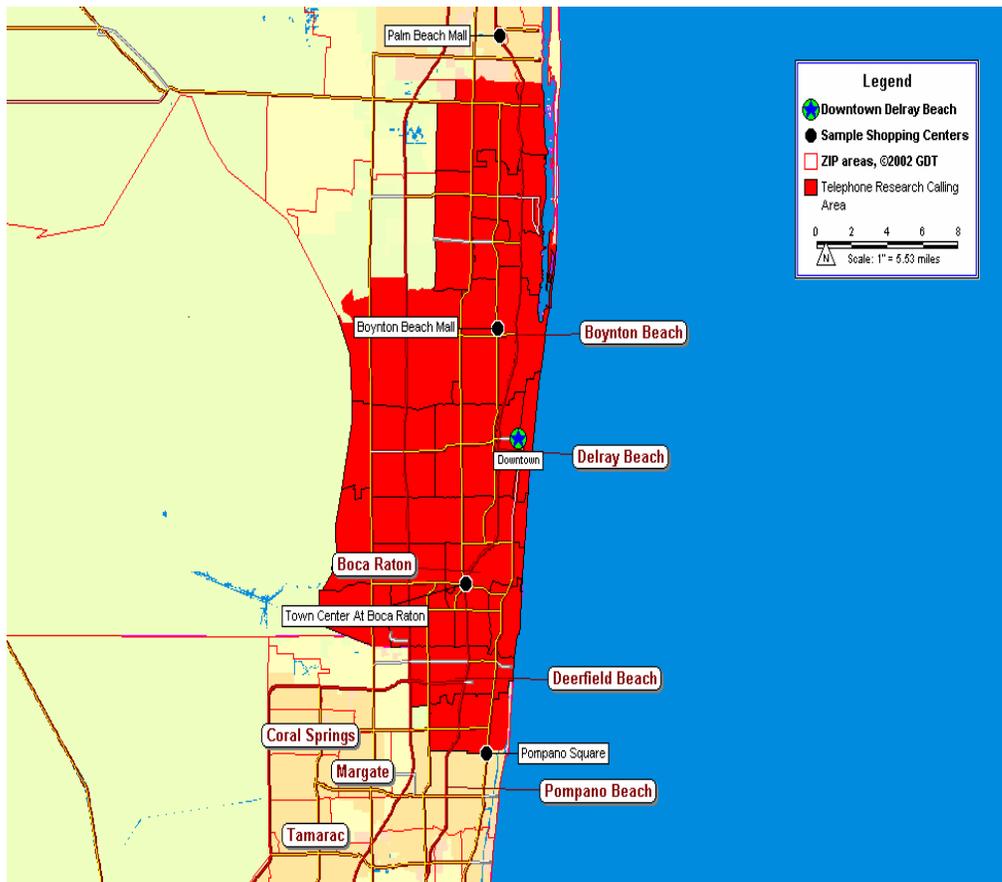
- ✓ Event programming should remain the centerpiece in Downtown marketing.

TELEPHONE RESEARCH WITHIN DOWNTOWN'S REGIONAL RETAIL TRADE AREA

Proprietary consumer research was conducted during mid-September, 2004 to generate insight for this analysis. The research included a random sample of approximately 400 households within Zip codes that were identified as key sources of attendees for community events sponsored by the Joint Venture in 2003 and 2004. The telephone survey probed residents' discretionary usage of Downtown Delray Beach over the preceding six months and the preceding year. Reasons for non-use were probed, and key trip generators were identified. This 2004 research serves as a benchmark measurement of Downtown Delray Beach's "reach" and "frequency of use." Periodic repetition of this research can provide assessments of change as Downtown Delray Beach gains new mercantile content or activity generators.

The ability to define a "retail trade area" for Downtown Delray Beach:

- ❑ provides a focused target for marketing
- ❑ helps to refine a merchandising/leasing strategy
- ❑ establishes sales volume/productivity expectations



DOWNTOWN'S MARKET PENETRATION

The first dimension of Downtown usage is market penetration or “reach.” The most important factor in calculating market penetration is establishing the proper geographic basis for measurement.

Fully 54 percent of all adults residing in Downtown Delray Beach’s “retail trade area” had been to Downtown Delray Beach at least once in the past 12 months for non-work reasons.

- ➔ Downtown Delray Beach’s “reach” is highest than average among 35 to 64 year olds and among residents with household incomes over \$60,000. This skew in drawing power is a reflection of the type of restaurants and specialty retailers in business today in Downtown Delray Beach.

DOWNTOWN DELRAY BEACH “REACH” BY AGE AND HOUSEHOLD INCOME	
PERCENT VISITING DOWNTOWN DELRAY BEACH IN PAST YEAR	
18 to 24	45 percent
25 to 34	51 percent
35 to 44	<i>60 percent</i>
45 to 54	<i>61 percent</i>
55 to 64	<i>64 percent</i>
65 +	48 percent
Up to \$20,000	47 percent
\$20,000 to \$39,999	47 percent
\$40,000 to \$59,999	51 percent
\$60,000 to \$79,999	<i>75 percent</i>
\$80,000 to \$99,999	<i>79 percent</i>
\$100,000 +	<i>83 percent</i>
<i>All Trade Area Adults (18 +)</i>	<i>54 percent</i>

STRATEGIC CONCLUSIONS:

Downtown Delray Beach has a viable “retail trade area” with a population of 803,200 year-round residents. The population of the trade area is growing at a rate of approximately 1.5 percent per year. The average annual income of trade area households is \$68,250.

- ✓ Annual market penetration or “reach” of 54 percent provides reassurance that Downtown Delray Beach is well beyond the initial stages of urban revitalization.
- ✓ The profile of Downtown users shows skews in age and household income that should be of interest to existing and prospective retailers and restaurateurs.

DOWNTOWN’S USAGE FREQUENCY

The second dimension of Downtown usage is “frequency of visits.” Frequency of use is a critical element of knowledge for all involved in promoting Downtown Delray Beach. *In 2004, the average frequency of visits by those who had been to Downtown was 17 non-work visits per year or the equivalent of once every three weeks.*

- ➔ Frequency of use is highest among very young adults (18 to 24 year olds) and 35 to 54 year olds. Frequency of use is lowest among trade area residents over age 65. This is typical in Downtown areas that are successfully functioning as destinations for dining, specialty shopping, and entertainment.
- ➔ “Frequency of use” of Downtown Delray Beach for non-work purposes correlates well with higher incomes. The most frequent patrons are those in households with incomes over \$60,000.

FREQUENCY OF DOWNTOWN DELRAY BEACH VISITS	
	AVG. NUMBER OF VISITS PER YEAR
18 to 24	25 X
25 to 34	19 X
35 to 44	21 X
45 to 54	24 X
55 to 64	16 X
65 +	11 X
Up to \$20,000	12 X
\$20,000 to \$39,999	8 X
\$40,000 to \$59,999	21 X
\$60,000 to \$79,999	22 X
\$80,000 to \$99,999	27 X
\$100,000 +	35 X
All Trade Area Adults (18 +)	17 X

STRATEGIC CONCLUSIONS:

The current level of Downtown use is not inconsequential. While not all Downtown visits involve shopping, Downtown’s current patrons are visiting at an average annual rate that is similar to the frequency of average visits to a regional shopping mall (1 visit per 10 days).

- ✓ It is important to discuss this pattern of frequent use with prospective merchants as most retailers and restaurateurs are interested in business locations that offer access to “repeat” customers.

KEY DOWNTOWN DELRAY BEACHTRIP GENERATORS

Downtown districts succeed when they function as mixed-use destinations with many distinct trip generators. The table below presents details of “reach” and average frequency of visitation by purpose of trip.

Downtown Delray Beach’s most important trip generator is patronizing restaurants/bars/clubs. The second and third most important trip generators are events at Old School Square and community celebrations.

- “Dining/clubbing” and “shopping” are activities with relatively high reach and high frequency. In contrast, visiting galleries/studios is a relatively low reach and low frequency activity.

- Taken together, attending events (either at Old School Square or elsewhere in Downtown) are activities with modest levels of reach and frequency. The role of community entertainment and events is critical for establishing a broad base of users. Family-oriented events such as those sponsored by the Joint Venture are an excellent means of establishing positive impressions of Downtown and generating sustained patronage. Both are essential for changing the perception of a Downtown.

- Many of Downtown Delray Beach’s “anchor uses” attract low visit frequency. One would expect local residents to make few visits annually to many of these destinations. Transacting business with Downtown professionals (attorneys, doctors, travel agents) and visiting government offices are typically low frequency activities.

KEY DOWNTOWN DELRAY BEACHTRIP GENERATORS AS MEASURED BY “REACH” AND FREQUENCY OF USE		
	“REACH”	FREQUENCY
Restaurants/bars/clubs	43 percent	6.7 X
Shopping/browsing in retail stores	36 percent	7.4 X
Community event/festival/celebration	10 percent	1.4 X
Event at Old School Square	9 percent	4.2 X
Browsing at art gallery/studio	14 percent	1.2 X
Swimming/sunning on	14 percent	2.5 X
Visiting public library	28 percent	0.6 X
Appointment with professional	3 percent	2.0 X
Attending Downtown church	8 percent	0.5 X
Visiting government offices	11 percent	0.7 X
Visiting friends/relatives who live Downtown	7 percent	2.9 X
Any miscellaneous non-work trip to Downtown	54 percent	1.4 X

STRATEGIC CONCLUSIONS:

Downtown Delray Beach is functioning as a mixed-use destination. Downtown has a wide variety of trip generators. Each can be used in consumer marketing messages about Downtown; each can be harnessed for the strategic purpose of stimulating retail and restaurant sales.

- ✓ For all of the merits of Downtown event programming, the research suggests that the account for 10 percent of Downtown visits by permanent residents of the “retail trade area.”

Downtown is not universally perceived and utilized as a “shopping destination.” This is an important distinction between a Downtown district and a regional shopping mall; the mall is perceived almost entirely as a place for shopping. This strong “single purpose” image as a “shopping destination” is very different from the “multi-purpose” image of Downtown Delray Beach.

- ✓ The challenge to increasing sales is to link shopping and dining to **all** Downtown visits regardless of primary visit intention.
- ✓ The opportunity, over the long term, is to create a sufficient critical mass of retail goods that Downtown Delray Beach becomes a more viable retail destination.

PROFILE OF DOWNTOWN DELRAY BEACH PATRONS

The table on the facing page presents age and household income comparisons for “users” and “non-users” of Downtown Delray Beach with an index of comparative strength.

Downtown’s “users” are younger and more affluent than “non-users.”

- ➔ Almost half (41 percent) of “non-users” are age 65 +.
- ➔ “Non-users” are disproportionately concentrated in households with incomes below \$60,000.

DEMOGRAPHIC COMPARISON OF DOWNTOWN “USERS” VERSUS “NON-USERS”		
	DOWNTOWN USERS	DOWNTOWN NON-USERS
18 to 24	4 percent	6 percent
25 to 34	9 percent	10 percent
35 to 44	17 percent	13 percent
45 to 54	20 percent	15 percent
55 to 64	17 percent	12 percent
65 +	32 percent	41 percent
Up to \$20,000	10 percent	16 percent
\$20,000 to \$39,999	20 percent	35 percent
\$40,000 to \$59,999	19 percent	27 percent
\$60,000 to \$79,999	21 percent	11 percent
\$80,000 to \$99,999	13 percent	5 percent
\$100,000 +	18 percent	5 percent

STRATEGIC CONCLUSIONS:

Downtown Delray Beach is not the exclusive domain of any single age or income group; no age or income group has been excluded although some age and income groups are more likely to have patronized Downtown than others.

- ✓ The current skew toward younger, more affluent residents is a positive factor for continued urban revitalization.
- ✓ Some “non-users” may be prospects for future visits to Downtown Delray Beach based upon their age or household income. Setting a goal for 100 percent “reach” would be unrealistic.

PERCEPTIONS OF DOWNTOWN DELRAY BEACH

The 2004 research included perceptual assessments of key attributes of Downtown in anticipation of efforts to invite more local residents to visit Downtown Delray Beach. Only those trade area residents who had visited Downtown Delray Beach were subjected to the battery of perceptual questions.

Current “users” have highly favorable perceptions of Downtown Delray Beach except as related to the adequacy of parking near the places they want to go within Downtown.

- ➔ On an equal basis, males and females perceive Downtown to be safe during the daytime and night.
- ➔ Patrons give a high rating on the cleanliness of Downtown’s sidewalks and public areas.
- ➔ Past initiatives to install directional signage have resulted in high scores for adequacy of signs directing motorists to Downtown as well as directional signs within Downtown and signs indicating parking lots.
- ➔ Patrons give the lowest score to Downtown for having enough parking spaces located near key destinations. The cost of parking is not an issue to current users.

PERCEPTUAL RATINGS OF DOWNTOWN DELRAY BEACH BY ALL PAST-YEAR USERS	
	AVERAGE SCORE ON 1 TO 5 SCALE
Safe during the day	4.7
Safe at night	4.2
Clean sidewalks, plazas, and public areas	4.4
More restaurants and shops now than 2-3 years ago	4.6
Enough parking near the places you want to go	2.9
Reasonably priced parking	3.4
Enough directional signs to parking lots	3.5
Enough directional signs when approaching by car	4.3
Enough directional signs when driving within Downtown	4.0
Downtown is an important part of the community	4.3

- ➔ The cost of parking is not a major deterrent to most current Downtown patrons. This reflects the prevalence of free parking within Downtown.

IMPACT OF COST OF PARKING ON DECISION TO VISIT DOWNTOWN DELRAY BEACH FOR DINING AND ENTERTAINMENT	
Parking cost is a MAJOR factor in decision	24 percent
Parking cost is a MINOR factor in decision	23 percent
Parking cost is NOT REALLY a factor in decision	53 percent

STRATEGIC CONCLUSIONS:

Downtown Delray Beach does not suffer from negative perceptions of “crime and grime” that plague many older urban areas.

Downtown does suffer from negative perceptions of parking convenience and availability.

- ✓ The evolution of several concentrated “clusters” of restaurants within Downtown Delray Beach has lead to perceived and real shortages of parking in several blocks. Local regulations originally enacted to stimulate restaurant development by liberalizing parking requirements may have had the unintended detrimental consequence of mismatched parking demand and parking inventory.
- ✓ Providing adequate public parking—or mandating a sufficient quantity of private parking—is basic to creating an atmosphere where businesses can thrive.

EXAMINATION OF DOWNTOWN’S “NON-USERS”

Understanding the “non-user” segment may provide the basis for converting them into future “users” of Downtown Delray Beach.

One-third of the residents of the trade area who have not visited Downtown Delray Beach in the past 12 months have visited Downtown within the last 1-2 years. Conversely, one-quarter of “non-users” have never visited Downtown Delray Beach.

- ➔ Most of the “non-users” have been to Downtown Delray Beach in the past 1-4 years; they are familiar with its location even though they might not have a current understanding of its mercantile content.
- ➔ Explanations for lack of more recent use of Downtown Delray tend to focus upon “no interest” or “lack of reasons to go.”

TIMING OF MOST RECENT VISIT TO DOWNTOWN DELRAY BEACH AMONG “NON-USERS” IN THE PAST YEAR	
	PERCENT OF “NON-USERS”
1 to 2 years ago	34 percent
2 to 4 years ago	21 percent
4 to 10 years ago	10 percent
10 + years ago	7 percent
Have never visited	27 percent

REASONS FOR NOT VISITING DOWNTOWN DELRAY BEACH MORE RECENTLY	
	PERCENT OF “NON-USERS”
No reason to go to Downtown	38 percent
No interest in Downtown Delray Beach	16 percent
Too old/infirm/don’t drive	5 percent
Not enough to do in Downtown Delray Beach	2 percent
Not enough parking in Downtown	2 percent
Too crowded/congested/too much traffic	1 percent

STRATEGIC CONCLUSIONS:

It is realistic to target a portion of “non-users” as prospects for future visits to Downtown Delray Beach.

