

**APPENDIX**



# APPENDIX A: MARKET CHARACTERISTICS AND TRENDS

## Methodology

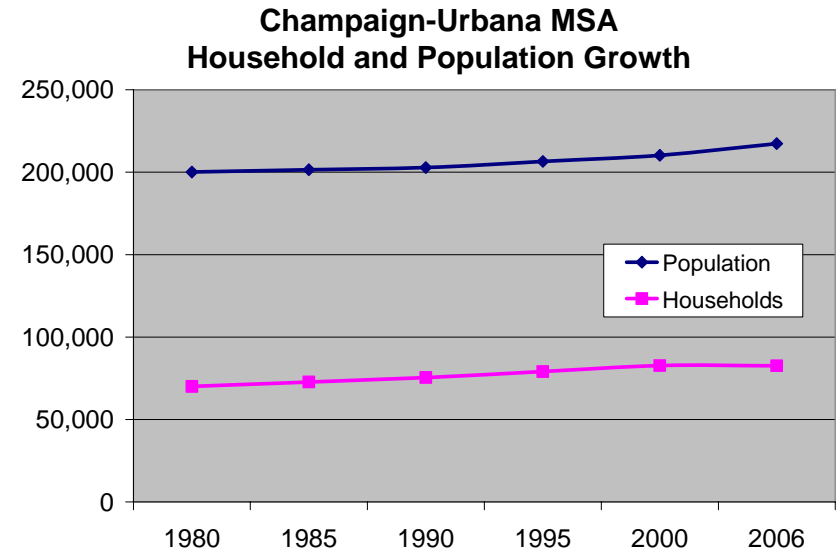
Because the trends driving development pressure at the Curtis Road I-57 Interchange are national, current models for commercial development and national demographic databases were used to understand the local market. Information from the Champaign County's Property Sales Records and Assessor's web site were key to understanding the value of residential, office, and commercial uses. Nearby shopping centers and retail clusters were visited and evaluated to determine the regional competitive environment. BDI applied the same principles that high volume site selection specialists use to understand the area's economic vitality and potential. BDI interviewed approximately 20 stakeholders to glean their confidential insights into Curtis Road I-57 Interchange' existing and potential economic development environment.

Although this study makes recommendations and reports conclusions, it cannot present every option. Rather it filters the current situation through the experience of the consultants to provide economic analysis that supports decision-making. It should stimulate thinking and lead to policies. It reports the facts and opinions of those who participated in the process and recommends near term strategies and actions that support the market's long-term health.

## Existing Conditions

Although a recent special census shows significant growth in the City of Champaign, the population growth in the Champaign-Urbana metropolitan statistical area (MSA), has been less than a half percent per year for the past three decades. The Champaign/Urbana MSA contains the whole county where this relatively flat population growth rate reflected national, rural trends and the closing of the Rantoul military base. Recent national demographic shifts including higher birthrates and growing Hispanic ethnicity are projected to stabilize household sizes reducing the difference between household growth and population growth. Figure 1 illustrates the population trends for the Champaign-Urbana metropolitan statistical area.

The need for new development depends on population growth. Unless the addition of the Curtis Road Interchange brings a significant number of new jobs that attract head of household workers, this relatively flat MSA population growth is expected to continue.



**Retail Market**

With flat population growth, increases in retail square footage depend on enlarging the geography that chooses to shop at a location. Table 1 describes the markets available to retail development at the Curtis Road interchange.

