

# Economic Sustainability

## Economic Sustainability

The long term economic health of the retail and business sector of the community is important to everyone. The communities' vision of a vibrant town center requires a unified economic strategy, a focused support system, and a cooperative promotion of businesses if the goals are to be achieved. A healthy economic environment means that the goods and services that Alamo Heights citizens need and use are readily available. That shops and restaurants offer a variety of choices geared to the specific needs of the community.



## Existing Conditions and Analysis

The current business mix can be summarized as neighborhood convenience retailing with some specialty destination. The business mix tends to concentrate at a higher price point and with a good sense of design. The deviations from this occur in

automotive, as well as fast food, a small portion of the overall total. The current mix of businesses focuses on personal services, such as salons, medical and personal fitness. Restaurants naturally fit into this business mix. Gift stores tend to abound and home furnishings tend to be concentrated more on decorating and small furniture items. Home improvement, such as hardware, lumber, and flooring is absorbed by nearby home centers Lowes and Home Depot about 2 miles away.

The clothing sector is conspicuously undersized in Alamo Heights, but this is accounted for by the large amount of soft goods retailing found nearby at the Quarry Shopping Center, about 1.4 miles away. Clothing at the Quarry is more likely to fill the need for casual, everyday clothing. Potential customers in the Alamo Heights market are likely to take pride in where they buy their clothing, which means more upscale, well-known, prestigious shops could flourish. This coupled with nearby offerings at the Quarry impacts the commercial district's ability to offer more clothing.

## Vacancies

The overall vacancy rate right now is about 5.9%, slightly high. A vacancy rate of 5% is ideal as this will generally mean stable rents



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and it affords the district the opportunity to place a business somewhere in the district. The three restaurants that recently closed represent about 1.9 % of the total vacancy square footage.

## Largest Concentrations of Businesses

*Offices* represent 266,190 square feet of the overall square footage and 35% of square footage. Medical offices, real estate, attorneys, and architects are included in this percentage. Architects represent 44,767 square feet or 5.9% of the total and medical offices represent 49,650 square feet or 6.5%. *Groceries* represent 97,184 square feet or 12.8% of the total. There are two other institutions that are included in this category besides Central Market: Broadway Daily Bread and Cooper's Meat Market.

*Banking* represents 56,055 square feet or 7.4% of the total. There are 11 facilities in this category representing 8 different banks.

*Restaurants* represent 54,068 square feet or 7.1% of the total. Restaurants are still the 4<sup>th</sup> highest despite losing about 21% of their square footage in this recession. There are 18 different establishments in this category, far above any other category except the 17 businesses found in hair salons, spas and barber shops. Restaurants include fast food, ice cream, coffee houses as well as sit down restaurants. The loss in restaurant square footage has been at the high end as well as at the moderate price points.

*Personal Services* in the form of hair salons, spas and barber shops represent 34,131 feet or 4.5% of the total. There are a total of 17 businesses in this category. These businesses cover a wide array from traditional to funky-Avant Garde to low price to high price.

