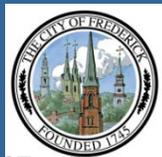

Frederick Market Analysis:

Phase 1: Retail Market Analysis



Prepared for



The City of Frederick
Department of Economic Development
101 N Court St
Frederick, MD 21701

Prepared by



in association with

SGN

Strategonomics Global Network

September 17, 2007

Executive Summary

The City of Frederick Department of Economic Development engaged Basile Baumann Prost and Associates (BBP Associates) in association with Strategonomics Global Network (SGN) to provide professional services for the development of a citywide Retail Market Analysis. This analysis was commissioned to identify current retail market (and lodging market) conditions and trends, evaluate potential impact of new corridor developments, and develop recruitment strategies for the retail market.

This report addresses the following:

- Economic and Market Overview
- Retail Market Overview
- Retail Market Analysis
- Lodging Market Overview and Analysis
- Strengths, Constraints, and Opportunities Analysis
- Potential Impact of New Development
- Programming Recommendations by Site

Within each section, conditions and trends within Downtown Frederick and other City retail nodes are considered. Within the Economic and Market Overview and Retail and Lodging Market Overviews, these areas are compared to the Frederick Planning Region, the geographic area that includes the majority of the County's retail space and lodging facilities.

Opportunities for retail expansion have been identified in terms of both sales and the addition of new stores by area. Potential opportunities for expansion of the lodging market have also been identified. An analysis of future sources of supply and demand, as well as estimation of potential impacts of new development, has been undertaken. Based on the findings of this analysis, site-specific commercial programming recommendations have been developed that address retail supply. Recommendations related to expanding demand for retail goods and services in Frederick have also been developed.

Several conclusions have been reached regarding retail and hospitality dynamics occurring Downtown and in the City. These include:

Retail Market Key Findings (additional detail provided on page 48):

- The City of Frederick features three existing (e.g. Downtown, Route 40/the Golden Mile, and the Northern End) retail nodes;
- The Downtown retail node could expand significantly with the introduction of retail at the Brickworks property;
- In Downtown, the following retail store groups exhibit relatively low capture rates (sales are less than 5 percent of local market area expenditure):
 - Food stores;
 - Clothing and accessory stores;
 - Sporting goods/ hobby/ book and music;
 - Eating and drinking places;
- Clothing and accessory stores and eating and drinking places also exhibit relatively low capture rates in non-downtown retail areas of the City, indicating potential for expansion; and
- Food stores in the City (beyond Downtown) are capturing a relatively high proportion of local market area expenditures:

- With several food stores located in the Frederick Planning Region, and several others planned/ proposed for various parts of the City, it may prove challenging to expand sales of existing stores or add new food stores to the retail inventory.
- As suggested by stakeholders, in Downtown proper (or at the Brickworks site) a specialty food store serving both Downtown residents and regional day trippers (visitors shopping for unique, one-of-a-kind goods) offers the best potential for expansion given the presence of competing food stores in the City and Planning Region.

Hospitality Market Key Findings (additional detail provided on page 58):

- Though Downtown comprises 13 percent of the City's total retail inventory, it comprises just 1 percent of the City's lodging inventory when Bed & Breakfast facilities are included (and 0 percent when B&Bs are not included);
- Both the City and Planning Region lodging supply lack luxury and upper upscale facilities. With a burgeoning tourism market, Downtown Frederick exhibits potential to fill this market void with a luxury or upper upscale hotel product primarily oriented to tourism, family and corporate events; and
- Employment growth throughout the City and Planning Region, particularly at Fort Detrick, could increase demand for rooms for business travelers. We believe much of this growth in demand will be absorbed by the hotel/conference center planned for Fort Detrick, the recently constructed Hilton Garden Inn in the Planning Region, and the recommended luxury downtown hotel.

Impact of Future Retail Development (additional detail begins on page 65):

- Future sources of market demand in the Frederick Planning Region are estimated to support the addition of over 1.62 million square feet of new retail space through 2020. With an estimated 1.46 million square feet of development in the pipeline (e.g. under construction, planned, or proposed), there is an opportunity for the introduction of an additional 160,000 square feet of retail space.
- Several of the pipeline retail projects are planned to include grocery stores. With City food stores already capturing a relatively high proportion of local market area expenditures, prospects for additional new food stores may be limited to those that cater to visitors from the region in addition to primary market area residents.

Based on these key conclusions and analyses, the Project Team has developed retail supply and demand recommendations that identify the amount, type, and mix of retail development ideally suited for each retail node. Demand-oriented recommendations identify strategies to expand the customer base to minimize potential for retail oversaturation as new space is added to the Frederick market.

Retail Supply Recommendations (additional detail begins on page 74):

- Downtown:
 - Downtown can support 310,000 square feet of new retail space by 2020 along Carroll Creek, East Street, the Brickworks property (described below), and other infill sites. This retail square footage includes development already in the pipeline and an additional 160,000 square feet (the retail opportunity supply/demand gap identified above). Should Downtown retail developments exceed 310,000 square feet, businesses within these spaces will have to broaden their marketing scope to focus more heavily on day trippers living beyond the primary market area.
 - As a priority, new space should be leased to specialty/destination retail businesses that offer unique goods and services. The addition of these businesses would strengthen Downtown's identity as a unique specialty cluster, furthering its attractiveness to regional shoppers (day trippers). In particular, eating and drinking places, boutique clothing and shoe stores, unique small-scale hobby/music stores, small-scale specialty food, and furniture and household furnishing store types are recommended.

- While unique specialty stores are the recommended priority for recruitment, nationally branded businesses may also be appropriate – particularly when the following recommended conditions are met:
 - The national brand serves as a strong destination for shoppers, drawing high foot traffic and visitation that benefits all of Downtown; and
 - The overall mix of nationally-owned chain to independent businesses (in number) for the entirety of Downtown (including the Brickworks) should be no more than 20 percent chains to 80 percent independents. This recommended ratio is in accordance with the mix found in Georgetown’s retail district, in Washington, DC.
- Unique, destination restaurants that will generate foot traffic are envisioned as the target anchor businesses for new space in Downtown.
- Brickworks (envisioned as a future neighborhood of Downtown):
 - The Brickworks is recommended to add approximately 150,000 to 200,000 square feet of retail space by 2020. This range of space would permit the introduction of a new urban retail street that could accommodate neighborhood-oriented businesses, select specialty/destination retailers, and larger anchor uses. The 160,000 square foot retail opportunity supply/demand gap falls within this range. A concentration of retail space above 160,000 square feet would require marketing to a larger pool of customers than those identified in the demand analysis (e.g. visitors from beyond the primary market area).
 - New space should be leased to neighborhood-oriented retail businesses (e.g. convenience restaurants, salons, barber shops, pharmacies, coffee shops, etc.) that would be oriented to Brickworks residents as well as residents of Downtown, and that would be complementary to Downtown proper’s unique character. Banks and service uses are also appropriate.
 - Recruitment of specialty and destination businesses, such as clothing and shoe stores, that require larger floor plates than those traditionally offered downtown is recommended. Small to medium store sizes are recommended to complement the fine grain character of Downtown; the introduction of large-format “big-box” style retail uses is not recommended.
 - Businesses offering nationally branded items that draw high visitation and foot traffic to the Brickworks and Downtown are appropriate, but the overall mix of chains to independents throughout all of Downtown (including the Brickworks) is recommended to be no more than 20:80 in number of businesses.
 - The target anchor for this redevelopment is a pharmacy rather than a traditional grocer, given the potential oversupply of grocers in Frederick. Alternatively, a specialty food store requiring a larger floor plate than those traditionally offered downtown, but smaller than a typical grocer, could be recruited. This food store would likely need to market to both area residents and day trippers.
- Golden Mile:
 - Net new retail space along the Golden Mile is recommended to total 17,000 square feet, approximately equivalent to the level of projects in the development pipeline. While this new retail square footage appears relatively low compared to other retail nodes, it would be in addition to enhancement and/or redevelopment of existing space.
 - The Project Team recommends that shopping centers along this corridor either undertake façade renovations to improve the appearance of older, yet still functioning space or undertake redevelopment of outmoded, non-competitive space.
 - Target businesses for this corridor include national brand clothing and accessory stores, electronics and appliance stores, and eating and drinking places. All of these categories

exhibited high leakage at the City level, and the introduction of chains here would help position the Golden Mile as distinctive from Downtown. Additionally, ethnic retail shops and restaurants are recommended to further differentiate the Golden Mile from other retail nodes in the City.

- Northern End:
 - Add 930,000 square feet of retail space by 2020, approximately equivalent to the level of projects in the development pipeline. Consider reducing square footage levels where possible to reduce potential for over-saturating the retail market.
 - Target neighborhood-serving and convenience-oriented retail businesses, such as family oriented restaurants, convenience restaurants, and service businesses (banks, real estate offices, and professional offices).
 - Existing and planned grocers should serve as anchors for this retail node.

Retail Demand Recommendations (additional detail begins on page 80):

- Downtown:
 - Undertake coordinated marketing campaigns to continue marketing Downtown as a cohesive destination.
 - Organize weekend packages (e.g. special promotions offered jointly by retailers, restaurants, and hotels/bed & breakfasts) aligned with special events programming.
 - Host window display workshops to improve aesthetic appeal.
 - Support overhaul of wayfinding system to improve ease of navigation to and within Downtown.
 - Expand façade improvement programs that enhance aesthetic appearance of architecture.
 - Recruit independent, unique, specialty retailers.
 - Support residential, office, and hotel infill/redevelopment to expand Downtown’s internal customer base.
 - Introduce Business Improvement District as a reliable means of funding Downtown enhancement efforts already undertaken by Downtown Frederick Partnership.
 - Consider implementing a first floor retail overlay zone to improve continuity of retail streets.
- Brickworks:
 - Since the Brickworks is envisioned as a neighborhood of Downtown, recruit retail businesses that complement the specialty character of Downtown.
 - Focus retail along East Street to improve connectivity with Downtown.
 - Recruit neighborhood-oriented retail businesses that complement Downtown’s unique, specialty shops.
 - Support residential, office, and hotel infill/redevelopment to expand internal customer base.
 - Support the introduction of design guidelines to promote architecture and streetscape elements compatible with Downtown’s fabric.
- Golden Mile:
 - Adopt a branding campaign to market Route 40 as the Golden Mile.
 - Promote ethnic festivals that could occur in parking lots to attract County and regional visitors.
 - Encourage façade improvement and the use of renovation tax credits to enhance shopping center appearance.
 - Add green amenities to soften parking lots (trees, medians, planters, etc.)
 - Introduce signage featuring new Golden Mile logo.

- Connect parking lots through side roads to reduce traffic on Route 40 and increase ease of parking for customers. Consider requiring infill/redevelopment projects to add side roads to link adjacent parking lots, particularly if projects receive City or County assistance.
 - Add pedestrian and bike connections where possible to improve access for surrounding residents.
 - Recruit neighborhood-oriented retail businesses, including ethnic retailers.
 - Support residential infill/redevelopment to increase internal demand for retail goods and services.
 - Create merchants association to implement branding campaign and other recommendations.
-
- Northern End:
 - Create amenities to ensure long-term appeal (e.g. trees, planted medians, planters, etc.)
 - Connect parking lots through side roads to reduce potential for traffic congestion.
 - Add pedestrian and bike connections to offer alternative means of access for nearby residents.
 - Recruit neighborhood-oriented and convenience retail goods and services.
 - Support residential, office, and flex/R&D development to expand the internal customer base.

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1 Introduction

1.1 Background

The City of Frederick engaged Basile Baumann Prost and Associates (BBP Associates) in association with Strategonomics Global Network (SGN) to provide professional services for the development of a citywide Retail Market Analysis. Key study areas included Downtown Frederick, Route 40/ the Golden Mile, and The Northern End (the City's large retail nodes), although all retail within City limits was included in the analysis. Existing conditions within the Frederick Planning Region were also analyzed in order to compare this area to the City and Downtown.

Downtown Frederick is generally defined as the area bounded by 7th Street to the north, East Street to the east (including Everedy Square/ Shab Row), South Street to the south, and Bentz Street to the west (extending down Patrick to Jefferson Street). Retail is generally focused at two intersections: Patrick and Market (Square Corner) and Church and East (Everedy Square/ Shab Row).

The City of Frederick is bound by jurisdictional City boundaries. The Frederick Planning Region is bound by the Monocacy River to the east, Ballenger Creek to the south, the ridge of the Catoctin Mountains to the west, and Little Hunting Creek to the north.

The Downtown Frederick community is centrally located within the City of Frederick. The district features historic homes, churches, civic buildings, and grand parks. Recreational opportunities are available throughout Baker Park and the City's recently renovated Carroll Creek Park, an urban park that winds through the City's urban core. Cultural and heritage opportunities are provided at venues such as the Weinberg Center for the Arts, the Maryland Ensemble Theater, the Cultural Arts Center, the Civil War Medicine Museum, and the Delaplaine Visual Arts Education Center. Residents of the City, County, and broader Washington-Baltimore region enjoy the diversity of shops lining Market, Patrick, Carroll, and East Street (including Everedy Square/ Shab Row).

Much of the current Downtown appeal is the result of the City, County, and Downtown Frederick Partnership leadership efforts to the revitalization of the Downtown community over the past 30 years. The rebirth of Downtown was celebrated by the National Trust for Historic Preservation in 2005, when the community was named a Great American Main Street.

Recent redevelopment activity has accelerated in Downtown Frederick and other parts of the City over the past several years. Mixed-use infill along Carroll Creek has introduced new residential, retail, and office space to Downtown. A number of projects are planned for this corridor, as well as areas along East Street, particularly the Frederick Brickworks site, which occupies approximately 65 acres adjacent to the southeast corner of Downtown. The Northern End area has recently introduced new retail community centers, and a major redevelopment of the Fredericktowne Mall is planned along the Golden Mile.

Planned development activity impacts the Frederick retail market in a number of ways. Development that brings new residents and employees introduces new potential customers for Frederick retailers. On the other hand, new development may bring retail businesses that compete with rather than complement existing retail businesses. An analysis of the retail market Downtown and Citywide is an appropriate first step in determining the most complimentary forms of new development.

1.2 Study Purpose

The retail market analysis was commissioned to facilitate an understanding of retail dynamics within Downtown Frederick, the City of Frederick, and the Frederick Planning Region. The purpose of the study is to identify trends, issues, and opportunities and to analyze the current and future market for retail uses.

1.3 Work Completed

To address the purpose of the study, BBPA conducted a Retail Market Analysis that involved active participation by Downtown Frederick and City of Frederick business owners, commercial brokers, and other key stakeholders. As part of this study, BBPA completed the following:

- Conducted numerous site visits and four focus group sessions
- Quantified the retail inventory in Downtown, the City and the Planning Region, identifying the retail establishments by number of establishments, retail category, and square footage
- Prepared detailed quantitative market analysis of the retail markets in the study areas

1.4 Report Organization

The report is organized into eight sections and an appendix. These sections include:

- Section 1 Introduction
- Section 2 Economic and Market Overview
- Section 3 Retail Market
- Section 4 Retail Market Analysis
- Section 5 Lodging Market Overview and Analysis
- Section 6 Strengths, Constraints, and Opportunities
- Section 7 Potential Impact of New Development
- Section 8 Programming Recommendations by Site
- Appendix Case Studies and Instructions on Downloading the Community Tapestry White Paper

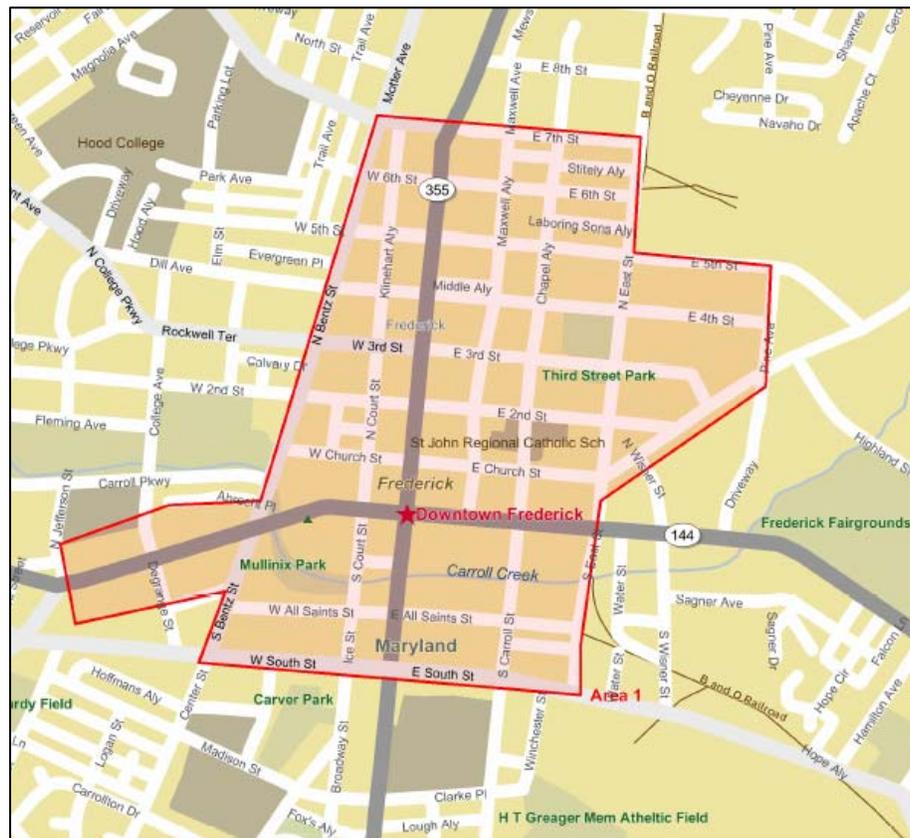
2 Economic and Market Overview

2.1 Study Area Definition

The City of Frederick Retail Market Analysis focuses on three broad study areas:

1. Downtown Frederick;
2. The City of Frederick; and
3. Frederick Planning Region.

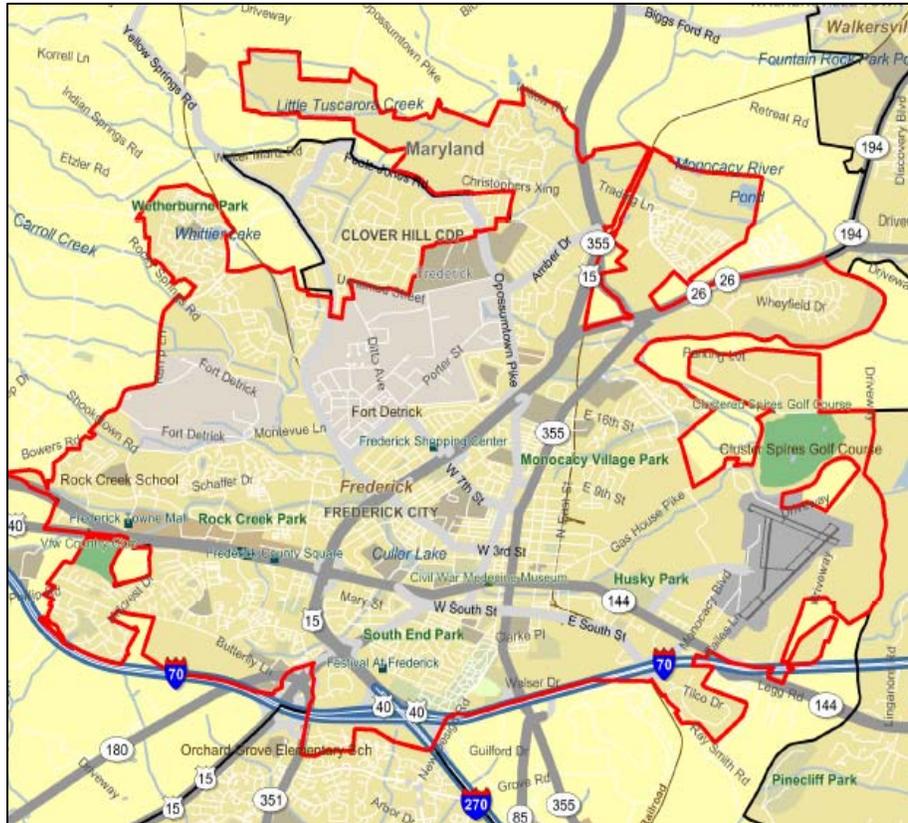
Downtown Frederick is generally defined as the 40-block historic district bound by: 7th Street to the north, East Street to the east (including Everedy Square/ Shab Row), South Street to the south, and Bentz Street to the west (including the section of West Patrick Street that extends from Bentz to Jefferson Street). This historic core of Frederick County includes retail nodes along Market and Patrick Street and near the intersection of East and Church Streets (Everedy Square/ Shab Row), and is approximately 262 acres (0.4 square miles).



Source: ESRI Business Information Systems, BBP Associates

Area in Square Miles = 0.4
 Area in Acres = 262

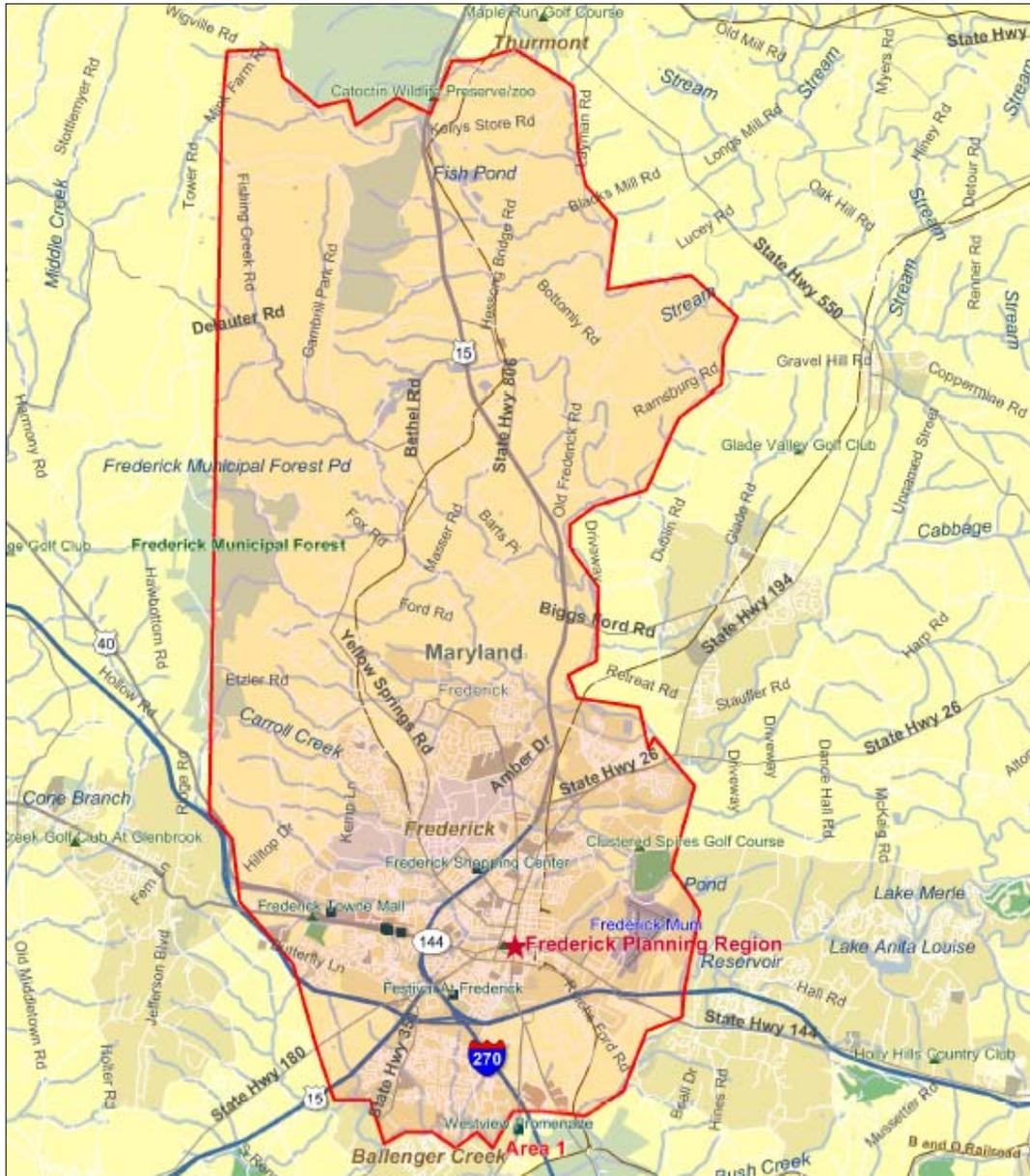
The City of Frederick is roughly bound by the Monocacy River to the north, Frederick Municipal Airport to the east, Interstate 70 to the south, and just west of Fredericktowne Mall to the west. In addition to the retail clusters located in Downtown Frederick, the City offers significant retail concentrations along Route 40 (the “Golden Mile,” which extends from Route 15 west to Fredericktowne Mall) and near the intersection of Monocacy Boulevard and Route 26 (“Shops at Monocacy”), in the City’s Northern End.



Source: ESRI Business Information Systems, BBP Associates

Area in Square Miles = 20.8
 Area in Acres =

The Frederick Planning Region includes the City of Frederick and such populated areas as Ballenger Creek and Clover Hill, as well as more rural parts of the County between the City of Frederick and Thurmont. The Frederick Planning Region is bound by geographic features, including: Little Hunting Creek to the north, the Monocacy River to the east, Ballenger Creek to the south, and the ridge of the Catoctin Mountains to the west. In addition to the retail clusters located within City limits, the Frederick Planning Region contains a significant retail corridor along Route 85 (Buckeystown Pike).



Source: ESRI Business Information Systems, BBP Associates

Area in Square Miles = 94
 Area in Acres = 60,000

2.2 Contextual Information

The City of Frederick offers a diverse mix of retail uses. Downtown Frederick, the historic core of the community, has established a niche as a specialty shopping/ dining destination. Retail stores and restaurants are primarily small, local businesses, although a few small national chain tenants are represented (e.g. Talbot's, Orvis/ Hunting Creek Outfitters, and the recently added Ben & Jerry's). Many historic buildings located downtown have been revitalized and rehabilitated, particularly along Market Street from Carroll Creek to 3rd Street, along East Patrick Street, and at the intersection of Church and East. Other retail blocks, particularly those north of 3rd and south of Carroll Creek along Market, offer fewer active ground floor retail businesses, though rehabilitation for residential use has occurred. New infill development is occurring along Carroll Creek Park (the City's urban linear park) and other sites throughout Downtown.

Route 40/ the Golden Mile contains the largest sheer concentration of retail uses by gross leasable area (GLA). This retail corridor contains the Fredericktowne Mall (Frederick's first enclosed shopping center), numerous strip-style shopping centers, and stand-alone retail stores and restaurants. National and regional chain businesses are well represented along this corridor (e.g. Home Depot, Boscov's, and Bon-Ton). A variety of independent small businesses occupy smaller shop space within strip shopping centers (e.g. Under the Sun and Rick's Pet Supply).

Newer retail buildings are clustered in the City's Northern End near recently constructed residential neighborhoods. The Shops at Monocacy is a strip-style shopping center anchored by a Giant Food Store and surrounded primarily by national chain tenants, including Starbucks, Panera Bread, Five Guys and Mamma Lucia.

The remaining retail nodes within the City are primarily small-scale, neighborhood-serving shopping centers. Frederick Shopping Center, the City's first suburban-style strip shopping center, recently received refurbishment with façade renovations and the addition of regionally oriented businesses (e.g. Bonefish Grill, Ashley Furniture). The City of Frederick official zoning map, provided on the following page, illustrates the distribution of retail uses throughout the City.