<b>Table 1</b>	<i>20 Minutes Drive Time: Regional Market</i>	<i>5 Minutes Drive Time: Convenience Market</i>	<i>Custom Extended Market</i>
<b>Basic Variables 2006</b>			
Population	153,280	5,656	430,439
Households	58,648	1,919	164,866
Median Age	30.4	38.0	34.1
<b>Household Income 2006</b>			
Median Household Income	\$40,730	\$93,732	\$40,801
Household Average Income	\$54,280	\$147,734	\$50,779
<b>Business Summary 2006</b>			
Total Employees	110,360	1,943	214,758
Total Establishments	6,478	160	18,151
<b>Consumer Expenditure 2006</b>			
Total Retail Expenditure	\$1,178,511,871	\$78,124,779	\$3,198,363,286
Square feet supported @ \$300/sf	3,928,373	260,416	10,661,211
<b>Housing units 2006</b>			
% Owner Occupied Units	48.9%	80.7%	58.5%
Demographic data © 2006 by Experian/Applied Geographic Solutions			

In addition to serving the traditional 20-minute drive time market and nearby convenience market, Champaign is the regional shopping destination for an area that extends for a sixty-minute drive time to the north and south along I-57. It stretches to Danville on the east. To the west, it splits the market with Bloomington where there is additional regional shopping.

At a minimum, development at the new Curtis Road interchange will enhance the nearby community if it satisfies the convenience shopping of residents and travelers needing auto services. It may also have role in serving the extended market with mass merchandise and specialty shopping if the market can support second stores that relieve congestion at the existing North Prospect to Market Square cluster.

The maps below illustrate the geography associated with the potential markets.

As the map showing the overlapping twenty-minute drive times from both Market Square and Curtis Road (Figure 4) reveals, these locations have largely duplicated markets. Once the Curtis Road interchange opens, it will be at most a 10-minute drive to the North Prospect interchange and its associated regional shopping cluster. This confirms that,

using the new access at Curtis Road, southwest Champaign residents could easily travel to the existing cluster for specialty shopping. It is less certain that residents living at the southern limit of the extended market would travel as often to the North Prospect cluster as they would to shopping at Curtis Road.

