

**Recap of Site Visit to Downtown Paducah, Kentucky.  
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## **Introduction**

Mr. Kent Burnes of Downtown Management Services (DMS) was retained by the Paducah Main Street Association to assist them in identifying the best strategies for continued revitalization of the downtown area. Some of the main areas of concern, and so the focus of this report, are those that center around retail recruitment and recruitment strategies, filling the two vacant theatres, and fostering an even better relationship with the city and other partners.

All of the identified issues are interrelated and must be addressed as a part of the overall management program for downtown. So, while all of the issues will be addressed and recommendations made, the structure of the organization, partnership participation and a clear understanding of who is the go to group and what their needs and responsibilities are and will be are the key to continuing the path to revitalization.

The retail market conditions in the Paducah region are somewhat unusual. Paducah has a rather large reach into a large trade area and can actually be the regional draw for consumers in outlying areas. Geography is perhaps one of the key factors that have allowed Paducah retailers to expand over the years. One of the key questions that experienced retailers will have is, “Can Paducah maintain and *grow* the large regional penetration that is available to them and how will they do it”? Retailers that are most active and most profitable in the United States today are those of a specialty nature. General merchandise retail, specialty retail, restaurant and entertainment businesses are all expanding and looking for new locations. Investors and developers are looking for communities that are on the verge of growth, particularly in the downtown area. The proximity to Chicago, Nashville and St. Louis make Paducah a natural as a regional destination community and a community that will get looks by independent as well as chain type retailers and service providers. These businesses will be looking for locations that offer the unique experiences downtowns offer and this will benefit Paducah.

As the region becomes more retail savvy, the regional radius will likely shrink for goods and services often found in strip centers and discount centers often dominated by Wal-Mart and their likes. However, there will not likely be another community with the opportunities for a destination downtown that exist in Paducah, giving Paducah the opportunity to become a regional draw for specialty shopping, restaurants, and entertainment. The

course of action taken to revitalize the downtown will be the critical component in insuring success for the entire community.

This report covers a lot of areas that are critical to restoring and revitalizing the retail heart of Paducah. In this report we hope the reader clearly walks away with an understanding that Paducah can have a regional downtown core.

The first several pages of this report give an overview of Paducah today and an in-depth accounting of the state of the mall in America today. This is not to be confused. We lay out the state of the mall to demonstrate that Paducah is in fact a unique community that has all of the ingredients to create the ultimate “lifestyle downtown center” that would be a regional attraction and should gain national attention! Malls have had to tear off roofs, tear down or make other radical improvements just to stay in business. The times are changing and so are the customers. Today and in the future, as you will read, the lifestyle mall is going to be the standard fare. Lifestyle malls offer recreational, retail, and other uses. Lifestyle malls even offer living units for built in customer base! Paducah is in the driver’s seat if the goal is to make downtown a regional lifestyle downtown because it can offer all of the elements needed to compete on a regional basis. Consumers seek out the real thing. Paducah should not entertain any new mall developments, strip center developments or other such projects and should focus their energy on downtown and making downtown *The Mall* for the community and the region.

**Observations:**

The historic character of the downtown area is fantastic. And, for the most part, the historic nature of downtown has been respected. Although as discussed later in this report, it will be important to expand the guidelines for development to include all areas of downtown. The community nonetheless embraces and recognizes the historical value of the downtown. There is a performing arts center adjacent to downtown, an emerging arts district, several great museums, restaurants and retail shops that are all making contributions to ensure that downtown is the place to be. Residential and visitor lodging are both starting to emerge in downtown Paducah, a sign that the individual investor is bullish on downtown. City Hall, the Post Office and the Court House are all downtown, which help to draw people and keep downtown intact. The Ohio River is literally the eastern boundary for downtown and offers tremendous potential for attractions and as a support asset for downtown. Downtown Paducah is easy to walk and has a few parks in the area to support recreation activities. The Paducah Main Street

Program has been leading the charge for downtown revitalization and has helped forge partnerships that have helped keep the future bright for downtown Paducah. The collateral marketing materials, promotional activities and business development services have produced visible results. The Paducah Visitors and Convention Bureau located in the downtown promotes Paducah and downtown on a daily basis and produces much of the fine marketing materials found in many of the brochure racks in the region. Paducah is a modern community with such facilities as a regional airport, a community and technical college, schools, parks and golf courses, a Mall, strip and discount centers, two regional hospitals, industrial parks and other assets that exist throughout the community.

Imagine an area the size of Downtown Paducah that could have retail, restaurant, and entertainment uses, residential, government and services uses as well as recreational and community uses such as churches, museums, and libraries. This is what the mall of the future will be. Only it will be an environment that is largely formulated and while very successful will never have the power in the punch that Downtown Paducah can have. Paducah has all of the ingredients, timing is right in the investment world, consumers are reaching out to downtowns all across America, Paducah has the real thing to work with but there is still much work to be done.

### **Recommendations - Step By Step:**

The following 12 steps are our recommendations for Paducah and all partners that are engaged in and have a stake in the downtown or the community for that matter.

- 1. Capture the vision and declare intentions.** It is unclear whether all parties have a clear vision and understanding of how the downtown will be revitalized. For example, if the intention is to make downtown a regional destination but outlying competing shopping centers continue to be approved then this demonstrates that intentions are more rhetoric than intentions to follow a plan that will have an expected outcome. If, in fact, it is the intention of the community to shape downtown into a shopping and recreational destination then just declaring the desire is not enough. In some cases the local community cannot imagine that their downtown can be a competitive retail, restaurant and entertainment center and thus they just let happen what will happen and they do not shape the outcome. Communities such as Baltimore have bucked the negative speak and focused on making

their intentions a reality. They have supported their desires with planning that supports the intention to return downtown to prominence.

2. **Anoint one organization to be the, “go to” group for the downtown.** The business of downtown building can be confusing enough, but to not have one organization facilitating the activities and projects will make the process undecipherable. Paducah Main Street, Inc. should facilitate all of the activities related to downtown revitalization. Often the city and the main street program work so closely together that main street is viewed as an extension of the city. Just like any other city service downtown must have a management body that is clear. This management body should be facilitating the implementation of projects related to promotions and marketing, design and image development, business recruitment, retention and expansion and keeping the community apprised of and bought into downtown events and projects. It is not that Main Street should own or implement each and every project but they must be at the top - keeping everything organized. For example, another organization may agree to take on the responsibility of business retention by offering business courses to downtown businesses. The Main Street office may not present the courses but they should be the ones that help determine what is needed and may even recruit the partner to implement the project. One organization has to take the temperature of downtown in four very distinct areas; marketing and promotions, design, business development and organizational development and decide what projects are needed in each area and who will do them. Once the decision has been made to make the Main Street organization the “go to” group they should move quickly to number three.
3. **Develop a strategic plan for downtown.** It will be hard for the “go to” group or anyone else for that matter to implement comprehensive programs in the right time frame without a strategic plan for downtown. The Main Street program in partnership with the city should retain assistance and complete a strategic plan for downtown and pay special attention to the following areas.
  - a. **Character.** Downtown Paducah has a wonderful and rich history. There are more historical sites in Paducah than any other city in Kentucky. The downtown has a collection of historic buildings that are attractive to retailers and consumers. Currently there are design guidelines in place that cover part of downtown but do not cover a large supportive section of

downtown. The historic character is largely what will separate downtown from just another mall. This character should be protected *almost* at all cost. Prospects will not be interested in downtown if there is not consistency in the entire area.

- b. Housing.** The plan should identify buildings and locations suitable for housing in the downtown. Historically downtown was a dumping ground for the types of housing others in the community found undesirable. Today, downtown should offer an array of housing from working class affordable to luxury living and short-term visitor housing. Often the developer finds the early process of housing development to be risky. Many communities offer to share some of the risk with the developer (small individual developer to large institutional) by offering incentives for housing development. A developer may be offered a per unit cash incentive to develop work force affordable housing. For example, a city may have a need for workforce housing to keep and attract office workers or police and fire personnel so they will offer the developer a cash incentive to help offset lost profits for selling units at less than current market rate for that unit. In other cities the incentive is offered to the buyer through interest rate buy-downs, down payment assistance or purchase of appliances and other build out options.
- c. Retail.** The plan should identify the core retail area of the downtown. Retail, restaurant and entertainment uses will drive downtown's success. The core area of downtown is primarily viewed as the area within the historic district. This should be reviewed and the historic district should be expanded (at least guidelines) to include all of the core retail area of downtown which may extend as far as Washington on the east and 11<sup>th</sup> or 12<sup>th</sup> on the west and Lower Town on the north. Once the core retail area has been identified there should be both some protection to ensure that this area will mature as retail and incentives to kick the retail development process off. Serious consideration should be given to implementing a ground floor retail, restaurant, and entertainment ordinance in the core retail area (not all of downtown is a core retail area). This ordinance is quite common in successful downtowns and is used in the core retail area to ensure that office uses will not encroach on retail areas. Offices and living units will be encouraged to

occupy upper floors or move to the fringe of the core retail area. Incentives for relocation of retail to the core area will be critical to kicking off the success of downtown's retail prowess. Regional and national tenants will not be the guinea pigs but will follow the successful pioneer businesses that show they can make it in downtown. The problem with so many revitalization efforts is the painful time it can take for pioneers to arrive at a one-at-a-time pace. This does not create enough critical mass of retail soon enough to be beneficial and cash flow problems arise for the businesses. To counter this problem, cutting edge communities are developing "hard to turn down" incentive packages aimed at specific retail, restaurant or entertainment types. One such program may involve offering proven retailers with a track record of success an incentive package that may include 6-12 months rent paid, relocation assistance, fast track permitting, and a set fee for leasehold improvements. In some cases cities (the downtown organization) will line up 10 store fronts in the downtown that are close enough together to create some mass, identify and secure the commitment of 10 businesses willing to open and tie the incentives to the fact that the businesses must be relocated and open within a fixed time frame. Imagine if in one month five ladies stores, one children's store, one toy store, one shoe store, and two eating establishments opened. It would completely turn downtown Paducah into an emerging retail center and make snagging regional and national clients easier (make no mistake the incentive package could be used by national and regional chains). To make this type of a program work the incentive must be great enough to make the businesses listen and know the community is serious about retail development \$25,000 to \$50,000 per relocated business is not unusual. To ensure that local commercial property owners (in the core retail area) will hold their space for desired retail, restaurant or entertainment businesses an incentive program is developed where up to 75% of their rent is paid for a limited period of time to keep the space open for new targeted businesses.