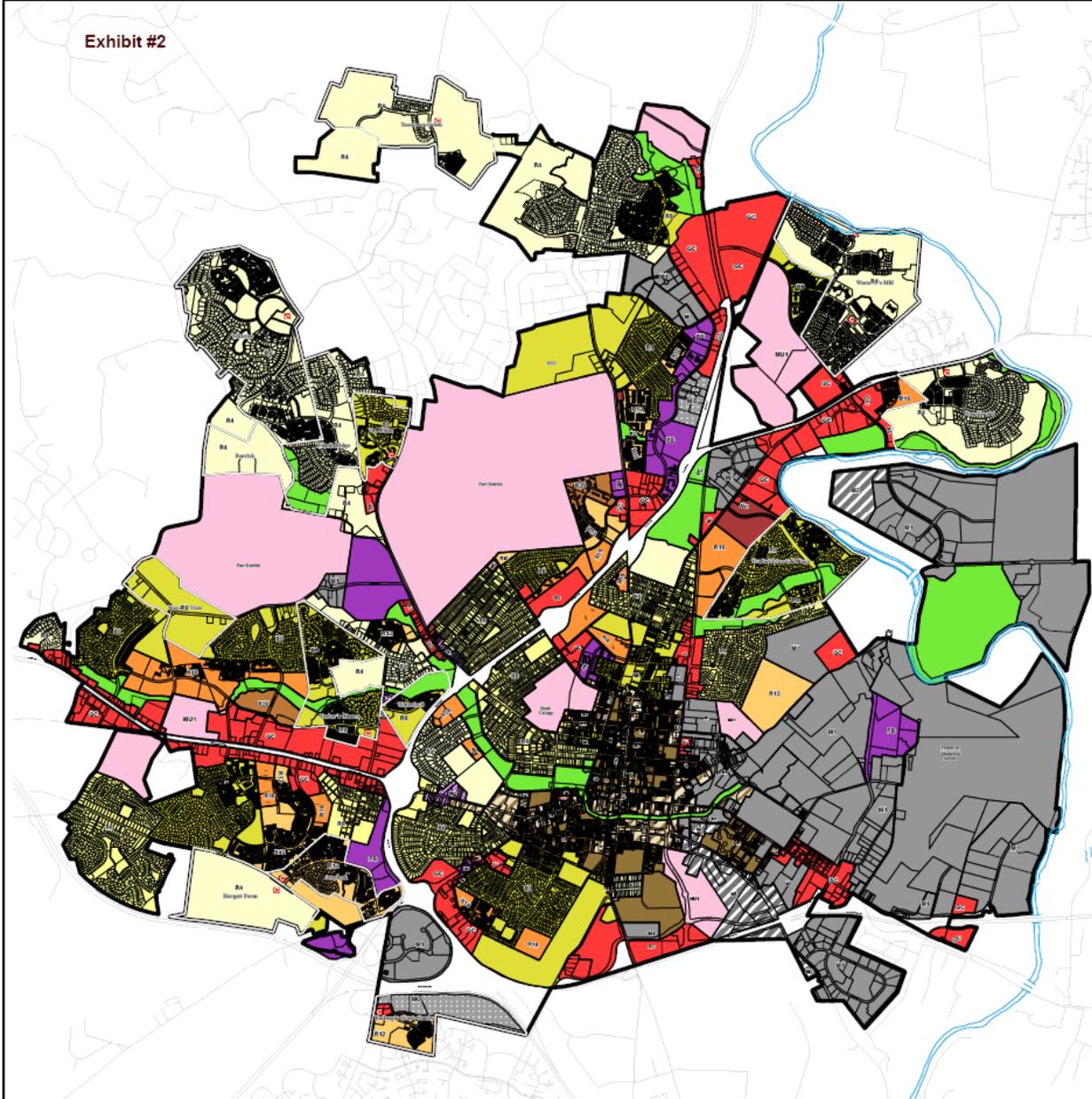
As is true for the City's retail stock, the City's residential and non-retail commercial uses are diverse in terms of age, size, and types of users. Downtown Frederick offers urban, historic row homes, apartments located in multi-unit buildings and above storefronts, and new condominiums in a pedestrian-oriented environment. These existing units house approximately 2,000 existing households. This residential population is expected to double over the next several years, with an estimated 2,000 dwelling units currently in the development pipeline (e.g. under construction, planned, or proposed).

Adjacent to Downtown, the neighboring Baker Park and Hood College communities include a mix of single-family detached and attached homes built in the early to mid twentieth century, and located on tree-lined streets. Residential subdivisions provide more recent town homes and single-family homes, such as those located in the Whittier neighborhood, a planned community that features small-scale, neighborhood-oriented retail and recreational trails surrounding the residences.

The top five major employers in the City of Frederick include: Fort Detrick (7,800 employees), Frederick Memorial Healthcare System (2,400 employees), United Healthcare/MAMSI (1,565 employees), and State Farm Insurance Corporation (929 employees). Other major employers located in the City include City and County government offices and a growing cluster of private technology-oriented firms such as MedImmune and BP Solar.

Official Zoning Maps - Base Zones

Exhibit #2



<p>Scale: 0 500 1,000 2,000 4,000 Feet 1 inch = 1000 feet</p> <p>Disclaimer: This map is prepared solely for the purpose of displaying the City of Frederick and is not a legal document. The City of Frederick does not guarantee the accuracy of labels, boundaries, or placement or location of any other features shown on the map. The City of Frederick disclaims and shall not be liable for any damage, loss, or injury that may arise from this product. This map is not to be construed as the final authority as to zoning of land, buildings and any other structures or uses and measurement of parcels within the City of Frederick. Ground you desire such information as an accurate and up to date form you should inquire at the Department of Planning & Community Development of the City of Frederick.</p> <p>Source: City of Frederick GIS Frederick County GIS</p> <p>File: G:\Data\Zoning MSB-6/2016</p>	<p>Zoning Districts</p> <ul style="list-style-type: none"> R4 (Residential 4 units per acre) R6 (Residential 6 units per acre) R8 (Residential 8 units per acre) R12 (Residential 12 units per acre) R16 (Residential 16 units per acre) R20 (Residential 20 units per acre) GC (General Commercial) NC (Neighborhood Commercial) PB (Professional Business) RO (Residential Office) MU1 (Mixed Use) M1 (Light Industrial) M2 (Heavy Industrial) MO (Manufacturing/Office) DR (Downtown Residential) DB (Downtown Business) DBO (Downtown Business Office) RC (Resource Conservation) 	<p>Adopted by the Mayor and Board of Aldermen July 21, 2016</p> <table border="1"> <thead> <tr> <th colspan="4">Revisions</th> </tr> <tr> <th>Date</th> <th>Description of Revision</th> <th>By</th> <th>MSB</th> </tr> </thead> <tbody> <tr> <td>ATTN:</td> <td>DB (Downtown Business)</td> <td>MSB</td> <td></td> </tr> <tr> <td>ADD:</td> <td>General Revision</td> <td>MSB</td> <td></td> </tr> </tbody> </table>	Revisions				Date	Description of Revision	By	MSB	ATTN:	DB (Downtown Business)	MSB		ADD:	General Revision	MSB	
	Revisions																	
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ATTN:	DB (Downtown Business)	MSB																
ADD:	General Revision	MSB																
<p>Floating Districts</p> <ul style="list-style-type: none"> IST (Institutional) PRK (Parkland) MXE (Mixed Employment) MU2 (Mixed Use) 	<p>PND (Planned Neighborhood)</p> <ul style="list-style-type: none"> Boundary Commercial Area 																	
<p>Overlay Districts</p> <ul style="list-style-type: none"> HDO (Historic District) CCO (Carroll Creek District) WHO (Wellhead Protection) AO (Airport) HNO (Highway Noise) 																		

2.3 Demographic and Economic Profile

Populations/Households

Downtown Frederick has an estimated population of 4,600 residents and approximately 2,000 households.¹ The population represents 8 percent of the City of Frederick's population of 59,319 residents (5 percent of the Planning Region's nearly 90,000 residents), and the total households represent 9 percent of the City's 23,581 households (6 percent of the Planning Region's 35,000 households).

Household Characteristics

	Downtown Frederick	City of Frederick	Frederick Planning Region	Downtown as % of City	Downtown as % of Planning Region
Population	4,572	59,319	88,200	8%	5%
Households	2,126	23,581	34,751	9%	6%
Average HH Size	1.9	2.4	2.5	80%	76%
Median Age	38.7	35.5	36.5	109%	106%
Median HH Income	\$42,533	\$57,365	\$62,579	74%	68%
Per Capita Income	\$27,561	\$28,663	\$30,813	96%	90%
Labor Force (1/)	2,539	31,543	47,465	8%	5%
Employed Population	2,397	29,966	45,566	8%	5%
Unemployed Population	142	1,577	1,899	9%	7%
Unemployment Rate	5.6%	5%	4%	NA	NA

1/ Includes civilian employed and unemployed population over age 16.

Source: ESRI Business Information Solutions, U.S. Census

¹ ESRI Business Information Solutions, U.S. Census 2006.

The Downtown Frederick median age (38.7) is comparable to the median age in the City (35.5) and Planning Region (36.5). Median household income among downtown residents (\$43,000) is approximately 25 percent lower than that of the City (\$57,000) and 30 percent lower than that of the Planning Region (\$63,000).

Two factors explain the lower Downtown median income: 1) the historic presence of a mixed income community Downtown featuring low- to moderate-income households and 2) a higher proportion of single-person households residing Downtown compared to the City and Planning Region.

Downtown has historically included households representing all parts of the income spectrum. Low- to moderate-income households have historically found affordable housing options Downtown, such as the Hansen and Taney apartments (public housing), which were recently demolished and will be replaced with a mixed-income Hope VI community. Per capita income among Downtown residents (\$28,000) is comparable to that of the City (\$29,000) and Planning Region (\$31,000). Average household sizes indicate that Downtown attracts a larger share of singles than in other parts of the City and Planning Region. Downtown average household size is 1.9, lower than that of the City (2.4) and Planning Region (2.5).

The Downtown labor force, defined as employed and unemployed Downtown residents, included 2,539 employed and unemployed civilians in 2006. This labor force represented 8 percent (2,539 employed and unemployed civilians) of the City labor force (31,543) and 5 percent of the Planning Region labor force (45,566), proportionate to its relative shares of population (8 and 5 percent). The unemployment rate of Downtown residents (5.6 percent) is slightly higher than that of City (5 percent) and Planning Region (4 percent) residents. At-place employment, defined as employees working within Downtown Frederick, was estimated to include approximately 5,000 workers in 2005.

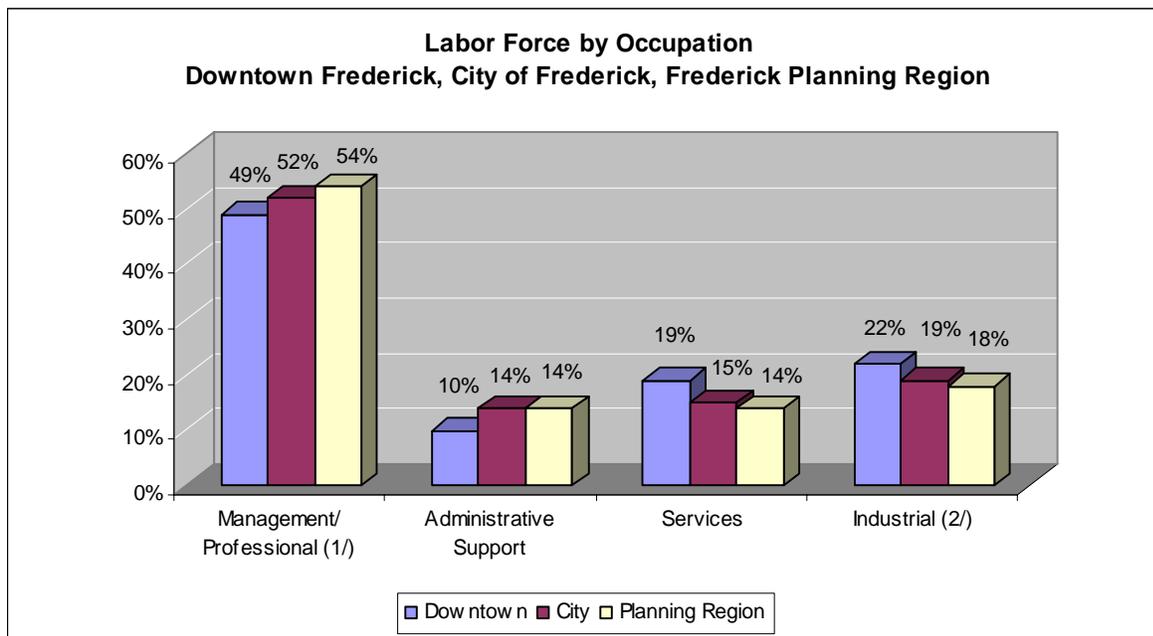
The occupational distribution of Downtown Frederick residents participating in the labor force (defined as employed residents over age 16) mirrors the occupational distribution of the City of Frederick and Frederick Planning Region, as illustrated in Figure 2.

	Downtown		City		Planning Region	
	No.	%	No.	%	No.	%
Management/ Professional (1/)	1173	49%	15,582	52%	24,606	54%
Administrative Support	239	10%	4,195	14%	6,379	14%
Services	455	19%	4,495	15%	6,379	14%
Industrial (2/)	527	22%	5,693	19%	8,202	18%
	2,394	100%	29,965	100%	45,567	100%

1/ Includes financial, business, and sales positions

2/ Includes production, installation, repair, and transportation positions

Source: ESRI Business Information Systems, BBP Associates, 2006



1/ Includes financial, business, and sales positions
 2/ Includes production, installation, repair, and transportation positions
 Source: ESRI Business Information Systems

Management and professional employees, which include financial, general business, and sales positions, represent the largest share - 49 percent - of the Downtown Frederick labor force. In contrast, only 22 percent of Downtown Frederick residents are employed in industrial occupations (defined as production, installation, repair, and transportation positions) followed by services at 19 percent and administrative support at 10 percent. In the City and Planning Region, management and professional occupations also dominate employment, followed by industrial, services, and administrative support positions.

Tapestry Segments

ESRI Business Information Solutions uses demographic information such as labor force characteristics, median income, age, and spending habits, to categorize neighborhoods according to a trademarked Community Tapestry classification system.² These tapestries provide insight into the housing and shopping preferences of Frederick residents.

Downtown Frederick

ESRI identifies five Community Tapestry segments that characterize Downtown Frederick residents: 1) *Trendsetters* (47 percent), 2) *Great Expectations* (35 percent), 3) *City Dimensions* (14 percent), 4) *Metropolitans* (3 percent), and 5) *Retirement Communities* (2 percent). Characteristic features of the top two dominant segments – *Trendsetters* and *Great Expectations* – as gleaned from national market research are offered below.³ Key characteristics of *City Dimensions*, *Metropolitans*, and *Retirement Communities* are provided in the appendix.

² ESRI is a subscription-based market research and analysis service. Descriptions of all the tapestries identified by ESRI are available for download. Instructions on downloading the Community Tapestry White paper are in the appendix of this report.

³ The tapestry segment descriptions provided are based on national characteristics of these groups rather than Downtown or City of Frederick specific data.

Trendsetters households, representing 45 percent of all Downtown Frederick households, are generally described as young (mid 30s), well-educated professionals in historic U.S. cities. More than half are single-person households; the remainder are young families. Most of these households prefer rental apartments. The remaining households own single-family homes and row homes. Whether rental or owner-occupied, housing is generally older or historic. These households are also more likely to utilize public transportation.

Trendsetter households enjoy shopping, particularly for apparel (with preferences for stores such as Banana Republic, Nordstrom's, Macy's, and the Gap). These residents are technologically savvy, and stay connected with laptop computers, cell phones, and MP3 players. Fitness is a top priority for this segment; *Trendsetters* enjoy tennis, volleyball, baseball, golf, ice skating, and yoga. Traveling, attending concerts, and going to the movies are favorite leisure time pursuits.⁴

The *Great Expectations* segment represents 35 percent of all Downtown Frederick households. Located throughout the country, these households are described as young persons (mid 20s to early 30s) starting careers or families. Half of households own historic homes (primarily single-family detached or attached), while the other half rent apartments in low- or mid-rise buildings. Retail and service industries are prime employers for these residents. *Great Expectations* residents spend leisure time working on home improvement projects, going to the movies, and patronizing bars and restaurants.

City of Frederick

In comparison with Downtown Frederick, the two most dominant Community Tapestry segments in the City of Frederick as a whole are *Aspiring Young Families* (20 percent) and *Old and New Comers* (16 percent). These two segments, along with *In Style* (12 percent), *Sophisticated Squires* (6 percent), and *Up and Coming Families* (6 percent), comprise the top five segments in the City and account for 60 percent of City households.⁵

Aspiring Young Families are identified as primarily young, married-couple families with and without children and single parents with children. This diverse segment includes a large minority population of Hispanic origin, and is typically located in large, growing metropolitan areas. More than half of employed residents work in professional, management, or office/ administrative support capacities. Residents either rent or own modest apartments, single-family homes, or town houses. Household purchases generally are focused on children's products and home improvement items, though this segment enjoys dining out, going to the movies, and attending sporting events. Family restaurants such as IHOP and Ruby Tuesday are preferred.

Old and New Comers are characterized as households in transition, populated by those who are starting their careers or retiring. Many residents have moved in the last five years, and most households rent apartments. Retail purchases are limited, and popular leisure activities include watching sporting events, playing bingo, playing golf, and gambling at casinos.⁶

⁴ ESRI Business Information Solutions, U.S. Census 2006.

⁵ In addition to these top five segments, the City includes 15 additional tapestry segments: *Great Expectations* (5 percent), *Trendsetters* (4 percent), *Main Street USA* (4 percent), *Rustbelt Retirees* (4 percent), *Boomburbs* (4 percent), *Retirement Communities* (3 percent), *Enterprising Professionals* (3 percent), *Milk and Cookies* (3 percent), *Inner City Tenants* (2 percent), *City Dimensions* (2 percent), *City Strivers* (2 percent), *Connoisseurs* (1 percent), *Pleasantville* (1 percent), *Metropolitans* (1 percent), and *Military Proximity* (1 percent). Information regarding these segments is located in the appendix.

⁶ *Ibid.*

Analysis of Downtown and City Tapestries

The Community Tapestry segments dominant in Downtown Frederick and the City highlight key characteristics of influential segments in Downtown's immediate market area.⁷ Most Downtown *Trendsetter* households have higher disposable income levels than other market segments, as these renter households are not burdened by the costs of owning homes and raising children. Their leisure activities imply significant retail purchases and a positive economic impact on the existing uses in Downtown Frederick. Though a larger share of *Great Expectations* residents own their homes, these residents also enjoy patronizing restaurants, bars, and entertainment venues, and offer significant local potential for positive economic impact on Downtown.

Many of the existing Downtown specialty stores, restaurants, bars, entertainment venues, and personal service businesses (salons, spas, and yoga studios) match the shopping and leisure time preferences of *Trendsetters* and *Great Expectations* households. For fashion-conscious *Trendsetter* households, Downtown offers a few specialty apparel stores, but lacks a critical mass of clothing and accessory retailers. Several Downtown restaurants and retail shops provide family-oriented experiences likely to attract *Aspiring Young Families*, the primary City tapestry.

Meanwhile, many City retailers located outside of Downtown Frederick (including those located along the Golden Mile and the Northern End) provide goods and services that match the interests of predominate City tapestries. Family restaurants, home improvement stores, and discount department stores are clustered along the Golden Mile and The Northern End; these businesses are likely to meet the needs and preferences of the City's *Aspiring Young Families*.

2.4 Land Uses

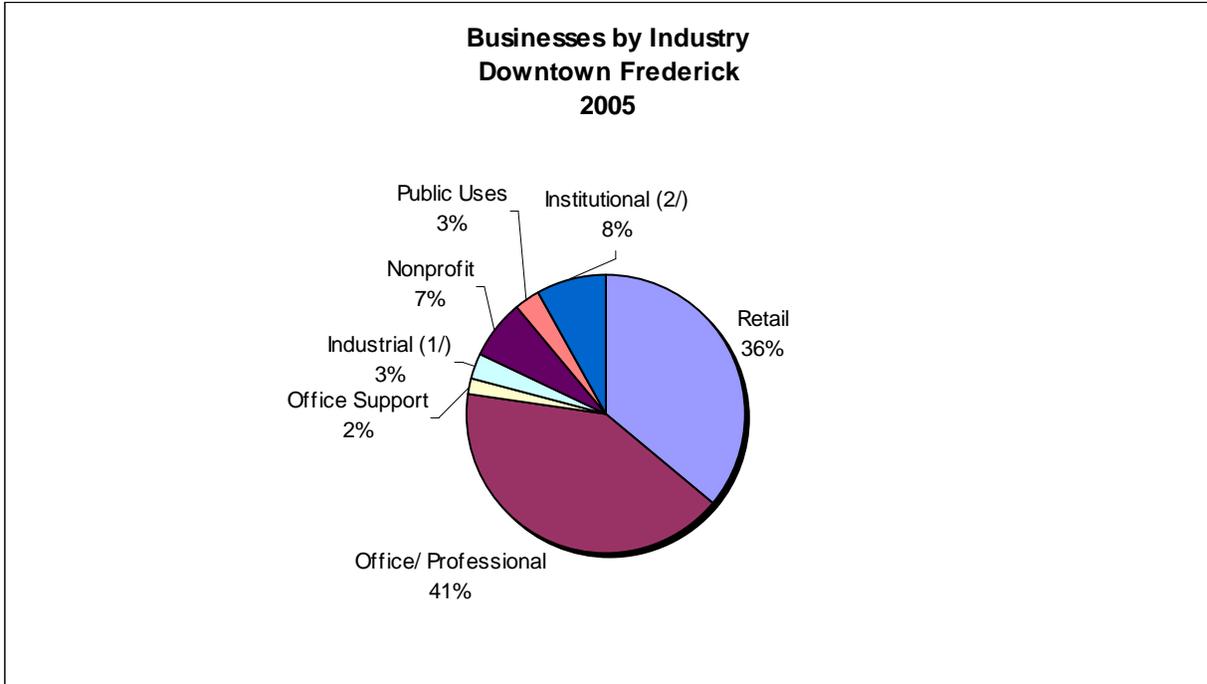
Downtown Frederick

Downtown Frederick has a mix of land uses contained within its nearly 262 acres, with office, retail, industrial, residential, open space, cemetery, governmental and institutional uses. The major downtown uses are residential and commercial, with many historic row homes and small retail businesses lining the streets. Government entities and churches, though fewer in number, also have a major presence downtown. Small offices, particularly law offices, outnumber large corporate offices.

Commercial, institutional, nonprofit, and governmental establishments were recently estimated to number nearly 600 businesses/ organizations.⁸ The dominant type of establishment is office/ professional (41 percent) followed by retail (36 percent). Together, institutional (health care and education), nonprofit, and public uses total nearly 20 percent. Industrial (3 percent) and office support services (2 percent) round out the mix.

⁷ Ibid.

⁸ According to the City of Frederick's 2005 Downtown Frederick Business & Organization Survey



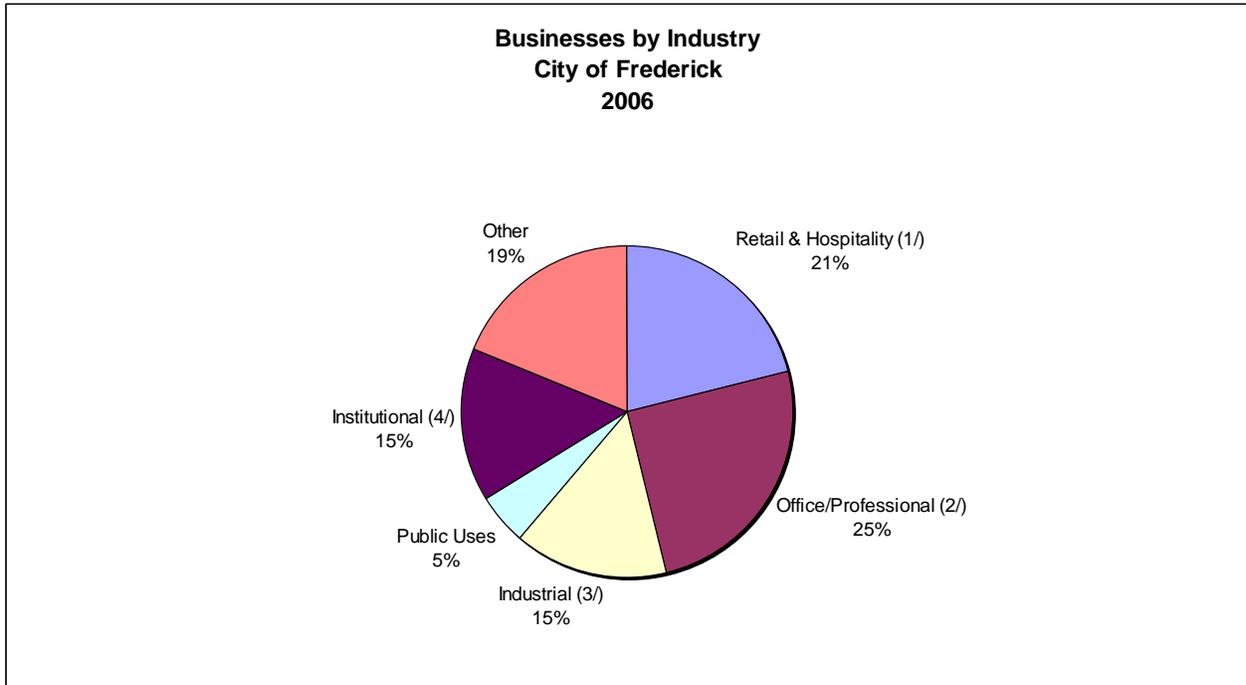
1/ Includes manufacturing, transportation, construction, and waste management services

2/ Includes health care and education-related organizations

Source: 2005 Business Survey.

City of Frederick

Within the City of Frederick, office/professional businesses and retail businesses comprise a relatively smaller share (46 percent) of total businesses than in Downtown (77 percent). Industrial and institutional businesses represent 30 percent of all City businesses compared to 11 percent of Downtown businesses.



1/ Includes retail trade and accommodation/ food service businesses

2/ Includes FIRE (finance, insurance & real estate), information, professional services, and management firms

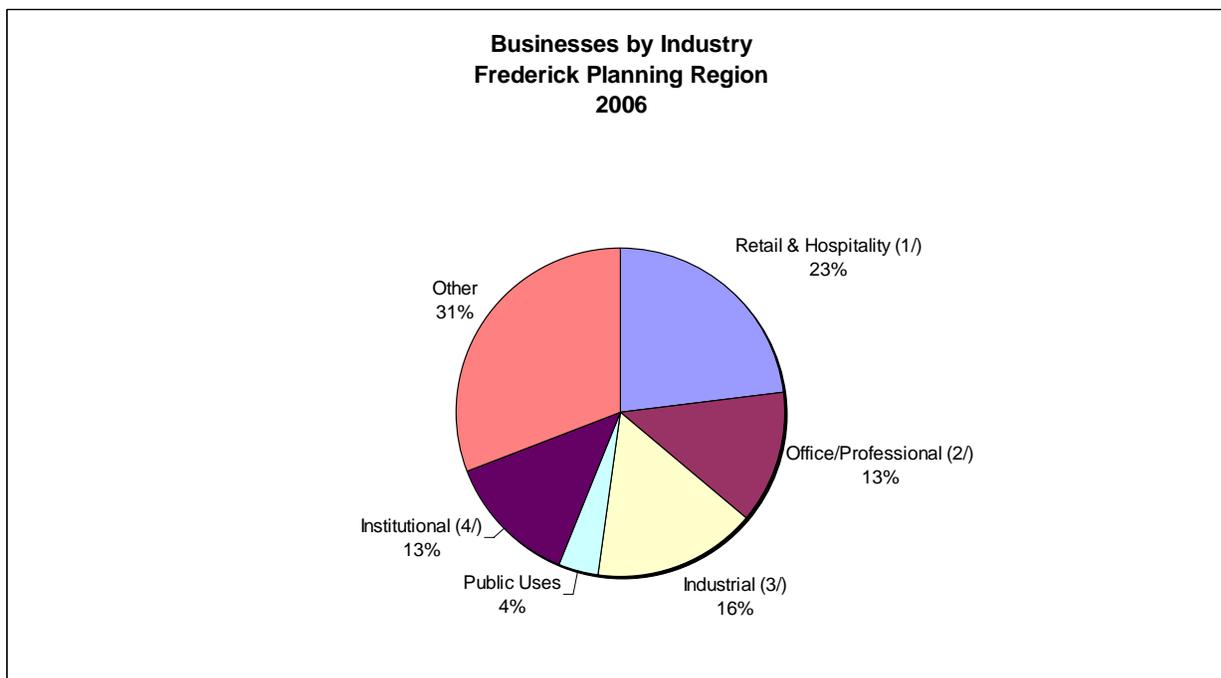
3/ Includes manufacturing, transportation, construction, and waste management services

4/ Includes health care and education-related organizations

Source: ESRI Business Information Systems, 2006.

