Retail and Housing Market Analysis

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Retail Overview

There is approximately 225,000SF of retail along Franklin Street. According to the industry-accepted International Council of Shopping Center Classification guide, Watkins Glen falls in the category of 'Large Neighborhood/ Community Shopping Center' with a wider range of comparison goods than smaller neighborhood centers. The retail offerings along Franklin Street are spread out across four different nodes:

Retail Microclimates

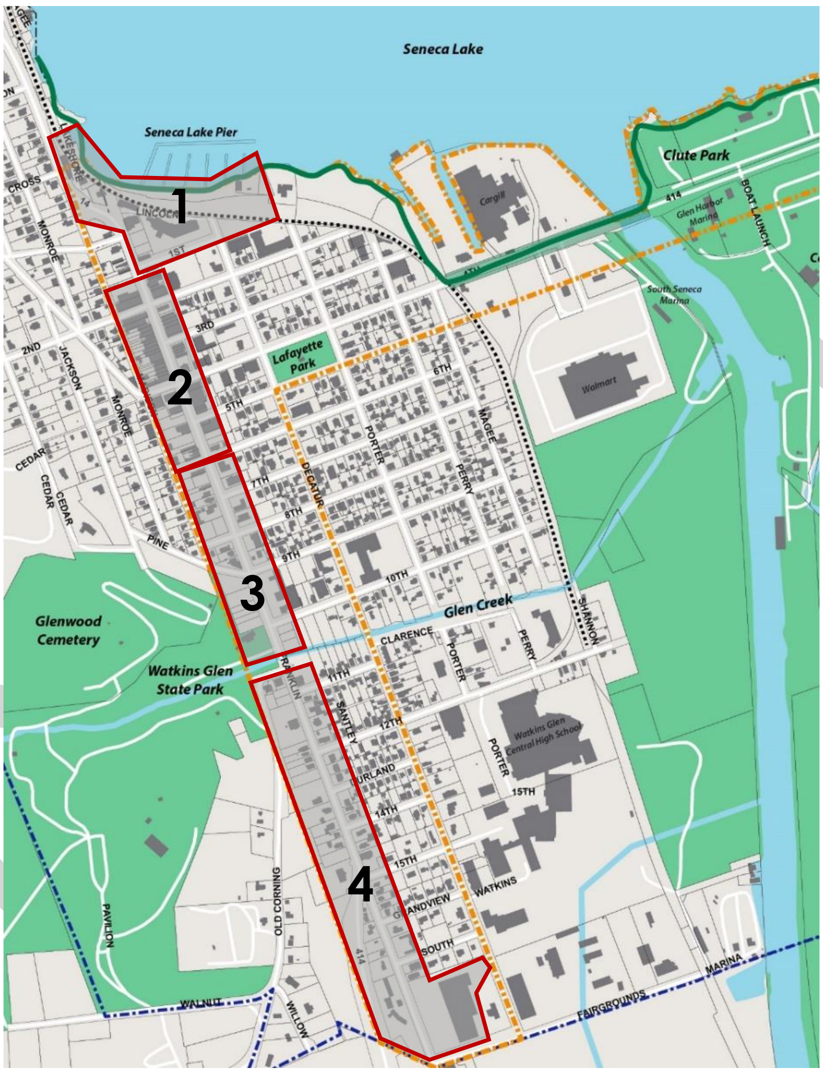


Figure 1 Watkins Glen Retail Microclimates (Source: LOA)

1. **'Waterfront dining'** node consists of full-service restaurants located by the Seneca Lake pier

2. **'Historic downtown'** corridor is located along Franklin Street from 1st to 6th street with a strong cluster of retail storefronts that total to approximately 125,000 SF of ground floor retail across 1,200 linear feet

3. **'Transitional'** node consists of auto body shops, offices, banks and take-out restaurants set back from street and is located between 7th street and Glen Creek
4. **'Auto-oriented'** corridor is located south of Watkins Glen State Park entrance between 11th street and Fair Grounds Lane and consists primarily of big box retail stores, stand-alone retail setback from street, and drive thru restaurants. This node has a total of approximately 77,881 SF of ground floor retail across 2,500 linear feet

Physical Environment

The **'waterfront dining node'** located by the Seneca Lake pier is isolated from the rest of the historic downtown retail corridor. This is due to the presence of vacant lots and properties that break the pedestrian environment along Franklin Street between 1st street and the waterfront. In addition, the restaurants fronting the lake are blocked from view from Franklin Street and there are no wayfinding signs connecting customers on Franklin Street to more dining options by the waterfront and vice versa. This limits cross-shopping opportunities for visitors dining by the waterfront and tourists who are dropped off by the waterfront for photo taking opportunities.

Increasing the connectivity between the waterfront dining node and Franklin Street through signage, redevelopment of vacant properties, and active sidewalk environments between 1st Street and the waterfront will be critical to creating greater cross shopping opportunities for visitors.

The **'historic downtown'** corridor has a strong cluster of ground floor retail, creating a more active sidewalk environment. The pedestrian infrastructure within this node between 1st Street and 6th Street is clean and well-maintained with good tree coverage, creating a comfortable shopping environment. In addition, several stores have also brought merchandise, seating, and signs out onto the sidewalk to enhance the outdoor shopping experience. Outdoor dining ranges from one or two tables fronting smaller stores like Glen Mountain Bakery to larger patios at the Rooster Fish Brewery and Nickel's BBQ restaurant.