- d. Culture.** Culture. Determine which one-of-a-kind cultural facilities should be downtown that are not currently and how existing facilities can be strengthened. With very few exceptions, these facilities—arenas, stadiums, performing arts

centers, museums, historic sites and buildings, and others—do in fact perform better downtown. In touring the Lower Town project, it is obvious that the initial project of transforming underperforming neighborhoods into a revitalizing arts district has been very successful. However, I do not think that this project will see long term success if the area is not physically connected to downtown, marketed as a part of downtown and included as a part of downtown's strategic plan. This is an example of a cultural facility (although entire neighborhoods are involved) that will perform better as downtown improves and becomes stronger (as Downtown goes so goes Lower Town). Downtown will breathe the life of customers into the arts district and provide an outlet for artists to sell their creations. Today the Lower Town district is not a retail center. It is a neighborhood where artists live and work, but does not appear to be a sales area. Customers will not treat Lower Town as a shopping area; it is a residential neighborhood and does not appear to be a selling area. Many of the artists I spoke with are just hanging on financially and feel disconnected from downtown. Lower Town is a district within downtown and for it to survive as hoped downtown must become stronger and Lower Town must participate in and become a part of downtown and participate in Main Street's strategic plan. Other cultural icons are the two closed movie theatres. These theatres will find uses as downtown starts to see more progress and success in business recruitment. Filling these theatres is largely a function of growing the market for businesses in downtown. The market is in Paducah and the market will follow retail expansion. As this happens there will be more interest in the historic theatres. Every effort should be made to ensure that the theatres are protected from the elements with adequate roofs and windows. The economic restructuring committee of Main Street should network with the Historic Theatres of America organization to get further guidance. Theatres are often a project of a local non-profit organization and a for profit organization. The new markets tax credits have made many of these theatre projects doable as investors purchase up to 50% tax credits (when combining historic and new markets) on projects such as these. The National Trust for Historic Preservation can supply more information and a list of

banks in Kentucky offering the new markets tax credits. As more demand is created for retail in downtown the theatres will then become viable projects.

- e. **Public Infrastructure.** With each and every aspect of revitalization there must be thought given to the infrastructure both existing and needed. Will some of the existing promotions move to the waterfront as it is developed? If so, will those promotions require gas taps, electrical, lighting, or stage areas? Is there the sewer and water capacity in downtown for the developments that might occur? Can people find downtown? Is there a need for a way-finding system? Is there a maintenance fund for replacement of such things as trees, light standards, landscaping and other publicly maintained amenities? All of these issues should be a part of this overall plan. Focus on essential issues such as water and sewer, intra-core transit, transit to the downtown, structured parking, conversion of one-way streets to two-way, tighter turning radiuses at intersections for a better pedestrian experience, and enhanced security and cleanliness, among others. Parks and open space, and, when appropriate, opportunities for waterfront development, should also be included in the strategy. Paying for this new and improved infrastructure often involves “tax increment financing” (“TIFs”), a controversial tool in some places, which usually needs state legislative authorization. Consideration should be given to extending the area presently targeted for a TIF in downtown.
- f. **Other Employment.** The downtown will not be exclusively a retail, restaurant and entertainment center. Many support businesses that attract people will locate downtown. Attorneys, accountants, real-estate professionals, doctors and dentists are just a few of the professional services that will be attracted to a revitalizing downtown. Businesses such as drycleaners, locksmiths and shoe repair also help keep the sidewalks full. But there will also be the opportunity to recruit businesses with larger workforces. Downtown workers translate into sales and increased activity for virtually all businesses downtown. Focus recruitment efforts on businesses that could be downtown, which includes both “export” employment (businesses that export goods and services from the metropolitan area which provide fresh cash into the economy) and regional-servicing

employment (support businesses or organizations which locate in regional concentrations such as downtown). Generally these strategies occur later in the turn-around process, after a critical mass of urban entertainment and housing has occurred.

- g. Community Involvement.** Ensure that citizens, particularly residents of surrounding neighborhoods, have continuous opportunities for input and involvement. It is also important to keep the opinion-makers and the media informed about the revitalization process, as the public image of downtown during the early phases of revitalization is generally negative. One example is creating a local cable TV show highlighting individuals and businesses helping turn around the downtown, putting a human face on the revitalization effort.
- h. Involvement of Non-profit Organizations.** Bring existing non-profits into the process, and create new organizations to fill needed roles only where truly needed. The Main Street approach divides the areas of work into four easy to understand components. Other area non-profits will participate in one or more of these committees and complete parts of or entire projects. For example, the community college may agree to tackle a project of business training that was identified by the economic restructuring committee as a need.
- i. Marketing.** Continuously market downtown, as well as specific new downtown events. The image of most downtowns is so negative prior to revitalization and such skepticism exists during the early phases that constant attention must be paid to re-positioning the area. It is especially important to communicate the strategy and progress in implementing it to the investment and banking community so they will have faith in the process in which they are being asked to invest. Main Street has done a great job in developing an events calendar for downtown. Main Street should be marketing all of downtown including Lower Town as a unified body. The visitor and convention bureau produces many selling pieces that showcase Paducah. The visitor and convention bureau has produced some fine brochures and helped to produce many events for visitors and residents alike. Downtown should continue to partner with the visitor and conventions bureau, leverage resources when possible but make sure downtown has an identifiable brand so it stands out from the competition. Lower

Town is a district within downtown. It makes financial sense for downtown and lower town to combine resources and work as one unit.

- j. **Social Values.** The social values of downtown need to be defined and plans put in place to enforce them. The ultimate goal of a downtown revitalization is to make it the community-gathering place, a place for the entire community regardless of income or race. Housing affordability and other “equity” programs may be essential components of the revitalization effort.

**4. Public / Private Partnership.** Downtown revitalization is most often the most successful job and business-creating project the community will ever undertake. Downtown revitalization is perhaps the most successful economic development-taking place in the United States today. Communities are tired of the “spec” business and are turning to downtown revitalization for the economic punch the community needs. Public agencies now agree that the revitalization effort will include much more than retail development. Downtown revitalization creates jobs and businesses at a cost much lower than those jobs created in other parts of the community. For this reason it will be more important than ever for Paducah to maintain a strong relationship between the downtown management office and city hall. City hall can and should develop fast tracking programs for revitalization projects, incentives for business relocations, and dollars to help maintain an adequate management program. Research shows that for every dollar invested in downtown management forty dollars of private reinvestment take place. The City of Paducah could help fund a business development specialist for the Main Street office just to name one activity.

The key to the public sector’s successful involvement in downtown redevelopment is to avoid making it overly political. Once it has been launched, it is essential for future politicians to “keep their hands off” to the maximum extent possible. Unfortunately, this can be difficult. With an eye on future elections, they often seek acclaim for positive things happening in their city and look for people to blame if it suits their agenda. Once the downtown revitalization process appears to begin yielding results, there is added motivation for politicians to want to take control over the process. It is important to the revitalization process that the private sector not cave-in to this

pressure. Investors, developers, and volunteers helping to revive downtown are motivated by emotion, passion, long-term financial returns, and many other unique and personal reasons. A politician trying to advance his career can very easily quash this momentum and destroy the private/public partnership in the process. All this is not to say that the public sector should be completely laissez-faire. City leaders must be absolutely committed to the process both in word and in deed, and be willing and able to do what it takes to help create the right environment for private sector development and investment. The potential roles of the public in this process can vary tremendously based upon the needs of the particular downtown and how much political capital politicians are willing to expend in the effort. There are a host of activities the public sector may be well-positioned to undertake, such as improving public safety, increasing transit options and availability, constructing parking facilities, attracting and retaining employment, providing appropriate tax incentives for new real estate development, developing an impact fee system, assembling land, and perhaps most importantly, creating easy-to-use zoning and building codes to enable the walkable urbanity that defines a thriving downtown.

- 5. Make the right thing easy.** If the downtown area around Santa Fe, New Mexico's much beloved and vibrant 400 year old Plaza burned to the ground, legally it would only be possible to rebuild strip commercial buildings, likely anchored by Wal-Mart Super Centers, Home Depots, and the other usual suspects. In downtown Santa Fe and dozens of others around the country, zoning and building codes of the past fifty years actually outlaw the necessary elements of walkable urbanity. In many cities, for example, often well-intended setback and floor-area ratio rules mean that new construction cannot maintain consistency with older historic structures. Also, excessive parking requirements can create large surface lots fronting once-lively streets, eroding the vitality of otherwise coherent places. Coupled with an emphasis on separation of land uses and limited densities, downtown revitalization becomes nearly impossible from a legal perspective. Rather than reform the existing zoning codes—which often makes them even more confusing and cumbersome—it is generally best to throw them out and start from scratch, putting in place a new code that will make it easy to produce the density and walkability a downtown needs to thrive. First and foremost, the new code must clearly delineate downtown boundaries such that boundary lines are not in the

middle of streets but inclusive of both sides. It is important that the line be firm, to ensure that the character of the surrounding neighborhoods remains intact. Most neighborhoods close to a reviving downtown see significant housing value increases as a result. Second, once the boundaries are agreed upon, a “form-based” code should be put in place that reinforces the development of walkable urbanity. Unlike traditional zoning codes, which focus on allowed uses, form-based codes focus on form, namely, how building envelopes—and ultimately whole blocks—address the street. They do not mandate parking ratios, making the assumption the investors and bankers in a project are better able to decide what makes market sense. Most importantly, the form-based code is simple and allows for great flexibility and certainty in obtaining building permits. The Downtown 2010 Plan for downtown Albuquerque, for example, has 21 principles that are the core of the code. One of the codes states “Streets and sidewalks lined with buildings rather than parking lots,” and there are three pictures of examples, one with an “X” through it. Once a developer demonstrates these 21 principles are being followed, they are issued a building permit in three weeks administratively.

