
Executive Summary

Introduction

Economics Research Associates (ERA) is under contract to evaluate the retail marketplace that exists for the City of Warrenville, with a focus on the Target Intersection at Routes 59 and 56. The attached detailed study

- Identifies a realistic market trade area around this intersection, given the potential development options for retail;
- Assesses the retail concepts which exist and narrows to those which would be feasible for any of these quadrants;
- Defines the demographic characteristics of the marketplace that will generate shopping dollars;
- Evaluates the physical and locational features of the intersection and three specific opportunity sites near it;
- Forecast the sales capture and supportable retail space that would be realistic to plan for at the Target Intersection;
- Defines preliminarily what retail strategy and economic development tools could be used to attract the targeted opportunities.

This is summarized below:

1. **The Target Intersection and its strengths and weaknesses to attract retail development.** Trade areas were defined around the Target Intersection (Route 56/Route 59) at 5-mile and 10-miles. The characteristics of the households in these areas define the demand potential for the Study Area in Warrenville. The data shows that the area is growing and affluent with high median household incomes and relatively high retail spending patterns. This bodes well for the Study Area but relative isolation from the highly populated residential areas hampers significant, large scale, near-term retail development due to the somewhat limited population base associated with the Primary Market Area.
2. **Summary of the market area and the existing competition.** Analysis of the supply – or competition – of retail indicates that development in the area is extensive. The per capita development of retail space in the Primary Market Area/PMA (5 miles) is about double that of the national average. When the Secondary Market Area/SMA (5-10 miles) is aggregated with the PMA is about on par with the national average. The market for retail space is likely saturated for most types of retail development in the PMA.
3. **Retail development concepts.** Several concepts for retail for retail development were initially considered for the Target Intersection: Entertainment Retail, Lifestyle Centers and Big Box. In fact, retail concepts have begun to evolve and many new developments include some characteristics of more than one concept. The current concept proposals on the Singer and Kleinman properties at the Target Intersection are, in fact, hybrid concepts.
4. **Trade area trends.** Beginning with the construction of City Gate Centre, area retail has begun to reach across to the north side of Interstate 88. ERA believes that as time progresses and population increases, the north side of I-88 will become a highly developed retail area and the Route 56/Route 59 intersection has the potential of becoming a major retail center of gravity in the far west suburbs of Chicago. However, based on the analysis and data provided in this report, this is not expected until after 2011.

5. **Possible capture of retail sales and supportable retail space – as fit into retail shopping concepts.** The highly competitive market - - with additional retail space in planning stages - - has led ERA to conclude that the near-term market for retail development at the Study Area is somewhat limited. While aggregate data implies virtually no market support for additional retail, more fine-tuned assessment indicates possible opportunities in niche and community serving retail concepts. ERA has concluded that the Study Area could capture a small (1 – 2%) share of retail dollars from the PMA and an even smaller capture from the SMA. Supportable space is estimated at about 270,000 square feet in the near-term and up to another 150,000 square feet or so by 2011. The following points discuss how current proposals for the Singer and Kleinman properties fit into this range:
6. **Options for Development and Prospective Development Proposal for the Target Intersection.** ERA's market analysis indicates that there would be a potential range of supportable retail space from about 180,000 to nearly 300,000 square feet of space by the year 2011. Currently, there are at least three primary development options ERA feels may be appropriate short and/or long term possibilities in the Study Area:
- First is the already-detailed concept proposed by Dmyterko & Wright on the Singer Property located at the NW corner of the Target Intersection. This concept is based on targeted specialty retail (in small box space) that includes sports, office supply along with banking and restaurants on exterior pods. This proposal is based on an analysis that assessed the location of existing specialty shopping, identifying gaps in the trade area and developing a program that targets filling some of the key gaps. The proposal would use the site as it exists under the current owner.
 - Second is the potential for a Town Center / New Urbanism development that is evolving around the country (especially in suburban areas) that combines a mix of uses that are somewhat comparable to the Main Street, center city of yesteryear. In this concept, housing is typically a significant and integrated component, with retail comprised of convenience / pharmacy, support services, food / coffee house, combined with some office -- especially community / medical.
 - The last concept would be feasible only if a well-positioned developer were able to tenant it – the Lifestyle Center idea. These range from 150,000 to 500,000 square feet. They are unenclosed are typically clustered into small buildings and linked to restaurants. ERA does not believe this is a strong concept to pursue in the short term because of the tenanting challenge and property assemblage/availability concerns. ERA feels this type of concept may be feasible in a longer-term time frame provided the proper sized site becomes available. Regardless of the timing of such a development, ERA's market surplus/leakage analysis suggests that a high-end food chain such as Whole Foods, Wild Oats, or Sunflower would be a potential anchor in such a development when linked to local / regional specialty restaurants and entertainment.

