

MARKET STUDY & RECOMMENDATIONS

Downtown Manchester

Manchester, CT

Prepared Under Contract to:

DOWNTOWN MANCHESTER SPECIAL SERVICE DISTRICT

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Table of Contents

I. Purpose of Study.....	4
II. Description of Downtown Manchester.....	5
III, Market Assessment – Downtown Manchester.....	6
Present Context	6
Inventory of Business Uses – Downtown Manchester	10
Downtown Locational Characteristics.....	14
Land Use Patterns	14
Traffic	15
Parking	15
Community Assets & Resources	16
Downtown Manchester Market Base.....	17
Assessment of Market Opportunity – Downtown Manchester.....	23
Housing Opportunity	23
Office Opportunity.....	27
Retail Opportunity	31
Retail Opportunity	31
Restaurant Opportunity	40
IV. Market Issues and Considerations.....	44
Demographics & Trade Areas	44
Market Segment Focus.....	45
Retail Segment.....	45
Service and Dining Segment.....	46
Office Segment	47
Housing Segment.....	47
Business-Housing Growth Limitations	48
Location	48
Image.....	49
Changing of Owner-base.....	50
Organization.....	51
V. Market Strategy & Recommendations	52
Housing Strategy & Recommendations.....	52
Office Strategy & Recommendations	53
Retail Strategy & Recommendations.....	54
Restaurant-Dining Recommendations	56
Arts, Culture & Entertainment.....	58
Incentive Programs Recommendations.....	59
General Recommendations	60

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I. Introduction & Purpose of Study

Introduction

The **Downtown Manchester Market Study and Recommendations** is one of six separate reports prepared by the AMS Consulting team as part of its overall evaluation of market opportunities for Downtown Manchester. In addition to this report, the following deliverables are included as part of the Downtown Manchester Market Study assignment:

- *Manchester Socio-Economic Analysis* – AMS Consulting
- *Downtown Consumer Household Survey* – Center for Research
- *Downtown Manchester Business Survey* – AMS Consulting (included in Appendix)
- *Physical Assessment Survey of Downtown Manchester* – Zared Architecture
- *Targeted Building Assessment* – Zared Architecture

Purpose of Study

The purpose of this report is to evaluate market potential of Downtown Manchester (CT) and develop recommendations and strategies for promoting desired growth within this district.

In specific terms, the report focuses on the following tasks:

1. To provide a basic understanding of the demographic and economic forces affecting the Downtown and its neighborhoods as it relates to potential influence on the future growth and pattern of development of the center.
2. To evaluate market conditions, opportunities and climate for office, retail/commercial and residential growth within the Downtown.
3. Undertake a competitive analysis of the area as it relates to office, retail and housing and dining uses and options for the Downtown.
4. Identify and define opportunities and strategy for expanding desired growth and development along the corridor and provide both market and land use recommendations for implementing strategy.

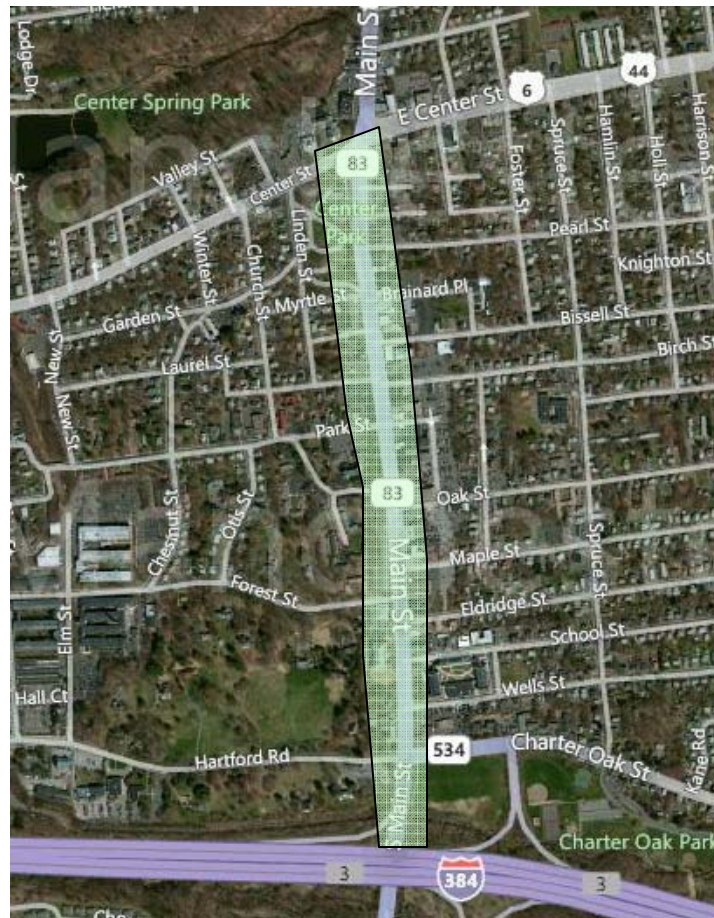
The main findings, conclusions and recommendations of the **Downtown Manchester Market Study** are provided in the main document. In the appendix, we provide the more detailed analysis of market segments that support conclusions and recommendations. Also in the appendix is a summary of our results from the Downtown Manchester Business Survey.

Information and data for this report came from a number of sources including: US Census data, CT Department of Labor, CT Department of Economic & Community Development, CT Department of Transportation, ESRI Business Solutions, Inc., various on-line business databases and newsletters as well as field research and interviews conducted by AMS with area stakeholders, businesses, realtors, and town representatives.

II. Description of Downtown Manchester

Downtown Manchester stretches 0.8 miles north to south along Main Street (Route 83) between Center Street and Hartford Road. Within this area resides the Downtown Manchester Special Service District (DMSSD) consisting of 134 properties, some located on side streets. DMSSD is the town's sole taxing district and was established in 1991 for the purpose of promoting the growth and prosperity of the downtown. The Downtown also incorporates the Main Street Historic District listed in the National Register for Historic Places in 1996 containing a large collection of historic commercial buildings built primarily at the turn of the century during the height of the Cheney silk mills operations located just east of the Downtown.

Long considered as Manchester's town center, the downtown functions today as a well established commercial base with nearly 190 businesses and organizations serving both the immediate neighborhood and broader markets town-wide and in the region. Many of these businesses are located in older mixed-use properties containing retail-service on the ground floor and office or housing above. The downtown also supports an important community base for the town that includes numerous churches, both old and new, the Mary Cheney Library and the Center Memorial Park.



III, Market Assessment – Downtown Manchester

Present Context

Downtown Manchester’s Challenge

As intimated in a recent consumer household poll¹, most people want to think of Downtown Manchester as a quaint historic downtown shopping district. Instead, what they find are elements of the “quaint”, but little of the “shopping”. In fact, while they may point to nagging issues about the downtown ranging from parking to inconvenient store hours and even safety, the major issue they have with the downtown is its lack of interesting shops. Nor do most people expect or want the downtown to replicate the shopping experience provided at Buckland Hills or the Main Street equivalent found at Evergreen Walk – though it wouldn’t hurt to attract a few of those type of stores. But for many –particularly those who have witnessed the downtown’s pre-1970’s glory years – they believe the downtown should first and foremost be a fun, walkable “shopping” district inclusive with dining and food. Otherwise, why visit and patronize it?

In a nutshell, this is where Downtown Manchester currently finds itself today.

What is the Downtown?

It is fairly clear what the Downtown is not today: it’s no longer a Shopping District. Even before Buckland Mall was built in 1990, retail was slipping in the downtown accelerated in large part by the addition of Manchester Parkade, first opened in 1957 and expanded through the years. The Mall and all the attendant retail built around it in northern Manchester and region have certainly added to the drain of shoppers away from the downtown. But the simple fact is this: retail has changed from when it defined the Downtown and with it came new specifications, formats, configurations and most importantly locational requirements that make it hard for the downtown to compete (A more complete discussion of this will be provided in our Retail Review).

A look at businesses downtown would appear to confirm this trend showing a total of 33 retail establishments in the district, inclusive of gas stations. By comparison, in 1997 this number stood at 47. Moreover, only 14 of the 33 stores fall within the core downtown area stretching from Birch Street to Oak Street (excluding the two gas stations). In 1997, 26 stores could be found in this area.

By contrast, we identified 38 service-based establishments located at street level in commercial space, many of these linked to what is commonly called specialized convenience services (real estate, tax assistance, insurance, banking, ect). Meanwhile, an additional 90 businesses located in offices or upper story spaces were identified as service-base, a ratio of 4 to 1 of service to retail. And unlike the retail sector which has seen its number shrink, most service-based businesses have flourished downtown. This

¹ “Consumer Household Survey – Downtown Manchester” – Center for Research, October 2011.

would suggest a downtown that is now largely defined within the marketplace as service hub for the town and region. Even many of the retail stores downtown have taken on a dual role of retail and service. The pet-fish store derives a part of its business from servicing fish tanks. The safe and lock store is largely a service contractor. The music store offers music lessons. The florist provides design services on floral arrangements. The bike shop since moved has a core business in repair and maintenance. In other words, many retailers on Main Street have learned to broaden their business base beyond just the sale of goods to include related services. For many it was an adjustment critical to staying in business.

Emergence of Downtown Restaurant Base

However being a service hub means that much of the business is driven by periodic personal or business needs: need to sell a house, fix a lock, buy insurance, prepare ones taxes, repair ones shoes, fix a business machine. Important yes- but a need once accomplished, presents little reason to return any time soon². And certainly none of these types of establishments would prompt a spontaneously visit to the downtown with friends or family often associated with shopping districts. In short, service businesses rarely take on “destination” characteristics capable of driving large numbers of people repeatedly to its business.

Food service and particularly good restaurants, on the other hand, can produce such a response. And if there is a cluster of well regarded restaurants in an area or downtown, that response will be stronger and more frequent. In Downtown Manchester, the beginning of a possible dining district has started to form, anchored by two well regarded family-oriented restaurants, numerous breakfast diners and a collection of small boutique ethnic restaurants together totaling 14 eateries. This compares to 9 in 1997. Thus it is not too surprising that a recent consumer poll of Manchester and area residents ranked restaurants and food as the number one reason for visiting the downtown. Ranking a very distant second and third was the Library and healthcare visits.

Housing Both an Issue and Opportunity Downtown

One component of the downtown that has not functioned well for the most part within the downtown both in terms of impact and image is housing. For many years Manchester officials and the Downtown Special Service District have wrestled with property owners on issues of quality and standard of housing provided downtown – virtually all found in mixed-use buildings within the core of the district.

In part, many of the issues on housing quality are symptomatic of the constraints associated with buildings constructed over a century ago. Owners see no financial incentive in upgrading when the cost far exceeds potential income from rent. The net result spawns minimal reinvestment and correspondingly low end housing tenant base. One mitigating factor is that there is only a moderate base of housing in the downtown

² There are of course certain types of high frequent services requiring constant repeat visits. Dry cleaners, banks, and hair salons are examples. Many however are not.

with estimates ranging from 150 to 200 units (this includes rooms in the licensed Rooming house at 623 Main Street, as well as the 45 units at Bennet Apartments).

In sharp contrast to the prevailing housing type downtown, one downtown investor-developer is testing the concept that good quality market rate housing can be supported in the district with the development of 12-units of housing in upper story space of a mixed-use building. What is particularly noteworthy about this venture is the developer's emphasis on green design and sustainability, representing elements that are likely to attract the kind of tenant who might be predisposed to live downtown in the first place.

Downtown's Community Role

Perhaps the downtown's most widely known function and one that invariably touches most local residents is its role as top venue for all marquee outdoor events, activities, or functions within Manchester. There is probably no better example of this than the Manchester Road Race which recently celebrated its 75th anniversary of the running that begins and ends in downtown Manchester. This event is marked by participation of up to 15,000 runners and more than double that amount in supporting on-lookers.



The Downtown is also the focal point for many events and activities sponsored and organized by the Downtown Manchester Special Service District throughout the year including “Cruisin on Main”, representing a very popular car show, Christmas Tree Lightings, Scarecrow Festival, and “Strollin on Main”, to name a few. Meanwhile, the nearby Center Memorial Park offers a pleasant outdoor grassy setting for various concerts, shows and fairs which draws numerous people to the downtown. Even the Municipal parking lots are used to host activities as witnessed by the seasonal use of the Forest Street lot for a Farmers Market.

Contributing to the community focus of the downtown is the presence of the Mary Cheney Library and on its periphery, Manchester's town hall, as well as a collection of churches along Main St., both and old. Together these institutions and downtown activities reinforce the role and image of the downtown as the town's prime civic and community center for activities, or in effect functioning as its town green.

Strong Organization in Place but Businesses in Stress

Acknowledging that the downtown would be negatively impacted with the construction of Buckland Mall, town and civic leaders kicked-off two very important initiatives. The

first was to establish a Special Service District for the downtown to oversee programs on physical appearance and business development. The second was to invest funds in the downtown for streetscape improvements, façade programs, parking, and roadway upgrades that would help the downtown compete for tenants and businesses.

Both initiatives have proven to be critical to helping the downtown weather the various economic cycles and market shifts of the past two decades. This base of support, however, is being sorely tested with the latest downturn and lackluster recovery now moving into its fifth year. Empty storefronts have begun to dot the Main Street corridor on a level not seen in years, if ever. Overall vacancy for street level space has jumped to 21%, with nine vacant spaces identified in the district. It is to be noted, however, that four of these spaces are connected to a building in receivership. Nevertheless, interviews with businesses downtown confirm most are dealing with diminished business, some significantly.