- ✓ A reasonable expectation would be attracting half of those who have visited Downtown within the past 4 years using messages that highlight the variety of activities and opportunities for dining, shopping, and entertainment available within Downtown Delray Beach.

MARKETING OPPORTUNITIES

The research suggests that Downtown's overall market share and frequency can be improved.

- ✓ *A clearly stated marketing challenge is to “expand the share of adults in the MSA who visit Downtown Delray Beach for discretionary purposes.”*

The emerging demographic patterns are generally supportive of retail/restaurant development activity in Downtown. The greatest incidence of use and the highest frequency of use are both concentrated in relatively young and affluent patrons who are strong prospects for discretionary spending.

- ✓ *Downtown's specialty retail merchandising strategy can target these patrons although these are also groups being targeted by existing retailers and restaurants throughout the region.*

Downtown has emerged as the center of the region's arts community. Unrelated groups and organizations have the opportunity to collaborate to reinforce this unique aspect of Downtown.

- ✓ *The arts can become a strong merchandising opportunity for Downtown as well as a traffic generator.*

It is important to incorporate “shopping” in marketing messages about Downtown Delray Beach.

A retail marketing message can speak to Downtown's strength as a dining destination and its unique specialty retail niche by promoting “Taste Delray/Delray Taste.”

PREVAILING CONDITIONS

Here are observations about prevailing conditions in Downtown Delray Beach:

- ✓ Most storefronts are attractive and well-maintained. The range of architectural styles is interesting.
- ✓ The stretch of Atlantic Avenue from SE 4th Avenue to Swinton Avenue has the intimate feel of a pedestrian place. The street is narrow, the traffic is calm, and the building heights generally conform to a human scale. This section of Downtown has the feel of a comfortable “outdoor room.” The same cannot be said of the blocks of Atlantic Avenue west of Swinton Avenue or the blocks of Atlantic Avenue east of SE 4th Avenue.
- ✓ Some commercial buildings occupying strategically important locations were not designed to include street-level retail spaces.
- ✓ In some areas, non-retail uses are occupying prime street-level retail spaces. This creates “dead zones” that do not encourage pedestrian activity.
- ✓ Overall street-level storefront occupancy is high; vacancies are generally found in secondary locations.
- ✓ Elements of public infrastructure (sidewalks, curbs and gutters, landscaping, park areas) are in good condition. Downtown is clean and litter free.
- ✓ Lighting is adequate for nighttime comfort.
- ✓ There is an effective system of wayfinding signs and Downtown maps oriented to pedestrians. The wayfinding signage system oriented to motorists is attractive and effective. Parking areas are well-identified.
- ✓ Free public parking is the norm except in areas near the beach.
- ✓ Merchandise offered in stores generally appears to be of good quality. Merchants demonstrate restraint when placing merchandise in front of their stores. Displays are tasteful and engage the attention of window shoppers and browsers.
- ✓ The Downtown retail/restaurant corridor is long; few patrons would be willing to walk more than 4-5 blocks especially during the summer or in inclement weather. There is no transit system providing shuttle service within Downtown.

- ✓ There is limited overhead cover in Downtown to provide shade and protection from rain.
- ✓ There are few benches or resting areas within Downtown. These amenities would be appreciated by many patrons including the elderly, mothers with young children, and those with limited mobility.
- ✓ The Atlantic Avenue corridor has several significant barriers to pedestrians including railroad tracks, the wide dual pairing of Federal Highway with its high volume of fast traffic, and the Intracoastal Waterway drawbridge.
- ✓ Prevailing rents reflect property values and may be higher than the retail market can sustain.
- ✓ Commercial suites in some new residential developments are not well-linked with the pedestrian activity of Downtown and are best suited for uses related to their immediate environs.
- ✓ There are few stores of 3,000 to 5,000 square feet in the heart of Downtown Delray Beach.
- ✓ The Pineapple Grove district is not highly visible from Atlantic Avenue.
- ✓ There is not adequate convenient public parking to serve the retail zone surrounding the intersection of Atlantic Avenue and SE 4th Street.
- ✓ While the gateway to Downtown may be the junction of Atlantic Avenue and Interstate 95, the sense of “arrival” in Downtown occurs at the narrowing of Atlantic Avenue at Old School Square.

Community pride is evident throughout Downtown Delray Beach. Public and private investments are evident in Downtown. On the continuum of revitalization, Downtown Delray Beach has advanced well beyond the pioneering stage. Conditions are favorable for retail intensification amidst the current residential renaissance. The public sector can create conditions for additional development by providing additional parking and by encouraging redevelopment of strategic parcels. The public sector can also guide the retail evolution of Downtown Delray Beach by devising and employing retail-oriented economic development incentives that address the specific challenges faced by entrepreneurial merchants.

PRIORITIZING REVITALIZATION EFFORTS

Public sector revitalization efforts fit one of the following descriptions:

- ❑ Inducing development where market conditions are uncertain
- ❑ Accommodating development where market conditions are favorable and well-known
- ❑ Encouraging/guiding development where market conditions are favorable but not widely recognized

The citizens of Delray Beach have enumerated a series of general and specific requests as part of the Downtown Master Plan.¹ This recommended hierarchy of priority revitalization actions reflects the specific opportunities that would have the greatest transformative impact on the physical landscape and functional role of Downtown Delray Beach.

1. Redevelop northern and southern sides of West Atlantic Avenue to include mixed-use structures offering upper level residential uses and ground level commercial space targeted for use by neighborhood-oriented businesses. This initiative involves inducing development where the private sector is uncertain about market demand or concerned about the potential for reasonable return on investment.
2. Construct municipal parking garage adjacent to Old School Square. Adding parking will accommodate existing development by supporting existing private sector activity.
3. Encourage development of mixed-use structure with 1-2 floors of retail/commercial space, public parking, and additional use (offices, hotel or residential) on a site to be identified in vicinity of public library. This initiative will highlight an opportunity that warrants private sector investment in a place where market demand has been demonstrated.
4. Encourage greater density of retail development at Atlantic Plaza shopping center to capitalize upon park overlooking Intracoastal Waterway. This initiative will highlight an opportunity that warrants private sector investment in a place where market demand is obvious but where the current property owner may not have envisioned a development opportunity.
5. Encourage greater density of retail/commercial development at the site of the existing gas station at the corner of northbound Federal Highway and Atlantic Avenue at the heart of the Downtown retail core. This initiative will highlight an

¹ "Downtown Delray Beach Master Plan" 2002, p. 1-2.

opportunity that the private sector can readily perceive at a site where market demand currently exists.

6. Encourage private mixed-use redevelopment of the Waterway East commercial structure situated on southern side of Atlantic Avenue from Venetian Drive to the Intracoastal Waterway to provide more effective linkage of resort zone to Downtown retail core. The public sector can take the lead in highlighting an opportunity for additional private sector investment in a place where market demand has been demonstrated but where the current property owner may not perceive an immediate development opportunity.

Priority #1:

The “West Atlantic Avenue Redevelopment Plan” (1995)² provides a community-endorsed vision for the physical redevelopment of Cluster 1. The general principles contained within the plan will contribute to the functionality and attractiveness of the district through the use of traditional neighborhood planning values. The following planning principles are intended to counter the natural inclination for businesses in this corridor to address transient automobile traffic to exclusion of residents of nearby neighborhoods.

- ❑ Create a pedestrian-friendly corridor
- ❑ Encourage mixed-use structures with ground floor retail/services
- ❑ Provide buffered parking
- ❑ Restrict drive-in/drive-through uses
- ❑ Construct buildings with no setback (or minimal setback) from sidewalks
- ❑ Establish specific parking requirements and open space requirements compatible with the creation of an urban village

The Community Redevelopment Agency should issue an RFQ/RFP for master development plans from experienced developers from within the local community as well as non-local developers that can readily establish relationships with the local community. Additional land acquisition by the CRA may be necessary to assemble parcels for development on both sides of West Atlantic Avenue in the blocks between 8th Avenue and 12th Avenue. Public/private partnerships should be considered as economic empowerment and self-determination are important goals.

Existing buildings do not appeal to contemporary users and serve as an impediment to realizing the full economic potential of this area. In most cases, buildings of marginal quality attract tenants of marginal quality and questionable viability. The opportunity to add modern, new retail space will appeal to some current tenants while making the area more attractive to new businesses. Building ownership opportunities should be sought

² “West Atlantic Avenue Redevelopment Plan” 1995, amended 2000, pages xi to xviii

out for existing businesses. New retail uses brought to this cluster would solidify the adjacent Southwest Area Neighborhood by making it a more desirable place to live.

Mixed-use development would include residential units as well as commercial space. New multi-family housing (rental apartments and/or town homes and ownership condominium units) can augment nearby single-family houses thereby providing residential format diversity that permits residents to live in the West Atlantic area through every life stage.

Businesses located in the West Atlantic corridor would be primarily oriented to the needs of 7,800 nearby residents³. A variety of tenant types would be interested in serving these residents despite the limited scale of the consumer market. Businesses such as restaurants and services located in the West Atlantic corridor can furnish the products and services of everyday life as requested by community residents while enjoying economic spin-off from civic amenities such as the Tennis Stadium and the new central public library (currently under construction). The fire station and Fire Department Headquarters, Police Department Headquarters, and South County Court House are activity generators with spin-off economic benefits to businesses in this cluster.

A small-scale grocery store would be a critical element of neighborhood retail redevelopment. This use may require substantial public subsidy given the proximity of existing large-format grocery stores. Securing a grocery store may be a key to leveraging other retail tenants. The annual market demand for retail and office square footage in the West Atlantic Avenue Area generated by Marketek, Inc. has become part of the redevelopment plan adopted by City Council.⁴ A total of 30,000 to 50,000 square feet of retail space was anticipated for 1996 through 2015.

The urban design principles evident in a new mixed-use development in this cluster should be applied to future development in the West Atlantic corridor. In some instances, existing buildings can be retained predicated upon receiving façade treatments and landscaping elements.⁵

Priority #2:

Providing adequate parking to support existing businesses is the greatest contribution the public sector can make to the success of those businesses. While beyond the scope of this report to assess parking needs, plans to add a parking structure to the vicinity of Old School Square should be expedited in light of the existing pattern of commercial development in Cluster 2.

³ “Southwest Area Neighborhood Redevelopment Plan” May, 2003 p. 2.

⁴ “West Atlantic Avenue Redevelopment Plan” 1995, p. 49.

⁵ “Southwest Area Neighborhood Redevelopment Plan” May, 2003 p. 73.

The three blocks of Atlantic Avenue from Swinton Avenue to the railroad tracks contain the highest concentration of restaurants in Downtown Delray Beach; in addition, events at Old School Square generate demand for parking that often coincides with peak demand for restaurant parking. Valet parking is not an adequate substitute for adequate self-parking. Providing additional parking is critical to the success of approximately twelve existing restaurants.

While the mix of restaurants and retailers may shift over time, parking will continue to be an important element of infrastructure that makes these blocks of Atlantic Avenue attractive to a variety of commercial users. Increasingly sophisticated retailers will demand parking in close proximity to stores in quantities approaching those available in suburban shopping centers.

Priority #3:

The relocation of the public library from its current site creates a significant mixed-use development opportunity at the heart of Downtown Delray Beach's central business district. The public sector can facilitate private sector investment through land assembly of the library site and adjacent surface parking lot.

A mixed-use project at this location would naturally offer retail space and additional public parking. Upper floors could contain offices, a hotel, or residential units to reflect market demand. A small-format multiplex cinema may be evaluated as an anchor opportunity to provide Downtown with a needed entertainment destination that would complement the existing base of restaurants. Establishing a physical connection to Atlantic Avenue is critical to the success of retailers and will require a sensitive architectural solution as well as cooperation by owners of buildings that currently face the street.

A development at this location would reinforce the intersection of Atlantic Avenue and NE 5th Avenue (US 1) as the "center" of the commercial core and may also provide momentum for achieving Priorities 4 and 5 involving nearby sites.

Priority #4:

The retail portion of Atlantic Plaza is well-suited for expansion. The current setback with front parking contradicts the urban design principle of bringing development to the sidewalk to encourage pedestrian activity. Additional development on this site could result in additional retail space in a more appropriate urban format. There may be an opportunity to incorporate Veterans Park and its connection to the Intracoastal Waterway as an amenity; there may also be an opportunity to take greater advantage of the existing Veterans Lot parking spaces.

Priority #5:

The parcel at the northeastern corner of Atlantic Avenue and NE 6th Avenue (US 1) may be under consideration for re-use by its owner. The existing gas station is not an appropriate use for this corner at the heart of the Atlantic Avenue pedestrian corridor. Replacing an auto-oriented use with a street-friendly development would also enhance the pedestrian character of Cluster 6.

The public sector should proactively encourage and guide the redevelopment of this property in conjunction with adjacent parcels. A mixed-use building of 2-4 floors would retain a human scale while offering additional development density. Any structure erected on this site has the potential to serve as a defining landmark for Downtown Delray Beach for motorists traversing Route 1.

Priority #6:

The existing two-level commercial structure located immediately east of the Intracoastal Waterway lacks the urban form and massing that is desired in a pedestrian corridor. Although its landscaping is attractive, the building's set-back exceeds current guidelines, and its predominance of office uses at ground level fails to provide the same level of street activity that would occur if more of the spaces were dedicated to retailers and restaurants.

The site benefits from exposure to the Intracoastal Waterway yet the building does not capitalize upon the view. The pending redevelopment of Atlantic Plaza with ground level commercial space and upper floor residential units provides a model for re-use of this site.

The present property owner may be satisfied with the performance of this asset in its current configuration. The public sector role is to encourage a long-term assessment of development capacity while guiding the urban form of any new structure on this site.

TARGET TENANT PROFILE AND MERCHANDISING STRATEGY

The absence of anchor department stores and strong competition from traditional suburban shopping centers within Downtown Delray Beach's retail trade area make it unlikely that Downtown can develop a full complement of apparel retailers to rival the region's major malls. Downtown Delray Beach can evolve into a stronger destination for unique specialty goods including a greater assortment of apparel than currently offered.

Target Tenant Profile

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 Delray Beach at this time. This analysis concludes that the most desirable prospects for Downtown Delray Beach's on-going retail revitalization include local entrepreneurs and successful businesses from neighboring communities. ***National chain retailers are not necessary for the successful revitalization of Downtown Delray Beach.*** Independent retailers can sustain Downtown's current image and strategic advantage as an alternative to the "sameness" of suburban shopping centers.

Current Downtown Delray retailers share important common denominators of specialized merchandise and exceptional product knowledge or levels of service. Optimally, tenant prospects will share these attributes of specialized offerings and customer care for these are the key ingredients that make them "destination" businesses and that enable them to succeed in the face of extensive competition from chain retailers. It is best if Downtown merchants are dominant within their merchandise categories so that they are not dependent upon mass co-tenancy especially in the early phases of retail revitalization.

Chico's and Patchington's at Atlantic Plaza are the first "mall type" chain apparel retailers in Downtown Delray Beach. Patchington's is a regional tenant that seeks upscale locations in a variety of settings. Chico's is a national chain operator with a willingness to be a pioneer in emerging Downtown retail districts. Chico's management perceived a sufficient number of their prototypical shoppers to be present within the patron base of Downtown Delray Beach to justify a store. Chico's was willing to open a store absent department stores and the contingent of specialty merchants that provide reassurance that a "retail critical mass" has been established. While the number of national chains willing to consider non-shopping center locations is increasing, most are unwilling to open without strong co-tenancy of compatible merchants.