Frederick Planning Region

The distribution of businesses in the Frederick Planning Region indicates that office/professional businesses comprise a relatively smaller share of all businesses (13 percent) than in Downtown (41 percent). In contrast, industrial and institutional businesses comprise a relatively larger share in the Frederick Planning Region (29 percent) compared to Downtown (11 percent). Retail businesses comprise a relatively smaller share (23 percent) of all establishments compared to the share in Downtown Frederick (36 percent).



1/ Includes retail trade and accommodation/ food service businesses

2/ Includes FIRE (finance, insurance & real estate), information, professional services, and management firms

3/ Includes manufacturing, transportation, construction, and waste management services

4/ Includes health care and education-related organizations

Source: ESRI Business Information Systems, 2006.

2.5 Position within City/Regional Economy

Within the Frederick Planning Region, Downtown Frederick is considered a haven for unique, specialty retail. It enjoys a balance between historic residences, civic spaces, and a shopping and dining district with an urban, eclectic feel. Destination retailers and a growing “restaurant row” provide one-of-a-kind goods and services that attract visitors from the broader Metropolitan Washington-Baltimore region.

Downtown Frederick offers unique gifts, antiques, cultural opportunities at performing and fine arts venues, and high end home furnishings and furniture. Independent eating and drinking establishments offer a range of culinary experiences, from the casual American cuisine at a local brewpub to an upscale martini bar. Specialty retail dominates the mix of goods and services in this retail node, although neighborhood-oriented convenience goods are provided at a limited number of food stores. The majority of these businesses are located in rehabilitated historic buildings, although new infill construction along Carroll Creek has increased opportunities for retailers to locate in new space.

In contrast to Downtown, major retail nodes and corridors in the Frederick Planning Region and City of Frederick provide name brand shopping and dining needs.

Route 40 (the Golden Mile) contains a mix of businesses that are primarily large-format national and regional chains, such as Home Depot, Boscov's, Bon-Ton, Carraba's, Toys-R-U's, and Outback Steakhouse. Local businesses are also represented, such as Under the Sun (a specialty bike/ ski shop), Rick's Pet Supply, Wolf Furniture, and Kehne's/ Carpet One. Specialty ethnic shops have also increased in this corridor in response to the growing diversity of neighborhoods that surround Route 40. Discount stores have recently occupied space within Fredericktowne Mall, one of two malls in the Frederick Planning Region; other stores along Route 40 are located in stand-alone properties or older strip-shopping centers. Major redevelopment is planned for the Fredericktowne Mall, with a double-loaded, outdoor retail "street" proposed as part of a mixed-use office, retail and residential project.

The Northern End retail node, presently focused around the intersection of Route 26 and Monocacy Boulevard, like Route 40, includes national and regional chain retailers, such as Wal-Mart, Giant Food, Starbucks, Five Guys, Mamma Lucia, and Panera Bread. These retailers are joined by local retail and service businesses that occupy space within The Shops at Monocacy, a recently constructed strip-style retail center. The mix of goods and services at this retail node is primarily neighborhood-serving convenience retail (e.g. grocery, general merchandise, and eating and drinking establishments).

Closer to Downtown, the Frederick Shopping Center at 7th Street and Taney Avenue (the City's first suburban-style shopping center) provides a model of how an older strip-style center can be reinvigorated with façade improvements and recruitment of destination retailers. Through use of a City/County façade improvement program, the Frederick Shopping Center has been transformed with inviting awnings, signage, and brick façade. New construction has added space for Bonefish Grill, Glory Days Grill and Ashley Furniture. These retailers attract increased foot traffic to the Center, which provides a mix of neighborhood convenience retail (e.g. grocery, eating and drinking, personal services, and pharmacy) and regionally oriented furniture and restaurant tenants.

Beyond the City in the Frederick Planning Region, retail is primarily clustered along Route 85/ Buckeystown Pike and Route 355/ Urbana Pike on either side of Francis Scott Key (FSK) Mall. This mall, built after the Fredericktowne Mall, has recently recruited new national retailers, including Barnes & Noble and Cheesecake Factory. These stores likely orient FSK mall as a more "upscale" regional destination (similar to White Flint Mall in neighboring Montgomery County, which includes Cheesecake Factory, Borders, Dave & Busters, and P.F. Chang's) that fulfills name brand dining/ entertainment needs. These new tenants at FSK Mall target customers already visiting Westview Promenade, a recently constructed lifestyle center along Buckeystown Pike. Anchored by a multi-screen cineplex, Westview contains a mix of retailers dominated by name brand eating and drinking places (e.g. Chipotle, TGI Friday's, Macaroni Grill and IHOP), several upscale clothiers (Ann Taylor Loft and Jos. A Banks), a recently added organic market (My Organic Market) as well as at least one independent retail shop (Twisted Twill).

The majority of the remaining retail centers that populate both Buckeystown and Urbana Pike are large-format national chain stores, including general merchandise anchors (e.g. Wal-mart, Target, Kohl's) and "category killers" (e.g. Home Depot, Borders, Michael's), as well as numerous restaurants. Since housing is not located within walking distance of these retail centers, Routes 85 and 355 require auto access; in contrast, retailers located Downtown and along Route 40 benefit from ready pedestrian access to residential neighborhoods.

3 Retail Market

3.1 Overview

Downtown Frederick includes an estimated 446,757 square feet of retail space, of which 130,500 are located in shopping centers under single ownership (e.g. Everedy Square/ Shab Row, Carmack Jays, South Market Center, and Creekside Plaza). The balance of the retail space is located in individually owned storefronts primarily fronting on Market Street (South Market from Carroll Creek to Square Corner, and North Market from Square Corner to 3rd Street) and Patrick Street (East Patrick from Square Corner to Carroll Street). Downtown Frederick's retail inventory represents 13 percent of the City's total retail inventory (estimated to include 3.7 million square feet of space, which includes space located Downtown) and 8 percent of the Frederick Planning Region's inventory (estimated to include 5.9 million square feet of space, which includes City space).

Downtown's average lease rate (as of first quarter 2007) was estimated to be \$17.00 per square foot per year on a triple net basis, as reported by CoStar®. The estimated rate is lower than both the City (\$19.12) and Planning Region (\$19.38) average rate. Downtown's vacancy rate, estimated at 13 percent, is higher compared to the City (7 percent) and Planning Region (6 percent). The Downtown vacancy rate is skewed by recently constructed/ delivered space, particularly the rehabilitated space located at 331 N Market Street (Carmack Jay's property). This property owner has reserved the approximately 18,000 square foot space for a grocery store tenant at the request of both the neighborhood and the City. When the Carmack Jay's property is not included in the retail inventory, the vacancy rate drops to approximately 9 percent – on par with the City vacancy rate of 7 percent.

Figure 3: Retail Markets
Downtown Frederick, City of Frederick, Frederick Planning Region
(First Quarter 2007)

	Downtown Frederick	City of Frederick (1/)	Downtown as % of City	Planning Region (2/)	Downtown as % of Planning Region
Inventory (Sq. Ft.) (3/)	446,757	3,684,816	12%	5,927,124	8%
Average Lease Rate (\$/sq. ft./year) ⁹	\$17.00	\$19.12	89%	\$19.38	88%
Vacancy Rate (4/)	13%	7%	186%	6%	217%

1/ Includes Downtown Frederick and other City retail centers

2/ Includes Downtown Frederick, City of Frederick, and Planning Region retail centers

3/ Downtown inventory estimated based on number of retail businesses (~210, as estimated from Downtown Frederick Partnership inventory data) multiplied by 1,750 SF (median size of retail space reported in 2005 business survey) plus newly introduced space along Carroll Creek (Creekside Plaza and South Market Center) and vacant space (including Carmack Jay's). Vacant space estimated by multiplying number of vacant storefronts by 1,750 SF (median store size). Inventory for City and Planning Region estimated based on inventory data reported by Frederick County Office of Economic Development.

4/ Downtown vacancy estimated based on vacant space at Carmack Jays, Carroll Creek, and other Downtown spaces.

Source: CoStar®, BBP Associates

⁹ Average lease rate include rents paid under a triple net lease for charges such as pro-rata share of real estate taxes, insurance, and common area maintenance.

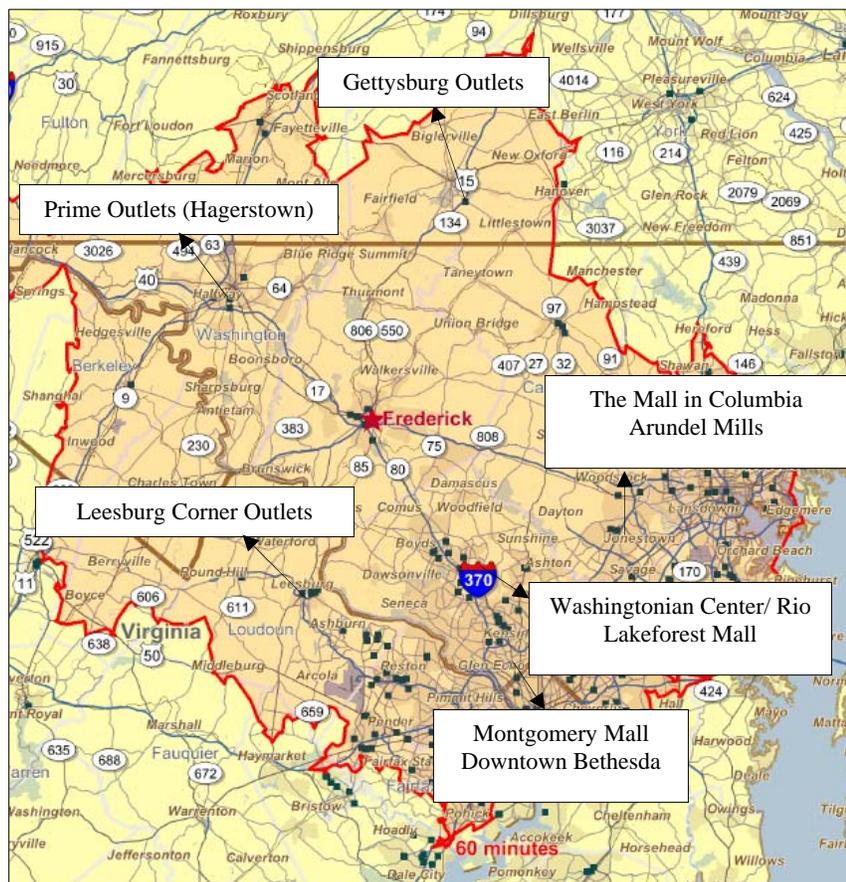
3.2 Regional Destinations and the Frederick Retail Market

Regional Destinations

Numerous retail destinations are located throughout the Washington-Baltimore metropolitan region (including portions of Pennsylvania and west to Hagerstown) that are within an hour's drive of the heart of Frederick (Square Corner in Downtown). Major retail centers include:

- Montgomery County: the Washingtonian Center/ Rio and Lakeforest Mall (Gaithersburg), Montgomery Mall and Downtown Bethesda (Bethesda)
- Washington County: Prime Outlets (Hagerstown)
- Pennsylvania: Gettysburg Outlets
- Virginia: Leesburg Corner Outlets
- Baltimore/ Columbia area: The Mall in Columbia, Arundel Mills

These retail centers represent potential occasional destinations for Frederick residents seeking a broader range of goods and services than those found closer to home. Outlet malls in Hagerstown, Gettysburg, and Leesburg fulfill desires for discounted branded products, while large malls in Montgomery County and Columbia offer an expanded selection of retail goods, particularly apparel items. Entertainment destinations such as Downtown Bethesda and Arundel Mills draw a regional patronage from those seeking evening activities; the former contains a cluster of independent and chain restaurants, while the latter provides national chain entertainment venues such as Dave & Busters.



City of Frederick

The City of Frederick offers an estimated 3.7 million square feet of retail space in freestanding buildings, strip shopping centers, and regional malls. Major retail destinations located in the City are provided in Figure 4; an inventory of shopping centers is provided in Figure 5.

	GLA in SF	Vacant SF (1/)	% Vacant
Downtown Frederick*	446,757	57,607	13%
Route 40/ the Golden Mile	1,715,269	163,110	10%
Northern End (2/)	205,494	0	0%
Other (3/)	1,317,296	45,230	3%
TOTAL	3,684,816	265,947	7%

1/ Downtown vacant space estimated based on vacancies reported by CoStar and vacant storefronts observed through field visit. Vacant storefronts observed were multiplied by 1,750 (median size of stores, as reported in 2005 Business Survey), then added to CoStar vacancy to estimate total vacant SF.

2/ Estimated based on reported square footage of the Shops at Monocacy plus an additional 100,000 SF to account for the neighboring Wal-mart.

3/ Other City retail space primarily includes neighborhood oriented shopping centers such as those located along 7th Street to the west of Downtown and those located along Rosemont Avenue and Oppossumtown Pike.

Source: Frederick County Office of Economic Development Shopping Center Inventory, CoStar©

Figure 5: City of Frederick Retail Shopping Centers (2007)		
Name	Location	Total SF
331 N. Market St./ Carmack Jay's	331 N. Market St.	39,729
Everedy Square	East St. & Church St.	54,500
South Market Center	S. Market St & 50 Carroll Creek Way	43,000
Willowtree Plaza	US 40 W, E side of McCain Dr	47,016
Frederick County Square	US 40 W & Hoke Rd	205,859
Westridge Square	US 40 W, S side of Key Pkwy	282,255
Frederick Shoppers World	US 40 W & Baughman's Ln	168,800
Fredericktowne Mall	US 40 W & Waverly Dr.	659,000
Golden Mile Market Place	US 40 W-W. Patrick & McCain Dr.	100,000
Hillcrest Towne Center	Rt. 40 & Hillcrest Dr.	104,050
Rock Center (Cellular One Center)	US 40, 1170 W. Patrick St.	22,400
Rockledge Plaza	US 40, 1100 W. Patrick St.	20,000
Stonegate Center	US 40, 1517 W Patrick St.	28,800
Taskers Chance Village Center	Baughman's Ln & Key Parkway	26,027
Westpointe Plaza	US 40 W at US 40 A, 1440-1450 W Patrick St	31,062
McCain Center	4 S McCain Dr	20,000
The Shops at Monocacy	1700 Kingfisher Dr.	105,494
Whittier Lakefront Center	Christopher's Crossing & Whittier Dr	17,000
Antietam Village Shopping Center	1595 Opossumtown Pike	29,428
Frederick Shopping Center	7 th St. and Taney Ave.	191,386
Amber Meadows	Opossumtown Pike & Thomas Johnson Dr.	111,760
College Park Plaza	7 th St. & Fairview Ave.	87,841
East Patrick Retail Center	430 East Patrick St.	39,988
East Street Plaza	501-509 East St	8,000
Eastgate Shopping Center	East Patrick St. & Shaw Rd.	40,656
Fairview Shopping Center	921 W. 7 th St.	84,763
Festival of Frederick	Prospect Blvd & Jefferson St.	109,885
Monocacy Village Center	East St. & E. 9 th St.	77,500
Old Farm Station	Yellow Springs Rd. & Old Farm Dr.	7,000
Park Plaza	Patrick St	30,228
Patrick Street Shopping Center	467 W. Patrick St.	45,311
Prospect Plaza Shopping Center	S. Jefferson St. at Prospect Blvd	110,459
Rose Hill Plaza	US 15 N & Opossumtown Pike	90,000
Rosemont Center	1713 Rosemont Ave	10,190
Venture Center	181 Thomas Johnson Dr.	8,871
Walnut Ridge Shopping Center	Yellow Springs Rd & Old Farm Dr.	166,350
Waverly Center	45 Waverly Dr.	20,000
West Patrick Street Center	West Patrick & College Terr.	50,000
		TOTAL 3,325,288

Source: City of Frederick, Office of Economic Development

Route 40/ the Golden Mile is the single largest retail concentration within the City of Frederick, with an estimated 1.7 million square feet of space and an estimated 250 retail businesses.¹⁰ Downtown Frederick is the next largest single retail node, with nearly 450,000 square feet of space and nearly 200 retail businesses (reflective of the higher density of retail stores Downtown). The citywide retail vacancy rate is approximately 7 percent, with higher vacancies found Downtown and along Route 40.

However, though the total Downtown vacancy rate is greater than the City median, prime retail areas Downtown exhibit very low vacancy rates. Retail hot spots – particularly the first three blocks of North Market Street, the first block of South Market Street to Carroll Creek, the first two blocks of East Patrick, and Everedy Square/ Shab Row – are nearly completely occupied. These areas benefit from continuous double-loaded retail streets and a variety of restaurant uses that serve as people magnets.

Downtown vacancies increase within the blocks of North Market between 3rd Street and 7th Street, as well as within the blocks of South Market between Carroll Creek and South Street. In contrast to the retail “hot spots,” these areas generally lack continuous retail storefronts and restaurant anchors. Particularly in the North Market Street blocks (4th to 7th), property owners have chosen to invest in residential projects rather than mixed-use buildings with ground floor retail. The North Market Street block between 3rd and 4th exhibits some vacancies in retail space (most notably the Carmack Jay’s property as it awaits a grocery tenant), but offers fairly continuous retail storefronts and may benefit from foot traffic generated by the recent introduction of two restaurants at the intersection of 3rd and Market.

3.3 Downtown Frederick Retail Market

Downtown Frederick has a current inventory of nearly 200 retail establishments in nearly 450,000 square feet, or 12 percent of the City of Frederick retail inventory and 8 percent of the total Planning Region retail inventory (by square feet of space). The retail district offers two prime intersections/ nodes: one at the intersection of Market and Patrick Streets (Square Corner), and the second at the intersection of East and Church Streets (Everedy Square/ Shab Row).

Market Street is home to the majority of the district’s restaurants, which are interspersed with specialty retail shops. East Patrick Street offers a home furnishings/ furniture cluster, with several antiques dealers and upscale home furnishings retailers. Everedy Square/ Shab Row offers specialty gift, art, home furnishings, personal services, and several eateries.

The redevelopment of parcels fronting Carroll Creek, an urban City park, has added new retail space to Downtown. South Market Center and Creekside Plaza thus far have brought new restaurant and eating/ drinking establishments to the Downtown retail mix. With the exception of space along Carroll Creek, the majority of Downtown retail businesses lease narrow, deep spaces in historic properties owned by different property owners. Store sizes range from as low as 250 square feet for lower level space on East Patrick Street up to approximately 20,000 square feet for renovated grocery space on North Market Street. Downtown retailers indicate that the smaller spaces, with lower annual lease costs, serve as “incubators” for new start-up businesses.

Downtown Frederick’s average lease rate (2007) was estimated to be \$17.00 per square foot per year for a triple net lease.¹¹ This is slightly lower than City and regional rates (greater than \$19.00 per square foot per year). However, individual retailers have reported higher lease rates than the \$17.00 per square foot

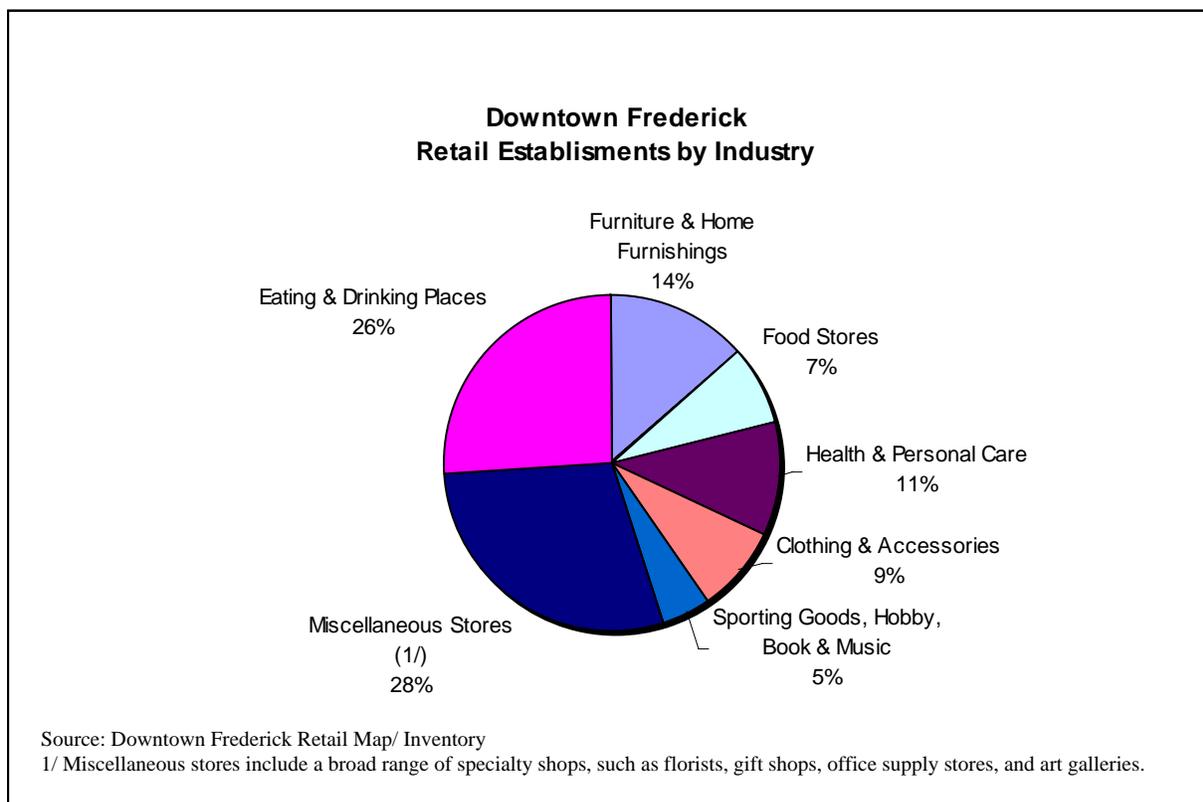
¹⁰ Store count estimated from 2006 Golden Mile retail business inventory.

¹¹ ODU 2006 Retail Market Survey.

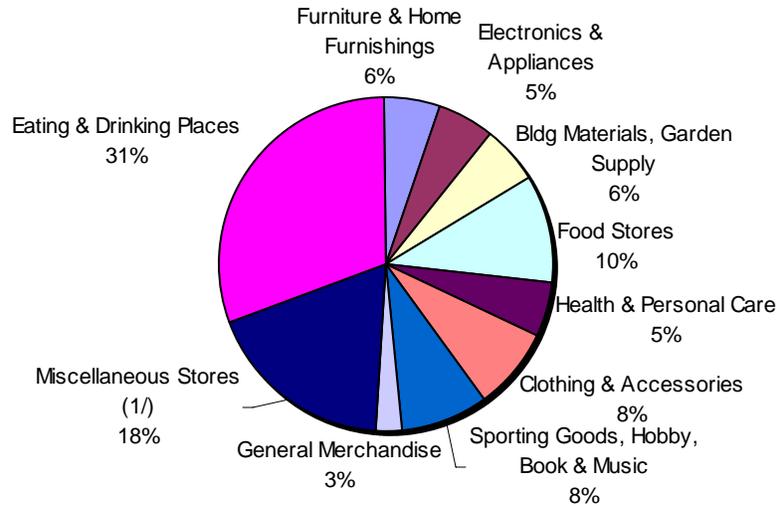
average; these retailers have reported asking lease rates of up to nearly \$40 per square foot. Area commercial brokers have indicated that as properties have recently changed hands, new property owners have sought higher lease rates to cover debt. Anecdotally, this trend has forced selected independent retailers to relocate to other spaces with lower lease rates, and certain properties have sat vacant as owners wait for tenants willing to pay the higher rates.

Classification of Downtown retail businesses by store type indicate that Downtown is a specialty retail, dining, and home furnishings/furniture destination. These three categories (identified as “miscellaneous retail,” “eating and drinking establishments,” and “furniture/ home furnishings”) together comprise nearly 70 percent of the total Downtown retail inventory. In comparison, in the City (including Downtown) these three retail categories total approximately 55 percent, and in the Planning Region (including Downtown and the City), 50 percent. Retail categories not represented Downtown, including general merchandise, electronics/ appliance, and building materials/ garden supplies, comprise 14 and 17 percent of City and Planning Region inventory, respectively.

This classification highlights the retail niche Downtown Frederick currently offers as a destination for unique specialty retail, dining, and home furnishing establishments. The categories not found Downtown – general merchandise, electronics/ appliance, and building materials/ garden supplies – typically demand large-format retail spaces not found in an historic downtown environment.

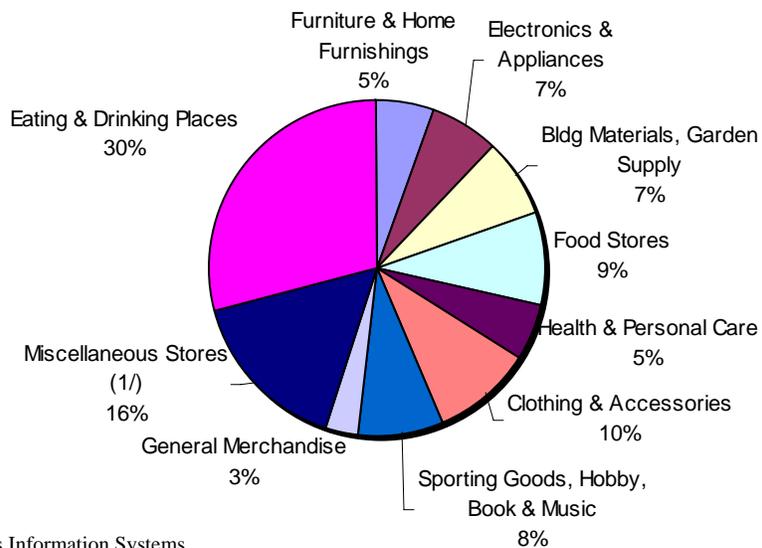


**City of Frederick
Retail Establishments by Industry**



Source: Inventory data for Downtown Frederick and Route 40/ the Golden Mile and ESRI Business Information Systems
1/ Miscellaneous stores include a broad range of specialty shops, such as florists, gift shops, office supply stores, and art galleries.

**Frederick Planning Region
Retail Establishments by Industry**



Source: ESRI Business Information Systems
1/ Miscellaneous stores include a broad range of specialty shops, such as florists, gift shops, office supply stores, and art galleries.

Eating and drinking establishments, specialty stores, and home furnishings and furniture represent three strong Downtown “horizontal clusters.” A horizontal cluster is a significant grouping of stores that offer similar merchandise and cater to shoppers with very specific interests. The existence of these clusters represents one of Downtown’s many retail strengths, as they provide the opportunity to conduct coordinated advertising, market the shopping niches to a targeted regional audience who appreciate opportunities to comparison shop, and recruit additional retailers offering similar products. These “horizontal clusters” represent the essence of the Downtown retail district – eclectic stores and eateries that foster a unique shopping experience. The home furnishing and furniture shops are also clustered geographically – primarily along East Patrick Street.

3.4 Retail Market Conclusions

Retail located within the Frederick Planning Region represents a large market with new inventory added regularly, particularly in growing areas along Route 85/ Buckeystown Pike, in the City’s Northern End, and along Carroll Creek in Downtown.

With approximately 450,000 square feet of retail space, Downtown Frederick represents 8 percent of the retail market located in the Frederick Planning Region. Downtown vacancy rates are higher than within the City and Planning Region; however, the Downtown average vacancy rate is skewed by vacancies occurring in larger spaces (e.g. Carmack Jays) and those clustered in areas that have historically struggled to maintain foot traffic (e.g. N Market Street blocks between 4th and 7th, an area that has recently witnessed investment in residential rehabilitation). The average Downtown retail lease rate is slightly lower than retail lease rates within the City of Frederick and the Frederick Planning Region.

The average Downtown lease rate of \$17.00 per square foot per year (triple net), assuming a rent to sales revenue ratio of between 8 to 12 (an industry standard range), is low enough to accommodate retailers earning sales revenues per square foot of between \$142 to \$213. According to the 2005 Downtown Business Survey, median sales revenues per square foot were \$160, indicating the average Downtown retailer can sustain lease rates near \$17.00 per square foot. Retailers should focus on increasing sales volumes as the best defense against potential future increases in lease rates.