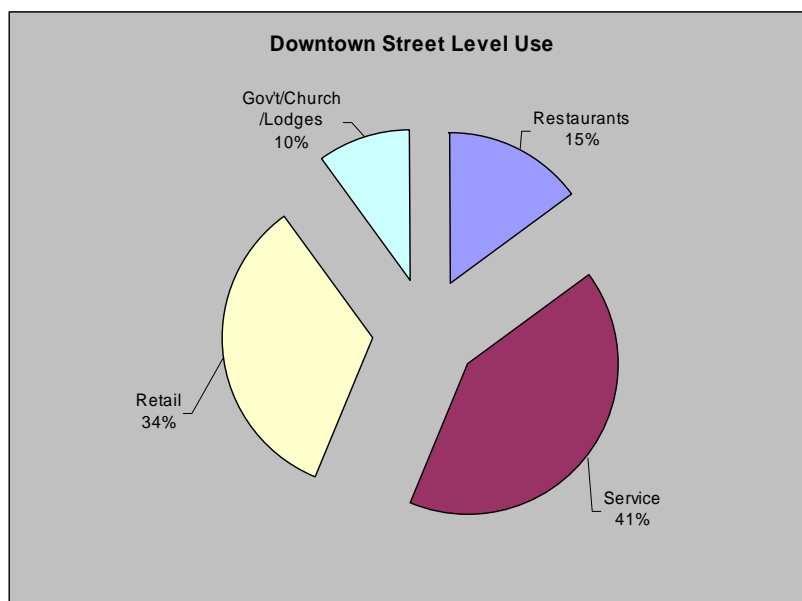
This of course is hardly unique to Downtown Manchester. But unlike many of the traditional retail centers surrounding the downtown mostly populated by well capitalized chains, many of the small independent-owned businesses making up most of the downtown lack access to such capital or resources to cover such a downturn, particularly at a level deep enough to ride out a 4-year slump.

Thus this is where we find Downtown Manchester today. Defining both what it is and what it should be relative to stakeholders, businesses, visitors and residents, while also determining how best to sustain, broaden, and diversify its small business base in good times and bad.



Inventory of Business Uses – Downtown Manchester

Our survey of business and non-residential uses within the Downtown Special Service District identified a total of 189 businesses, non-profits, or institutional uses of which nearly half operate at street level. Virtually all of these businesses are small, independent, owner-operated establishments or practices. Nearly two out every three are service base businesses. At street level, however, service businesses are less dominant, though still the largest use. Of the 94 establishments with street frontage, 41% are service –based, followed by retail at 34%. Below is a graph showing break-out by category of use at street level.



Within the service sector, highest concentration is seen in five sectors: Medical/Health care, Legal, Financial and Personal Services, with 20, 14, 11, and 14 establishments respectively. Collectively they account for 46% of the downtown service base, with the legal, financial and medical sector representing an important component of the office market. Personal services on the other hand, inclusive of hair, nail, personal care, has seen the most recent growth.

Unlike the service sector, no particular retail segment stands out within the downtown, nor is there an established anchor that draws a significant customer base to the downtown. At one point Antique stores represented an important cluster within the district, but the growth of EBay and online sales together with the recent downturn in the economy has had a diminishing affect on this group. Convenience based stores, or such retail that generally addresses the basic needs of a household such as food, liquor, prescriptions, gas and hardware consist of 22% of the retail base. The balance of the retail

is found in a wide variety of stores including florists, jewelers, pet and fish store, a bike store (slated to move), and a furniture shop.

As seen in the chart above, food and dining account for 15% of the establishments on the street representing a respectable ratio for a business district that is largely service oriented and convenience based. It is to be noted, however, that in markets catering to both local and destination trade we often see a higher ratio. For example, over one-third of the businesses on Chapel Street in downtown New Haven are food and dining related, demonstrating success in establishing the area as a dining and entertainment district.

Surprisingly, full serve restaurants (12) in the downtown far out number fast food limited service take out outlets (2). Typically, a relatively high traffic- high visibility corridor such as Main Street spawns greater growth for fast food establishments. Moreover, it is noted that no food chains are represented on Main Street, even from chains commonly seen as commercial infill such as Subway or Dunkin Donuts.

There are some encouraging signs of an expanding dining base on the corridor with the addition of several new eating establishments that include Catsup and Mustard, a Burger and Pub restaurant and Mulberry Street, specializing in Pizza and pasta. Both are locally owned and have gained a strong following from a broad customer base. Complementing this growth has been the recent emergence within the downtown of restaurants catering to a wide variety of international food tastes ranging from Indian, Vietnamese, Mexican to Middle Eastern.

Non-business uses in the downtown amount to less than 8% of all establishments. One of the more predominant uses in this category are religious establishments that include two churches with long standing history in the downtown and the newly arrived religious orders who have purchased properties along the length of Main Street for their use. The most prominent public purpose building downtown is the Mary Cheney Public Library located at the top of the district.

Please refer to chart on following page on Inventory of Manchester Businesses

Inventory of Downtown Manchester Businesses

		Street-Storefront	Total
<u>Food & Beverage Services</u>			
Fast Food-Take-Out – Fast Casual		2	2
Full Serve Restaurant –Breakfast/Lunch only		5	5
Full Serve Restaurant - Lunch/Dinner		6	6
<u>Subtotal</u>		14	14
<u>Business & Personal Services</u>			
Bank		2	2
Dental Services		0	6
Health Services		2	14
Business Services		3	9
Financial Services		1	11
Social Services		3	5
Educational		1	3
Real Estate		1	5
Legal		3	14
Insurance		2	2
Professional Services		0	7
Computer/Data/Programming Services		0	1
Media/Art Services		1	4
Marketing Services		0	2
Utility		1	1
Contracting Services		3	3
Wellness/Counseling		0	7
Personal Services (Hair, Nails)		10	14
Fitness-Martial Arts		0	4
Car Repair-Maintenance		1	2
Merchandise rental		2	2
Home Repair/Improvements		0	3
Misc. Services		2	7
<u>Subtotal</u>		38	128

Inventory of Downtown Manchester Businesses – Cont'd

		Street	Total
Retail			
Convenience Store*		3	3
Bakery		1	1
Liquor Store		1	1
Florist		2	2
Optical/Eyeglasses		2	2
Jewelers & Accessories		3	3
Antiques/Consignment/Pawn		5	5
Gas Station		2	2
Clothing/Shoes		1	1
Furniture/Homegoods		2	2
Hardware/Decorating		3	3
Electronics/Cellular		1	1
Specialty Merchandise		6	6
Auto Sales		1	1
Subtotal		33	33
Public-Church-Clubs-Lodges			
Government-Public		2	3
Church		3	5
Non-Profit/Clubs/Lodge		4	6
Subtotal		9	14
Total		94	189

Source: Downtown Manchester Special Service District, AMS Consulting, LLC

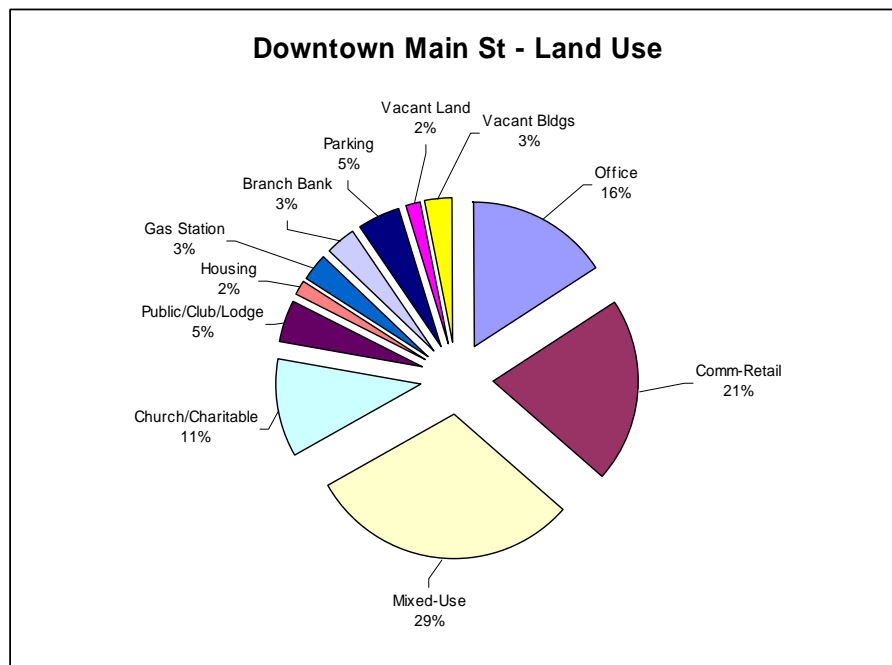
* Convenience store includes combined 7-11 foodmart/gas station

Downtown Locational Characteristics

Land Use Patterns

The Study area defined as the Downtown Special Service District stretches a little over one mile on Main Street from East Center Street to Hartford Road/Charter Oak Street. The district also includes select areas along side streets intersecting with Main St. Its central and most visible commercial corridor, however, is Main Street. And unlike other retail-commercial districts in town, including Buckland or even the Broad St /Middle Turnpike area, the Downtown Main Street is considerably more varied in land use and configuration.

Below is a chart showing a break-out of land use by property type and use on Main Street. According to assessor data, there are 63 parcels located along this corridor with the predominant use linked to Mixed-Use Properties representing nearly one in three properties (29%). Commercial-Retail properties follow with 21%. For the purpose of this analysis, retail-commercial properties are defined as one story buildings occupied by either retail or service-base use (or both if multi-tenant). Other major real estate uses downtown include Office at 16% with 10 properties³. Notably, Church and Charitable uses are not far behind at 11%. Parking, consisting of both public and private lots, account for 5% of the parcels downtown on Main Street. Housing as a sole use on the corridor is limited to only one property: Bennet Apartments.



Source: Manchester Tax Assessor, AMS Consulting, LLC

³ The three condominium office buildings located on Main Street are treated as three separate properties, not individual properties as currently assessed.

Traffic

The Main Street corridor within the Downtown area supports some of the highest traffic counts in town, a factor often looked at by retail-commercial businesses seeking new space. Only the Buckland area sees higher traffic volumes, in some cases double the level seen Downtown. Contributing to the load downtown is a combination of destination trips to the downtown, commuter trips and local-region traffic driven in part by its direct access to I-384.

According to 2009 data obtained Connecticut Department of Transportation, average daily traffic (ADT) on Main St (Route 83) ranges from 13,900 (Main and Center St) to over 20,000 (just south of Hartford Road and nearby off ramps for I-384). For many retailers (particularly chains), high traffic counts and good visibility is an important criteria in selecting a location for their store or business.

Below is a table showing ADTs for various sections along Main Street.

**AVERAGE DAILY TRAFFIC COUNTS (2009) –
Downtown Area**

Traffic Count Location	Average Daily Traffic
Downtown – Wells St and Main St	17,200
Main Street – just south of Charter Oak St	20,200
Main Street – just north of Center St	13,900
Center St – just east of Main St	16,900

Source: Connecticut Dept of Transportation

Parking

According to a recent parking study for the Downtown⁴, there appears to be adequate level of parking in the District with 803 spaces distributed among eight separate municipal lots. Based on this same study, parking utilization in the lots averaged between 25% to 95% at peak demand, suggesting an excess supply of 315 spaces. The study further noted that tighter demand is seen for on-street spaces during weekday working hours, but at no time were all spaces full. It is further observed that short term parking targeting visitors is free, while long term parking directed to tenants and employees is charged at a rather reasonable rate of \$16.50/month. Notably, the one municipal parking lot on Main Street (Forest Street Lot) which one might expect to be highest in demand by visitors reflected a peak usage of no more than 30 to 35%. This would suggest that while any future growth downtown would likely place additional demand on parking, the district has excess capacity to accommodate this need.

⁴ *Downtown Parking Study*, CMF Associates, September 2010

Community Assets & Resources

Two important community assets of the downtown are the Mary Cheney Library and Center Memorial Park. Center Park is a 7.6 acre municipal park located at the top of the district at the intersection of Center and Main Street. Often thought of as the Town Green, the park is the site for many town- sponsored and community- wide events, including crafts fairs, outdoor concerts and sporting events. During the warm weather months, many local residents enjoy eating picnic lunches at this public park.



The Mary Cheney Library located at 586 Main Street is the town's main library. Although ideally the library would have been located in the middle of the district, it nevertheless represents an important community anchor for the district driving significant level of visits to the area. Some of these visits result in patronage of stores, businesses and restaurants downtown. Though reportedly undersized, the Cheney Library has consistently ranked high within the state in overall circulation numbers⁵ underscoring its popularity within town. In recent years there has been considerable public debate concerning plans for expansion, with some scenarios calling for relocation of facility. Latest plans, however, call for a 20,000 square foot addition to the existing facility. Total cost, including needed upgrades to existing Library, is estimated at \$10 million.



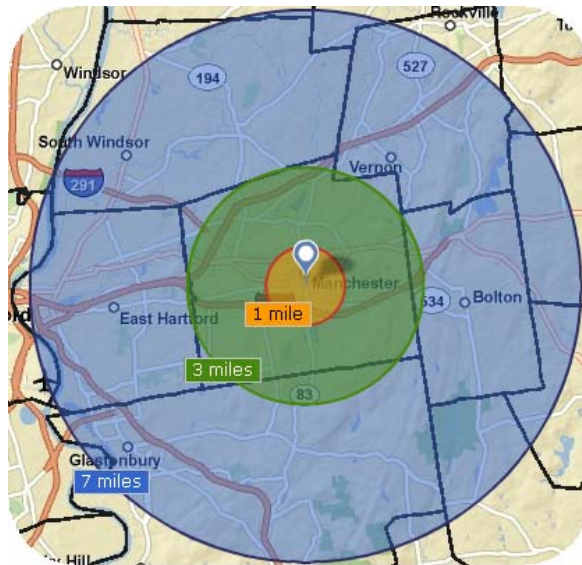
Mary Cheney Library – Downtown Manchester

⁵ Source: Manchester Patch

Downtown Manchester Market Base

Any discussion about the market potential for the downtown begins with an understanding of the market base driving demand for goods and services in the area. In Manchester, we have identified three trade areas that best define the parameters of demand for the district. They are: Local neighborhood (1-mile radius), Town-wide (3-mile Radius) and Region (7-mile radius). The latter takes in all of Manchester and portions of surrounding towns. Refer to map below on trade area.

Trade Area Map (1, 3, 7 mile Radius)



Trade Area Characteristics

As would be expected, variations in consumer characteristics exist between the trade areas. Within the **Local Market Trade** area where one would expect more convenience based shopping and use of services, we find a relatively solid core of residents equating to approximately 7,000 per square mile. This trade area, however, is not an expanding base with estimates showing a drop off in population over the last decade. But it is relatively young (median age at 32.9) and primarily defined by renters, representing a consumer base more apt to spend on retail and dining. And despite encompassing certain neighborhoods that fit a low to moderate income profile, overall median income for households in the trade area stands at a respectable \$51,851 meeting most retailer's thresholds for an acceptable trade area. It is also worth noting that one in three residents over 25 years of age in the local market has an Associate degree or better providing the foundation for economic stability in the area.

