

City of Princeton



Mechanic Street Redevelopment Concepts & Retail and Housing Market Summary

August 19, 2009

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Introduction & Background

In early 2009 Dollar General approached the City with a concept for a store at the northeast corner of West Main Street (State Highway 23/73) and Mechanic Street. With the site already controlled by the City, there was a desire to develop alternate concepts for developing the area, beyond the original Dollar General proposal. It should be noted that the redevelopment area in question is in a Tax Increment Financing District, which will allow the City to undertake improvements to the area without spending money from the general fund. This report includes three concept layouts, and also gives an overview of the retail and housing market in the area.

Concept Plan Summary

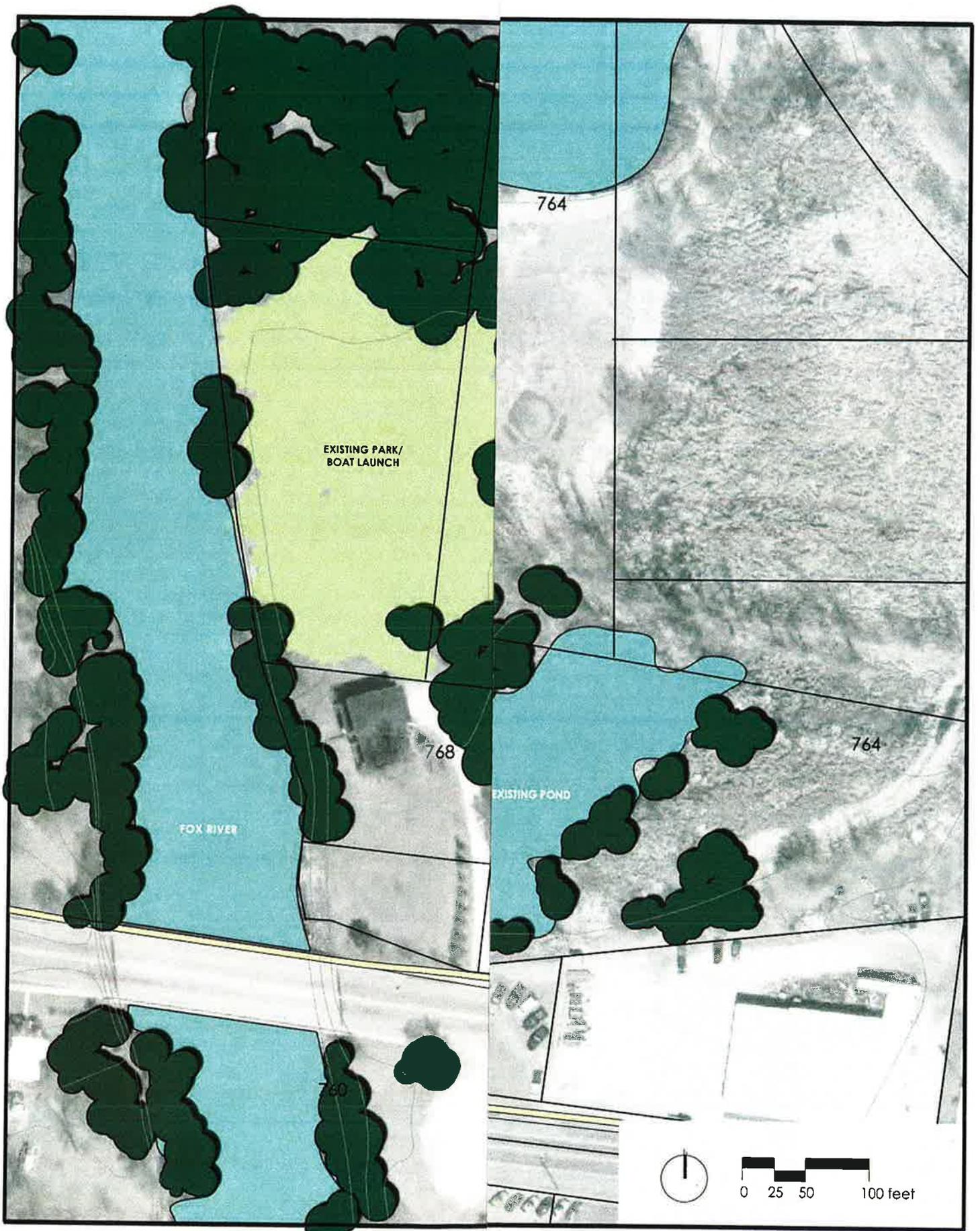
Three concept plans were developed for the Mechanic Street redevelopment area. Concept one includes Dollar General's current proposed site layout, plus residential space (apartments and townhomes). Concept two moves Dollar General up along West Main Street, includes additional commercial space along Main Street, integrates apartments and townhomes, and shows flex/storage space at the northern edge of the area. Concept three is all residential, mixing apartments and townhomes.