There are several inhibitors of chain retailer interest in Downtown Delray Beach:

- ❑ There are no department stores to act as magnets for specialty apparel retailers.
- ❑ There are few large blocks of single-owner space that can be merchandised and leased to compatible co-tenants.
- ❑ The predominance of independent property owners in Downtown Delray Beach means that retailers are unfamiliar with the skills and sophistication of potential landlords.
- ❑ Chain retailers do not perceive Downtown Delray Beach trade area as a stand-alone consumer market (independent of the trade areas of nearby regional malls) capable of supporting their stores.
- ❑ Chain retailers do not understand the magnitude of retail sales being generated in Downtown Delray Beach.
- ❑ Most existing retail space would be deemed unacceptable by chain retailers as store dimensions do not match prototype store formats. It is difficult to create blocks of 3,000 to 5,000 square feet in key blocks along Atlantic Avenue. Most chain retailers will accept spaces that are 80-100 feet in depth, but in many instances, spaces are too shallow or deep. Many storefronts are narrow compared to the desired 40 foot widths generally sought by retailers.

One of the goals of this research was to generate a compelling site strategy message for Downtown Delray Beach; however, even after a compelling message has been crafted, the inability of individual property owners to assemble a block of contiguous space to present to a group of merchants hinders chain tenant solicitation in Downtown Delray Beach.

The best merchant prospects fit two descriptions:

- ✓ Independent entrepreneurs and start-up businesses
- ✓ Chain retailers with locations in similar Downtown settings with voids in store coverage in market between West Palm Beach and Boca Raton

Parties responsible for retail tenant solicitation for Downtown Delray Beach must have realistic expectations. Downtown Delray Beach is unlikely to attract the first Florida location of any national chain retailer. Downtown is equally unlikely to attract a chain retailer that does not operate any non-shopping center stores. On the other hand, Downtown Delray Beach has an excellent chance at attracting retailers that need to increase their store coverage of affluent areas in Broward/Palm Beach counties as well as merchants who seek to serve an upscale mix of tourists/seasonal residents and permanent residents.

Merchandising Strategy

Business clusters that customers tend seek out with less regard to convenience of location or prevalence of competition fall into three basic groups:

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

Based on the retail market visit conducted as part of this assignment, appropriate merchandise categories for merchant recruitment in Downtown Delray Beach are:

- ✓ Eating and drinking places (casual and fine dining; ethnic dining; bistros and pubs; outdoor cafés, coffeehouse/tea salon)
- ✓ Services (personal service establishments such as day spas and salons)
- ✓ Entertainment venues (independent cinema, upscale billiards, jazz club, comedy club, “living room” gathering place with open microphone)
- ✓ Comestibles (candy, bakery, ice cream/yogurt, artisan breads)
- ✓ Retailers (oriented to impulse purchasing and comparison shopping):
 - New and used books
 - Art and craft galleries; handcrafted goods (jewelry, clothing, furniture, soaps and body lotions, home furnishings, toys)
 - Home décor items
 - Greeting cards and gifts
 - Specialized men’s and women’s apparel
 - Women’s special occasion clothing
 - Quality resort apparel and swimwear
 - Salon shoes
 - Specialty shoes (e.g. Birkenstock)
 - “Grandparent’s shop” (upscale apparel and gifts for children)
 - Social papers and stationery
 - Kitchen shop (with cooking school)
 - Upscale consignment shops (apparel, home décor)
 - Sports equipment (new and exchange shop)
 - Runner’s specialty shoe/apparel store
 - Leather goods/accessories
 - Lotions/Skin Care
 - CD/tape exchange shop
 - Garden/patio shop
 - Optical store (upscale specialty products)
 - Perfume/cosmetics (e.g. organic products)
 - “Florida store”
 - Cigar store
 - Gourmet wine/cheese shop
 - Musical instrument specialty store

The Downtown Development Authority and other economic development groups should optimally focus on encouraging/guiding retail recruitment where market conditions are favorable but not widely recognized rather than encouraging or accommodating additional restaurant development since market conditions for foodservice uses are favorable and well-known. The public sector no longer needs to “prime the pump” for restaurants; Downtown’s restaurant/night club momentum is market-driven. Conversely, The Downtown Development Authority and the public sector should concentrate its efforts on Downtown’s retail mix if it is to become a more robust “comparison goods shopping destination.” Focusing on retail recruitment may lead to an environment in which retail stores assume greater importance in Downtown’s drawing power among a broader cross-section of the local resident population. The ultimate goal is to create a retail assortment that attracts purposeful comparison shopping trips rather than drawing recreational outings in which casual browsing is secondary to dining or strolling.

CLUSTER ANALYSIS

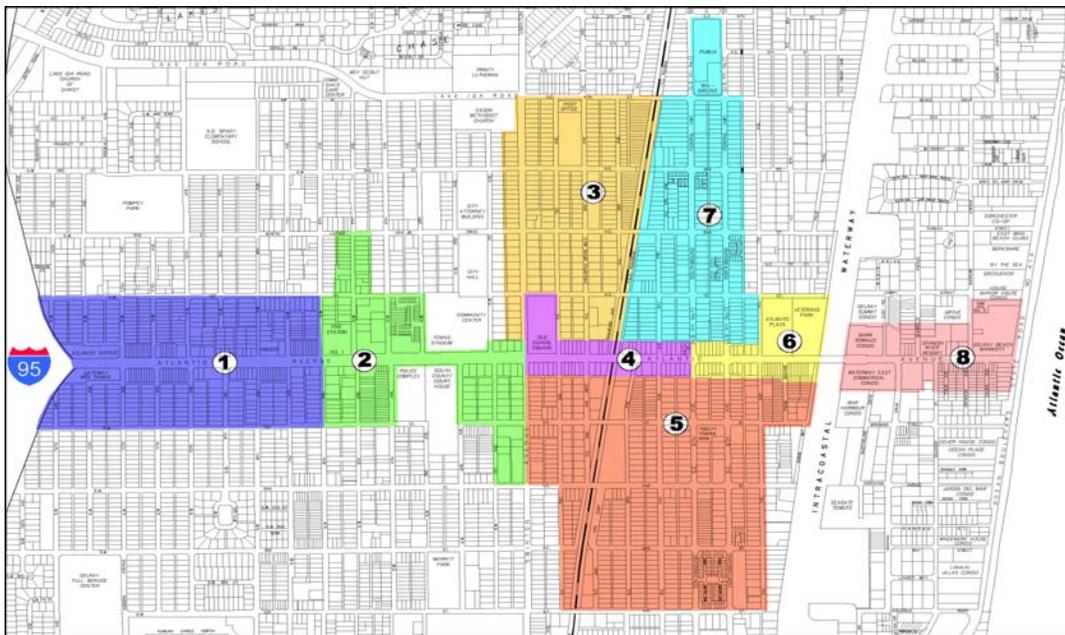
In multiple comprehensive planning sessions, the citizens of Delray Beach distinguish three “zones” within the boundaries of Downtown Delray Beach:

1. West Atlantic Neighborhood (between Interstate 95 and Swinton Avenue)
2. The Central Core (between Swinton Avenue and Intracoastal Waterway)
3. Beach District (between Intracoastal Waterway and Atlantic Ocean)

Three sub-areas have emerged because of variations in physical form and function as well as differences in sources of predominant consumer support. It would not serve the urban planning process to deny the existence of these sub-areas or the eight “clusters” that have been created as analytical tools for the planning process.

The Downtown master planning process engaged the community and provided an opportunity for residents to create a vision to guide the redevelopment of Downtown Delray Beach. The community’s desire for a general sense of unity translates into the goal of having a seamless urban environment that reflects continuity to pedestrians and motorists. Pride in community and desire to elevate Downtown to a place of prominence in the eyes of residents and visitors lead to a desire for establish appropriate “gateways” at the western and eastern ends of Atlantic Avenue. Recognition of the City’s diverse neighborhoods and districts was accompanied by a public mandate to allow each to remain true to its own character while providing the requisite support for each to prosper.

The Delray Beach DDA has sub-divided Downtown Delray Beach into eight clusters for analysis. These clusters form the basis of this study.



CLUSTER 1

Cluster 1 extends along West Atlantic Avenue from Interstate 95 to NW 6th Avenue. The predominant mercantile uses are corridor commercial and neighborhood retail. Most of the neighborhood businesses derive their support from residents of the traditionally African-American residential areas immediately to the north and south of West Atlantic Avenue. These neighborhoods contain approximately 3,540 households with average household income of \$40,179.

The modest scale of the consumer base limits the sales capacity of commercial uses in this corridor. To illustrate the limited consumer demand generated by 3,540 households, annual expenditure potential for key merchandise categories has been calculated using data from the most recent Consumer Expenditure Survey.⁶

- Grocery spending is estimated at \$10.7 million annually. This volume of spending—if captured in its entirety by one grocery store—would support a 28,500 square foot supermarket assuming that food sales account for 80 percent of store revenue. Sales productivity of \$500 per square foot would support rent of \$4 to \$8 per square foot.
- Annual restaurant spending is estimated at \$7.5 million. This would support approximately 12,500 square feet of restaurant space at sales productivity of \$300 per square foot if restaurants in Cluster 1 were able to capture half of this annual spending. Sales inflow from outside sources would allow for more restaurant square footage and/or higher sales productivity. These restaurants can sustain maximum rent of \$15 per square foot at a 5 percent rent-to-sales ratio.
- The estimated annual expenditure on apparel and shoes is \$6.5 million. At an extraordinary capture of 20 percent by stores in this corridor, there would be adequate support for 8,100 square feet of apparel/shoe retailers with sales productivity of \$160 per square foot. These retailers could withstand rent not higher than of \$16 per square foot assuming a 10 percent rent-to-sales ratio

WEST ATLANTIC NEIGHBORHOOD CONSUMER DEMAND	
Households	3,539
Average Household Income	\$40,179
Total Personal Income	\$142,193,481
“Comparison Goods” Potential	\$21,329,022
Apparel/Shoe Potential	\$6,568,384
Restaurant Potential	\$7,562,843
Grocery Store Potential	\$10,691,319

SOURCE: 2002 Consumer Expenditure Survey; ScanUS; H. Blount Hunter Retail & Real Estate Research Co.

⁶ 2002 Consumer Expenditure Survey, Bureau of Labor Statistics

Targeted future retail uses would optimally include a community-sized grocery store, restaurants, 1-2 specialty apparel stores, and non-retail services such as video rental, salon/barber, and nail salon. Accommodating greater retail density (if desired by the community) will require serving customers other than residents of nearby neighborhoods.

CLUSTER 1 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	23,123	51 percent
Non-retail commercial	11,281	25 percent
Miscellaneous non-retail	7,009	16 percent
Restaurants/Night Clubs	3,767	8 percent
Total Occupied	45,180	
Estimated Vacancy	7,150	14 percent

Retail Strategy:

- ✓ **Generate contemporary retail space with a mixed-use redevelopment plan; allow existing businesses to upgrade their store spaces before encouraging outside businesses to enter the neighborhood.**
- ✓ **Focus on providing basic consumer goods and services for adjacent neighborhoods; target a small-format community grocery store (28,000 SF) with 25,000 SF of small tenant space; target up to 12,500 square feet for foodservice uses.**
- ✓ **Seek entrepreneurial services and retailers offering general merchandise, specialty apparel, cards/gifts, arts/crafts, and sporting goods targeting immediate residential neighborhoods.**
- ✓ **Retain corridor commercial uses that are appropriate for this “gateway” location near Interstate 95.**

CLUSTER 2

Cluster 2 corresponds to the corridor along West Atlantic Avenue from NW 6th Avenue to Swinton Avenue. This cluster contains many community institutions and facilities including a community center, city government offices, a world-class tennis stadium, police station, fire station, courthouse, and new central public library. New residential units have been well-received as have street-level commercial spaces. This cluster has the lowest prevailing vacancy rate of the eight clusters.

Cluster 2 has a significant daytime employee count and patrons attracted to government offices and recreational facilities. Soon, the new central public library will draw additional patrons to this area. As consumers, these patrons are oriented to convenience food and services rather than comparison goods retail items such as apparel, home furnishings, and gifts.

Future uses in Cluster 2 will most likely include non-retail commercial tenants such as salon/barber, fast food and limited service restaurants, and professional offices.

CLUSTER 2 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	28,414	28 percent
Non-retail commercial	7,905	8 percent
Miscellaneous non-retail	36,078	36 percent
Restaurants/Night Clubs	28,299	28 percent
Total Occupied	100,696	
Estimated Vacancy	4,337	4 percent

Retail Strategy:

- ✓ **Continue adding services and food uses in mixed-use buildings to serve nearby residents, employees, and patrons of institutions in this cluster. With minimal vacancy, any new mercantile activity will require new construction.**
- ✓ **Anticipate additional demand for take-out food, coffee/juice, ice cream/bakery goods, and casual cafes generated by office workers and patrons of nearby government buildings.**

CLUSTER 3

Cluster 3 consists of a residential neighborhood and busy commercial corridor on N. Swinton Avenue. Many small homes have been converted into offices. Some retailers have located along NE 1st Street although this is a secondary retail location. Pineapple Grove Main Street is located within this cluster.

Future retail uses in Cluster 3 will likely include restaurants and a variety of small-format comparison goods retailers. The home décor/design center merchandising theme that was attempted in this cluster may have suffered from poor execution rather than inappropriateness of concept.

Residential development underway near Pineapple Grove will enhance the desirability of this area for retailers. Access to parking is favorable in promoting Pineapple Grove as a destination.

Improving the visibility of Pineapple Grove by motorists and pedestrians on Atlantic Avenue and increasing foot traffic on Pineapple Grove are critical to the success of boutiques in this area.

CLUSTER 3 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	105,037	39 percent
Non-retail commercial	100,454	37 percent
Miscellaneous non-retail	30,330	11 percent
Restaurants/Night Clubs	33,870	13 percent
Total Occupied	269,691	
Estimated Vacancy	59,779	18 percent

Retail Strategy:

- ✓ **Additional service retailing can be anticipated within in-fill mixed-use housing developments.**
- ✓ **Pineapple Grove can be promoted as a high-profile address and a “destination within a destination.” Enhancing the identification of Pineapple Grove at its intersection with Atlantic Avenue needs would give the street greater visibility.**
- ✓ **Pineapple Grove is an appropriate setting for additional specialty boutiques and restaurants as parking is readily available on NE 2nd Avenue.**
- ✓ **A strong merchandise theme can help establish Pineapple Grove as a “destination.” Home décor/interior design is appropriate as a predominant theme despite difficulties with a large-format design center.**
- ✓ **For the near term, consider office uses on the ground floor of the new municipal parking garage planned for the area near Old School Square.**
- ✓ **Consider requiring partial ground floor retail coverage in new residential buildings. Creating storefronts at strategic locations (corners, opposite parking lots/garages, near entrances to buildings) is preferable to creating a glut of marginal retail space by requiring all ground floor frontages to be devoted to storefronts.**
- ✓ **Encourage service tenant occupancy of ground floor spaces within residential buildings. Dry cleaners, packing/shipping centers, video rentals, pet grooming, spas, medical offices, and salons are more appropriate for secondary or tertiary retail spaces (i.e. removed from the sustained pedestrian activity of Atlantic Avenue).**
- ✓ **Encourage residential redevelopment of the former Publix site on Pineapple Grove.**

CLUSTER 4

Cluster 4 corresponds to the commercial corridor along East Atlantic Avenue from Swinton Avenue to NE 5th Avenue (Federal Highway). Cluster 4 comprises a double-loaded corridor of restaurants, galleries, and retailers; it contains the highest concentration of restaurants/night clubs in Downtown Delray Beach. This cluster benefits from proximity to Old School Square as an activity generator and from a

municipal parking lot located to the east of Old School Square. The community has whole-heartedly embraced this museum and performing arts complex; its grounds serve as a ceremonial gathering place and the site of numerous events such as the annual installation of the World’s Largest Christmas Tree. This cluster will benefit from the construction of a municipal parking deck that will add new parking capacity over the next 2-3 years.