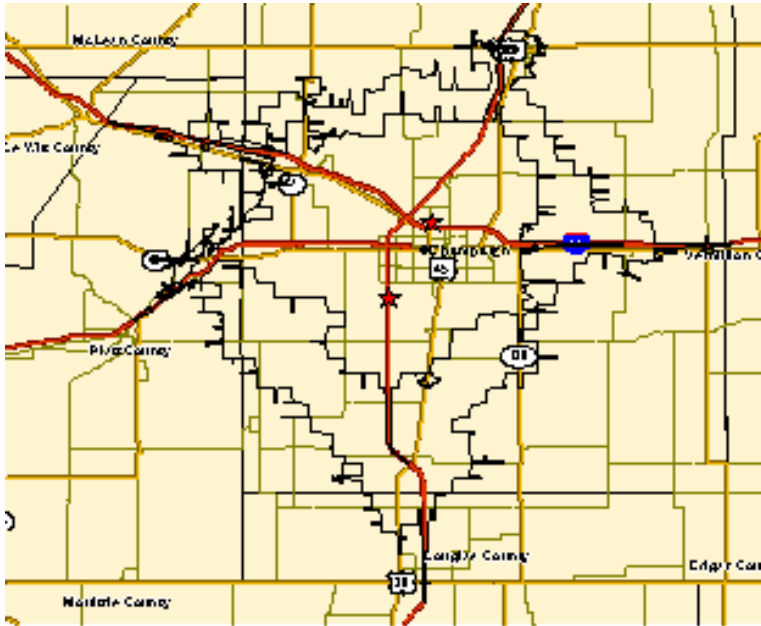


Figure 2 Overlapping 20-Minute Drive Times



Figure 3 5-Minute Drive time

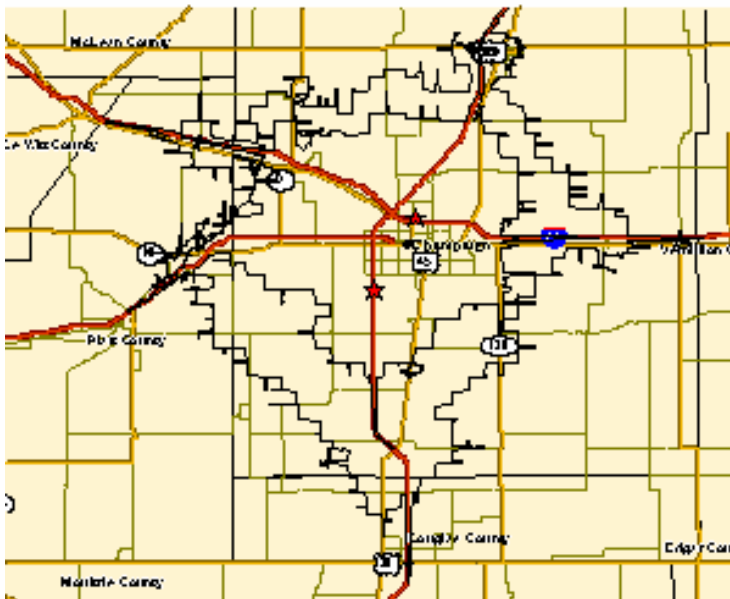


Figure 4 Overlapping 20-Minute Drive Times



Figure 5: Extended Market

**Extended Market Retail Opportunities**

The extended market contains few options for centrally managed shopping. Table 2 lists all centers over 250,000 square feet in that geography.

<b>Table 2</b>					
<i>Name</i>	<i>County</i>	<i>Sq. Feet</i>	<i>Site Size (Acres)</i>	<i>Total Stores</i>	<i>Date Opened</i>
Country Fair Shopping Center	Champaign	307,000	33	34	1970
Cross County Mall	Coles	335,000	42	30	1971
Market Place Plaza	Champaign	180,032	30	12	1976
Market Place Shopping Center	Champaign	1,036,827	90	107	1976
Tanger Outlet Center	Douglas	258,114	42	48	1994
Village Mall	Vermilion	477,348	31	64	1975
Demographic data © 2006 by Experian/Applied Geographic Solutions; 1-800-898-MALL © 2006 Directory of Major Malls, Inc. All Rights Reserved. Unauthorized use of the Data is expressly prohibited.					

Note that these centers are aging and total less than 2.6 million square feet. The dominant existing cluster is Champaign’s Market Place Shopping Center. This million square foot mall is complemented by North Prospect Street’s large format retailers where it is estimated that there are another 1.5 million square feet of stores and restaurants. These 3 million square feet of space in combination with Downtown Champaign, Campus Town, additional neighborhood centers, and Urbana suggest an existing balance to the demand within 20-minutes for approximately 4 million square feet (Table 1). However, the 2.6 million square feet is far short of the 10.7 million square feet supported by the spending power of the extended market.

As Table 3 reveals, the extended market's spending power is currently being captured.

**Table 3**

County	Total Retail Expenditure	Sales	Capture Rate	Sales-Expenditures
Champaign	\$1,417,373,764	\$1,972,878,977	139.2%	\$555,505,213
Coles	\$368,200,962	\$537,473,676	146.0%	\$169,272,714
Cumberland	\$76,858,639	\$28,124,009	36.6%	-\$48,734,630
Douglas	\$147,531,359	\$142,777,970	96.8%	-\$4,753,389
Edgar	\$138,537,406	\$124,404,288	89.8%	-\$14,133,118
Ford	\$106,671,478	\$93,867,311	88.0%	-\$12,804,167
Iroquois	\$225,735,930	\$262,469,298	116.3%	\$36,733,368
Piatt	\$137,410,066	\$77,806,461	56.6%	-\$59,603,605
Vermilion	\$580,043,683	\$641,584,535	110.6%	\$61,540,852
Total	\$3,198,363,286	\$3,881,386,525	121.4%	\$683,023,239

Demographic data © 2006 by Experian/Applied Geographic Solutions; Illinois Department of Revenue; BDI