Further south of the historic downtown node, however, there are a few problem storefronts with poorly maintained waterfall awnings and storefront displays that lack transparency. There is also a lack of blade signs to increase visibility of and announce stores and retail offerings to pedestrians. In addition to poor pedestrian lighting along the southern half of Franklin Street, the lack of curation of storefront displays and lighting at night discourages window-shopping

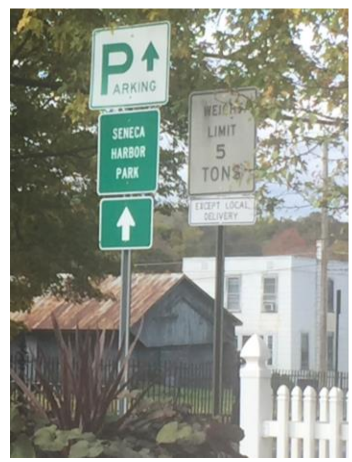
Figure 2 Average Daily Vehicle count (Source: NY State DOT)

when stores are closed early.

A key concern faced by store owners in the historic downtown node is truck traffic turning on Fourth Street. The average daily traffic of 11,600 vehicles passing through the intersection of Franklin Street and Fourth Street often poses a risk to pedestrians who are cross-shopping in the node. Traffic calming tactics and traffic signal improvements in the dense historic downtown corridor should be a priority for the village to become a comfortable and safe shopping destination.

At this time, the **'transitional node'** that connects the historic downtown to the Watkins Glen State Park, a popular visitor destination that attracts over 938,000 visitors annually, lacks safe and comfortable pedestrian infrastructure. The frequent driveway crossings are an impediment to walking, as are the parked cars located on sidewalks that should be reserved for pedestrians. Furthermore, the lack of compelling storefronts and street trees in this section further diminish its appeal for those walking to and from the State Park. Improvements, including widening the sidewalks and providing additional lighting, are expected to be completed in the spring of 2018 by the NYSDOT and may help ameliorate this condition.

Finally, parking lot maintenance and parking accessibility/visibility remain a problem for retailers in the DRI Study Area, particularly in the historic downtown. Although stakeholders expressed a strong desire to see additional parking throughout the Village, the existing downtown lots are in poor condition, inefficiently striped, and prone to flooding. Aside from major weekends during the peak season (May- October), downtown parking lots have not been observed to be congested and should therefore be better managed and maintained to maximize utility. DRI projects should support the resurfacing and potential redesign of existing downtown parking lots to include storm water management features to mitigate flooding.



A clearer wayfinding system may also increase visibility of municipal and private parking lots. This, along with better connections between existing off-street parking lots and the historic downtown core, was made in the 2009 Schuyler County Parking Census Study conducted by Cornell Cooperative Extension and should be prioritized as part of the DRI. Visitors, many of whom may be unfamiliar with downtown, in particular require clear signage to find rear parking lots. In addition, well-lit and landscaped paths between the rear parking lots and Franklin Street will also encourage visitors to more willingly park vehicles in the rear parking lots in the evening.

Business Environment

The current business mix in the DRI Study area is reflective of the region with a large proportion of automotive businesses, food and drinking places and miscellaneous retail that serve the visitor/ tourist population. These offerings can be further enhanced by specialty food stores, boutique clothing and accessories, and experiential retail stores that are currently lacking from the mix.

Figure 3 Business mix comparison (Source: ESRI Business Analyst Online 2017)

As more housing units are developed downtown and in close proximity to the historic retail corridor, the business mix should also be responsive to cater to a growing local resident population with more convenient goods and services that can remain viable year-round.

Many residents and visitors of Watkins Glen are currently shopping outside the Village in competitive retail markets like Ithaca, Horseheads, Corning, and Elmira. Each of these markets has more retail offerings with over 1,000,000 retail SF each in Ithaca and Horseheads, and its own destination draws like Ithaca Farmers Market and Corning Museum of Glass.

