



Building Healthy Retail in Suburban Communities

July 2017

Urban Land Institute Chicago

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI Chicago, a District Council of the Urban Land Institute, has nearly 1,400 members in the Chicago region spanning the land use industry including developers, builders, engineers, attorneys, planners, investors, financial advisors, academics, architects and public officials.

About This Report

This Report summarizes findings from a 2-day workshop and follow-up meetings completed as a part of ULI Chicago's Retail Initiative.

Attracting and maintaining vibrant commercial centers is a challenge that has become significantly greater in the past decade largely due to dramatic shifts in consumer behavior and retail delivery trends. ULI Chicago's Retail Initiative is a multi-year initiative to bring best policies and practices in retail development directly to community leaders, and to help foster an environment where they can work collaboratively to build stronger, sustainable retail as an integral part of their communities.

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Taking Initiative

Attracting and sustaining healthy retail development continues to be a challenge for most Chicago area communities even in the post-recession economy. Changing demographics, lifestyles and the steady rise of e-commerce are altering the retail landscape rapidly, making it necessary for communities to re-evaluate their competitive position in the market as well as their retail development strategies.

ULI Chicago, through its technical assistance services, has helped many Chicago area communities navigate the challenges of (re)building thriving retail centers in a variety of settings ranging from transit-oriented downtowns to auto-oriented arterial roadways. While each municipality and neighborhood has its unique challenges and opportunities, the underpinnings of creating and sustaining healthy retail remain largely unchanged. Recognizing this, ULI Chicago launched a multi-year Retail Initiative in Fall 2014 to bring best policies and practices in retail development directly to community leaders, and to help foster an environment where they can work collaboratively to build stronger, sustainable retail as an integral part of their communities.

This report provides an overview of major trends affecting retail development and best practices findings from two main programs launched as a part of the ULI Chicago retail initiative – a two-day retail workshop and retail discussions with clusters of neighboring municipalities.

Retail Workshop

ULI Chicago kicked-off our retail initiative with a two-day workshop that brought together fifteen panelists from the private and public sectors with expertise in various aspects of retail development including market trends, market analysis, site selection, permitting and financing. During the two days, the panelists reviewed case studies, interviewed municipal officials and retail brokers, and worked together to identify the essential steps that a community must take to attract/sustain strong retail. These essential steps, compiled into a Retail Primer, provide a road map for communities to evaluate their retail potential and work towards realizing it.

Retail Discussions with Municipal Clusters

Following the 2-day workshop, ULI Chicago convened three separate meetings with 3-4 neighboring municipalities at a time for a collaborative discussion on retail development. At these municipal cluster meetings, ULI



ULI Chicago members touring suburban communities to develop revitalization strategies for commercial districts.

Chicago panelists used the Retail Primer as a guide to engage community leaders in a discussion on their specific retail challenges. They also identified opportunities for the municipalities to work collaboratively as a sub-region to strengthen their overall and thereby individual development potential.

The municipal clusters included:

- South Holland, Calumet City and Lansing in south Cook County
- Lakemoor, Volo, Wauconda, Round Lake and Hainesville in northwest Lake County and,
- Winthrop Harbor, Zion and Beach Park in northeast Lake County.

“The retail discussion with ULI Chicago panelists reinforced that many of our economic development challenges transcend our municipal borders and we have a much better chance of success by working together with our neighbors. ULI helped jump-start the conversation regarding a new branding plan for our sub-region, and we hope to keep that momentum going forward”

- Mayor De Graff, Village of South Holland, IL



ULI Chicago members discussing retail strategies with South Holland, Calumet City and Lansing.

Continuing the Conversation

Recognizing that the retail landscape is continuously changing and has shifted considerably even since ULI Chicago first launched its initiative in Fall 2014, we will continue to compile latest relevant research on our website to complement the information and strategies presented in this report.

Major Trends Impacting Retail Development

Drivers of Change

Changing Demographics

The overall demographic make-up of the country is shifting. Baby boomers (people born between 1946 and 1964) are aging – the oldest boomers are approaching 70 and they are no longer the largest age cohort in America. As illustrated in Figure 1, millennials, or today's youth (people born between early 1982 and 2000), surpassed the boomers in 2015 as the largest demographic segment. They now constitute more than a quarter of the nation's total population, and as they move into their prime earning years, they also represent a significant market segment. According to a survey conducted for *ULI Emerging Trends in Real Estate® 2016*, even though a larger group of millennials (37%) prefer city living, a significant number (29%) prefer suburban living.

Additionally, our country is becoming increasingly diverse. As per the U.S. Census Bureau, in 2014, slightly more than 50% of Americans younger than five belonged to a minority race or ethnic group. This growing overall diversity has spread from urban cores to surrounding suburbs because of the faster growth rate and the increasing mobility of minority populations. In 2010, more than half of all minority groups in large metropolitan areas lived in the suburbs, and this trend could continue, as suburbs that are viewed

as “family-friendly,” continue to attract parents with young children¹.

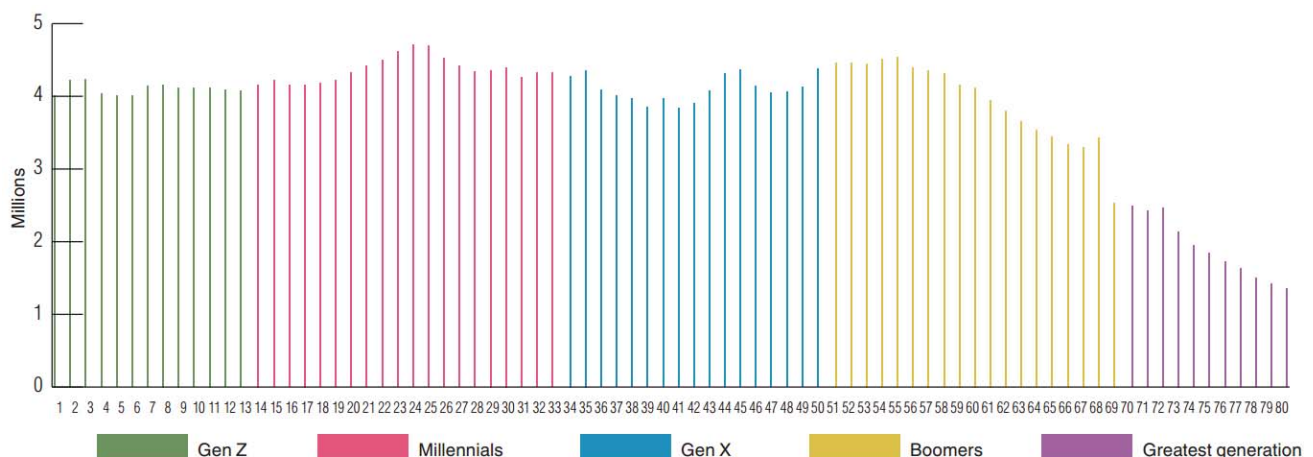
Trends indicate that suburbs will continue to be an attractive place to be but their population make-up will be younger and more diverse. Also, the most attractive suburbs will be the ones that are close-in, transit-oriented and have a mix of uses – or in other words, offer the best of both urban and suburban environments.