Future retail intensification of Cluster 4 would optimally include apparel retailers, more art galleries, craft studios, and gift retailers without the addition of new restaurants.

CLUSTER 4 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	90,682	41 percent
Non-retail commercial	31,096	14 percent
Miscellaneous non-retail	20,176	9 percent
Restaurants/Night Clubs	79,299	36 percent
Total Occupied	221,253	
Estimated Vacancy	15,392	7 percent

Retail Strategy:

- ✓ **Cluster 4 should become part of Downtown Delray Beach’s “high priority urban retail zone” as a signal that the City wishes to attract additional “comparison goods” retailers to this portion of Downtown. Defining this zone may trigger specific retail-oriented economic development benefits for building owners leasing space to targeted retail categories.**
- ✓ **Continue the theme of art and galleries without adding new restaurants.**
- ✓ **Broaden the mix of retail uses with hard goods and apparel.**
- ✓ **Target the addition of at least 10,000 SF of women’s apparel to supplement several existing women’s clothing stores. Jewelry/luggage, books/periodicals and other hard goods would be appropriate in this cluster.**
- ✓ **Cluster 4 should have ground floor uses restricted to dining and active retailing; offices at street level will impede the evolution of Downtown into a destination shopping district.**
- ✓ **Consider an “arts walk” to emphasize the theme of galleries/studios.**

CLUSTER 5

Cluster 5 is predominantly a residential area extending from an alley south of Atlantic Avenue to SE 4th Street between Swinton Avenue and the Intracoastal Waterway. Cluster 5 is the largest of the eight clusters in terms of total square footage and it also has the most non-retail commercial space including many medical and professional offices and institutional uses. This cluster has the lowest percentage of its occupied space devoted to restaurants.

CLUSTER 5 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	96,314	24 percent
Non-retail commercial	200,440	50 percent
Miscellaneous non-retail	93,504	23 percent
Restaurants/Night Clubs	10,560	3 percent
Total Occupancy	400,818	
Estimated Vacancy	47,907	11 percent

Retail Strategy:

- ✓ **The public sector can capitalize upon opportunity to redevelop the former library site by soliciting a developer for a mixed-use project that adds retail store spaces of 3,000 to 5,000 SF per store to accommodate contemporary retailers and offers additional parking. The developer chosen for this project should have strong ties to the retail community for the benefit of tenant solicitation.**
- ✓ **Top retail use categories are women’s and men’s apparel, shoes, children’s apparel, and jewelry.**
- ✓ **Seek an entertainment venue such as cinemas or live music venue as traffic generators.**

CLUSTER 6

Cluster 6 corresponds to the commercial corridor along East Atlantic Avenue from 5th Avenue to the Intracoastal Waterway. Cluster 6 is at the heart of Downtown Delray Beach and the epicenter of what can become a critical mass of apparel and other “comparison goods.”

Cluster 6 is a critical pedestrian link between the resort district and the heart of Downtown. Redevelopment of a site occupied by a gas station offers the opportunity to add continuous storefronts on a portion of the northern frontage of Atlantic Avenue. Atlantic Plaza’s setback from the street presents a challenge to maintaining continuity of pedestrian activity. Conversion of non-retail uses into retail spaces on the south side of Atlantic Avenue can increase pedestrian activity.

This cluster contains several destination “comparison goods” retailers as well as prime street-level retail space devoted to non-retail uses such as offices. Several restaurants offer seating overlooking the Intracoastal Waterway. Veterans Park, with its waterfront backdrop, has potential for enhanced programming.

Atlantic Plaza is a privately owned shopping center with significant redevelopment potential.

CLUSTER 6 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	67,567	50 percent
Non-retail commercial	35,894	26 percent
Miscellaneous non-retail	6,276	5 percent
Restaurants/Night Clubs	18,972	14 percent
Total Occupied	135,450	
Estimated Vacancy	14,792	10 percent

Retail Strategy:

- ✓ **Cluster 6 should be the heart of the “high priority urban retail zone.” This is the place to establish a critical mass of apparel retailing.**
- ✓ **Continue this cluster’s emphasis on retailing as opposed to restaurants.**
- ✓ **Add up to 20,000 SF of apparel/shoes in this cluster to create a destination node that builds upon the presence of existing apparel merchants.**
- ✓ **Restrict ground floor uses to dining and active retailing.**
- ✓ **The private owner of Atlantic Plaza has an opportunity to re-organize the shopping center to support the “comparison goods” merchandising strategy based upon the presence of Chico’s and Patchington’s as lead tenants.**
- ✓ **Seek redevelopment opportunity of existing gas station at corner of Atlantic Avenue and U.S. 1. Add public parking to this cluster if possible.**

CLUSTER 7

Cluster 7 corresponds to the alley north of Atlantic Avenue to 4th Street with the railroad tracks as its western boundary and NE 7th Avenue as its eastern boundary. The new Publix, with ancillary stores, is included in Cluster 7. Federal Highway bisects Cluster 7 bringing challenges and opportunities. Traffic calming techniques are being evaluated to minimize the negative impact of these broad, high traffic arteries as they cross the smaller scale Atlantic Avenue. This cluster has low vacancy with a relatively large component of residential and non-retail commercial uses. Cluster 7 is a highly visible setting for automobile-oriented businesses that require drive-through facilities. Neighborhood-oriented convenience retailers and services are the most likely uses for this cluster.

CLUSTER 7 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	80,798	29 percent
Non-retail commercial	146,665	53 percent
Miscellaneous non-retail	35,254	13 percent
Restaurants/Night Clubs	11,848	4 percent
Total Occupied	274,565	
Estimated Vacancy	27,082	9 percent

Retail Strategy:

- ✓ **Concentrate on neighborhood retailing and services as well as auto-oriented corridor uses. Encourage large-format retail uses, automobile products/services, and drive-through uses**
- ✓ **Continue transportation planning/traffic calming program. Understand the role of this highway as an important “gateway” to Downtown Delray Beach.**

CLUSTER 8

Cluster 8 extends along Atlantic Avenue from the Intracoastal Waterway to Route A1A. Cluster 8 is the resort-oriented portion of Downtown Delray Beach. Hotels, seasonal and year-round residences, and businesses targeting beach-goers are interspersed among banking offices, real estate brokerages, and financial advisory firms. There are several well-established jewelry stores and fashion retailers serving affluent customers. A row of restaurants facing the beach is a popular destination for local residents and visitors.

Waterway East is oriented to the south with entrances facing its parking field. Its northern elevation (facing Atlantic Avenue) serves as the rear of the building. As a consequence, it has token representation of retail tenants in prime street-level retail space facing Atlantic Avenue. The building is set back from the sidewalk albeit with attractive landscaping. Reconfiguration or redevelopment could result in better retail space that more effectively engages pedestrians.

Atlantic Place is a single-level shopping center with surface parking that is being redeveloped as a mixed-use property to include street-level retail space and Seagate Hotel on upper floors. Plans call for retail storefronts along the sidewalk but a grade change may make it necessary for pedestrians to access stores via steps. This could negatively impact performance of shops in a location that could be a strong retail site.

CLUSTER 8 CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	79,172	44 percent
Non-retail commercial	67,726	38 percent
Miscellaneous non-retail	2,400	1 percent
Restaurants/Night Clubs	29,998	17 percent
Total Occupied	179,296	
Estimated Vacancy	16,221	8 percent

Retail Strategy:

- ✓ *Add additional retail (apparel and hard goods) with cross-over appeal among tourists and local residents. This area lends itself to the theme of outdoor sports retailing.*

- ✓ *Attempt to enhance the pedestrian character of this cluster and its connectivity with Cluster 6.*
- ✓ *Exercise influence to limit the proliferation of “beach convenience shops” and ground floor office uses.*

TOTAL DOWNTOWN DELRAY BEACH

Downtown Delray Beach has 571,100 square feet of general retail uses and 216,600 square feet of restaurants/night clubs. A closer examination of “general retail” uses within Downtown reveals an estimate of 251,400 square feet devoted to the type of retail establishments that sell goods directly to consumers. Downtown’s restaurants/night clubs occupy approximately 216,600 square feet.

TOTAL DOWNTOWN CONTENT ANALYSIS		
TYPE OF USE	SQ. FT.	PERCENT
General retail	571,107	35 percent
Non-retail commercial	601,461	37 percent
Miscellaneous non-retail	231,027	14 percent
Restaurants/Night Clubs	216,613	13 percent
Total Occupied	1,626,949	
Estimated Vacancy	192,700	11 percent

The eight planning clusters contain 468,000 square feet of “consumer goods retailers and restaurants” selling goods directly to consumers. (“CGRR” space is an approximation of “comparison goods”.) Excluded from CGRR are several categories of Downtown tenants including service providers (spas, hair salons/barber shops, pet grooming, massage/yoga/exercise studios, doctors, lawyers), retailers of used goods, auto-related businesses (gas stations, repair shops, auto supplies), and business-to-business enterprises.

- ✓ Downtown Delray Beach’s CGRR square footage is divided almost equally among retailers (54 percent) and restaurants/night clubs (46 percent). The retail/restaurant balance must be shifted to 60-70 percent retailers if Downtown is to become a shopping destination for “comparison goods.” This can be accomplished by filling vacancies and newly constructed space with retailers rather than restaurants.
- ✓ Although apparel is the single largest category of retail use, it accounts for only 15 percent of total CGRR space in Downtown Delray Beach. The share of CGRR space dedicated to apparel should be at least 30 percent in order for Downtown to become a competitive apparel shopping destination.

MERCHANDISE ALLOCATION OF CONSUMER GOODS RETAIL SPACE AND RESTAURANTS*		
	CURRENT SQ. FT	PERCENT OF CGRR* TOTAL
Women's Apparel/Shoes	69,526	15 percent
Family Apparel	16,240	3 percent
Children's Apparel	2,496	1 percent
Jewelry/Luggage	11,880	3 percent
Gifts/Hobbies	39,645	8 percent
Florist	8,268	2 percent
Home Furnishings	38,174	8 percent
Gallery/Antiques	39,543	8 percent
Cameras/Photos	5,044	1 percent
Books/Periodicals	1,740	---
Stationery/Office Supplies	<u>18,500</u>	<u>4 percent</u>
Subtotal	251,416	54 percent
Restaurants/Night Clubs	<u>216,613</u>	<u>46 percent</u>
Total	468,029	100 percent

The modest amount of “comparison goods” retailing in Downtown Delray Beach explains why Downtown is not yet directly competitive with suburban shopping destinations. A large percentage of Downtown’s tenancy consists of restaurants, business-to-business commercial establishments, convenience goods/services, or “impulse goods” as opposed to “comparison goods” that can generate destination shopping trips.

RANGE OF DOWNTOWN MERCANTILE OFFERINGS

Most Downtown areas undergoing revitalization are initially driven by dining/entertainment with specialty retailing succeeding as a later phase. If they proceed into retail-driven destinations, Downtowns typically function as specialty retail districts. Exceptions include those few Downtown areas that have successfully retained or attracted anchor department stores and districts that have added massive developments such as West Palm Beach’s CityPlace to create a “critical mass” of comparison goods retailers.

- Dining-driven Downtowns have more space allocated to restaurants and entertainment venues than to retail establishments. “Hard goods” retail establishments selling items such as gifts, antiques, art galleries, and books tend to be more prevalent than apparel retailers in dining/entertainment-driven Downtowns.
- Some Downtown areas serve as destinations for a full array of “comparison goods” or department store type merchandise (“DSTM”). These areas are heavily oriented to soft goods (apparel and shoes) and home furnishings. Most Downtowns serving this niche have one or more department store anchors as the nucleus for their apparel offerings.

TYPICAL DOWNTOWN MERCHANDISE ALLOCATIONS			
	DINING/EVENT -DRIVEN DOWNTOWN	SPECIALTY RETAIL-DRIVEN DOWNTOWN	COMPARISON GOODS-DRIVEN DOWNTOWN
Apparel/Shoes	15 percent	20 percent	30 percent
Women’s Apparel	5 percent	10 percent	10 percent
Men’s Apparel	5 percent	5 percent	5 percent
Specialty/Family Apparel	5 percent	5 percent	10 percent
Children’s Apparel	0 percent	0 percent	5 percent
Shoes	0 percent	5 percent	10 percent
Restaurants/Fast Food	40 percent	30 percent	25 percent
Jewelry	5 percent	10 percent	10 percent
Books/Music/Electronics	10 percent	10 percent	5 percent
Cards/Gifts/Home Décor	10 percent	10 percent	10 percent
Miscellaneous Retail	5 percent	5 percent	5 percent
Entertainment/Cinemas	10 percent	5 percent	5 percent
Galleries/Crafts/Antiques	5 percent	10 percent	5 percent
	100 percent	100 percent	100 percent

SOURCE: H. Blount Hunter Retail & Real Estate Research Co.

A comparison of Downtown’s current CGRR merchandise mix with a general mix in Downtown districts that have become “comparison goods shopping destinations” reveals the following:

- ✓ Downtown Delray Beach has sub-average representation in apparel, jewelry, and books/music/electronics.
- ✓ Downtown Delray Beach has ample offerings of restaurants, cards/gifts/home décor, galleries/crafts/antiques, and miscellaneous retail.

CURRENT DOWNTOWN DELRAY BEACH MERCHANDISING VERSUS COMPARISON GOODS-DRIVEN DOWNTOWN MERCHANDISING		
	CURRENT DOWNTOWN MERCHANDISE MIX	COMPARISON GOODS-DRIVEN DOWNTOWN MERCHANDISE MIX
Apparel/Shoes	19 percent	30 percent
Restaurants/Fast Food	46 percent	25 percent
Jewelry	3 percent	10 percent
Books/Music/Electronics	---	5 percent
Cards/Gifts/Home Décor	16 percent	10 percent
Miscellaneous Retail	8 percent	5 percent
Entertainment/Cinemas	---	5 percent
Galleries/Crafts/Antiques	<u>8 percent</u>	<u>5 percent</u>
	100 percent	100 percent

Downtown Delray Beach’s merchandise mix reflects its current role as a “dining-driven Downtown.” With the addition of apparel and key categories of hard goods, Downtown will move toward becoming a “comparison goods retail-driven Downtown” although it is important to understand that the absence of department stores will preclude Downtown from usurping the role of regional shopping centers.

CURRENT SALES IN DOWNTOWN DELRAY BEACH

“Comparison goods” retailers and restaurants within the eight clusters of Downtown Delray Beach generated actual sales of \$102 million in 2003 according to the Florida Department of Revenue.⁷

- ✓ Clusters 4, 6, and 8 are the most productive retail areas.
- ✓ Clusters 4 and 8 are the most productive restaurant areas.

2003 ESTABLISHMENT COUNT AND SALES RETAILERS AND RESTAURANTS				
RETAILERS			RESTAURANTS	
CLUSTER	COUNT	SALES	COUNT	SALES
1	6	\$ 829,654	4	\$308,847
2	16	\$ 1,909,127	7	\$ 2,991,022
3	51	\$ 4,858,479	13	\$ 7,102,675
4	50	\$ 9,326,556	21	\$21,583,777
5	32	\$ 2,751,597	11	\$ 2,209,943
6	36	\$ 5,513,891	12	\$ 8,620,259
7	23	\$ 2,885,250	6	\$ 2,604,816
8	<u>31</u>	<u>\$12,930,901</u>	<u>11</u>	<u>\$16,027,172</u>
TOTAL	245	\$69,261,419	85	\$61,448,511

SOURCE: Florida Department of Revenue

2003 ALLOCATION OF ESTABLISHMENTS AND SALES BY CLUSTER				
RETAILERS			RESTAURANTS	
CLUSTER	COUNT	SALES	COUNT	SALES
1	2.4%	2.0%	4.7%	0.5%
2	6.5%	4.7%	8.2%	4.9%
3	20.8%	11.8%	15.3%	11.6%
4	20.4%	22.7%	24.7%	35.1%
5	13.1%	6.7%	12.9%	3.6%
6	14.7%	13.7%	14.1%	14.0%
7	9.4%	7.0%	7.5%	4.2%
8	<u>12.7%</u>	<u>31.5%</u>	<u>12.9%</u>	<u>26.1%</u>
TOTAL	100.0%	100.0%	100.0%	100.0%

SOURCE: Florida Department of Revenue

⁷“Retailers” includes Florida Department of Revenue Kind Codes 1,2,3,4,5,7,10, 11,18,20,21,22,29,30,32,36,42,43,44,55,56; “Restaurants” includes Kind Codes 6,8,9. In order to approximate GAFO sales or “shoppers goods” sales, certain retail categories were excluded from the data (gasoline stations, auto parts, lumber/building materials, yacht dealers and personal services).