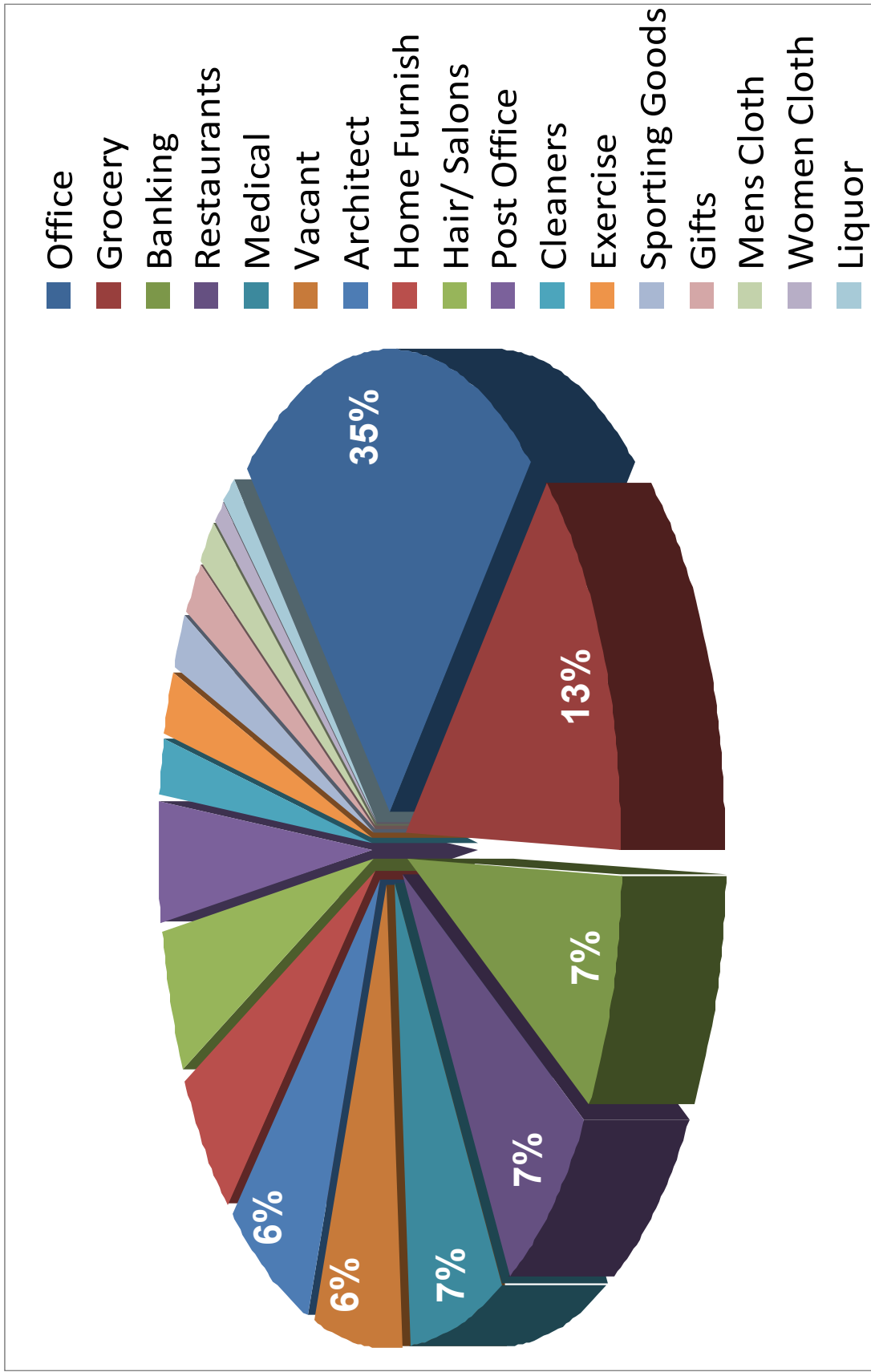
*Home Furnishings* represent 29,618 or 3.9% of the total. There are 10 different businesses in this category mainly covering decorating, galleries and framing stores. If antiques are included, then the total would increase by 6,624 square feet or about 1% higher.

*Automotive* represents 21,507 square feet or 2.8% of the total. This includes gas stations, oil, brake, tire and mechanical services. Exercise and dance centers, cleaners, sporting goods, and gifts each represent about 1.8% of the total.



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Largest Concentrations of Businesses



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## Sales Potential Model

The market observations are based on analysis of the 78209 zip code, which includes Terrell Hills.

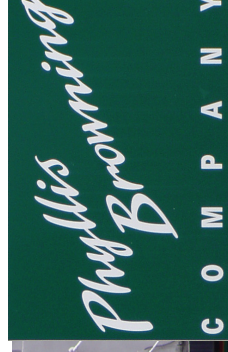
The total square footage of commercial space that is now in Alamo Heights stands at 758,413. If office space is subtracted then there's 492,223 square feet of space devoted to retail in about 30 different categories. Calculating the overall retail demand for 78209 in 15 different, major retail categories generates demand for 326,479 of additional square footage or an increase of 43% more space. The caveat for this figure is that it assumes the 78209 zip code would spend all its retail dollars in Alamo Heights. While we know this would not be true, it is safe to assume that some of the most underserved categories represent solid recruitment opportunities. The most underserved market segments appear to be in women's wear, jewelry, shoes, pets and toys and food away from home. The current recession will make it difficult to capitalize on these trends but as conditions improve the following retail categories should be the first businesses recruited. The key to these businesses succeeding will be to have a good leasing plan that puts the apparel stores in walking distance of each other so that shopping is convenient and easy for the customer. Additionally, stores need to relate to each other via a common style and price point.