- 6. Main Street should create a catalytic development arm within the economic restructuring committee.** Most conventional suburban developers do not have the experience, investors, bankers, or inclination to come downtown. The difference between modular, single product, car-oriented suburban development and integrated, mixed-use, walkable urban development is substantial. The very fact that a downtown sorely needs revitalization generally scares off the development community. The market risk is perceived as being too high for most developers, most of whom do not relish being pioneers. Revitalizing downtowns have overcome the problem of attracting developers by establishing a “catalytic developer.” This organization is formed to develop the initial projects that the market and consumer research shows have potential demand but above market risk. The catalytic development firm demonstrates to the rest of the development community and their investors that downtown development can make economic sense. A catalytic development company or arm of an organization can engage in varying activities in the development process. Among the possibilities are: undertaking land assemblage and land development to prepare lots for new construction; financing the gap between conventional financing and the amount of money required to make the project happen; or

developing a complete building from start to finish. In the early years of the revitalization process, it is probable that the catalytic development firm will have to engage in complete building development. Eventually, once the market is proven, the catalytic developer can joint venture with other building developers, possibly providing land for deals. In a successful downtown, the catalytic developer will eventually work itself out of business as more developers come to understand the financial benefits of downtown development. The major challenge the catalytic development firm faces, particularly in a clinically dead downtown, is that until critical mass is reached, it is likely there will be little return on invested equity capital. There will be projects that will take far longer to develop and lease up than conventional development. There will be financial returns, which do not appear to be worth the market risk. There may be projects that fail altogether. However, once critical mass is achieved, the catalytic developer should be well positioned to take advantage of the upward spiral of value creation that should occur downtown. Downtown Paducah is a perfect candidate for Main Street to act as the catalytic developer with The City of Paducah as a partner. Main Street can help build the critical mass as Downtown Paducah is far from clinically dead. Offering incentives, assembling property, clearing property and real estate transfers will likely be the bulk of the business. There should hopefully be sufficient land and buildings tied up at favorable prices that will rapidly appreciate in value as the spiral takes off. Given the fundamentally different approach to development that is required to create walkable urbanity, a catalytic developer pioneers this new market and speeds up the revitalization process. It deviates from traditional development, particularly regarding construction quality and investment time horizon, but given the upward spiral of value creation that downtowns can potentially generate, it can be an attractive approach from a financial perspective. A catalytic developer is a manifestation of “doing well while doing good” or “double bottom line” investing. Implementation of the Real Estate strategy once the stage for downtown development is set, as outlined in the first five steps above, the private real estate market begins to emerge. The implementation of the real estate strategy for downtown revitalization follows a process observed over the past 20 years in most downtowns throughout the country. It involves an overlapping layering of ever-greater complexity that ultimately leads to a critical mass of walkable

urbanity. It starts with urban entertainment, which creates a “there there,” the initial reason people want to live downtown. Rental housing follows it, where young urban pioneers come for a unique lifestyle not available in the suburbs. Rental housing is followed by for-sale housing, usually targeting older households who are willing to put their largest household asset, their home, in a reviving downtown. As the number of rooftops downtown increases, the need for local-serving retail becomes obvious. Finally, office employment expands and there is a need for more office space. Through this process, land and building values accelerate, necessitating mechanisms very early on to ensure affordability for residential and commercial space.

- 7. Continue to pay special attention to the entertainment aspects of downtown.** Success for downtown often starts with urban entertainment venues and retail that are within walking distance of one another. It must be in place before households can be enticed to move downtown. It all starts, as in any real estate development, with market demand. Understanding which of the many urban entertainment options that have the greatest potential for success is a crucial first step. These can include:
  - a.** Arenas, performing arts centers, or stadiums. Since 1990, the vast majority of all new arenas, performing arts centers, and stadiums have been built downtown. They work better financially by having higher average attendance than their suburban competitors, and there is significant economic spin-off within walking distance.
  - b.** Movie theaters. The new generation of movie theaters—megaplexes with digital sound and stadium seating—also benefit from a downtown location, assuming large amounts of evening and weekend parking can be provided for free. They also spark significant restaurant demand. As downtown starts the turnaround a significant number of historic theaters are placed back in operation as successful single screen operations.
  - c.** Restaurants. A crucial part of any urban entertainment strategy, downtown restaurants provide lunch for the office workers and dinner for the nighttime crowd, broadening their appeal and financial success.
  - d.** Specialty retail. Unique clothing, shoes, cosmetics, gift, and other specialty stores—as well as service providers such as day spas and design studios—can be attracted downtown. These

will be mostly small, locally owned retailers but will also include national chains.

- e. **Festivals.** One of the initial urban entertainment concepts, street festivals can be introduced relatively quickly to a reviving downtown since there is little or no capital outlay.
- f. **Arts.** The vast array of arts organizations, particularly music performers and visual artists, has a natural affinity for downtown. They are generally in the vanguard of urban dwellers. Arts festivals, galleries, museums, and workshops are among the best and earliest urban entertainment providers.
- g. **Night Clubs.** Generally aimed at people in their 20s and 30s, night clubs also have a natural affinity for downtown; these venues tend to be loud and stay open late so there are constraints on where else they can locate in the region. These urban entertainment concepts appeal to different clientele, yet can all be accommodated within walking distance. There can be a nightclub district a few blocks away from the performing arts center. There can be an arts district close to a movie theater and restaurants. An arena can be shoehorned near office towers, double using the commuter roadways, transit, and office parking lots. This complexity gives all sorts of people a reason to come downtown, which is particularly important in the early years when downtown's image may not be positive. The most important benefit of entertainment is to get "feet on the street," especially at night. And just as a crowded restaurant is the best recommendation that it is a good place, crowded sidewalks recommend downtown, signaling a safe environment, and providing an excitement and spectacle that draws people to the area.

- 8. Rental housing.** The initial urban pioneers looking to live within walking distance of the urban entertainment growing in downtown will tend to be young, often students and those in their 20s. This age group was probably raised in the suburbs, and probably doesn't have as negative of an impression of downtown as their elders. They also look upon it as exciting and interesting, especially compared to where they were raised. The young also tend to rent, as they do not have the assets, income, or location stability required to buy a home. They are more flexible, tied only to the lease they have signed, probably for a year or less. Once an urban entertainment concentration begins to emerge, this group generally has both the propensity to move

downtown, and the ability to make the move quickly. Rental housing projects can be conversions of existing office, industrial, or institutional buildings or new construction. The renovation of existing buildings offers some of the most exciting new housing options, as they are unlike other rental products in the regional market. Though often a source of great challenge for developers, converting obsolete, sometimes decrepit buildings into attractive, active uses has ancillary benefits. This type of development also begins to take lower end, class C office buildings off the market, paving the way for the eventual recovery of the office market. Rental housing appears to be a potential project for the economic restructuring committee through their catalytic development arm. The City, Main Street and perhaps others could partner to develop rental housing for downtown.

- 9. For Sale Housing.** Following the establishment of urban entertainment and the initial “colonization” of downtown by urban pioneers who rent, for-sale housing can return to downtown. For sale housing appeals to a very different set of households than renters. They are generally older, not as adventuresome, and are prepared and able to invest in the largest asset of their personal net worth, their home. The natural markets for for-sale housing in a reviving downtown include young professional singles and couples and Baby Boomer empty nesters. These are typically childless households who likely demand less living space, and are not concerned about the quality of the schools. Still, far-sighted civic strategists responsible for downtown revitalization would be wise to include improving the downtown schools in their strategic plan. This would allow for the young professionals to stay in downtown if they eventually have children. It would not be unthinkable for Paducah to develop a magnet school in downtown that would cater to arts driven children. Another likely market to come downtown, though generally after the initial wave of for-sale housing, is retirees. The ability to access goods and services without the need for a car, coupled with close proximity to medical care in many cities, make downtown an ideal location for this group. This allows them to stay in the same city near friends and family while maintaining their self-sufficiency, especially if they are not able to drive. Having an established for-sale housing market is the ultimate test of whether the downtown has achieved critical mass. Given the size of the for-sale housing market, it is crucial to the success of a downtown turnaround. Bringing middle and upper-middle housing to downtown will provide the tax base so sorely

needed by most cities, and members of these households will demand a level of service that will continue the upward spiral. These services—whether they are safety, cleanliness, or parades—will benefit all elements of the community, not just those who choose to make their home downtown. Today, with around two-thirds of U.S. downtowns in some stage of revitalization, there are many more examples of cities where for-sale housing has been profitably built. Well-known successes in downtown Denver, San Diego, Dallas (Uptown), Houston, Baltimore, Atlanta, and others have given the buyers, developers, bankers, and investors confidence that it can work in other downtowns around the country sooner than one might expect.