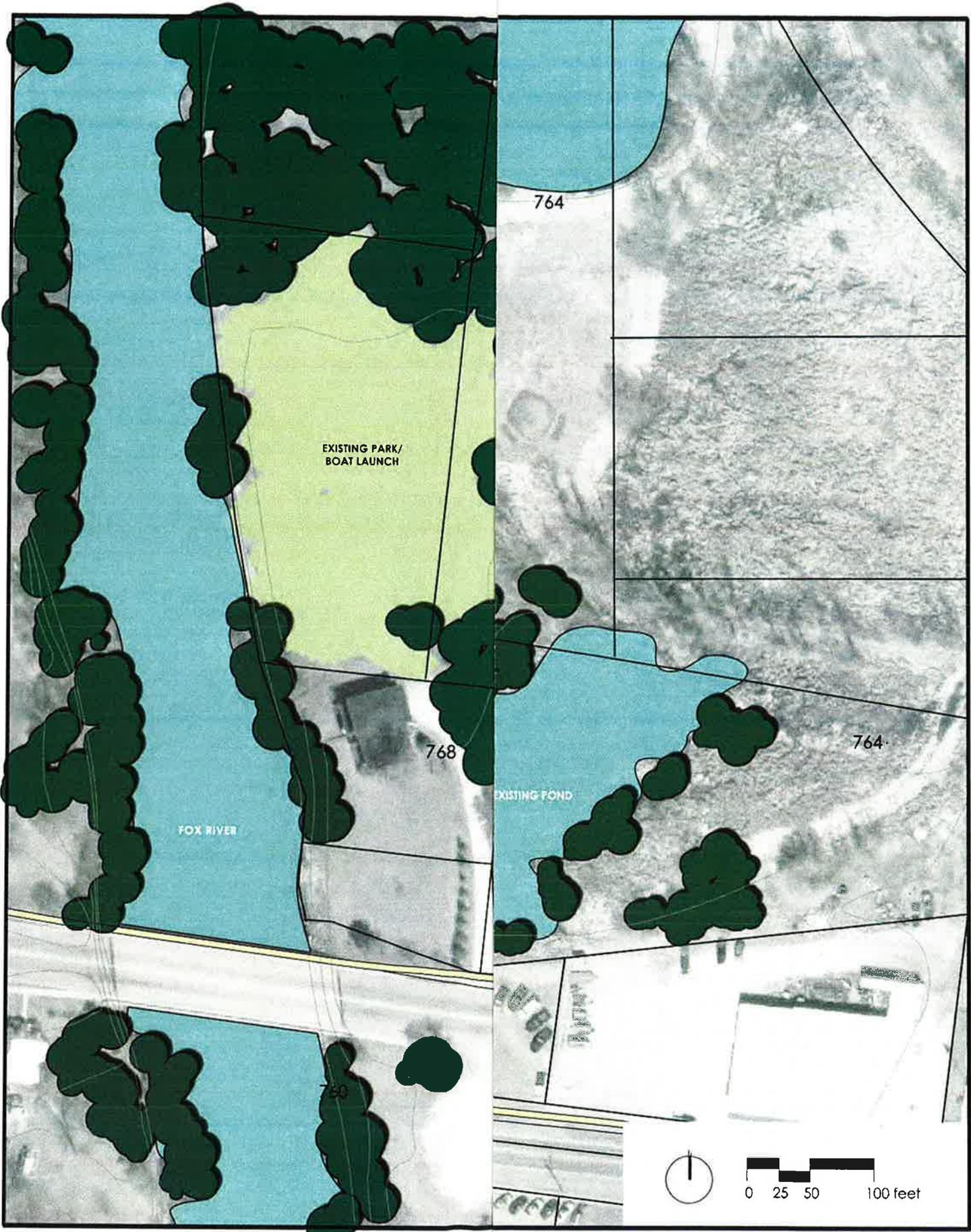
Summary of Redevelopment Concepts

Option #	Commercial Space	Residential Units	Other Space	Estimated Assessed Value	Estimated Property Taxes
1	9,014 s.f.	13	0 s.f.	\$1,760,000	\$45,600
2	12,514 s.f.	13	6,000	\$2,630,000	\$60,500
3	0 s.f.	29	0 s.f.	\$2,662,000	\$61,200

Assessed value and property tax assumptions: Per square foot (psf) retail assessment = ~\$77, residential assessed at \$100,000 per owner-occupied unit and \$70,000 per apartment, Flex/storage space assessed at \$50 psf. 2008 gross full value tax rate of 0.02299 used to generate estimated property taxes.

All three concepts are shown on the following pages.