DOWNTOWN SALES GROWTH 1998 TO 2003

The Florida Department of Revenue reviewed tax receipts for the eight clusters in 1998 and 2003. Food service sales grew substantially faster than consumer-oriented retail sales. This demonstrates the imbalanced success of Downtown as a dining and entertainment destination compared to its performance as a “shopping destination.”

The tables on the next four pages present sales changes from 1998 through 2003:

Retail sales (excluding gasoline, auto parts, hotels, and business-to-business sales) grew 38 percent from \$29.8 million in 1998 to \$41.0 million in 2003.

Restaurant/bar sales increased 106.1 percent from \$29.8 million in 1998 to \$61.4 million in 2003.

The escalation of restaurant sales is a reflection of the strategy to encourage restaurants, cafes, and bars to open in Downtown Delray Beach. Going forward, an appropriate goal will be increasing retail sales of comparison goods by focusing upon retail tenant solicitation and broadening the range of merchandise so that Downtown Delray Beach can become a destination for shopping.

CLUSTER ANALYSIS

DOWNTOWN DELRAY BEACH 1998 SALES BY PLANNING CLUSTER

8-15-05

<u>CLUSTER</u>	<u>RETAILER COUNT</u>	<u>RETAIL SALES</u>	<u>RESTAURANT COUNT</u>	<u>RESTAURANT SALES</u>
1	9	\$745,367	5	\$1,247,417
2	10	\$1,008,267	8	\$1,596,900
3	35	\$6,395,433	9	\$3,190,367
4	41	\$4,376,833	22	\$11,690,017
5	33	\$4,118,683	7	\$2,103,400
6	19	\$1,866,750	10	\$6,029,867
7	22	\$5,204,033	11	\$1,027,717
8	33	\$6,064,417	7	\$2,927,417
SUBTOTALS		\$29,779,783		\$29,813,100
TOTAL:				\$59,592,883

SOURCE: Florida Department of Revenue

CLUSTER ANALYSIS

DOWNTOWN DELRAY BEACH 2003 SALES BY PLANNING CLUSTER

6-15-05

<u>CLUSTER</u>	<u>RETAILER COUNT</u>	<u>RETAIL SALES</u>	<u>RESTAURANT COUNT</u>	<u>RESTAURANT SALES</u>
1	6	\$829,654	4	\$308,847
2	16	\$1,909,127	7	\$2,991,022
3	51	\$4,868,479	21	\$7,102,876
4	50	\$9,328,556	21	\$21,583,777
5	32	\$2,761,597	12	\$2,209,943
6	36	\$5,513,891	9	\$8,620,259
7	23	\$2,885,250	6	\$2,604,816
8	31	\$12,930,347	12	\$16,027,172
SUBTOTALS	245	\$41,004,901	92	\$61,448,511
TOTAL:				\$102,453,412

SOURCE: Florida Department of Revenue

CLUSTER ANALYSIS

DOWNTOWN DELRAY BEACH 1998 - 2003 RESTAURANT SALES GROWTH

6-15-05

<u>CLUSTER</u>	<u>1998 RESTAURANT COUNT</u>	<u>1998 RESTAURANT SALES</u>	<u>2003 RESTAURANT COUNT</u>	<u>2003 RESTAURANT SALES</u>	<u>CHANGE RESTAURANT COUNT</u>	<u>CHANGE RESTAURANT SALES</u>
1	5	\$1,247,417	4	\$308,847	-1	-75.2%
2	8	\$1,596,900	7	\$2,991,022	-1	87.3%
3	9	\$3,190,367	21	\$7,102,675	12	122.6%
4	22	\$11,890,017	21	\$21,583,777	-1	84.6%
5	7	\$2,103,400	12	\$2,209,943	5	5.1%
6	10	\$6,029,867	9	\$8,620,259	-1	43.0%
7	11	\$1,027,717	6	\$2,604,816	-5	153.5%
8	7	\$2,927,417	12	\$16,027,172	5	447.5%
SUBTOTALS:	79	\$29,813,102	92	\$61,448,511	13	106.1%
TAL GROWTH:				\$31,635,409		106.1%

SOURCE: Florida Department of Revenue

CLUSTER ANALYSIS

DOWNTOWN DELRAY BEACH 1998 - 2003 RETAIL SALES GROWTH

6-15-05

<u>CLUSTER</u>	<u>1998 RETAILER COUNT</u>	<u>1998 RETAIL SALES</u>	<u>2003 RETAILER COUNT</u>	<u>2003 RETAIL SALES</u>	<u>CHANGE RETAILER COUNT</u>	<u>CHANGE RETAIL SALES</u>
1	9	\$745,367	6	\$829,654	-3	11.3%
2	10	\$1,008,267	16	\$1,909,127	6	89.3%
3	35	\$6,395,433	51	\$4,858,479	16	-24.0%
4	41	\$4,376,833	50	\$9,326,556	9	113.1%
5	33	\$4,118,683	32	\$2,751,597	-1	-33.2%
6	19	\$1,866,750	36	\$5,513,891	17	195.4%
7	22	\$5,204,033	23	\$2,885,250	1	-44.6%
8	33	\$6,064,417	31	\$12,930,347	-2	113.2%
SUBTOTALS	202	\$29,779,783	245	\$41,004,901	43	37.7%
TOTAL GROWTH:				\$11,225,118		37.7%

SOURCE: Florida Department of Revenue

ESTIMATING FUTURE SALES CAPACITY FOR DOWNTOWN DELRAY BEACH

The Utilization Rate tables on the facing page are a proprietary tool used by H. Blount Hunter Retail & Real Estate Research Co. to quantify sales capacity in mixed-use districts based upon the size of key consumer segments (population of the retail trade area, office worker count, number of tourists/seasonal residents) and trip counts (calculated from the reach and frequency data from the regional telephone research described earlier in this report). Expenditure factor for each customer segment are analogs derived in Downtowns with comparable mercantile content to Delray Beach.

BASELINE ESTIMATE: 2004

Based upon actual customer segment sizes and local resident usage patterns identified in the regional telephone research, the Utilization Rate model projected sales of \$129.8 million in Downtown Delray Beach in 2004.

- ✓ Sales projections for 2004 are approximately 27 percent higher than the actual sales of \$102 million provided by the Florida Department of Revenue. This differential suggests that Downtown is slightly under-achieving relative to the sources of market support (i.e. customer segments) available to it.
- ✓ The model focuses attention upon local residents as the source of 62 percent of Downtown's sales. Tourists and seasonal residents generate 37 percent of sales.

The Utilization Rate model can be used as a tool to project future sales. Assumptions can be made regarding the following inputs:

- Changes in segment sizes
- Changes in annual trip count (i.e. changes in reach and frequency of visits among residents of the retail trade area)
- Changes in level of expenditure to reflect shifts in merchandising toward greater retail intensity

ILLUSTRATIVE CAPACITY: 2004

If Downtown Delray Beach had a more comprehensive retail offering, the average spending levels by current users would be higher than those in the Baseline model. The second Utilization Rate model was created to illustrate the sales capacity of Downtown presuming a somewhat broader mercantile mix similar but with no changes in segment sizes or usage dynamics.

It is realistic to expect that existing customer segments would be capable of generating sales of \$182.4 million—approximately \$52.5 million more than the estimated sales

volume in 2004. This represents a 40 percent increase over 2004 sales ad capacity for supporting 210,000 square feet o f additional space at \$250 PSF productivity.

ILLUSTRATIVE POTENTIAL: FUTURE GROWTH

Over a time period as short as five years, it is reasonable to expect each of the user segments to increase in size (count) and that to assume that positive changes will be induced in reach and frequency of use dynamics by local residents. These changes, in combination with an increase in retailers offering “comparison goods” merchandise, can result in increased in sales in Downtown Delray Beach.

Assuming 10 percent growth in all segment sizes, the Utilization Rate model projects future sales volume of \$220.1 million—approximately \$100 million more than estimated 2004 sales. This amount of incremental sales can support an additional 400,000 square feet at average productivity of \$250 PSF.

- ✓ To realize an increase of this magnitude will require a substantial shift toward “comparison goods” merchandise offered in Downtown and/or an increase in the amount of space allocated to retailers. Some of the increase in retail square footage will be the result of new construction while some of the increase could be accomplished by converting service/office uses into retail storefronts. Pending construction projects as of April, 2005 contain an aggregation of approximately 118,000 square feet of retail space. The ability to expand the retail square footage of Downtown without a significant amount of new development will depend upon the willingness of property owners to resist leasing prime retail storefronts to non-retail tenants as well as substitution of retail tenants for non-retail uses.

**DOWNTOWN DELRAY BEACH, FLORIDA
UTILIZATION RATE MODEL
BASELINE ESTIMATE: 2004**

1-5-05

<u>CUSTOMER SEGMENT</u>	<u>SEGMENT SIZE</u>	<u>ANNUAL UTILIZATION RATE</u>	<u>IMPLIED ANNUAL TRIPS</u>	<u>AVERAGE SPENDING PER VISIT</u>	<u>AGGREGATE ANNUAL SALES PER SEGMENT</u>
LOCAL RESIDENTS (18-65)	441,558	9.18	4,053,502	\$20.00	\$81,070,049
DOWNTOWN WORKERS	2,000	40.00	80,000	\$8.00	\$640,000
TOURISTS/MEETING DELEGATES					
Overnight Tourists	4,440,780	0.12	532,894	\$40.00	\$21,315,744
Seasonal Residents	111,880	6.00	671,280	\$40.00	\$26,851,200
TOTAL					\$129,876,993

**DOWNTOWN DELRAY BEACH, FLORIDA
UTILIZATION RATE MODEL
ILLUSTRATIVE CAPACITY: 2004**

1-5-05

<u>CUSTOMER SEGMENT</u>	<u>SEGMENT SIZE</u>	<u>ANNUAL UTILIZATION RATE</u>	<u>IMPLIED ANNUAL TRIPS</u>	<u>AVERAGE SPENDING PER VISIT</u>	<u>AGGREGATE ANNUAL SALES PER SEGMENT</u>
LOCAL RESIDENTS (18-65)	441,558	9.18	4,053,502	\$30.00	\$121,605,073
DOWNTOWN WORKERS	2,000	40.00	80,000	\$8.00	\$640,000
TOURISTS/MEETING DELEGATES					
Overnight Tourists	4,440,780	0.12	532,894	\$50.00	\$26,644,680
Seasonal Residents	111,880	6.00	671,280	\$50.00	\$33,564,000
TOTAL					\$182,453,753

**DOWNTOWN DELRAY BEACH, FLORIDA
UTILIZATION RATE MODEL
ILLUSTRATIVE POTENTIAL: 2009**

1-5-05

<u>CUSTOMER SEGMENT</u>	<u>SEGMENT SIZE</u>	<u>ANNUAL UTILIZATION RATE</u>	<u>IMPLIED ANNUAL TRIPS</u>	<u>AVERAGE SPENDING PER VISIT</u>	<u>AGGREGATE ANNUAL SALES PER SEGMENT</u>
LOCAL RESIDENTS (18-65)	485,714	10.0	4,857,138	\$30.00	\$145,714,140
DOWNTOWN WORKERS	2,200	40.0	88,000	\$10.00	\$880,000
TOURISTS/MEETING DELEGATES					
Overnight Tourists	4,884,858	0.2	732,729	\$50.00	\$36,636,435
Seasonal Residents	123,088	6.0	738,408	\$50.00	\$36,920,400
TOTAL					\$220,150,975

MERCHANDISING TARGETS

The following table presents approximate square footage of retail space by merchandise line in 2005 with suggested targets for future allocation of space by merchandise line. These targeted space allocations are appropriate for a five-year planning horizon. While not definitive, these targets highlight merchandising priorities in women's apparel/shoes, family apparel, jewelry/luggage, home furnishings, antiques/art galleries, and books/periodicals.

CURRENT AND TARGETED RETAIL SQUARE FOOTAGE		
	CURRENT SQ. FT	TARGETED SQ. FT.
Women's Apparel/Shoes	69,526	120,000
Family Apparel	16,240	25,000
Children's Apparel	2,496	5,000
Jewelry/Luggage	11,880	20,000
Gifts/Hobbies	39,645	45,000
Florist	8,268	9,000
Home Furnishings	38,174	50,000
Gallery/Antiques	39,543	75,000
Cameras/Photos	5,044	5,000
Books/Periodicals	1,740	10,000
Stationery/Office Supplies	<u>18,500</u>	<u>20,000</u>
Total	251,416	384,000

Comparison goods retailers currently occupy approximately 251,000 square feet in Downtown Delray Beach. Downtown has ample physical capacity to accommodate additional retail space by filling vacancies, replacing non-retail uses with retailers, and through the addition of new retail space. No attempt has been made to allocate specific amounts of space by merchandise line to specific clusters.

OPTIMUM MERCHANDISE CONCENTRATIONS BY CLUSTER	
Women's Apparel/Shoes	Clusters 4, 6
Family Apparel	Clusters 4, 6, 8
Children's Apparel	Clusters 4, 6
Jewelry/Luggage	Clusters 4, 6
Gifts/Hobbies	Clusters 4, 6
Florist	Clusters 3, 7
Home Furnishings	Cluster 3
Gallery/Antiques	Clusters 3, 4
Cameras/Photos	Cluster 3
Books/Periodicals	Clusters 4, 6
Stationery/Office Supplies	Clusters 4, 6

Defining a retail recruitment strategy for Downtown Delray Beach reflects balancing that must be considered:

- Retailers versus restaurants
- Local residents versus tourists
- Chain operators versus independent entrepreneurs
- Basic needs versus discretionary purchases
- Comparison goods versus impulse merchandise

Retailers versus Restaurants

This analysis concludes that additional retail establishments attracting would be preferable to additional restaurants as a means of increasing the likelihood that Downtown Delray Beach can compete more directly with suburban shopping centers by transition toward a destination for purposeful shopping trips for comparison goods. The public sector effort to enhance Downtown's function within the region can be best served by focusing upon expanding its retail offering. Additional restaurant development should be encouraged in locations where adequate parking is available and where late evening noise will not disturb residents. The City of Delray Beach should examine its policy of stimulating restaurant development by allowing lenient parking requirements for restaurants. Instead, a set of economic incentives may be initiated to stimulate targeted retail development.

Local Residents versus Tourists

Many existing retailers appear to be dependent upon tourists and seasonal residents to a greater degree than is advisable. Downtown's restaurants seem to have more fully penetrated the local/regional resident base than Downtown's retailers. The future retail mix should directly target the permanent population as well as tourists and seasonal residents. This can be accomplished with decreased emphasis on gifts and greater emphasis upon apparel/shoes, home furnishings, and goods such as books and jewelry.

Chain Operators versus Independent Entrepreneurs

A mercantile base built upon unique independent entrepreneurs will distinguish Downtown Delray Beach within the competitive South Florida retail landscape. Generally, local independent merchants understand the potential of a Downtown market long before chain operators understand the dynamics of a local market. Attracting a few chain operators may stabilize the retail offering and provide familiar names to consumers; however, the goal of attracting chains must be tempered with the understanding that chains do not necessarily signify "success" nor does the absence of chains indicate "failure" by Downtown.