**10. Serve the local community with retail.** Once downtown begins to be repopulated, the demand for local-serving retail will grow. As new downtown-ers often come to realize, long-time inner-city households have had to drive to the suburbs for most of their daily shopping needs for the past 20 to 30 years. In the initial stages of redevelopment, the new downtown residents have had to do so as well. There are two primary reasons why many of these urban areas are under-retailed, despite their high density of demand for goods and services. First, the structure of retail has changed considerably over the past several decades, evolving into fewer and larger outlets. These larger outlets draw from a consumer radius that has become wider and wider, increasingly undercutting smaller retailers in the area in price and selection. In the grocery business, A & P and Winn-Dixie put the small mom and pop corner grocer out of business, just as Wal-Mart is putting A & P and Winn-Dixie out of business today. The mom and pop grocer had a three to four block consumer draw, A & P had a one to two mile consumer draw and Wal-Mart has a three to five mile consumer draw. Store sizes went from 5,000 square foot mom & pop stores to 20,000 to 40,000 square foot regional and national chains to 180,000 square foot super centers. More significantly, the 40,000 square foot grocery store had about five acres of land, 80 percent under asphalt for parking, while the super center has a need for about 20 to 25 acres of land, most of it used for parking. Finding five acres in or near downtown is difficult, and finding 20 to 25 acres is nearly impossible in many cities. As each succeeding generation of retailer's stores and parking lots became geometrically larger in size, the obsolete retail space was abandoned or under-utilized, resulting in the miles of deteriorating strip commercial littering American arterial highways. The big retail boxes went further to the fringe to obtain the

vast amount of land required for their “modern” concepts. This includes selling goods in larger quantities and portions than those found in traditional grocery stores (flats of soda, not six-packs, and 180 ounces of dishwasher detergent, not 16 ounces), which then requires a car, or an SUV, to haul the stuff home. No one walks to a Sam’s Club. Second, local-serving retail is a “follower” real estate product, i.e., the housing must be in place before a grocery store can build a store. As a downtown redevelops, there are not enough households initially to justify the conventional grocery store. This is coupled with the fact that these stores have little or no experience in an in-fill urban location with parking challenges. Over the past three decades, these stores have been built primarily in the suburbs, relying upon new housing sub-divisions for demand and cheap surface parking. These national and international companies have top down policies for site selection, based upon this suburban paradigm. Obtaining an exception to these policies is very difficult, even if the local or regional management understand the demand for their store in downtown. The super-sizing of retail and its subsequent flight to the fringe meant that as people began moving into American downtowns, they had no choice but to drive to the suburbs to shop. That, however, is changing. There are some national and regional local-serving retailers who are experimenting with downtown and inner city locations, making significant modifications to their format to fit the smaller urban sites and confined parking. These include the Ralph’s, Safeway, and Kroger grocery chains, Home Depot, and the major bookstores, among others. Grocery stores in particular are finding urban locations exceeding profitable due to less shelf space devoted to low-profit paper goods, like diapers, and more space for more profitable take-out food for busy professional households. The limitation on land that can be assembled in and near downtown also has an advantage for national, regional, and local chains that move there: Wal-Mart super centers will have a hard time getting very close. Of course, there are still locally owned retailers who provide groceries, drugs, and hardware and offer the “in and out” convenience—especially for one and two item trips—that larger stores lack. Unfortunately, they have become a dying breed. These companies often have weak balance sheets and thus have difficulty-obtaining financing from banks for new development. Only if a project has sufficient patient long-term equity is it possible to lease or build space for smaller retailers with a shaky financial history. Thus,

while some of these stores will continue to thrive, as a group they are probably only part of the solution to downtowns' growing local-serving retail demands. The other part of the solution is finding ways to entice national "big box" retailers to integrate into a walkable landscape and this is often accomplished when the governmental structure has declared downtown a priority and refuses permitting for new projects that do not compliment downtown. Paducah will find that some of the buildings in downtown that now have no occupant will become occupied as the demand for all types of space in downtown intensifies. Even white elephants will fill up.

**11. Build a strong office market.** As entertainment, housing, and retail are established downtown, the office market will begin to follow. In every metropolitan area in the country, there is at least one major concentration of upper-income housing. This concentration may be to the northeast, like Phoenix, the south, like Kansas City or the west, like Philadelphia. In each area, this is also where most of the office space has been built over the past 40 years. It is known as the "favored quarter," the 90 degree arc coming out from downtown that includes the bulk of high-end housing, the major regional malls, most of the new infrastructure, and the vast majority of new office space in the metropolitan area for two generations. The explosion of growth in the favored quarter is the major reason downtowns went into decline from the 1950s to the 1990s. As upper-middle income for-sale housing is built in downtown, there will gradually be a return of a healthy office market and the employment it houses. Once the bosses, who make the ultimate decision about office location, begin to live downtown, they will decide to bring their office there as well. Why should they drive to the suburbs from downtown when they could walk to work or have a very short drive? This has happened in those downtowns that have been redeveloping the longest over the past generation, particularly Denver, Portland, and Seattle. Denver, for example, had a vastly overbuilt office market following the energy bust of the early 1980's, which left office vacancies over 30 percent. Due to the combination of the 1990's economic boom, the conversion of obsolete office space into housing, and the construction of new for-sale housing in downtown, office buildings were once again being built in the last few years. This step in the redevelopment process will probably only fill existing, vacant office space in most cities, due to the past overbuilding and the weak demand for office employment in the economy in general. However, it will be a tremendous benefit for

city revenues and the employment prospects of other downtown and city residents. With most new metropolitan jobs located in the favored quarter of the suburbs, they were hard to reach by city residents, especially those with lower incomes.

**12.Be Predictable.** Paducah will be asking private investors, independent businesses, property owners, public agencies, taxpayers and others to make large investments in the downtown area based on the fact that the city is promoting a new plan that they will stand behind. These investments will be seen as risky if the city waffles. This revitalization will occur over many years and the city must be willing to stand fast and not waiver from their focus. If the city then encourages, promotes or approves competing commercial developments (much larger than neighborhood commercial) then the downtown projects will likely suffer if not be scrapped all together. Investors in downtown will not take kindly to their investments being diluted by competition. The top shelf pioneers (that often kick the process off in the first place) will bolt or never come to Main Street at all if they think the city is serving two masters. Paducah is not contemplating a small venture on anyone's part. Those cities that have held the line and made the tough calls to protect their plans for downtown have been successful; those cities that have waffled and sent mixed signals to the development and investment community are still wondering what went wrong? **The revitalization process must be protected from future unraveling or today is the best day your downtown will ever have.**

### **Summary:**

The thrust of this recap is to provide Paducah with an outline of steps to follow with recommendations that will make the continued process of downtown revitalization successful. Perhaps some of the most important points of this entire document can be summarized below in a few short sentences.

1. Use the document. This document is meant to be useable on a daily basis. Timing is critical in downtown revitalization. It is impossible to force the reuse of a historic theatre if there is no overall plan and assurance that the plan will be implemented. It makes sense to make sure these historic assets are preserved from further decay but it does not make sense to try and move them ahead of the natural timing for the investment community. Moving them ahead artificially often yields a less than desirable use. Investment is about risk and Main

- Street and the city can minimize risk by locking arms and making downtown a high priority and following the above recommendations.
2. Be an orange. Paducah can accomplish some big things. To accomplish big things often requires out of the box big thinking. To kick off the continued rebuilding of retail on Main Street in downtown, a serious incentive package should be developed for proven retailers willing to move downtown. At the same time incentives for development of rental housing and office space should be given serious thought.
  3. One downtown. There is one downtown. Market it that way. Lower Town is a fantastic venture and should receive continued support but should become a district of downtown. Lower Town should be folded into Main Street's marketing and promotions plan, development plan and branded as a district of downtown. Promoting and managing them together makes financial sense and causes less confusion to the business owner and the consumer.
  4. Define it and brand it. The historic area of Downtown Paducah does not encompass the entire downtown. That is fine as long as downtown is managed in its entirety not just the historic sections. Each and every street in downtown is lined with buildings that are dependent on the businesses located in those buildings being successful. All of these areas and buildings are physically linked together. The business of management should include all of downtown even if some of the areas are not historic. The area should be defined and then declared. Declared in the sense that the entire area should be branded and marketed as a fun place to work, shop, live and play.
  5. Recognize that downtown revitalization is economic development. In most communities today (well over 2/3 of incorporated cities) downtown development is taking center stage. One of the reasons that this revival is in such an upward spiral is that consumers and residents respond positively to revitalization and it makes economic sense. No other activity will result in the creation of more jobs or businesses than that of downtown revitalization. Real economic growth is the result of millions of dollars of new investment, creation of new jobs and businesses as well as an increase in the wealth of the city giving it new resources for needed services. Revitalization of downtown is a way that is attractive to residents and can act, as a marketing tool for the visitors and conventions bureau is a real winner that is what most downtowns are doing for their communities today.

### **Final Thoughts to Remember:**

In conclusion the following recommendations are offered to Paducah Main Street, Inc. for the recruitment of retail businesses but most importantly to institutionalize the type of management that good retailers are attracted to:

1. **Maintain a comprehensive and adequately funded Central Retail Management program based on the National Main Street Approach.**  
There is almost 100% consensus among the professionals working in the field of downtown development that the Main Street Four Point Approach is the most accepted management model in the world today. It is in everyone's interest to maintain a comprehensive downtown management program. The program works best when a true public / private partnership is developed.
2. **Downtown Specific Plan.** As the revitalization of downtown progresses potential investors will weigh their risk of investment. One of the biggest risks that a developer or investor makes is an investment into the unknown. A Downtown Specific Plan should be a guiding document that investors can count on as one that has been thought out with the intention of implementation. If vacant lots are to be banked for future use, what will those uses most likely be? Is there a plan to re-route traffic or expand a courthouse square into a prime promotional area? Land use, parking, traffic circulation, alternative transportation routes, housing, and other uses that are addressed in the formation of the downtown specific plan should be quickly prioritized by the city and those projects should have some sort of time line so that investors can measure risk. By the same token, if the mall does not have a concrete plan for revitalization that compliments the downtown specific plan and addresses some significant changes the prospects of them landing any quantity of quality tenants will continue to diminish.
3. **Do Not Unravel Downtown.** Along with the support of the specific plan it is critical that the leaders of Paducah understand that investment will **not** come if the development community can not count on the city supporting revitalization. It is not enough for the city to *support* the process vocally they must be careful about sending mixed signals by encouraging and approving commercial projects that will ultimately compete with the development projects they hope to kick off in the downtown. If investors become concerned that competing projects will continue to be encouraged and improved before the Downtown projects

can be fully funded and on a road to progress the entire process **will** come tumbling down. If the city makes a solid commitment to downtown and holds the line by **not** approving or encouraging any new commercial development that would compete with downtown then the risk to investors is again lowered and this could be the incentive needed to move the process forward. This is not only true for large investors this is true for the small business owner as well. Small businesses will respond to revitalization and they will be the ones that begin to replant the area as pioneer businesses. Small businesses will take as gospel that the plans will be supported and implemented. Cities have in the past killed this important pioneering process by trying to have a downtown revitalization program while courting developers that are planning competing commercial developments in other areas. The small businesses will be the pioneers and if the major investors never come for fear of dilution the pioneers will die on the vine.