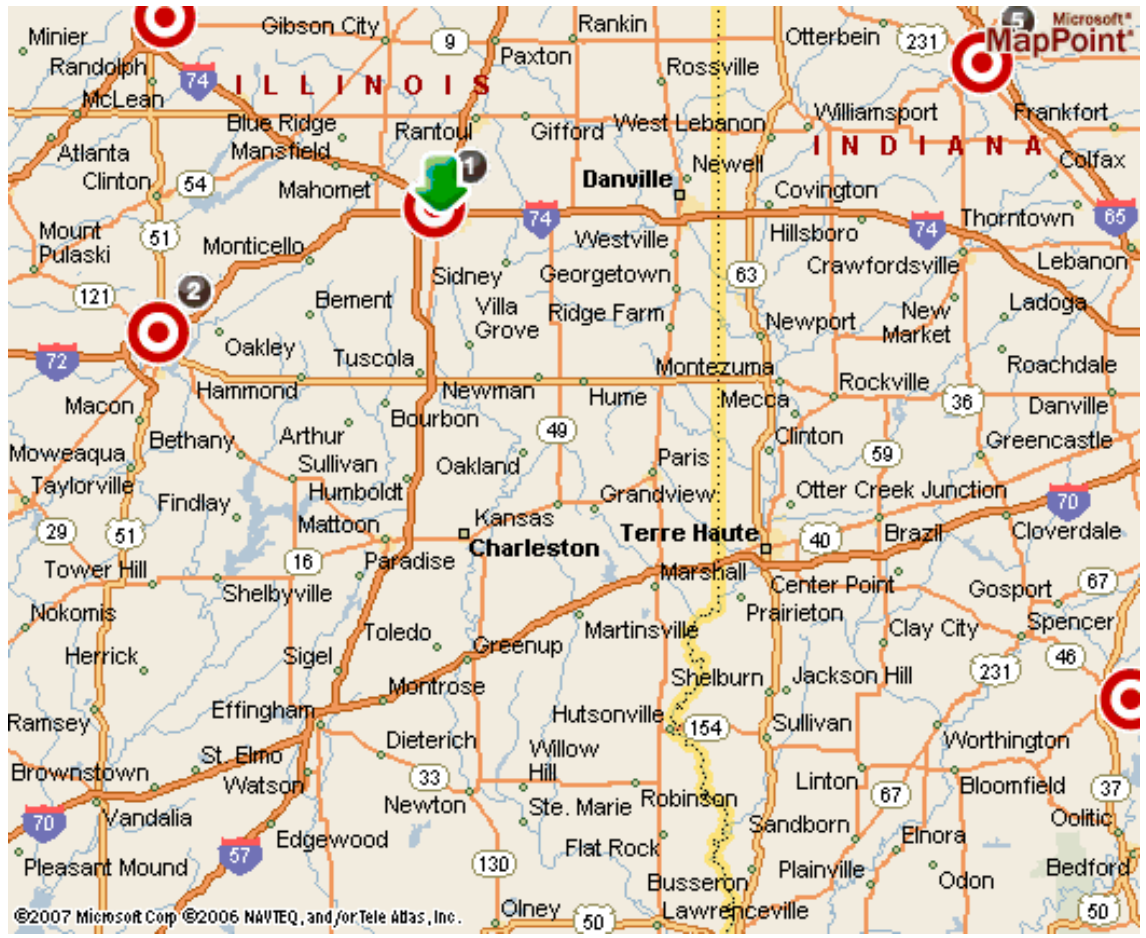
Although both Danville's Village Mall and Mattoon's Cross County Mall are aging and experiencing high vacancies, they still attract significant spending to Vermillion and Coles counties. Sears and Elder Beerman anchor both centers and JC Penneys adds a third anchor at Cross County Mall. Figure 6 locates WalMarts in the extended Market.

Customers are unlikely to travel to retail development at the Curtis Road Interchange that duplicates offerings closer to their homes and consequently, Walmart, Sears, Elder Beerman (a sister company to Bergners), and JC Penneys likely would only open at the Curtis Road site to replace an existing store.