The **Town-Wide Trade Area** takes in virtually all of Manchester and a small portion of Glastonbury and effectively serves as a proxy for demand in Manchester. In order to tap into this trade area, greater emphasis on anchor, destination and/or niche goods and services is required. In this trade area, we find a population base of 56,495 residents representing an increase of 3.5% over 2000 levels. Notably, all of this increase occurred outside the 1 mile radius. There are roughly equal number of renters and homeowners, in the larger town-wide market though presently owners are slightly higher at 53%. Notably we see a sizeable boost in the income base profile of this trade area over the local neighborhood with a median household income of \$64,137. It also is an older resident base with a median age of 38.9.

The 7-mile radius for the **Region Trade Area** taps into an expanded market that is by and large more affluent, older and established than either the town-wide or local neighborhood counterparts. Moreover, like the town, it is growing at an impressive rate. Overall population in this trade area more than triples to 190,000 compared to town-wide radius. Meanwhile household income approaches \$70,000, while housing occupancy jumps to 62%. The relative importance of this expanded trade area was highlighted in a recent survey of local businesses downtown which indicated that many retailers and service establishments in the district are increasingly relying on this source of demand.

Racially, all three areas are predominantly white (71% or greater) though over the past 20 years it has become increasingly more diverse. African Americans have grown from single digit representation to 14% in the local area and 11% in the town-wide and region market. Similar growth trends have been seen for the Hispanic population. More impressively, in Manchester (Town-wide market), we note a very sizeable spike in the Asian population over the last ten years, more than doubling its numbers and bumping its share of overall town population from 3.5% to 7.9%. While the source of this growth can be attributed to many different Asian sub-markets, the Indian submarket is the prime contributor.

Below is a summary of the key demographics of the defined trade areas.

Trade Area Demographics

<u>Attribute</u>	Neighborhood 1 Mile	Town 3 mile	Region 7 miles
2010 Total Population	14,807	56,495	189,556
2000-2010 % Annual Rate	-0.3%	0.34%	0.35%
2010 Total Households	6,485	23,942	78,416
Owner Occupied Housing	36.1%	52.8%	61.5%
Rental Occupied Housing	55.4%	41.0%	33.4%
Age	32.9	38.9	41.1
Median HH Income	\$51,851	\$64,137	\$68,581
% Post-Secondary degree	36.3%	44.0%	43.4%

Source: US Census, ESRI

Tapestry Profile - Segmentation Analysis

While the socio-economic data on trade areas is important in determining overall demand characteristics, it is less helpful in defining key sub-markets in each area that could play an important consumer role for the downtown. Using “psycho-graphic” data developed by ESRI Business Systems Analysis⁶, a segmentation analysis was undertaken of the three market areas breaking out key submarkets in terms of size as defined by lifestyle considerations, geography, housing, aspirations and preferences, consumer habits and economic profile.

Local Neighborhood Trade Area

Tapestry Profile	% of Market
Great Expectations	29.8%
Main Street USA	23.9%
Metro Renters	11.9%
Young & Restless	9.5%

According to ESRI tapestry profile, the local neighborhood base is a study in contrast between a young, active, often single household market and older, more established family households. In many ways, these two markets are diametrically opposed to one another in terms of lifestyle and consumer habits. Two of the submarkets - *Great Expectations* and *Metro Renters* - are similar, with both having a high proportion of population under 25 years of age and most households under 35 years. Most are just beginning their careers in jobs linked to manufacturing, retail, and service industry. Both groups are well educated (50% have some post secondary education) and are equally comfortable in buying clothes or goods online as buying in traditional stores. Each goes out to dinner and to the movies often, though Metro Renters do it more frequently. The main difference between the two: Metro is more ethnically diverse and largely rents, while Great Expectations represent a greater mix in lifestyle and housing and more prone to saving and shopping at discount stores.

While similar to the above submarkets, the *Young and Restless* segment is somewhat younger, less prosperous and a bit less educated. Nearly 60% are single. It is also more ethnically diverse than either Great Expectations or Metro Renters. They are technologically savvy and maintain a busy social lifestyle. Meanwhile, bars and nightclubs are a major form of entertainment.

In sharp contrast to the three submarkets described above, we find nearly one in five residents in the local trade area fall into the *Main Street USA segment*. By and large, this group is family-oriented and frugal. Most own homes (over 60%), and maintain families. Occasionally they go out to eat and catch a movie, but most will stay home, rent a movie or play video games with children. They will spend on family-oriented goods and services, but carefully, and invest in home improvement projects.

⁶ ESRI Business Systems refers to its proprietary-based model for generating this analysis as Tapestry Segmentation Analysis.

Town-Wide Trade Area

<i>Tapestry Profile</i>	% of Market
Main Street USA	20.4%
Prosperous Emp. Nest.	11.9%
Great Expectations	10.8%
Exurbanites	10.2%

The Town-wide Trade area reveals the ascendancy of the *Main Street USA* submarket discussed in the Neighborhood Trade Area as the dominant submarket in the area. This is followed by *Prosperous Empty Nesters* who are primarily 55 and older, white, married, and a homeowner. Approximately 30% are retired and receiving benefits other than social security. Many are still working in professional or management positions. Expenditure patterns tend to be more upscale and expensive, while their lifestyle continues to be active and includes significant travel and golfing and sports events. They are more likely to lease or own a luxury car.

Following Prosperous Empty Nesters is the *Great Expectation* submarket, representing a younger group of singles or just married couples as described in the Local Neighborhood trade area. Lastly, we find the *Exurbanites* described as a group largely embracing an affluent lifestyle. According to ESRI, 40% are empty nesters, another 32 % are married couples with children at home. Approximately 40% have a degree, though 4 out five have attended college. The median age is 45.5 years and median income is \$89,522. There is little ethnic diversity. They are physically fit, practice yoga and jog to stay fit. They hike, ski and visit museums, attend cultural events and art shows. They are big ticket consumers owning the latest in TV, audio, or electronic equipment.

Region Trade Area

<i>Tapestry Profile</i>	% of Market
Cozy & Comfort	11.9%
Exurbanites	8.8%
Main Street USA	8.4%
In Style	7.9%

The dominant submarkets within the Region Trade Area reveal a much more affluent and mid-age profile than seen in the Town-wide market. Cozy & Comfortable, Exurbanites, and In Style sectors are largely variations on the same theme: comfortably settled, own a home, own investments, maintain professional or managerial jobs, fall between age 40 to 50 and generally prosperous. In-style residents differ primarily in that they are households without children. Filling out this group, is the Main Street USA subsector, which shares some of the properties found in the other sub-markets but as noted above tends to be older, more middle-income, and more careful about spending.

Market Base Implications for the Downtown

The above discussion on the Downtown's market base, including identification of key submarkets within each trade area has a number of important implications for the Downtown and potential market opportunity.

Trade Market Demographics

- Data on the 1-mile Local Neighborhood Market revealed solid density levels and respectable economics (income base) functioning within the area. More immediate to the downtown is a profile somewhat lower in income.
- The Neighborhood Market base is relatively young, representing a group more disposed to spend (than save) in eating out and shop.
- Signs of negative population growth in the local market point to some neighborhood disequilibrium, though projections indicate a moderation in this rate over the next five years. Town-wide and Region trade area, on the other hand, reflect impressive growth gains in the last decade and continued growth going forward – both important factors in site locational criteria for commercial-retail uses.
- While diversity is growing in all three trade areas, as a market base non-whites and other ethnic groups continue to make up less than 30% of the population locally and closer to 20% in the Town-wide market. This has implications for tenant mix for the downtown.
- Healthy income profiles are noted for Town-wide trade area and even stronger levels seen in the Region. The latter, however, represents more of a challenge in terms of downtown market penetration of consumer base given broad range of retail-commercial options in the region.

Submarkets

- Three key submarkets in the local neighborhood base represent strong candidates for expanding consumer spending downtown (Great Expectations, Metro Renters and Young & Restless) A common link between the three is that they are young (under 35 years of age as a household), often single or sharing a home or unit, and lead active lifestyles that includes shopping, dining and entertainment. For the downtown, this represents opportunities in food, dining – both full serve and fast casual, niche retail, convenience service and goods.

- One of the three submarkets noted above, Young and Restless, represents an opportunity for cross-over retail that appeals to both a diverse ethnic base of lower income residents and a younger households who mostly rent, often in college, with limited income. Such stores catering to both focus on cheap chic at low price points that is trendy in looks and styles. With better marketing, merchandising and display, the Liberty Arms Store downtown featuring military clothing and related items might have been a prime example of this concept.
- An important submarket found in both the local and town-wide trade area (Main St USA) is found to be somewhat frugal and conservative in spending. To extent they do shop it is for basic goods and services and meeting needs to meet DIY projects. Much of what was and continues to be in the downtown reflects this market (Manchester Hardware, Paul's Paint, Manchester Safe & Lock, Pinewoods). In light of the ample supply of low cost competition for this submarket (Home Depot, Walmart, Target, ect) it is unclear there is much potential for growth in the downtown for enlarging (or even preserving) this base.
- Both within the town-wide and the region trade area we find submarkets interested in investing and spending on arts, culture and local events. This may represent an opportunity for the downtown to expand their destination options beyond just restaurants and specialized retail.



Assessment of Market Opportunity – Downtown Manchester

The following represents our assessment of market opportunity for various real estate uses downtown. Much of the data and analysis that went into this assessment can be found in two attached reports in the appendix: *Market & Real Estate Analysis of Downtown Manchester* and *Downtown Business Survey*. Additional reports supporting this Assessment include *Consumer Household Phone Survey for Downtown Manchester* undertaken by Center for Research as well as *Downtown Manchester Building Assessment* completed by Zared Architecture.

Housing Opportunity

Existing Environment

Based on a field survey of Downtown Manchester and review of Assessment Field Cards, we identified 14 buildings on Main Street out of a total of 58 structures offering apartments or rooms for rent⁷. Two of these buildings are licensed as tenement housing properties (791 Main and 801 Main) and one is licensed as a Rooming House (623 Main). All but one is a mixed-use building with housing on the upper floors. The sole exception is Bennet Apartments, a city owned property at 1146 Main Street (formerly a school) that was privately developed for senior housing and restricted to persons 55 years and older.

Overall, it is estimated that up to 200 units and rooms are located on Main Street, with close to a third of those units found in Bennet Apartments (45 units). Excluding Bennet Apartments, unit counts in buildings are estimated to range from 4 to 16 units. In addition to Main Street, a small amount of housing can be found on the side streets connecting into the district, mostly in mixed use buildings and multi-family homes. There are no owner-occupied homes on Main Street, while only a handful were identified on the side streets.

Data on prevailing housing rents downtown was hard to document building by building but interviews with several property owners renting apartments indicate the rent threshold is relatively low in the district with one bedroom units generally topping off at \$650 month inclusive of utilities and two bedrooms at \$750/ month, though recent updated space is marketing at \$850. Efficiencies, which reportedly is a common unit type downtown, rent from \$350 to \$450/month, again with utilities included. In all cases, these rents are well below market rents in Manchester even for units in multi-family homes where the most affordable housing in town is found.

According to several realtors and property owners a number of factors appear to be contributing to the low rent environment including age and condition of building stock, lack of elevators, lack of dedicated parking, and evidence of deferred maintenance and lack of investment in the housing product over the years. Property owners and businesses downtown

⁷ This number includes the 12 new units at 867 Main St that will soon be offered for rent, as well as 687 Main St where a number of apartments are currently off-line due to building code issues.

also point to the negative impact a few problem properties linked with police activity have had on the marketplace.

One property owner/developer however is looking to test the rent thresholds downtown with 12 new Loft-style units of housing at 867 Main Street in one of the more unique historical buildings in the downtown. Representing a gut-rehab of the upper space, the units will benefit from a number of sustainability elements including solar thermal hot water and heat and energy star appliances. Other features offered at 867 Main include Free Wi-Fi, on-site Laundry, bamboo floors, and streamlined Ikea Cabinets. Rents are reportedly starting at \$825/month for the one bedroom and \$950 to \$1050 for the two bedroom with heat included. According to the developer, he has had previous success raising rents on properties downtown including at 687 Main following a major upgrade.



Banner Announcing New Units at 867 Main St

Summary of Housing Potential

Moderate Opportunity for Better Housing

- A viable market exists for better housing downtown (rental only) although at present, it is limited to a modest target base seeking alternative housing product to mainstream options.
- Main selling elements for any upgraded housing downtown include: historical linkage and Main Street presence, value in rent, proximity to convenience goods and services (including the library) and access to a burgeoning restaurant district. The downtown is also competitive in terms of highway access and linkage to major town corridors and local employment centers in the downtown, town hall campus and the hospital.
- Market potential is capped by the extensive rental supply in Manchester boosted by the addition of 2,000+ new units in the last two decades. Meanwhile, the 1,000+ units in the Cheney Mill rental community nearby presents formidable direct competition.

Target Market for Updated Downtown Housing: Young, Edgier, Creative, Single

- Target Market most likely to consider the downtown in upgraded housing would be a young single male, or unmarried couple, technology proficient and/or creative in nature if not also as an occupation; and comfortable with edgier, less proven locations.
- Housing that highlights the property's historical architectural elements and features (to the extent they exist) would be viewed favorably by this target base. Apartments that incorporate sustainability, energy efficiency and green features would also be considered a plus (much like the apartments under development by John Lee at 867 Main St).

Meaningful Expansion of Housing Base Unlikely In Existing Buildings

- Based on survey of properties downtown on Main St, there appears to be little opportunity to meaningfully expand the housing base beyond what now exists without new construction- and much of that would be allocated to side streets. In aggregate, the gain in housing units within "undeveloped or unused" upper space would be no more than 25-50 units. And while this could help introduce a market for higher quality housing in the downtown, it is unlikely to be transformative in appreciably changing the existing low income profile of housing in the district. Nor would it meaningfully move the dial up on demand for goods and services downtown.

Few Scenarios Envision Option for New Construction Housing w/o Subsidy

- At the present time it is difficult to envision scenario's involving new construction market rate rental housing downtown, particularly on Main Street, other than rehabs. Much of the development interest is expected to remain in the Buckland area as it has for the last 20 years for such investment, or for that matter the Broad Street Redevelopment site where greater densities in units could be achieved than in the downtown. The downtown meanwhile lacks decent sites and subject to a thinner market without subsidies or deep write-downs, or both.