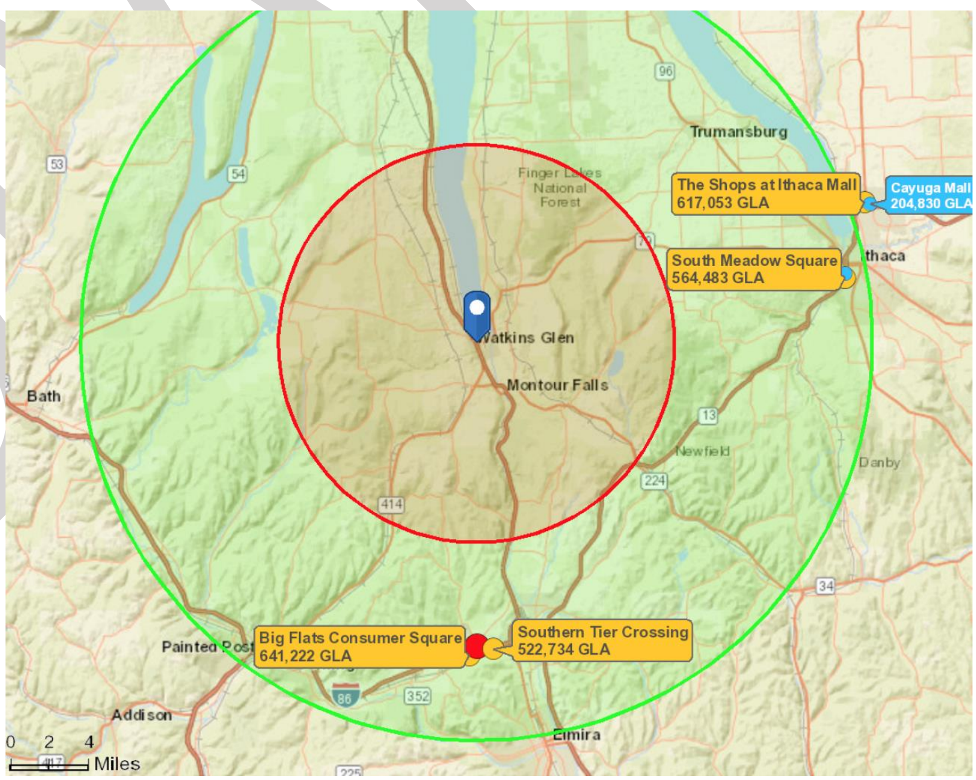


Figure 4 Competitive Shopping Center Map (Source: ESRI Business Analyst Online 2017)

The strong competition in the region is exacerbated by a less active and uninviting shopping environment in downtown Watkins Glen. Inconsistent operating hours of businesses limit the vitality of Franklin Street. Businesses that have stayed open later, including restaurants, bars, and clothing store, Famous Brands, have reported seeing foot traffic past 5pm during peak season. The nearby State Park has also seen a healthy rate of visitors between 5-7pm. However, the lack of coordination among business owners to stay open later and the absence of storefront display lighting result in the perception that downtown is closed.

The Chamber of Commerce has encouraged businesses to stay open later through active late-night programming on Franklin Street thru events such as 'Fridays on Franklin' during the peak season. Downtown businesses signed a contract with the Chamber to keep stores open during such events, however it has been difficult to enforce due to the presence of 'hobby business owners'. Often, the businesses' small staff capacity to manage stores for extended hours may be a key factor for lack of participation. Greater incentives and resources should be provided to store owners to participate in such events.

Trade Area Definition

The following analysis of retail market demand and supply is based upon demographic and psychographic data pulled from two trade areas – primary and secondary. Given the rural environment of the region and a high car ownership rate of 97% in Schuyler County, it is presumed that a large majority of shoppers in the area are arriving by private vehicle. Trade areas were therefore drawn based on drive times.

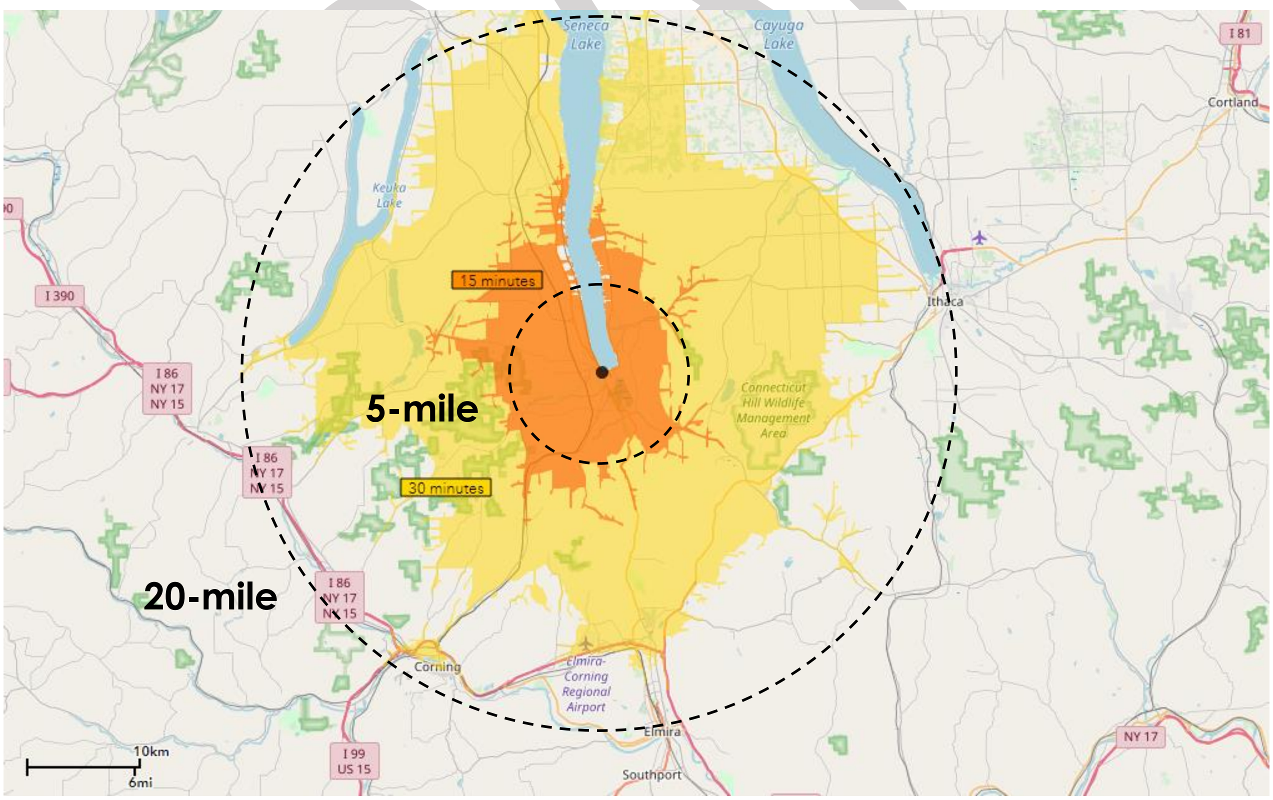


Figure 5 Retail trade areas (Source: ESRI Business Analyst Online 2017, LOA)

The primary trade area, or convenience trade area, is where a retail district draws the majority (60-80%) of its local residential customer who are shopping for goods and services that are typically inexpensive and purchased with greater frequency, including grocery items, personal care items, etc. For Watkins Glen, the primary trade area is a 15-minute drive from the center of the historic downtown corridor at Franklin Street/ 3rd Street, or approximately a 10-mile radius.