Figure 6 Wal-Mart Stores

Figure 7 reveals a different situation for Target where the market south of Champaign has not yet been penetrated.



**Figure 7 Target Stores**



**Table 4**  
Existing Target Locations

Existing Target Locations	20-Minute Drive Time Population
Champaign	162,124
Decatur	101,202
Bloomington	130,771
Bourbonnais West	93,745
Lafayette	150,139
Kokomo	94,323

Demographic data © 2006 by Experian/Applied Geographic Solutions.

As Table 4 illustrates, the market served by its existing North Prospect store is larger than the typical Target market.

The only location with a market approaching the size of Champaign's is West Lafayette where Target operates a super center. If a Curtis Road Interchange store increases market attraction by an additional 20,000 residents, it would push Champaign's market over the threshold of a two-store market. Each rural county south of Champaign has approximately 20,000 residents so that increased penetration is likely.

Once Target pioneers its second store, other retailers who find co-tenanting with Target advantageous are likely to join the cluster. Home centers and office superstores are examples of frequent Target co-tenants. Outlots containing banks, auto service, casual dining and quick serve restaurants would add additional draw to a Target anchored center.

**Table 5**

	20-Minute Drive Times		
	Curtis Road	North Prospect	Shoppes at Grand Prairie
Population	153,280	162,124	181,160
Households	58,648	62,224	70,463
Median Age	30.4	30.6	36.3
Median Household Income	\$40,730	\$41,009	\$43,561
Household Average Income	\$54,280	\$53,978	\$56,464
Total Employees	110,360	115,315	121,422
Total Retail Expenditure	\$1,178,511,871	\$1,246,583,818	\$1,466,344,476
% Owner Occupied Units	48.9%	49.1%	59.6%

Demographic data © 2006 by Experian/Applied Geographic Solutions.

**Lifestyle Center Opportunities**

Peoria's Shoppes at Grand Prairie brought a new retail format to central Illinois, the lifestyle center. These centers are open-air environments that mix large and small format national chains in a highly landscaped environment. The large format stores at the Shoppes at Grand Prairie are Bergners, Borders, Dick's Sporting Goods, and Linen 'n Things. All of these businesses already have a Champaign store. With the exception of Bergners, the large format stores at Grand Prairie are single stores in the Peoria market. As this table illustrates the markets associated with

the existing specialty retail cluster and the Curtis Road interchange both are slightly smaller than the market served by the Shoppes at Grand Prairie.

At the larger 60-minute drive time, Shoppes at Grand Prairie has a population of 594,000 and the Curtis Road interchange has a population of 613,000. These market characteristics suggest that a lifestyle center may be possible at Curtis Road, however; its entry into the slowly growing Champaign metropolitan statistical area market is likely to bring some relocation from the North

Prospect/Market Place shopping cluster. Although mass appeal businesses like Target can support two stores in Champaign, more narrowly focused specialty retailers can support only one store on the same population base.

**Retail Development Opportunities**

Development of land near the Curtis Road interchange will occur when landowners have the right sized property at the right price at an accessible location for an entitled tenant. Those conditions bring income that provides a market rate return on project investment. That return comes from tenants’ rent negotiated based on expected sales. The tenants’ sales expectations flow from the quality of the market, their experience in other centers of similar size and tenant composition, and national economic conditions influencing the availability of investment capital.

A question has arisen about whether a specific intersection quadrant provides a superior location. Although today the answer is no, as soon as significant retail development occurs, perhaps the Target store, the quadrant across Curtis Road from that development becomes the superior next retail location. That change recognizes the marketing value of visibility from one store to another.

Table 6 documents national averages for the development of various types of centers.