Best Strategy May Be On Upgrading Existing Housing; Incentives Likely Needed

- Although the potential for adding significant amount of new quality housing downtown appears modest at best, strong strategic consideration should be given to upgrading at every opportunity such housing that presently exists downtown. This includes taking advantage of any change of ownership of the so-called at-risk properties in the downtown as well as supporting property owners looking to expand and/or improve vacant-underutilized space into housing.
- Incentives including a special loan program should be considered to help stimulate such investment for both existing housing and vacant and underutilized upper story

spaces with the goal of improving both the quality of the housing downtown and its tenant base.

Artist Housing

- The downtown represents an ideal location and environment for Artists Housing, which often gravitate to downtown districts with its older buildings, high ceilings and open floor plans. It might also represent a housing option for students attending classes at the Manchester Community College satellite facility downtown which will include a focus on the arts. Additionally, artists housing could complement efforts by the downtown to promote art and culture downtown.

Senior Housing an Option for Existing Housing Downtown, But Only with Elevator

- Bennet Apartments, a town-owned but privately developed age restricted apartment downtown consisting of 45 units, provides evidence of a market base for independent senior housing in the district though at rents that are affordable for the area. These, however, are still above those found in the downtown presently. Restricted to seniors 55 and older, Bennet reports rents of \$715 for one bedroom unit and \$805 for two bedrooms. Vacancy stands at 0%, testament of solid demand for such housing.
- For seniors, the benefits of a Downtown location are numerous: access to public transportation, goods and services, health care (in the form of medical practitioners downtown), and proximity to library and town services. Potentially such housing could be targeted to properties with apartments when they come into the market. A major caveat, however, is that few of the older multi-storied properties downtown include elevators, an obvious requirement for this market, which would substantially add to housing rehab cost.



Downtown Property with 11- units of Housing, Up for Sale – Candidate for Upgrade – 1071 Main St

Office Opportunity

Existing Environment

Manchester's downtown office market is relatively well-established and remarkably stable compared to most other areas of town and certainly for the region. It is also diverse presenting both lease options and ownership opportunities in a range of building configurations and types. Moreover, it is a market that has potential for improvement based on the downtown's strong locational attributes – though options for expansion face similar limitations outlined for housing. There are indications, however, that a key contributor to this base – health care practitioners – could experience some thinning going forward in response to changes taking place in the delivery and management of health care.

Based on a survey of the Downtown, we identified 12 properties containing or marketing office space, with total office space inventory estimated at 181,000 sf, or 18% of total office inventory in Manchester. Three of the properties are configured as condominium office buildings, five as multi-tenanted office space⁸ and four as mixed-use commercial.

Over one-third of the office space downtown is found in two condominium office buildings: the Watkins Building with 51,000 sf (983 Main St) and the Heritage Building at 40,700 sf (945 Main St). Collectively these two buildings contain 55 office condo units. Developed in the eighties, units in these buildings have recently listed or sold between \$55,000 to \$77,000. The balance of the office properties located downtown, including those in mixed-use buildings, range in size from 3,000 to 15,000 square feet.

Half the properties predate 1920, while several were built in the 1970s (principally those properties found at either end of the district). Nearly two-thirds of the downtown office space is considered Class B⁹, with Watkins Center and Heritage Building comprising the bulk of this category. Much, though not all of the mixed-use commercial properties fall into Class C category based on lack of elevators and standard office amenities such as central air and dedicated parking¹⁰.

In total, 72 businesses and organizations were identified with office space downtown. Of this total, one-third was linked with health care professions, by far the largest representative base in the downtown. The balance of the office space located in the district supports community-based businesses that include realtors, financial services, insurance companies, social service providers, non-profits and lawyers, with the latter being second only to medical providers in numbers. Surprisingly, the downtown has not gained much traction in attracting firms providing professional and technical services (architects, engineers, designers, ect) other than lawyers, which as a sector ranks among

⁸ One of these properties is owner-occupant with a single office tenant.

⁹ Class B space offers good locations, average to good management and construction quality and shows little if any functional obsolescence or deterioration.

¹⁰ Class C space is generally identified as older, lacking in amenities, showing signs of functional obsolescence or “wear and tear”, found in a mix of configurations, and/or more prone to supporting short term leases

the highest in Manchester, both in number of businesses and employees. One other interesting observation suggesting a possible niche end user for the downtown is the prevalence in numbers of practitioners of alternative health care.

Office rents in the downtown for Class B space (one-site parking, CAIR, elevator if multi-story bldg) were found to be generally in line with rents found town wide ranging from \$12 to \$15/ sf – though several listings for leases of condo offices at 935 Main St (Watkins Building) went as high as \$18 sf, net. As would be expected, rental rates drop for Class C space, in properties mostly associated with mixed-use commercial buildings. Rates for Class C space show listings ranging from \$7.00 to \$12.00 sf., with heat typically included.

While data on office vacancy downtown is somewhat inconclusive, information obtained from local brokers and property owners citing relatively few vacancies coupled with the low number of office listings downtown would indicate a rate comparable to what is found in recent surveys for Manchester of under 12%. Reportedly the Heritage Building recently reached full occupancy between rentals and space being used by existing owners. Adding to the stability of the downtown is the large proportion of office space in the district that is owner-occupant – including the two largest office buildings the Watkins Center and Heritage Building.

In addition, First Niagara, who recently purchased New Alliance Bank, also controls a significant block of office space in the downtown amounting to over 30,000 square feet providing another layer of stability to this market. This number does not include 901 Main Street (18,200 sf) which First Niagara donated to the district for educational and cultural use. But while vacancy does not appear to be a troubling issue for the downtown even in the present economy, local realtors point out that the Downtown is considered somewhat less competitive in terms of area image and location to the Buckland area.

Summary of Office Potential

Downtown Office Market Stable with Potential for Modest Growth

- Compared to other potential uses for the downtown, the office market represents possibly one of the stronger options for in-fill or re-use of existing space or properties downtown. Growth potential, however, is modest due both to market constraints (market likely to be soft to moderate in Manchester for the foreseeable future) and physical limitations downtown (only a few exiting properties downtown that might be candidates for office growth or expansion).

Factors Supporting Office Market

- Support for the above statement is seen in an office market downtown that is relatively stable, with rents comparable similar class B buildings in other areas of town. Moreover, as a location, the downtown is well identified within the town as

a professional office district accounting for 18% of the overall office market.¹¹ Meanwhile vacancy downtown would appear to be respectable, according to local property owners/brokers, and in line with or even under the rate noted for Manchester town-wide as reported by Cushman & Wakefield (12%).

- Key locational attributes of the downtown for office space are found in the district's strong identity as a professional office district, particularly for medical and legal, along with its convenient location and ease of access (including highway). Additional assets are found in its proximity to local downtown dining and services, nearby supportive business services, and its location within a Special Service District providing on-going management and oversight of the area.

Downtown Offers Little Multi-Tenant Inventory

- One issue associated with the downtown office market is the lack of true Class B multi-tenant office inventory for rent. The two largest office buildings in the downtown are both office condominiums developed in the mid 1980s. While on occasion owners will lease out space they no longer need (though often as not they look to sell), much of it continues to be in use by original businesses or practices.
- The balance of the office market in multi-tenant property is found in a few freestanding professional office and medical buildings and such office space found in upper story mixed-use properties. The latter typically is seen as Class C space that is viewed as less appealing (and thus lower rent), lacking in key amenities and features, including Central Air, Elevator access and dedicated on-site parking.

Medical Office Use High Downtown But for How Long

- One of the key office users downtown and an important stabilizing influence on the market is linked with health care providers who occupy 1/3rd of the office space downtown. As a submarket of the office market, the medical office trade regionally has been growing steadily since the mid 1990s. Moreover, compared to the overall office market it has displayed high resiliency during the recent downturn as seen in its low vacancy rate of 5% in the Hartford region compared to 20% for the broader office market.
- A possible red flag to the maintenance or even growth of the medical office subsector downtown involve changes over the past decade in the management, delivery and payment of health care. One manifestation of this change is a trend towards grouping doctors and practitioners in medical office space around

¹¹ Regionally, Manchester's office market is viewed as relatively small, serving primarily a local market targeting a local constituent base. Of the 997,000 sq feet of office space inventoried in Manchester by CoStar only 3% is considered Class A space.

regional hospitals or within suburban medical centers as part of networks. Less understood will be the impact of the National Health Care law on delivery and management of services if and when its implemented in full.

- In terms of the downtown, it is yet unclear as to whether such changes in the health care industry will benefit or erode the district's office market base. However, recent feedback to the SSD suggests at least some pressure is being felt among a few downtown medical office users to relocate. Given the dominant role of this sector downtown, it will be important to monitor this trend while also looking at ways to diversify and if need be.

Office Opportunity Seen in Professional & Technical Services & Education subsector

- One office sector that appears to be unrepresented downtown other than in legal services but represents a good fit for the district is found in the Professional and Technical Services subsector. This employment sector is one of the largest in Manchester, has grown steadily since 2000, and is a prime office user for the town. In addition to legal services, this sector includes architects, designers, engineers, computer design, and advertising and marketing services.
- Educational services could also represent an emerging market for office use downtown based in part on the planned location of Manchester Community College's satellite facility downtown.

Options for New Construction Office Downtown Appear Slim for Now

- The market for new construction office space downtown would appear to be slim over the near term even if sites were available on Main Street. This is largely due broader market factors impacting office use and less so with any issues with a downtown location, with high vacancies regionally of 20% or more creating office space overhang likely to affect the market for years. Longer term and in a healthier market environment, the downtown could potentially support a modest size professional office building (20,000 sf) offering on-site parking, particularly given the lack of multi-tenant space downtown – assuming of course a site was available and credit tenants obtained.

Retail Opportunity

Market Size

The retail base in Manchester is substantial. Indeed it functions as the dominant retail node in the Hartford region, according to Keypoint Partners, a leading retail brokerage and marketing firm for Connecticut and the Northeast. Based on a recently published survey by this group, Manchester ranks highest in total retail square footage among 26 towns surveyed in the Hartford area with 5.6 million square feet¹². A distant second is Enfield at 2.9 million square feet.

Within Manchester, Downtown Manchester is one of three areas of focus for retail goods and services, and by far the smallest. The first and largest is the Buckland Hill area located off I-84 in the northwest corner of town inclusive of Tolland Turnpike. Supporting an estimated 3.7 million square feet of retail space, the Buckland area serves as a super regional retail center drawing customers from 30 miles or more. The Buckland retail district has also been the center of virtually all new retail growth in Manchester since 1990 and has contributed in part to the erosion of the retail base of the downtown.

In sharp contrast to Buckland, are the retail-commercial centers located in southern Manchester associated primarily with local, convenience based retail and services, particularly food service, health care (drugstores) and banking. This base of retail is concentrated in various small to medium sized centers (and one large center over 350,000 sf) along the commercial corridors of Middle Turnpike/Broad St, Center Street, and Spenser Street. It is estimated that this market base supports up to 1.7 million square feet of retail-commercial.

Ranking a far distant third in size and customer base is the Downtown with approximately 177,000 square feet of street level commercial space of which only 31% is used currently for retail (56,000 sf). Mixed in with this retail are a growing number of convenience-oriented service establishments. Within the commercial-retail market, these establishments are often separated into two categories: Personal services (dry cleaning, hair salons, barber shops, shoe repair) and Specialized services (insurance, travel, banking, tax services), the latter sometimes involving some level of comparison shopping. Both are well-represented downtown.

Unlike the other two retail districts, the downtown supports no retail anchors, retail chains or franchises, national or otherwise, with the lone exception of Great Harvest Bread with store in Manchester Downtown representing the sole franchise for this company in Connecticut. Much of the retail format in the downtown is linked to spaces in older, multi-story, mixed use structures. Only three free-standing retail properties were identified in the district on Main Street outside of gas stations and auto sales. Meanwhile, customer parking is often relegated to available on-street parking or dedicated public parking lots, both of which offer liberal time limits for free use, but

¹² Source: Keystone Partners, Hartford Region Retail Report, 2011.

hardly compete with the abundant swaths of off-street, convenient parking available to visitors to conventional retail centers.

Absent a strong retail destination or anchor in the downtown, the growth in restaurants and dining downtown has helped stimulate some foot traffic for retail-commercial in the district. But lacking the locations to even compete for destination-oriented convenience-based stores (i.e. full service grocery store or drugstore) and largely locked out of the market for the type of stores flocking to retail centers, it is hardly surprising that the downtown has undergone an erosion of its retail base over the years. It is, however, one that can be stabilized and even enhanced with some forethought, strong marketing, good merchandising and recruitment and a bit of luck.

Existing Environment

A total of 33 retailers were identified in the downtown district, accounting for 18% of all businesses in the downtown, though not all of these operate at street level. When food and drinking establishments are added to retail, the ratio increases to 26%. When focusing on strictly street level users, retail businesses command 37% of the downtown storefront space.

RETAIL TRADE (NAICS)	Downtown	
	BUSINESSES	
	Number	Percent
Total Businesses	175	100%
Retail Trade & Dining	47	26.86%
Retail Trade only	33	18.86%
Motor Vehicle and Parts Dealers	1	3.03%
Furniture and Home Furnishings Stores	1	3.03%
Electronics and Appliance Stores	1	3.03%
Building Mat. and Garden Equip.and Supplies Dealers	3	9.09%
Food and Beverage Stores	5	15.15%
Health and Personal Care Stores	0	0.00%
Gasoline Stations	2	6.06%
Clothing and Clothing Accessories Stores	2	6.06%
Sporting Goods, Hobby, Book, and Music Stores	3	9.09%
General Merchandise Stores	0	0.00%
Miscellaneous Store Retailers	14	42.42%
Food Services and Drinking Places - only	14	29.79%
FIRE + Services	128	73.14%
Finance, Insurance & Real Estate	20	15.63%
Services	108	84.38%

Source: Downtown Special Service District, AMS Consulting

One advantage consistently noted for locating retail downtown was the moderate cost of operating a business in the district given its high visibility and excellent access. The chart below provides a summary of a survey of asking rents for select retail properties in Downtown Manchester as compared to asking rents in retail properties town-wide.

Outside of the Downtown where much of the retail format conforms to conventional layouts supporting multi-tenant use, we find asking rents generally ranging from \$15/sf to \$25/sf within the larger, newer retail centers. These rents can go higher in some cases where leases include a percentage of gross sales proceeds. Older property and smaller strip centers report asking rents of \$9 to \$16/sf.

In the Downtown, rents range from \$6 to \$12 within retail formats that vary greatly in type, age and configuration. With few exceptions, there is no dedicated parking with these properties, though there is on-street parking and designated public parking areas. The gap in rents between the Downtown retail and the balance of Manchester become even more pronounced when considering many downtown properties reflect rates as gross rents, or single net (heat only included) as compared to triple net rents (utilities, taxes and insurance) more common with retail centers. These typically add as much as \$3 to \$5/sf to the overall cost.