Basic Needs versus Discretionary Purchases

Downtown Delray Beach is a specialized niche market offering primarily discretionary goods. Cluster 1 warrants special consideration given the community's claim of unmet basic consumer needs. With the exception of Cluster 1, additional retail content should consist of discretionary goods since most Downtown residents have easy access to a wide variety of basic consumer goods and services are offered on the immediate outskirts of the cluster study area.

- ✓ Publix operates a new supermarket on Federal Highway between NE 4th Street and NE 5th Street. Adjacent uses include Walgreen's Drugs and Blockbuster Video.
- ✓ Publix operates a second supermarket near Downtown in Plaza del Ray at the intersection of Old Dixie Highway and Linton. Other retailers in this shopping center or nearby include Books-A-Million, Linens n Things, Office Depot, Target, and a multi-screen cinema.

Comparison Goods versus Impulse Merchandise

Much of the retail offering in Downtown Delray Beach is "impulse merchandise" oriented to unplanned purchasing. Gifts, inexpensive art items, and novelty apparel are frequently purchased by diners drawn to Downtown Delray Beach by its large restaurant base. Downtown's greater role as a destination for purposeful "comparison goods" shopping trips requires a greater assortment of apparel retailers. Additional merchandise depth in home furnishings, books, music, and jewelry are desirable to enable Downtown to compete more directly with suburban shopping centers.

TARGETED MERCHANDISE PRIORITIES

Over the next three to five years, retail recruitment efforts should initially concentrate on three key merchandise categories:

- ✓ *Women's apparel/shoes stores* are the predominant retail use although this category lacks visibility because merchants are widely dispersed and the merchandise offering ranges from novelty items to evening wear. This category can be bolstered with casual (non-resort) clothing for broader age/size ranges. Expanding this category to a minimum of 100,000 square feet can contribute to Downtown's appeal as a "comparison goods shopping destination" at greater parity with regional malls.
- ✓ It is desirable to exploit Downtown's current strength as a niche market for *home furnishings and antiques/art galleries* with increased square footage in these merchandise lines. Significant increases in the square footage devoted to these uses will fortify Downtown's competitive strategic advantage in these categories.

- ✓ *Books and music* are currently under-represented in Downtown. These retail items appeal to patrons visiting Downtown for dining and entertainment and can become destination businesses based upon product specialization and level of service.

Apparel and shoes will optimally be concentrated in Clusters 4 and 6 for maximum impact. Books and music can be located on the fringes of Cluster 4 or in Cluster 2 to tie-in with arts and restaurants. Home furnishings would optimally be concentrated in Cluster 3 and in Cluster 7. Art galleries/antiques naturally fit into Cluster 2. Recognizing that it can influence but not control site decisions, the public sector can guide the clustering and location of retail masses using economic incentives.

DOWNTOWN RESIDENTIAL RENAISSANCE

New housing in Downtown provides an impetus for additional retail development in Downtown. Downtown Delray Beach is enjoying a robust residential renaissance with approximately 800 units under construction or in the development pipeline. An estimated 1,200 new residents can be expected as a result of these projects.

Residents in the immediate vicinity of Atlantic Avenue’s commercial core provide an important consumer base for retail shops, restaurants, and services. Spending patterns of households with annual incomes in excess of \$70,000 spend an average of \$20,476 annually on the kinds of goods and services that are currently well-represented in Downtown Delray Beach.⁸

AVERAGE ANNUAL CONSUMER SPENDING BY U.S. HOUSEHOLDS \$70,000+ INCOME	
Food at Home (Groceries)	\$ 4,524
Food Away from Home (Restaurants)	\$ 4,350
Alcoholic Beverages	\$ 780
Apparel and Services	\$ 3,469
Entertainment	\$ 4,457
Personal Care Goods and Services	\$ 915
Reading Materials	\$ 262
Tobacco Products	\$ 302
Miscellaneous spending	<u>\$ 1,417</u>
“Downtown Goods” Spending	\$20,476

For every 50 new Downtown residents, an additional \$1 million in annual spending potential is available to Downtown businesses. Of this total, approximately 85 percent is non-grocery spending on restaurant meals, apparel, books, entertainment, and other goods and services that are well represented in the expanding mix of Downtown businesses. The addition of 1,200 new residents suggests increased Downtown spending potential of \$24 million. The share of spending that Downtown businesses actually “capture” is determined by many factors including the merchandise assortment available in Downtown and the strength of competitive businesses located outside of Downtown.

On a comparative basis, an office worker typically spends \$2,000 annually in Downtown with three-quarters of spending devoted to meals. New Downtown residents are significantly more lucrative potential consumers than new office workers. This is not to suggest that Delray Beach should not attempt to add to Downtown’s base of office workers; in fact, adding more employees to create a “live-work-shop-dine-play” mixed-use environment is highly desirable.

⁸ “Consumer Expenditure Survey,” Bureau of Labor Statistics, 2002

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 Joint Venture has primarily served as a community event marketing agency and advocacy group for existing businesses with secondary emphasis upon new business recruitment. The Business Recruitment Director is poised to undertake the role of retail recruitment vehicle for Downtown Delray Beach.

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 Prospecting Trips
- 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:** show sites in Downtown to prospects who indicate interest
- IV. **GRAND OPENING:** welcome 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

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

The initial retail and restaurant prospects for Downtown Delray Beach are unlikely to be national chains because the current environment of Downtown Delray Beach 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 Delray Beach. This analysis echoes the conclusions that the most likely prospects for Downtown Delray Beach’s initial retail revitalization include successful businesses from neighboring communities and local entrepreneurs.

Create a Business Fact Base

A business fact base will be required to explain the merits of a Downtown Delray Beach location. This information will help sell prospects on the merits of Downtown Delray Beach 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 Delray Beach
- ✓ Downtown Delray Beach annual retail trends
- ✓ Traffic counts on Downtown Delray 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)
- ✓ Downtown Delray Beach “retail trade area” map and demographics; 1-3-5 mile population summaries
- ✓ Comprehensive Downtown Delray Beach Plan with details of 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 Delray Beach is an annual summary of retail and restaurant sales within the Downtown area. It is strongly recommended that the Downtown Development Authority 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.

Assemble a Database of Downtown Space

The Downtown Development Authority's cluster delineations facilitate analysis of Downtown retail space inventory. The initial database should be prepared through collaborative effort of the Downtown Development Authority, City of Delray Beach Planning Department, the Business Recruitment Director, and the Community Redevelopment Agency. The Downtown Development Authority should maintain a comprehensive inventory of existing space in Downtown Delray Beach using standardized fact sheets. Updates should be made at least twice per year or more frequently if possible. 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 Delray Beach
- 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 Task Force

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 “concentrated merchandising” 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 Business Recruitment director must be proactive in communicating Downtown Delray Beach’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.

The Business Recruitment director 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 Business Recruitment director to notify brokers of new leasing/sale opportunities as they arise.

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

Periodic updates should be held at least on an annual basis. The Business Recruitment director 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 Business Recruitment director may wish to launch the concept of 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 had successful broker bonus programs.

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

The Business Recruitment director will need to make local and regional reconnaissance trips to seek strong independent and regional retail candidates for Downtown Delray Beach. Adequate budget should be allocated for tenant identification visits. 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 Business Recruitment Director should complete a checklist for every merchant visited on each site visit. The checklist includes facts that will assist in qualifying the merchant as a prospect for Downtown Delray Beach while gathering information that will assist in understanding the merchant's business needs. The checklist should be held in confidence by the:

- ✓ 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 Delray Beach

Sales Calls on Qualified Prospects

Once a merchant has been qualified as a prospect for Downtown Delray Beach using the targeting criteria established in this analysis, the Business Recruitment Director 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 Delray Beach. In preparation for this visit, the Business Recruitment Director should create a "Case for..." presentation that succinctly states "why" the merchant belongs in Downtown Delray Beach and "how" Downtown Delray Beach meets their needs. The "Case for..." presentation blends the knowledge gained from the checklist conversation with the Business Recruitment Director's Downtown business fact base to demonstrate the probability of success in Downtown Delray Beach.

General perceptions of Downtown Delray Beach can be assessed at this time. Economic incentives should be discussed as deal facilitators rather than the main rationale for locating in Delray Beach 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 Business Recruitment Director 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 Business Recruitment Director 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 Delray Beach. 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 Delray Beach.

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 Delray Beach. 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 Delray Beach. 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 Delray Beach should address questions or concerns that surface during the visit to Downtown Delray Beach. 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 Business Recruitment Director should add prospective merchants to a mailing list for positive news and articles about Downtown Delray Beach. The Business Recruitment Director should not introduce a broker into the relationship unless requested by the prospective business.

Prepare an Inventory of Retail-Oriented Economic Development Tools

The Business Recruitment Director should prepare a summary of retail-oriented economic incentives to share with prospective retailers. If voids are identified in the tool chest of retail-oriented economic development tools, the Business Recruitment Director should advocate for the creation of appropriate programs.

The Business Recruitment Director's core mission is retail recruitment as opposed to operations of current businesses. 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.

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. Most retailers prefer to cluster with compatible merchants in a critical mass so that they are not solely dependent upon their own drawing power for traffic. Merchants have a herding mentality; often their preference is for an established critical mass rather than betting on the eventual evolution of a critical mass with destination drawing power.

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.

Fragile entrepreneurs often lack rudimentary retail skills. Many people have romantic notions of opening a store or restaurant, yet these business sectors are seldom kind to inexperienced operators who lack basic retail skills. Unrealistic business plans and a lack of sales skills result in many business failures. Other entrepreneurs are predestined for failure when their creative passions are not backed by an in-depth understanding of the financial aspects of retailing. While some businesses fail due to poor customer service, many more fail because they are under-capitalized. Many start-up retail businesses never recover from the burden of excessive expenses incurred prior to opening day. Other traps include too much inventory or too little inventory. Finally, reliance upon “sales” to stimulate business hastens the decline of many retailers. A retailer who operates at “keystone” (100 percent mark-up over cost) gives away virtually all of his profit when taking a 20 percent price reduction. Novice merchants who reduce prices at the first sign of trouble are actually hastening their own demise.

Retailers cannot generally survive rent-to-sales ratios in excess of 15 percent. Retailers operating at “keystone” mark-up (selling cost is twice the cost of goods sold) cannot generate a profit if rent exceeds 12-15 percent of sales. Despite the importance of the rent-to-sales ratio, the vast majority of entrepreneurial merchants are unfamiliar with the concept and unaware of the immutability of the concept. Naive merchants with overly optimistic projections of sales may agree to unsustainable levels of rent, thereby

playing into the hands of unscrupulous landlords who are comfortable churning tenants. Pragmatic merchants seek rent-to-sales ratios of 3 to 7 percent and are often amenable to paying progressively higher rents as warranted by sales. The single greatest cause of retail failure is rents (and other expenses) that are not commensurate with sales.

RETAIL-ORIENTED ECONOMIC DEVELOPMENT TOOLS

Some of the planning clusters suffer because the City of Delray Beach lacks effective retail-oriented economic development incentives to use in its Downtown revitalization effort. While this is not a unique circumstance, communities across the nation have determined that stimulating retailing within their urban cores has a legitimate place in their on-going economic development activities.

Reliance upon independent merchants and start-up entrepreneurs demands programs tailored to businesses needing up-front working capital. Downtown Delray Beach's retail revitalization may proceed without retail development incentives, but at a slower pace than may be expected in appropriate incentives were applied.

Delray Beach used focused policies to stimulate restaurant development in the early stages of downtown revitalization; the time has come for the City to focus upon retailer attraction. Downtown's promoters 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.

A national overview of “best practices” in Downtown retail solicitation identified a variety of programs with common criteria:

1. Targeting specified retail uses (merchandise types) in defined geographic areas to match comprehensive retail development strategies
2. Using public funds to leverage greater private investment with incremental tax revenue as the definition of success
3. Attaching grants and other financial incentives to real estate as a means of protecting municipal funds from start-up business failures

Traditional types of retail grants and incentive programs include the following:

- Façade/storefront improvement grants
- Interior rehabilitation/Second Floor Rehabilitation grants
- Revolving loan programs targeting retailers
- Fee Waiver Programs
- Low Interest Loans for Start-Up Businesses
- Developer Gap Financing or Incentives
- Density Bonuses
- Infrastructure Contributions
- Performance-based Grants
- Broker bonuses/Commission Subsidies

Considerations for Delray Beach:

- Perhaps the most prevalent form of public assistance to Downtown retail districts is façade improvement loans or grants. Used frequently in “Main Street” programs, these programs are most effective as first-stage initiatives where blight is prevalent. In general, Downtown Delray Beach has minimal property blight and has therefore progressed beyond the need for programs such as façade/storefront improvement grants.
- Local policy makers should evaluate the need for loan programs that provide tenant allowance funds for property owners to prepare interior spaces for retail use. Funds that can be applied to retail use of street-level buildings may provide owners with sufficient rationale to lease spaces to retailers rather than office tenants.
- Revolving loan programs targeting retailers are a popular method of providing economic assistance. Some communities forgive loans if tenants survive for a specified period (i.e 10 years). Many communities make loans available to existing businesses as well as new entrants.
- Fee waiver programs are used to reduce the financial burden of opening a new retail business but are typically so small that they are now powerful incentives.
- Some communities provide low interest (or no interest) loans for start-up retail businesses. These loans have less restrictive underwriting criteria than conventional SBA loans or loans from commercial banks.
- Developer gap financing or incentives are typically negotiated on a case-by-case basis within policy guidelines that are established in advance. The public sector may achieve its greatest leverage of private sector investment by facilitating new developments that meet specific desired criteria. Beyond zoning required elements, Delray Beach can materially influence the physical form (massing and design) and content (mix of uses) within new developments through assistance provided to developers on key sites such as the library site and the West Atlantic redevelopment area.
- Cities make non-financial contributions to retail development via density bonuses that enable a cooperative developer to build more square footage than normally permitted in exchange for delivering a specified amount of retail space and/or attracting catalyst retailers.
- The City of Delray Beach has the opportunity to influence the retail landscape within Downtown through its control over the placement of new parking capacity. The City could provide public parking within a new development on the library site as its contribution to the private development of the parcel. By

eliminating the financial burden of parking, the City could make specific demands regarding the amount of retail space and the type of retail tenants sought.

- A performance-based grant program could be established to reward retailers with rebates determined by level of sales. Typically, cities use incremental tax revenue as the funding mechanism for grants of this type.

Because there are established retailers in Downtown Delray Beach, this report discourages the use of economic development tools that provide outright cash incentives directly to new retailers. A program of this type would be unfair to retailers who have raised private capital and could place new retailers at a competitive advantage over existing retailers.

In order to influence the retail revitalization of Downtown, the City of Delray Beach should consider creating economic development incentives to apply to specific categories of retailers within defined geographic boundaries. The creation of an overlay district identifying a “high priority urban retail zone” covering some or all of the eight clusters would serve as the basis for making incentives available for building owners, developers, and investors who lease space to retailers in targeted merchandise categories.

This report urges the City of Delray Beach to design retail incentive programs that enhance the permanent value of real estate within the Downtown area.