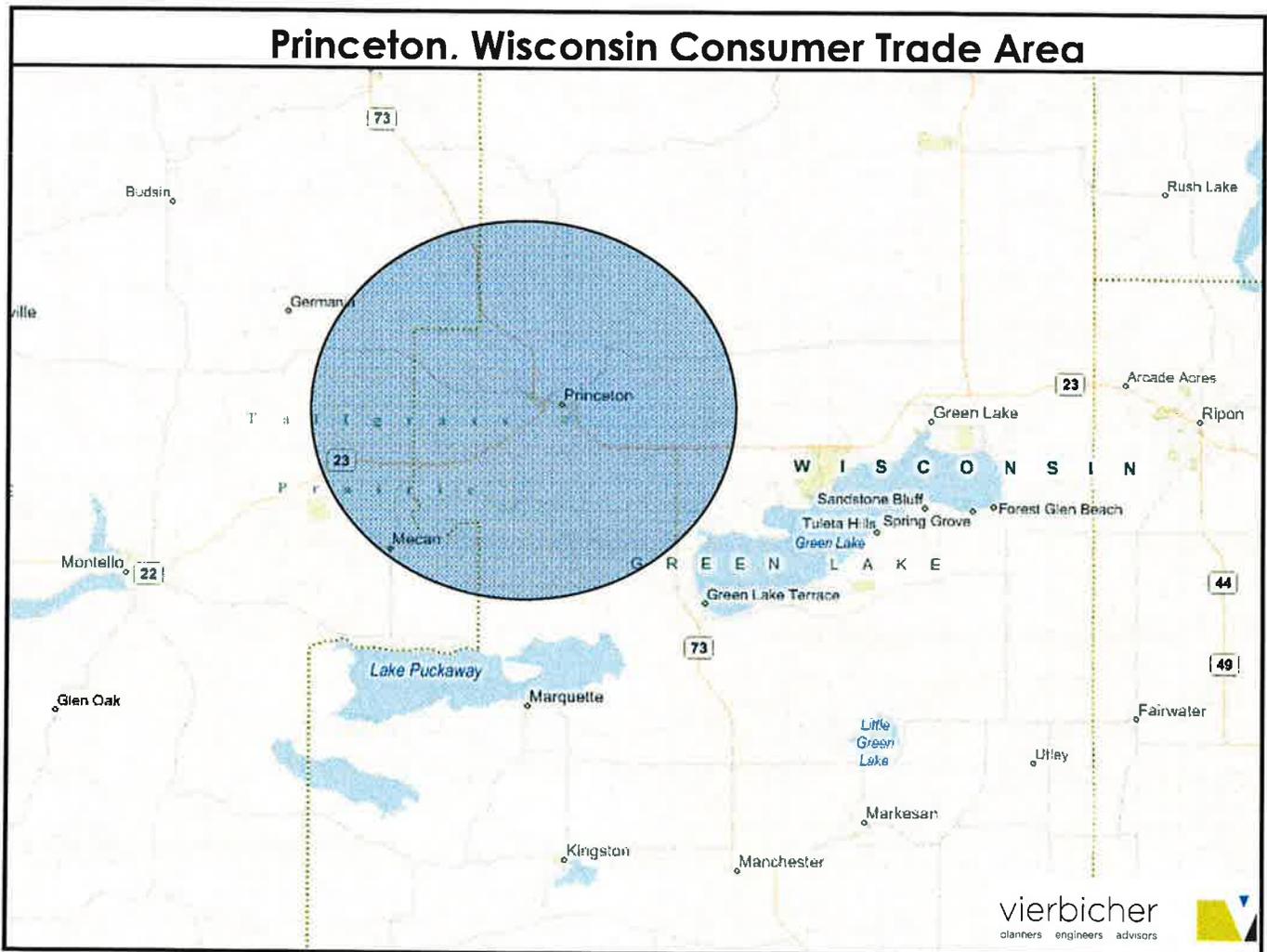
Market Analysis

Introduction

The Princeton retail and housing market was analyzed to help inform the decision making process regarding the future use of the Mechanic Street redevelopment area. The analysis includes an overview of the potential for future retail additions to the community over the next five years, as well as the need for addition housing units over the same time period. All of the data is based on 2000 census information, as well as 2009 estimates and 2014 projections made by the research company ESRI Business Analyst. The interpretation of that data is based on calculations and analysis performed by Vierbicher.

Trade Area

The foundation for a market analysis is the geographic region - or Trade Area - from which a community draws the majority of its customers and/or residents. For this market analysis, the trade area was identified by comparing the size of Princeton's retail offerings with surrounding competing retail nodes, and then determining how far a potential customer would be willing to travel to go to Princeton. The map below illustrates the Princeton Trade Area.



The map illustrates that the Princeton Trade Area is considerably more constrained to the east than it is the west. This is largely due to the presence of both Ripon and Berlin to the east which, due to their expanded retail offerings, will have a considerably larger draw than will the City of Princeton. It should be noted that the Trade Area does not represent the area from which all potential consumers originate, but only the area from which a resident is more likely to choose Princeton than some other retail option. All of the subsequent data represents the population which lives within the above Trade Area.

Retail Potential