**Retail-Commercial Rental Rate Comparison
– Downtown Manchester /Town-Wide**

Retail District	Rental Rate Range¹	Average Rent
Downtown Manchester	\$6 to \$12/sf	\$9.10/sf
Town of Manchester	\$9 to \$25/SF	\$13.50/sf

Source: Local Brokers and Agents, Costar, Loopnet, REIS Inc

Street Level Vacancies Downtown

Not surprising, street-level vacancies within the district have begun to accumulate in the downtown reflecting the cumulative effect of four years of economic decline and lackluster recovery. A recent survey of the downtown noted five properties containing vacancies on Main Street with a total of nine vacant spaces at street level equaling 37,640 square feet. Based on estimate of 177,000 square feet at street level (85 establishments), this would translate to a vacancy level of 21.3%. This figure, however, is somewhat misleading due to the concentration of vacancies in one building that is in receivership (687 Main St) with reportedly instructions not to lease any vacant space. Presently, this property is showing four vacant street level spaces totaling 5,800 square feet of un-occupied space¹³. Eliminating this space from the calculation would drop the vacancy of actively marketed space downtown to 18.0%, a rate that is still well above the retail vacancy rate overall for Manchester (12.5%), but closely in line with the region vacancy for small store space of 2500 or less – which is the dominant format downtown. Moreover, it should be noted that one large block of space, 806 Main St, accounts for

¹³ Discussion with broker-manager representing the bank for 687 Main reveal there has been general interest from a number of businesses to lease space in the property.

nearly half of the remaining vacant street-level space in the downtown and if rented or sold would instantly drop the vacancy to 9.1% (again discounting 687 Main).

Retail Gap Analysis - Trade Area

Our research into the possible gaps in retail and food services for the three trade areas defined earlier underscored a number of retail opportunities for the downtown. It also highlighted the regional strength of its food and dining sector.

By way of background, the purpose of a retail gap analysis is to define patterns for all retail sales in an area in order to determine which retail sectors are exhibiting “leakage” and which sectors are “surplus.” In other words, those retail sectors where spending is not fully captured are called “leakage” categories, while retail categories in which more sales are captured than are generated by residents are called “attraction” or “surplus” categories.

A retail sales surplus indicates that a community pulls consumers and retail dollars in from outside the trade area, thereby capturing consumer spending from outside the trade area. Conversely, when local demand for a specific product is not being met within a trade area, consumers are going elsewhere to shop creating retail leakage. Retail strategies can be developed for specific retail sectors by analyzing the estimation of retail surpluses and leakages, giving retailers a snapshot of the relative strengths and weaknesses of a community’s retail market. Generally, attraction or surplus categories signal particular strengths of a retail market, while leakage categories signal particular weaknesses.

Based on the gap analysis, areas of retail strength in the **one mile trade area** include *Motor Vehicle sales (Carter Chevrolet), Building Materials and Supplies (Manchester Hardware), Grocery Stores, Health and Personal Stores, Florists and Office Supply Stores (Minuteman Press, Designed to Order)* and *Full Service Restaurants (Catsup & Mustard, Mulberry Street and others)*. The later is particularly relevant to the Downtown as it shows the capacity of the district to service a market beyond the local neighborhood. When looking at specific sub-categories, areas of opportunities that might be added to the downtown due to leakage, they include: *Home Furnishing stores, Electronic and Appliance stores, Specialty Food Stores, Clothing and Shoe stores, Sporting Goods, Hobby, Musical Instrument Stores, and Limited Service eating establishments*.

The **three mile radius** market area demonstrates the retail saturation that comes with inclusion of a super regional mall within a trade area whose shops cater to a market 30 to 50 miles distant. With the expanded trade area, the number of retail and food/drink businesses grows to 606 producing total sales of \$1.02 billion annually. The retail surplus in the area relative to town-wide demand calculates to \$335 million with virtually every retail and food and drink sector showing excess sales to potential demand. Only in Health and Personal Care Stores and of all things, Drinking places are there signs of unmet demand in the 3 mile trade area, thus graphically revealing the challenge the Downtown faces in looking to attract a broader retail tenant mix.

The **seven mile radius** reflects what a truly dynamic retail area Manchester has become. While the seven mile area encompasses all of Manchester and parts of surrounding towns,

the vast majority of the retail is located in Manchester, with smaller retail nodes found in South Windsor and Glastonbury. Businesses in this trade area total 1,698 generating \$2.5 billion in retail sales. Of some importance to the Downtown is that the seven mile market area includes 77,457 households averaging \$31,044 in retail spending based on median disposable income of \$51,061, with median household income approaching \$70,000. In short, this is a relatively affluent area due in large part by the addition of surrounding suburban communities. It is also a trade area that downtown businesses are becoming more reliant on for sales of goods and services. Of interest to the downtown in terms of market opportunity is the leakage of sales outside the trade area in the Food and Drink sector, particularly for full service restaurants.

Market Positioning and Mix

To properly understand Downtown's appropriate market positioning and retail mix, one must first consider the distinction between convenience and comparison goods.

Convenience goods/services are defined as those goods/services that do not vary much in quality, style or price from one store to the next and that, as a result, consumers will typically buy at the location most convenient to them. It is also represent a category of goods and services bought at high frequency. Examples include food markets, pharmaceuticals, video rental, dry cleaning, fast food, etc.

While a number of convenience-based sectors can function in smaller mixed-use storefronts, relying equally on walk-up trade and short distant drivers (convenience store is best example), most large format convenience-oriented businesses such as a Walgreens or a full service grocery store need to be able to draw from beyond the immediate area, which means that they will require high visibility, excellent access (both of which is available downtown) and most importantly plenty of on-site parking to accommodate car-bound customers (something that is lacking for any site or property on Main Street). Most of today's pharmacies will also require a drive-up window.

Furthermore, if they can afford the rent, many of the smaller convenience based businesses prefer to be located in proximity to convenience-oriented anchors, like full-service supermarkets and large-format drug stores, where they can take advantage of the high levels of shopper traffic that such anchors generate. This necessitates the need for parcels with sizeable footprints capable of driving sales volumes that are only possible with high traffic counts and expansive on-site parking fields. It is no wonder therefore that many of the convenience based retail that might consider the downtown gravitate to the more established retail center(s) in the Middle Turnpike – Broad St area.

On the other hand what you do find in the downtown are establishments catering to convenience services. This includes Personal Services (Hair and nail salons, barbers, shoe repair) and specialized services (real estate, tax assistance, insurance, banking, ect). The latter may entail some comparative shopping but unlike retail does not need to cluster with like services. They are also frequently viewed as locally based in terms of demand.

Comparison goods (e.g. clothing, shoes, electronics, sit-down restaurants, etc.) are defined as those goods that will vary, in quality, style and/or price, from one store to the next, and which consumers prefer to buy in an environment with many different options in the same category (so that they can "comparison-shop"). Examples include apparel and accessory stores, jewelry, electronics, home furnishings and the like.

Providing such selection requires enormous sales volumes and a very wide draw, which are normally only possible with regional visibility and access, and with a vast multitude of large and deep parcels that can accommodate the necessary anchor stores and the shopping center formats that they tend to prefer (i.e. enclosed malls, big-box strips, etc).

And from the point-of-view of individual comparison goods retailers, they, like convenience-oriented businesses, prefer to locate near large-format department store anchors -- the full-price ones at enclosed malls, as well as the discounters (e.g. Wal*Mart, Target) in big-box strips -- and close to their competitors, so as to be visible to that comparison shopper.¹⁴

This is why comparison goods shopping tends to cluster on corridors like Boston Post Road (U.S. 1) or Route 5 – Berlin Turnpike, with its very high traffic counts (with nearby I-95 or I-91 access), with its large number of sizeable parcels, or near super-regional mall anchor (Shoppes at Buckland Hills) and its abundance of big-box retailers.

For the downtown, therefore, it's hard to compete within this retail environment. It may offer the visibility, access and traffic volumes that retailers might find attractive for the type of stores found in a neighborhood or community shopping center. But what the downtown doesn't have are the parcels large enough or properties properly configured to support the necessary anchors needed to drive foot traffic that can support a broad mix of retail.

Thus the downtown's positioning within this hierarchy is rather obvious. In the absence of a major draw such as a tourist element, a nearby college campus, or a natural feature (riverfront for example) to attract such consumers, the Downtown will function as a Convenience-Service Hub depending more on limited convenience retail, small comparison based niche markets, filling the gaps in unfilled retail demand in the local area and meeting service needs.

This is not say that opportunities don't exist for establishing a more diversified mix of retail in the downtown. But it will take a pro-active merchandising and recruitment effort to meet that goal. One way to accomplish this is to focus on opportunities for accommodating a large specialty niche retailer in the downtown within existing buildings. The focus would not be on name chain stores, but on stores that are independently-owned or part of a locally owned chain (organic food store, hobby/toy shop, craftsman furniture shop). Such properties would typically need large floorplates at street level of 5,000 to 10,000 sf, ideally with some onsite parking, or lacking that, at least nearby public parking. Another method would be to define a redevelopment site downtown on Main St with street frontage of adequate size and depth which can accommodate new construction, ideally one allowing for traditional retail layout and parking. In this case, a chain store might be a consideration.

¹⁴ "Retail Opportunities for Whalley Avenue:- MJB Consulting

Summary of Retail Potential

Retail Market Limited

- While the downtown at one time served as the town's and even the region's prime retail center, today that role has transitioned to primarily being a service hub for the area. A key accelerant to the diminished role of retail downtown is lack of a strong convenience anchor of a food or a drug store or its equivalent as a destination store that is deemed essential to driving foot traffic to adjoining retail (Manchester Hardware representing one of the last remaining strong destination-anchor retail for the district). As such the focus in the downtown presently tends to be more on services versus goods.

Factors Constraining Retail Downtown

- While opportunities exist in the district for retail, four substantial factors are working against the downtown's effort to broaden and expand its retail base. First, Manchester ranks extraordinarily high in overall inventory of retail space equating to over 100 square feet per person in town compared to 46 square feet per capita in the region. While much of this space caters to a market outside Manchester, it nevertheless captures considerable local dollars making the addition of new retail, particularly in the downtown, challenging at best.
- The second factor involves the lack of suitable space in the downtown that fits the strict requirements of most name brand retailers for parking, format and building configuration for their stores. This leaves the downtown market largely to the independent retailers who have less name recognition, consumer following and marketing resources for driving traffic to their store
- A third factor holding back retail growth downtown is the preference of convenient goods retailer to locate near anchors (drugstores , supermarkets) in order to help with foot traffic or in the case of comparable goods retailer focus on areas or centers close to similar stores in order to encourage comparative shopping. In either case, these involve options outside the downtown in more traditional retail formats. It also explains why retailers that might be candidates for the downtown tend to gravitate to the nearby neighborhood retail centers found in Middle Turnpike – Broad Street area if they can afford the rent.
- Lastly, but no less important, is that the downtown does not have the critical mass of stores nor the level of traffic that meet the requirements of most chain based, high value comparison shopping destination (department store, a furniture center, electronics center ect) nor does it offer opportunities in the downtown relative to existing buildings or parcels or even redevelopment sites for growing such a base.

Retail Market Opportunities

- Notwithstanding all of the above factors, there are a numerous opportunities for enhancing and diversifying the retail mix in the district. Based on an analysis of sales leakage (Retail Gap Analysis) within a one mile trade area, several retail sectors reflecting a gap in demand within the neighborhood base were identified as potential goods and services that could easily fit into the district. They include:

- *Home Goods and Furnishing stores,*
 - *Electronic and Appliance stores,*
 - *Specialty Food Store (fish, meat markets, bakery, donut shop),*
 - *Clothing and Shoe stores, (children's stores)*
 - *Sporting Goods, Hobby, Musical Instrument Stores*
 - *Limited Service eating establishments, (Fast-casual)*
 - *Beer, Wine and Liquor Stores. (wine shop)*

- Others area of opportunity includes independent-owned niche retail stores that either are unique to the marketplace, and therefore can draw from a wide geographic base, or are offer a product that is targeted to a specific subsector of the population, or ideally several, that is well represented in the trade area. An example of the latter is a Vintage clothing store that may be appealing to young, hip consumer as well as households of moderate income seeking out moderately priced apparel.

Competitive Rent Structure for Retail an Advantage

- One compelling key advantages of the downtown for retail is its lower cost for space, a major consideration in today's market but also likely to be important in better times. This is particularly relevant given the downtown is almost exclusively made up of independent-owned establishments lacking the level of capital and resources available to most chains.

Strength of Restaurant Market

- Notably Full service restaurants, of which 1 out 4 in the one mile trade area are located downtown, were identified as a strength within the Gap Analysis with sales exceeding local demand. This both defines this sector as a destination for the downtown and demonstrates its capacity to service a market beyond the local neighborhood. A more detailed discussion of the Restaurant Market and food services is covered in the next section under Restaurant Opportunity.

Restaurant Opportunity

Existing Environment

The restaurant market in Downtown Manchester is a market in transition. Until recently, it was made up of principally breakfast and lunch diners and fast food outlets, the latter mostly the ubiquitous Pizzeria. Lately, there has been an influx of full-serve, ethnic and boutique restaurants meeting the needs of a broader market of diners, beyond the local area and even beyond the borders of Manchester. Most importantly it has boosted the list of “destinations” in the district that get people to visit the downtown. While it may be too soon to label the downtown a restaurant district, it is only one or two full serve restaurants away from meeting most diner’s definition of that term.

Presently, there are 14 full-service and fast-food/fast casual eateries operating in the downtown. This accounts for over 30% of all food services located in the Neighborhood market area. In addition, plans were recently announced for relocating a new pizza restaurant to the downtown from East Center Street in Manchester adding yet another food service outlet to the downtown mix.

Below is a break-out of food service restaurants by type found in the downtown. As can be seen, there is heavy concentration within the breakfast/lunch sector which has functioned as the main staple for food services Downtown until recently. For many, these restaurants act as the “Third Place”, a phrase coined by sociologist Ray Oldenburg to refer to those informal meeting places, separate from home (the “first place”) and work (the “second”), that anchor community life. The downturn, however, has not been kind to this group with some fall off seen in the customer base which has pushed at least one diner into putting its restaurant up for sale.

