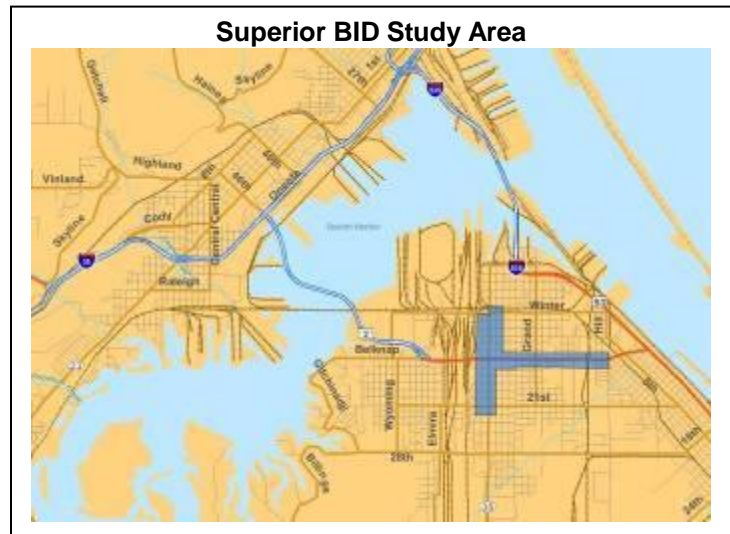


# The Superior Business Improvement District Market Analysis Executive Summary 2008

The Superior Business Improvement District (BID) is comprised of over 80 square blocks in Downtown Superior, primarily along Tower Avenue (North-South corridor) and Belknap Street (East-West corridor).

The Superior BID has developed a strong partnership with business operators, property owners, downtown organizations, government entities, and other downtown stakeholders. Recognizing the need to serve the economic development interests of these groups, BID initiated this market analysis with the intent of providing a market-based plan for the BID and a foundation to support business retention, expansion, and recruitment efforts.



This study was developed as a grassroots educational effort by the Superior BID with the assistance and technical support of the University of Wisconsin-Extension. It involved a BID market analysis study group, which provided essential local insight. They were involved in drawing conclusions and making recommendations from the data presented in this analysis.

## 1. Study Goals

- Determine the size and shape of the Superior BID's trade areas;
- Examine the trade area's resident demographic and lifestyle characteristics;
- Understand the regional economic position of the Superior BID;
- Explore the needs and perspectives of business operators;
- Explore the needs and perspectives of trade area consumers;
- Analyze success factors of comparable city downtowns;
- Use the above information to study business and real estate opportunities; and
- Engage the BID board in developing recommendations for the analysis to enhance and guide the BID's economic future.



## 2. Superior BID Trade Areas

The Superior BID trade areas, as proposed below, reflect the potential convenience and destination drawing power of the overall BID (not the exact trade areas of individual businesses). The trade areas proposed reflect future potential, not necessarily what is captured today.

A determination of the size and shape of BID's trade areas considered the following:

- While many customers originate from Duluth, it is believed that most of these customers are first drawn to other commercial centers closer to home for day-to-day purchases.
- To avoid exaggerating the size of the geographic market for the Superior BID, a Superior Primary Trade Area was developed that describes the area in which consumers making day-to-day purchases are pulled first to Superior.
- The Superior-Duluth Combined Trade Area recognizes that customers for many destination oriented businesses come from Duluth. It closely reflects the 30-minute drive-time area around the BID. Destination oriented businesses have an opportunity to penetrate this larger metropolitan market.

Superior Primary Trade Area



Superior-Duluth Combined Trade Area



## 3. Demographic, Lifestyle, and Spending Analysis

Demographic trends in the trade areas (compared to the Wisconsin-Minnesota combined region) indicate Superior has:

- A stable base of 60,000 in the Superior Primary Trade Area;
- A population of 178,000 residing in the broader Superior-Duluth combined;
- Lower home values;
- Growing elderly population;
- Lower per capita and household incomes;
- Limited ethnic diversity;
- Lower overall educational attainment; and
- High proportion of service based employees.

