

**Economic Retail Development for Large Cities:
Trends & Future Planning**

CML Annual Conference
Thursday, June 18, 2015

Panelists

- ▶ **Grant Nelson** - *Managing Partner*, Republic Investment Group
- ▶ **John Hall** - *Economic Development & Urban Renewal Director*, Town of Parker
- ▶ **Tyler Carlson** - *Principal*, Evergreen
- ▶ **Susan Stanton** - *Principal*, The Stanton Solution

Retail 101

Grant Nelson - *Managing Partner*, Republic Investment Group

Retailer Expansion Basics

- ▶ Most retailers operate stores on a national and in most cases international basis.
- ▶ Wal-Mart: 11,000 retail stores in 28 countries with 65 different banners and sales of \$500 Billion. Its sales would make it the 25th largest economy in the world, larger than the oil-rich country of Norway.
- ▶ 19 of the top 25 retailers operate stores in CO.
- ▶ Those 19 retailers operate 80,000 stores worldwide. Trying to get a new store in CO means competing with every other deal that they have. US population is 318 million, CO has 5.4 million or 1.7% of the total population.

Top Retailers in the World

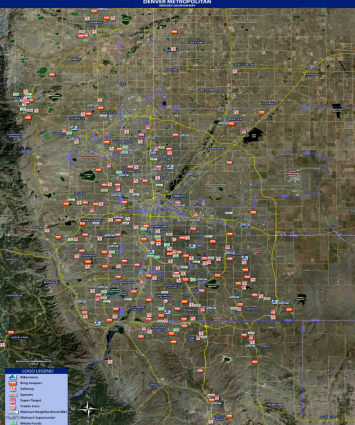
TOP 100 RETAILERS CHART 2014

Rank	Company	Headquarters / US	2014 Retail Sales (\$B)	US Sales Growth (%)	Worldwide Retail Sales (\$B)	US % of Worldwide Sales	2013 Sales (\$B)	2013 Growth (%)
1	Walmart	Bentonville, Ark.	\$232,000.00	17%	\$479,000.00	48%	\$207	4.6%
2	Target	Cincinnati, Ohio	\$92,000.00	14%	\$195,000.00	47%	\$79	-3%
3	Costco	Issaquah, Wash.	\$74,700.00	5.5%	\$105,000.00	71%	\$67	2.8%
4	Target	Minneapolis	\$71,700.00	-0.5%	\$100,000.00	71%	\$66	0.8%
5	The Home Depot	Atlanta	\$69,000.00	4.6%	\$100,000.00	69%	\$65	0.5%
6	Walmart	Dearfield, Ill.	\$68,000.00	1.5%	\$100,000.00	68%	\$65	2.3%
7	CVS Caremark	Woonsocket, R.I.	\$66,000.00	3.5%	\$64,000.00	103%	\$63	2.0%
8	Lowe's	Mooresville, N.C.	\$52,000.00	3.4%	\$54,700.00	95%	\$51	0.1%
9	Amazon.com	Seattle	\$49,000.00	27.5%	\$77,000.00	64%	\$45	9%
10	Walmart	Meriden, Conn.	\$47,000.00	3.5%	\$48,000.00	98%	\$46	-2.3%
11	McDonald's	Chicago, Ill.	\$45,000.00	0.7%	\$61,000.00	74%	\$44	0.9%
12	Bank of America	Charlotte, N.C.	\$39,000.00	-2.4%	\$40,000.00	98%	\$39	-0.5%
13	Publix	Lakeland, Fla.	\$38,700.00	1.5%	\$40,000.00	100%	\$38	2.8%
14	Walmart	Cincinnati, Ohio	\$37,000.00	0.9%	\$37,000.00	100%	\$37	-0.5%
15	Allegis Travel / Times Mirror	San Diego, Calif.	\$36,000.00	10.0%	\$37,000.00	97%	\$36	1.6%
16	Best Buy	Huffman Estates, Ill.	\$34,400.00	-13.4%	\$33,000.00	85%	\$33	-1.0%
17	Allegis Travel / Royal Ahold	Charlotte, N.C.	\$33,000.00	1.1%	\$34,000.00	97%	\$33	-0.8%
18	Ally Bank	Camp Hill, Pa.	\$32,000.00	0.5%	\$32,000.00	100%	\$31	-0.8%
19	Walmart	Framingham, Mass.	\$30,000.00	2.7%	\$31,000.00	97%	\$30	5.1%
20	Walmart	San Antonio	\$29,000.00	0.1%	\$30,000.00	100%	\$29	0.2%
21	Allegis Travel	Des Moines, Iowa	\$19,400.00	49.7%	\$19,400.00	100%	\$19	49.9%
22	Walmart	Marionette Falls, W.Va.	\$19,000.00	-1.5%	\$19,000.00	100%	\$19	1.6%
23	Delaware America	Richmond, N.C.	\$18,000.00	0.1%	\$18,000.00	100%	\$18	-2.0%
24	Walmart	Louisville, Ky.	\$18,000.00	1.0%	\$18,000.00	100%	\$18	0.5%
25	Walmart	Goodlettsville, Tenn.	\$17,000.00	0.9%	\$17,000.00	100%	\$17	6.0%

Retailer Decision Making

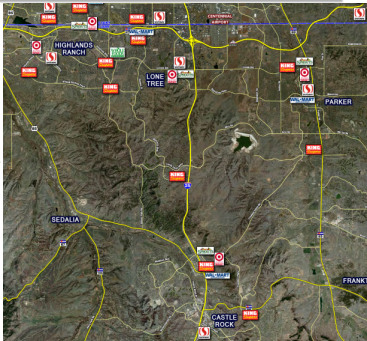
- ▶ **New Store Expansion**
 - Retailers will add stores to add gross sales, maintain market share, keep other retailers out of a market, or because they have a new prototype or concept that they want to roll out.
- ▶ **Getting Approved**
 - Once you have a deal agreed to with a retailer they will then take it to their Real Estate Committee "REC." The REC will compare yours to the other deals they have in the queue and decide if your deal is good enough. If a typical retailer wants to open 25 new stores a year they will "tee-up" 50 to 100 deals then pick the top 25.