There are a number of opportunities to enhance retail sales for existing business owners by attracting more frequent visitation by Downtown’s key customer segments. The following section, “Retail Market Analysis” identifies and describes these specific market segments both within and outside Downtown Frederick’s primary market area, and compares these segments to those patronizing other retail nodes and corridors in the City of Frederick. The Retail Market Analysis section also demonstrates how the potential to capture additional market demand translates into opportunities to expand Downtown Frederick’s retail inventory – including potential redevelopment of the neighboring Brickworks site and infill along Carroll Creek Park. Retail store types that generate additional foot traffic of benefit to Downtown merchants are highlighted.

4 Retail Market Analysis

The retail market overview addressed the composition and character of retail trade and establishments in Downtown Frederick, the City of Frederick, and the Frederick Planning Region, as well as sources of market competition in the broader metropolitan Washington-Baltimore region. This section, an analysis of the retail market, defines the sources of retail demand for Downtown and other City retailers, including those located at major retail nodes/ corridors (e.g. the Golden Mile and the Northern End).

4.1 Retail Trade Areas

Trade Area Definition

A trade area is the geographic area from which the preponderance of a retail establishment's customers originates. Trade areas differ based on the type of products offered at the retail establishment. For example, the trade area for a convenience good such as milk is typically smaller than the trade area for a shoppers good, or "comparison" good, such as furniture or apparel. The distance a consumer will travel to buy a gallon of milk is significantly shorter than the travel distance tolerated to buy a new sofa. Another factor affecting the trade areas for convenience and shoppers goods is comparison shopping. To purchase a gallon of milk, one does not need to compare brands or stores. To purchase a piece of furniture, consumers are willing to travel further distances to compare various merchandise.

Trade areas are also impacted by competitive retail destinations. A shopping district with little nearby competition will have a much larger trade area than a shopping district with significant regional shoppers goods competition.

These factors, as well as several others, impact the designation of trade areas for Downtown Frederick and other retail nodes within the City of Frederick. These factors include:

- Types of retail and services offered/ retail niche
- Travel times to and from each retail node
- Location of competitive facilities
- Merchants' input (ascertained through focus groups)

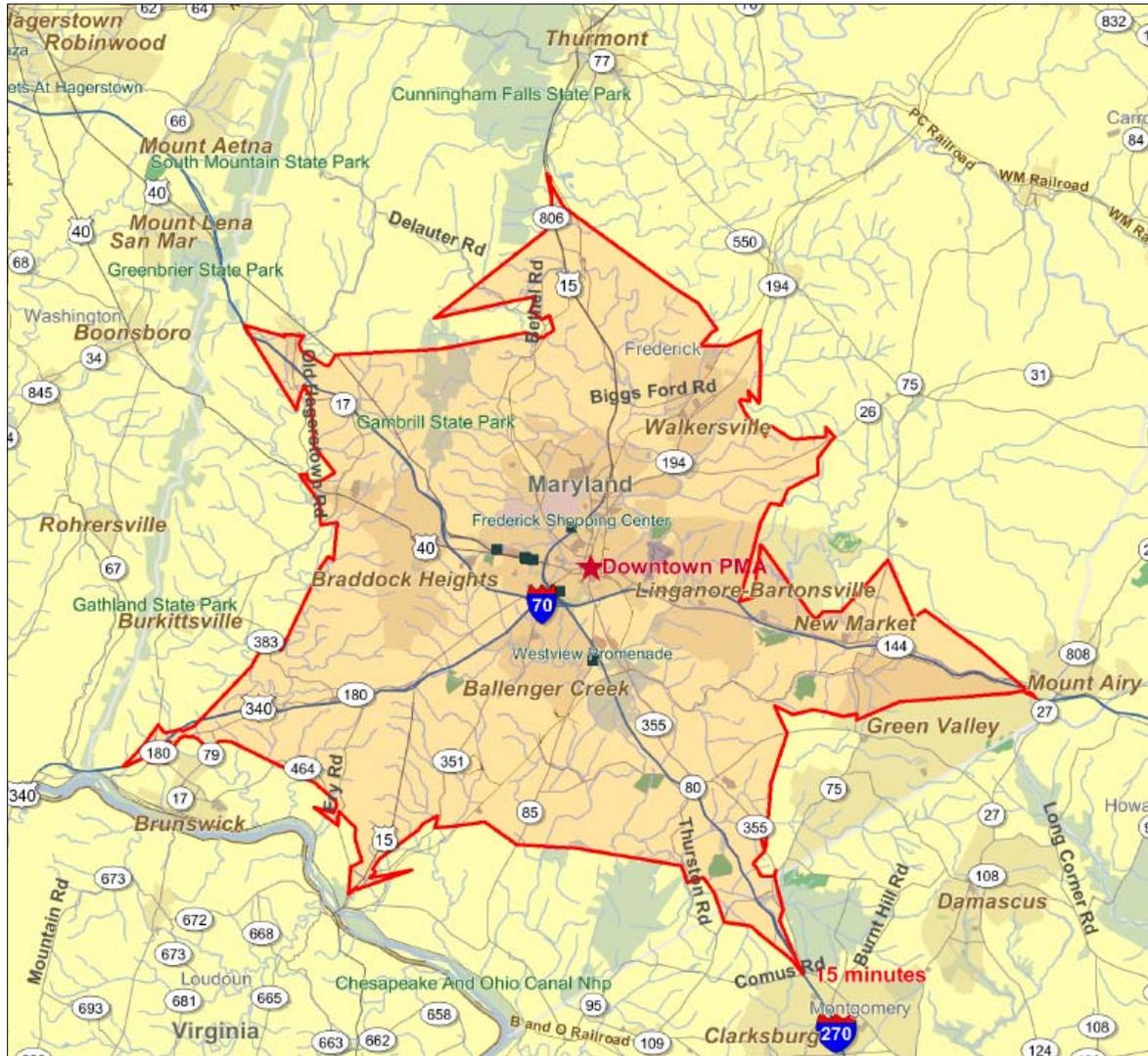
Downtown Frederick Trade Areas

Interviews with Downtown merchants, field visits to the retail district, and retail industry research suggest Downtown retailers as a whole derive their sales from four segments (in order of importance):

- Residents of a local "primary market area;"
- Residents of a broader regional "secondary market area;"
- Downtown employees; and
- Downtown tourists.

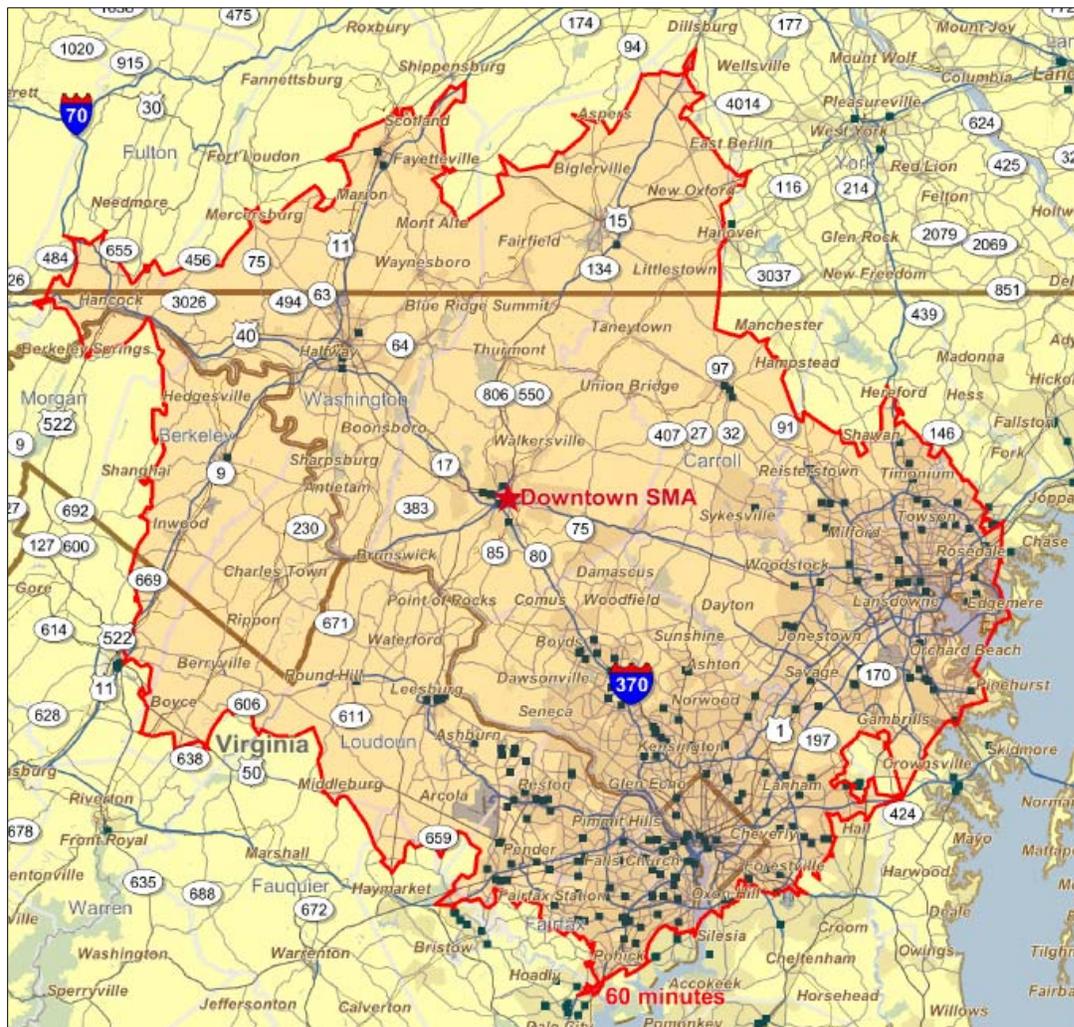
The primary market area (PMA) is the area from which retailers derive the majority of repeat sales. According to the Urban Land Institute, this area generally extends from 5 to 30 minutes, depending on the density of development and location of competing retail areas. In general, Downtown merchants indicated that the majority of their customers reside in populated areas of Frederick County; thus, a primary market area corresponding to the geographic area within a 15-minute drive of Downtown was drawn. This area

extends east to Mount Airy, south to just north of Clarksburg, west to Brunswick, and north to just south of Thurmont.



For Downtown merchants, the next largest proportion of sales is derived from a broad geography where regional visitors (day trippers) reside, similar to a secondary market area (SMA). Downtown merchants indicated that while local Frederick County area residents provide repeat sales, weekend visitors from as far as Baltimore, Washington DC, and Pennsylvania comprise a growing source of sales. This regional market area was drawn to include all potential day visitors living within an hour's drive of Frederick. This area extends east to Baltimore, south to Northern Virginia, west past Hagerstown, and north past Gettysburg.

According to Downtown merchants, Downtown employees and tourists (defined as those residing beyond the SMA or beyond an hour's drive of Downtown) provide a relatively small proportion of sales compared to residents of the PMA and regional day visitors. Purchases made by these groups were indicated to offer an extra profit margin for Downtown businesses.



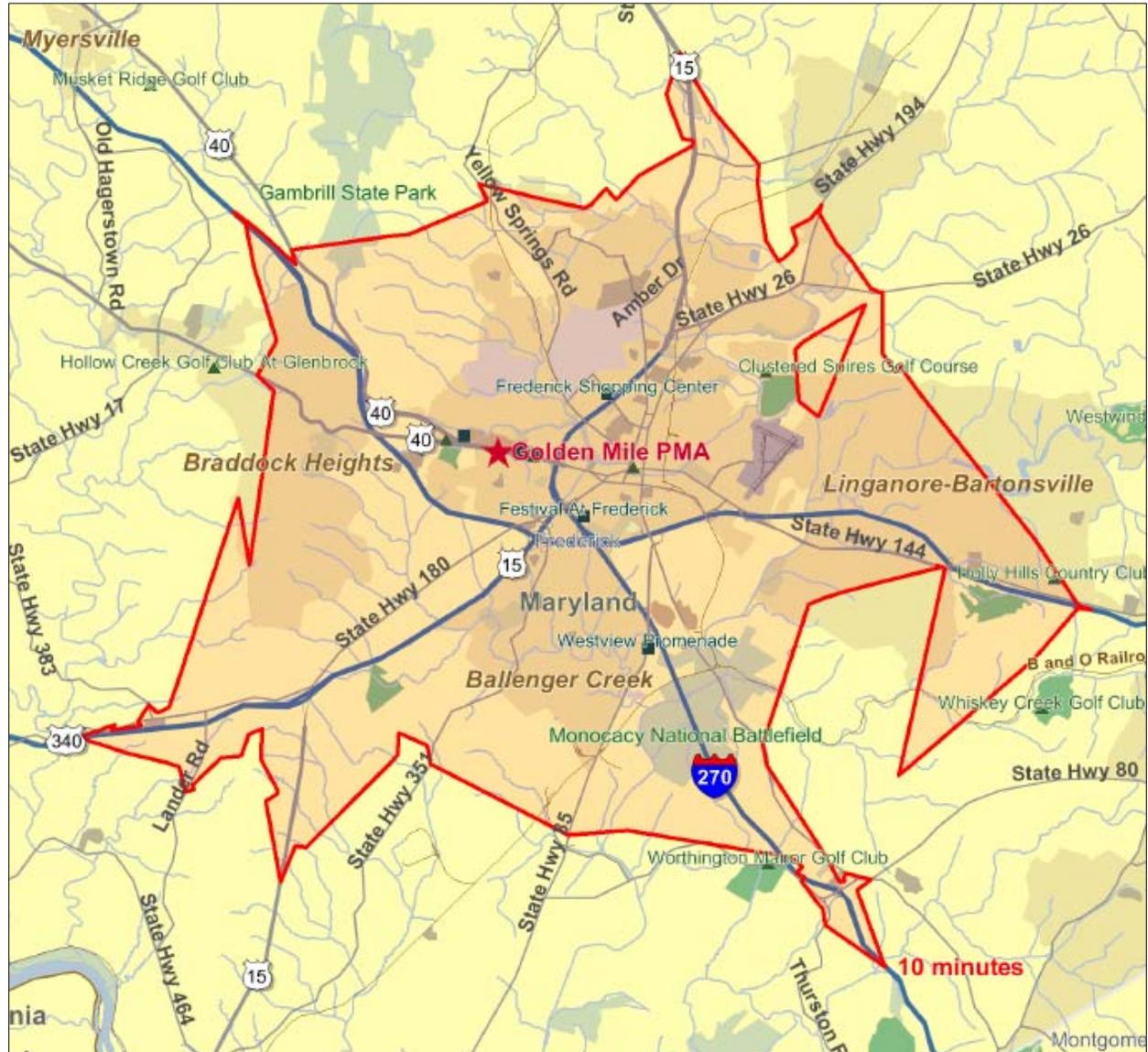
City Retailer Trade Areas (Outside Downtown)

Input from retailers located in the City (outside Downtown), field visits to retail nodes (e.g. Route 40 and The Northern End), and retail industry research suggest Citywide retailers as a whole derive their sales from:

- Residents of a local “primary market area;” and
- Residents of a broader regional “secondary market area.”

The primary market area (PMA), the area from which retailers derive the majority of repeat sales, generally extends from 5 to 30 minutes, depending on the density of development and location of competing retail areas. In general, City retailers indicated that the majority of their customers reside in nearby neighborhoods within Frederick County. In accordance with their input and industry research, primary market area boundaries were drawn corresponding to the geographic area within a 10-minute

drive of the center of the Golden Mile (where the majority of non-Downtown City retail is clustered) was drawn. This primary market area is appropriately smaller than that of Downtown due to the neighborhood/ local orientation of these shopping centers compared to the regionally oriented nature of Downtown's specialty retail stores. This area extends east to New Market, south to Urbana, west to Jefferson, and north to Walkersville.



The secondary market area, or the geographic area from which City retailers derive the next largest source of sales, extends farther than the PMA to include the area within a 20 minute drive of the central part of the Golden Mile. The SMA was drawn to include visitors that travel to Frederick to comparison shop, as noted by City furniture dealers. This area, which is slightly larger (but similar) to the PMA for Downtown, extends east to Mount Airy, south to Gaithersburg, west to Brunswick, and north to Thurmont.

Retail Trade Areas Demographics and Tapestry Segments

Demographics in the Downtown and Citywide PMA, SMA, City of Frederick, and Frederick Planning Region are presented to illustrate the characteristics of trade areas for Downtown and other City retailers. The Downtown PMA has 55,013 households and a population of 147,184, while the SMA has nearly 2.5 million households and a population of 6.4 million. The City PMA has 41,095 households and 107,478 residents, while the SMA has 64,956 households and 174,977 residents.

Both the PMA and SMA for Downtown and City retailers exhibit higher median household incomes than those of the City and Planning Region. The Downtown PMA's median household income is approximately \$9,000 higher than the Planning Region and \$14,000 higher than the City of Frederick's median household income. The City PMA's median household income is approximately \$9,000 higher than the City of Frederick's median household income and \$4,000 higher than that of the Planning Region.

**Figure 6: Demographics
PMAs, SMAs, City of Frederick, and Frederick Planning Region
(2006)**

	Downtown PMA	Downtown SMA	City PMA	City SMA	City of Frederick	Planning Region
Population	147,184	6,434,056	107,478	174,977	59,319	88,200
Households	55,013	2,471,880	41,095	64,956	23,581	34,751
Median Age	37.1	37	36.1	37.7	35.5	36.5
Median HH Income	\$71,398	\$68,275	\$66,552	\$72,514	\$57,365	\$62,579

Source: ESRI Business Information Solutions

The top five community tapestry segments found in each primary market area are presented in figure 7. Descriptions of *Aspiring Young Families* and *Old and Newcomers* were provided in the Overview Section. New additions are presented below.

**Figure 7: Top Five
Community Tapestry Segments
PMA
(2006)**

Downtown PMA		City PMA	
Tapestry Segment	% of PMA Households	Tapestry Segment	% of PMA Households
Aspiring Young Families	12%	Aspiring Young Families	16%
In Style	12%	In Style	16%
Up and Coming Families	11%	Up and Coming Families	13%
Sophisticated Squires	10%	Old and Newcomers	9%
Exurbanites	7%	Boomburbs	7%

Source: ESRI Business Information Solutions, 2006

In Style residents are described as prosperous, professional couples that enjoy an urban lifestyle, yet reside in the suburbs. Married-couple families represent over half of all households; median age is 40 years. The majority (70 percent) reside in single-family detached dwellings or town homes. Residents enjoy active lifestyles, with leisure time pursuits ranging from traveling, playing golf, and engaging in fitness activities.

Up and Coming Families are the second fastest household growth segment (growing at an annual rate of 4.2 percent) and youngest wealthy segment, with a median age of 32. Households are primarily young married couple families with children. These affluent residents are college educated professionals that generally prefer new single-family homes. Primary shopping purchases include furniture, baby and children's clothing and equipment, and home and garden improvement products. These households enjoy dining out at family restaurants and playing sports.

Sophisticated Squires residents primarily live in new residential subdivisions located in rural settings. The majority of these households are two-income, married couple families with children, with a median age of 37. These college educated residents enjoy DIY home and garden improvement, riding bicycles, playing volleyball, attending baseball games, playing golf, and riding motorcycles. Children enjoy playing board games and cards.

Exurbanites, like *Sophisticated Squires*, prefer subdivisions near rural environments. Two dominant household types are represented in this segment: empty nesters (40 percent) and married couples with children (32 percent). Most of these educated residents hold professional and management positions, though a minority (20 percent) are retired. Dominant housing types include single-family residences built in the prior few decades. Home and garden maintenance is a popular weekend pursuit for this segment. Other leisure time activities include boating, hiking, kayaking, playing Frisbee, photography, and bird-watching. Golf and visits to national parks are popular vacation activities.

Boomburbs neighborhoods include double-income married-couple families. Well-educated residents working in professional and managerial occupations dominate this young segment (median age is 34). New, single-family homes in rapidly growing suburban areas are the preferred housing type for many residents. Nearly 40 percent of residents commute across county lines to work. *Boomburbs* residents are strong spenders on furniture, toys and games, men's professional and casual apparel, and technology-related items (e.g. MP3 players, DVD players, scanners, laptop computers). Tennis, golf, skiing and jogging are popular weekend activities.

4.2 Primary Market Area Market Segments

The Community Tapestry segments identified in the Downtown Frederick and City Primary Market Areas indicate four types of groups common to both Primary Market Areas: young professionals and couples, young families, established professionals and empty nesters, and college students. These segments have unique retail demands that could be targeted with expansion of existing retail store types and unique marketing and merchandising campaigns designed deliberately to attract these potential costumers. These market segments include the following groups:

- **Young Professionals and Couples** – Located throughout both Primary Market Areas, this market segment provides major opportunities. Unburdened by mortgages and the costs associated with starting new families, this market segment represents the biggest spenders. There are specific opportunities to target this market with retail goods and services Downtown and in other parts of the City, including the introduction of trendy apparel shops for men and women, marketing and merchandising campaigns in new and existing home furnishings stores, entertainment and recreation stores, and specialty stores including florists, jewelers, and gift stores. Restaurants also have a significant opportunity to capture dining out demand in this market segment.

- Young Families – Neighborhoods within both Primary Market Areas are home to many families with young children. The recent residential developments in areas such as Urbana, Clarksburg, Dearbought, and Taskers Chance provide a mix of single-family detached and attached homes that will draw families. There are opportunities to target this market segment, including the introduction of moderately priced family apparel shops, additional household furnishings and home maintenance stores, family oriented restaurants, and specific marketing and merchandising campaigns in existing household furnishing/ furniture and dining establishments.
- Established Professionals and Empty Nesters – The spending preferences of this segment include high quality furnishings and home décor, apparel, specialty goods including unique gift items, jewelry, and floral arrangements. This market segment also enjoys dining in high quality, local restaurants. Many of the existing independent retail shops have an opportunity to target this market segment.
- College Students – Hood College, located just northwest of Downtown, provides a younger market segment that frequently eats out and orders in. While many Downtown Frederick restaurants are clearly geared toward a professional or family market, there are opportunities to increase service to this market segment by offering affordable entrees and take out service. Their leisure activities also represent an opportunity to target this market segment. Stores in the entertainment and recreation category, including book stores, music stores, and yoga studios are all potential college student destinations, as are youth oriented apparel stores. Personal care establishments, including beauty salons, should also target this market segment. City of Frederick retail nodes may take advantage of this population by offering additional eating and drinking services within driving distance of this market segment.

4.3 Additional Sources of Market Demand

As discussed in the Trade Area section, Primary Market Area households represent the most significant source of demand for both Downtown and City retail establishments. However, both Downtown and City retailers have access to additional sources of market demand that represent significant retail expenditure potential. These additional market groups include the following:

- Tourists/Institutional and Cultural Events Visitors – Heritage tourists visiting Frederick County to experience the area's history through exhibits at the Civil War Medicine Museum, take in the historic architecture, and visit nearby historic sites such as Monocacy Battlefield represent an important source of unique market demand. Other visitors attend exhibits at the Delaplaine Arts and Education Center, performances at the Weinberg Center for the Arts and the Maryland Ensemble Theater, or events such as First Saturday Gallery Walk, Alive at Five, the Frederick Festival of the Arts, In the Streets, and Frederick's July 4th celebration. These potential customers are likely to eat in restaurants, purchase small gift items, and browse art galleries, antique shops, and larger specialty shoppers goods retail establishments. All of these retail categories are prominent in Downtown Frederick already and represent an opportunity to capture additional retail expenditure from this market group. These visitors are also likely to stop by large destination shopping centers in other parts of the City – such as regional malls or lifestyle centers where familiar branded restaurants and shops are found.
- Employees – An estimated 5,000 people are employed in the nearly 600 businesses and organizations located within Downtown Frederick; nearly 45,000 employees work in other parts of the City. Employment concentrations are located at Fort Detrick and the City's Northern End, in

close proximity to the Golden Mile as well as Monocacy Boulevard. Daytime employees offer a customer base for restaurants, sandwich shops, cafes and bars for lunch, coffee breaks, happy hours, and occasional dinners out. Downtown Frederick offers an excellent selection of eating and drinking places that offer a broad range of experiences, from quick lunch counter service to sit-down table service. The Golden Mile and the Northern End feature sit down table service and fast food style restaurants offering lunch as well as dinner options.

4.4 Market Capture Rate Analysis

To determine and evaluate conditions within Downtown Frederick and the City of Frederick, and to establish a baseline understanding of the magnitude of the potential for retail development, market capture rates in the PMAs were determined for each retail category. Market capture rates are a measure of the percentage of trade area expenditures that are “captured” by a defined market area. To calculate the market capture rates of Downtown Frederick and other City retail nodes, the retail expenditures of the PMA residents, the sales by market source, and the total retail sales for Downtown Frederick and the City were evaluated.

PMA Retail Expenditure

To establish the size of the local market area, annual retail expenditure by residents of the primary market areas were estimated.¹² The expenditures provide a measure of demand for retail goods and services. These expenditure estimates for Downtown PMA residents are presented in Figure 8. The *Household Expenditure* column provides the average annual household expenditures in different retail categories by households within the primary market area. The *Total Expenditure* column multiplies the average annual household expenditures by the number of households in the PMA to establish total expenditure by PMA households. The *% of Total Expenditure* column provides the annual household expenditure for that category as a percent of total annual household expenditure. This column indicates that households spend the most on groceries and related items at food and beverage stores. Dining out is also a high expenditure category, followed by expenditures on apparel and specialty items.

Retail Category	Household Expenditure	Total Expenditure	% of Total Expenditure
Furniture & Home Furnishings	\$1,196	\$65,817,330	7%
Food Stores	\$6,638	\$365,199,446	41%
Health & Personal Care Stores	\$804	\$44,248,867	5%
Clothing & Accessories	\$1,612	\$88,702,776	10%
Sporting Goods, Hobby, Book & Music	\$706	\$38,857,815	4%
Miscellaneous Stores (1/)	\$564	\$31,027,171	4%
Eating & Drinking Places	\$4,524	\$248,875,842	28%
Total	\$16,046	\$882,729,247	100%

¹ Miscellaneous stores include florists, gift shops, office supply stores, and art galleries

Source: BBP Associates, ESRI Business Information Systems

¹² These expenditure estimates are derived from the U.S. Bureau of Labor Statistics Consumer Expenditure Surveys.

In addition to resident retail expenditure, annual retail expenditure by Downtown employees should also be estimated. There are an estimated 5,000 employees located within Downtown, and these employees are estimated to spend approximately \$4,700,000 on retail goods and services annually near work.¹³

City PMA residents' expenditure estimates are presented in Figure 9. The % of Total Expenditure column indicates that households spend the most at food and beverage stores, followed by eating and drinking places and general merchandise stores.

Retail Category	Household Expenditure	Total Expenditure	% of Total Expenditure
Furniture & Home Furnishings	\$1,127	\$46,321,699	6%
Electronics & Appliance Stores	\$827	\$33,985,333	4%
Bldg Materials & Garden Supply	\$1,173	\$48,185,091	6%
Food Stores	\$6,355	\$261,150,817	31%
Health & Personal Care Stores	\$767	\$31,513,247	4%
Clothing & Accessories	\$1,534	\$63,029,914	8%
Sporting Goods, Hobby, Book & Music	\$677	\$27,804,832	3%
General Merchandise	\$3,102	\$127,475,352	15%
Miscellaneous Stores (1/)	\$534	\$21,964,490	3%
Eating & Drinking Places	\$4,317	\$177,423,555	21%
Total	\$20,413	\$838,854,330	100%

¹ Miscellaneous stores include florists, gift shops, office supply stores, and art galleries

Source: BBP Associates, ESRI Business Information Systems

PMA Retail Expenditure by New Residents

In addition to the existing residents of the PMAs and Downtown employees, an estimated 400 new residential units will likely be demanded within the City each year over the next several years, or a total of 2,000 new households by 2011, as based on the City's comprehensive plan.¹⁴ The new residents translate into additional retail demand that should be factored into the total potential expenditures of the primary market areas. The potential annual retail expenditure these new residents will add to the Downtown Frederick primary market is estimated to be approximately \$32 million, assuming an average annual household retail expenditure of \$16,046 (in keeping with the current estimated expenditure per household on retail goods and services offered Downtown).