Two relatively new additions to the downtown restaurant base that have received significant local and regional buzz are *Corey’s Catsup and Mustard* and *Mulberry Street*. Both are owned and managed by local entities with strong roots to Manchester. Catsup and Mustard is a Burger House and Pub that is quite popular with both a family crowd and local young denizens. Meanwhile Mulberry Street has received very positive reviews for good quality, fresh food and a diversified menu emphasizing Pizza and Pasta and has also built up a strong following. Nearby Mulberry Street on Oak St is the *Oak St Pub*, a popular neighborhood gathering spot in the area. All three have a liquor license and include a sit down bar complete with flat panel TVs locked into the latest sports event.

Downtown Manchester Restaurants - 2011

Restaurant-Outlet	Number of Establishments	Serving Time
Breakfast/Lunch Diner	5	Breakfast & Lunch
Casual Dining/Pub-Bar	3	Lunch & Dinner
Pizza & Pasta	1	Lunch & Dinner
Boutique – Ethnic *	4	Lunch & Dinner
Fast Food – Fast Casual	1	Dinner/Take-out
Total	14	

Source: AMS Consulting

* One restaurant has reportedly cut back hours to serving only dinners.

While the popularity of Corey's Catsup and Mustard and Mulberry Street has helped draw patrons back to the downtown, the recent emergence of several small boutique ethnic restaurants within the district presents an opportunity for establishing the downtown as a restaurant and food service district. Although still an evolving submarket in terms of customer support, in recent years five different ethnic restaurants and outlets have opened up on Main Street including: Indian Restaurant, Thai Restaurant, a Vietnamese Noodle Shop, Mexican Restaurant and a Middle Eastern/Pizza outlet. In terms of diversity in culture and tastes, there are few areas within the region, particularly East of the River, which can offer such a rich array of dining options.

It is also worth noting that only two of the outlets currently operating downtown are categorized as primarily a fast food/take out operation. As the data will show, there may be an opportunity to tap deeper into this submarket with dining concepts offering limited seating-counter service but healthier and better quality ingredients than typically found in the fast food segment (e.g. Au Bon Pain).

Gap Analysis for Restaurant

An analysis of supply versus potential demand for restaurant sales indicates a leakage of \$1.3 million in sales from the one mile trade area associated with food services and drinking places. This leakage is linked in large part to unmet demand for limited service dining. In this submarket alone, \$4.9 million is being spent outside the trade area on fast food outlets. Given that this type of food service is primarily supported locally, there would appear to be a strong opportunity for capturing this downtown. However, before getting too excited it is important to note that this might not mean more than 3 to 5 outlets based on a conservative figure of \$400/sf sales per restaurant. In contrast, full service dining sales in the one mile sector exceed local demand pointing to the overall strength of this subsector; a finding that is not too surprising given such restaurants in the downtown function as a destination for food and draw well outside a one mile radius.

Restaurant Leakage Analysis – One Mile Trade Area

	Demand (Retail Potential)	Supply (Retail Sales)	Gap	Leakage/ Surplus¹⁵	Number of Businesses
1 mile radius					
Full-Service Restaurants	\$8,273,238	\$10,886,014	-\$2,612,776	-13.6	28
Limited-Service Eating Places	\$11,839,700	\$6,938,920	\$4,900,780	26.1	11
Special Food Services	\$1,852,783	\$2,929,968	-\$1,077,185	-22.5	6
Drinking Places (Alc. Bev.)	\$236,381	\$134,079	\$102,302	27.6	1
Total Food Serv. & Drink. Places	\$22,202,102	\$18,143,161	\$1,313,121	3.0	46

Source: ESRI, US Census

¹⁵ Supply estimates sales to consumers by establishments. Sales to businesses are excluded. Demand represents the expected amount spent by consumers at retail establishments. The Leakage/Surplus Factor is a measure of consumer demand relative to supply, ranging from 100 (total leakage) to -100 (total surplus).

When we look at the three mile radius we find the ratio between existing supply and potential sales for full service restaurants generally in equilibrium with each other. In limited service dining, however, we find a surplus of sales to potential demand of \$35.6 million. Given the wider three mile radius area, particularly the Buckland area, is something of a destination, a greater saturation of fast food outlets is possible due to the broader market it serves. Notably, this same logic would apply to full service restaurants suggesting upside potential for additional restaurants.

Restaurant Leakage Analysis – Three Mile Trade Area

	Demand (Retail Potential)	Supply (Retail Sales)	Gap	Leakage/ Surplus	Number of Businesses
3 mile radius					
Full-Service Restaurants	\$38,734,429	\$39,334,109	-\$599,680	-0.8	79
Limited-Service Eating Places	\$55,178,759	\$90,850,026	-\$35,671,267	-24.4	62
Special Food Services	\$8,630,274	\$11,965,564	-\$3,335,290	-16.2	12
Drinking Places (Alc. Bev.)	\$1,030,525	\$715,075	\$315,450	18.1	6
Total Food Serv.& Drink. Places	\$103,573,987	\$142,864,774	-\$39,290,787	-15.9	159

Source: ESRI Business Information Solutions

A gap analysis of the broader 7- mile trade area reveals a significant leakage of sales for full service restaurants outside the area. This would suggest that for restaurants that locate in the downtown capable of pulling from the suburbs, there is substantial potential for capturing sales.

Restaurant Leakage Analysis – Seven Mile Trade Area

	Demand (Retail Potential)	Supply (Retail Sales)	Gap	Leakage/ Surplus	Number of Businesses
3 mile radius					
Full-Service Restaurants	\$141,206,484	\$106,798,471	\$34,408,013	13.9	79
Limited-Service Eating Places	\$191,272,615	\$191,649,613	-\$276,998	-0.1	62
Special Food Services	\$29,148,218	\$26,446,480	\$2,701,738	4.9	12
Drinking Places (Alc. Bev.)	\$3,739,150	\$1,900,403	\$1,838,747	32.6	6
Total Food Serv.& Drink. Places	\$365,466,467	\$326,794,967	\$38,671,500	5.6	159

Source: ESRI Business Information Solutions

For the downtown, the implications of the data above on restaurant gap clearly indicate potential support for additional full service restaurants though their success will demand pulling from outside the one mile trade area and for some restaurants, tapping into the suburbs. Meanwhile a deep market also exists for quick service –fast casual dining with top candidates fitting the profile of coffee house-café (Starbucks/ Panera Bread/Au Bon Pain), Take-out/sit-down home cooking (Boston Market), Fresh food –organic (Chipolte Grill) all of which are known for offering healthier and better quality ingredients.

Though as we have noted before, in Downtown Manchester the establishment will more than likely be independent-owned, not a chain.

Summary of Restaurant Potential

Market Support

- Downtown Manchester's market potential for supporting additional restaurants is considered very good; albeit for full serve restaurants the market base must be able to penetrate well into Manchester Town-wide and possibly beyond. Nor is this a market for popular chain restaurants such as Chili's, TGIF, or Applebee's. This is strictly an independent-owned (or local chain based) market whose restaurateurs must muscle their way into a relatively crowded field (principally Buckland Area) in order to capture its fair share of customers. However, as recent interviews of local businesses have shown, a restaurant can not only be successful Downtown without the convenience of dedicated parking and abundant retail next door, it can also grow even in hard times.
- Factors in support of expanded restaurant downtown fall into two categories: market and location. Data on gap analysis for restaurant demand demonstrate solid strength among full-service restaurants with un-tapped opportunities seen at the region level, while locally prospects are seen for meeting unmet demand in the limited-fast casual market. Locationally, support is found in the downtown's good access, high visibility, strong name recognition, relatively stable economic base, positive population metrics in terms of density and good depth among submarkets most likely to eat out (the young, the prosperous empty-nesters, mid-age professionals-mangers).

Argument for More Dining

- With 14 restaurants downtown, many of them full-serve, there may be some concern of saturation in the district threatening the capacity to absorb additional dining venues. However, as seen in other downtowns with well defined restaurant districts (New Haven, SONO Norwalk), restaurant "churn" and change is a healthy process that keeps a district fresh and inviting. While it's nice to see some restaurants become long-term landmarks, when it comes to food, people like change, innovation, and adjustments to the mix. To do otherwise risks generating a stale and ultimately declining restaurant base as diners flock to the newest trend in food. In New Haven, nearly 40% of the storefronts are occupied by food service, with a consultant recently recommending the district push that figure even higher (or at a minimum, not discourage it from happening).
- A corollary response to the above is that much like chain retail, restaurants do well when clustered together. Diners who feel comfortable with a certain commercial district like to have choices. On one day its French bistro, the next

it's Ethiopian. In both cases, the district (and the restaurants) benefits because the consumer keeps coming back.

IV. Market Issues and Considerations

Based on our market analysis, physical assessment of the downtown, household and business surveys, the following represent key market issues and considerations having greatest impact on defining market opportunity for the Study Area and form the basis for Market Strategy Recommendations for Downtown Manchester. Zoning and design issues are covered separately in Building Assessment report.

Demographics & Trade Areas

The make-up of a community being served by a district greatly impacts the mix of goods and services found in that district. For the downtown, this consists of multiple trade areas, with the Neighborhood Trade Area (one mile radius) being just one. In fact, for many businesses downtown, the local trade area is not the prime source of demand despite its proximity. This has important implications for what can and should be considered for the downtown. Services, inclusive of specialized and personal services, can and often do operate within trade areas much larger than convenience based retail (sale of day to day goods) which often do not extend beyond a five to ten minute drive. Similarly, destination or comparative goods retail are capable of drawing customers well outside the local base.

For the downtown, each of the trade areas presents challenges and opportunities important to identify when attempting to define the optimum mix for the downtown. For example, the local trade area offers the most concentrated market base of households 20 to 35 years of age. However, given this submarket is just starting their careers their income base and net worth tends to be lower than the median base town wide. On the other hand, this group is more apt to spend on dining and entertainment representing potentially an important consideration for a restaurant evaluating a downtown location. Meanwhile, town-wide and regional trade areas present access to a more affluent base of customers, but at the same time competition for these trade dollars expands exponentially.

Impacting all three trade areas have been shifts in racial and ethnic diversity which have already begun to manifest itself in the downtown in both types of businesses opened and the ownership base operating those businesses. For the present, these changes have not been broadly felt: whites continue to represent more than 70% of the trade area locally (76% town-wide). But this is a drop from 79% locally a decade ago with projections pointing to a continuation of this trend into the immediate future. Within the marketplace this leads to changes in tastes and lifestyle needs that ultimately affects demand for goods and services. While such changes can be unsettling for some, the outcome of this shift can open doors to new growth and new markets. For example, in the case of restaurants and dining, it is apparent that part of the growth downtown has resulted from new

entrepreneurs representing a broad ethnic base looking to build a business base in Manchester.

Market Segment Focus

In terms of market segment focus (non-residential), Downtown Manchester functions primarily as a service-base node for adjacent neighborhood, Manchester and beyond with 69% of the businesses falling into this category. This excludes food service which would push this figure up to 76%. The most prominent subsectors within the service category are found in health care services (15%), legal (8%), financial services (6%) and personal services (8%). Food service establishments match legal and personal service in concentration of use in the downtown with 8%. This compares to 17% for all retail use in the district.

Retail Segment

Notably much of the market focus for retail goods on the corridor is not local or convenience-oriented, though such stores are certainly represented on the corridor. This focus on comparison goods, that is, goods for which consumers typically “comparison shop” is seen in jewelry stores such as Bray Jewelers, specialty retail stores that includes Silk City Antiques, clothing store as represented by East-West Bridal Shop, furniture with Pinewood Furniture and outdoor goods as was seen in the Bike Shop.

Normally comparison level stores do not do well unless clustered together in high foot traffic areas, so to see them in Downtown Manchester where they are spread over six long blocks might suggest some level of support that is unique to the district. However, the more likely explanation is that a number of these establishments represent holdovers from a period when retail was more stable and dominant on the corridor. Over time such stores have closed or relocated as the realities of the market have become more pronounced and more often than not, been replaced by service-based business. The recent announcement that the Bike Shop is moving to South Windsor to a more traditional retail center underscores the continuation of this trend.



Manchester Hardware represents one of last remaining destination retail outlet downtown

Adding to downtown’s retail uncertainty, at least as a dominant base, is the significant presence of convenience-based retail in nearby Manchester Parkade and surrounding area – a retail segment that normally the Downtown would have a stronger base. Indeed, it is this retail district that is presenting the most competition to the downtown, not the Buckland area.

The Retail market downtown thus represents a more challenging issue for the downtown for a multitude of reasons but opportunities for maintaining a base do exist. Best chances are linked to nurturing niche based retail targeting different submarkets of the community. The downtown could also build up a stronger base among convenience based retail and services, including specialty food stores (meat or fish market, bakery, donut shop). The best area of opportunity for capturing high value destination retail downtown would be to focus on sites in the district offering large footprints at street level (5,000 sf or more). Based on a survey of buildings downtown, there are only a few such properties and they should be at the top of the list of any recruitment effort when they come to the market.

Possibly the strongest option to attract name brand retail and service to the downtown, however is to redevelop a site – with the logical location involving the Forest Avenue Municipal Parking lot (which is only lightly utilized) and any adjacent parcels that can be included as part of an overall assemblage¹⁶. Even in this economy a retail developer would likely view this site as a desirable retail location: namely, it has high visibility, good traffic counts and near proximity to I-384 – three very important considerations for development of retail. Its one possible disadvantage is that it is not a deep site presenting issues for parking and building orientation.

Service and Dining Segment

The service industry in the Downtown offers a more stable base that tends to pull from a broader market. The most notable example is linked to health care services covering needs from general and specialized health care to dental care. There is even a visible submarket niche downtown that focuses on alternative healthcare and holistic care. According to interviews, this sector has a wide regional customer base that draws broadly from the Hartford region.

A similar extension of the trade area beyond the neighborhood can also be found in many of the full service - sit down restaurants in the district. In this case the extension is contained primarily to Manchester, though there is a modest pull from surrounding towns. Nevertheless, this finding is encouraging when considering only a handful of restaurants on the corridor offers the type of configuration and parking (abundant, well-lit, highly visible and easily accessible) most consider standard for restaurants. It is also worth noting that this market segment is showing signs of emerging into a more prominent role in the district with the recent introduction of an ethnic-international food service base.



¹⁶ For the foreseeable future, deed restrictions on the Forest Avenue Parking Lot prevent it from being considered for redevelopment.