Denver MSA Grocery Map



From Longmont to Castle Rock there are 220+ Grocery Stores. Each of these stores serves a specific trade area and very few of those trade areas are defined by a municipal boundary. Retailers have in-house or professional demographers who give the retailers the projected sales for their defined trade area. Decisions are made on the specific deal economics and sales projections for the store. Every retailer will compute their occupancy expense for a store and compare it to the sales to come up with their return.

Retail Spacing



- ▶ Douglas County
 - 300,000 today
 - 400,000 in 2030
 - 25 grocery stores
- ▶ Castle Pines spacing

Retailers Know their Business - Know Yours

- ▶ Retailers operate thousands of stores and understand their business. It starts on the inside and builds out, but the "Raceway" planning and design is down to the inch of shelf space. Site planning, parking, circulation and access are also very important to every retailer.
- ▶ If you have a retailer interested in a site, work with them and their brokers and developers and try to understand the essentials.
- ▶ Planning, Zoning, and Visioning.
 - Planning and Zoning – Before you undertake a new planning and zoning and do a "visioning" session, understand the retail in your community and the retail in the region. Be realistic about what retailers you can attract to your community.

Economics of Development: the Municipal Perspective

John Hall - Economic Development & Urban Renewal Director,
Town of Parker

Land Inventory Considerations

- ▶ Quantity and Quality
- ▶ Property status
- ▶ Regulatory Coordination
 - Are internal goals consistent?
 - Are internal resources coordinated?
- ▶ Policy Considerations
 - Is there a shared understanding of direction and trade-offs?

Develop Relationships

- ▶ Primary source of potential retailers are brokers and developers
 - Are you engaged with the brokerage and development community?
- ▶ Outreach in process improvement
 - Are you including developers and brokers in reviewing the plan review and development approval process?
- ▶ Community Reputation
 - What is yours?

Regulatory Certainty & Flexibility

- ▶ Beyond the siting decision
 - Certainty in outcome – Flexibility in getting there
 - Can you execute? Who's in charge?
- ▶ Address critical issues at the beginning
 - How many rounds of review do you need?
- ▶ Real time feedback
 - Don't wait for the next meeting

Incentive Flexibility

- ▶ Fit the incentive to the project
 - Not the project to the incentive
- ▶ Balance public and private needs
 - Public benefit and needs are undoubtedly important but do you also understand basic investor objectives as well? (Timing and risk)
 - Public requirements may dictate additional public investment
- ▶ Incentive programs should be consistent with larger vision and objectives
- ▶ Don't forget about existing and small business

Stay with Project to Completion

- ▶ A siting decision does not guarantee a project
 - What's more difficult - finding a site or getting to vertical?
- ▶ Single point of contact
- ▶ Know who resolves conflict
 - Problems will come up can you solve them quickly?
- ▶ Keep the message the same
 - Are the rules of the game changing during the process?

Trends & Future Planning

Tyler Carlson - *Principal*, Evergreen

Trends & Future Planning

- ▶ Trend: Financial incentives have become the rule, rather than the exception.
 - Anchor expectations and capital committee competition.
 - Increasing construction and land costs
- ▶ Trend: Finding ways to work around URA legislation / political backlash.
 - City only "URA"

Trends & Future Planning

- ▶ Future Planning: Citizen groups have become more organized, aggressive and litigious.
 - Evaluate municipal legal insurance policies.
 - Dot i's and cross t's on process and documentation.
- ▶ Future Planning: Balance public policy and perception with reality through transparency.
 - Demonstrate "but for" and "net new".
 - Staff as "mid fielder" versus "goalie".

Common Assumptions Regarding Retail

Susan Stanton - Principal, The Stanton Solution

Balancing ED Efforts & Retail

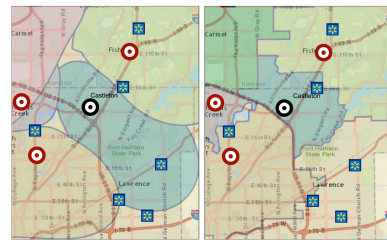
- ▶ Limited Resources – Best Use of Funds
- ▶ Balancing ED Programming – Every City is Different & Has Different Needs
- ▶ Traditional ED Training Primary Job Focused

Many other states aren't as retail thirsty, set national training guidelines, retail is very specific

Expectations

- ▶ Everybody is an Expert Because we Shop
- ▶ Citizens Have High Expectations
 - How much can government influence private investment decisions?
- ▶ Understand How Your Fit
 - Trade Area Boundary's Not Jurisdictional Boundaries
- ▶ You have to Know who you Are and Are Not
 - Everybody's Circumstance is Different
 - Councils and Leadership needs Clarity

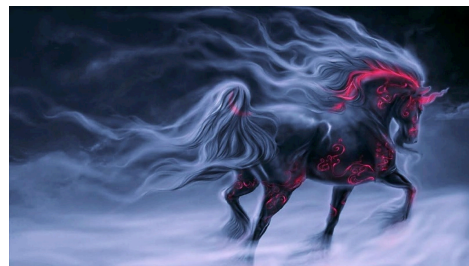
Trade Area Boundaries



Know your Shoppers




Beware of the Unicorn Retailers






**What 5 Retailers
Would You Like to See
in Your Community?**



Questions?



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