The secondary trade area is where a retail district draws a smaller share of customers (an additional 10-20%) who are shopping for comparison goods such as clothing and accessories, furniture, and sporting goods and hobby items. For Watkins Glen, the secondary trade area is a 30-minute drive from the center of the historic downtown corridor at Franklin Street/ 3rd Street, or approximately a 20-mile radius.

It must also be noted that due to the close proximity of major visitor destinations such as the Watkins Glen State Park and Watkins Glen International to the historic downtown retail corridor, retailers in Watkins Glen are also serving seasonal visitor customers from beyond both the primary and secondary trade areas. In order to understand the spending impact of this market segment a comprehensive survey study of visitors will be required.

Residential Psychographic Analysis

The growing Baby Boomer and senior population in both the primary and secondary trade areas reinforces the need to improve the physical environment of the retail nodes. As mentioned above, improvements to sidewalks and streets to increase pedestrian comfort and safety will greatly benefit all customers' ability to cross-shop, especially for seniors and young families.

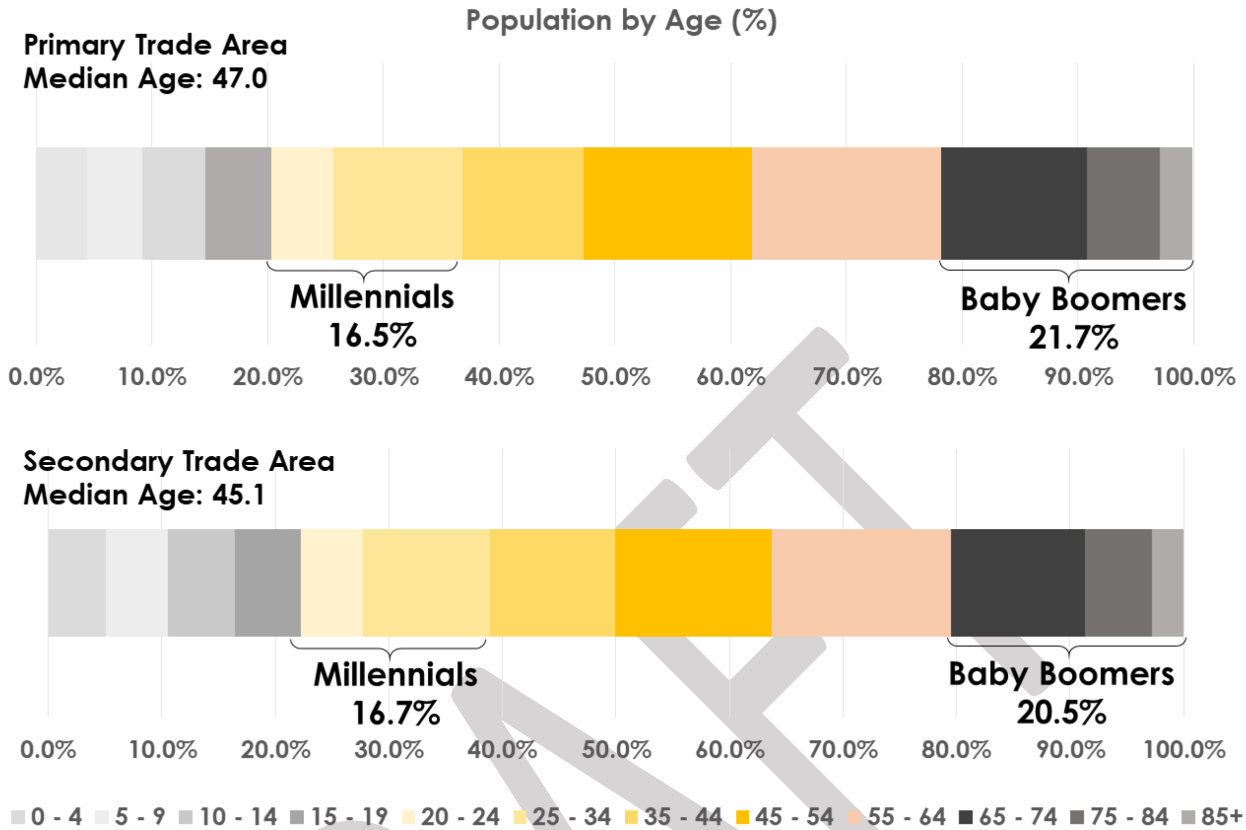


Figure 6 Population by Age (Source: ESRI Business Analyst Online 2017)

Median household incomes in both the primary and secondary trade area are expected to continue to rise in 2022 to $52,544 and $54,992 respectively. Despite this, retailers should be sensitive to a segment of the population in both trade areas that remain low income with household incomes below $25,000 and with lower educational attainments (compared with NY State).