Several stores sell accessory jewelry but a store solely dedicated to jewelry does not exist. The sales potential model shows demand for 15,522 square feet. It is unlikely that all this demand could be supported due to existing shopping patterns. With jewelry stores sometimes being as small as 600 square feet it is likely that this corridor could easily support 1-2 additional jewelry stores especially in the custom designed area.

Right now Alamo Heights only has about 14% (6,700 square feet) of the square footage potential (46,629) in women's clothing it could support. This figure could easily double to 13,400 square feet in the area of specialty destination. Ambiance, setting that

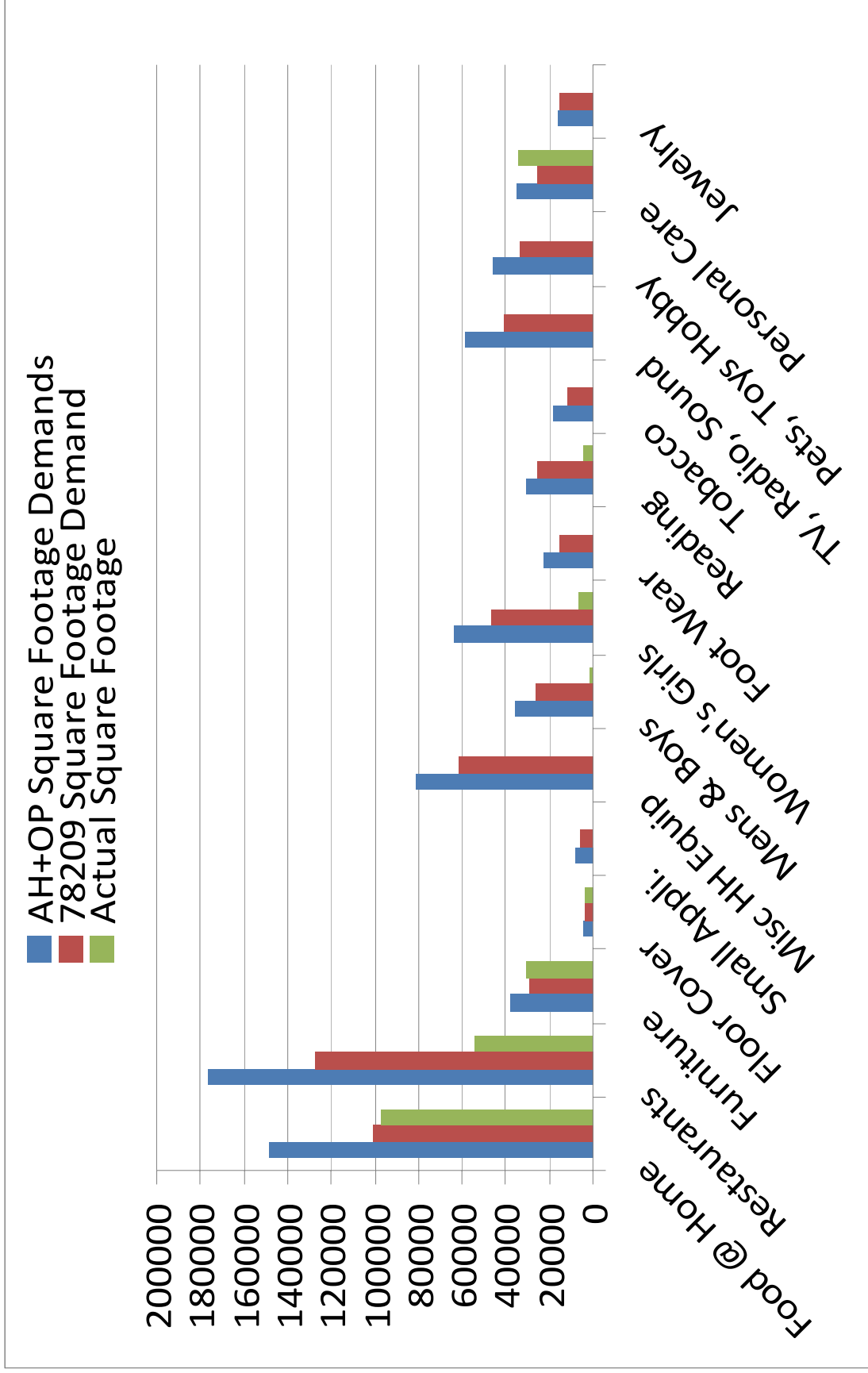
build prestige will be important to attract this type of business. Alamo Heights lacks a shoe store with a total potential of 15,714 square feet in this market segment. There appears to be the opportunity for 1,000 to 2,000 square feet of shoes.

