

# ULI Chicago

## Retail Initiative

### Building Healthy 21st Century Retail

#### A Primer for Communities

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 3 step 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

Additional insights on retail development trends and case studies illustrating best practices are presented in the ULI Chicago Report, *Building Haelthy Retail in Suburban Communities* available on the ULI Chicago website: [chicago.uli.org/retail](http://chicago.uli.org/retail)



For a copy of the full report and additional resources, visit: [chicago.uli.org/retail](http://chicago.uli.org/retail)

# Building Healthy 21st Century Retail

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The Primer is designed as a working document for a community's planning and development team. We encourage you to download the Primer, fill out the check-list, and work collaboratively to highlight your community's assets and develop strategies for overcoming challenges.

## 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

## 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

## 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
- Provide streamlined and quick approvals - too much time kills deals!
- 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

# A Primer for Communities

## 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"/>
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#### Existing retail supply

Do you know where your residents currently shop?

<input type="checkbox"/>	<input type="checkbox"/>
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Are the desired retailers already serving your residents (even if not in your municipality)?

<input type="checkbox"/>	<input type="checkbox"/>
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#### 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"/>
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Is there support for destination retailers that people visit less frequently, but drive 30-45 mins. to find?

<input type="checkbox"/>	<input type="checkbox"/>
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### 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"/>
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Does your local high school have an open campus lunch?

<input type="checkbox"/>	<input type="checkbox"/>
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#### 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"/>
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Do you know how many people in your trade area population have college degrees?

<input type="checkbox"/>	<input type="checkbox"/>
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Does your trade area have an ethnic population niche, and is it being serviced?

<input type="checkbox"/>	<input type="checkbox"/>
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#### 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"/>
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Have they recently approved projects that promise significant population growth?

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

## STEP 1 Continued

Notes:

### 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

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

#### Transportation options

Is it easy to get to your community?

Are you connected to regional transit?

### 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?

Y N

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

## 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?

Y N

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?

## CONSIDER SITE ACCESS

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

### Automobile access

- |   | Y                        | N                        |
|---|--------------------------|--------------------------|
| Are the Average Daily Traffic (ADT) counts higher than 20,000?              | <input type="checkbox"/> | <input type="checkbox"/> |
| Is there signalized access directly into the property?                      | <input type="checkbox"/> | <input type="checkbox"/> |
| Can the site be easily accessed from all four directions?                   | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there easements for shared access with adjoining commercial properties? | <input type="checkbox"/> | <input type="checkbox"/> |

### Alternative transportation modes

- |   |                          |                          |
|---|--------------------------|--------------------------|
| Is the site well connected to nearby transit, if any?                       | <input type="checkbox"/> | <input type="checkbox"/> |
| Does the site have pedestrian and bike connections to nearby neighborhoods? | <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

- |   | Y                        | N                        |
|---|--------------------------|--------------------------|
| Is the site area large enough (10 acres or more) to accommodate a high volume retailer? | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there opportunities to consolidate adjacent parcels to create a larger site?        | <input type="checkbox"/> | <input type="checkbox"/> |

### Site configuration

- |   |                          |                          |
|---|--------------------------|--------------------------|
| Is the site wide and/or deep enough to fit typical retail footprints? | <input type="checkbox"/> | <input type="checkbox"/> |
| Does your site's street frontage satisfy visibility requirements?     | <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

- |  | Y                        | N                        |
|--|--------------------------|--------------------------|
| Is the site under a single owner?  | <input type="checkbox"/> | <input type="checkbox"/> |
| If there are multiple parcels under different owners, can you bring them together? | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the owner(s) interested in selling?   | <input type="checkbox"/> | <input type="checkbox"/> |

### Know the site's history

- |  |                          |                          |
|--|--------------------------|--------------------------|
| Are there any delinquent taxes?                            | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there any use restrictions beyond zoning or easements? | <input type="checkbox"/> | <input type="checkbox"/> |

### Ensure the site is well-maintained

- |  |                          |                          |
|--|--------------------------|--------------------------|
| Are trash and weeds removed regularly?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Are temporary uses (pop-up stores, farmers markets, etc.) encouraged to activate the site? | <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

- |   | Y                        | N                        |
|---|--------------------------|--------------------------|
| Are existing site tenants synergistic with desired retailers?                               | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there environmental remediation or demolition costs associated with existing buildings? | <input type="checkbox"/> | <input type="checkbox"/> |

Notes:

## STEP 2 Continued

### Environmental Constraints

- |  | Y                        | N                        |
|--|--------------------------|--------------------------|
| Is the site's topography suitable for development?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Are there any floodplains/wetlands/mature trees that can reduce the site's developable area? | <input type="checkbox"/> | <input type="checkbox"/> |
| Is it a brownfield site with significant clean-up costs?                                     | <input type="checkbox"/> | <input type="checkbox"/> |

### Regional/Neighboring Community Plans

- |  |                          |                          |
|--|--------------------------|--------------------------|
| Is the County/State planning any roadway or transit improvements that could change access? | <input type="checkbox"/> | <input type="checkbox"/> |
| Is the site impacted by any annexation agreements with neighboring communities?            | <input type="checkbox"/> | <input type="checkbox"/> |

Notes:

## 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

- |  | Y                        | N                        |
|--|--------------------------|--------------------------|
| Do you update your plan based on changing market conditions? | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you vet plans with developers and brokers?                | <input type="checkbox"/> | <input type="checkbox"/> |

### Get endorsement from community leaders

- |   |                          |                          |
|---|--------------------------|--------------------------|
| Is there broad support from your Boards and Commissions for the plan? | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you work to resolve major differences before pursuing development? | <input type="checkbox"/> | <input type="checkbox"/> |

### Ensure your community works together

- |  |                          |                          |
|--|--------------------------|--------------------------|
| Do your development related municipal departments work together?               | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you have the support of taxing districts such as school and park districts? | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you communicate with and win the support of your residents and businesses?  | <input type="checkbox"/> | <input type="checkbox"/> |

### Proactively foster positive relationships with neighboring communities

- |  |                          |                          |
|--|--------------------------|--------------------------|
| Do you market the sub-region not just your municipality?                         | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you seek opportunities where you can share costs and revenues with neighbors? | <input type="checkbox"/> | <input type="checkbox"/> |

### 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

- |  | Y                        | N                        |
|--|--------------------------|--------------------------|
| Do you meet regularly with existing businesses to assess their needs?                | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you provide support through training/workshops?                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you organize events/activities to increase customer traffic for local businesses? | <input type="checkbox"/> | <input type="checkbox"/> |

### Streamline development approval

- |   |                          |                          |
|---|--------------------------|--------------------------|
| Do you have a single point-of-contact for development information?            | <input type="checkbox"/> | <input type="checkbox"/> |
| Do you process applications in a timely fashion within specified time-frames? | <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?

Y	N
<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?**

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

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

<input type="checkbox"/>	<input type="checkbox"/>
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**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)?

<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"/>

Notes:

For a copy of the full report and additional resources, visit: [chicago.uli.org/retail](http://chicago.uli.org/retail)

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