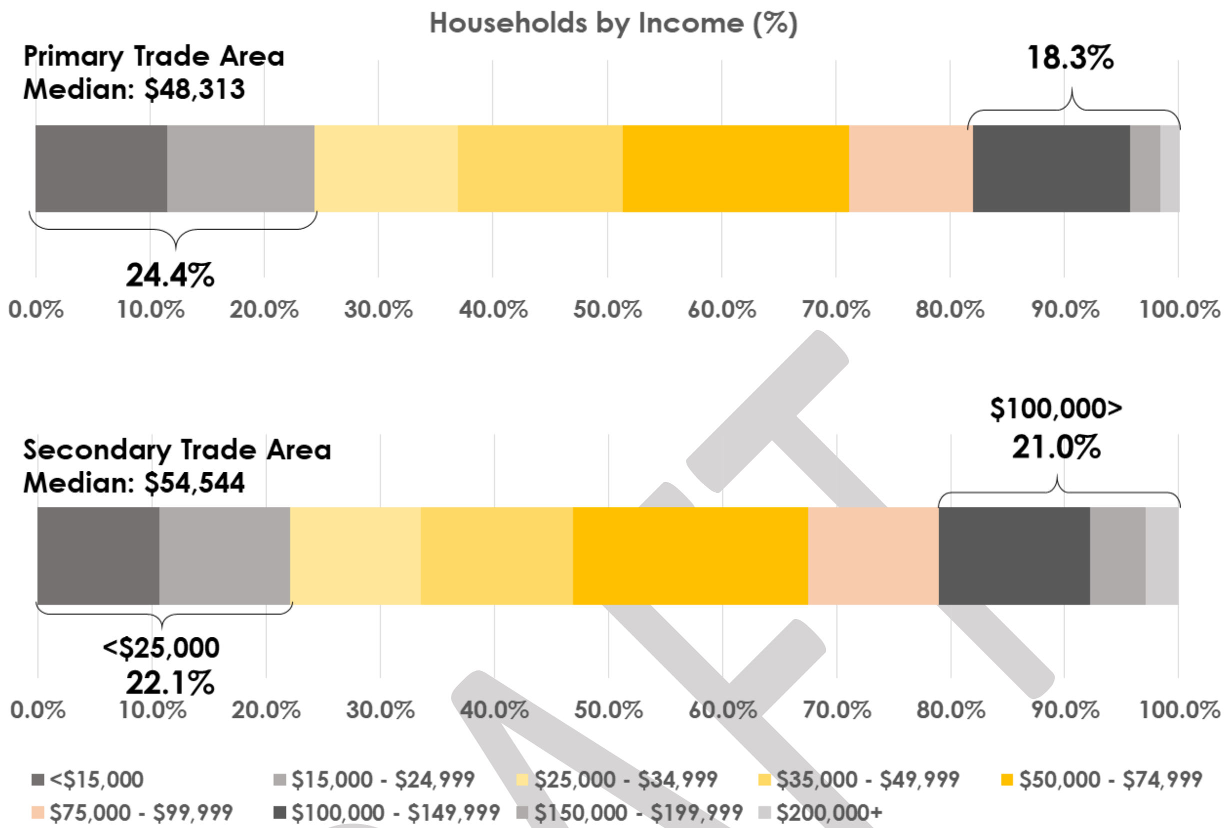


Figure 7 Households by Income (Source: ESRI Business Analyst Online 2017)

A psychographic analysis was conducted with ESRI Tapestry Segmentation to identify customer groups in the primary and secondary trade areas, and describe the socioeconomic characteristics of residents in these areas. ESRI Tapestry segmentation is a proprietary and detailed geodemographic segmentation system that integrates consumer's spending habits, concerns and values with residential characteristics to explain why they buy and what they buy in various US markets. The following descriptions of customer groups were therefore based on descriptions provided by ESRI Business Analyst Online.

Customer groups in the DRI Study area, Watkins Glen Village, primary and secondary trade areas display consistent buying habits and profiles throughout. The residential customer is "thrifty" and "price conscious" seeking low- to mid- price points and "prefers traditional" to contemporary goods. The biggest customer groups in the primary and secondary trade areas are:

- **'Small Town Simplicity':** Young families and senior households, down-to-earth and semirural lifestyles, community-oriented, price-conscious, and connected but rely on TV and print ad
- **'Southern Satellites':** Prefer outdoor activities and DIY home projects, cost- conscious consumers, and late in adapting to technology
- **'Midlife Constants':** Seniors/ Retired, country lifestyle, generous but not spendthrifts, prefer traditional, not trendy, and opt for convenience and comfort
- **'The Great Outdoors':** Educated empty nesters, active gardeners, prefer DIY and cost-conscious, and prefer domestic travel

All of these customer groups have median household incomes that range from low to moderate and therefore prefer more traditional or slightly contemporary retail goods. These groups also lead active lifestyles and enjoy the outdoors, and consist of families and senior households. Retailers hoping to market and promote goods and services to these resident customers should be aware of a large portion of consumers who are less apt at digital media.