Uneven Economic Growth

The U.S. economy is in a growth mode with steady job creation. However, wage growth has been slow, especially for middle-income households. As per an analysis by the Pew Research Center, the American middle class is shrinking in size and falling behind financially². By 2015, middle class Americans were no longer in the majority (Figure 2), and their share of aggregate household income for all U.S. households had plunged to 43% from 62% in 1970. During this time

1 Frey, William H., “Melting Pot Cities and Suburbs: Racial and Ethnic Change in Metro America in the 2000s.” Brookings Institution, Washington DC (May 2011). https://www.brookings.edu/wp-content/uploads/2016/06/0504_census_ethnicity_frey.pdf.

2 “The American Middle Class is Losing Ground.” Pew Research Center, Washington DC (December 2015). <http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/>.



Source: U.S. Census Bureau.

Figure 1: **Millennials Now Outnumber Boomers.** 2015 U.S. Population by Age
Graphic Source: PwC and the Urban Land Institute: *Emerging Trends in Real Estate® 2015*

period, both lower-income and upper-income households grew in number. This uneven economic growth has led to the “barbell” in retailing where value retailers and high-end retailers are doing well, but stores that traditionally catered to middle income households are struggling. If income growth continues to lag for lower and middle income Americans, the best retail developments will still do well, but the future of lower tier shopping centers will be uncertain.

Rising Role of E-commerce and Omnichannel Shopping

Online shopping is steadily rising, and increasingly retailers are adapting by moving towards omnichannel retailing. Omnichannel retailing offers a fully integrated, seamless shopping experience for customers whether they are shopping in a physical store or online using their computer or mobile device. For example, quick in-store pick-ups for online purchases and/or free deliveries for products not in stock at a store are now commonplace conveniences that most customers have come to expect.

By 2016, the percentage of online sales had risen to almost 10 percent of all retail sales compared to 3.5% in 2006³. While rising e-commerce has driven many traditional brick and mortar retailers out of business, contrary to predictions, brick and mortar retail is not dead – it is in fact seeing a resurgence, albeit in a re-invented form.

³ U. S. Census Quarterly Retail E-Commerce Sales, 4th Quarter 2016 (February 2017). http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf



Many retailers are shuttering hundreds of lower-performing stores across the country leaving behind large inventories of vacant space.

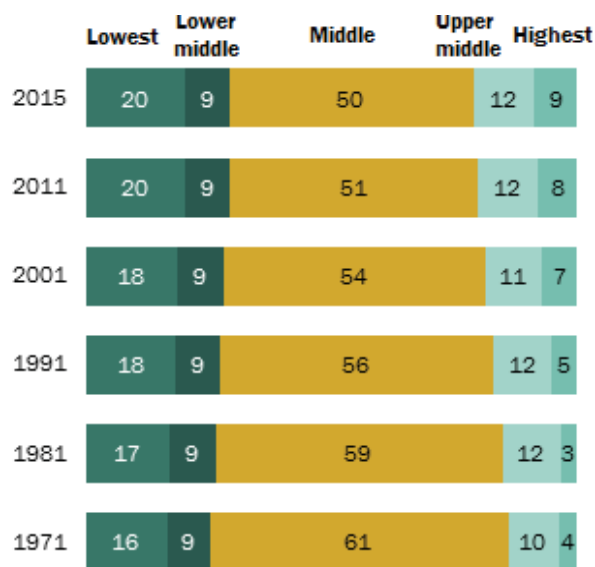


Figure 2: **Share of Adults Living in Middle-Income Households is Falling.** Chart shows % of adults in each income tier, middle-income households are defined as households with incomes 67% to 200% (or two-thirds to double) of the overall median household income.

Source: “The American Middle Class is Losing Ground.” Pew Research Center.

Even as department stores such as Sears and Macys are closing large numbers of lower-performing stores, brands such as Athleta and Bonobos, that were originally launched as online only, have opened physical stores in strategic markets. The e-commerce giant, Amazon, which is building warehouses in dense urban locations to provide 2-hour deliveries under its “prime now” service, is also venturing into brick and mortar retailing. After opening its first book store in Seattle in 2015, Amazon is expanding its physical presence in many cities, including Chicago. Clearly, both sides are seeing the benefits of having both physical and online stores and converging them to provide multichannel access for customers. AT Kearney’s survey⁴ validates this approach – the survey shows that most shoppers use both online and physical stores somewhere along their retail journey of researching, trying out, purchasing, picking-up and sometimes returning a product. Online channels are most popular for initial product research, but shoppers across all age groups prefer to visit a physical location to try out products. Therefore, while brick and mortar stores are not going away, retailers are opting for fewer, smaller stores at locations easily accessible to their core customer base.

⁴ AT Kearney, On Solid Ground: Brick and Mortar is the Foundation of OmniChannel Retailing

Major Trends Impacting Retail Development

Understanding Change

The lifestyle choices of aging boomers, young millennials, and increasingly diverse suburban residents combined with the new, technology-driven retailing concepts, are having a tremendous impact on retail real estate development. The most significant impacts are presented below.

Sharing Economy: Access NOT Ownership

As baby-boomers age, many of them are moving into smaller homes and de-accessioning i.e. reducing their material possessions. Millennials, who struggled to find jobs during the Great Recession, ushered in the “sharing economy” by embracing concepts such as Airbnb, Uber and Rent the Runway that provide access to a wide range of goods and services without the higher cost of ownership. However, an analysis by AT Kearney reveals that millennials might never embrace consumerism like previous generations, even as they advance in their careers and become wealthier.

Diversity of Retail Offerings

As the suburban population is becoming more diverse, there is a greater need for businesses that can cater to

specific sub-markets. For example, even when there might not be enough demand to support an additional traditional grocery store, an ethnic grocery store might thrive by fulfilling an unmet demand for its unique offerings. Additionally, with price comparisons only a few clicks away on shopper’s smartphones, retailers selling unique products that do not lend themselves to price comparisons, or offer a good value for money, stand a much better chance of attracting customers.

Rising Demand for Services

As retailers expand their online product offerings, delivery times shrink and free returns become the norm, consumers are increasingly opting to shop online for a variety of goods ranging from paper towels to shoes. With technology innovations such as Amazon’s Dash



Local grocery stores, such as the Lewis Fresh Market in Waukegan that offer fresh produce and ethnic groceries at reasonable prices, can thrive in challenging retail markets by fulfilling an unmet market demand often overlooked by traditional national/regional chain grocers.



By making place for compatible service uses, such as a mammography suite in the women’s section of a department store, smart retailers are attracting additional traffic into their stores.

button, customers can order refills for frequently used products such as detergents and even some grocery items by simply pressing a button.

Not surprisingly, restaurants, and service businesses such as yoga studios are the type of establishments now attracting customer traffic to shopping centers. U.S. personal consumption data bear this out –

services as a share of total personal consumption expenditures has been on the rise since the 1950s. As illustrated in Figure 3, services now account for two-thirds of personal consumption expenditures compared with one-third for goods. Therefore, it might be smarter to fill a vacancy with a doctor's office, a health club or even a satellite campus for a local college rather than wait indefinitely for a retailer.