In particular, Delray Beach must address three distinct issues:

1. High prevailing rental rates/occupancy costs
2. Unwillingness or inability of property owners to make capital improvements to accommodate new tenants
3. Creation of additional contemporary retail space in key locations

Public Response to High Prevailing Rents

Local participants in this analysis cited rents of \$20 to \$40 per square foot within Downtown Delray Beach. Rents at this level are a reflection of landlords seeking reasonable returns on high property values; however, rents at this level place a serious economic burden on all but the best retailers. To put this level of rent into perspective, creditworthy retailers can lease space in established shopping centers and regional malls at approximately this same level of rent and be reasonably certain of immediate and sustained sales. For many merchants, the rational choice is locating in a shopping center with a proven retail track record rather than take the risk of opening in a Downtown with demonstrated strength among restaurants and non-apparel “impulse” merchandise. High rent limits retailer interest in Downtown Delray Beach and places enormous pressure on retailers to perform or perish. Under-capitalized entrepreneurs will quickly fail under

this pressure even if their concept might be viable over the long term. Providing working capital is the key to sustaining some retailers during start-up and initial occupancy.

Experience demonstrates that retailers fail when total occupancy cost exceeds 15 percent of sales. An independent retailer facing gross rent of \$30 to \$40 per square foot must therefore immediately achieve sales productivity of \$200 to \$267 PSF in order generate a profit while containing occupancy cost at 15 percent of sales. Optimally, a retailer's total occupancy cost would be 10 percent or less. This results in the need for sales productivity to be \$400 PSF if gross rent is \$40 PSF. Pressure to immediately generate sales at this level is intense; retailers must be certain of adequate consumer support. Experienced retailers understand this dynamic all too well; inexperienced retailers typically have no understanding of this rule of thumb.

This is perhaps the most difficult scenario for the public sector to address. Market values are dictating rents, yet rents are ahead of reasonable sales expectations. Over the long term, market forces should force rents to an appropriate level. Existing retailers may rightfully resent public efforts to “buy down” rents on behalf of new retailers. Perhaps the public sector's greatest impact on this impasse could be felt via zoning regulations that restrict tenant options to retailers.

Public Assistance in Leasehold Improvements for Retailers

Preparing space for a new retail tenant often requires capital investment that some landlords are unable or unwilling to make—especially for an untested retail business. Landlords often hold storefronts vacant as they wait for tenants who require fewer capital improvements or who are willing to fund their own leasehold improvements. Worse yet, some landlords rent to office tenants rather than retailers because capital improvement costs are lower and occupancy is less risky. Savvy tenants are (rightfully) unwilling to make capital investment to improve space as these improvements ultimately benefit the property owner.

The most direct means of dealing with this scenario is through the creation of a revolving loan program or low/no interest local program targeting buildings where a capital investment “stand off” is preventing occupancy. Similarly, the City may target properties where significant reconfigurations are necessary to create one space from several smaller spaces. The City may also consider waiving municipal fees such as building permit fees when property owners renovate or retrofit a building to accommodate a retailer offering targeted merchandise as identified in this analysis.

Public Role in Stimulating New Retail Development

A review of current conditions and opportunities leads to the recommendations that the CRA and the City of Delray Beach can have the greatest impact on the retail evolution of Downtown Delray Beach by soliciting developers for the library mixed-use

development site and the West Atlantic redevelopment area. The winning bidders should be selected for their ability to deliver high quality developments with the specific types of retailers that are targeted for the clusters in which these developments are located.

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 (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. Such programs work best when there is no pre-existing base of retailers or where existing retailers support the use of public funds to broaden the Downtown retail base. 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 “icon” 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 in Delray Beach could require funding of up to \$2 million.

- ➔ Dallas, TX provided a fund of \$2.5 million for Main Street retail incentives to subsidize rent up to \$18 per square foot for the first two years of new five year retail leases and provided retail tenant allowance subsidy of \$20 to \$38 per square foot. Loans are made only to retailers locating in a defined portion of Downtown Dallas. Other criteria include adherence to specified hours of operation, uniqueness of merchandise, employee count, and women/minority ownership.
- ➔ Washington, DC has established a \$30 million fund to provide tenant allowance payments to property owners who attract “icon retailers” to a specific area of Downtown Washington. Building owners may apply for grants of up to \$150 per square foot for tenant build-out funds.

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 merchants. Performance grant program guidelines should be clearly defined and communicated. Existing

businesses that did not receive public assistance may protest the use of performance grants for new retailers; there may be merit to their reaction.

- Kalamazoo, MI targets new retailers and office tenants in its Downtown using its Business Recruitment Incentive Program. Funds can be used for property improvements or brokerage commissions if new tenants match the targeted list in the city's comprehensive commercial plan. New tenants are offered \$.55 per square foot per year up to a maximum grant of \$10,000. The program has an "earn-out" provision based upon performance to protect against business failures.

Loan Funds are various types can be created to provide small business loans to entrepreneurs and businesses with no credit history or with limited access to commercial bank loans. Loan funds can be established to provide revolving loans, low interest loans, or no interest loans from a consortium of private sources or using public funds. It is typical for several commercial banks to pool funds in support of community reinvestment requirements to 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. Some communities reward long-term success by eliminating pay-back requirements.

- San Jose, CA provides several types of loan programs for new Downtown retailers. The REAL Assistance program provides no interest loans up to \$1.5 million for "retailers, entertainment or arts" uses with 10 year leases. Loans are forgiven if tenants remain in place for 10 years. Criteria include destination tenants or those with well-known reputations that would enhance the performance of Downtown as a whole. San Jose also provides a low interest loan program for existing businesses. Loans up to \$40,000 at 3 percent interest provide for expansions, upgrades, and inventory carrying costs.

The International Downtown Association can be a resource for reviewing the "best practices" of communities offering public assistance for retail recruitment.

APPENDIX

RESPONSES TO PERCEPTUAL QUESTIONS RANKED 1 TO 5

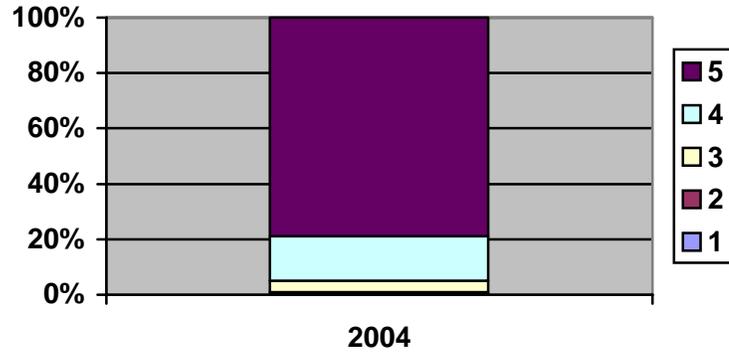
(LOW = 1 = DOES NOT FIT PERCEPTION OF DOWNTOWN DELRAY BEACH;
HIGH = 5= FITS PERCEPTION OF DOWNTOWN DELRAY BEACH)

	1	2	3	4	5	MEAN
Feeling safe during the day	1%	---	4%	16%	78%	4.7
Feeling safe at night	4%	5%	22%	27%	41%	4.0
Clean Public Areas	1%	1%	8%	30%	59%	4.4
More shops/restaurants now than 2-3 years ago	2%	4%	12%	20%	63%	4.4
Directional signs approaching Downtown	3%	5%	17%	24%	51%	4.2
Parking near places I want to go	17%	27%	24%	15%	17%	2.9
Reasonably priced parking	8%	10%	36%	25%	20%	3.4
Directional signs to parking	6%	17%	27%	18%	32%	3.5
Directional signs while driving within Downtown	3%	8%	23%	22%	44%	4.0
Downtown is an important part of the community	3%	4%	11%	27%	56%	4.3

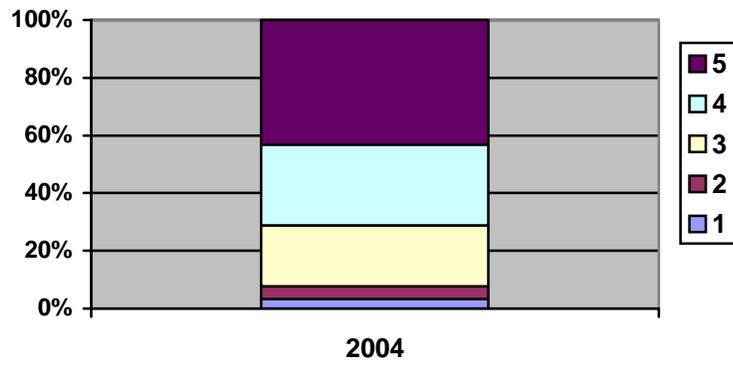
NOTE: High scores are preferable.

PERCEPTUAL RATING CHARTS

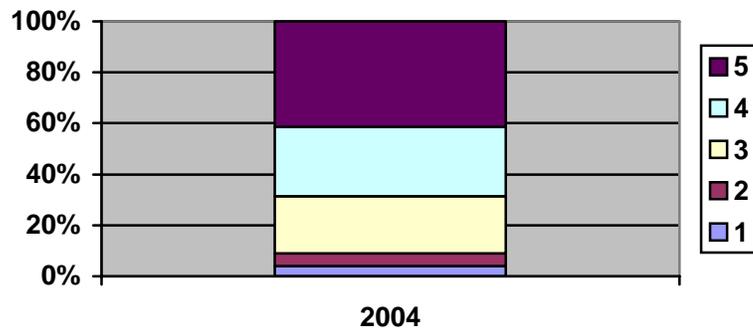
SAFE: DAYTIME



SAFE: WEEKEND DAYS

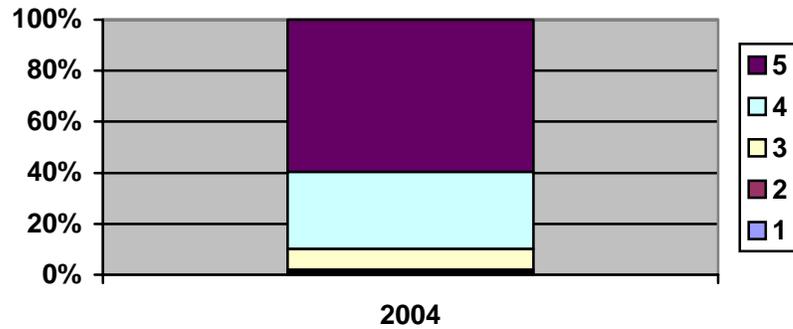


SAFE: NIGHTS

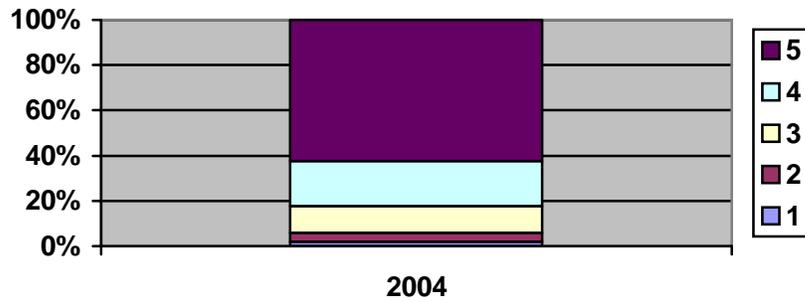


PERCEPTUAL RATING CHARTS (Continued)

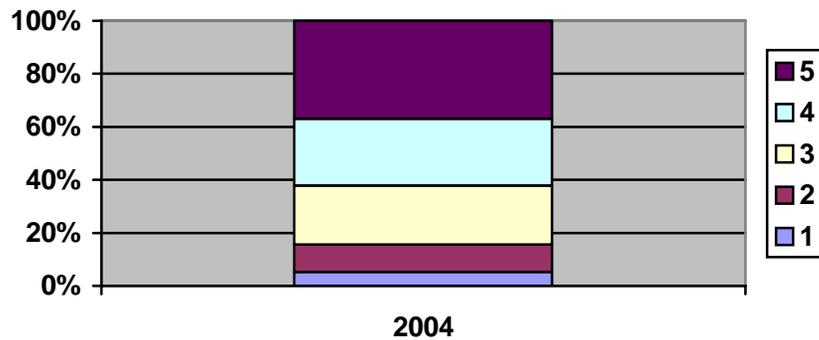
CLEAN PUBLIC AREAS



MORE SHOPS/RESTAURANTS NOW THAN 2-3 YEARS AGO

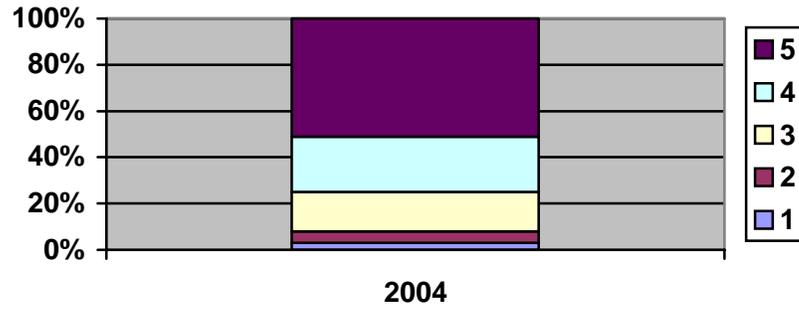


SIGNS APPROACHING DOWNTOWN

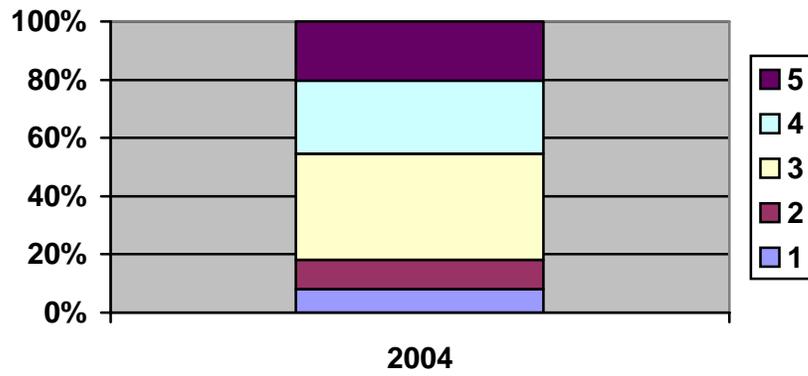


PERCEPTUAL RATING CHARTS (Continued)

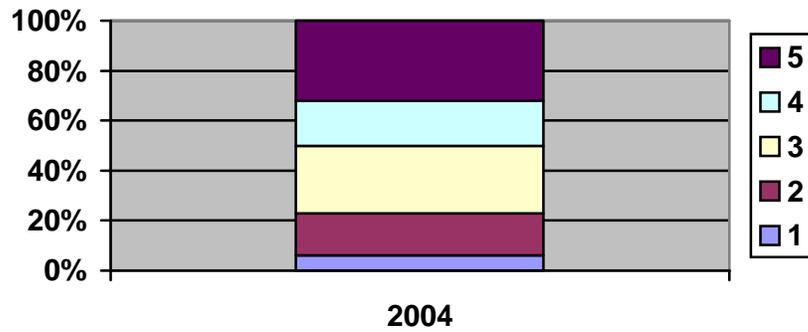
ADEQUATE DIRECTIONAL SIGNS WHEN APPROACHING BY CAR



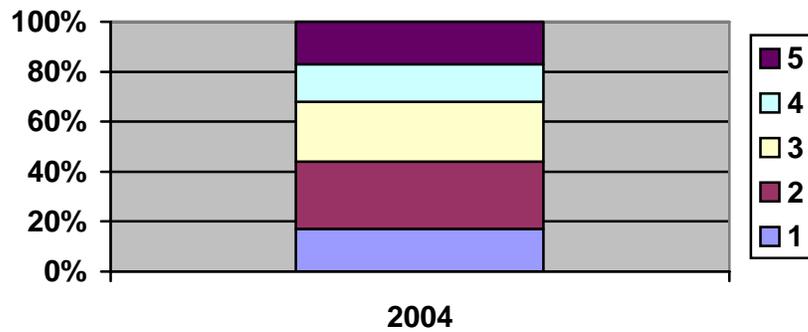
REASONABLY PRICED PARKING



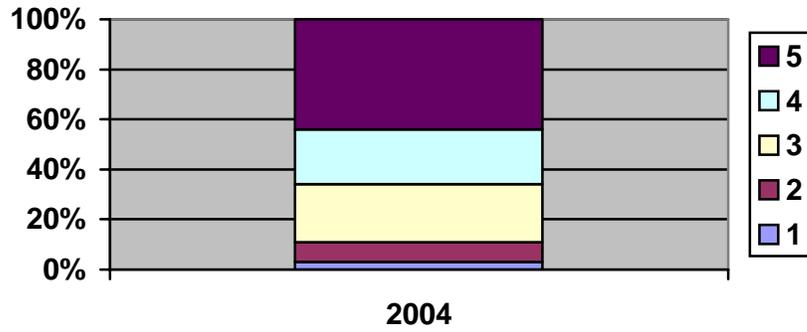
ENOUGH DIRECTIONAL SIGNS TO PARKING



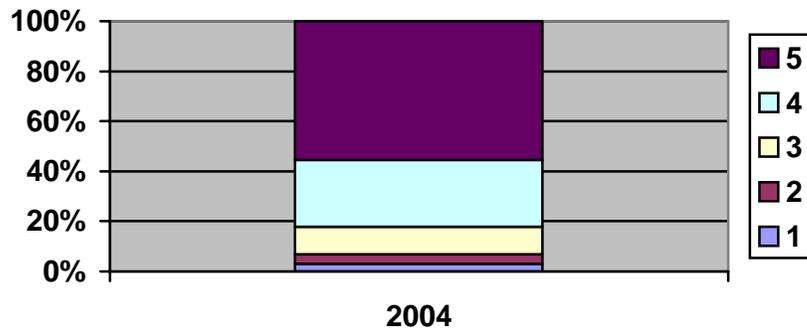
ENOUGH PARKING NEAR PLACES YOU WANT TO GO