¹³ 2005 Downtown Business Survey. Employees are assumed to spend 1/3 of workday purchases near work, and \$2,800 per year (or \$933 per year per employee near work), in accordance with findings by ICSC in "Office Worker Spending Patterns," 2003.

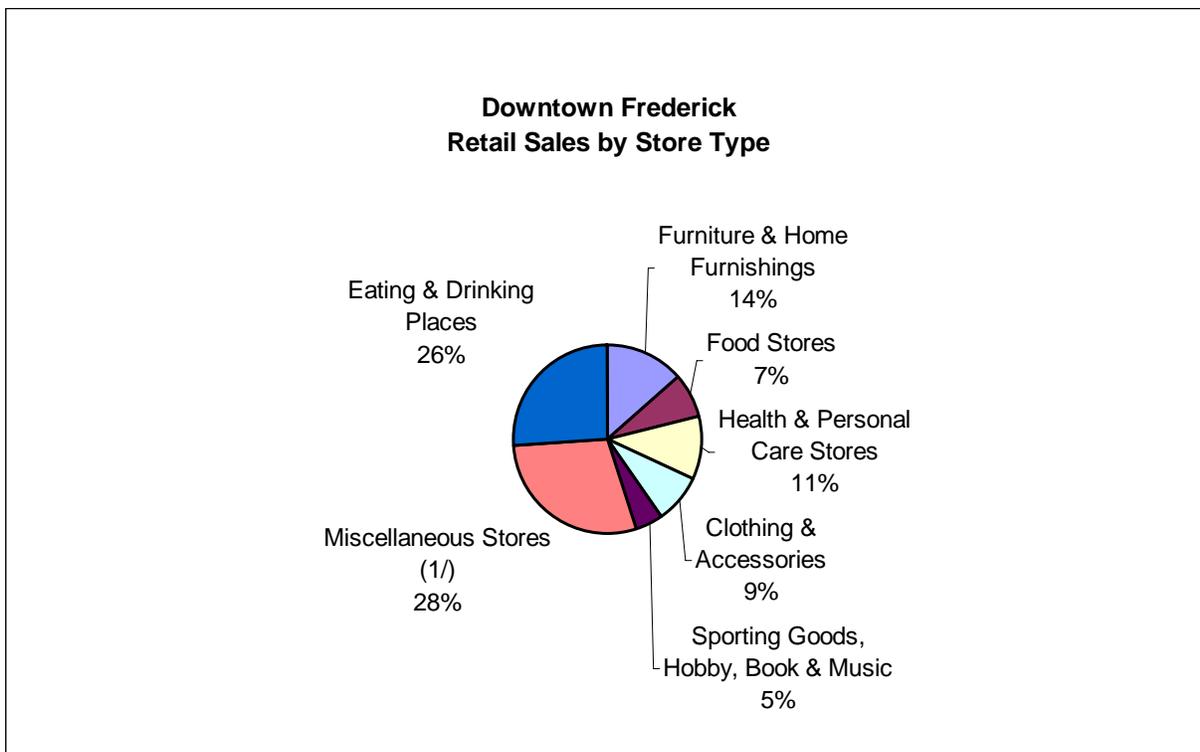
¹⁴ According to household projections reported in the 2003 *City of Frederick Comprehensive Plan Update*.

Downtown Frederick Sales

Using 2005 median sales revenue data per retail establishment, retail sales by category for Downtown Frederick were determined.¹⁵

Figure 10: Estimated Annual Retail Sales Downtown Frederick (2006)		
Retail Category	Total Sales	% of Total Sales
Furniture & Home Furnishings	\$7,200,000	14%
Food Stores	\$3,900,000	7%
Health & Personal Care Stores	\$5,700,000	11%
Clothing & Accessories	\$4,500,000	9%
Sporting Goods, Hobby, Book & Music	\$2,400,000	5%
Miscellaneous Stores (1/)	\$15,300,000	29%
Eating & Drinking Places	\$13,800,000	26%
Total	\$52,800,000	100%

Source: 2005 Downtown Business Survey, BBP Associates



1/ Miscellaneous stores include florists, gift shops, and office supply stores
Source: BBP Associates

Miscellaneous store retailers represent the largest share of total sales, followed closely by eating and drinking establishments, and furniture/ home furnishings stores.

¹⁵ The 2005 Business Survey found median annual sales revenue of \$300,000 per year per establishment. This median sales revenue figure was multiplied by the number of establishments estimated by category.

Downtown Retail Sales by Market Source

Downtown Frederick retailers derive a certain amount of sales from residents living within the PMA and the remainder from outside the PMA. Based on discussions with study area business owners and industry knowledge, approximately 70 percent of retail sales are estimated to be made by the residents of the PMA. The remaining 30 percent of retail sales are thought to be made by residents of the SMA, Downtown employees and tourists.

**Figure 11: Annual Retail Sales by Source
Downtown Frederick
(2006)**

Retail Category	Total Sales	Sales to PMA Residents		Total Sales Outside of PMA	
		Total PMA Sales	Percent of Sales	Total Non-PMA Sales	Percent of Sales
Furniture & Home Furnishings	\$7,200,000	\$5,040,000	70%	\$2,160,000	30%
Food Stores	\$3,900,000	\$2,730,000	70%	\$1,170,000	30%
Health & Personal Care Stores	\$5,700,000	\$3,990,000	70%	\$1,710,000	30%
Clothing & Accessories	\$4,500,000	\$3,150,000	70%	\$1,350,000	30%
Sporting Goods, Hobby, Book & Music	\$2,400,000	\$1,680,000	70%	\$720,000	30%
Miscellaneous Stores (1/)	\$15,300,000	\$10,710,000	70%	\$4,590,000	30%
Eating & Drinking Places	\$13,800,000	\$9,660,000	70%	\$4,140,000	30%
Total	\$52,800,000	\$36,960,000		\$15,840,000	

Source: BBP Associates

Downtown Market Capture Rates

The calculation of the retail sales by source within Downtown Frederick combined with estimates of retail expenditures allows for the estimation of the capture rate of trade area expenditures. The capture rate is essentially a measure of the percentage of expenditures “captured” from an area. Total sales (supply) to a trade area divided by the total expenditures (demand) of that trade area results in a percentage that is referred to as a capture rate. Those sales not captured represent the net leakage, the amount of expenditures that take place outside of Downtown Frederick. In general, these sales are assumed to leak to competing retail centers and nodes located in other parts of the City of Frederick, the Planning Region, and the region (e.g. competing urban retail centers and downtowns such as Leesburg, Georgetown, Alexandria and Bethesda).

**Figure 12: Retail Market Capture Rates by Retail Category
Downtown Frederick
(2006)**

Retail Category	Total Sales	Sales to Local Market Area	Total Expenditure	Retail Leakage	Capture Rate
Furniture & Home Furnishings	\$7,200,000	\$5,040,000	\$65,817,330	\$65,817,330	8%
Food Stores	\$3,900,000	\$2,730,000	\$365,199,446	\$362,469,446	1%
Health & Personal Care Stores	\$5,700,000	\$3,990,000	\$44,248,867	\$40,258,867	9%
Clothing & Accessories	\$4,500,000	\$3,150,000	\$88,702,776	\$85,552,776	4%
Sporting Goods, Hobby, Book & Music	\$2,400,000	\$1,680,000	\$38,857,815	\$37,177,815	4%
Miscellaneous Stores (1/)	\$15,300,000	\$10,710,000	\$31,027,171	\$20,317,171	35%
Eating & Drinking Places	\$13,800,000	\$9,660,000	\$248,875,842	\$239,215,842	4%
Total	\$52,800,000	\$36,960,000	\$882,729,247	\$850,809,247	4%

Source: BBP Associates

This comparison of sales to the local market area and total retail expenditure by residents in the local market area reveals a number of opportunities for retail development. The total retail outflow is \$851 million. Downtown Frederick stores are selling \$37 million worth of merchandise to the local market area residents yet these same residents are spending a total of \$883 million, likely at retail nodes located within the City and Planning Region. In other words, Downtown retail establishments are capturing 4 percent of the total local market area expenditure.

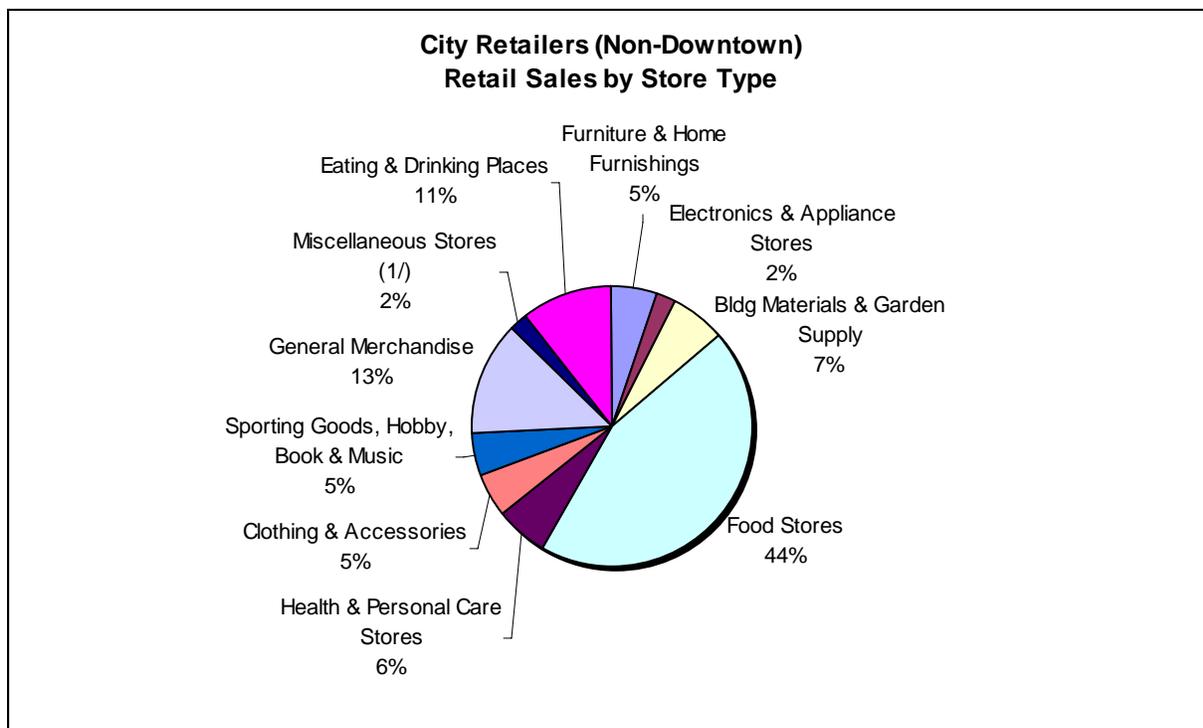
City Sales

Retail sales by category for retailers throughout the City (excluding Downtown retailers) were estimated.¹⁶ Food stores dominate all retail sales in the City, accounting for 44 percent of all sales. General merchandise stores and eating and drinking places supply the next highest sales, at 13 and 11 percent, respectively.

**Figure 13: Estimated Annual Retail Sales
City Retailers
(2006)**

Retail Category	Total Sales	% of Total Sales
Furniture & Home Furnishings	\$30,726,988	5%
Electronics & Appliance Stores	\$11,652,060	2%
Bldg Materials & Garden Supply	\$37,914,058	7%
Food Stores	\$254,210,908	44%
Health & Personal Care Stores	\$34,445,590	6%
Clothing & Accessories	\$28,537,450	5%
Sporting Goods, Hobby, Book & Music	\$28,816,257	5%
General Merchandise	\$75,916,709	13%
Miscellaneous Stores (1/)	\$12,106,799	2%
Eating & Drinking Places	\$61,248,604	11%
Total	\$575,575,423	100%

Source: ESRI Business Information Systems, BBP Associates



1/ Miscellaneous stores include florists, gift shops, and office supply stores
Source: ESRI Business Information Systems

¹⁶ Sales estimated using ESRI Business Information Systems.

City Retail Sales by Market Source

City retailers derive a certain amount of sales from residents living within the PMA and the remainder from outside the PMA. Based on discussions with business owners and industry knowledge, approximately 80 percent of retail sales are estimated to be made by the residents of the PMA. The remaining 20 percent of retail sales are thought to be made by residents of the SMA.

**Figure 14: Annual Retail Sales by Source
City Retailers
(2006)**

Retail Category	Total Sales	Sales to PMA Residents		Total Sales Outside of PMA	
		Total PMA Sales	Percent of Sales	Total Non-PMA Sales	Percent of Sales
Furniture & Home Furnishings	\$30,726,988	\$24,581,590	80%	\$4,916,318	20%
Electronics & Appliance Stores	\$11,652,060	\$9,321,648	80%	\$1,864,330	20%
Bldg Materials & Garden Supply	\$37,914,058	\$30,331,246	80%	\$6,066,249	20%
Food Stores	\$254,210,908	\$203,368,726	80%	\$40,673,745	20%
Health & Personal Care Stores	\$34,445,590	\$27,556,472	80%	\$5,511,294	20%
Clothing & Accessories	\$28,537,450	\$22,829,960	80%	\$4,565,992	20%
Sporting Goods, Hobby, Book & Music	\$28,816,257	\$23,053,006	80%	\$4,610,601	20%
General Merchandise	\$75,916,709	\$60,733,367	80%	\$12,146,673	20%
Miscellaneous Stores (1/)	\$12,106,799	\$9,685,439	80%	\$1,937,088	20%
Eating & Drinking Places	\$61,248,604	\$48,998,883	80%	\$9,799,777	20%
Total	\$575,575,423	\$460,460,338		\$92,092,068	

Source: BBP Associates

City Market Capture Rates

The calculation of the retail sales by source for non-Downtown retail businesses within the City combined with estimates of retail expenditures allows for the estimation of the capture rate of trade area expenditures. Sales not captured represent the net leakage, the amount of expenditures that take place outside of the City. This leakage is assumed to be spent in retail centers in the Planning Region and retail destinations in the region.

**Figure 15: Retail Market Capture Rates by Retail Category
City Retailers
(2006)**

Retail Category	Total Sales	Sales to Local Market Area	Total Expenditure	Retail Leakage	Capture Rate
Furniture & Home Furnishings	\$30,726,988	\$24,581,590	\$46,321,699	\$21,740,109	53%
Electronics & Appliance Stores	\$11,652,060	\$9,321,648	\$33,985,333	\$24,663,685	27%
Bldg Materials & Garden Supply	\$37,914,058	\$30,331,246	\$48,185,091	\$17,853,845	63%
Food Stores	\$254,210,908	\$203,368,726	\$261,150,817	\$57,782,091	78%
Health & Personal Care Stores	\$34,445,590	\$27,556,472	\$31,513,247	\$3,956,775	87%
Clothing & Accessories	\$28,537,450	\$22,829,960	\$63,029,914	\$40,199,954	36%
Sporting Goods, Hobby, Book & Music	\$28,816,257	\$23,053,006	\$27,804,832	\$4,751,826	83%
General Merchandise	\$75,916,709	\$60,733,367	\$127,475,352	\$66,741,985	48%
Miscellaneous Stores (1/)	\$12,106,799	\$9,685,439	\$21,964,490	\$12,279,051	44%
Eating & Drinking Places	\$61,248,604	\$48,998,883	\$177,423,555	\$128,424,672	28%
Total	\$575,575,423	\$460,460,338	\$838,854,330	\$378,393,992	55%

Source: BBP Associates

Opportunities for retail development are evident from the comparison of sales to the local market area and total retail expenditure by residents in the local market area. The total retail outflow is \$380 million. Non-downtown City stores are selling \$460 million worth of merchandise to the local market area residents yet these same residents are spending a total of \$840 million, likely at retail nodes located within the Planning Region, such as those located along Buckeystown and Urbana Pikes. Non-downtown City retail establishments are capturing 55 percent of the total local market area expenditure.

Retail categories capturing below 55 percent of expenditures (and thus prime candidates for expansion) include clothing and accessory stores (36 percent), electronics and appliance stores (27 percent), and eating and drinking places (28 percent). In contrast, several store groups are capturing more than 55 percent of local market expenditures, and may reach market saturation should additional stores be added to the local inventory, particularly in consideration of the competing supply of stores located in the Frederick Planning Region along Buckeystown and Urbana Pikes. These categories include food stores (78 percent capture), health and personal care stores (87 percent), and sporting goods/ hobby/ book and music stores (83 percent).

4.5 Retail Enhancement and Development Opportunities

The breakdown by specific retail categories reveals that in Downtown, all categories have an opportunity to increase their sales by selling more to the local market area; however, certain categories have more opportunity than others. For non-downtown City retailers, all categories exhibit potential to increase sales, although selected categories (e.g. those already capturing around 80 percent of local market area expenditures) could reach market saturation should additional businesses be added to the inventory.

In Downtown, food stores, clothing and accessory, sporting goods/ hobby/ book and music stores, and eating and drinking places all have capture rates of less than 5 percent. While local market area buyer preferences will dictate to a degree the extent to which these categories can penetrate the local market

area, retail outflow in these categories is \$360 million for food stores, \$240 million for eating and drinking places, \$90 million for clothing and accessories and \$40 million for sporting goods/ hobby/ book and music stores. There is opportunity for these categories to increase sales to the local market area by increasing performance in existing stores as well as recruiting additional retailers that offer niche items not available in other retail areas within the PMA. This differentiation is particularly important for stores offering sporting goods, books and music, given the competitive supply of stores offering these goods beyond Downtown (e.g. Sports Authority, Borders, Barnes and Noble); since the competitive supply already captures a high portion of local market area expenditures, businesses offering niche goods should orient their marketing to day trippers in addition to area residents.

Though food stores exhibited low sales capture and high outflow in Downtown, the addition of traditional grocers in the Downtown market is constrained by the presence of competing facilities in the City and Planning Region. In 2007, there were 17 grocers in the City of Frederick and Planning Region (including the grocery divisions of Costco, the Walmart Supercenter, and Sam's Club located in the Planning Region). According to *Food World*, as quoted by Delta Associates, the average grocer caters to approximately 8,500 patrons and average sales volume per store is \$22 million. For Frederick grocers to meet these averages, approximately 144,500 residents and \$374 million in retail demand for food stores is required. Residents in the Downtown PMA (which includes the City PMA and residents likely to shop at Planning Region retail centers) totaled 147,184 in 2007 and spent an estimated \$365 million at food stores. These statistics indicate the supply of grocers is appropriate to the existing demand for grocery products. Expansion of food stores Downtown should be focused on unique facilities that cater to both residents and day trippers, such as Juliette's Market and Firestone's Market on Market, which offer unique food and beverage products appealing to residents and day trippers alike.

Household furnishings and home maintenance materials also represent a category where opportunity exists for Downtown expansion. While purchases in this category are less dependable and regular than convenience goods purchases (e.g. groceries, dining purchases) existing establishments in this category could capture additional retail expenditure in the PMA by adding products to their merchandise mix that the market segments in the PMA need. The strength of the regional and non-geographic customer base (e.g. tourists, cultural visitors, employees, and other visitors) would also support an increase in total sales as well as recruitment of additional retailers in this category.

Miscellaneous store retailers (including gift stores, florists, and art galleries) in Downtown Frederick are capturing a respectable share of the local market area retail expenditure. However, the retail outflow in these categories indicates that there is clearly opportunity for existing establishments to increase performance and capture additional dollars.

Beyond the Downtown boundaries in the remainder of the City of Frederick, opportunities exist for retail expansion (sales and/ or new businesses). In particular, clothing and accessory stores, electronics and appliance dealers, and eating and drinking places exhibited low capture rates relative to other City store groups. Focus group participant input and field work support the conclusion that these store types offer potential for expansion; participants noted the lack of professional women's clothing throughout the City, and described Fredericktonians' strong demand for dining out (as evidenced by hour waits throughout the City).

4.6 Retail Market Analysis Conclusions

Downtown Frederick includes three major retail categories: miscellaneous/ specialty retail stores, eating and drinking places, and household furnishings and furniture. These retail store groups serve a large local market area within Frederick County (and the northern part of Montgomery County) and attract weekend and day visitors from up to an hour's drive away. In the remainder of the City, the inventory includes relatively less household furnishings/ furniture stores and miscellaneous/ specialty shops, but adds several store groups not present Downtown – general merchandise stores, electronics/ appliance stores, and building materials/ garden supply stores. These latter store types generally occupy large-format spaces not present Downtown.

One of Downtown Frederick's unique advantages is that the PMA includes a wide variety of household consumer types. These types include: Young Professionals and Couples, Young Families, Established Professionals and Empty Nesters, and College Students. Each of these market segments has specific retail demands and represents an opportunity for expansion of Downtown Frederick retail categories and an opportunity for existing stores to broaden their customer base by diversifying their merchandise and marketing strategies.

In addition to a diverse PMA, Downtown Frederick has access to a number of non-geographically based market segments. These include tourists and cultural events visitors and employees. Each of these market segments represents additional opportunities to capture retail expenditure.

The capture rate analysis indicates there is sufficient market demand to increase the physical inventory Downtown in a number of categories, particularly clothing and accessories, and eating and drinking places. Redevelopment sites such as the Brickworks property and sites along Carroll Creek may accommodate new retail businesses in these categories.

Non-downtown City retailers currently capture an estimated 55 percent of PMA resident expenditures. Certain store types exhibit stronger potential for expansion than others; clothing and accessory stores, electronics/ appliance dealers, and eating and drinking places in particular exhibited relatively low capture rates compared to other retail categories.

National Chain Retailers and Downtown

The analysis of capture rates and PMA expenditure indicate that there is sufficient retail expenditure generated by the PMA and other market sources to support select chain store retailers. However, the independent and diverse character of Downtown Frederick's retail has been cited as one of the area's greatest strengths, and many stakeholders interviewed during the course of the market study indicated Downtown should remain a haven for independents.

The introduction of national chain stores can offer the benefits of brand recognition and potential to increase regional draw and increased sales revenue. Existing retailers may also learn from national chain stores in terms of window displays, in store merchandising and marketing. On the other hand, chain store retailers are often willing to pay higher retail rents than independent merchants. Their arrival may push up asking rental rates in the absence of expanded retail supply. Chain stores could diminish Downtown Frederick's eclectic and diverse character.

The character of competing retail environments may influence whether chain store retailers cluster in Downtown Frederick. New projects, such as the recently completed (and expanding) Westview Promenade and Shops at Monocacy, as well as renovation/ redevelopment projects, such as the Frederick

Shopping Center at 7th Street and Taney Avenue and planned redevelopment of Fredericktowne Mall, are attractive to national chain store retailers for their space configurations and parking availability.

In addition, another factor influencing a chain store retailer's decision to locate in an area is space and parking requirements. Chain store retailers typically occupy retail space twice as large as the existing retail space in Downtown Frederick and require significantly more parking than is currently available. New retail developments that can accommodate these space and parking requirements will be the most likely destination for chain store retailers.

The recruitment of additional independent retailers is recommended in Downtown Frederick to further enhance this retail node's critical mass of unique specialty shops. A larger cluster of independent businesses will attract more visitors from the region. Improved marketing and merchandising in existing stores is also recommended to enhance the competitive market position of Downtown Frederick's existing retailers, making them more resilient to rising rental rates predicated by chains or other market forces. Expansion of the Downtown retail space supply may also help prevent rents from rising as rapidly, since, all else being equal, the addition of new space tends to keep rents stable. These recommendations are described in greater detail in *Section 8: Commercial Programming Recommendations*.

5 Lodging Market Overview and Analysis

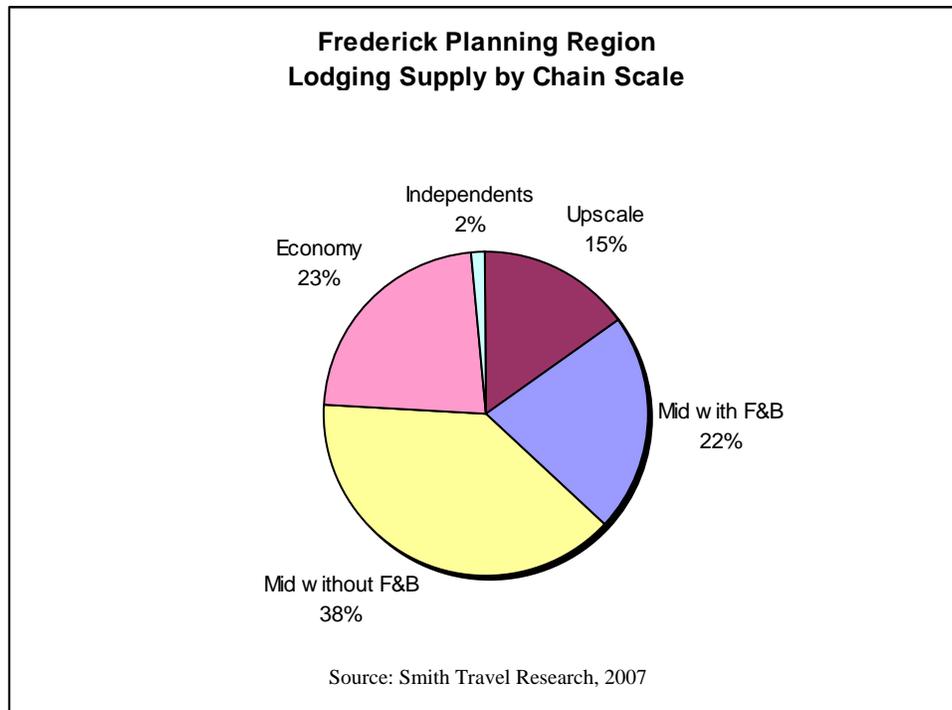
5.1 Overview

Frederick Planning Region

Nineteen hotels and motels offer an estimated 2,000 rooms within the Frederick Planning Region. Included within this number are 6 hotels located in the City of Frederick lodging market that together offer 600 available rooms. Downtown Frederick currently lacks hotels and motels, although two bed and breakfast venues (Hill House and Hollerstown Hill) accommodate travelers in a combined total of 8 rooms.¹⁷

The Frederick Planning Region lodging market caters to the County and City’s burgeoning tourism industry, business travelers and meetings/ events. Hotels within the Frederick Planning Region together provide approximately 20,000 square feet of meeting space. The majority of hotels with meeting facilities offer less than 1,000 square feet of meeting space. The Holiday Inn Frederick Conference Center is the largest single provider of hotel meeting space, with over 9,000 square feet of space.

The lodging market classifies seven distinct categories (“chain scales”) as either “luxury,” “upper upscale”, “upscale”, “midscale with food and beverage service”, “midscale without food and beverage service”, “economy”, or “independent”.¹⁸ The distinctions between the different categories are based primarily on the actual, system-wide average room rates of the major chains, and independent hotels are included as a separate category.



¹⁷ Bed & Breakfasts not included in the total hotel/ motel room count for the Frederick Planning Region.

¹⁸ Smith Travel Research, 2007 Chain Scales

In the Frederick Planning Region, “luxury” and “upper upscale” rooms are not currently represented in the hotel supply. Upscale rooms represent 15 percent of the supply mix; all of these rooms are located near Westview Promenade along Route 85/ Buckeystown Pike. Another 120 rooms were recently added to this hotel chain scale group with the completion of the Hilton Garden Inn.

Midscale hotels with food & beverage represent 22 percent of the total rooms; these rooms are evenly split between the Frederick Planning Region and City. Midscale rooms without food & beverage represent 38 percent of the total supply and are the largest percentage of all categories of hotel rooms. The majority of this supply is located along Route 85/ Buckeystown Pike. Economy hotels represent 23 percent of total supply; independents represent approximately 2 percent. Figure 16 offers a listing of hotels currently open or under construction in the Frederick Planning Region.