4. **Develop a Recruitment Package for Downtown.** The typical recruitment package will contain a demographic profile of the community, a listing of the current vacancies, what types of uses are being recruited (shoes, clothes etc), typical costs for a retail operation (permits, rent, etc.) and incentives, information on the community and if any significant plans are in place for major changes then the package tends to become more elaborate. Lastly, there should be a contact a go-to-group for people to direct questions to. Once the package is constructed (they do not need to be elaborate) they should be distributed.

⇒ **Send the recruitment package to area Real-estate Brokers and Shopping Center Managers.** It is often the case that the local mall will receive an inquiry from a business prospect that they cannot accommodate for whatever reason; the lead will only be turned over if there is a known need in the downtown. In Santa Rosa California the local mall management makes it a practice to feed leads to the Downtown Association. In Paducah the mall and the downtown share common needs.... each other.

⇒ **Small Business Development Centers and area Chambers of Commerce should have the Paducah Recruitment Package so that they may feed the organization the names of those they are working with to establish a business in Paducah.**

⇒ **Retail Lease Trac.** Paducah should maintain a relationship with this organization. Lease Trac profiles companies that are in search of a

location within a certain region. Lease Trac (for a fee) will furnish the names and contact information for developers and individual business prospects. The prospects have been categorized by business type and the type of demographic the business is targeting.

- ⇒ **Website Promotion.** The Paducah recruitment information should be designed into the website for downtown.
- ⇒ **Attendance at trade shows.** Many small Downtown areas are reporting success at attending trade shows as an exhibitor to lure developers to their downtown areas. The most successful trade show seems to be the ICSC show that is held annually in Las Vegas.
- ⇒ **Newspaper advertising.** From time to time Paducah should consider an ad (even in the classifieds) of regional newspapers in areas such as Chicago, Nashville, St Louis or Memphis. Many individuals and businesses are leaving the metro areas on a daily basis and re-locating into smaller communities to combine a lower cost of living and quality of life.
- ⇒ **Marketing in Trade Association Newsletters.** Because Paducah now has a good indication of the types of businesses that would work in their downtown they can advertise for them in association newsletters. Paducah should purchase a National Trade Association Directory (Columbia House) which lists all trade association contacts for business associations related to the business types targeted for recruitment.

5. **Attend trade shows where business brokers can be educated about the opportunities in Downtown Paducah.** Conferences such as the International Council of Shopping Centers can be a place to make valuable contacts.
6. **Develop quarterly property owner meetings.** These meetings will enhance the communication between Paducah and the property owner. This face-to-face contact will become invaluable, as property owners are needed to support other projects.
7. **Develop real estate brokers breakfast.** This is a real opportunity to keep open the lines of communication with the real estate community. Over time Realtors will become used to notifying the Main Street office as the status of various downtown properties change. As the downtown market heats up there may be the consideration to increase the frequency of these meetings.

8. **Create a business recruitment team that can work leads, communicate with property owners and field real estate broker inquiries.** The business recruitment team should be made up of stakeholders in the downtown. We would recommend a city representative, a property owner, a banker, a real-estate professional and a business owner(s). Recruitment prospects (especially small businesses) will respond in a positive way to those communities that go the second mile to get their business relocation. Some communities will even invite a recruitment prospect and their family to spend a complementary weekend in the community.
9. **Update vacancy listings.** The Main Street office must maintain accurate information to insure that they will continue to be a clearinghouse for information. The Main Street office should develop a process for updating their database periodically. Vacancies (and other property changes) can be updated by physically walking the district with a hard copy of the database, networking with Realtors, and mailing out annual property owner surveys. City Hall can supply a list of building permit and business license applications, which would indicate a change in a downtown space. In some areas, the local telephone company or utility supplier will supply a list of commercial connects and disconnects which would alert Main Street that there has been a change in a downtown space.
10. **Improve the downtown website.** The downtown website can be used by business owners shopping for sites and a host of other uses. The Downtown Paducah web site should act as a selling tool for downtown. By maintaining links to more tourism-oriented sites, Paducah can focus on providing information needed by those individuals considering a downtown for their business venture. Some of the information contained on the website should include:
  - ⇒ Information about Downtown Paducah. Users will enjoy reading about the history of Downtown Paducah and the surrounding area. The location of Paducah, the downtown and how to get there from other major destination cities will give the reader a frame of reference for the location. There should be a description of the type (specialty retail, restaurant and entertainment) of downtown Paducah is

- cultivating. Pictures of new retail, restaurant or entertainment businesses that have located to the district should be included.
- ⇒ Information about the management program as well as their vision and mission statements. Businesses will be impressed by the fact that downtown is managed. Paducah should take the opportunity to provide education about the Main Street approach, their annual work-plans for each committee and other relevant information related to the successful management of downtown.
  - ⇒ Calendar of events and promotions. There should be a complete listing of all downtown events and promotions. We would recommend that the event calendar also include the days the city commission meets, the planning commission, and any other city commissions and or boards as well as meetings of downtown organizations and committees be posted on the site.
  - ⇒ The downtown database can be managed and up-dated by using any one of several Internet applications. Realtors should be encouraged to update property information on-line as they write leases or listings. Business prospects or Realtors thus simplifying the process of location shopping could view vacancies.
  - ⇒ Contacts and links to other agencies. A link to the Chamber's web site would provide further information about the region and perhaps other promotions. Links to downtown businesses would provide direct access to businesses for product information or as a way to contact businesses to request information.
  - ⇒ Downtown Incentives. The web site should stress the ease of doing business in downtown. A complete listing of services as well as incentives available to businesses that are considering a downtown location should be displayed.
  - ⇒ Information request form. The web site should have a form to collect information from the potential prospect. The type of space they need, for what use, budget for rent, special needs (restaurant etc.), time frame for relocation, Realtor's name, prospect's name and contact information as well as other relevant information should be a part of this form. Sometimes business owners will make an inquiry long before they need space or are going to make a move. The information gathered should be stored into a contact database that will interface with the downtown property database so that property information can be sent to the prospect as appropriate spaces become available.

- ⇒ A business card page for professionals serving the needs of downtown. Businesses often need contacts for insurance, legal, accounting, equipment, furniture, fixtures, carpentry, moving, licensing or other professional services that can make their relocation seamless. This web page is a business-to-business web page where the business card is the advertisement.
- ⇒ The downtown newsletter. Businesses will find it interesting to read the downtown newsletter to keep up on the happenings in and around downtown. Past newsletters should be archived on this page as well.

**11. Develop a plan for improvements that will enhance the image of downtown.** These improvements may be a part of the downtown general plan and the ideas that have come from that plan. These projects have been identified as projects that are often some of the first to occur. All of these projects are easy to implement, will not take the place of or deter the general plan, will build and foster team work and can be pointed to as immediate successes.

- ⇒ **Information centers and kiosks.** The existing information centers are in need of updating. New locations for information kiosks should be determined as a part of the way finding. Information on these kiosks should not omit other shopping areas in the city. Other shopping areas should be encouraged to mention downtown on their information centers.
- ⇒ **Implement a seasonal banner program to enhance the image.** One of the eight guiding principals of Main Street is that improvements are incremental. The implementation of simple enhancements like those of colorful banners is an incremental step toward the improvement of downtown's image and defining the area.
- ⇒ **Enhance the gateways to downtown.** The first impression is often the most important impression. The current gateways or entry points to downtown are in need of attention.
- ⇒ **Establish a downtown clean and safe program.** A successful downtown creates impressions in the customer's mind. Paducah has done a good job of cleaning up and maintaining a positive image for Paducah. There is always more to do. Taking existing clean and safe programs to the next level by adding twists such as docents could go along way to keeping an old program interesting. Two of the most important messages that a downtown must send to the customer is that it is clean and safe. The Main Street office and the city should

promote periodic clean-up days. These clean-up days should be frequent and consistent and be well publicized in the community. The clean-up days should not tackle the entire downtown at once but rather focus on smaller areas. This will give the program more exposure on a more frequent basis. Safety is always an issue for those visiting downtown. Downtown Paducah does not seem to suffer from the extreme safety issue that other areas do which is fortunate. The Main Street office should partner with another organization to create a downtown docent program. The downtown docents can roam the downtown area and provide information to the shopper, a direct contact to emergency services if needed (eyes and ears), and adds to the overall all-safe feeling of downtown.

**12. Additional business incentives.** In addition to these incentives the City should work together with the Main Street office to develop additional incentives. In cases where the incentive is already in place consideration should be given to better promotion of the incentives. Some of the recommended incentives would be:

- ⇒ **Business relocation expense incentive.** The level of assistance can be a set amount or based on the projected amount of sales tax the business would generate.
- ⇒ **Second floor occupancy incentive.** This incentive would help keep service businesses out of primary retail locations. The incentive should be targeted to offices or individuals that will occupy Second story suites. In some communities there are loan funds targeted for building purchases by business and then offer an additional incentive if the owner maintains their residence in an upper story.
- ⇒ **Waiver of license fees.** Business license fee waiver in year 1 and then a reduction of the fee for the next 3 to 5 years.
- ⇒ **Building department fee waiver / discount.**
- ⇒ **Special inspections by the building department with written code analysis.** Businesses are always concerned about the improvements they may have to make to a space prior to occupancy. A simple review of the space by the building department (in a timely manner) would provide the business or property owner a list of necessary improvements (with code sections noted) to have as a part of their budget or negotiation process.
- ⇒ **Site plan review fees waived.**

- ⇒ **Downtown Loan Program.** Create a downtown loan program that would target the quality existing businesses and those wanting to relocate to downtown Paducah. The loan should be targeted for improvements and expansions and based on the successful history of the business.
- ⇒ **Facade Grant Program.** Most communities have some sort of a façade improvement program in place for the downtown area. The façade program should be governed by design guidelines that protect the history of the architecture and compliment the vision the community has for the area. The Facade Grant Program should match the investment made to facade improvement or renovation dollar for dollar up to \$5,000 or \$10,000. Most downtown's have established facade grant programs and have found that this program continues to stimulate facade improvements even after the funds run out.