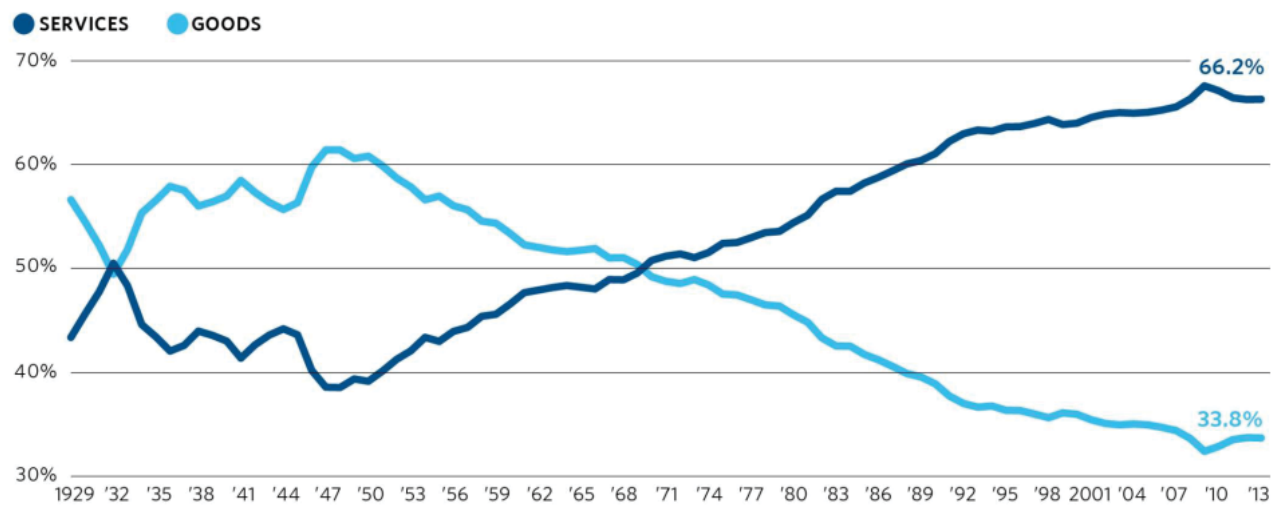


Figure 3: **U.S. Personal Consumption Expenditures, 1929-2013**, proportion of total personal consumption

Source: Chicago Metropolitan Agency for Planning (CMAP) analysis of U.S. Bureau of Economic Analysis data, March 2014



Craft breweries and other creative food businesses, such as the craft chocolatier in Woodstock, IL, are driving retail development by attracting customers looking for unique, local experiences.

Understanding Change (continued)

Experience-oriented, Multi-tasking Shoppers

Today's shoppers are gravitating towards experience-oriented shopping that is not possible online – shoppers are more likely to be drawn into a kitchenware store when they can attend a cooking demonstration while buying a frying pan, or to a book store where they can meet a local author and get recommendations from a knowledgeable book seller. Shoppers also increasingly like to trip-chain – they want to buy a

birthday present, get their hair cut, and meet friends for coffee/ dinner, all in one outing. Even in suburban communities, people are expressing a preference for denser, walkable environments that offer authentic, local experiences instead of auto-oriented commercial centers dominated by chain stores. While it is clearly harder to retrofit auto-oriented areas into walkable areas, and support independent, start-up businesses compared to chain businesses, the rewards can be substantial.



Live music venues, including the legendary Fitzgeralds and the newer Wire, combined with a range of dining options have helped create an entertainment district with a regional draw along Roosevelt Road in Berwyn, IL.

Photo Credit: Bervyn Development Corporation.



The beautifully restored Woodstock Theatre attracts movie-goers, who often stop to shop and/or dine in neighboring establishments.



Independent book stores are experiencing a resurgence - as per the American Booksellers Association, the number of independent bookstores has increased by 30% since 2009, after seeing almost a 1,000 stores shutter between 2000 and 2007.



Vacant parking lots activated by pop-up stores in remodeled shipping containers (top), fast casual restaurants with chef-developed menus along urbanesque streets instead of fast food chains in suburban mall food courts (middle left) and, a mix of unique service, restaurant and retail uses in a pleasant, walkable environment (middle right & bottom) - all offer experiences that can draw people away from the convenience of online shopping and into commercial centers.



Chicago Area's Additional Retail Challenge

The Race for Retail Sales Tax Dollars

Building and sustaining thriving retail centers is challenging in markets across the country – reports of struggling malls and shuttering department stores continue to make headlines. But this problem is especially severe in the Chicago region – an analysis by the Chicago Metropolitan Agency for Planning (CMAP) reveals that metropolitan Chicago generally has a higher percentage of vacant retail space than the national average (Figure 4). CMAP also found that when compared to other metro areas, Chicago at 8.5% has significantly higher vacancy rates than Los Angeles (5.6%) and New York (5.2%).

While unfortunate, this trend is hardly surprising - the State's current tax structure promotes an excessive reliance on retail sales tax as a revenue source for local governments, making retail by far the most lucrative land-use type¹. Therefore, suburbs in the Chicago

region frequently zone large areas for retail, even though they might be better suited for other land uses. The competition to attract a retailer within one's municipal borders is also intense, resulting in municipalities offering large incentive packages to prospective retailers without carefully considering long term impacts on the community's financial health or its physical environment.

As retailers respond to shifting trends by increasing their online presence and shrinking their physical footprint, it is becoming harder for sub-optimal sites and buildings to compete for retail tenants. In today's world of reinvented brick-and-mortar, only the best retail sites are poised to thrive. One of the panelists, underscoring the fact that many existing suburban centers are not likely to attract retail tenants and should therefore consider alternative uses, said,

“In the Chicago area, retail is not over-built, it's under-demolished.”

¹ “Fiscal and Economic Impact Analysis of Local Development Decisions.” CMAP, Chicago (January 2014). <http://www.cmap.illinois.gov/documents/10180/82875/Fiscal+Econ+Impacts+Dev+FINAL.pdf/6fc7ed1c-aba7-4d6a-a057-8d251aa7fbd9>