An analysis of the "successful retail zone" is reflected in the Strategic Positioning Matrix below. The matrix allows for plotting of residential psychographic profiles based on income levels (vertical axis) and lifestyle choices (horizontal axis). "Low" income on the axis refers to Median Household Income (MHI) below \$45,000, "Middle" income refers to MHI between \$45,000 and \$90,000, and "High" income refers to MHI above \$90,000. The income levels translate to corresponding price points for a successful retailer. The horizontal axis, on the other hand, is driven by three main lifestyle categories: Traditional, Contemporary, Hip/Trendy. The area of convergence of the various tapestry segments therefore reflect who the successful retailer can and should be attracting.

Strategic Positioning Matrix – Residential Customers

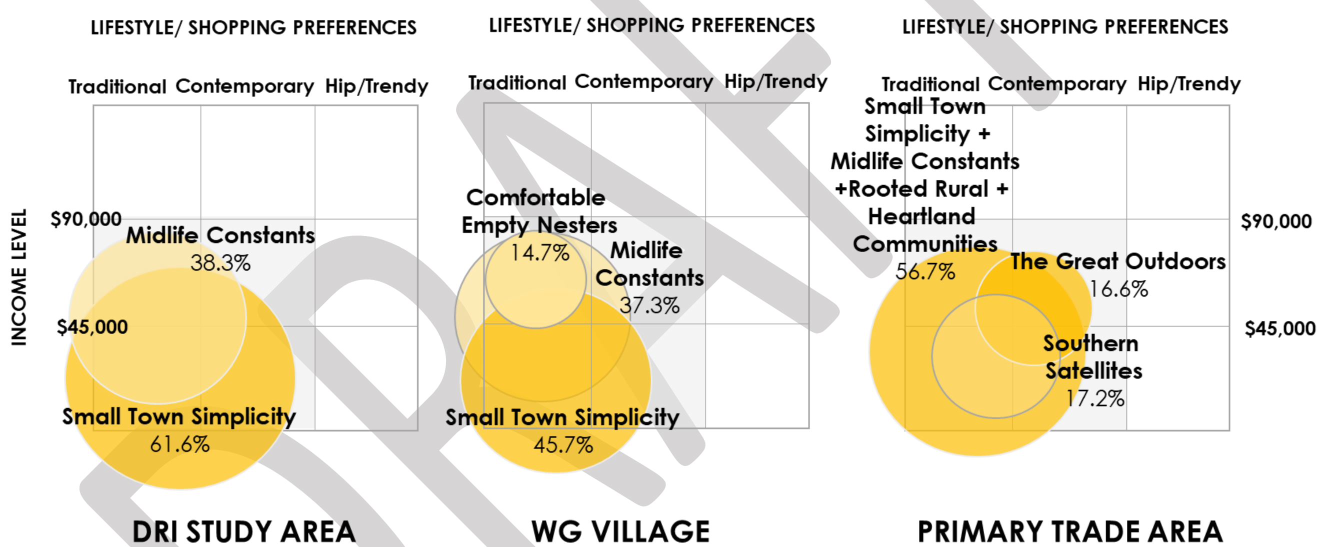


Figure 8 Strategic Positioning Matrix (Residents). Source: LOA

The daytime retail demand in downtown Watkins Glen is limited to employees from the School District and those working in retail trade. Although Schuyler Hospital is located within the primary trade area with over 435 employees, its location in Montour Falls suggests that workers are unlikely travelling to Downtown Watkins Glen for lunch or shopping.

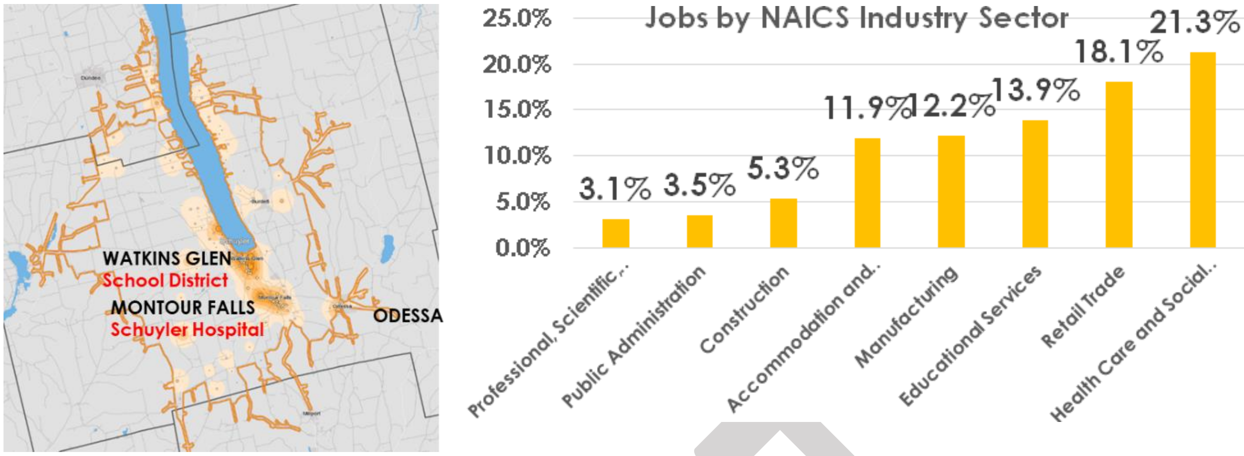


Figure 9 Key Employers Map and Jobs by NAICS industry sector (Source: LEHD OntheMap Census 2015)

In addition, of the 3,759 people in the primary trade area residential workforce, 73% of those commute and work outside the primary trade area, suggesting that store hours need to be convenient for commuting residents to shop before or after work. This reinforces the need to support retailers to stay open later to meet the needs of residents.