Figure 16: Frederick Planning Region Hotel Inventory Open and Under Construction				
	Hotel Name	Rooms	Year	SF Meeting Space
Upscale				
Open	Courtyard Frederick	90	1999	800
Open	Residence Inn Frederick	90	2002	1,100
Open	Hilton Garden Inn Frederick	120	2007	
Midscale with F&B				
Open	Best Western Historic Frederick*	117		200
Open	Holiday Inn Frederick Fort Detrick*	158		5,106
Open	Holiday Inn Frederick Conf Ctr @ Fsk Mall	155	1979	9,200
Midscale w/out F&B				
Open	Comfort Inn Red Horse*	69		180
Open	Comfort Inn Frederick	73	2004	360
Open	Fairfield Inn Frederick	105	1996	
Open	Hampton Inn Frederick	161	1992	1,800
Open	Hampton Inn Suites Frederick Fort Detrick*	104		1,632
Open	Holiday Inn Express Hotel Frederick Fsk Mall	100	2000	370
Open	Mainstay Suites Frederick	72	2001	
Open	Sleep Inn & Suites Emmitsburg	79		270
Open	Sleep Inn Frederick	84	2000	315
Economy				
Open	Days Inn Frederick	119	1981	
Open	Econo Lodge Frederick	106	1988	180
Open	Extended Stay America Frederick	101	1999	
Open	Super 8 Thurmont	46		
Open	Travelodge Frederick*	122		
Independents				
Open	Rambler Motel	20		
Open	Beckleys Motel	23		
Open	Massers Motel*	30		
Open	Cozy Country Inn	21		
Open	Catoctin Inn	20		300
Open	Green Country Inn	60		1,800

Source: Smith Travel Research, 2007

City of Frederick

The City of Frederick includes 6 hotels and 600 available rooms representing 30 percent of Planning Region available rooms.¹⁹ The majority of City hotels are located in the western portion of the City (along Route 40 or on roads surrounding Fort Detrick).

**Figure 17. City of Frederick Lodging Supply
(Number of Facilities)**

	Number of Rooms	Percent of City	Percent of Planning Region
Luxury	0	0%	0%
Upper Upscale	0	0%	0%
Upscale	0	0%	0%
Midscale with F&B	275	46%	14%
Midscale w/out F&B	173	29%	9%
Economy	122	20%	6%
Independent	30	5%	2%
Total	600	100%	30%

Source: Smith Travel Research, BBP Associates

Of the 6 hotels in the City, two are in the “midscale with food and beverage” category; these include Best Western Historic Frederick and Holiday Inn Fort Detrick. These hotels add 275 rooms to the supply of lodging and represent 46 percent of the City’s hotel rooms and 14 percent of the Planning Region’s hotel rooms. The Comfort Inn Red Horse and Hampton Inn & Suites Fort Detrick are classified as falling within the “midscale without food and beverage” category. These hotels add 173 rooms to the supply, representing 29 percent of the City’s hotel rooms and 9 percent of the Planning Region’s.

One economy hotel, the Travelodge on Walser Street, adds 122 rooms to supply (20 percent of City rooms and 2 percent of Planning Region rooms). The only independent hotel in the Planning Region, Massers Motel, is located within the City along Route 40. This independent hotel adds 30 rooms to the supply (5 percent of the City and 2 percent of the Planning Region).

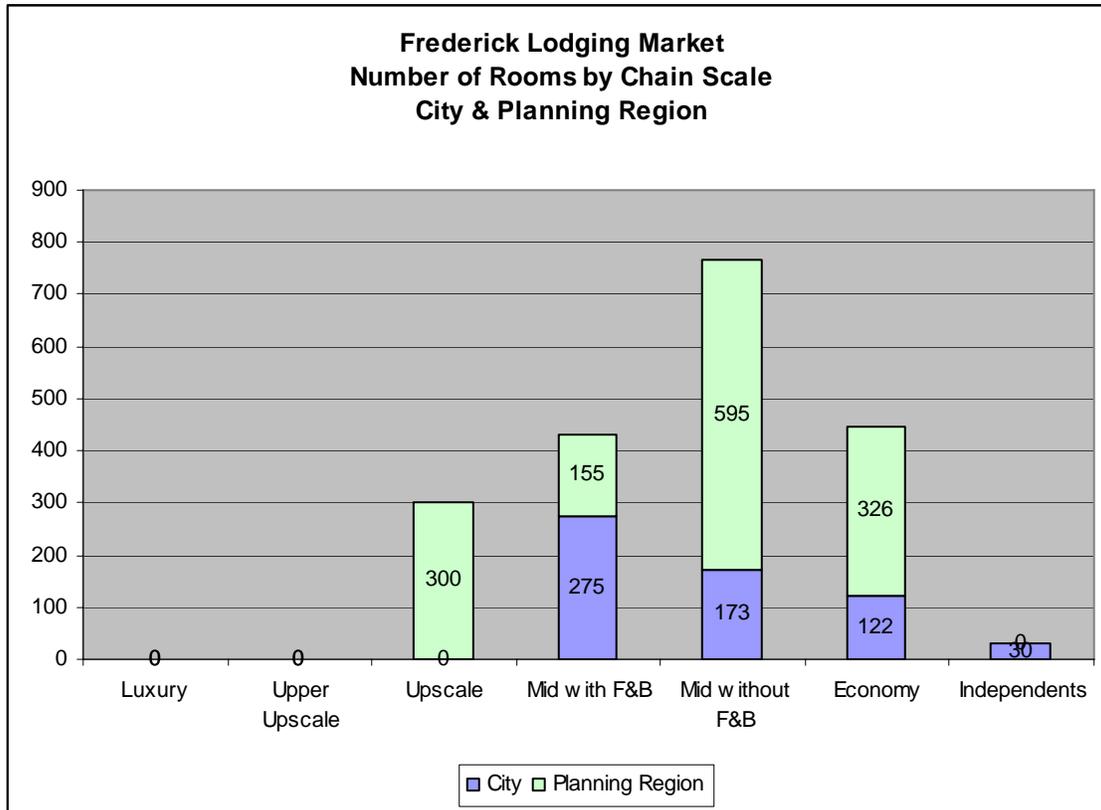
Figure 18: City of Frederick Lodging Facilities Selected Data (2007)

Name	Type	Open Date	No. of Rooms	Meeting Space (Sq. Ft.)
Best Western Historic Frederick	Midscale with F&B	1984	117	200
Holiday Inn Frederick Fort Detrick	Midscale with F&B	1963	158	5,106
Comfort Inn Red Horse	Midscale w/out F&B	1969	69	180
Hampton Inn Suites Frederick Fort Detrick	Midscale w/out F&B	2005	104	1,632
Travelodge Frederick	Economy	1974	122	0
Massers Motel	Independent	1950	30	0
		Total	600	7,118

Source: Smith Travel Research, BBP Associates

¹⁹ Smith Travel Research 2007

In comparison with the Frederick Planning Region, the City lodging supply lacks upscale hotel rooms, but is represented in each of the other hotel chain scale types present in the Planning Region. Both areas lack hotel rooms classified as “luxury” and “upper upscale.” However, three upscale facilities with conference space are planned or proposed in or near the City: one located Downtown, one located at the Jefferson Technology Park, and one at Fort Detrick. The planned Fort Detrick hotel and conference center, to be located on a 20-acre development site, will take advantage of business travel and meetings generated by the strong employment base at Fort Detrick (7,800 employees). The Nallin Farm historic district (featuring three National Register historic buildings) is adjacent to this development site, and may be incorporated in the development project as a cultural and natural resource attraction.

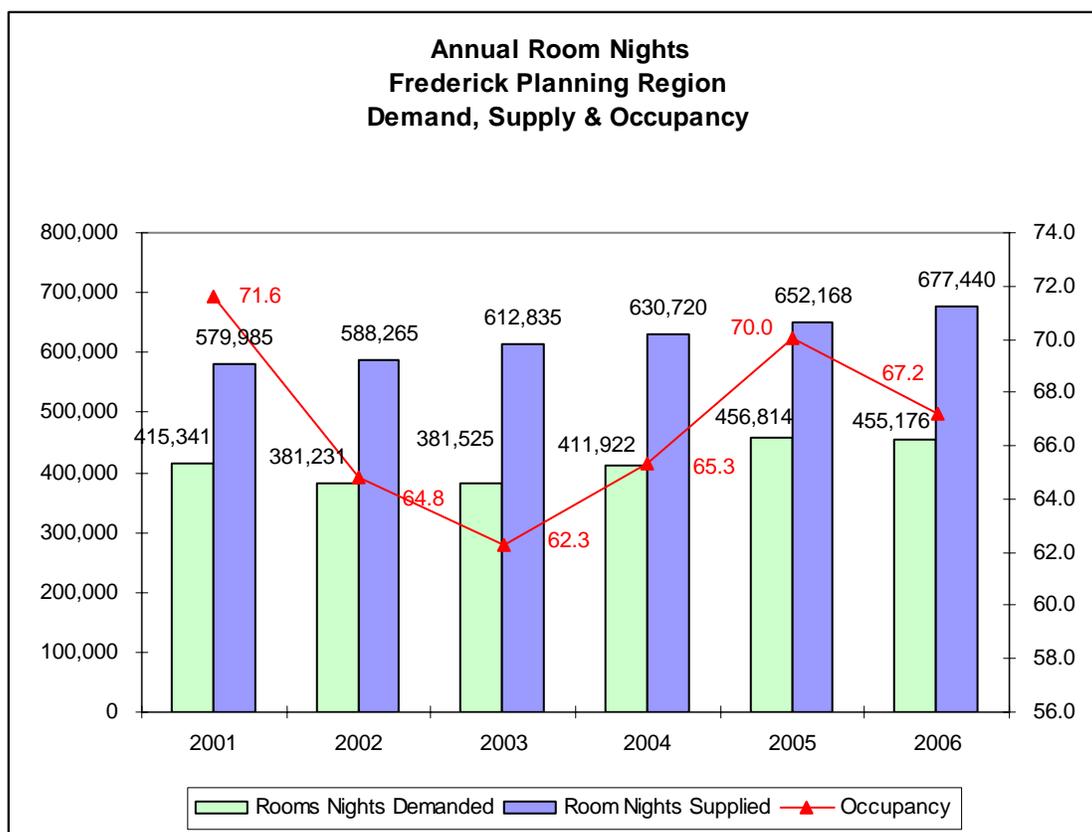


Source: Smith Travel Research, 2007

Apart from the Hampton Inn & Suites Fort Detrick (constructed in 2005), City hotels are relatively old. The average age of hotels surveyed by Smith Travel Research located in the City is 33 years. In comparison, the average age of Planning Region hotels (when City hotels are excluded) is 13 years.

5.2 Lodging Market Analysis

Within the Frederick Planning Region, the average occupancy rate during the time period beginning in 2001 and ending in 2006 was 67 percent; the occupancy rate range includes a low of 62 percent in 2003 and a high of 72 percent in 2001. The drop in vacancy rates from 2001 to 2003 are likely related to the general downturn in the tourism industry following the events of September 11. Occupancy rates then rose from 2003 to 2005, declined slightly from 2005 to 2006. The occupancy rate for the first three months of 2007 is 54 percent; occupancy is likely to rise as the market enters peak travel season. The following chart illustrates the trend in occupancy rates over time, plotted against room nights demanded (the number of room nights demanded by visitors over the year) and room nights supplied (the number of room nights provided by hotels in that year).



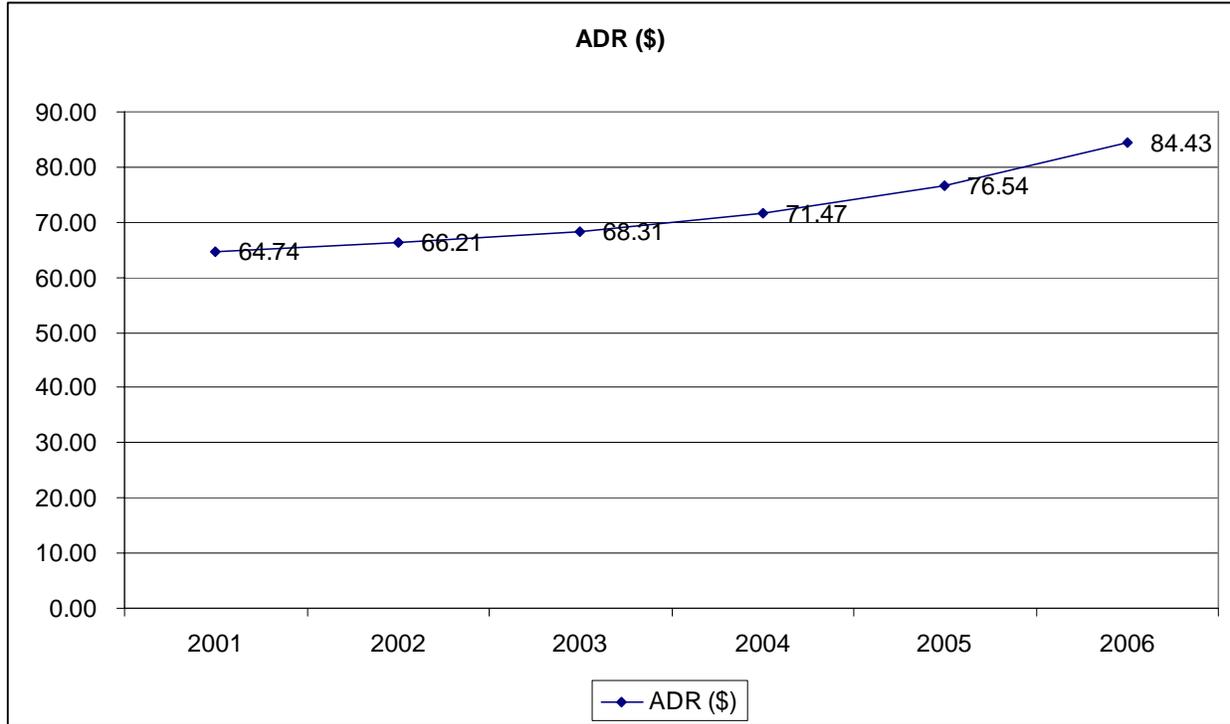
Source: Smith Travel Research, 2007

Average occupancy rates by month during the time period 2001 to 2006 indicate that peak travel to Frederick occurs in June, when occupancy reaches nearly 80 percent. Occupancy rates rise above 70 percent from April through October, the peak season for tourism.



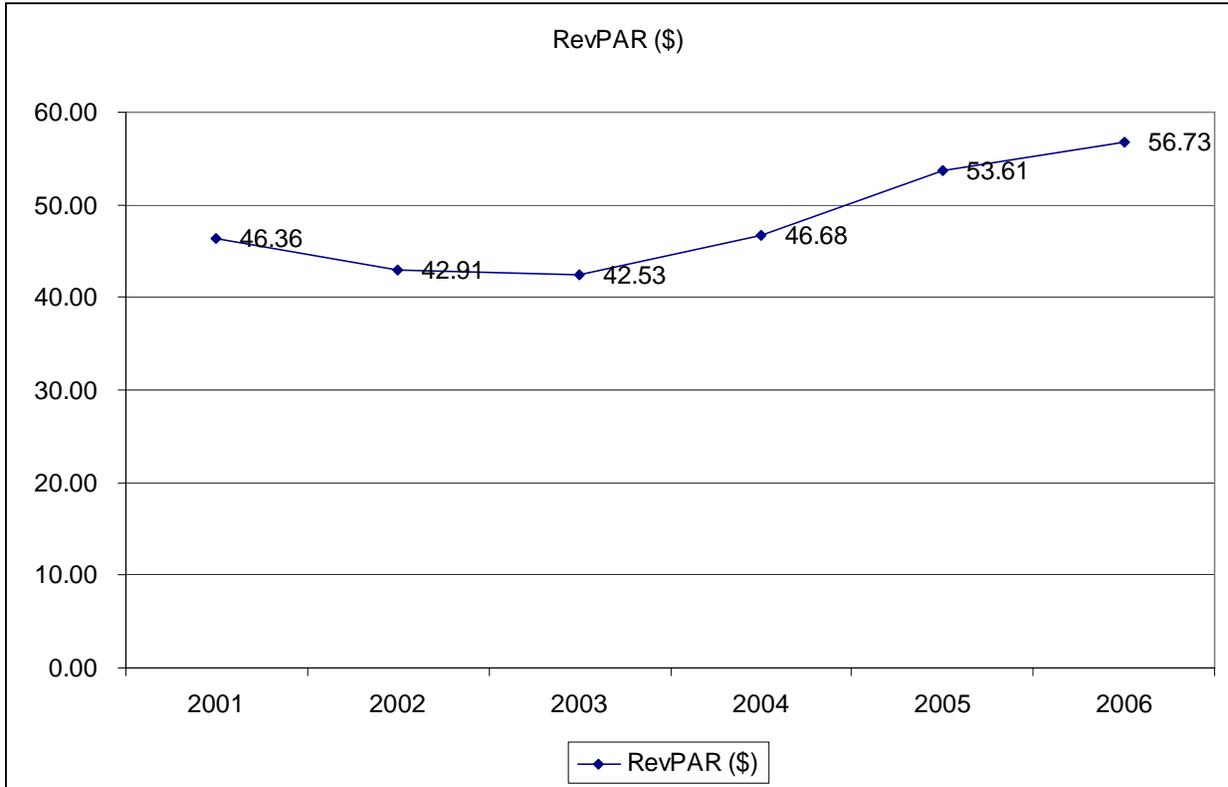
Source: Smith Travel Research, 2007

The Average Daily Rate (ADR) for hotels in the Frederick Planning Region has increased over time. The ADR was \$64.74 in 2001 and has increased steadily to \$84.43 in 2006. It is likely that the ADR will continue to increase through 2007, as the average daily rate (ADR) for the first three months of 2007 was \$83.69 per room, an increase of over \$4 over the \$79.30 ADR for the first three months of 2006. The range of room rates, based on a survey of advertised rates in July 2007, was \$58 to \$209. The Federal Per Diem rate for Frederick is closer to the average daily rate for 2007 at \$87, according to the United States General Services Administration.



Source: Smith Travel Research, 2007

Revenue per available room (RevPAR), has increased since 2003 by 33 percent after decreasing 8 percent from 2001 to 2003 (in correspondence with the decline in occupancy rates over that time period).



Source: Smith Travel Research, 2007

5.3 Hospitality Market Analysis Conclusions

The City of Frederick includes 6 hotels and 600 available rooms. This represents 32 percent of the Planning Region's hotels and 30 percent of all available rooms. Hotels within the City include "midscale" (both with and without food and beverage) and "economy" chains as well as one independent motel. The City also includes bed & breakfast facilities not included in the total City hotel count; Downtown currently offers eight available bed & breakfast rooms in two facilities. The City currently lacks "upscale," "upper upscale" and "luxury" hotels, and the majority of the existing hotel stock is older, with a median age of 33 years.

The Frederick Planning Region's lodging market contains chain hotels ranging from "upscale" to "economy." There are currently no "upper upscale" and "luxury" hotels within the Planning Region lodging market. Planning Region hotels are primarily clustered along Route 85/ Buckeystown Pike near some of the Planning Region's major employers as well as many retail offerings (such as the recently introduced retail and entertainment space at Westview Promenade).

Occupancy rates throughout the Planning Region increased from 2003 to 2005 after declining from 2001 to 2003; occupancy has remained near 70 percent in 2006. RevPAR has steadily increased since 2003, and ADR has steadily risen since 2001, suggesting that the Frederick market has rebounded from any downturn in travel incurred in the post September 11 tourism market. Nationally, average room occupancy averages 65 percent; relative to other areas in the nation, the Frederick lodging market is strong and offers potential for expansion.²⁰

Like the Frederick Planning Region, the City of Frederick lodging market benefits from year-round demand from business travelers, tourists, and events/meetings attendees. The City in particular benefits from the presence of Fort Detrick and the spin-off hotel stays generated by business travelers visiting this major employment hub.

Another key competitive advantage of the City vis-à-vis the regional lodging market is the growing annual visitation to Downtown Frederick, particularly by heritage tourists and "junior seniors" (those approaching retirement). These groups offer strong potential demand for Downtown lodging beyond the current Bed & Breakfast offerings. With a current market void of "luxury" and "upper upscale" chain types in the City and throughout the Planning Region, new Downtown lodging could be positioned to offer a luxury or upscale alternative to the primarily midscale offerings located throughout the Planning Region. In summary, market conditions appear to support the addition of a downtown full-service hotel.

Employment growth throughout the City and Planning Region, particularly at Fort Detrick, could increase demand for rooms for business travelers. We believe much of this growth in demand will be absorbed by the hotel/conference center planned for Fort Detrick and the recently constructed Hilton Garden Inn in the Planning Region, but that there is an opportunity for the recommended luxury boutique hotel downtown to capture a minor portion of demand for business travel and corporate events.

²⁰ Smith Travel Research, *Lodging Outlook*.

6 Strengths, Constraints, and Opportunities

6.1 Overview

The physical, economic, and market conditions in the City of Frederick both enhance and inhibit prospects for growth and improvement in commercial activity for the City’s major retail nodes: Downtown Frederick, Route 40/ the Golden Mile, and The Northern End. The following table summarizes the strengths, constraints, and opportunities of each major City retail area, and concludes with general strengths, constraints/challenges, and opportunities that are evident Citywide.

**Figure 19: Strengths, Constraints, and Opportunities
City of Frederick Retail Areas**

Strengths	Constraints/Challenges	Opportunities
<p>Downtown</p> <ul style="list-style-type: none"> • Attractive storefronts, historic buildings, and streetscape • Perception of cleanliness and safety • Pedestrian friendly • Existing retailers generally appear healthy (measured by stock, staff) • Variety of local dining establishments • Reasonable parking fees • Strong residential & commercial communities • Continued expansion of Downtown residential and office markets (e.g. new residences and offices along Carroll Creek, Homes at Market Square, etc.) • Unique and independent retail stores and restaurants • Strong Main Street organization • Ongoing City investment in Carroll Creek and other Downtown projects • Committed property and business owners • Competitive retail rental rates • Regional destination • “Urban” eclectic character • Customer service • Presence of government anchors • Strong identity/cohesive core 	<p>Downtown</p> <ul style="list-style-type: none"> • Lack of foot traffic in certain retail blocks (e.g. North Market from 4th to 7th, South Market from Carroll Creek to South, and East Patrick from Carroll Street to East Street) • Limited visibility and access from nearby major roadways (e.g. I-270, Route 15, I-70) • Difficulty of navigation for first-time visitors (one-way streets, poor signage leading into Downtown – particularly from Route 85) • Potential for rising rental rates in response to higher rental rates throughout the City and Planning Region • Potential for higher rental rates in response to property appreciation and tax increases (passed on to tenants) • Lack of recognized “brand” retailers (beyond Talbot’s, Orvis/Hunting Creek Outfitters) • Limited lodging supply (lack of luxury and upscale options) • Residential density potentially not sufficient to attract a branded grocer • Limited retail concentration and foot traffic along Carroll Creek • Selected storefronts in need of refurbishment 	<p>Downtown</p> <ul style="list-style-type: none"> • Attract more local and regional customers • Continue to attract non-geographically based customer groups (e.g. tourists, employees) • Increase sales volume in existing businesses • Recruit new businesses, particularly niche food stores, clothing and accessory stores, eating and drinking places (including bars oriented to young professionals), and unique sporting goods/ hobby/ book and music stores • Expand neighborhood serving retail businesses (e.g. food stores, eateries/restaurants), particularly along northern blocks of Market Street where residential investment is occurring • Pursue complimentary related development to expand customer market segments (e.g. residential, office, hotel) • Recruit luxury or upscale hotel to fill current void in market • Ensure anchors (e.g. Board of Education) locate between Brickworks and Downtown to establish foot traffic • Retail as secondary use to office or residential along Carroll Creek • Visual merchandising seminars to improve selected storefronts

Strengths	Constraints/Challenges	Opportunities
<p>Route 40/ the Golden Mile</p> <ul style="list-style-type: none"> • High occupancy rates • Lease rates comparable to Citywide median • Demonstrated redevelopment interest (e.g. planned redevelopment of Fredericktowne Mall) • Planned active-adult residential construction at Fredericktowne Mall (introduction of new customers) • Recent rehabilitation/ re-tenanting efforts (e.g. Wolf Furniture’s re-tenanting the Hechinger building) • Strong demand for restaurants • Presence of high-volume national chain restaurants (Carabba’s, Outback) which bring strong repeat customer base • Presence of recreational amenities nearby (e.g. VFW golf course) • Growth of diverse ethnic groups, which provide demand for unique goods and services • Growth of specialty ethnic retail • Residential growth to north and west of Route 40 • Ready access to Route 15 	<p>Route 40/ the Golden Mile</p> <ul style="list-style-type: none"> • Aging building stock (most recent completed project in 1980s) • Landlocked area • Lack of corridor gateway markers • Lack of corridor branding to indicate cohesive corridor (e.g. lack of “Golden Mile” signage) • Diminished competitiveness of Fredericktowne Mall as an enclosed shopping destination • Competition from other corridors in Planning Region offering similar goods and services (e.g. national chain restaurants and stores) • Automobile congestion/ road capacity issues • Limited visibility from Route 15 • Perception of crime • Low to moderate income of residents in neighborhoods immediately surrounding corridor • Income stream not high enough to permit renovations 	<p>Route 40/ the Golden Mile</p> <ul style="list-style-type: none"> • Attract more customers from the primary and secondary market areas • Renovations/façade improvements to make buildings more inviting and safe (through tax credits or revolving loan program) • Expansion of retail sales/businesses in clothing/apparel, eating/drinking, and electronics/appliances categories • Expansion of ethnic-oriented retail businesses to match needs of nearby residents • Pursue corridor branding opportunities (signage, banners, streetscape elements, gateway markers) • Redevelop underused parking areas with retail pad sites or other uses (e.g. residential infill) • Target neighborhood services to new active adult residents at Fredericktowne Mall (e.g. pharmacy, health foods, fitness clubs, golf/tennis and other sports related businesses for health conscious adults) • Potential for non-restaurant retail shops to attract restaurant patrons waiting for tables through long-distance pagers • Connect parking lots to increase convenience of moving from shopping center to shopping center, and reduce traffic congestion on Route 40

Strengths	Constraints/Challenges	Opportunities
<p>Northern End</p> <ul style="list-style-type: none"> • Growing residential population • Growing employment base • Expansion of employment at Fort Detrick likely to stimulate spin-off employment at Riverside (lab space) • Ready access to Route 15 • Demonstrated development interest (recently completed projects and planned projects) • Attractive recent development (awnings, brick façade) • Presence of nearby residential developments attractive to families supportive to family-oriented restaurants 	<p>Northern End</p> <ul style="list-style-type: none"> • Limited visibility from Route 15 • Potential lack of identity/differentiation from competing centers along Route 85 and Route 355 • Potential reduction in residential development available to families with children if Adequate Public Facilities Ordinance results in developers opting for age-restricted rather than unrestricted housing 	<p>Northern End</p> <ul style="list-style-type: none"> • Expansion of neighborhood-oriented retail shops and restaurants • Expansion of family-oriented restaurants • Expansion of lunch-oriented restaurants catering to nearby employees • Branding/signage to establish identity of node (e.g. “Monocacy”)
<p>City-wide</p> <ul style="list-style-type: none"> • Multiple sources of market demand (e.g. young professionals, families, empty nesters, college students) • Employment expansion (e.g. 1,200 to 1,500 new jobs coming to Fort Detrick and spin-off employment in private bioscience labs to follow) • Strong residential demand for the City’s various neighborhoods (e.g. Downtown, suburban developments, and planned communities) • Continued City investment in business recruitment/ expansion efforts • Strong coordination between City, County, and Downtown organizations involved in economic development, tourism, and planning 	<p>City-wide</p> <ul style="list-style-type: none"> • Lack of affordable housing for retail employees near work • Potential over-saturation of food store market with several planned/proposed grocers • High occupancy rates throughout City could contribute to escalating rents • Competition from retail centers in Frederick Planning Region (e.g. Westview Promenade, Francis Scott Key Mall, etc.) • Potential slow down in residential housing construction due to market forces • Potential reduction in residential construction related to Adequate Public Facilities Ordinance • Rising gas prices potentially curbing consumer spending • Limited lodging supply (e.g. lack of luxury and upscale chain scale types) 	<p>City-wide</p> <ul style="list-style-type: none"> • Expansion of clothing/apparel stores • Expansion of eating and drinking places • Expansion of city-wide supply of retail space as one method of addressing increasing rental rate threat

6.2 Summary

Downtown Frederick

Strengths

Downtown Frederick is an eclectic destination within the City of Frederick - characterized by a stable residential core with densely situated homes bordered by pedestrian friendly commercial corridors featuring independent retail shops, restaurants and professional office space.