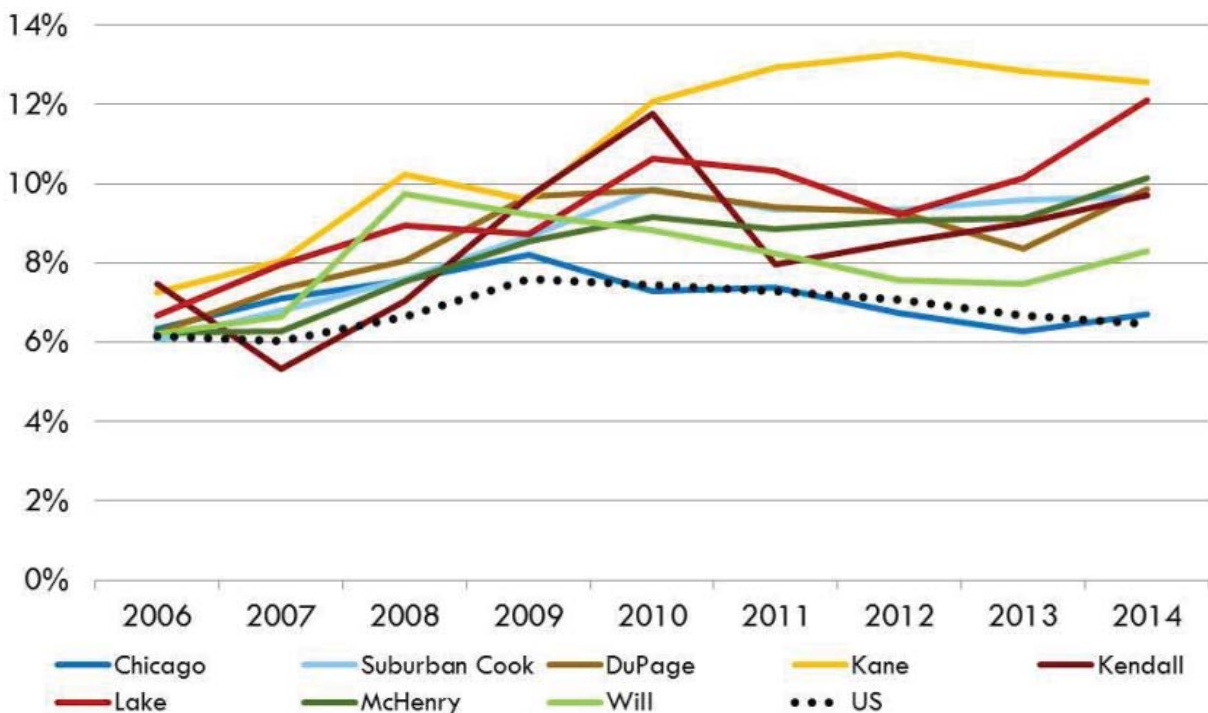


Figure 4: National and Chicago Area Counties Retail Vacancy Rates, 2000-14

Source: Chicago Metropolitan Agency for Planning (CMAP) analysis of CoStar Data, 2014

Essential Steps Towards Building Healthy Retail

A Primer for Communities

As the retail environment continues to evolve, shaped by larger trends that are beyond the influence of individual municipalities, the role of strong, responsible, and well-informed municipal leadership has never been more important.

Retailers are laser-focused on finding strategic locations that are appealing and accessible to their customers, while being kind to their overall bottom-line. This means that the less than perfect retail locations that might have been snapped up in the past, might not be able to attract retail developers anymore. Municipal leaders therefore need to take a clear-eyed look at their communities to assess their true retail development potential, even if it means that they cannot attract their residents' favorite grocery store, and go after the type of development that might be less exciting, but more likely to thrive in their community.

To facilitate this self-assessment, and to provide municipalities with a road map for building sustainable retail as a part of a healthy, vibrant community, ULI Chicago convened a 2-day workshop of development experts to prepare a Retail Primer. The 4-page Retail Primer, which is included in the following pages, presents a three-step checklist of actionable items:

Step 1 focuses on understanding the community's strengths and marketing them effectively.

Step 2 focuses on identifying specific sites with (re)development opportunities and addressing any potential development barriers.

Step 3 focuses on supporting deal-making – helping property owners land the right deal, structuring it to reduce public sector risk while allowing for private sector profit, and executing the deal professionally.

Building Healthy 21st Century Retail

A Primer for Communities

ULI Chicago

Retail Initiative

STEP 1: Understand the Market and Your Community

Retail markets ARE NOT defined by municipal boundaries but by areas from which retailers draw the majority of their customers. These areas, called trade areas, often span multiple communities. To attract retail within your community, the first step should be to understand the local retail market and your community's competitive position within it.

IDENTIFY YOUR TRADE AREA

Shoppers cross municipal lines easily to reach stores of choice. So, to determine your retail trade area, instead of municipal boundaries, consider:

Physical boundaries such as rivers, major roadways, train tracks

Are there “enhancers” such as arterial roadways?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>

Are there “detractors” such as at-grade rail crossings, limited river bridges, or forest preserves?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Existing retail supply

Do you know where your residents currently shop?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Are the desired retailers already serving your residents (even if not in your municipality)?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Retailer requirements

Is there a need for a “weekly errands store” that should be within 15-20 min. drive of residents?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Is there support for destination retailers that people visit less frequently, but drive 30-45 mins. to find?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

UNDERSTAND WHO LIVES AND WORKS IN YOUR TRADE AREA

People create the retail market. To understand what your trade area can support, consider:

Population density

Do you know how the number of potential customers changes from weekdays to evenings and weekends?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>

Are there major employers such as a university or a large corporation that can generate day-time population?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Does your local high school have an open campus lunch?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Population characteristics

Do you know how many people are in each age group (even if the median age skews older/younger)?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Do you know how many people in your trade area population have college degrees?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Does your trade area have an ethnic population niche, and is it being serviced?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Income and home values

Does your community have similar incomes but lower home values that might indicate higher disposable incomes than communities where housing costs more?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Recent changes

Have communities in your trade area grown significantly since the last Census?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Have they recently approved projects that promise significant population growth?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

RECOGNIZE AND MARKET YOUR COMMUNITY ASSETS

Community assets attract people and synergistic retail to your community. To identify your community assets, consider:

Regional destinations that bring people to your community

Do you have entertainment destinations such as museums, theaters and restaurants?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>

Do you have natural amenities such as regional parks and trails or a waterfront?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Transportation options

Is it easy to get to your community?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Are you connected to regional transit?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Retail Development, whether it is retaining existing businesses or attracting new ones, continues to be a challenge for communities throughout the Chicago area as they seek to re-invigorate their struggling commercial areas.

This Primer provides a check-list of actions that municipal leaders can take to position themselves to achieve sustainable retail development as a part of a healthy, vibrant community.

As you “check-off” more items from the list, you are closer to:

- Better understanding your own community and its position in the larger market
- Building on your assets to make realistic plans
- Developing strategies for overcoming challenges
- Being a good partner to potential developers and retailers
- Achieving your community's goals

BUILD ON YOUR COMMUNITY CHARACTER

Understand and embrace positive characteristics that distinguish you in the market place.

Identify what differentiates your community from surrounding communities

Is it your: downtown, local institution, historic building, natural feature, other *(circle one or more)*

Identify your defining social characteristics

Do you have a diverse population?

Can you define it as: family-oriented, blue-collar, college town, other *(circle one or more)*

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

What You Can Do

after completing
Step 1

- Market your Trade Area not just your municipality

- Prepare a “Case on a Page” description of trade area demographics

- Recognize and market your community assets and distinguishing character

- Make sure information flows to property owners, developers and retailers

- Use this Information to:

i. Evaluate performance – what retail needs are currently unmet for your residents?

ii. Develop a vision based on desired and supportable uses

iii. Understand challenges and make plans to address them

STEP 2: Find Compatible Sites

Once you have an understanding of the market demand in your trade area and a vision for your future, the next step is to find compatible sites for the supportable uses.

UNDERSTAND YOUR SITE'S POTENTIAL BY LOCATIONAL CATEGORY

Different locational settings can offer different opportunities and challenges.