**13. Business retention.** It is important to assist the independent business owner with education and other programs to insure their tenure in downtown is a good one. One of the best ways to insure that the businesses stay healthy is to provide education programs and training. We recommend:

- ⇒ **Grade the existing businesses in the district to determine what their training needs are.** Members of the Economic Restructuring Committee on a long-term basis can do the business grading. Because grading the businesses will be of interest to Main Street the process should be free to the business. A grading form is provided in the appendix of this report.
- ⇒ **Implement business-training seminars.** These workshops should be developed with the assistance of the Chamber of Commerce, Small Business Development Center, County Job Training Office and other related agencies. A small fee should be charged for the workshops to offset any related expenses.
- ⇒ **One on one-business assessments to help business owners improve weak areas of their business.** The Small Business Development Center (SBDC) should be contacted to provide these assessments on a quarterly basis to all interested businesses. Most often this service is offered for free by the SBDC.
- ⇒ **Offer a secret shopper program.** This is a potential fee for service program that can be offered by the downtown office. Most businesses are willing to pay a small fee (\$25) to have their business shopped. If

the downtown office cannot implement this program the SBDC often offers this type of service.

### **The Future of Retail, The Mall and Downtown**

It is a beautiful spring Saturday 10 years from now. Shoppers are feeling optimistic so they hop into their hydrogen-powered SUVs — to buy that sofa for the living room or to sample the latest vacation togs for their upcoming vacation.

But where will they go? To the gigantic, newly renovated super-regional mall in the next town? To the mixed-use development down the road; the one with the hockey rink, the doctors' offices and as many restaurants as stores? Or to the home furnishings mall, crammed with furniture, antiques, linens and kitchenware, but not a pair of socks in sight?

Welcome to retailing's multiple-choice future. As much as malls and shopping centers have morphed in the past few years, even more changes are coming. The retail cycle is shrinking, change is accelerating and store sizes and formats are in flux. There will be some stunning new designs and lots of white-hot technology, but the biggest changes will be less obvious: redesigned malls with different kinds of anchors and different tenant mixes, and lots more space for non-retail uses. Everywhere, there will be a new focus on convenience, including, perhaps, daycare facilities and a place to check your coat.

No one can say for certain what the world of 2016 will look like, and interviews with industry insiders produce some predictable predictions. Developers with a heavy focus on enclosed malls say they will remain the big dogs; those who have invested deeply in lifestyle and power centers think that they'll be on top, and that a lot of the older enclosed malls will be long gone.

Get beyond those disagreements, though, and a common vision emerges. The retail center of the future — whether it is enclosed or open-air, big or small, themed or general — will be designed **to resemble a community, not just a place to shop**. That means environments that place as much emphasis on recreation (everything from skate parks to jogging paths to entertainment complexes) as they do on consumption. The developments under way in 2006, as well as various re-malling/de-malling projects already point to a future in which retail blends with other functions. By moving beyond the

thinking in Paducah that there is the downtown area and then there is the mall will help us all see the advantages Paducah already has over other communities where regional shopping is concerned.

Visually, the “shopping center” of 2016 might not look like an old-fashioned Main Street, **but it will function like one**. Consumers will be able to visit a grocery or a post office, keep appointments with doctors and dentists, relax with a workout or a facial, take in a movie, enjoy a gourmet meal or hang out with neighbors at an outdoor concert. The activities that consumers will want in the future are centered around more than just retail. The more we extend this vision the more regional the draw for the area. Paducah has the beginning of a civic plaza that can serve as a connection between the downtown mall and recreation, library and city services, potential museums and services such as legal, medical and accounting. Communities that can package recreational, educational, professional services and government services along with the department store driven mall, specialty restaurant, retail and entertainment in and around the mall will likely become the power-centers of the future.

If this vision of the future seems familiar, that's because architect Victor Gruen, the father of the enclosed mall, painted it 50 years ago. The Austrian refugee envisioned just such a future when he sketched out his first mall in Minnesota in 1956, describing the mall as a way to replicate the community centers of the pre-automobile American cities in the new suburbs. “By affording opportunities for social life and recreation in a protected pedestrian environment, by incorporating civic and educational facilities, shopping centers can fill an existing void,” he wrote in 1960 in *Shopping Towns USA*. Paducah has all of these amenities in place in the downtown area.

Clearly, Gruen's vision was not often realized. With a seemingly insatiable demand for new shopping venues, developers saw little need for non-retail amenities and focused instead on finding great locations, lining up the best tenants and creating attractive spaces for consumers to stroll from store to store. They succeeded from coast to coast: The regional mall was the ideal product for the America of the late 20th century — a land of upwardly mobile, mostly white, suburbanites living farther and farther from the urban core.

### **The Consumer Is Changing**

But the America of the 21st century is starting to take on a different look.

And these changes affect what kind of consumer's retailers will target and how they will want to reach them. The baby boomers, the huge demographic cohort that grew up with the mall industry, are now moving toward retirement. Their spending is expected to slow down as their income growth ends. That will pose some tough challenges for the department stores they patronize — and which remain the most important anchors at regional malls. “Who shops at department stores these days? People 50 and over,” says Kurt Barnard, president of Barnard's Retail Consulting Group in Upper Montclair, N.J. “Young people were brought up on specialty stores, and they avoid department stores.” If an area can foster an environment where specialty retail stores are in the same proximity as a mall or department stores they both seem to flourish from the attraction of different markets that often cross over.

### **New and Emerging Markets**

Ethnic and racial diversity will also play a role. Fast-growing Hispanic, Asian and African American populations are accumulating significant buying power. According to projections by the Selig Center for Economic Growth in Athens, Ga., the spending power of Hispanic-Americans will reach \$926 billion by 2007, a 315 percent gain from 1990 — compared to an expected 131 percent gain for all American consumers. That Hispanic buying power, as well as that of Asians and African Americans, is concentrated in and around certain cities.

Figuring out how and where these consumers shop will play an important role in retail development. Hispanic families, for example, are known to take the whole family along when they go shopping. So, perhaps, a retail development that offers entertainment, dining and community events will draw more Hispanic families. Troy Peple, president of Chainlinks Retail Advisors of Vienna, Va., expects retailers to fine-tune their focus on these increasingly critical ethnic customers. “The more adept retailers will specialize more,” says Peple. “We are going to have retailers specializing more in ethnic clients in the local market.” Paducah certainly has the room in the downtown area to host family friendly events thus keeping the family engaged in the area not just as a retail area but also as an area for the family to use.

### **Urban Centers on the Rebound**

Finally, there is the trend of in-migration to urban centers and older, close-in suburbs from the outlying suburbs where the biggest regional malls are

found, but where many consumers have grown weary of long commutes and lack of convenient amenities. Young professionals flock to 24/7 downtowns while empty-nester baby boomers are trading their suburban spreads for the restaurants, theaters and easy commutes of urban life.

The back-to-the city movement is a clear trend poised to continue well into the 21st Century, according to the Urban Land Institute. Inner cities will account for at least **40 percent** of the total increase in U.S. purchasing power between 2000 and 2045, according to the U.S. Census Bureau.

Nationally, the increase in city housing permit activity from 1999 to 2000 exceeded the average annual increase in city housing permits from 1990 to 1998 by 35 percent. By contrast, suburban housing permit rose 21 percent.

From Boston to Miami to Denver to Chicago retail development is following these new urbanists. Washington, D.C., is a good example. The district has seen a surge of retail development that reflects not only the gentrification of formerly blighted areas but also the rising affluence of the city's African American and Hispanic residents. In addition, developers recognize that the outlying suburban areas — where they have concentrated their energies for the past two decades — are reaching retail saturation.

An equally significant force shaping the mall of the future is income distribution. After almost 30 years of nearly stagnant income growth for the average American family, the great middle class, who has supported the conventional shopping center, is under stress. The erosion of the middle class is an ominous development for mid-price retailers, including department stores. “You’ll see a continued decline unless they can recast themselves, and it's hard to compete on value,” Peple says. “The people who are on fire are the retailers that emphasize value, specialization and convenience.”

### **How Will The Mall Compete?**

So, what's ahead for the mall industry? “The business is at a critical point,” says Nathan Forbes of The Forbes Co., a shopping center developer based in Southfield, Mich. “You have a depleting pool of retailers, a depleting pool of successful department store chains, and you have a lot of shopping center space competing for the same tenants. The developers and cities that can show the most ingenuity in creating an interesting environment, both from a

shopping and an experiential standpoint, **will be the ones that will create an asset that'll withstand the test of time.**" The Town Center in Paducah (i.e. the downtown area) may be in a better position to re-tool than malls in other locations *because* of its location in downtown. Transition malls (discussed later) often have a difficult time re-inventing themselves because they were built as retail only and we are moving into a lifestyle driven retail cycle. Paducah's Town Center is in the heart of downtown. While the location of the mall years ago dealt a blow to the historic downtown district it is this very location today that will likely pave the way for its survival. The Town Center Mall (the downtown) has the opportunity to reconnect with the surrounding neighborhoods and retail areas to offer a complete downtown with department store shopping, specialty shopping, recreation, living space, restaurants, government centers and other amenities that are all *in play* for today's successful retail centers.

Stan Laegreid, a principal at Callison Architecture Inc., notes that while "maybe years ago, we were looking at 80 to 100 openings," only two mega-malls are opening their doors this year. There are few available development sites, and powerful fortress malls often dominate the best markets.

So "maybe the mall of the future is going to be a stealth mall; it's going to be a mall, but one that is disguised as not being a mall," says Gregg Pasquarelli, a Columbia University professor and co-founder of ShoP Architects. What he means is that we should expect retail to be developed on smaller sites and **infill sites in a pedestrian- and mixed-use friendly way**. The benefit to Paducah is that the Town Center Mall exists in an area that can resuscitate the pedestrian quality that once graced the area.

Simon Property Group, the biggest mall developer, does not necessarily dispute the analysis of critics — but it does challenge some conclusions. "Malls over time have begun to look very similar to one another. For the most part they have a similar tenant mix and are formatted the same way," says Michael P. McCarty, senior vice president of research and corporate communications. "You need to constantly reinvent your offering, so it matches up with what consumer wants."

But McCarty says it is important to separate fads from genuine trends. "Anybody who has been in this industry long enough to have perspective knows that we have a tendency to promote the concept du jour," McCarty says.