Office Segment

Along with medical services noted above, a solid core of businesses can be found in this area providing legal, financial and real estate services. In addition, education services will soon be introduced to the district with Manchester Community College's planned satellite location at 901 Main Street. Each of these segments supports a customer base well beyond the immediate area. They also compose the bulk of the office trade downtown and much of the districts employee base estimated at over 750 workers. This has resulted in a relatively stable office market downtown with reasonably low vacancies and rents comparable with Manchester town wide. While new construction of office is unlikely for this location, future growth potential is seen in conversion of unused space or rehab of underutilized buildings.

Housing Segment

Moderate market potential is found for housing (rental only) but largely limited to upgrade as opposed to new construction growth. This is largely attributable to weak prospects for new construction¹⁷ and limited amount of inventory or space in existing buildings downtown for adding new units. Under best case scenario, unused or underutilized space downtown would yield no more than 30-50 units. Presently, it is estimated there is between 150 to 200 units (including rooms) in the downtown Main Street. Even assuming total build-out within existing buildings, any impact on foot traffic and boosting of sales in the area would be modest. Probably more important, however, the introduction of upgraded housing to the downtown could improve both the image of downtown and provide a base for increased valuations of property in the district- both very essential ingredients for stimulating reinvestment.

Based on an analysis of the housing market, an opportunity exists in the downtown for new in-fill rental housing capable of achieving mid-range market rate rents comparable to Cheney Mills Apartments. This will soon be tested with housing rentals coming on line as part of an upper story redevelopment of 867 Main Street. If successful, it would help establish a new and presumably higher baseline for housing rent in the downtown that is more conducive to investment in higher quality residential in the district.

While introducing quality infill housing to the downtown should help improve its residential profile, the bulk of the housing downtown caters to a low income tenant base in buildings which by and large are poorly managed and maintained. This in turn impacts negatively on the district according to local businesses and stakeholders. While the district is limited on what it can do with such properties under present ownership, one of its top

¹⁷ A recent downtown study of town-owned sites suggests the potential of up to 100 units on various parcels on and off Main Street. Based on present housing market conditions, however, the horizon for consideration of new construction in the downtown is some distance off.

objectives should be developing strategies for reuse or site control when such buildings come to the market. Part of that strategy might entail having incentives in place to help to help with redevelopment of such properties.

Business-Housing Growth Limitations

From a market and development standpoint, the Downtown has one major disadvantage over other commercial centers in Manchester. It has few development sites or vacant parcels where new construction can be accommodated. And those that exist are generally small ranging from 0.5 acres to 1.5 acres. Meanwhile only one redevelopment option is located on Main Street (1050 Main Street – Forest St Parking Lot) representing the only viable location for commercial or mixed-use development. And while this parcel is town owned making it more attractive for redevelopment, it is also encumbered with a deed restriction limiting use to parking till 2035. Potentially this deed restriction could be re-negotiated with seller of property who placed the deed, but it is by no means certain.

Nor is it likely that the supply of redevelopment sites will increase much given the entire district is within a Historic District with many of its buildings considered contributing structures. Under most any redevelopment scenario envisioned, these buildings would be shielded from demolition. Moreover, the few land parcels that do exist downtown are more often than not on narrow footprints that represent challenges for most commercial development.

For the downtown, this has important implications for strategies on growth. Essentially business or housing development downtown will be fixed to any improvements or utilization gained from the existing building stock located in the district. And thus strategies supporting that end should be pursued at all cost. Deemed less likely for the foreseeable future is any commercial expansion linked with new construction development. To the extent this is considered, however, the one upside is that most of the vacant parcels in the district are town-owned and potentially available for redevelopment.

Locational Considerations

Our interviews with businesses indicate general satisfaction with their location within Downtown Manchester. This is particularly the case if their primary market is Manchester. They indicate it's easy to get to (proximity to I-384 considered a major plus) and that most customers perceive it as a regional location. The Main



Street corridor also reflects a healthy flow of traffic that reaches as high as 20,000 ADT. These are numbers that would meet the traffic requirements of most small to mid-sized chain retailers and certainly are important to highlight as part of any retail recruitment-marketing effort.

One very important locational asset for the downtown is its connection to I-384 with an interchange directly onto Main Street. In fact there are two linkages to the highway within the downtown area with a second located on Charter Oak Street, midway between Spruce and Main Street. For most main stream retailers, and office users as well, proximity to interchanges is a prime requisite for siting a store or considering an office location. It also helps that there are a number of institutional uses nearby including Manchester's town hall and main public library.

The downtown's location within a federally designated Historic District is also considered a positive asset both in terms of image and as a potential source of funding for rehab projects. Both the US and the State offer tax credit programs that can be used in the renovation/rehab of a certified historic property. Such rehab would have to meet the US Secretary of Interior standards for historic renovation, but would represent a 20% tax credit on federal taxes and 25% on state.

Representing a competitive locational issue for the Downtown is its proximity to a major retail district located less than two miles away in the Middle Turnpike-Broad Street area. This area encompasses close to 490,000 square feet of retail-commercial in conventional shopping centers or free standing configurations with businesses catering largely to local mid-market demand. Anchoring this area is the Manchester Parkade with 350,000 square feet accommodating 44 stores, including a full service grocery store. South of Manchester Parkade on Broad Street is a retail center anchored by the discounter grocer Sav-A-Lot. Rounding out this district are two drug stores: CVS and Rite Aid. This is more than enough define this area as full-size community retail center – with an area of influence extending out ten miles or more and certainly limits to some degree the potential for Downtown Manchester.

Less pronounced as a problematic locational issue but one identified in interviews with local stakeholders is the impact of adjacent neighborhoods on the downtown. The district is bracketed by two low to moderate income neighborhoods, the East Side and West Side, both of which have seen significant shifts in demographics, wealth and ethnicity of its population base over the last two decades, with the greater change recorded in the East Side. The East Side neighborhood in particular with its more direct link to the downtown is seen as exerting greater impact -- real or perceived -- on the District's consumer base, image and sense of security¹⁸.

Image

The consumer household poll generally confirms that most people in Manchester and surrounding towns (74.1%) have a very favorable to somewhat favorable opinion of

¹⁸ It should be noted that the Consumer Household Survey did not rank security-safety high as an issue, with only 5.8% of those polled noting it as a barrier to coming downtown. By comparison, 25% listed the lack of stores or things to do as the greatest barrier.

Downtown Manchester. Interestingly, this is relatively close to the ratio of local businesses who rated the downtown's image as supportive or representing only a minor challenge to their business. In both cases, it would seem the downtown is projecting a generally favorable impression both to its visitors and customers and its businesses.

A number of concerns touching on image, however, were highlighted by both residents and businesses that are worth highlighting. One recurring theme is that the downtown lacks a good business mix, with much of the focus on lack of retail. Indeed, consumers rank this the top barrier to visiting downtown Manchester more often.

A less defined second issue was a sense of decline or disinvestment in the downtown. Some spoke of “unkempt” appearance; however, further elaboration suggested this complaint had less to do with cleanliness and more to do with vacant storefronts – which has increased in number. Some also cited the physical condition and appearance of a few buildings fronting Main Street. It is likely that some households feel the same with 7.8% indicating their perception of the downtown would be improved with “improved aesthetics”. If this is the case, the re-tenanting of vacant space should go a long way towards moderating this viewpoint.



Perceptions of the downtown are being shaped by streetlevel vacancies though it is noted four of the nine vacancies are linked to a building in receivership whose space is not being rented until bldg is sold.

Safety and security issues were also highlighted though neither the consumer household poll nor the business survey cited it as a major concern- which is a big positive. Nevertheless, this is an issue the district must always work on reducing to an imperceptible perception, if at all possible. In the case of the downtown, the sense of uneasiness was generally cited with groups of people, sitting or “hanging about, some linked to the rooming or tenement housing downtown. This, of course, is an issue the town and the district has been battling for years (largely through enforcement of zoning and building code and community policing) and will continue to need to address. However for consumers at large, one the most effective tools the district has used for highlighting the safety of the downtown, and one that needs to continue, is the organization of events within the district attracting residents and often their kids to a safe and secure time to the area.

Changing of Owner-base

One factor identified in our interviews that could impact the make-up of downtown Manchester in the not too distant future is a change that is beginning to occur within the owner-base of family businesses. Such multi-generational establishments run the gamut from jewelers, restaurateurs, furniture store to clothing. A surprising number of such businesses

have a long history on Main Street. And over time they provided a measure of leadership and stability to the corridor. Now the owners are looking to retire or move on. Unlike the past, however, many of these businesses are not expected to be passed on to the next generation. To what degree this impacts the downtown particularly in terms of any further erosion of its retail base is yet to be seen. However, corridors can sometimes be unhinged by the flight of long term stakeholders, thus it is worth monitoring this transition.

Organization

One of the most important assets of the downtown is the Downtown Manchester Special Service District (DMSSD). Formed in 1991, the downtown taxing district was created with the mission to manage, market, advocate and improve the downtown. Critical components of this effort have been the development of its leadership base and staff support. Particularly noteworthy is the scope and breadth of what the SSD has accomplished in recent years in terms of downtown maintenance and improvement, parking management, event coordination, marketing, recruitment and networking. In fact, it is all together possible that without the SSD the downtown would have declined to a marginal, barely functioning commercial center. Thus from the perspective of market strategy, the fact that the DMSSD is in place with highly qualified staff and has proven to be an effective leader and manager of initiatives for the downtown is of vital importance to the on-going stabilization and growth of the district.

If there is one area of enhancement for the DMSSD that might be considered, it would be for a greater direct role in marketing, promotion of properties and maybe even redevelopment and funding of business development downtown to complement recruitment efforts. Many, though not all Main Street programs, incorporate this focus into their program of activities-recognizing there can be challenges in representing the interest of real estate owners, even as a facilitator. Fewer actually become involved on the development side though it's certainly not a rarity (typically a separate 501-c3 CDC is formed). This would certainly be a major leap for the SSD but could be a critical tool for gaining control over downtown properties when they become available, including the so called "trouble properties" in need of upgrade. In whatever form it takes, it may be necessary for the district to take a more active role in the marketing, promotion and re-tenanting of real estate in the downtown in order to respond more pro-actively to on-going vacancies or sale of buildings, which of course can represent both an opportunity and a threat to the downtown.



V. Market Strategy & Recommendations

Our study confirmed that Downtown Manchester functions as a viable, mixed use commercial district serving the town and region, but one under some stress. Naturally, some of these are market and economy related and unlikely to change any time soon. The downturn in the economy and shifting demographics have had an impact on commerce and residential alike in the district. Others are a natural byproduct of the evolution of Downtown Manchester from its past role as retail center serving the region to a broader commercial role today – some of it working well, others less so.

What is very apparent, however, is that there is a level of vibrancy on the corridor between the 180+ businesses of all types it supports, the community services role it plays (town events, churches, library, government), as a resident base and lest we forget as a traffic corridor with some of the highest traffic counts in town. So by most any metric used to define an active functioning corridor – Downtown Manchester measures up to it. But as anybody who visits, works or drives to or through the district – there are areas for improvement or in time it could lose some of its relevancy.

Based on the Downtown Manchester Market Study, the following represent market recommendations and approaches for upgrading and broadening the downtown's housing and business base that should be considered as follow-up to this study:

Housing Strategy & Recommendations

Focus on Housing Upgrade

- Overall focus on housing for the downtown should center on upgrading the quality of housing downtown and ultimately its tenant base. It is very unlikely, however, that this housing improvement will come from new construction due to lack of good sites downtown and the questionable feasibility of new construction in terms of rent support. Indeed in terms of sites, the more logical area for new construction rental, and one presently under consideration is the Broad Street Redevelopment Area.

Accordingly, primary effort should be placed on upgrade of existing marginal housing or infill of quality housing in unused or underutilized upper space in the downtown. Based on assessment of Main Street buildings this could produce an additional 30 to 40 units of housing to the existing base. Much of this housing would likely target college students, recent grads, young professionals, young couples, representing an expanded base of consumers downtown, though not at a scale materially large enough to have much impact. Nevertheless, their presence will be positively felt and the upbeat “buzz” these units create could help mitigate some of the negative backlash currently generated from known problematic housing properties in the district.

Proactive Approach to “At-Risk Properties”

- The current inventory of three or four at-risk housing properties downtown will continue to be a distraction for the downtown and its businesses so long as they operate as is as marginal housing. Moreover, even when these properties come on the market, chances are they will be purchased by entities that will continue to manage them as they were in the past, in other words poorly. A potential proactive approach to this issue for the district is to identify, alert or even actively court potential investors or developers who have a good track record in housing management and development when such properties become available. It may even be possible for the SSD to gain property control through use of a Community Development Corporation (CDC) set up for such a purpose (see General Recommendations).

Potential Opportunity for Artists Housing

- Just outside the district an opportunity may exist for development of Artist Housing in the former Cheney School which has been vacant for many years. There are several groups, both within the state and nationally, that have undertaken such projects that could be approached to evaluate option. Though likely any such housing would need public assistance, artists housing could have a positive crossover effect with efforts by the downtown to promote art and culture downtown. Senior Housing could also be considered for this property, but we believe Artists Housing would have a more positive impact on the downtown, including opportunities for display and sale of art work from tenants.

Office Strategy & Recommendations

Office Market Stable Core Downtown But Growth Opportunities Low

- Downtown Manchester’s office base is considerable representing nearly 40% of the businesses downtown. In terms of employment, this amounts to an estimated 725 workers¹⁹, all of whom are potential shoppers and or diners downtown. Thus by any standard, it is important to maintain and if possible expand this base. However, while the market study indicates a surprisingly stable office market in the downtown, growth prospects are somewhat limited for the same reasons cited for housing – lack of suitable sites and questionable feasibility for new construction and few candidates for infill strategy targeting unused or underutilized space. Still, as a re-use for the downtown, a strong argument can be made for targeting office over housing as part of an infill strategy, including most importantly, the cost of rehab or renovation is likely to be more manageable.

¹⁹ Estimate based on 181,000 square feet of office space downtown at 250 sq feet per employee.

Office Might Be Better Option Over Housing for Upper story Upgrades

- While there is less presence of office in older upper story mixed-use space downtown compared to housing, in scenarios where a property owner is looking to upgrade such space for marketing, a case can be made for conversion to office. In terms of market support, the downtown portrays a relatively stable market, even in Class C space, with rents generally in line with Manchester prices for comparable property. The cost upgrade might also be more manageable due to less individual plumbing, fit-up and code requirements. Overall property management is generally easier with office compared to housing as well.