Commercial Corridor (can run through many municipalities)

Are corridor segments in your community struggling?

Is consolidation into strong clusters happening or possible?

Are you coordinating your approach with adjoining communities?

Regional Mall

Is it a Class A property with vacancy rate less than 10%?

Are the sales volumes growing and large enough to keep tenants?

Are there redevelopment restrictions due to ownership or lease structure?

Downtown

Is there sufficient population density to support retail?

Do you know what brings people to your downtown?

Neighborhood focused retail

Is it still serving its neighborhood?

Is there redevelopment pressure on the site?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

CONSIDER SITE ACCESS

A strong retail site must have great access. To evaluate a site's access conditions, consider the following questions:

Automobile access

Are the Average Daily Traffic (ADT) counts higher than 20,000?

Is there signalized access directly into the property?

Can the site be easily accessed from all four directions?

Are there easements for shared access with adjoining commercial properties?

Alternative transportation modes

Is the site well connected to nearby transit, if any?

Does the site have pedestrian and bike connections to nearby neighborhoods?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

FIND THE RIGHT SIZE SITE

Larger retailers often have established store formats, which need specific site areas and configuration. Understand these requirements and evaluate your site's suitability by considering:

Site area

Is the site area large enough (10 acres or more) to accommodate a high volume retailer?

Are there opportunities to consolidate adjacent parcels to create a larger site?

Site configuration

Is the site wide and/or deep enough to fit typical retail footprints?

Does your site's street frontage satisfy visibility requirements?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

CONSIDER SITE OWNERSHIP AND MAINTENANCE

Having a process for working with owners, including those who are in the path of your vision, can be key in moving the development process forward.

Know the site's ownership story

Is the site under a single owner?

If there are multiple parcels under different owners, can you bring them together?

Is the owner(s) interested in selling?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Know the site's history

Are there any delinquent taxes?

Are there any use restrictions beyond zoning or easements?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Ensure the site is well-maintained

Are trash and weeds removed regularly?

Are temporary uses (pop-up stores, farmers markets, etc.) encouraged to activate the site?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

IDENTIFY DEVELOPMENT CONSTRAINTS

Several factors can have a negative impact on the site's development suitability and increase costs. To understand any potential impact and develop a mitigating plan, consider:

Existing development

Are existing site tenants synergistic with desired retailers?

Are there environmental remediation or demolition costs associated with existing buildings?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Environmental constraints

Is the site's topography suitable for development?

Are there any floodplains/wetlands/mature trees that can reduce the site's developable area?

Is it a brownfield site with significant clean-up costs?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Regional/Neighboring community plans

Is the County/State planning any roadway or transit improvements that could change access?

Is the site impacted by any annexation agreements with neighboring communities?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

STEP 3. Be Ready to Do the Deal

Financial and regulatory incentives DO NOT create retail markets. They can be powerful tools in attracting development when the market potential does exist. Using these tools effectively to achieve desired developments requires strong leadership and a clear vision for your community's future.

BE READY TO LEAD

Strong, visionary leaders, who can rally the community and garner cooperation from neighbors, yet remain grounded in reality, are key to success

Have a realistic market-feasible vision and plan

Do you update your plan based on changing market conditions?

Do you vet plans with developers and brokers?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Get endorsement from community leaders

Is there broad support from your Boards and Commissions for the plan?

Do you work to resolve major differences before pursuing development?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Ensure your community works together

Do your development related municipal departments work together?

Do you have the support of taxing districts such as school and park districts?

Do you communicate with and win the support of your residents and businesses?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Proactively foster positive relationships with neighboring communities

Do you market the sub-region not just your municipality?

Do you seek opportunities where you can share costs and revenues with neighbors?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

What You Can Do

after completing
Step 2

- Understand retailer criteria for site selection, and that the criteria will vary depending on the type and scale of retail

- Recognize that some sites are NOT (and will likely never be) retail sites

- Maintain, publish, and publicize an up-to-date and comprehensive database of available sites and current businesses

- Make sure information flows to property owners, developers and retailers

- Create broker email list using resources such as International Council of Shopping Centers (ICSC) and use to provide updates about your community

BE A GOOD PLACE TO DO BUSINESS

In today's competitive marketplace, communities that offer a business-friendly environment have a definitive edge.

Value your existing businesses

Do you meet regularly with existing businesses to assess their needs?

Do you provide support through training/workshops?

Do you organize events/activities to increase customer traffic for local businesses?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Streamline development approval

Do you have a single point-of-contact for development information?

Do you process applications in a timely fashion within specified time-frames?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Make your approval process transparent and consistent

Do you communicate clearly and openly with the applicant?

Are all requirements and fees specified in advance?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Make sure your code supports desired development

Do you have sites with as-of-right zoning for desired/planned uses?

Are any code requirements creating unintended burdens on development?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

INCLUDE FINANCIAL DUE DILIGENCE IN YOUR PROCESS

For projects that have a public investment component, the community should complete financial due diligence to protect its investment.

Choose developers who can deliver vs. those who are selling a dream

Do you discuss a potential developer's past projects with other municipalities?

Are there past failures and do you understand the reasons behind them?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Even if the market is there, evaluate if the end project is financeable

Are there extra-ordinary site development costs?

Are there above market costs for building public infrastructure?

Does the project allow for an appropriate level of return for the developer and the retailer?

Is there a financing gap and need for an incentive?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

HAVE A CLEAR POLICY FOR PROVIDING FINANCIAL INCENTIVES

Financial incentives such as TIF assistance, property tax abatement and sales tax sharing should be used primarily to bridge financing gaps for projects. When using these financial tools, consider:

Is your policy for determining financial incentives transparent and consistent?

Do you evaluate proposed projects against your community's goals?

Follow Best Practices

Would the project be infeasible without public assistance (but-for analysis)?

Do the projected long term financial benefits outweigh the near term costs of financial incentives (long term cost benefit analysis)?

Y	N
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Do you reduce public sector risk by including performance triggers such as:

Securing project financing (such as a construction loan)?

Achieving a pre-lease threshold?

Completing construction and achieving an occupancy threshold?

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

What You Can Do

after completing
Step 3

- Ensure community leaders endorse a shared, realistic vision
- Build positive relationships with neighboring communities
- Support existing businesses
- Time kills all deals! Provide streamlined and quick approvals
- Be predictable - have a clear and consistent development approval process
- Use financial incentives primarily for bridging financing gaps and keep the process transparent
- Be a good partner - understand developer and retailer requirements and need for return

From Principles to Practice

Case Studies

With the economic recovery well underway, suburban communities throughout metropolitan Chicago are looking at their vacant retail sites and empty storefronts with a renewed focus. Realizing that traditional strategies are falling short in today's changed retail landscape; many communities are taking a creative approach towards achieving their development goals. In this section of the report, we share some examples that we've seen around the region of communities putting the Primer's principles into practice as they seek to (re)build sustainable retail.



Today's successful retail centers are more than a collection of shops. They are multi-use, community gathering spaces that draw people for a variety of reasons that could include anything from a health check-up, an art show, or even a performance by students from the local dance school.