The tightly packed mix of distinct land uses foster an eclectic quality in Downtown Frederick – one of the community’s greatest strengths and attractions. The “urban lifestyle” and human scale, combined with a strong Main Street organization/ merchants association, committed property and business owners, competitive median retail rents (relative to the City and Planning Region), and unique shopping opportunities have made Downtown Frederick a regional destination for specialty retail goods.

Real estate developers and business owners view Downtown Frederick as an attractive location for development, as witnessed by recent deliveries of mixed use projects (e.g. South Market Center, Creekside Plaza, the Homes at Market Square). Major redevelopment is planned to occur at the 65-acre Frederick Brickworks site, though the specific details of that redevelopment and target retail uses are yet to be determined.

Constraints

Despite the new projects recently completed and underway, there are still several sections of Downtown Frederick, including parts of North Market, South Market, and East Patrick, that lack the high retail occupancy and vibrancy of blocks near the Square Corner and at Everedy Square/ Shab Row. These blocks lack double-loaded retail storefronts and pedestrian foot traffic, but have experienced recent investment in residential rehabilitation.

First time visitors to the City of Frederick may experience difficulty navigating their way to Downtown and the many available parking resources (e.g. parking structures) offered. Signage at key gateway areas (e.g. the intersection of Route 85 and Route 355) is not well-marked, and additional signage throughout Downtown could make finding parking more user-friendly. The current efforts of local leaders (e.g. a major wayfinding study that has recently been commissioned) are likely to address these issues.

High occupancy rates and property value appreciation can contribute to higher lease rates for existing retailers. Opportunities to increase sales volumes should be pursued as one strategy to sustain rising rents.

Opportunities

Despite these challenges, there are a number of opportunities to expand the Downtown retail market in terms of sales and new businesses. One of Downtown Frederick’s greatest strengths, the eclectic character and wide variety of retail and entertainment offerings, should be used as a competitive advantage to broaden the district’s customer base, access non-geographically based market segments, and increase retail sales.

These opportunities to increase retail sales translate into sufficient market demand to expand Downtown’s retail inventory; retail leakage analysis indicates all retail categories may expand, but clothing and accessories, eating and drinking places, food stores, and sporting goods/ hobby/ book and music stores exhibit the most potential for expansion. Given the potential oversaturation of food stores Citywide, new

food stores Downtown should offer a unique selection of goods and services not available at other City and Planning Region food stores. Businesses offering sporting goods/hobby/book and music items should also develop a merchandising mix that is differentiated from City and Planning Region offerings to gain a competitive advantage.

The northern blocks of Market Street are envisioned as primarily neighborhood-serving, with a mix of ground floor uses including retail, residential, and office. This mix is appropriate given the physical lack of continuous storefronts along this street and recent investment in residential projects.

Route 40/ the Golden Mile

Strengths

Route 40/ the Golden Mile is an established retail corridor within the City that currently exhibits high occupancy, high-volume national chain restaurant uses, and ethnically oriented specialty stores. Redevelopment plans call for the introduction of mixed-use residential and retail infill at the site of an existing regional mall, including housing targeting the active adult population.

Constraints

The landlocked nature of this corridor, perceptions of crime, and the aging appearance of buildings could constrain business expansion opportunities.

Opportunities

The active adult residents targeted for future development offer potential for development of neighborhood-oriented retail that caters to a health conscious demographic, while the diverse, increasingly international community that surrounds the retail corridor provides opportunity for expansion of ethnically oriented goods and services. Branding efforts and façade renovations can increase the visibility, aesthetic appeal, and perception of safety for visitors to this corridor.

Northern End

Strengths

The Northern End is an emerging retail node located in the City's north end that offers family-friendly retail goods and services that cater to families residing in nearby residential developments. This center also provides dining options for the lunch crowd located in nearby commercial space. Employment growth and continuing residential expansion in the City's north end will fuel demand for retail goods and services.

Constraints

Potential reductions in residential development could constrain opportunities for retail development. The recent slowdown in residential market demand could hamper expansion of neighborhood-oriented goods and services. The introduction of the Adequate Public Facilities Ordinance could potentially reduce the number of families in the City, if developers opt for age-restricted housing over unrestricted housing, thereby constraining opportunities for family-oriented businesses.

Opportunities

Continued employment and residential expansion provides opportunities for retail goods and services catering to both the lunch and dinner crowds. Retail centers at this node could increase cohesiveness through branding/signage efforts.

Citywide**Strengths**

A diverse mix of household market segments, employees, and visitors patronize City retail shops and restaurants. Residential and employment growth, guided by the continued and coordinated efforts of City, County, and Downtown stakeholders, will continue to stimulate need for retail goods and services.

Constraints

Larger economic factors, including the recent slow down in the housing market and rising gas prices, could impact City retailers. Diminished short-term residential construction reduces potential for new resident expenditures; however, this cyclical decline in the residential market is likely to reverse over the long term. Rising gas prices could also reduce consumer spending on retail goods and services.

Opportunities

Expansion of retail goods and services exhibiting latent demand is possible given current leakage of market area household expenditures. In particular, retail businesses offering clothing/apparel and eating and drinking places could be expanded. Throughout the City and Frederick Planning Region, a current void of luxury and upscale hotel types offers potential for the introduction of new lodging filling this niche. Downtown offers a prime opportunity for the development of a luxury or upscale hotel catering to tourists (particularly heritage tourists and “junior seniors”).

7 Potential Impact of New Development

7.1 Overview

As indicated in *Section 3: Retail Market*, four major retail nodes define the Frederick retail market: Downtown Frederick, the Golden Mile, The Northern End, and Routes 85/355 (Urbana/ Buckeystown Pikes). All of these nodes are located within a 10-minute drive of one another within the Frederick Planning Region. Given their proximity, these retail nodes compete for customers and feature overlapping retail trade areas (as depicted for the former three nodes in *Section 4: Retail Market Analysis*). New development impacts these existing nodes by altering retail market demand (e.g. by introducing new residents and employees) and supply (e.g. by introducing new retail space).

By 2010, a number of new developments offering retail space will be introduced Downtown, throughout the City, and in the Planning Region. Concern has been expressed among Frederick retail stakeholders that new retail development might oversaturate the market; that is, new retail space could be introduced in excess of new retail demand. To test this theory, a multi-step analysis has been completed that estimates future retail demand and supply in the Frederick Planning Region through 2010 and 2020.

Key steps in the analysis include:

1. Estimation of Frederick retail market capture rates of Primary Market Area and employee retail demand (expenditures) to establish baseline (2006) supply and demand dynamics;
2. Projection of Primary Market Area household and employee growth through 2010 and 2020;
3. Estimation of Primary Market Area household and employee retail demand (retail expenditures) through 2010 and 2020;
4. Estimation of Frederick baseline retail market sales through 2010 and 2020;
5. Estimation of supportable square feet of new retail inventory through 2010 and 2020; and
6. Comparison of pipeline (e.g. under construction, planned and proposed) retail developments and estimated supportable square feet to determine supply/demand relationships and the impacts upon store performance and/or market expansion or contraction; and
7. Testing of relative “self-sufficiency” of new Downtown developments (e.g. comparison of internally generated demand to targeted sales).

From this analysis, recommendations have been made regarding future retail programming at selected downtown sites, including the Brickworks. These recommendations are offered in Section 8.

7.2 Existing Retail Dynamics

An understanding of existing retail dynamics in the Frederick retail market is necessary in order to project future supply and demand relationships. *Section 4: Retail Market Analysis* offered a capture rate analysis within sub-areas of the City of Frederick (e.g. Downtown Frederick and all other City retail nodes) that compared potential demand (expenditures) with supply (sales). Broadening this analysis to the entire Frederick retail market allows comparison of potential demand for all retail nodes located in the Frederick Planning Region (e.g. all four major Frederick retail nodes).

To conduct this analysis, a consolidated Primary Market Area was established. This Primary Market Area includes all residents living within a 15-minute drive of Downtown Frederick (the central retail node within the Planning Region). This Primary Market Area is equivalent to the Primary Market Area drawn for Downtown Frederick, and includes the narrower trade areas from which other Frederick Planning Region nodes draw.

In 2006, there were 55,013 households with an estimated \$1.2 billion in retail expenditure potential (demand), or approximately \$21,000 in retail demand annually per household. These residents are estimated to provide 60 to 80 percent of sales for all Frederick retailers located within the Planning Region. With an estimated \$1 billion in sales, these retailers captured approximately \$700 million in sales from these residents (a 61 percent capture of the \$1.2 billion expenditure potential). Figure 20 summarizes capture rates for Planning Region retailers by store group in 2006.

Figure 20: Planning Region PMA Capture Rate
2006

2006 PMA Households (1/)	55,013			
Average Expenditure Per HH	\$21,434			
Plg. Region Inventory (SF)	5,927,124			
Estimated Average Sales/ SF	\$178			
Retail Store Group	PMA Expenditure	Total Retail Sales	Sales Attributable to PMA (2/)	Plg. Region Capture
Furniture & Home Furnishings	\$65,817,330	\$57,947,002	\$40,562,901	62%
Electronics & Appliances	\$47,774,218	\$30,110,323	\$24,088,258	50%
Bldg Materials, Garden Equip.	\$69,708,911	\$83,290,088	\$49,974,053	72%
Food & Beverage Stores	\$365,199,446	\$305,021,006	\$213,514,704	58%
Health & Personal Care	\$44,248,867	\$62,547,785	\$37,528,671	85%
Clothing & Accessories	\$88,702,776	\$82,788,091	\$57,951,664	65%
Sporting Good/Hobby/Book/Music	\$38,857,815	\$53,065,869	\$31,839,521	82%
General Merchandise	\$178,921,430	\$166,260,698	\$99,756,419	56%
Miscellaneous Store Retailers	\$31,027,171	\$39,077,353	\$23,446,412	76%
Food Services & Drinking Places	\$248,875,842	\$172,555,016	\$138,044,013	55%
	\$1,179,133,806	\$1,052,663,231	\$716,706,616	61%

1/ PMA Equivalent to Downtown PMA (largest pool from which Downtown, City and Planning Region retailers may draw)

2/ Assumes PMA households account for 70 percent of retail sales.

Source: ESRI Business Information Systems, 2007

The remaining Planning Region sales are estimated to derive from employees working in this area and other visitors. In 2006, there were over 60,000 employees in the Frederick Planning Region. These employees, based on industry standards provided by the International Council of Shopping Centers (ICSC), are estimated to provide an annual \$233 million in expenditure potential (approximately \$2,800 per employee per year). Planning Region retailers are estimated to have captured at least one third of this demand (adjusted downward to avoid double counting of Planning Region employees who are also Primary Market Area residents – estimated to account for nearly 2/3rds of all employees). This capture translates to nearly \$60 million in annual sales.

Figure 21: Planning Region Employee Expenditure Capture Rate 2006	
2006 Employees	63,781
Average Retail Expenditure Per Employee (1/)	\$2,787
Employee Expenditure Potential	\$177,757,647
Estimated Planning Region Sales to Employees (2/)	\$59,252,549
Planning Region Capture	33%
Employee Expenditures as Proportion of Planning Region Sales	6%

1/ Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study; ICSC (2003)

2/ Assumes Planning Region captures one third of employee retail expenditure. The one third capture rate reduces potential for double counting of Planning Region employees who also reside in the Primary Market Area (estimated to be near 2/3rds of all employees).

Source: ESRI Business Information Systems, 2007

Thus, households and employees together comprise an estimated \$800 million (approximately 80 percent) of the estimated total \$1 billion in Planning Region sales. The remaining \$200 million in sales are estimated to derive from other visitors (e.g. day trippers, tourists, and other visitors). These sales represent 62.5 percent of the total retail demand potential of households, employees, and other visitors, estimated at \$1.6 billion (e.g. \$1.2 million in household expenditures, nearly \$200 million in employee expenditures, and \$200 million in expenditures made by other visitors).

7.3 Projected Future Retail Demand

With an estimated 80 percent of retail sales deriving from Primary Market Area households and Planning Region employees, future prospects for retail expansion in the Frederick Planning Region will hinge primarily on growth of PMA households and Planning Region employees. Sales may also be supplemented by more frequent patronage by other visitors.

Growth forecasts for Frederick County offer guidance for potential household and employment growth in the Planning Region and its Primary Market Area. The Metropolitan Washington Council of Governments estimates that households in Frederick County will grow by an annual rate of 2 percent through 2020. Employment growth is projected to occur at an annual rate of 3 percent through 2010 and then taper to an annual rate of 1 percent through 2020. Figure 22 summarizes projected Frederick County household and employment growth.

	Households	Employment
2005	220,900	122,200
2010	243,200	142,400
2020	287,900	158,300
Annual Percent Increase (2005-2010)	2%	3%
Annual Percent Increase (2010-2020)	2%	1%

Source: MWCOG Growth Trends to 2030: Cooperative Forecasting in the Washington Region

Applying these same growth rates to the Frederick Planning Region and its PMA suggests households will increase to nearly 60,000 in 2010 and over 70,000 in 2020. Employment in the Frederick Planning Region is estimated to grow to over 70,000 in 2010 and nearly 80,000 in 2020.

	Households	Employment
2006	55,013	63,781
2010	59,414	71,435
2020	71,297	78,578
Annual Percent Increase (2006-2010)	2%	3%
Annual Percent Increase (2010-2020)	2%	1%

Source: BBP Associates, 2007

Assuming each of these new households and employees, on average, spend a respective \$21,000 and \$2,800 (the average household and employee expenditure in 2006) annually on retail goods and services, and that retail potential from other visitors remains constant, total expenditure potential (from households, employees, and visitors) will rise from nearly \$1.6 billion in 2006 to \$1.7 billion in 2010 (a 6 percent increase from 2006 to 2010) and \$2 billion in 2020 (an 18 percent increase from 2010 to 2020). Figure 24 summarizes potential annual retail expenditures of households, employees, and other visitors expressed in 2006 dollars.

	Households	Employees	Other Visitors	Total
2010 Households/ Employees	59,414	71,435	-	-
2020 Households/ Employees	71,297	78,578	-	-
Average Annual Expenditure Per Household/ Employee	\$21,434	\$2,787	-	-
2010 Retail Expenditure Potential (Demand)	\$1,273,464,510	\$199,088,565	\$276,704,066	\$1,749,257,141
2020 Retail Expenditure Potential (Demand)	\$1,528,157,413	\$218,997,421	\$276,704,066	\$2,023,858,899

Source: BBP Associates, 2007

7.4 Projected Future Sales & Supportable Future Retail Supply

Frederick Planning Region retailers (including those located in the City and Downtown) are projected to at least maintain their current capture of retail sales in the near term (e.g. through 2010, the capture rate of PMA household expenditures is likely to remain at least at 61 percent, and the capture rate of Planning Region employee expenditures is likely to remain at least at 33 percent).

Through 2020, Frederick Planning Region retailers could increase these capture rates and reduce leakage of retail expenditures to other areas. This enhanced capture is anticipated to be accomplished through the provision of a broader selection of retail goods and services that meet household and employee retail interests closer to home and work.

With significant expansion of the retail market likely to occur given the level of under construction, planned or proposed retail projects in the Planning Region (over 1 million square feet), this expansion of goods and services is possible.²¹ Planned infrastructure projects, such as the East Street extension to I-70, will also increase access within the Planning Region, improving the ease and convenience of visiting retail centers. BBP Associates estimates that the capture rate of PMA household expenditures could rise from 61 percent in 2010 to 70 percent in 2020 (a 9 percentage point increase, or 15 percent relative change), and the capture rate of employee expenditures from 33 to 38 percent (a 5 percentage point increase or 15 percent relative change).

These projected capture rates translate to nearly \$780 million in sales to PMA households in 2010 (a 2 percent annual increase in sales from 2006 to 2010, in accordance with household growth) and over \$1 billion in sales to PMA households in 2020 (a 4 percent annual increase in sales from 2010 to 2020, reflective of both the 2 percent annual increase in households and a 2 percent annual increase in sales attributable to an enhanced capture rate). Sales to employees are estimated to total \$66 million in 2010 (a 2 percent annual increase in sales from 2006 to 2010) and \$83 million in 2020 (a 3 percent annual increase in sales from 2010 to 2020). Sales to other visitors are anticipated to at least remain equal to the annual volume experience in 2006. These potential sales by market source and time period are summarized in Figure 25.

Figure 25: Potential Planning Region Sales

	Households	Employees	Other Visitors	Total
Planning Region Retail Sales Estimated Capture (2010)	61%	33%		
Planning Region Retail Sales Estimated Capture (2020)	70%	38%		
Estimated Total Planning Region Retail Sales (2010)	\$776,813,351	\$65,699,226	\$276,704,066	\$1,119,216,643
Estimated Total Planning Region Retail Sales (2020)	\$1,069,710,189	\$83,219,020	\$276,704,066	\$1,429,633,275
Annual Percent Increase (2006-2010)	2%	2%	0%	
Annual Percent Increase (2010-2020)	4%	3%	0%	

Source: BBP Associates, 2007

²¹ And probable, given the target tenant types of some centers (e.g. Clemson Corner, which is planned to house a Wegmans Grocer that will offer a unique range of products not currently available in the Frederick retail market).

Assuming existing retailers maintain their current level of sales volume, the net new sales through 2010 and 2020 attributable to household and employment growth (and enhanced capture rates from 2010 to 2020) support new retail inventory in the Frederick Planning Region. Estimation of sales per square foot is required to convert these sales to retail space.

With over 5 million square feet of retail space and an estimated \$1 billion in retail sales, average sales per square foot throughout the Planning Region are estimated at \$178. Assuming sales per square foot for retailers in new spaces are targeted to be at least 20 percent higher than sales per square foot in existing spaces, sales per square foot in 2010 for new space would be \$213 and in 2020, \$256. Figure 26 summarizes estimated sales per square foot.

Figure 26: Potential Planning Region Sales/ SF	
Estimated Sales/ SF (2006)	\$178
Estimated Sales/ SF (New inventory added through 2010) (1/)	\$213
Estimated Sales/ SF (New inventory added from 2010 to 2020) (1/)	\$256

1/ Assumes targeted sales per SF of new inventory is at least 20 percent higher than existing sales per SF

Source: BBP Associates, 2007

Net new sales through 2010, assuming sales per square foot of \$213 and a vacancy rate of 6 percent (in accordance with the current Planning Region vacancy rate), are estimated to support approximately 330,000 in new retail space. In other words, an average of approximately 80,000 square feet of new retail space could be added annually from 2006 to 2010. Net new sales from 2010 to 2020, assuming sales per square foot of \$256, are estimated to support nearly 1.3 million square feet of new space, for a total addition of 1.6 million square feet of space by 2020. An average of approximately 130,000 square feet of retail space could be added annually from 2010 to 2020. Figure 27 summarizes net new sales and supportable square feet by time period.

Figure 27: Net New Sales & Supportable SF	
	Total
Net New Sales (2006-2010)	\$66,553,412
Net New Sales (2010-2020)	\$310,416,631
Annual Supportable New Inventory (2006-2010)	83,053
Supportable New Inventory (2006-2010)(1/)	332,212
Annual Supportable New Inventory (2010-2020)	129,125
Supportable New Inventory (2010-2020)(1/)	1,291,247
Annual Supportable New Inventory (2006-2020)	115,961
Total Supportable New Inventory (2010-2020)	1,623,459

1/ Assumes 94 percent targeted occupancy rate (in accordance with current 6 percent vacancy in Planning Region).

Source: BBP Associates, 2007

7.5 Planned Projects and Potential for Expansion or Contraction

Comparison of estimated supportable new square feet based on market demand to planned retail development provides indication of whether future demand is sufficient to support planned development and whether the Frederick retail market may support additional inventory beyond planned projects.

In 2007, a total of 19 projects were in the development pipeline in the Frederick Planning Region (e.g. under construction, planned or proposed) that contained a retail component. Of these projects, 15 are anticipated to reach normalized occupancy (e.g. targeted 90 to 95 percent occupancy) by 2012. The

targeted occupancy date of the remaining six was undetermined; with City input, BBP Associates has assumed that four of these projects will reach normalized occupancy by 2015. Figure 28 summarizes the expected square footage and occupancy dates of planned projects.

Figure 28: Planned Retail Projects		
Project Name	Retail SF (1/)	Anticipated Occupancy (2/)
Downtown (2006-2010)		
Creekside Plaza	15,000	2007
South Market Center	14,000	2007
Site I - Old McHenry Site	11,662	2008
Union Mills Site (3/)	25,467	2008
Site D – The Galleria (4/)	15,000	2009
Site F – One Commerce Plaza (5/)	19,000	2009
Site H - Monocacy Valley Canning (6/)	5,000	2009
McCutcheons	40,000	2009
Downtown Subtotal	145,129	
City		
Clemson Corner	370,000	2008
Golden Mile Gateway	17,000	Undetermined (2015 Assumed)
Market Square	142,000	Undetermined (2015 Assumed)
Northgate Plaza	319,942	2011
Overlook Shopping Center	27,000	Undetermined (2015 Assumed)
Riverside	100,000	2010
City Subtotal	973,942	
County		
Kingsbrook Crossing	8,533	2008
Shields plaza	24,000	2009
Monocay Plaza	175,000	Undetermined (2015 Assumed)
Westview Village	110,000	2009
Westview Corner	25,500	2008
County Subtotal	343,033	
GRAND TOTAL	1,462,104	

1/ Retail square feet = commercial square feet reported by the City of Frederick, Department of Economic Development and Frederick County Office of Economic Development

2/ Anticipated occupancy (stabilization, or occupancy of 90 percent or more) based on dates reported by the City of Frederick and Frederick County (either known targeted occupancy dates or construction start dates). Occupancy/ lease up assumed to reach stabilization 2 years after construction start (the typical timeframe reported by the Urban Land Institute).

3/ The 22,533 square feet of office space estimated based on subtracting the reported 25,467 square feet of commercial space (as reported by the City of Frederick) from the property's total square feet (48,000, as reported by Downtown Frederick Partnership)

4/ Retail and office square feet estimated based on known 30,000 square feet of office and retail space (divided by two).

5/ Office square footage estimated based on known combination of 110,000 square feet of retail/office space and 19,000 square feet of retail space

6/ The 10,000 square feet of office space estimated based on an assumed 5,000 square feet per floor (the level of ground floor retail proposed) and two floors of upper story office space

Source: City of Frederick Department of Economic Development and Downtown Frederick Partnership ("Downtown Development Update").

The fifteen retail projects anticipated to reach occupancy by 2012 together feature over 1.1 million square feet of space. In comparison, future household and employment growth supports over 590,462 square feet of space (assuming 332,212 is supported by 2010, and 129,125 annually from 2010 to 2020). Thus, planned supply appears to exceed demand by 2012, and may lead to oversaturation of the retail market and increased vacancies over this time period. These fifteen projects are essentially supplying enough retail space to accommodate demand through 2016.

The four projects assumed to reach normalized occupancy by 2015 will add another 360,000 square feet of retail space, bringing the total level of new retail space added by 2015 to approximately 1.5 million square feet. Demand supports an addition of approximately 980,000 million square feet by that year, again indicating new retail supply will exceed demand in 2015. However, by 2020, retail demand growth will support development in excess of planned supply, with an opportunity for an additional 160,000 square feet of new retail development.

In order to cope with potential oversaturation from 2010 to 2020, the market may also correct itself by expanding demand. In the residential market, housing developers have recently begun offering increased amenity packages to lure buyers. Retailers coping in an oversaturated market can follow the residential developer's example by improving the shopping experience for customers, and broadening their customer base to increase the capture rate of primary market area resident expenditures, to increase the capture rate of potential employee spending (by promoting more purchases near work instead of near home), and to increase visitation and retail spending by non-resident and non-employee households (such as day trippers).

7.6 Relative Self-Sufficiency of Downtown Retail Projects

As an additional exercise, BBP Associates has evaluated the extent to which Downtown retail projects will be self-sufficient (that is, generate internal demand for retail goods and services by introducing new residents and employees). The relative self-sufficiency of these projects at a broad level (comparison of total new retail space with total new retail demand generated by Downtown projects) suggests the extent to which new retail businesses in these spaces will need to attract customers beyond those internally generated by the project.

Figure 29 summarizes planned Downtown development projects that could reach stabilized occupancy (e.g. 95 percent occupied) by 2010. These projects include those planned to include a retail component as well as other new projects. Employment and households generated by this new development has been estimated assuming a 95 percent occupancy rate and existing Downtown ratios of employment to square feet.

In total, over 900 households and 700 employees will be introduced with new Downtown development. Assuming average retail expenditures in accordance with those estimated for PMA households and Planning Region employees, these potential customers introduce spending potential of nearly \$22 million annually. In comparison, over 100,000 square feet of retail space will be introduced with these projects; assuming targeted sales per square foot of \$213 (as established in Figure 26), these retailers would require nearly \$25 million in retail sales.

Project Name	Retail Employees (1/)	Households (2/)	Office Employees (3/)
Creekside Plaza	37		113
South Market Center	34		70
Maxwell Place		64	
Site I - Old McHenry Site	28		88
Union Mills Site	62		56
Site D - The Galleria	37	121	38
Site F - One Commerce Plaza	46		228
Site G1 - HOPE VI		35	
Site H - Monocacy Valley Canning	12		25
Sites J & K		54	
McCutcheons	98		
North Market Street		92	
Maxwell Square		47	
Canterbury Station		519	
TOTAL	284	931	434

1/ Assumes 95 percent occupancy rate. Retail employees estimated based on a ratio of approximately 2.5 employees per 1,000 square feet of occupied space, as calculated based on the median number of employees per business (4.5) and median size of retail space per business (1,750 square feet) reported in the 2005 Business Survey.

2/ Assumes 95 percent occupancy rate. Households estimated assuming a 1 to 1 ratio between occupied housing units and households

3/ Assumes 95 percent occupancy rate. Office employees estimated based on a ratio of 2.6 employees per 1,000 square feet of occupied space, as calculated based on the median number of employees per office business (5) and median square feet of office space per business (1,900) reported in the 2005 Business Survey.

Source: City of Frederick Department of Economic Development, BBP Associates

If these retailers captured all internally generated retail demand, the ratio of internal demand to sales would be 89 percent – requiring the remaining 11 percent of sales to be generated by external sources of demand, such as other PMA households, other Downtown employees, and other visitors. Of course, these retailers are unlikely to capture all of the internally generated demand, and will likely need to attract other PMA households, other Downtown employees, and other visitors to support more than 11 percent of sales. Figure 30 summarizes internally generated demand for Downtown retailers. The key lesson learned through this analysis is that new retail development can boost internal demand by adding residential and office uses in addition to retail.

	Households	Employees	Total
Total Potential Customers	931	718	1,649
Average Retail Expenditure Potential	\$21,434	\$2,787	
Total Retail Expenditure Potential	\$19,954,803	\$1,999,726	\$21,954,529
Downtown Frederick Development Projects – Supply			
Total Retail SF	116,129		
Assumes Sales/ SF	\$213		
Estimated Sales	\$24,749,554		
Ratio of Internal Demand to Total Sales	89%		

Source: BBP Associates, 2007

8 Programming Recommendations by Site

8.1 Overview

As indicated in *Section 7: Potential Impact of New Development*, there is a gap between pipeline retail supply (e.g. retail space that is already under construction, planned, or proposed) and demand for goods and services in the Frederick Planning Region through 2020, offering an opportunity for the addition of 160,000 square feet of new retail beyond that already planned. BBP Associates and SGN considered this level of opportunity in developing programming recommendations by site, as well as goals expressed by various community stakeholders. These goals include a desire expressed by Downtown stakeholders that new development maximize potential positive and minimize potential negative impacts to existing retailers. Related goals include retention and expansion of existing retailers, such that all retailers (existing and new) thrive.

With these goals in mind, BBP Associates and SGN have offered a range of recommendations regarding the level and type of new retail space that may be developed Downtown, at the Brickworks, and in other areas of the City. The recommendations identify target level of development by project site, target types of tenants, and target store sizes in new developments. In addition to providing recommendations related to commercial programming (e.g. new supply), the Project Team has developed a set of recommendations to expand demand for retail goods and services throughout Frederick. These demand-building strategies are meant to counteract the potential for retail oversaturation that may occur from 2010 to 2020.