Are lifestyle centers and outdoor formats a fad or a trend? Developers have built more than 10 million square feet of lifestyle center space since 1995. According to *Retail Traffic's* Developers Expansion Plans survey, at least 22 more such projects were slated to appear before 2004. According to the survey, developers will produce about 8.25 million square feet of new regional mall space in 2003 and 8 million in 2004, down from the 11.5 million delivered in 2002. Six new regional malls will open next year, compared to 11 in 2001.

For now, Simon says, there's no need to choose one format over the other. "Our position has been that both of those concepts ought to be part of your repertoire," McCarty says. "We certainly have done our share of lifestyle centers, and you will see an increasing number of them." A prime example is Bowie Town Center, which Simon opened in suburban Washington, D.C., in 2001. "But open-air centers won't necessarily be the majority," says McCarty. "We will build whatever is appropriate for the market. We would exclude nothing." That includes hybrid projects that blend styles. Simon's Mall of Georgia in Atlanta, for example, is considered the first mall built in the now-popular indoor/outdoor format.

Still, Simon concedes that its future growth is not based on building more regional malls — whatever the format — for a nation that already has 20 square feet per capita of retail space. "The key for us going forward is being focused on our existing portfolio of assets and making sure the innovations are in there," McCarty says. This is one reason why Simon and other developers invest so much in recalling and adapting existing properties to new formats.

If the retail gurus are correct and the customer of the future (and the trend is playing out today) then the free standing mall that offers no adjacent services could be in trouble if not heading for extinction. Building lifestyle centers can be an investment that developers are not willing to risk although all admit that the trend is in that direction. The benefit to Paducah is that there is a lifestyle / indoor-outdoor mall already in place; it just needs further refinement. The interviews conducted for this section reaffirm that the City of Paducah has an opportunity that is not often available to other towns and regions. Paducah has the "bones" of the future in place.

In the near term, nobody is questioning the viability of the enclosed regional

mall. These properties continue to enjoy low vacancies, increasing rents and steady lease renewals. Productivity for enclosed malls of all sizes, of which there are 1,182 in the U.S., was pretty much unchanged in 2002 — generating annual sales of \$330 per square foot, just \$4 less than a year earlier, according to the International Council of Shopping Centers.

But not all such malls are going to survive. The industries less profitable malls are already struggling to reinvent themselves to capture new tenants and traffic. CB Richard Ellis Retail Services team says three distinct mall segments currently exist: Between 20 and 25 percent of the nation's 2,000+ malls (includes malls of all types not just enclosed malls) are A quality or “fortress malls” and are typified by sales of more than \$400 per square foot. Some 40 percent to 45 percent are “franchise malls,” with sales of \$300 to \$400 per square foot. The remaining 30 percent to 40 percent are “transition malls” — the ones that need help. The Town Center Mall in Paducah is classified as a transition mall in the inner circles of the industry.

**“Retailers are limiting expansion activity to only the best locations, so fortress malls are holding on,” this is according CB retail services senior manager Bob Burke.** “This segment is seen as the source of the greatest stability for the next 10 years.” Transition malls will likely experience a complete transformation within 10 years either into alternative retail formats such as power centers or non-retail uses, this according to Burke. Most transition malls are not in locations that are conducive to combining specialty retail, outdoor experiences and recreation opportunities as they were built as stand alone properties that were to be destinations within themselves. Many franchise malls will attempt an upscale shift in merchandise mix to attain fortress status or move downscale by bringing in more discount-store anchors and in-line tenants. For example, Faison & Associates closed its 27-year-old South Square mall in Durham, N.C. to rebuild a power center anchored by Target and Sam's Club.

Paco Underhill, the founder and managing director of Envirosell, a New York-based retail research firm, says that focused centers will become routine. “I think you'll see malls that are much more themed. They will be after specific customers — people who are interested in home furnishings, the outdoors or luxury goods,” says Underhill. That, however, is the mall that was built as the destination and is not connected to other consumer collectors such as water parks, libraries, grocery stores or government centers. These malls certainly have opportunities, destination transition

malls do not.

**“The future is local, not global. It will be much more integrated with hotels and housing,”** according to Underhill. “The mall will be much more focused on what the customer wants and where it is. We’ll see much more programming and we’ll explore the broader edges of entertainment and sports.”

### **Building Communities Builds Retail**

The trend that makes the most sense to many crystal-ballers and gurus in retail real estate is the community center idea. Longtime May Co. executive and Build-A-Bear Workshop founder Maxine Clark, who has a reputation as a keen observer of retail trends, believes the most successful projects in the future will incorporate important family functions alongside retail stores — medical and dental offices, for example.

“There should be public places for events that bring people to the mall,” says Clark. “Maybe even portable kiosks that can be ‘rented’ by kids to sell their wares — i.e., Girl Scout cookies — from time to time, so [the center] is more community oriented. Maybe a sports arena on the grounds for soccer or hockey or whatever.” Anything, in short, that brings families together in a safe, secure and fun setting. That’s why Henry Gruen’s Southdale Center, the nation’s first enclosed mall, featured a public auditorium, an ice rink and even a school.

Envirosell’s Underhill would go a step further. He believes malls and shopping centers will evolve into “a combination of lifestyle-facilitation places where we can go and execute all of our needs, not just some.” That would mean malls with groceries, schools, day care and farmers’ markets in the parking lots. (He also expects to see more malls with coat checks, which would encourage shoppers to spend more time — and money.)

Clark points to the Easton Town Center in Columbus, Ohio, as an example of a center that has already moved in that direction. “It is almost a community — shops, restaurants, hotels, big box, all basically on the property,” she says.

The 1.5-million-square-foot center, which opened in 1999, is a collaboration between designer Steiner + Associates, The Georgetown Co., The Limited and California Governor Arnold Schwarzenegger. It is pedestrian-oriented,

with open-air squares, and even a children's park. Its anchors are Nordstrom, Barnes & Noble, Lazarus, Virgin Megaspore and AMC Theaters. But it goes beyond the conventional: It has spas and a fitness center, for instance, as well as, a comedy club and a mammography center. Easton Town Center has also been more adventurous than other major malls in its tenanting. The mall seeks out and makes room for new cutting edge retailers with new and unique concepts.

Yaromir Steiner, the president of Columbus-based Steiner + Associates, which specializes in “new urban retail” centers, believes the public thinks of shopping and leisure as linked activities. “It goes back to how people have always liked things,” Steiner says. “Shopping and leisure were always mixed together in the town center, in the agora. They were always in the same general area.” Steiner says future shoppers will demand better overall design. “People want shopping environments to give them a sense of place,” he says. “Their demand for good-feeling spaces is increasing. They are not willing to accept long hallways with anchors at each end anymore.”

Steiner also says that shoppers are no longer willing to accept inconvenience. “The old mantra of ‘Let's keep the cinema at the end of the parking lots’ is finished,” he says. **They want it on the new “Main Street,” just like it was when the theater was downtown.** Outside areas “will have most of the leisure-time uses — clubs, theaters, bars — and also branded retailers, which will increasingly locate there because they don't need to be in a mall,” Steiner says. Strongly branded stores, including Talbots, Gap, AnnTaylor and Banana Republic, “have become a destination in their own right, and they don't need the validation of the department store.”

### **Lifestyle Lessons**

Retailers, of course, are watching the industry's evolution closely, and one of the biggest, Federated Department Stores, isn't betting the farm that the traditional enclosed mall is a relic. At current rates of lifestyle-center construction, “there will probably still be only a third as many of those as regional shopping centers” in a decade, notes Gary Nay, vice president of real estate at Federated.

But Nay isn't dismissing the benefits of lifestyle centers. Indeed, Federated has “paid a lot of attention” to their growth and has experimented with a small store that might fit that format, but Federated thinks it will have a

relatively small impact on us and the traditional department store.

Still, Federated sees that change is coming to the traditional mall. “The regional mall is certainly of a big concern to us,” Nay says, **adding that some properties, especially the class C centers, “will have to get better or go away.”** Those that improve will likely take lessons from lifestyle centers, which Nay says are tackling some important issues.

“There are a number of things that are being dealt with in open-air lifestyle centers,” including amenities and ambience,” Nay says. “The old regional mall frequently was lined with truck ports and delivery docks. When you drive up to a lifestyle center, you see restaurants and attractive landscaping. We'd like to see more of that — additional restaurants and leisure-time activities.”

Apparently Nordstrom agrees. The Seattle-based retailer has opened several new stores in hybrid indoor/outdoor malls in the past year. It even tinkered with its format, cutting store size from the average 190,000 square feet to 122,000 square feet to fit into Los Angeles' The Grove, an open-air project that has since become a prime destination for L.A. locals and tourists.

Will that be enough to keep department stores in the starring role they have always played in mall development? Robert Taubman, CEO of Bloomfield Hills, Mich.-based Taubman Centers, thinks so. “People have pronounced their death now for years and years, but we strongly believe that consumers like department stores. They're highly promotional, often in the newspaper every day during the week. They're extending credit. They are a flexible stage for many different types of products,” he says.

No one expects Nordstrom, Bloomingdale's and Macy's to go away, but analysts expect the war of attrition to continue to eliminate some lesser names. “The Wal-Marts and Targets and Kohl's of this world have been kicking the crap out of the department stores and have a lot of momentum, and it's going to be hard to turn that back,” says David Kass, president of Continental Retail Development, a shopping center developer in Columbus, Ohio. “These guys have taken a lot of market share.”

“What you'll end up seeing in 10 years are shopping centers that are more of a hybrid — discount retailers mixed with specialty. The line has grown much funkier,” says Kass. That trend is illustrated by the new breed of

power towns such as Desert Ridge Marketplace in Phoenix.

“We've been seeing a trend toward fewer department stores,” says developer Nathan Forbes. “When they go out through consolidation or bankruptcy, developers are looking at their options. Discounters? Additional uses like restaurants and ancillary retail, maybe a large Nike or Sony store? Are you better off taking a department store box and figuring out what else you can do with it?”

Maxine Clark figures that the department store will evolve not become extinct. “While they're struggling, they'll still be around.” she says.” Department stores still play an important role, as they drive traffic to the parking lot with sales and their aggressive advertising.” That does not mean that the same old department stores will have those anchor slots. Discounters such as Target and Kohl's may emerge as their replacements; after all, they are department stores. If that happens it will be important for the mall and the discounters to work together to make sure their common interests are served.