Understand the Market and Your Community:

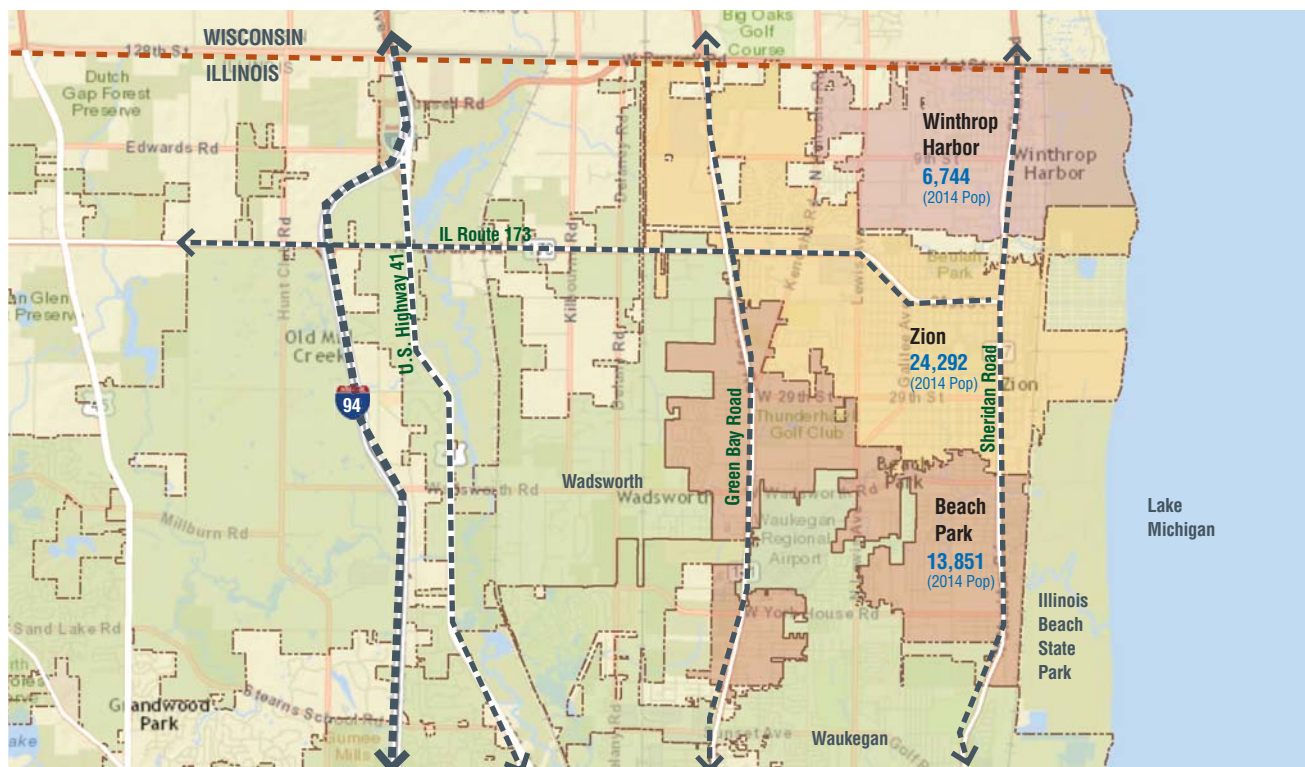
Market Your Trade Area, Not Just Your Municipality

Intergovernmental Agreement (IGA): Beach Park, Winthrop Harbor and Zion, IL

After years of struggling to attract retailers because they didn't have a large enough population base on their own, the neighboring municipalities of Zion, Winthrop Harbor and Beach Park in northeast Lake County, IL decided to come together in a unique effort to market their combined communities as a unified market area to potential retailers. Recognizing that their residents already cross into each other's towns for a variety of goods and services, community leaders decided to stop competing, and instead pool their limited resources to jointly recruit potential retailers within their combined municipal borders.

The three communities signed an intergovernmental agreement (IGA) in 2016 to work together through an independent consultant who markets their best sites to prospective retailers based on the retailer's locational requirements rather than the site's municipal location. Under the IGA, the communities have agreed to share costs and sales tax revenues from new retail developments based on their population, thereby allowing all three partner communities to benefit from any new retail development.

While it is too early to assess the overall impact of this IGA, municipalities report the streamlining of their retail recruiting efforts as an immediate positive impact.



Winthrop Harbor, Zion and Beach Park together constitute a stronger retail market supported by a larger population base than on their own.

Understand the Market and Your Community:

Serve Unique Needs That Might Be Unmet, Look Beyond Traditional Retail

Reinventing the former Lawrencewood Shopping Center, Niles, IL

The former Lawrencewood shopping center that first opened in the Village of Niles in 1959, has emerged strong through periods of neglect and decline in its almost eighty-year-old history. Strong municipal leadership and the foresight to attract non-traditional, but immensely viable tenants have played a significant role in the center's continued success.

The Village bought the center in 1988 from a private owner who had allowed the once flourishing center to become vacant and dilapidated. The Village soon re-sold the center to a different private entity, using a part of the site to develop a Civic Center Plaza centered around a new Village Hall. The remaining part of the center was redeveloped with new retail tenants. Locating centralized Village services breathed new life into the center, and when Dominicks, one of the rehabilitated center's anchors, closed in the mid-2000s, the vacancy was quickly filled by H-Mart, a mega Asian grocery store. H-Mart's large fresh foods, seafood and ethnic Asian as well as European sections, are unlike any other ethnic grocery store in the region. Not surprisingly, H-Mart quickly became a huge regional draw, and soon after, another unique business, King Spa – a Korean inspired spa, opened in the center.



King Spa and Sauna is a 24-hour spa located next to Super H-Mart, a mega Asian grocery store. These unique but complementary uses draw visitors from all over the Chicago region.



Case Study Source: Presentation by Mayor Andrew Przybylo and Ross Klicker, Economic Development and Marketing Coordinator, Village of Niles, IL. ULI Chicago Retail Workshop, October 29, 2014.

Understand the Market and Your Community:

Leverage Your Community's Assets, Highlight Its Unique Character

The Riverwalk, Naperville, IL

One of the most distinguishing features of the west suburban City of Naperville is its Riverwalk – a beautiful tree-lined walkway that stretches for 1.75 miles along the DuPage River as it flows through the center of downtown. A nature retreat within the urban core, the Riverwalk is a huge draw for residents and visitors alike, helping create a unique and strong development environment in downtown Naperville.

However, it wasn't until the early 1980s, when visionary residents reimagined the City's long-neglected riverfront as a beautiful urban waterscape, that efforts to clean-up and transform the riverfront were set in motion. As a part of the City's 150th anniversary celebration, residents donated money, materials and labor to build the first stretch of the Riverwalk, and today, Naperville is continuing to reap the benefits.

The newest addition to the Riverwalk is the Water Street District mixed-use development that has brought more than 40,000 sq. ft. of new retail and restaurant space, 14,000 sq. ft. of class A office space and a 158-room hotel to downtown Naperville.

Downtown Naperville offers a mix of national/ regional and independent retailers in a walkable environment. A variety of events held in the parks along the Riverwalk, including the immensely popular Naperville Ribfest, draw thousands of visitors to the downtown every year.