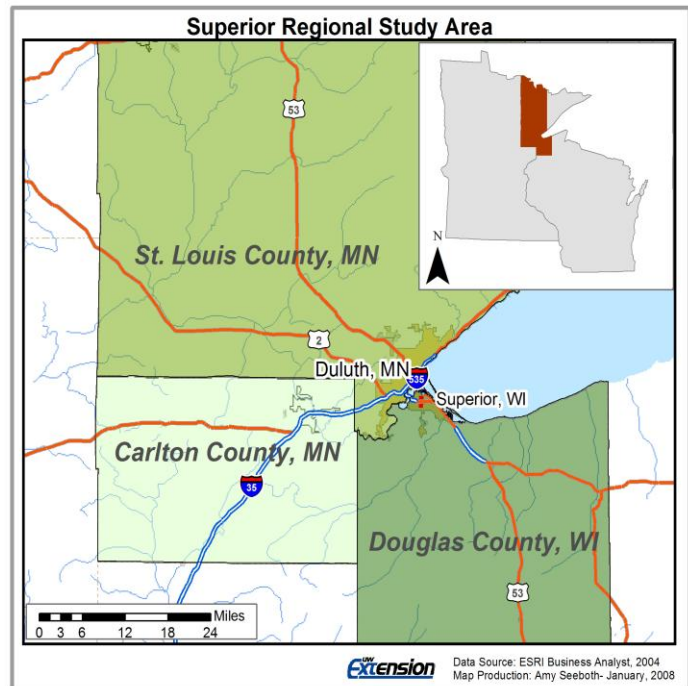
Based on consumer behavior and purchasing patterns of the Superior Primary Trade Areas, residents have lower purchasing potential per household than the U.S. average (as reflected by the many MPI figures that are less than 100). Example products and services that Superior Primary Trade Area residents have higher spending activity include: smoking products, fast food – drive thru, auto parts, bars/nightclubs, toys/games, home improvements, kitchen supplies, and pets.

#### 4. Superior BID's Relationship to the Regional Economy

The economy of Northwest Wisconsin and Northeast Minnesota is well known for core mining, forest products, and transportation. However, economic development efforts have created regional competitive advantages for heavy equipment manufacturers, precision machinery and fabricating operations, aircraft and aerospace industries, and applied information companies.

Douglas County and the Duluth-Superior MSA both had unemployment rates slightly higher than that of Wisconsin and United States averages over the past decade. Douglas County and the MSA have slightly lagged behind and national growth in personal income since 1996.

The largest portion of earnings in Douglas County comes from the services sector (22.0%), government (21.1%), and transportation and warehousing (20.5%). Compared to the broader MSA, state, and country, a significant percentage of the earnings in Douglas County are from the transportation and warehousing sector.



In 2000, approximately 7,166 working residents of Douglas County commuted out of the county for work, whereas 4,407 workers from other counties traveled into Douglas County to work. The result is a net loss of 2,759 working age residents who go to other counties for employment.

Residents of Superior value living in a location in which others come to vacation. Many visitors come to Superior because of the area's outdoor recreation amenities including Lake Superior. Others are attracted to area museums. Data for 2007 indicates that Douglas County ranks 28th in the state for traveler spending (travelers spent an estimated \$127 million in the county). Traveler spending in 2007 supported 2,732 full-time equivalent jobs. The summer is the busiest season with approximately 44% of all expenditures; followed by autumn (25%), spring (16%), and winter (15%).

#### 5. Needs and Perspectives of Business Operators

Overall, respondents to the business operator's survey had a high level of satisfaction with BID, its services, and facilities. BID satisfaction was most strongly related to the BID location and price of rental/leasing in the BID trade area. These attributes may be important to communicate to prospective businesses.

The competitive edges that many respondents felt they have include service (41.7%) followed by quality (15.5%), location (14.3%), uniqueness (14.3%). Respondents did



not have a strong mutual competitor, although Wal-Mart was identified a few times.

The vast majority of survey respondents have no plans to relocate or move their business (80.6%); as compared to those considering it (14.3%) and those planning to relocate (2.9%). A significant percentage (22.7%) report they have plans to expand products, service, or square footage. Almost one-third of business operators are considering improvements to their space.

The busiest months of the year for BID businesses are September through December and April. Respondents reported Monday morning and Friday afternoon as the busiest times during a typical week.

Business operators reported their primary business challenges include utility costs (31.6%), health insurance costs (26.5%), out of town competition (20.4%), financing (16.3%), and product costs/availability (16.3%). Based on the responses of property owners, major and minor challenges include cost of taxes (27%), property upkeep and maintenance (23%), building upkeep and maintenance (23%), and building appearance (19%).

Overall, garbage collection, police protection, fire protection, and the public library were rated as good or excellent. Those BID facilities and services that a number of respondents thought were “poor” included litter control, pedestrian friendliness, access to the arts, and bicycle access and sidewalk conditions. Street signs, overall layout, and lighting were also rated as excellent or good. A number of respondents rated the BID area as “poor” regarding vacant lots/buildings, business mix, trees/streetscapes, parking, and building appearance.

Challenges of specific importance to property owners included crime; such as vandalism and burglary, and to a lesser extent utility needs, filling vacancies, laws and ordinances, and expectations of tenants are not being met.