Although a deep understanding of visitor spending in Watkins Glen will require a more comprehensive study, annual visitor counts to nearby tourist attractions can suggest the importance of adapting downtown retail to also meet the needs and preferences of seasonal customers.

In total, more than 1,000,000 tourists and visitors come through Watkins Glen annually to visit two of the major destinations – the Watkins Glen State Park and Watkins Glen International. In 2016, the State Park attracted approximately 938,000 visitors while Watkins Glen International attracts more than 225,000 annual visitors across five main spectator events. In order to better attract this visitor market's spending downtown, accommodations should be made for parking or drop off bays immediately off Franklin Street for tour buses carrying hundreds of visitors daily (in addition to addressing parking issues mentioned above). At this time, the buses remain parked near the State Park and often bypass downtown given the limited opportunities in the historic downtown corridor to safely stop and allow visitors to disembark. Visitors on tour buses are also known to run on tight schedules and often forego visiting the shops downtown as a result of the limited opportunities to easily access stores on foot.

Retail Demand Analysis

Based on residential spending and retail sales in the primary and secondary trade areas, a leakage analysis was conducted to identify future retail opportunities in upcoming DRI projects. An analysis of retail spending compares the total discretionary income of residents within the trade area against the total sales estimated for local businesses, also within the same trade area. A '**retail surplus'** is a result of local businesses selling more than local residents are purchasing. This suggests that outsiders may be coming into the area to shop. A '**retail leakage'** is a result of residents spending more than local stores are selling, suggesting that residents are spending outside the trade area. Depending on the size of the retail leakage, this may suggest opportunities for both existing and new businesses to better capture the demand of the residential customer base.

Figure 10 Primary trade area retail gap (Source: ESRI Business Analyst Online 2017, LOA)

The primary trade area has a retail surplus of $8,109,248. This suggests that local businesses are supplying 5% more goods and services than demanded by resident customers. Much of this is in the General Merchandise category, which reflects approximately $53 million in sales at the Walmart Supercenter. That said, there are a few categories with leakage that suggest opportunities for new businesses to meet unmet residential demand from residents in the primary trade area, particularly in health & personal care, grocery stores, food & beverage stores and building materials and garden equipment,

Meanwhile, the secondary trade area has a retail leakage of $93,026,612. This suggests that about 10% of total resident retail spending is not being met by local businesses. At both primary and secondary trade areas, however, the retail categories with largest potential are **building materials and garden supplies**, **clothing and accessories**, and **health and personal care** stores.

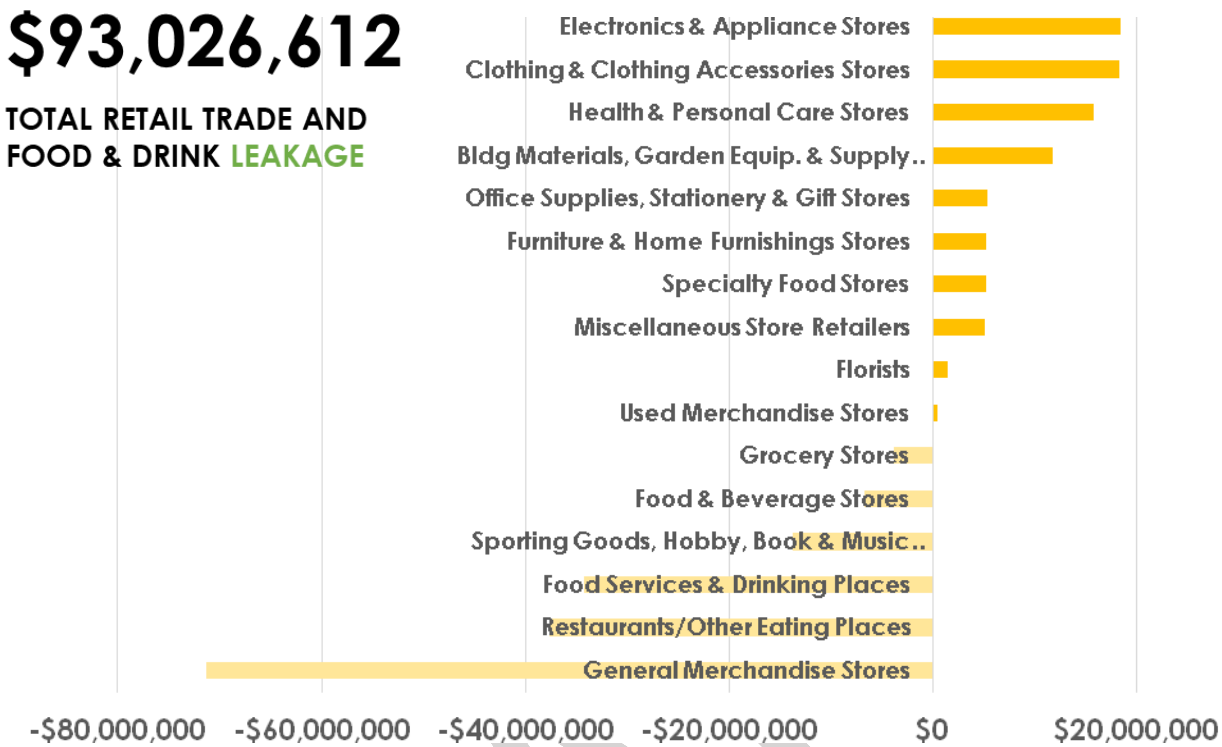


Figure 11 Secondary Trade Area Retail Gap (Source: ESRI Business Analyst Online 2017, LOA)