Water Street District is a new mixed-use development located along the Riverwalk at the southern end of downtown Naperville. Hotel Indigo, a key component of the development, opened in late 2016 adding hotel rooms and a banquet facility; both uses were missing in downtown Naperville.

Photo Credit: City of Naperville



Case Study Source: Tour and conversation with Trevor Dick, Development Manager, Transportation/ Engineering/ Development Business Group, City of Naperville, and other City representatives. November 22, 2016.

Understand Your Site's Potential:

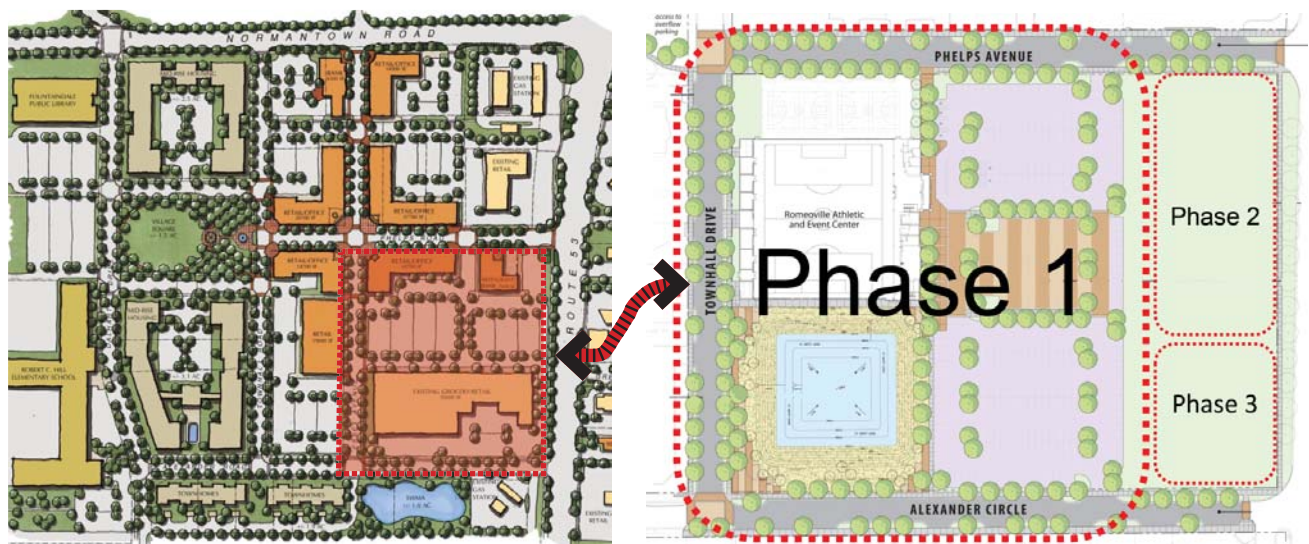
Consider Locational Context To Assess Development Opportunities

Uptown Square, Romeoville, IL

Uptown Square, anchored by a new state-of-the-art, 76,000 sq. ft. athletic and event center, has transformed a blighted commercial district in the Village of Romeoville into a vibrant destination for residents and visitors. The Edwards Hospital Athletic and Event Center hosts a variety of regional sporting events and community celebrations including an art fair and a winter wonderland fair. The center is estimated to draw almost 400,000 visitors annually. Driven by this success, Uptown Square has been able to attract new commercial business including an Italian grocery store, a restaurant and several service businesses, helping create a central gathering place for residents in a Village that lacks a traditional downtown.

Romeoville's journey to build Uptown Square was not however without bumps and detours. By the 2000s, most major retailers in Romeoville had moved out west to Weber Road, which has direct highway access and is close to newer residential subdivisions. This made it harder for aging commercial centers, including the one on the site of Uptown Square, to retain tenants. The area started to become a source of community blight, and in 2008, the Village stepped in by acquiring a 10-acre parcel with the goal of redeveloping the area into a walkable, mixed-use downtown. The economic recession put a halt to these plans, but even as the market started to recover, the Village could not generate any developer interest in its vision of a mixed-use, walkable downtown. The Village's leadership realized they needed to change course.

Recognizing that demand for retail space, especially in sub-optimal locations, was shrinking, the Village stopped trying to recruit retailers. Instead, to tap into the growing demand for health and fitness related uses, Romeoville decided to redevelop the former retail site into a multi-use, multi-sport recreational center with indoor turfs, hard-courts and multi-purpose spaces that can host a variety of sporting, corporate and community events. By embracing a non-retail anchor, the Village of Romeoville was able to unlock the potential of this site, and create a destination for the community as well as the larger region, consistent with their original vision.



Romeoville's first redevelopment plan for Uptown Square called for mixed-use development with ground level retail and residential (left). Recognizing that this plan was not in sync with market realities, the Village decided to shift its focus and start with a smaller ten acre site (right).

Graphic Credit: Village of Romeoville

Understand Your Site's Potential:

Leverage Multi-Modal Transportation Access

Strong retail sites must have great access. Most retailers, especially national/regional chains, have minimum thresholds for vehicular traffic counts and prefer signalized access from all directions to make it as easy as possible for potential customers to reach their stores. While easy auto access will continue to be important for retail sites in suburban locations, enhancing access for pedestrians and bikes can provide a helpful edge in a fiercely competitive market. Well-designed pedestrian and bike facilities can help create retail environments that are safer, more attractive and better integrated with surrounding uses. They can also expand the customer base by serving people with limited or no access to cars, and encourage drivers to park once and visit multiple businesses. Additionally, sites that are not near major roadways but have heavy pedestrian and/ or bike traffic, including sites near busy transit stations and along regional trails, can provide unique opportunities for commercial development.

Commercial nodes along Prairie Path, Elmhurst, IL

The Illinois Prairie Path is a 61-mile long multi-use nature trail that connects many west suburban Chicagoland communities. Built in the 1960s on a former railroad right-of-way, it was the first rail-to-trail conversion in the United States and continues to be widely used today. The City of Elmhurst has established vibrant commercial nodes at strategic intersections along the Prairie Path that draw people from the surrounding residential neighborhoods, but also tap into the steady stream of trail-users. Instead of passing through Elmhurst, the Spring Road and the York & Vallette Street commercial districts, entice bicyclists and pedestrians to take a break in the shaded gazebo and enjoy a refreshing ice-cream cone or a meal, shop at unique local stores, and even get their bike fixed!



The Spring Road and the York & Vallette neighborhood commercial districts are strategically located to draw bicyclists and hikers from the Illinois Prairie Path.