Opportunities Seen in Professional, Technical Service and Education

- Based on the market study, areas of opportunity for expanding the office base is found within the professional and technical service submarket which ranks among the largest employment sectors in Manchester but, outside of lawyers, is only lightly represented downtown. An additional office opportunity may also be seen in the education subsector and related users spurred by the addition of Manchester Community College's new satellite facility in the downtown.

Retail Strategy & Recommendations

Retail Potential Reduced but Still Important Element of Downtown

- The strategy approach to retail is one of active recruitment and marketing for local-based niche retail that can complement and support others sectors of the downtown including dining, service businesses, office users and the arts and entertainment venues. Underlying this strategy is a recognition that the downtown has effectively transitioned into a regional service hub as more and more retail gravitates towards centers offering ample, convenient parking. This however does not preclude or suggest abandonment of retail in the district despite the known barriers to its growth (presently retail occupies 37% of all street fronts downtown). In fact, just the opposite. As the survey points out, consumers are looking for a better mix of retail and businesses downtown and often that includes unique and interesting alternatives to mainstay chain retail found in every strip center or mall. It is therefore important to build up a diverse base of retail downtown that is highly in tune with local consumer demand providing a foundation for success and growth in the district.

Develop Retail Recruitment Skills & Network

- If retail is going to have a presence downtown, it is essential that the district become proficient and active in retail (and business) recruitment. This means identifying leads through various networks and forums, calling and meeting with prospects, developing marketing packages, and following-up with information. In some cases outside assistance might be appropriate for defining specific stores or businesses that conform to your target base. This can range from working with retail specialists (typically paid) to calling on community resources. For example one Main Street district used the resources of a college to help identify and profile leads with names. In most cases, however, this can be done without such assistance through general canvassing of businesses in the area or region. Nor does retail recruitment necessarily always have to be linked to an existing business; it can also involve working with an entrepreneur with an idea who needs a space and possibly financial assistance.

Strength and Growth Seen in Niche Businesses

- Efforts should be made to identify niche businesses downtown that cater to specific demographic groups or segments of the population which can be nurtured and expanded. This is one of the most effective ways downtowns and Main Streets use to broaden their commercial base. Two examples downtown include the small base of businesses catering to the Muslim community, inclusive of a convenience store, that could extend into apparel, services and other food. A second potential niche could be envisioned within the natural health care segment that could include cross-over into health food stores, vitamin store, yoga classes or even an organic restaurant all linked in part to the base of businesses specializing in alternative health care in the downtown.

Gap Analysis Reveal Numerous Opportunities

- The Manchester SSD should begin to explore the possibilities for recruiting stores and services that have been identified as opportunities for the downtown based on an analysis of sales leakage (Retail Gap Analysis) within a one mile trade area which represents its most immediate market and least competition for stores. They include:

- *Home Goods and Furnishing stores,*
- *Electronic and Appliance stores,*
- *Specialty Food Store (fish, meat markets, bakery, donut shop),*
- *Clothing and Shoe stores, (children's clothing)*
- *Sporting Goods, Hobby, Musical Instrument Stores*
- *Limited Service eating establishments, and*
- *Beer, Wine and Liquor Stores. (Wine and Cheese shop)*

Recruiting an Anchor Retail

- One visible absence in the downtown is the lack of strong retail anchors or destination retail (Manchester Hardware being one of the last). As discussed in the body of the report, there is little chance for attracting a brand name chain outlet of any size (short of a Dunkin donut or Subway). But the downtown could be an ideal location for a mid / large format independent-owned retailer given the downtown's strong identity with consumers region wide, its ease of access and relatively solid traffic counts. Recruitment of such an anchor takes a bit of luck and hard canvassing - but landing one with a good customer following would be the equivalent of a grand slam for the downtown. Typically such stores command sizeable square footage of 5,000 to 10,000 sf or more, with good street frontage, high visibility, and some onsite parking, or barring that, nearby public parking. Identifying buildings and storefront spaces that may be candidates for accommodating such high value destination stores and seeking out prospects who might be good fits for the downtown should be a key part of any business development strategy for the district.

Periodically Re-Evaluate Options for Redevelopment

- Another method for attracting a destination retailer would be to define a redevelopment site downtown with street frontage of adequate size and depth which can accommodate new construction, ideally one allowing for traditional retail layout and parking. On Main Street there is one identified site (1050 Main Street – Forest St Parking Lot) that is well-located and offering potential for redevelopment for a free-standing building or a small retail center. It also has the advantage of being town-owned and vacant, though currently used for parking. The property, however, is presently encumbered with deed restrictions limiting its use to parking to the year 2035. Despite this fact, periodically it should be reviewed in terms of opportunity for addressing deed restrictions that would allow for packaging the site for marketing to a retail developer.

Restaurant-Dining Recommendations

Importance of Promoting Dining in Downtown Manchester

- One of the most notable changes observed within downtown Manchester and one with important implications for the district is the recent emergence of boutique and ethnic restaurants that complement a number of breakfast diners and several popular restaurant and pubs. Presently there are 14 restaurants and outlets operating Downtown, none as chains, compared to 9 in 1997. Most of these are full serve restaurants. While it is possibly too early to designate the Downtown a dining district, if properly nurtured into a larger base, this could add an important dimension to downtown Manchester, helping to drive foot traffic and visitors to the district, enhancing its image and even stimulating interest in new retail.

Underscoring the contribution of this sector are results from the recent consumer household where over 57% of those polled indicated restaurants and food represent the prime reason for visiting the downtown with the Library a distant second at 19.7%.

Identify Spaces Capable of Supporting Restaurant-Dining

- As part of the effort to nurture and expand the dining and restaurant base downtown it will be important for marketing and recruiting purposes to identify and maintain a list of properties for accommodating this use within the district. This includes, of course, spaces where improvements have already been made to accommodate food preparation. And certainly the normal churn of existing restaurants closing and opening will present opportunities. But it also should include locations that conform to sizes typical for a restaurant in terms of size (2,000 to 2,500 sf for a general restaurant; smaller for limited service dining), offers back door delivery and access, and potentially off-site parking. Emphasis would be on Main Street, but locations on feeder streets should also be considered.

Recruit Restaurant with Strong Brand and Following

- Recruitment efforts should focus on attracting a high profile restaurant to the downtown with a strong brand name and a solid local following, if a suitable restaurant location is available. Among the numerous advantages of the downtown is that the district is a proven market for good quality restaurants capable tapping a wide customer base. While this canvassing can be done by the district, assistance can come from real estate brokers, some who specialize in restaurant recruiting, or even retail-dining specialists. Understandably, finding one or several marquis restaurants for the downtown and matching them to a site and building could prove challenging, but if successful it would have long term dividends in anchoring the restaurant base in the district.

Market Opportunity for Quick Service Dining

- Consideration should also be given to filling out the food and dining base with more quick service establishments. One of the findings highlighted in the restaurant data on gap analysis is the market opportunity for limited service dining, i.e. fast food-quick service format. In most people's mind this means a Subway or a McDonalds. However, a limited service format that has grown in popularity is the fast casual market. Best chain examples include Au Bon Pain, Chipotle and Panera Bread, though to some degree Starbucks fits this definition as well. A good independent-owned example in Connecticut is the New England Emporium located in downtown Middletown described as a "quaint, chic coffee and sandwich shop" that also sells a variety of New England products from local

vendors²⁰. For Manchester, the later example would be an excellent format for meeting an oft-voiced need for a coffee-shop operating morning to night in the downtown.

Restaurant with Live Music

- Downtown Manchester might also consider recruiting a restaurant that offers live music as a way to introduce entertainment downtown. A logical location might be the Manchester Mall's lower floor (now vacant) with its history of use as a nightclub over the years. Instead of a nightclub, however, a better example, possibly, is the popular *Two Boots Pizzeria*, located in Bridgeport but also in several locations in New York, City, Los Angeles, and Brooklyn. Two Boots bills itself as a "Lively Cajun and Italian restaurant that offers great food, funky atmosphere and a mix of live music on the weekends" often featuring local artists. It has a cult following among the hipster crowd, though depending on the music, it draws from a wide subculture base. Another example is *The Playwright*, a popular family Irish Pub and Restaurant in Hamden, with a second location in downtown New Haven which offers fine dining and live Irish music.

Arts, Culture & Entertainment

Creation of Arts District Component Downtown

- An important element to add to the downtown is an arts and entertainment component which is highly complimentary of business growth downtown, particularly restaurants. This need for an arts element was graphically underscored in the recently conducted poll where households ranked the lack of activities i.e. "there is nothing there", as one of the top reasons for low visitation. The poll further indicated strong support to adding arts, music, plays and live performances downtown.

Given that incorporating this component into the downtown will require much collaboration and partnerships with other arts groups²¹, it is suggested that a special committee be formed, sanctioned by the town, for developing an arts and entertainment plan for the district. The timing couldn't be better with First Niagara Bank's donation to the District and Town of 901 Main Street which will be used in part to house satellite space for Manchester Community College and an area for gallery space and small auditorium. Moreover, the plan can build off the efforts started with the 2020 planning targeting development of arts and culture in Manchester. At present, there is no year round venue downtown for

²⁰ East Hampton-Portland Patch-Review of New England Emporium Eatery & Marketplace- February 11, 2011.

²¹ The downtown's participation in SHARE, South Manchester-History-Arts-Recreation-Education, representing organizations and facilities in Southern Manchester meeting the cultural, recreational and historical education needs of the community serves as a good foundation for this collaboration.

entertainment or a nightclub or even a restaurant offering a mixed program of music from local artists, though outdoor special events are offered throughout the year.

Black Box Theatre Potential

- Discussions with representatives of the arts community in Manchester indicated a potential opportunity and need for a black box theatre which could be logically centered in the downtown. Black box theaters became popular in the 1960s and 1970s, during a period when low-cost experimental theater was active. Since almost any warehouse or open space in any building can be transformed into a black box, including abandoned cafés and stores, the appeal for sponsorship by nonprofit or local artist groups is high. The black box is also considered by many to be a place where experimental or "pure" theater can be explored, though as a venue it mostly functions as versatile space for variety of uses from film screening to presentations of Shakespeare.²² The common thread running through most "black box" configurations is that they are small – often as little as 50 to 75 seats and adaptable to a variety of spaces and locations. This is a concept that might fit well, for example, within the Manchester Mall space where the back room now is used as a small auditorium for auctions. The format might also be considered for the 901 Main Street building which has plans for a gallery and small seating area for readings and performances.

Incentive Programs Recommendations

Creation of Revolving Loan or Grant Program for Building Upgrades

- The Downtown Manchester SSD could work with the town of Manchester in developing a Revolving Loan Fund that can provide low interest or no-interest loans to property owners or developers looking to upgrade underutilized or vacant property. This would be particularly important for housing space upgrades which carry a heavy cost load in making space habitable and marketable that is hard to recoup through current market rents. But the program would be equally positive in stimulating desired upgrades for other end uses as well. A more ambitious program would involve grants. In Norwich, the city used city bond funds to capitalize a \$1.84 million program providing direct grants for code improvements targeting vacant upper floors on a \$ for \$ match. Based on their estimates, this program would upgrade 75,000 sf of previously uninhabitable/unmarketable space. Assuming a target of 40,000 sf for Downtown Manchester, a similar program would amount to \$960,000.
- The same program could be extended to making loans to small businesses for capital improvements, fixed asset acquisition, leasehold improvements, ect.

²² Source: Wikipedia : Black Box Theatre.

Architectural Services

- A supplementary incentive program to the above would be to offer architectural services to property owners interested in upgrading and improving their building for housing or commercial use. Such services may include review of potential floor layouts and preliminary cost estimates on improvements, particularly as it relates to code issues. This has been used successfully in a number of façade programs as a way to move prospective property owners from concept to implementation. Funding for this service can come from a number of sources including CDBG, the state and or private sources that include foundations, corporations, or institutions.

Special Restaurant Improvement Fund

- It is suggested that a special loan fund or incentive program be developed (*or combined with program suggested above for building improvements*) to support the restaurant industry downtown in view of its importance as a destination base downtown. According to the Consumer Household Survey recently conducted, 57% of the respondents cited restaurants, food, spirits, bakeries as reason for visiting Downtown ranking it the highest reason for visiting the downtown. Restaurant fit out, however, is very costly in space that has not been previously used for dining. It is not unusual for it to reach as high as \$100,000 and more for general restaurants. If the district hopes to expand its current base, it may need to find ways to help prospective restaurateurs or property owners underwrite such improvements.

General Recommendations

Marketing and Communication Program

- With downtown Manchester entering a period of redefinition of its role and function in the community (i.e. not the pre-1970's Thursday night shopping and gathering center on the Main), it is recommended that a coordinated marketing message or even a campaign be linked with that transition. In large part this communication program would emphasize what the downtown is and what it is becoming so that there is less focus on what it isn't nor likely to be (i.e. community-based retail center).
- It is important to have on hand in a well organized package all the necessary data a prospect might need in deciding to locate downtown. Real estate brokers and property owners should have easy access to this information. For recruitment and marketing purposes, data should also be collected and maintained on first floor occupants; vacant spaces (with square footage) and occupied spaces that are on the market. Possibly

working with the town this information could be converted into map form that can be updated periodically.

Review of Design Standards

- In a number of interviews with local businesses, we encountered friction by some during start-up stage with respect to design standards, mostly centered on signage. The Design Standards for Downtown Manchester were developed and adopted in the early 1990s and have seen little change or modification since. Given the passage of time and possible re-thinking of best practices for design standards in districts similar to downtown Manchester, there may be some merit in reviewing the current standards to determine if any changes or updates should be considered.

Small Business Assistance

- The Downtown Manchester SSD should consider strengthening its network for connecting property and business owners (including prospects) to a variety of business development resources, including real estate brokers, lenders and small business assistance programs. One non profit organization that is particularly active in assisting entrepreneurs and start-ups, an important target base within the downtown, is the Community Economic Development Fund (CEDF), located in Meriden, CT. Various local banks, community and state agencies are also set up to help small businesses and should also be part of the SSD's network of resources.

Development of a CDC

- CDC's are often utilized to assist in the development of under-utilized real estate and to attract business capital for small businesses. The Downtown Manchester SSD could create a CDC between the multiple banks located in Manchester to facilitate the development of real estate to accommodate new business concepts, providing predevelopment, construction and long term financing, ect. The CDC could also house a seed capital loan fund to help launch new business concepts for the downtown.