Here again, it is key to highlight the tenanting issues and a small development would be the target in the short-term and a mid to large-scale development in the long term. Given the more likely prospects for the Dmyterko & Wright and the Mid-America proposals to move ahead, this third concept should be a lower priority.

7. **Implementation Considerations.** The approach to implementation should be shaped by market realities. First is that the market opportunities are not extensive; second, the current market opportunities can be largely accommodated by the existing, assembled / one-owner parcels near the Target Intersection for the foreseeable future. There would be two approaches to implementation
- First, to allow the market to move ahead with development with some moderate assistance from the City. This would include assistance in zoning, community acceptance, and facilitating the approval process;
 - Second, would be a more proactive approach in which the City provides help with land assemblage (if needed), provides assistance or financial help with the cost of the higher level amenity and design needs of a Town Center or Lifestyle Center, and uses incentives such as TIF to finance some of the infrastructure and upgrades for the development. This last approach would ensure a higher-quality development that could be more competitive in the marketplace.

The results of this would be the potential to enable a larger development such as a Lifestyle Center if a proposal were to come to light. However, given the extent of the competition in the market, ERA believes that the most aggressive proactive efforts should look to the future, say after 2011 to create longer-term opportunities. In the near-term assistance with the existing developers would allow the proposed developments to be of a quality and ambience that would make the shopping environment more attractive and the center more competitive – and potentially grow the sales capture.

8. **Current Proposals.** ERA's conversations with Dmyterko & Wright and Mid-America indicate that these developers understand and have researched the market; they have concepts that are consistent with current trends. Each has tested the market by research or by tenanting efforts and these development offer possibilities in the near terms. Further, they can be implemented with the existing land available, and the City's role could then focus on making the ultimate products ones of high quality. In addition they appear to be consistent with the Target Intersection locations they would occupy. The Mid-America proposal includes a hotel element, which ERA had indicated in early discussions with the City is an activity that could leverage proximity to the Fermi Lab operations.

These two proposals represent different concepts that tap into different elements of the market, and reflect the evolution of retail developments and specialty targeting. The City should consider what type of assistance might be necessary to augment these concepts and capitalize on real opportunities. The combination of the current proposals would allow the City to capture most of the additional identified supportable retail, and to plan for the future in positioning the intersection.

9. **Impacts.** If the implemented retail development is relatively consistent with the two proposals that are now on the board, the new space should have limited impact on the existing retail business in Rt. 59 corridor within Warrenville, which are largely community serving, repair and convenience oriented. Many of these businesses are located within older shopping centers/plazas

that either are or have the potential of becoming less competitive in the market due to their outdated configuration and aging improvements.

It is however important to recognize that the more new convenience/community oriented commercial space constructed in the Study Area in the near term, the more likely there will be competition between existing and new commercial businesses. We believe it would be in the City's best long-term interest to consider the possibility of conducting a more detailed corridor planning exercise to evaluate the overall viability and mix of land uses in the entire Rt. 59 corridor and identify where it may be appropriate to reposition or redevelop some of the existing older and potentially less competitive in the long term commercial development.

In the near term future, we believe that new retail development in the Study Area will fill perceived / actual gaps, bring in new concepts and products, and will tap into a growing population base. If retail development around the Target Intersection does not occur, it is likely that retail development will jump on the opportunities outside the City and the City would lose potential sales tax / job impacts.