Food away from home is only at 42% (54,068 square feet) of the potential demand (127,723 square feet). At the right price point, the area could support 1-2 additional restaurants in the 3,000 square foot range. In the near future restaurants should focus on good values and good quality. Higher price point restaurants will be tentative at best till current economic conditions improve. There is only about 6% or 2,100 square feet of a potential 31,519 square feet in the area of pets, toys and hobbies. The existing square footage could easily double in this category. There is very little to be found in the area of television, radio and sound equipment. The sales potential model shows demand for 41,292 square feet but this is a highly competitive retail market segment. The opportunity here is maybe for a high end, specialty destination vendor (Bang & Olufsen) or a retailer that offers service and supplies, such as a Radio Shack.



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Sales Potential Model



## Interrelationship of Businesses

Good retailing depends on two key elements. One, the layout and form of buildings themselves needs to facilitate pedestrian movement between the retailers. Second, the businesses need to relate to each other in some way that gives a potential customer the incentive to want to walk between the businesses. This is critical because sixty five percent of retail sales (department store merchandise) are impulse sales. Commercial districts that do not have a compact, walkable environment with a good leasing plan lose impulse sales (This format also starts to solve potential parking problems and reduces over parking because the customer is parking for more than one reason). Right now in Alamo Height these relationships need to work within a shopping center format as the district has very little development that is in the form of a traditional business district where all the storefronts are connected to each other and built to the front edge of the lot along the shopping street (Broadway 50/50 center as an example). As a result, the business district has evolved as a collection of relatively unrelated business. Within the overall business mix



there are several categories of businesses that would build foot traffic for each other if they were in closer proximity to each other. Longer term if the district begins to take on greater connectivity and follows a good leasing plan it will begin to capture a higher percentage of impulse sales.

Businesses who work together create a synergy and improve the economic potential for everyone. Providing technical assistance to business is a dynamic way to begin to engage owners to work cooperatively toward a common goal. Technical support to businesses could include such topics as window displays that sell, interpreting market analysis data, and improving business advertising.

## Implementing a Leasing Plan

Improving the leasing mix can happen in several ways. The easiest way to achieve this is to have the *potential businesses identified* and work with property owners to lease to these businesses when the spaces become available. This means that the retail market needs to be defined and turned into a leasing plan and then this plan needs to be promoted in order to create “buy-in” by the property owners. The approach also insinuates having some sort of a management organization to continually identify potential tenants, promote the leasing plan and work with the property owners. This is akin to the way that the typical Main Street commercial revitalization program works.



Take *options* on key rentals locations. This approach requires that some agency purchase options (first rights of refusals) on key locations in order to set the pace for the business district. These usually don't cost a lot of money and allow the organization that is managing the district to have a say in how its leased. If the agency doesn't like the landlord's selection then they can exercise their option which means that they have to lease the space by filling it with their own tenant. This is where this approach can begin to cost money if the managing agency doesn't have a tenant at hand. If the agency likes the landlord's decision then they can let their option lapse or renew it.

*Zoning* can be overlaid to achieve a more interdependent leasing mix but this still doesn't guarantee that the business that shows up is the ideal candidate. For example zoning has been used in many commercial districts to eliminate drive-through businesses in commercial districts.

*Bonus or Incentive Zoning* can be used to motivate property owners to buy-in to the leasing plan. For example incentives could allow increases in density or reduce parking requirements. combination of the above would be the most effective.

Not managing the leasing mix results in a more happenstance group of businesses that may or may not generate foot traffic for each other. This results in less sales tax and property values that are not as strong.



## Action Steps

- Provide technical assistance to businesses.
- Conduct an in-depth Economic Development Study as a basis for development of a Leasing Plan.
- Create a Management Organization.
- Use zoning to control and manage types of businesses.
- Establish incentives for property owners that follow the action plan.