Basemap Source: Google Earth

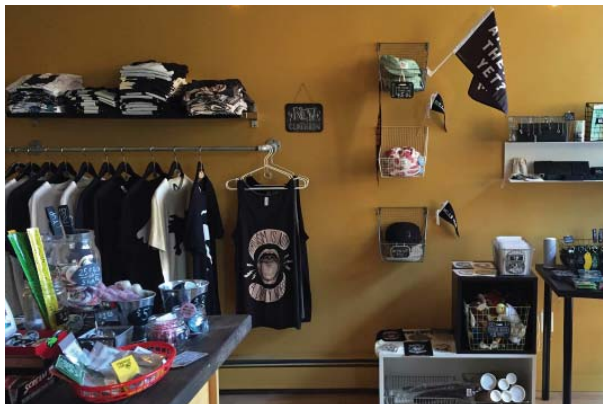
Understand Your Site's Potential & Be Ready To Do The Deal:

Maintain And Activate Vacant Stores And Sites, Support Local Entrepreneurs

Project Storefronts, New Haven, CT

New Haven, home of Yale University, is the second largest city in Connecticut. It has a population of over 125,000 people and has several commercial districts including a historic central business district. Even with a relatively strong residential population, New Haven's downtown was struggling with retail vacancies. The problem worsened during the economic recession leaving many retail storefronts empty. Concerned that excessive vacancies at the ground level would affect the vibrancy of the city's core, New Haven launched a program called Project Storefronts designed to fill the city's vacant storefronts by tapping into its active arts community, that had earned the city the title of Connecticut's "Creative Capital."

With the support of the National Endowment for the Arts (NEA), New Haven's Department of Arts, Culture and Tourism (DACT) formed an inter-agency partnership to work with private property owners and local stakeholders to incubate creative entrepreneurs in the downtown's vacant storefronts. In addition to securing space, DACT provided administrative support to new businesses helping them negotiate legal, financial and other logistical challenges. Over the last few years, a variety of local businesses including a co-working space, a creative re-use arts store and an indie accessories designer have successfully graduated from Project Storefronts' incubators into their own spaces.



From clothing and accessories designers to graphic artists, New Haven's Project Storefronts has provided a "pop-up store" platform for many budding new entrepreneurs allowing them to launch, fine-tune and stabilize their business plan before moving on to an independent location.

Photo Credit: Project Storefronts

Be Ready To Do The Deal:

Be A Good Place To Do Business: Attract New While Strengthening Existing Businesses

Berwyn Development Corporation, Berwyn, IL

The City of Berwyn, located eight miles west of downtown Chicago, is well known for its strong residential neighborhoods with beautiful, yet affordable bungalow homes that have attracted middle-class working families since the early 1900s. While the earliest settlers in Berwyn were mostly Czech, in 2014, almost 60% of the City's nearly 57,000 residents were Latino. Berwyn has four commercial districts, each with its own distinctive character that draws upon the area's history and builds on its current strengths, including a growing, younger population. For example, Roosevelt Road, anchored by music venues, restaurants and bars, is a popular entertainment destination. Cermak Road, also known as Berwyn's "Main Street," has a strong presence of local businesses and is anchored by national/regional chains at the high-traffic Harlem Avenue intersection on the western end.

Berwyn's strong focus on creating an attractive development environment by making strategic infrastructure investments and supporting existing and new businesses, both national and independent, have been key contributing factors to this success. The city's economic development initiatives are spearheaded by the Berwyn Development Corporation (BDC), a 501(c)3 non-profit organization that operates as a public-private partnership between the city and the local business community. BDC serves as a "one-stop shop" for businesses – helping with site selection, entitlement, permitting and licensing processes, preparing business plans and securing commercial loans as an alternative funding source when a traditional bank loan is not available. The results of these continued, focused efforts are reflected in low vacancies and the vibrant mix of businesses in Berwyn's commercial districts.



Vesecky's Bakery on Cermak Road - Berwyn's "Main Street" - has been a Berwyn staple for over eight years serving up popular Czech treats such as Houska rye bread and Kolacke.

Photo Credit: Berwyn Development Corporation



BDC led the redevelopment of the northeast corner of the Cermak and Harlem intersection from a dilapidated, under-utilized site into a new retail development anchored by popular fast casual restaurants including Starbucks.

Photo Credit: Berwyn Development Corporation

Looking Ahead

Retail development is hard. Its contours are constantly shifting. It is difficult to stay abreast of the changes, but failing to do so is dangerous in today's competitive landscape. Waiting for retail to fill up is not a plan, and beautifully drawn plans without an underlying realistic market assessment are never enough. Sustainable development requires realistic assessment, a business-friendly attitude, well aligned incentives, and most importantly, it requires local leaders who understand the true state of affairs and bring their community around a smart, strategic plan for (re)development.

Doing retail right means taking a long, hard look at a municipality's situation. Sometimes that hard look will lead a community away from retail—a hard decision for many. Other times it will lead to a downsized “dream.” The demographics may not support the envisioned renaissance, the financing might not align, the prospects of attracting high-end retail may just never pan out. But that doesn't mean a more modest retail plan will not succeed. Difficult decisions require strong leadership, and ULI Chicago, through its retail initiative, will continue to help communities make those hard decisions in smart, sustainable ways.



By creating a welcoming and safe space where children can play, do homework and enjoy weekly pizza and game nights while parents do laundry, the “World's Largest Laundromat” in Berwyn, IL has succeeded in making a mundane, even tiresome chore into a pleasant, community building experience. Anecdotal evidence suggests that customers travel out of their way to patronize this laundromat, potentially adding to the customer base of nearby retailers.

Industry Outlook

Thoughts from ULI Member Experts

Excerpts from: Nyren, Ron. "Industry Outlook for Shopping Centers." *Urban Land*. January 23, 2017. *Urban Land Magazine Web*.

Authenticity is important to consumers these days, which means having more local retailers and emphasizing service retail tenants. Offering an authentic experience is a way to make your shopping center not necessarily internet-proof but at least internet resistant, or perhaps "internet complementary."

- **David Birdsall**, President, 360 Property Partners, Cincinnati, OH

*It's helpful to focus a little less on certain things that have been important factors in the past, such as seeking out only credit tenants. Shopping malls are definitely turning more toward **entertainment uses**. It's important to do whatever you can do to draw foot traffic while not forgetting fundamentals, such as parking, visibility, and access.*

- **David Todd**, Vice President, PGIM Real Estate, Madison, NJ

*Every market is unique, but many suburban shopping centers can potentially lend themselves to uses associated with higher density, whether it's **hotel development, residential development, office development, or medical or educational uses**. You might not be able to generate the same level of income from these other uses as when the property was a vibrant retail-only center, but they can make for a **more complete center**.*

- **John Bucksbaum**, CEO, Bucksbaum Retail Properties, Chicago, IL

*(To incorporate office and/or apartment uses), the owner of a retail property will likely have to work with a development partner who really understands the other uses. But it's also important to partner with the municipality. If the municipality limits residential development on the property, there likely won't be enough density. **The more density that we can put on a site—within reason—the more successful the interplay will be among all of the uses.***

- **Joel Mayer**, Managing Director, Rockwood Capital, Los Angeles, CA



Restaurant quality prepared foods and cafe style seating is becoming increasingly common in grocery stores, such as this Mariano's in Skokie, IL. Grocers are having to work harder to stay competitive as restaurants claim increasing share of households' food budgets.

Data Source: Analysis of U.S. Census data by the National Restaurant Association showed that monthly sales at restaurants exceeded grocery store sales for the first time in December 2014 (<http://www.restaurant.org/News-Research/News/Restaurant-sales-surpass-grocery-store-sales-for-t>).

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