<b>Table 6</b>		<i>Drug Store Anchored Convenience Center</i>	<i>Grocery Anchored Neighborhood Center</i>	<i>Mass Merchandiser Community Center</i>
<i>Center Type</i>	<i>Lifestyle Center</i>			
Average Sq Ft.	391,204	20,500	63,396	198,269
Acres	45	2.5	8	23
Rent/Sq. Ft.	\$25.09	\$15.19	\$12.55	\$13.55
Sales per Sq. Ft.	\$334.00	\$256.44	\$280.77	\$277.31
Total Sales	\$130,662,136	\$5,257,020	\$17,799,695	\$54,981,976
Sales per acre	\$2,909,808	\$2,234,105	\$2,446,068	\$2,415,925

It is possible that all of these centers will develop at the Curtis Road interchange over the next 20 years. The challenge is establishing a development framework that results in new stores and new sales tax revenue rather than relocations that leave vacancies elsewhere in Champaign and no net revenue gain.

The boxed rows project sales and sales per acre for each center type. Although the sales per acre are similar, the larger sized lifestyle center and community center offer significantly more sales tax revenue. Considering both municipal and home rule sales taxes and new stores rather than relocations, the lifestyle center would bring an annual revenue increase of approximately \$2.6 million and the community center would add approximately \$1 million. In reality, the revenue collection variance could be much smaller. The developers of attractive, highly desirable lifestyle centers typically request public investment to cover the cost of enhanced landscaping and finishes. Generally, requested incentives are approximately 50% of sales tax for the first ten years. If only one large format retailer is relocated rather than a new business, the remaining \$300,000 variance is lost. Proposals discussed during project interviews suggest that a community center would come to this intersection without public investment.



**Residential Development Opportunities**

The improved access associated with the Curtis Road interchange will make this an attractive location for residential development; and therefore, it may attract up to half of the new homes purchased or just over 140 units. Clearly, the 740 units noted above as approved for this vicinity can satisfy that demand for the next few years. With median home prices in the low \$200,000's, property owners will realize higher values if they develop commercial space rather than building low density single family attached or detached housing. For those reasons, residential opportunities are limited to property not deemed suitable for higher value commercial development. That property may be behind retail development or inaccessible from Curtis Road, or may be outside the study area but in relative close proximity.

**Office, Light Manufacturing, and Distribution Markets**

Like retail development, the appropriateness of reservation for office, light manufacturing, and distribution uses depends on whether there is an opportunity to attract new businesses rather than relocations that leave vacancies elsewhere in Champaign. This emphasis on attracting new businesses places Champaign into a larger regional and national market. Nationally, the commercial markets are just entering an expansion mode after years of working through the excess inventory left after the "dot com" bust. In this market, competitive recruitment success often depends on timing and intangibles that appeal to company executives as well as a suitable location. The Curtis Road interchange offers the advantage of access to a major transportation route and the lifestyle amenities of a college town. The adjacent greenfields present an opportunity to construct space ideally suited to business practices. Adding significant employment to the study area would enhance the retail uses by providing a daytime market.

**Office, Light Manufacturing, and Distribution Opportunities**

In this relatively low growth market, the opportunity is to reserve sites likely to attract new employers that bring new workers and population growth from their relocated families. Optimal office, light manufacturing, and distribution sites are created with good infrastructure development and careful attention to compatibility between uses and nearby development.

<b>Table 7</b>	<i>Acres</i>	<i>Homes</i>
<b>Savoy</b>		
Prairie Meadows	103	336
Lake Falls	180	583
Liberty on the Lake	160	364
<b>Champaign</b>		
Legends at Champaign	118	435
Liberty on the Lake	80	191
Prairie Creek	121	517
Trails at Abbey Fields	100	340
<b>Total:</b>		<b>2,766</b>
Source: City of Champaign 2007		

<b>Table 8</b>	<i>Households</i>
1980	70,051
1990	75,432
2000	82,711
2006	82,657
<b>% change</b>	
1980 to 1990	7.7%
1990 to 2000	9.7%
2000 to 2006	-0.1%
<b>Unit Change</b>	
1980 to 1990	5,381
1990 to 2000	7,279
2000 to 2006	(54)
Source: Demographic data © 2006 by Experian/Applied Geographic Solutions.	