Retail potential can be measured by comparing the amount of money trade area residents spend on particular product segments (demand) to the amount of sales which occur in that product category within the same trade area (supply). The result is a retail potential measure called a capture rate. A capture rate is the percentage of total trade area resident purchases that occur at stores within the trade area. In other words, if shoe stores have a capture rate of 50 percent, that means the businesses within the trade area are only meeting half of their potential customers demand. The other 50 percent of sales are being leaked to stores outside the trade area. If the capture rate is low in a given product category there may be an opportunity to capture sales that would otherwise leak to stores outside the trade area. This analysis uses capture rates to measure the Princeton market in 13 different retail store segments:

- Motor Vehicle & Parts Dealers
 - Automobile Dealers
 - Other Motor Vehicle Dealers
 - Auto Parts, Accessories, and Tire Stores
- Furniture & Home Furnishings Stores
 - Furniture Stores
 - Home Furnishings Stores
- Electronics & Appliance Stores
- Bldg Materials, Garden Equip. & Supply Stores
 - Building Material and Supplies Dealers
 - Lawn and Garden Equipment and Supplies
- Food & Beverage Stores
 - Grocery Stores
 - Specialty Food Stores
 - Beer, Wine, and Liquor Stores
- Health & Personal Care
- Gasoline Stations
- Clothing and Clothing Accessories Stores
 - Clothing Stores
 - Shoe Stores
 - Jewelry, Luggage, and Leather Goods Stores
- Sporting Goods, Hobby, Book, and Music Stores
 - Sporting Goods/Hobby/Musical Instrument Stores
 - Book, Periodical, and Music Stores
 - Sporting Goods, Hobby, Book, and Music Stores
- General Merchandise Stores
 - Department Stores
 - Other General Merchandise Stores
- Miscellaneous Store Retailers
 - Florists
 - Office Supplies, Stationery, and Gift Stores
 - Used Merchandise Stores
 - Other Miscellaneous Store Retailers
- Nonstore Retailers
 - Electronic Shopping and Mail-Order Houses
 - Vending Machine Operators
 - Direct Selling Establishments
- Food Services & Drinking Places
 - Full-Service Restaurants
 - Limited-Service Eating Places
 - Special Food Services
 - Drinking Places - Alcoholic Beverages