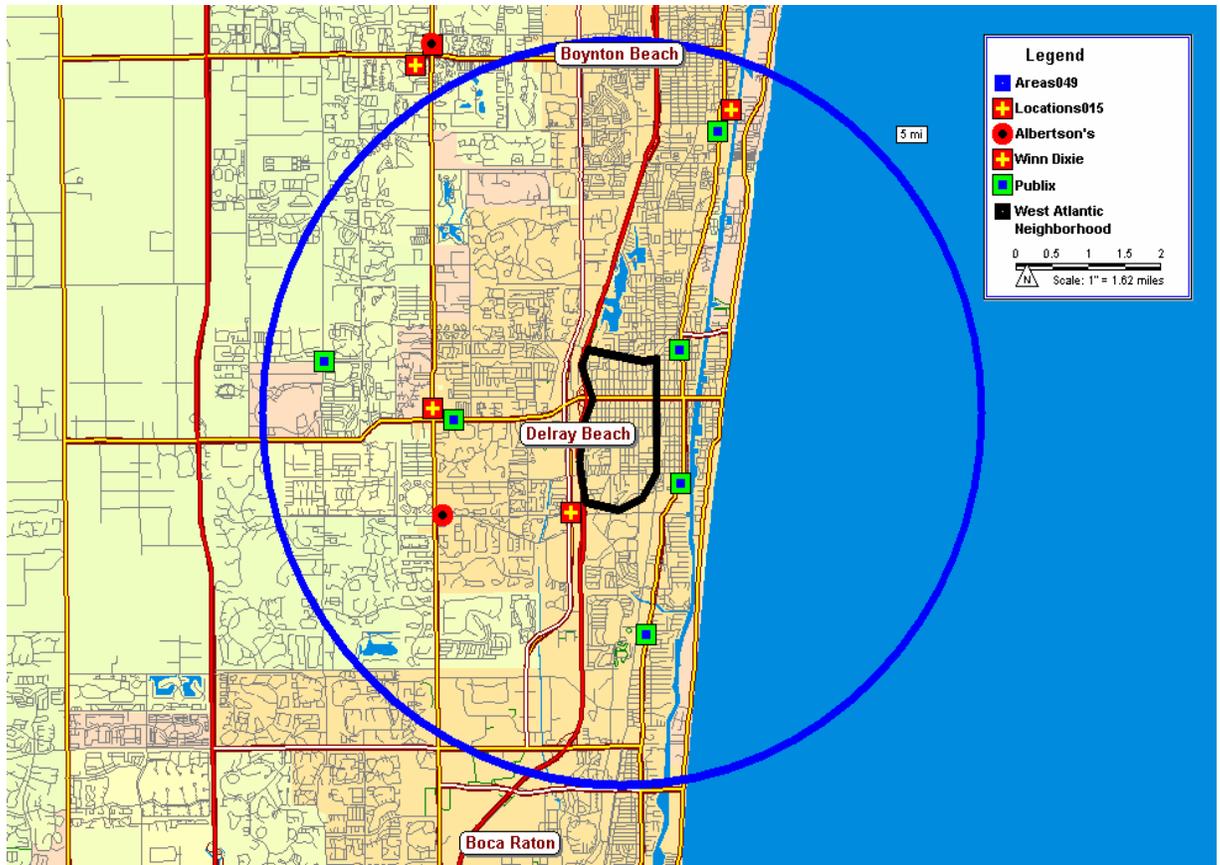
ENOUGH DIRECTIONAL SIGNAGE WITHIN DOWNTOWN



DOWNTOWN IS AN IMPORTANT PART OF THE COMMUNITY



SUPERMARKET OPERATORS' PERSPECTIVE OF DOWNTOWN DELRAY BEACH



This map of major supermarkets illustrates the operators' perspective of market coverage of Downtown Delray Beach. A community-sized grocery store may be appropriate for the West Atlantic area; however, finding an operator may be difficult as the grocery industry has tended toward larger stores in recent years.

DOWNTOWN DELRAY BEACH USAGE AND PERCEPTION STUDY, SEPTEMBER 2004

Copyright 2004, H. Blount Hunter Retail & Real Estate Research Co.

HELLO, my name is _____ with Phone Base Research, and we're doing a brief survey today related to visits you may have made to Downtown Delray Beach. Are you age 18 or older? [IF "YES" CONTINUE. IF "NO" ASK TO SPEAK TO PERSON IN HOUSEHOLD WHO IS AGE 18 OR OLDER.]

Q1 What is your home Zip code?

- | | | |
|------------------------|--------------------------|----|
| 33064..... | <input type="checkbox"/> | 01 |
| 33405..... | <input type="checkbox"/> | 02 |
| 33406..... | <input type="checkbox"/> | 03 |
| 33415..... | <input type="checkbox"/> | 04 |
| 33426..... | <input type="checkbox"/> | 05 |
| 33428..... | <input type="checkbox"/> | 06 |
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| 33483..... | <input type="checkbox"/> | 23 |
| 33484..... | <input type="checkbox"/> | 24 |
| 33486..... | <input type="checkbox"/> | 25 |
| 33487..... | <input type="checkbox"/> | 26 |
| 33496..... | <input type="checkbox"/> | 27 |
| 33498..... | <input type="checkbox"/> | 28 |
| Other [TERMINATE]..... | <input type="checkbox"/> | 29 |

Downtown Delray Beach is defined as the portion of Delray Beach located West of Interstate 95 to the Atlantic Ocean along the Atlantic Avenue corridor. For the purposes of this survey, Downtown's boundaries extend 4 to 5 blocks to the north and south of Atlantic Avenue.

Q2 In the past 12 months, have you personally visited Downtown Delray Beach for any reason other than your work?

- Yes 1
- No 2

Q3 About how long ago was your last NON-WORK visit to Downtown Delray Beach?

- More than 1 year ago but less than 2 years ago 1
- 2 to 4 years ago 2
- 4 to 10 years ago 3
- More than 10 years ago 4
- Have never been 5

Q4 Can you tell me why you have not visited Downtown Delray Beach--RESPONSE 1? [DO NOT READ LIST. ACCEPT UP TO THREE RESPONSE. SKIP TO Q. 24.]

- No interest in Downtown Delray Beach 01
- Don't know what's there 02
- No reason to go there 03
- Not enough to do in Downtown 04
- Health limitations / don't drive 05
- Prices too expensive 06
- Too congested / too much traffic 07
- Not enough parking / inconveniently located parking 08
- Not enough shops 09
- Store merchandise is not for me 10
- Not enough restaurants 11
- Too far / inconvenient location 12
- Not safe 13
- Too many tourists / too crowded 14
- Use shops / restaurants closer to home 15
- Unattractive area 16
- Other (SPECIFY IN Q. 5) 17
- Don't know/Refused 18

Q5 Can you tell me why you have not visited Downtown Delray Beach--RESPONSE 2 ? [DO NOT READ LIST. ACCEPT UP TO THREE RESPONSE. SKIP TO Q. 24.]

- No interest in Downtown Delray Beach 01
- Don't know what's there 02
- No reason to go there..... 03
- Not enough to do in Downtown 04
- Health limitations / don't drive..... 05
- Prices too expensive 06
- Too congested / too much traffic 07
- Not enough parking / inconveniently located parking 08
- Not enough shops 09
- Store merchandise is not for me..... 10
- Not enough restaurants..... 11
- Too far / inconvenient location..... 12
- Not safe..... 13
- Too many tourists / too crowded 14
- Use shops / restaurants closer to home 15
- Unattractive area 16
- Other (SPECIFY IN Q. 5) 17
- Don't know/Refused 18

Q6 Can you tell me why you have not visited Downtown Delray Beach--RESPONSE 3? [DO NOT READ LIST. ACCEPT UP TO THREE RESPONSE. SKIP TO Q. 24.]

- No interest in Downtown Delray Beach 01
- Don't know what's there 02
- No reason to go there..... 03
- Not enough to do in Downtown 04
- Health limitations / don't drive..... 05
- Prices too expensive 06
- Too congested / too much traffic 07
- Not enough parking / inconveniently located parking 08
- Not enough shops 09
- Store merchandise is not for me..... 10
- Not enough restaurants..... 11
- Too far / inconvenient location..... 12
- Not safe..... 13
- Too many tourists / too crowded 14
- Use shops / restaurants closer to home 15
- Unattractive area 16
- Other (SPECIFY IN Q. 5) 17
- Don't know/Refused 18

Q7 SPECIFY "other" VERBATIM: [SKIP TO Q. 24.] 1

Q8 Have you personally visited Downtown Delray Beach during the past 6 months for any reason other than your work?
Yes..... 1
No..... 2

The next questions are about non-work visits you have made to Downtown Delray Beach in the past 12 months. In the past 12 months, how many times have you personally visited Downtown Delray Beach with any of the following non-work activities as the primary trip motivator.....

Q9 To shop or browse at any retail shop 1

Q10 To visit any restaurant, bar, or club 1

Q11 To visit any art gallery or studio 1

Q13 To go to the public swimming beach at Delray Beach 1

Q14 To visit the public library 1

Q12 For any performance or event at Old School Square or to visit the museum 1

Q15 For any community entertainment or outdoor events such as Jazz on the Avenue, Photo Fusion, Holiday and concerts, festivals, parades, art shows, or other celebrations 1

Q16 For any medical or professional appointments with lawyers, stockbrokers, realtors, or bankers 1

Q17 For any religious service at a Downtown church 1

Q18 For transacting any business at City Hall or any other government offices 1

Q19 To visit any friends or relatives who live in Downtown 1

Q20 For any other reasons not mentioned 1

Q21 Thinking of all the kinds of NON-WORK visits you've made to Downtown Delray Beach in the past 6 months, when did most of these visits occur.....? [READ LIST 1 TO 5. SELECT ONE RESPONSE.]

Monday through Friday BEFORE 5:00 pm..... 1

Monday through Friday AFTER 5:00 pm..... 2

Saturday or Sunday BEFORE 5:00 pm..... 3

Saturday or Sunday AFTER 5:00 pm..... 4

Varies..... 5

Don't know..... 6

Q22 On a 1 to 5 scale, how do you rate Downtown Delray Beach for.....

	1	2	3	4	5	DK
Feeling safe during the daytime	<input type="checkbox"/>					
	1	2	3	4	5	DK
Feeling safe at night	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having clean sidewalks, streets, public areas	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having more shops and restaurants now than several years ago	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having enough directional signs to help you find your way when approaching by car	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having enough parking located near the places you want to go	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having reasonably priced parking	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having enough signs to direct you to parking lots	<input type="checkbox"/>					
	1	2	3	4	5	DK
Having enough directional signs to help you find your way when driving within Downtown	<input type="checkbox"/>					
	1	2	3	4	5	DK
Serving as an important part of the community	<input type="checkbox"/>					

Q23 What is the ONE MOST IMPORTANT improvement or addition that should be made to Downtown Delray Beach to make you want to visit Downtown more often for shopping, dining, and entertainment? [DO NOT READ LIST. PROBE AND FIT ANSWER TO PRE-CODES WHEN POSSIBLE.]

- Reduce traffic congestion / hassles 01
- Increase safety / reduce crime 02
- Add more parking / make parking more convenient 03
- Add free parking / Don't want to pay for parking / parking is too expensive 04
- Add more signs to help find way around..... 05
- Clean it / renovate the vacant or run-down buildings..... 06
- Change the kind of people who hang out there / get rid of loitering people 07
- Change one way streets to two way streets 08
- Have less strict parking enforcement 09
- Add more or better stores..... 10
- Add more or better restaurants..... 11
- Add more or better entertainment venues, clubs, bars 12
- Add more to do at night or on weekends / add more events, parades, festivals, family activities..... 13
- Improve the access from Interstate or major roads 14
- Don't Know 15
- Other (SPECIFY IN Q. 21) 16

Q24 SPECIFY "other" VERBATIM:

Q25 When making your decision to go to Downtown Delray Beach for purposes such as dining, entertainment, and festivals, how much does the issue of finding a convenient place to park impact your decision to go? [READ LIST WITH EMPHASIS AS SHOWN. SELECT ONE.]

- Availability of parking is an IMPORTANT FACTOR in the decision to go..... 1
- Availability of parking is a MINOR FACTOR in the deciding to go..... 2
- Availability of parking is NOT REALLY A FACTOR in the decision to go..... 3

I'm going to read a series of descriptions. Please use a scale of 1 to 5 where 1 means that the description does NOT AT ALL describe Downtown Delray Beach and 5 means the description describes Downtown Delray Beach VERY WELL. You can use any number in between 1 and 5.

Q26 Assume that a friend or relative told you that a delicious new restaurant has opened in Downtown Delray Beach. Assume the restaurant has menu prices of \$15-\$25 per person. How willing would you be to try this new restaurant? [READ LIST. DO NOT VOLUNTEER "DON'T KNOW."]

- Very willing 1
- Somewhat willing..... 2
- Somewhat unwilling..... 3
- Very unwilling 4
- Don't know..... 5

Q27 Are you a year round resident of South Florida?
 Yes 1
 No 2

Q28 Please stop me when I say your age group. [READ LIST SLOWLY. DO NOT VOLUNTEER "REFUSED."]
 18 to 24 1
 25 to 34 2
 35 to 44 3
 45 to 54 4
 55 to 64 5
 65+ 6
 Refused 7

Q29 What is your ethnic background...are you...? [READ CHOICES. DO NOT VOLUNTEER "REFUSED."]
 Caucasian 1
 African American 2
 Hispanic or Latino 3
 Asian or Pacific Islander 4
 Another ethnic or racial group not mentioned 5
 Refused 6

Q30 Lastly, please stop me when I read the group that includes your household's TOTAL income per year BEFORE TAXES. [READ CHOICES. DO NOT VOLUNTEER "REFUSED."]
 Up to \$20,000 1
 More than \$20,000 up to \$40,000 2
 More than \$40,000 up to \$60,000 3
 More than \$60,000 up to \$80,000 4
 More than \$80,000 up to \$100,000 5
 More than \$100,000 or more 6
 Refused 7

Q31 RECORD gender of respondent:
 Male 1
 Female 2

THANK YOU FOR YOUR TIME!