Underhill, who wrote the bestseller *Why We Buy: The Science of Shopping* and has another book titled *Walking the Mall*, also sees nontraditional anchors stepping up to the plate. “The era of the department store anchor is coming to a close,” he says. “We'll see a broad collection of other types of stores as anchors.” Target, he says, could be “fantastic,” and L.L. Bean or upscale supermarkets could succeed nicely as anchors.

Simon's Michael McCarty believes there will be a big role for department-store anchors in the centers of the future, even open-air centers. He points to Bowie Town Center, which he calls “a poster child for what people think is the next generation of lifestyle centers.” Opened in 2001, it has a Main Street, lined with individual stores. But it also has two traditional anchors: Sears and Hecht's. Lifestyle centers “don't necessarily exclude traditional department stores. It's a concept whose architecture is being studied intensely by us and others.”

### **We Don't Recruit We Attract**

With whatever changes occur in shopping center design, with whatever shifts might take place in tenant mix, the one thing that nearly everyone agrees on is this: The successful properties of the future will be the ones that try hardest to **make shopping a good experience. That means creating**

**places where people want to be** — not just because it's where they have to go when it's time to replace those ratty bath towels. “There will be a recognition that the customer's experience starts in the parking lot, and there will be a driving desire to define your mall as something different from the next mall down the road,” says Underhill.

The consequence of that, says one developer, will be a great deal of renovation and upgrading of existing properties. “There is going to be a wholesale recycling of the retail environment in the coming years. There will be a revolution in quality.” Deciding what to build and where — and how to even approach the decision — will be the challenge for developers and retailers in the coming decade. To meet all the needs of a changing America, the retail real estate industry might have to sacrifice some sacred cows and rethink many assumptions.

The outdoor elements of today's lifestyle centers may just be the start. As retail and mixed-use projects attempt to attract consumers with community activities, look for more park-like spaces to be built, with jogging paths, duck ponds and band shells.

The enclosed mall is dead! Long live the malls! The mall will evolve, perhaps incorporating different types of anchors and adding services and amenities to give consumers something more than a great selection of stores. Increasingly, however, malls may be attached to open-air and mixed-use projects.

Unless the biggest trend in retailing — the triumph of the big-box stores — suddenly reverses, the coming decade will bring these upstarts into mainstream retail real estate development. Power centers are morphing into power towns and traditional malls as well as lifestyle centers are looking for ways to accommodate these high-traffic tenants.

With space at a premium and Americans tiring of the perpetual traffic jam, mixed-use development will become even more pervasive. But the uses will multiply. In addition to retail, office and residential components, these projects are also likely to have venues for civic and social functions — post offices, day care centers, community theaters.

The trend toward mixing shopping with recreation is here to stay. But the retail center of the future won't be complete with just a movieplex. There

will be a range of diversions to keep the traffic coming: an aquarium, a comedy club, an IMAX, a concert venue.

The conclusion of the discussions with various developers and those shaping the future of shopping is that transition malls are the ones most in trouble. Transition Malls as stated by most of those interviewed are often stand-alone and have few adjoining amenities. The malls are a tough nut for revitalization as good retailers recognize that shopping patterns are changing these malls are not in a good position to recapture market share. So for the mall recruitment is often a package of incentives that further strains the financial picture of an already fragile situation.

## Business Grading Template

### Customer Service

- Hours of Operation. ----- 1-10
- Ease of payments (all credit cards, ATM's etc.). ----- 1-10
- Customer follow-up program.----- 1-10
- Special Ordering.----- 1-10
- After hours.----- 1-10
- Life celebrations.----- 1-10
- Customer rest room. ----- 0 or 5
- Returns , exchanges or credits----- 1-10
- Has other unique or misc.. Customer services----- 1-10
- Does not use the word “no” all over the store----- 1-10
- Generally customer driven.----- 1-10

### Advertising

- Has an annual plan and budget.----- 1-10
- Is frequent & consistent with advertising.----- 1-10
- Looks professional in all attempts.----- 1-15
- Measures the ROI of advertising medium  
against the cost of the advertising program----- 1-15
- Creative in delivering the message.----- 1-10
- Cross promotes all advertising.----- 1-10
- Stresses services, quality and convenience over price.- 1-10
- Uses bounce backs with other businesses.----- 1-10
- Targets a demographic Vs shotgun approach.----- 1-10
- Knows the top five advertising methods  
for their industry.----- 1-10
- Takes advantage of group buying  
and co-op advertising.----- 1-15

## Pricing Strategies

- Is primarily a discounter.----- 0-10  
(this # is negative, subtract score)
- Repackages, re-labels, or renames.----- 1-10
- Bundles / breaks bundles.----- 1-10
- Frequent buyer program.----- 1-10
- Pre-sell program.----- 1-15
- Limits number of sales per year.----- 1-10
- Adds value instead of a sale.----- 1-10
- Uses D/C pricing strategies (A,B,C).----- 1-10
- Uses loss leaders to promote value and perception.----- 1-10
- Belongs to a buying group or network buying.----- 1-15
- Uses other creative pricing strategies.----- 1-10

## Visual Merchandising

- Uses window / office displays that stand out.----- 1-10
- Point of sale / shelf talkers.----- 1-10
- Sign packages are neat, uniform and understandable.----- 1-10
- Impulse products close to check out.----- 1-10
- Overall impression.----- 1-15
- Displays all services (sign package).----- 1-10
- Welcome sign with mission and expectations.----- 1-10
- Layout sensible and easy to navigate.----- 1-10
- Signs are not hand written.----- 1-10
- Uses in-store props and display “islands”.----- 1-10
- Changes displays on a regular basis.----- 1-10
- Invests in props and display materials.----- 1-8

## Product

- Clean, neat and dusted.----- 1-15
- Services what they sell.----- 1-10
- Wide selection(even of offered virtual)----- 1-15
- Unique and specialty oriented.----- 1-10
- Constantly up dating product line.----- 1-10
- Offers some services for sale if product driven, and offers some products for sale if service driven.----- 1-10
- Has no more than 30% of product or service line in direct price competition with discounters or other businesses.----- 1-10

- Turns inventory 6-8 times per year.----- 1-10 (for most businesses, if inventory is turning more than 10 times per year the selection may be too narrow.
- Does not overstock (uses JIT, just in time inventory).-- 1-10
- Does not have inventory over 100 days old. ----- 1-15

## Employees

- Neat and clean in appearance.----- 1-10
- Has written employee policies.----- 1-10
- Has written operations guidelines.----- 1-10
- Offers paid training for employees.----- 1-10
- Employees are offered production incentives.----- 1-10
- Has a benefit program for employees.----- 1-10
- Knows how to motivate rather than dictate.----- 1-15
- Pays at least 20% above minimum wage.----- 0 or 8

## Image

- Image is considered as good as the top 15% of the businesses in the community.----- 1-20
- Is neat clean and well maintained.----- 1-15
- Maintains all off site equipment (trucks, vans etc.)-----1-15
- Views the front of the building as an image statement even if business is a tenant.----- 1-15
- Image is uniform (advertising, printing, displays etc.)----- 1-10
- Maintains a budget for maintenance of image. ----- 1-10
- Image is consistent with historic preservation efforts.----- 1-10

## Technology

- Has a fax machine.----- 0 or 10
- Has a computer.----- 0 or 10
- Uses inventory tracking / forecasting software.----- 0 or 10
- Tracks customers and maintains a data base (w/ e-mail addresses). ----- 0 or 10
- Has a web site. ----- 0 or 10
- Has a general store on the web and uses auto return software. ----- 0 or 10
- Has developed or is developing an e-commerce strategy.----- 1-10

- Uses the Internet as a resource for research.----- 1-10
- Uses technology to automate programs and processes (advertising etc.)----- 1-10
- Using technology to lower cost and increase efficiencies. ----- 1-10

### Overall Management

- Belongs to a trade association.----- 0 or 5
- Networks in the business community.----- 1-10
- Belongs to a local business organization.----- 1-10
- Stays current on industry trends.----- 1-10
- Attends at least 2 educational programs per year. ----- 0 or 10
- Embraces technology.----- 1-10
- Has a business plan.----- 0 or 10
- Updates business plan at least annually. ----- 0 or 10
- Surveys or participates in a customer survey 2x per year. ----- 0 or 10
- Gets their business shopped at least once per year. ----- 0 or 10
- Knows and shops the competition.----- 1-10
- Understands ratio analysis of P&L and balance sheets.-- 1-10

### Location

- Easy to find and access.----- 1-10
- Views web sites, brochures etc. as an extension of location.----- 1-10
- Uses all “common sense entrances”.----- 1-10
- Brands location in advertising.----- 1-10
- Invests in location regardless of ownership.----- 1-10
- Location matches use of space occupied.----- 1-10
- Taking full advantage of location.----- 1-10
- Values location of position (advertising etc.)----- 1-10

How did they score?

**Multiply total by 1.035**

- **Score 935 -1098- Use as a trainer.**
- **Score 750 -935 - A good business. Needs training. A keeper.**
- **Score 600 - 749- Work with them. Needs training. Potential.**
- **Score 480 - 599 - Just barely average if not below. Better make serious improvements fast.**
- **Score 380 - 479 - Must make immediate change.**

Below 380 - Could be too late.

## **Cost of An Empty Storefront Downtown**

\$250,000 in lost sales  
\$12,500 in lost sales tax revenue to state and local government  
\$15,000 in lost rents to the property owner  
\$ 1,500 in lost property tax revenue to local government  
\$51,000 in lost loan demand to local banks for the building  
\$15,000 in lost loan demand to local banks for the business  
\$ 750 in lost property management fees  
\$24,750 in lost business profits and owner compensation  
\$16,250 in lost employee payroll  
\$55,500 in lost payments to local utility companies  
\$ 3,500 in lost advertising revenues to local media  
\$ 5,100 in lost deposits in local banks  
\$ 1,250 in lost fees to local attorneys and other professionals  
\$18,900 in lost household income generated elsewhere in the community