PRIMARY TRADE AREA - Retail Category with Leakage	100% CR	60% CR	40% CR
Specialty Food Stores	970	582	388
Office Supplies, Stationery & Gift Stores	2,551	1,531	1,020
Sporting Goods, Hobby, Book & Music Stores	4,740	2,844	1,896
Miscellaneous Store Retailers	4,986	2,992	1,995
Electronics & Appliance Stores	1,280	768	512
Bldg Materials, Garden Equip. & Supply Stores	29,365	17,619	11,746
Grocery Stores	9,680	5,808	3,872
Clothing & Clothing Accessories Stores	24,150	14,490	9,660
Health & Personal Care Stores	10,496	6,297	4,198

TOTAL POTENTIAL SF:	**88,220**	**52,932**	**35,288**

SECONDARY TRADE AREA - Retail Category with Leakage	100% CR	40% CR	20% CR
Used Merchandise Stores	1,968	787	394
Florists	5,320	2,128	1,064
Miscellaneous Store Retailers	9,736	3,895	1,947
Specialty Food Stores	8,589	3,435	1,718
Furniture & Home Furnishings Stores	13,307	5,323	2,661
Office Supplies, Stationery & Gift Stores	17,091	6,836	3,418
Bldg Materials, Garden Equip. & Supply Stores	61,360	24,544	12,272
Health & Personal Care Stores	18,137	7,255	3,627
Clothing & Clothing Accessories Stores	51,179	20,472	10,236
Electronics & Appliance Stores	5,561	2,225	1,112
TOTAL POTENTIAL SF:	**192,248**	**76,899**	**38,450**

Retail Findings & Recommendations

Supportable Square Footage. Overall, the analysis found that despite the limited retail leakage from both trade areas, Watkins Glen can support an additional *35,000-52,000 retail SF from the primary trade area.* While some categories below do not demonstrate sufficient demand to support an entire store in that category, they do suggest potential opportunities for existing retailers to expand their merchandising options to capture these smaller micro opportunities. For example, a downtown bakery or coffee shop might want to include a small section devoted to specialty food, or incorporate gifts into their merchandise offerings. In the *secondary trade area there is an additional 38,000-76,000 retail SF* that could be supported.

Retail Category Recommendations. Although the food services and drinking places category is already experiencing a surplus based on residential spending in both primary and secondary trade areas and also likely due to the myriad of competitive wineries that also serve light fare, it is important to consider that *visitor spending may continue to drive additional restaurants, bars, specialty food stores, and gift and souvenir stores, and other experiential retail concepts.*

According to stakeholders, visitors from farther than the secondary trade area (30 minute drive) are seeking the *Finger Lakes experience*. This may include *spa and personal care services, live* *entertainment, farm-to-table dining options and specialty local products such as wine, craft beer, and dairy goods from nearby farms*. In particular, higher-end and well-branded restaurants such as Graft have been successful in appealing to visitors seeking unique culinary experiences.

Additional Investments and Interventions

Retail Bootcamp. The limited additional retail potential in downtown Watkins Glen also suggests that DRI projects should prioritize improvements to existing retail storefronts and offerings. A 'retail bootcamp' or technical assistance program can be offered by a governing body such as the Chamber of Commerce, or the forthcoming BID, who has existing relationships with downtown businesses. This program can educate business owners on the importance of increasing transparency of their window displays, exchange best practices amongst businesses, and offer tips and tools to updating their merchandise mix.

Storefront Improvements. A storefront improvement program that funds and guides the development of new storefront signs, awnings and display lighting should also be prioritized to improve the retail environment in the historic downtown corridor. In particular, the program should aim to attract applicants in the retail core who have not previously participated in Main Street façade improvement programs. A 75/25 storefront improvement grant that was made available by SCOPED this year found that many building owners did not turn in applications.

Public Realm Improvements. Increasing the accessibility of the retail nodes to customers arriving by car and exploring on foot is also critical to improving the existing retail environment in Watkins Glen. DRI projects that support the improvement and beautification of sidewalks, parking lots and wayfinding, as mentioned previously, will greatly improve the experience of shoppers downtown.

Lodging. Finally, other uses such as downtown housing, hotels/ overnight accommodations, and community facilities that support and reinforce existing retail offerings must also be supported through DRI projects.

In particular, a downtown mid-tier hotel was noted by State Park representative, Ron Rooney, to be well in demand. According to business owners and Ron Rooney, there appears to be demand for a hotel that is able to block off rooms for tour groups at affordable price points. Current lodging establishments in downtown Watkins Glen are either too expensive or too small to accommodate large tour groups travelling north toward Niagara Falls. An appropriate hotel project that can offer such leniencies should be a priority for downtown to ensure overnight stays of existing tour groups passing through Watkins Glen.

Administrative Capacity. Many of the DRI retail opportunities will require the support of strong local administrative bodies to be efficiently carried out. At this time, the Chamber of Commerce and local CDC are well- positioned to carry out efforts relating to tourist marketing and sidewalk beautification. However, the formation of a Business Improvement District (BID) may provide even greater capacity and funding for these efforts, as well as retail attraction and technical assistance.