In addition to capture rates, the Princeton retail environment must consider a second layer of criteria when determining retail potential. Because the community is not the primary retail destination within the region, there is a more limited range of retailers that would locate in Princeton. Therefore, not all product categories, despite the supply and demand data, are viable in the Princeton market. To account for non-quantitative market realities, the supply and demand data gathered for the Princeton Trade Area was filtered to remove regional level retail opportunities, and focus on small market potential. The combination of capture rates and filtering the data for small market opportunities reveal the following retail potential.

Retail Potential

	Sales Leaked Outside the Trade Area	Capture Rate
Auto Parts, Accessories, and Tire Stores	\$232,863	0%
Limited-Service Eating Places	\$1,771,717	32%

Source: ESRI, Vierbicher

Unfortunately the existing retail offerings in the Trade Area seem to be serving most of the small market needs adequately. Only auto accessories and parts and limited-service eating establishments (those without a wait staff, including fast-food) show a lack of retail supply. Of those two, the gap that exists in the auto accessories and parts segment is not substantial enough to support a new retailer.

Housing

The housing analysis used housing data from the City of Princeton and the larger Princeton Trade Area. Insights into housing potential were identified by looking at historic housing tenure decisions (renting versus owning) for each age group. The age distribution of the future population of Princeton Trade Area was then used to estimate what types of housing units may be in demand over the next five years. The first table shows the expected increase in population between 2009 and 2014 for the Trade Area by age group.

Projected Change in Population

Age Cohort	2009 - 2014
15 - 24	-23
25 - 34	18
35 - 44	-60
45 - 54	-63
55 - 64	57
65 - 74	65
75+	-12

Source: 2000 Census, ESRI, Vierbicher

The age groups of primary interest will be those between 55 and 74 years of age, which together are project to increase by 122 persons or approximately 60 to 70 households by the year 2014. Based on historic housing tenure data, approximately 86 percent of those new households will live in owner occupied homes, and 14 percent in rental properties. That distribution is equal to about 55 owner occupied households and nine renter occupied households. However, it should be noted that the overall household growth for Princeton and the Trade Area is predicted to be very flat. Therefore, the data shows that any future growth in one age cohort will likely be offset

by a loss in another. In fact, the table below shows that when all age cohorts are considered, the overall expected change in household demand is relatively minor.

Change in Households by Age and Tenure

Age Cohort	Change in Owner Occupied Households	Change in Renter Occupied Households
15 - 24	-2	-7
25 - 34	6	1
35 - 44	-19	-6
45 - 54	-21	-6
55 - 64	22	2
65 - 74	23	4
75+	-3	-1
NET CHANGE	6	-13

Source: 2000 Census, ESRI, Vierbicher

Ultimately, the demographic data and future household demand projections reveal little market opportunity for the construction of new housing units. However, unlike retail, housing demand can be created by offering housing units that are currently unavailable, or target a specific group of individuals. For example, market data may reveal no opportunity in multi-family, but if the existing multi-family stock is old and out of date, new offerings that offer modern amenities could be quite successful. In Princeton, there may be the opportunity to capitalize on an aging population and recent trends in housing types. Although the data using historic trends suggests that the vast majority of the aging population will choose owner occupied housing over rental housing, the success of high-quality apartment complexes, many of which are exclusive to 55 and older, in communities of all size have proven that new demand for multi-family housing can come out of the 55 and older age cohort. Because Princeton currently does not offer high-quality, modern rental facilities this may be a viable market opportunity despite the implications of the market data.