Revitalization of the core downtown (North 16th to Broadway and Oakes to Ogden) is important to respondents (about 90%). Businesses respondents would like to see other new businesses complement their business (such as: restaurant/food service, retail, professional services, clothing/apparel, coffee shop, entertainment attraction, and hobby businesses).

## 6. Needs and Perspectives of Consumers

Most respondents indicated that they did most of their shopping at either Miller Hill Mall or South Tower and not in downtown Superior.

The BID struggles from a poor reputation and image within the community. A constant theme throughout the survey was the need for the area to be cleaned up. Comments on vacant lots, dirty storefronts, and too many bars were made throughout the surveys. The issue of too many bars was also a safety concern, as respondents wrote that they felt unsafe in the BID after dark. The variety and quality of products, convenient parking, and good weekend hours were identified as the top reasons that a shopping or business area is considered attractive. The top three reasons respondents continually came to the BID were passing through, grocery shopping, and going to work.



Many respondents saw the waterfront as an under utilized resource. The consensus was that capitalizing on the waterfront could be a key component in establishing a new identity for the Superior BID.

The most appealing vision for the future of the BID was, “The BID as an attractive place to call home with new apartments, condos and townhouses that appeal to a wide variety of residents from students to retirees (60%).” The second most appealing vision for the BID was, “The BID is the center of employment with the addition of new office employers and businesses that serve daytime populations (59%).”

## 7. Comparable City Downtowns

Some common themes that appear throughout the comparable cities analysis include:

- Businesses, such as coffee shops and restaurants, that cater to the foot traffic of the college age population.
- Niche and specialty shops that are attractive to downtown residents and visitors and focus on the cultural and historical character of the community.
- Downtowns are striving to utilize river or water front areas as community focal points.
- Rental units and apartments found in the downtown district provide housing opportunities for the student and elderly populations.
- Informal downtown business organizations, groups, and/or networks that work to coordinate downtown events and promotions.

## 8. Analysis of Business and Real Estate Opportunities

**Retail and Services:** Local business operator perspectives, coupled with the demand and supply information presented earlier, provide a basis for identifying targeted categories for business retention, expansion, and recruitment efforts. Based on the information assembled in this analysis, the following street-level retail and service categories (chains and independents) represent some of the potential market opportunities that deserve additional study:

- Auto parts
- Bakery
- Book store
- Craft/Hobby store
- Electronics/Appliances
- Family clothing
- Gift stores
- Home improvement stores including furnishings
- Kitchen supply store
- Pet supply store
- Professional and business services
- Shoe store
- Toy store

**Restaurants:** Based on the information assembled in this analysis, the following concepts deserve additional study:

- Family restaurants
- Coffee shops
- Seafood restaurant
- Barbeque
- Brew pub
- Deli, Greek
- Italian restaurant
- Late-night restaurant
- Mexican restaurant
- Pancake restaurant
- Organic restaurant
- Steakhouse
- Bakery, possibly in conjunction with a coffee shop

Additional study of the above retail, service, and restaurant opportunities requires consideration of the needs and preference of trade area residents as reflected in their demographic characteristics (age, income, home ownership, etc.), and survey responses. Further, a better understanding of the impact of the Minnesota apparel sales tax exemption is needed. In addition, a more thorough study of existing and proposed supply is also needed.

**Office Space:** Current conditions do not indicate opportunities for large-scale office development in the BID at this time. However, the development or reuse of buildings as quality office space may make market sense on an incremental basis as prospective tenants are identified. The business success of tenants who have recently moved to newer or rehabilitated space will continue to convey a new commercial image for the BID as a convenient, central, and profitable place to do business.

**Residential Units:** Current conditions do not indicate opportunities for large-scale, higher-end residential units in the BID at this time. However, the development or reuse of buildings as quality and affordable rentals may make market sense on an incremental basis. Seniors and students, two market segments that are rent-sensitive, appear to provide a reasonable market for new rental units. The strengthening of neighborhood-serving retail and service businesses will be essential in ensuring that subsections of the BID are suitable for residential use.

**Lodging Facilities:** Based on the Smith Travel Research data, there appears to be strong recent growth in room night demand in the market. The nature of this demand (business, group, leisure/other) deserves further study. If it is found that demand is being generated by the University of Wisconsin-Superior or businesses in or near the BID, there may be opportunity to develop a limited-service (rooms only) lodging facility in the BID.

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*For additional information, contact the Superior BID office at (715) 394-3557.*

*Full study report is available at: <http://www.uwex.edu/CES/cced/downtowns/SuperiorDowntown.cfm>*