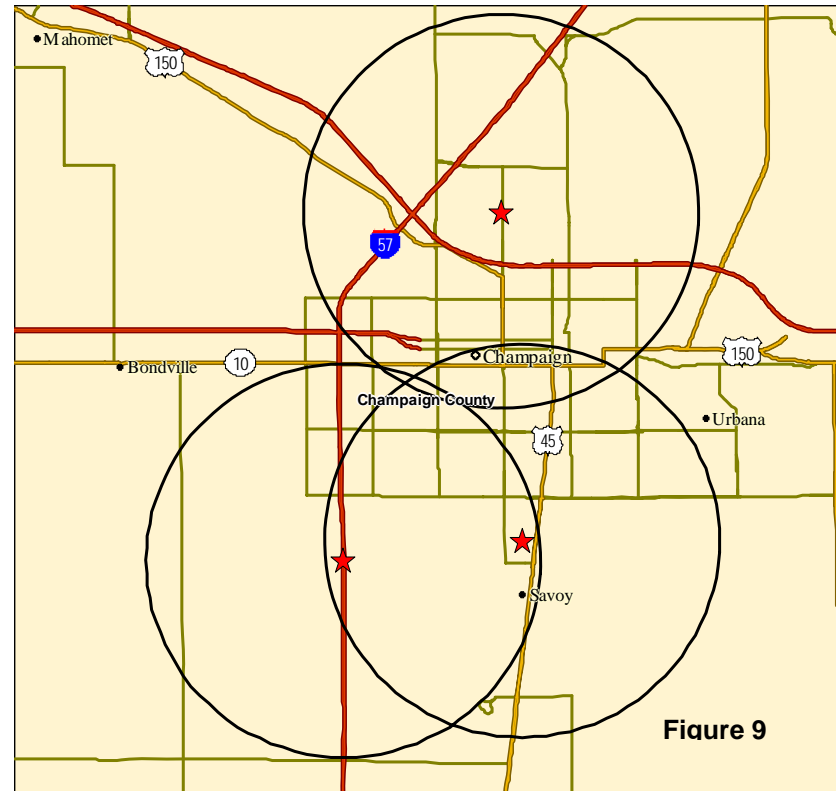
## **Other Development**

### **Movie Theaters**

Movie theater development follows distribution policy restrictions that only provide films to theaters separated by sufficient distance. Although that distance varies with market size, it generally is approximately the three miles identified on Figure 9. The location of the Savoy Theaters probably precludes movie theaters at the Curtis Road Interchange.

### **Hotels**

As of February 2006, there were 3,544 hotel rooms in Champaign County. Another 255 rooms are nearly complete or under development. BDI is unable to specifically determine whether additional space is economically feasible. Studies for hotels are very specialized and generally undertaken by convention and visitor bureaus or experienced developers. Previous experience suggests that occupancy rates over 75% indicate a market that may be ripe for hotel development. Information from the local convention and visitor's bureau revealed that the Champaign County occupancy rate is around 60%, though popular sports/parents weekends meet 100% occupancy and spill over into neighboring counties. Those occasional 100% occupancy rates differentiate Champaign and have led to pending hotel development. In the future, there may be a hotel opportunity at the Curtis Road Interchange and planning should identify a site that is visible from I-57.



**Figure 9**

## **Market Analysis Summary**

Research and interviews supporting this assessment suggest that there is currently an opportunity to create a community shopping center anchored by a 100,000 square foot Target and additional tenants bringing the total development to approximately 200,000 square feet. That center will occupy approximately 25 acres. Other retail opportunities will develop over the next 15 to 20 years. Reservation of a site large enough to accommodate a 50-acre lifestyle center preserves that opportunity for a time when the geography attracted to the interchange supports a two-store market for specialty businesses.

Since the whole community benefits from increased employment, provision for additional non-retail commercial development is an important goal. That space should be coordinated with state efforts to recruit large employers. Residential should be integrated in a manner that offers convenient worker housing.