8.2 Programming Recommendations by Site

The City of Frederick offers unique retail clusters and nodes that may be reinforced and further encouraged through commercial programming. Downtown proper is an independent and boutique cluster, with small-scale merchants offering a broad range of specialty products and experiences. Route 40/ the Golden Mile features a mix of national chain department stores, grocers, restaurants, and an increasing cluster of ethnic-oriented businesses. The Northern End is primarily a neighborhood oriented convenience center. The Brickworks site offers an opportunity to add another urban-scale neighborhood that compliments the scale and fabric of Downtown but offers a differentiated retail cluster.

The following commercial programming recommendations identify the amount, type, and mix of retail programming by sub-area within the City. These recommendations were informed by stakeholder input, current market conditions, and projected future market trends that influence potential for retail expansion. The recommended differentiation by cluster was developed in part to respond to the potential situation of retail oversupply or oversaturation that could ensue from 2010 to 2020. Differentiation by cluster is one strategy to expand demand, since stronger clusters of similar goods and services tend to draw customers from larger market areas. For example, if Route 40 can develop a stronger niche as a destination for ethnic dining and goods and services, it may attract visitors from a broader market area than its current primary market.

Figure 31: Commercial Programming Recommendations		
Retail Area	Level of New Retail by 2020	Target Tenants by Store Group
Downtown (including East Street, Carroll Creek, and the Brickworks)	<p>310,000 SF</p> <p>(includes the level of projects in the development pipeline and 160,000 opportunity gap)</p> <p>Note: development in excess of 310,000 SF will require marketing more heavily to visitors beyond the primary market area</p>	<p>Specialty/ Destination Retail</p> <ul style="list-style-type: none"> - Sit-down restaurant - Convenience restaurant (lunch crowd) - Taverns - Boutique clothing (men and women) - Shoes - Specialty food stores (small scale unique formats rather than traditional grocer) - Hobbies/music - Furniture and household furnishings <p>Target Anchor: Unique destination restaurants</p>
Brickworks	<p>150,000 to 200,000 SF</p> <p>Note: range permits the introduction of a new urban retail street that could accommodate small-format, neighborhood-oriented businesses, select specialty/destination retailers, and larger anchor uses.</p> <p>The 160,000 square foot retail opportunity gap falls within this range.</p>	<p>Neighborhood Oriented Retail:</p> <ul style="list-style-type: none"> - Convenience Restaurant (Pizza, Deli, Takeout) - Banks - Salons - Barber Shops - Pharmacy - Coffee/ bookstore - Fitness/ health center - Dry cleaner - Service businesses (real estate, professional offices) - Specialty/Destination Retail requiring larger-floor plates than available Downtown <p>Target Anchor: Pharmacy or Smaller Format Food Store (requiring larger format than that available Downtown)</p>
Golden Mile	<p>17,000 SF</p> <p>(approximately equivalent to the level of projects in the development pipeline)</p> <p>Note: while the new retail square footage level is relatively low, the Golden Mile may enhance the quality of retail space through façade renovations and redevelopment of outmoded centers. The recommended retail mix may be accomplished by recruitment over time, as space becomes available.</p>	<p>Community Center with Ethnic Retail:</p> <ul style="list-style-type: none"> - National brand clothing and accessory stores - Electronics and appliance stores - National brand eating and drinking places - Ethnic restaurants - Ethnic grocers - Ethnic service businesses (bilingual real estate, professional offices) - Fitness Center <p>Target Anchor: Department or category-specific stores (such as major electronic/appliance stores)</p>

Retail Area	Level of New Retail by 2020	Target Tenants by Store Group
Northern End	930,000 SF (approximately equivalent to the level of projects in the development pipeline)	Convenience Center: - Family oriented restaurants - Convenience restaurants (lunch crowd) - Banks - Service businesses (real estate, professional offices) Target Anchor: Existing/Planned Grocers

Source: BBP Associates, 2007

Downtown

Downtown Frederick, which includes infill sites along Carroll Creek, East Street and the Brickworks, could add 310,000 square feet of new retail space by 2020. This level of new development includes the level of projects in the development pipeline and the 160,000 square foot opportunity gap, as indicated in Figure 28. Additional retail square footage would require marketing more heavily to visitors living beyond the primary market area.

Targeted Business Mix

The market capture rate analysis provided in *Section 4.4* indicated that expansion of all retail categories is possible, with capture rates ranging from 1 to 35 percent per category. In particular, several categories exhibited relatively low capture rates (e.g. 4 percent or less) compared to other Downtown retail categories.

These categories offered the most potential for expansion:

- Food Stores** (1 percent capture rate) – Downtown currently offers several small specialty food stores (such as a small Italian market, winery, and wine and cheese market), but no small format grocer offering multiple types of food products. The Carmack Jays property (331 N Market Street) has been identified by the City as a priority location for this type of grocer. While a small-format grocer would be a desirable addition to the downtown business mix, the presence of competing facilities in the City and Planning Region constrains such recruitment. Currently, the supply of grocers in the City and Planning Region is essentially balanced with demand. Several grocers, including the large-format Wegmans, are planned to be added to this mix over the next several years. Downtown recruitment efforts should focus on adding more specialty food stores that offer goods not currently available at existing food stores. Together, these businesses can provide the ingredients of a larger specialty grocer. In contrast to a traditional grocer, these businesses offer specialty items appealing to both residents and day trippers, giving them the benefit of a broader customer base. New businesses may be clustered or co-located within the Carmack Jays property to increase the convenience of shopping for meals.
- Eating & Drinking Places** (4 percent capture rate) – Downtown offers restaurants and bars that address a variety of tastes and interests, from microbrews to Ethiopian cuisine. All of the existing restaurants are independently owned. New retail development should target additional eating and drinking places to continue building Downtown’s reputation as a dining destination.

- **Clothing & Accessories** (4 percent capture rate) – Downtown offers potential for expansion of retail businesses offering women’s, men’s, and family apparel and accessories. Since clothing is a shoppers good and therefore subject to comparison shopping, the clustering of new apparel and accessories stores is recommended to maximize foot traffic to individual stores.
- **Sporting Goods/Hobby/Book/Music** (4 percent capture rate) – Retail demand supports the addition of new businesses offering sporting goods, hobby, book and music items Downtown. Since Downtown Frederick currently includes several outdoor-oriented shops and a recently introduced book store, businesses offering hobby and music items are recommended. Given the high capture rate of primary market area expenditures on these items in the City, these businesses should offer specialty/unique items catering to both residents and day trippers.

Eating and drinking places are recommended as the prime anchor retail tenants for new space in Downtown Frederick, in keeping with retail trends occurring nationwide. While general merchandise department stores previously served as generators of pedestrian traffic, restaurants have become the current anchors of shopping centers, particularly lifestyle centers with which downtowns compete. Restaurants draw people to an area and keep them there longer, particularly if strong demand for restaurants contributes to lengthy waits for tables. Sidewalk cafes are recommended, where possible, for the street life and energy they provide. These anchors are particularly important for emerging retail areas such as Carroll Creek Park.

Recommended Mix of Chains and Independents

BBP Associates and SGN recommend that new retail space within Downtown recruit unique independent businesses as a priority over national chains. Independents are recommended to reinforce Downtown’s identity as a destination for unique and local products, and as a larger cluster of unique businesses is formed, the area will become a stronger magnet for visitors from the region.

Smaller store sizes are recommended to attract independents that benefit from the lower total costs of small space. The following store sizes, based on national research, are recommended:

- **Specialty Food** – 375 to 5,000 square feet
- **Restaurant** – 3,000 square feet
- **Café** – 1,500 square feet
- **Specialty apparel** – 750 square feet
- **Shoes** – 750 square feet
- **Hobby** – 750 square feet

Conversations with Downtown merchants also indicated that smaller Downtown spaces (e.g. less than 500 square feet) have served as informal incubator spaces for start-up retail entrepreneurs. Spaces sized at or below 500 square feet would provide a means for new independent businesses to enter the market.

While independent retailers are recommended as a priority over chains, recent leasing of new space along Carroll Creek has demonstrated that chain tenants are interested in Downtown Frederick (e.g. Ben & Jerry’s, Five Guys). Stakeholders have expressed desire for a target ratio of independents to chains that will ensure Downtown maintains its identity as a unique destination. There is little quantitative national industry research regarding this topic; however, qualitative analysis of comparable downtowns in the region provides guidance regarding ratios of chains to independents in areas that have retained appeal as specialty destinations.

- **Leesburg, Virginia (Downtown)** – Leesburg’s historic downtown features 89 restaurants, retail shops, salons, galleries, and entertainment venues (museums and a movie theater). All (100 percent) of these businesses are independents rather than chains.
- **Alexandria, Virginia (Old Town)** – Historic Old Town Alexandria features an estimated 180 shops and restaurants. Approximately 6 percent (10) of these businesses are national chains, including Restoration Hardware and Williams Sonoma (both home furnishings).
- **Georgetown, Washington, DC** – the majority of businesses in Georgetown are independent specialty shops rather than national chains. The Georgetown BID lists 329 retail shops on its website, of which 62 (19 percent) are national chains. Of 137 restaurants, 12 are national chains (9 percent). Many of the national chains are located at The Shops at Georgetown, an enclosed, multi-level shopping center. Many of the chain businesses as well as independents offer clothing or accessories, which contributes to Georgetown’s appeal as a destination for apparel comparison shopping.
- **Charlottesville, Virginia** – Approximately 150 retail shops and restaurants line the pedestrian mall in downtown Charlottesville. Similar to Leesburg, all of these shops and restaurants are independent businesses.

These communities have each retained their specialty appeal, and the proportion of chain businesses ranges from zero (Leesburg and Charlottesville) to 19 percent (Georgetown). Based on the business mix in these communities, it is recommended that Downtown Frederick (including the Brickworks site) attempt to keep the proportion of independent businesses higher than 80 percent (such that chains represent no more than 20 percent of total number of businesses, similar to Georgetown). Should chains be recruited Downtown, the Project Team recommends that such efforts target chains that would be unique destinations in the County (e.g. not available in other nearby shopping centers) to maintain Downtown’s character as a unique retail node within Frederick.

Brickworks

BBP Associates and SGN recommend that the total new retail space introduced at the Brickworks site approximate 150,000 to 200,000 square feet. This range of space would permit the introduction of a new urban retail street that could accommodate small-format, neighborhood-oriented businesses, select specialty/destination retailers, and larger anchor uses. The 160,000 square foot retail opportunity gap identified through comparison of future retail demand to supply falls within this range. Should the Brickworks develop retail square feet in excess of 160,000 square feet, the retail goods and services offered will need to rely more heavily on sales to other visitors (e.g. day trippers, tourists, and other non-resident and non-employee visitors). Downtown retailers also compete for these visitors, so strategies would have to be undertaken to increase visitation to both areas.

Targeted Business Mix

The level of retail square footage recommended would lend itself to smaller-scale, traditional style storefronts appropriate to a walkable urban neighborhood. The Project Team recommends that this retail space be located along a traditional urban street along East to connect the Brickworks with Downtown. Such connectivity would facilitate pedestrian traffic between the two retail nodes. Such retail could feature convenience and neighborhood-oriented goods and services anchored by a pharmacy. A traditional grocery store is not recommended for this location given the potential oversupply of existing and planned grocers in the City and Planning Region. However, a smaller-format specialty food store requiring a larger floor plate than that available in Downtown may be recruited at the Brickworks.

Specialty/destination businesses, such as clothing and shoe stores, that require larger floor-plates than those traditionally available in Downtown proper could also be recruited to this site. Small to medium store sizes are recommended to complement the fine grain character of Downtown; the introduction of large-format “big-box” style retail uses is not recommended. Businesses offering nationally branded items that draw high visitation and foot traffic to the Brickworks and Downtown are appropriate, but the overall mix of chains to independents throughout all of Downtown (including the Brickworks) is recommended to be no more than 20:80 in number of businesses.

Banks and service-oriented businesses are also recommended as potential occupants of retail space within the Brickworks development. These businesses provide services needed by retailers, residents, and professional offices. Focusing these businesses at the Brickworks site rather than in areas of Downtown desirable to unique destination retailers (e.g. the first several blocks of Market Street, East Patrick, and Everedy Square/ Shab Row) would also make more space available to targeted Downtown retail business types.

Route 40/the Golden Mile

BBP Associates recommends that net new retail space in the Golden Mile approximate 17,000 square feet (approximately equivalent to the level of projects in the development pipeline). While the net new retail square footage is relatively low compared to the net new space recommended for Downtown and the Northern End areas, it would be in addition to redevelopment and renovation projects recommended for this corridor that would help it attract more businesses and customers.

The Project Team suggests that the Golden Mile enhance the quality of its existing retail space through façade renovations or through partial or wholesale redevelopment to replace outmoded space. The planned redevelopment of the Fredericktowne Mall is an example of partial redevelopment of outdated retail space, in which select department store spaces will be retained and small shop space demolished and reconfigured. The Fredericktowne Mall redevelopment also proposes to introduce residential space; such non-retail development is recommended to support retail businesses. Renovations could follow the lead of the Frederick Shopping Center on Seventh Street, which recently refurbished its façade.

Targeted Business Mix

The Golden Mile business mix is recommended to include retailers traditionally found in community shopping centers and lifestyle centers, such as national brand clothing and accessory stores, electronics and appliance stores, and eating and drinking places. These retail store categories all exhibited relatively low capture rates in 2006, suggesting room for expansion. Large-format department (such as the existing Boscov’s) or category-specific stores (such as the existing Home Depot) are recommended as anchors for this area. In addition to these national retailers, the Golden Mile should feature ethnic restaurants, grocers, specialty shops and service businesses catering to the Latino population in the Golden Mile vicinity.

Additionally, as redevelopment projects such as Fredericktowne Mall add residential space to Route 40, the business mix should be expanded to include neighborhood-serving retail businesses that cater to the interests of residents. Since the Fredericktowne Mall redevelopment calls for active adult housing, the introduction of fitness centers is recommended to appeal to health-conscious adults.

Northern End

The Northern End area, defined to include land along Monocacy Boulevard and near Routes 15 and 26, is anticipated to become a major retail node by 2020. The Project Team recommends that new retail space at this node approximate 930,000 square feet. This level is approximately equivalent to the level of projects in the development pipeline, and provides ample room for new large-format national chain retailers that are not appropriate for the fine-grain quality of Downtown or the proposed urban character of the Brickworks. This area also has much more available land for new development than Route 40. However, where possible, retail developments may be scaled back to reduce the potential for oversaturation of the market.

Targeted Business Mix

Retail centers in the Northern End are envisioned to offer neighborhood-serving, convenience goods and services. The recommended retail business mix for new retail developments would include shops similar to those found in The Shops at Monocacy, which features family-oriented restaurants (Mama Lucia, Five Guys, California Tortilla, and Panera Bread), a grocer, and service businesses (e.g. banks, real estate offices). Existing and planned grocers are envisioned as the retail anchors for this area.

8.3 Recommendations to Expand Demand

With a significant level of new retail space planned to deliver from 2007 to 2020, existing and future retailers throughout the City of Frederick would benefit from strategies aimed at expanding demand.

These strategies are meant to increase the:

- Number of retail customers: residents, employees, day trippers, and tourists.
- Frequency of retail patronage such that each customer makes more retail trips.
- Length of stay for day trippers and tourists such that visitors stay longer and spend more.

In general, it is recommended that strategies be implemented under the following categories: 1) marketing and promotion; 2) design, infrastructure, and environment; 3) economic restructuring; 4) organization; and 5) regulations.

Marketing and promotional strategies are meant to improve regional awareness and interest in Frederick retail nodes. Strategies related to improving design, infrastructure, and environment are meant to improve the shopping atmosphere for visitors, encouraging them to stay longer and spend more. Economic restructuring efforts include strategies to recruit selected retail types that enhance existing retail clusters, as well as strategies to recruit non-retail development that will introduce internal demand (e.g. residential and office development). Organizational strategies include those that facilitate communication among retail stakeholders, and help implement effective marketing, design, economic restructuring, and regulatory strategies. Strategies related to regulations include those that codify design or development guidelines meant to improve the shopping experience.

These strategies are summarized by sub-area and relevant category in Figure 32.

Figure 32: Recommendations to Enhance Demand		
Retail Area	Category	Recommendation
Downtown (including East Street & Carroll Creek)	Marketing & Promotions	<ul style="list-style-type: none"> - Coordinated marketing. Continue to undertake joint marketing of Downtown as cohesive destination. Encourage retailers with similar goods (clusters) to jointly advertise. - Weekend packages. Most existing special events are single night events. Expand these events to occur throughout weekends. Encourage retailers to partner with other retailers, restaurants, and hoteliers to offer weekend specials.
	Design, Infrastructure & Environment	<ul style="list-style-type: none"> - Window display workshops to improve aesthetic appeal to window shoppers. - Wayfinding overhaul (already underway) to improve ease of navigation to and within Downtown, particularly to parking resources. - Façade improvement programs (already offered) to improve aesthetic appearance of architectural environment. In particular, these efforts should focus on emerging retail areas (the blocks of Market just south of Carroll Creek and north of 3rd).
	Economic Restructuring	<ul style="list-style-type: none"> - Recruitment of independent, unique, specialty retailers to enhance Downtown's attraction as special destination. Encourage retailers to target multiple customer segments (e.g. day trippers in addition to residents) to expand customer base. - Residential, office, and hotel infill/ redevelopment to expand internal customer base. The introduction of a downtown full service hotel is supported by the market and would encourage longer downtown visits.
	Organization	<ul style="list-style-type: none"> - Introduction of Business Improvement District as a reliable means of funding Downtown improvement efforts already undertaken by Downtown Frederick Partnership.
	Regulations	<ul style="list-style-type: none"> - Consideration of first floor retail overlay zone to require first floor occupancy with active retail use as a priority. Streets filled with continuous retail use (excluding service offices and banks that close around 5 pm) would encourage visitors to walk further to experience the shopping district, thereby encouraging longer retail visits and exposure to more retail businesses. <p>Non-retail businesses desiring first floor locations could be encouraged to occupy space along West Patrick (where many offices are clustered) and within the new Brickworks development, which is encouraged to offer both neighborhood retail and service offices within its retail areas.</p>

Retail Area	Category	Recommendation
Brickworks	Design, Infrastructure & Environment	- Focus retail along East Street to improve connectivity with Downtown, and encourage cross-patronage of retail shops.
	Economic Restructuring	- Recruitment of neighborhood-oriented retail businesses that complement Downtown’s unique, specialty shops and specialty/destination businesses that desire a location Downtown but require larger floor plates (including national brand retailers). - Residential and office redevelopment to expand internal customer base.
	Regulations	- Design guidelines to promote architecture and streetscape elements that are compatible with Downtown’s fabric.
Golden Mile	Marketing & Promotions	- Adopt a branding campaign to market Route 40 as the Golden Mile through development of a logo and signage. - Promote ethnic festivals that could be organized in parking lots and attract visitors to the area.
	Design, Infrastructure & Environment	- Creation of a façade improvement funding program to encourage the type of renovation undertaken at Frederick Shopping Center along 7 th Street. - Add green amenities to soften parking lots (trees, medians, planters, etc.) - Introduce signage featuring new Golden Mile logo. - Connect parking lots through side roads to reduce traffic on Route 40 and increase ease of parking for customers. - Add pedestrian and bike connections where possible to improve ease of access for surrounding residents.
	Economic Restructuring	- Recruitment of a mix of national brand retailers , including eating and drinking places, large-format category-specific stores, department stores, and smaller independent retailers , particularly ethnic retailers serving neighborhood residents. - Residential infill/redevelopment to increase internal demand for neighborhood goods and services.
	Organization	- Creation of merchants association to implement marketing/promotions and other strategies.
	Regulations	- Require infill/redevelopment projects to add side roads that will link adjacent parking lots , either through regulations or as requirement of receiving City assistance (e.g. tax credits, etc.).

Retail Area	Category	Recommendation
Northern End	Design, Infrastructure & Environment	<ul style="list-style-type: none"> - Create amenities to ensure long-term appeal (e.g. trees, planted medians, planters) - Connect parking lots through side roads to reduce potential for traffic congestion - Add pedestrian and bike connections to offer alternative means of access for nearby residents
	Economic Restructuring	<ul style="list-style-type: none"> - Recruitment of neighborhood-oriented and convenience retail goods and services - Residential, office, and flex/R&D development to introduce internal customer base

Source: BBP Associates, 2007

8.4 Future Recommendations

In addition to the recommendations outlined above, BBP Associates and SGN recommend that the City of Frederick develop a comprehensive merchandising, leasing, and marketing plan for Downtown Frederick. Such plans are generally developed by retail leasing specialists that bring insight gleaned from experience at the national level. These experts are able to bring the best practices of shopping center leasing to a Downtown context, adding a new level of sophistication to Downtown retail business recruitment.

9 Appendix

In support of the Retail Market Analysis, BBP Associates and SGN have prepared the following documents that provide additional retail market information:

1. Case studies offering analysis of other communities' experience with retail revitalization and redevelopment. Studies of Boston's Faneuil Hall and Baltimore's Harbor East offer insight into how other communities have dealt with maintaining a balance of local entrepreneurs (as presented in the Boston example) and creating a new mixed-use retail center (as presented in the Baltimore example).
2. Copy of the ESRI white paper, "Community Tapestry – the Fabric of America's Neighborhoods." This copyrighted paper serves as a reference document that offers a complete description of all identified community tapestry segments, including more detailed descriptions of the tapestries highlighted in *Section 2: Economic & Demographic Overview*. Instructions for downloading this document from ESRI can be found in the appendix section of this report.

9.1 Case Studies

The following case studies have been prepared by SGN and BBP Associates.

An Uncertain Balance: Independents and National Chain Retailers at Faneuil Hall Marketplace (Boston, Massachusetts)

History

Since the 18th century, Faneuil Hall and Quincy Market have served as a retail market and meeting place for Bostonians, and has witnessed turning points in the nation's history – including the beginnings of colonial rebellion and celebration of the nation's first birthday. The site has also stood as a part of retail history, swinging in and out of fashion over its long history.

Until the first half of the 20th century, like most historic downtowns, Faneuil Hall served as a retail hub. By mid century, retailers began vacating the marketplace and the site was slated for demolition until a group of residents rallied for its preservation in the 1970s. The Rouse Co. worked with the City of Boston to create “a new kind of retailing with small merchants and small shops selling food and other items – a new approach to merchandising.” Within a decade, the site became a thriving tourist destination housing nearly 200 retail businesses, and became a model for historic urban rejuvenation.

In response to annual visitation of nearly 20 million tourists, national chains discovered Faneuil Hall Marketplace. The cobblestone mall today has only about 80 shops and restaurants, and over half of the square footage is leased to national chains. Their presence, along with high rents (reportedly increasing 15 to 20 percent annually), erratic sales (which fell three of the past six years at stores open at least one year), and a proliferation of bars, has led City leaders to question whether the marketplace has retained its historic identity as a venue for local goods and services. They fear the 1970s vision of an emporium of local food stalls, restaurants and pushcarts has been lost.

Current Issues

To address these concerns, the Boston Redevelopment Authority met with the site's manager to discuss issues surrounding local entrepreneurial recruitment. The manager, General Growth Properties, suggested the marketplace needs a mix of local and national shops to succeed. Urban Outfitters was cited as a national chain that has revitalized the underperforming second floor of the South Market, where smaller shops previously operated. Difficulties in recruiting tenants – both national and independents – were emphasized. General Growth suggested the layout of the historic buildings creates awkward spaces that are hard to lease.

Local merchants suggest high rents, which reach up to \$150 per square foot, prevent their entry in the marketplace. They also decry to reduction in the center's marketing budget, which used to collect fees of around \$5 per square foot to pay for street jugglers, festivals, and other promotions. As part of negotiations with national chains for bigger spaces and longer leases, the manager lowered marketing dues and as a result reduced the association's budget by several hundred thousand dollars.

The City would like to address these issues and return Faneuil Hall to its roots as a showcase for the goods and services of New England entrepreneurs and artisans. This task is no small undertaking; unless Boston bans national retailers (like Nantucket did) few regulatory options are available to restrict the free

market entry of chains with deep pockets. The City lacks leasing authority at the site, but can put pressure on General Growth by delaying licenses for a restaurant or bar. As a first step, the City plans to form a watchdog advisory group that will work on strategies to attract local merchants back to Faneuil Hall.

Lessons Learned

Faneuil Hall's story of rebirth and potential loss of historic identity offers lessons for downtowns grappling with an uncertain retail future.

These include:

1. **Cities have a limited regulatory toolkit** with which to maintain a local retail presence (e.g. regulatory options are limited to formula business bans such as that enacted in Nantucket);
2. **Creative, proactive partnerships** offer potential to broaden the public sector toolkit. The City of Boston began talks with Faneuil Hall's management only after rents had passed far beyond the reach of local entrepreneurs. Other cities may have opportunity to engage retail property owners and managers when rents have not escalated to such a degree, or when few chain stores have yet entered the market.
3. **Public ownership of retail venues** raises long term prospects for local retention. If Faneuil Hall had remained under public ownership and management, the City could set criteria for leasing to local entrepreneurs and offer stronger control over rent increases. The Public Market in Charleston, South Carolina offers an example of a market that has remained under public control through its history, allowing this market to maintain relatively low rents and local control.
4. **Marketing and promotional activities** appear relatively more significant to a local entrepreneur's site location decision than a chain retailer's. The Boston experience indicates that local entrepreneurs were more willing than chains to pay marketing dues to support street jugglers and festivals.

Source: SGN, BBP Associates; The Boston Globe (April 30, 2006)

A Synergistic Development District: Harbor East (Baltimore, Maryland)

History

Baltimore's Harbor East offers a model of creating a successful new urban retail and restaurant destination. The developers involved in this district built from a base of pre-existing ingredients – a Marriott Hotel and Flemings restaurant – that supported additional retail expansion. This base, in conjunction with the creation of non-retail components (e.g. office, residential, and hotel space) has attracted a local furniture business, Gaines McHale, and a cinema and Whole Foods market. The development has transformed what was once an industrial no man's land to one of Baltimore's trendiest areas, with a Whole Foods market, expensive boutiques and exclusive apartments and condos.

In contrast to Harborplace, Baltimore's retail tourist center, Harbor East is positioned as a destination for existing and new urban residents as well as employees. The development includes non-retail components that both support the viability of retail and build attraction through the provision of retail nearby. Part of the project's goal has been to lure suburban residents to downtown living through the provision of a retail rich environment. These residents are housed in condominiums located near a Four Seasons Hotel and a landmark headquarters for Legg Mason.

The City's role in the Harbor East redevelopment has included public incentives to leverage private investment. The City has offered \$33 million in tax breaks to a developer to build a landmark headquarters for Legg Mason at an exclusive waterfront address. This incentive supports the retention of 600 Legg Mason jobs in the City and the addition of another 500 jobs. All of these employees are envisioned to support retail expansion at Harbor East; the corporate presence could also lure other, similar firms to Baltimore. Also, even with the \$33 million tax abatement, the twin towers would bring in over \$160 million in tax revenues, including income and property taxes.

Lessons Learned

Harbor East offers lessons for Cities and downtowns creating new retail districts and destinations.

These include:

1. Retail and non-retail uses offer a synergistic relationship. Mixed-use development, whether in single buildings or on a district wide basis, introduces mutually supportive uses. Non-retail uses, including residential, office, and hotel space, support retail expansion by introducing captive potential customers. Retail uses offer amenities attractive to prospective firms and households.
2. Public incentives, when used selectively strategically, can make projects feasible and provide public benefits. The City of Baltimore's use of tax breaks to support the retention and expansion of a major employer illustrates an example where the subsidy offered direct and indirect benefits, including expansion of the retail market and return on investment (e.g. tax revenues in excess of subsidy).

Sources: SGN, BBP Associates; Baltimore Sun

9.2 ESRI Community Tapestry Segments – Instructions for Download

The document “Community Tapestry – the Fabric of America’s Neighborhoods” is a copyrighted ESRI Business Information Systems white paper. This document offers reference information for all identified community tapestry segments, including more detailed descriptions of the tapestries highlighted in *Section 2: Economic & Demographic Overview*. To download this document, please go to the following link: http://www.esri.com/data/community_data/community-tapestry/features.html and click on the “65 segments” link in PDF to download.