CITYSCAN:
SAN ANTONIO

Prepared for

**ANNIE E. CASEY FOUNDATION
"MAKING CONNECTIONS" SITE TEAM**

By

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PREFACE

This Report represents a preliminary scan of secondary data bearing on retail development opportunities on the West Side of San Antonio. Interpreting this data is highly dependent on local knowledge, and accordingly the initial interpretations in the Report should be considered as highly tentative, and subject to discussions and further analysis with the client.

The Report gathers and interprets data for four quadrants on the West Side which together constitute the target communities for the "Making Connections" initiative. The results of this preliminary analysis suggest that there are indeed areas of the West Side that offer very promising retail development opportunities. These initial observations must be refined by more detailed local data and client knowledge of the communities. The Report is prepared for purposes of facilitating this discussion and further analysis with the Making Connections Site Team.

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I. OVERVIEW

A consortium of San Antonio community development leadership ("the Site Team"), as part of the national "Making Connections" initiative supported by Annie E. Casey Foundation, is undertaking a broad range of economic development activities in San Antonio. As one potential strategy, the Team is interested in exploring retail business attraction and development opportunities. MetroEdge, a division of Shorebank Advisory Services (and a Technical Assistance Resource provided by the Foundation), has been retained to help with this exploration. This Report provides the results of a first stage analysis of retail opportunities on the West Side of San Antonio.

This first stage entails a preliminary data scan of the West Side[1] for the purpose of identifying which sub-areas are likely to have the highest potential for retail business attraction and development strategies. We do this in several steps. Primarily, the Report looks at the MetroEdge concept of I-Float.[2] I-Float indicates the extent to which residents in an area are spending more (Buying Power) than is being sold (Retail Sales) by stores in or near the area – resulting in expenditure leakage, signifying a potentially under-served area with high potential for retail development. This analysis is primarily done at the zip code level, because for smaller geographies the aggregate data becomes significantly less reliable.

Next, to provide confirming or refining evidence, the Report looks at supplemental indicators of market attractiveness. These alternative data sources measure at the census tract level other relevant characteristics – including housing investment, crime and core demographics – which are of particular significance to retailers. They are examined to determine which of the highest potential areas from the primary analysis are most promising, and to see whether any of the marginal areas in the primary analysis should be further examined.

It bears emphasis that this is a preliminary data scan. The results simply help indicate promising areas that bear further, more in-depth, examination. In particular, this initial study was done without seeing the neighborhoods and markets, critical to identifying less tangible factors, factors that are not or cannot be captured by data sets, and to evaluating and fully explaining the data.

It also bears emphasis that different types of neighborhoods offer different retail opportunities -- retail development occurs in stages tailored to neighborhood environments. This means that *every neighborhood offers the possibility of retail development aimed at its next stage.* The focus here is primarily on identifying the most underserved neighborhoods, generally needing early stage retail services. Opportunities may also exist to leverage the West Side's unique cultural and locational (e.g. proximity to downtown) characteristics to develop retail that will not

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[1] Much of the data is gathered and displayed for Bexar County as a whole, since the West Side market opportunity can only be understood as part of, and in comparison to, the larger economy.

[2] I-Float is composed of two variables, Retail Float and Retail Neighbor-Float. These two variables and I-Float are explained in more detail in the Methodology section on page 7.

only serve the local population, but also act as a key component of a broader neighborhood cultural attraction strategy. Opportunities for developing retail attractions on the West Side will be examined as part of the second stage of analysis, the *Target Industry Scan*, which focuses on the specific types of retail and services that might be best suited to a particular neighborhood.

The results of this preliminary analysis suggest that there are indeed areas of the West Side that are very promising for retail development strategies. There are areas of strong buying power and high retail float throughout the West Side. The only major exception to this pattern is the sparsely populated western half of quadrant 1 which covers the former site of a military airport space. One area where unmet demand appears to be particularly strong is the central portion of the West Side covered by zip code 78237 and comprised of the eastern half of quadrant 1, as well as smaller portions of the remaining quadrants' inner edges. This area exhibits high I-float (outflow of dollars both in this zip code and its neighboring zip codes) suggesting that consumer demand is not being met within this central area or within neighboring communities. While quadrants 2, 3 and the northern section of quadrant 4 also have high demand, much of it appears to be met in neighboring areas. For quadrants 2 and 3, this is likely explained by a "downtown effect." Similarly, for quadrant 4, capture of local demand by nearby communities is likely explained by the existence of retail attractors such as shopping malls (e.g. Ingram Park Mall, Heubner Oaks Center, Crossroads of San Antonio) in neighboring zip codes. As a result, while there is retail potential in quadrants 2, 3 and 4, it is important to be more selective with respect to categories or types of retail to pursue.

Turning to supplemental indicators, we find that different areas of the West Side score well along varied indicators; the northern and central sections more often appear most promising. Middle class presence is quite strong throughout the West Side, particularly in quadrant 2, 3 and 4, and the south-eastern section of quadrant 1. The northern section of the West Side (covered by quadrants 3 and 4) has experienced net population growth over the last decade. This northern section, along with parts of the central West Side, also shows a strong middle class presence and considerable investment in the existing housing stock (as measured by residential add, alter and repair building permits). The western half of quadrant 1 (former airport space), along with quadrant 4, lead the West Side in terms of new housing growth (as inferred from home purchase loans and new residential electrical connections). While the central section of the West Side looks strong in certain respects, crime appears to be an issue in this area, particularly in the north-central section where crime rates are particularly high, and in the east-central section where growth in crime has been significant. Taking into consideration both the primary measures (concentrated buying power and float) and the supplemental indicators, there are a number of areas on the West Side that look most promising for retail development. Those areas that stand out include: the central part of quadrant 4, north of West Commerce Street; the western part of quadrant 3, also north of West Commerce Street, the central section of the West Side where the four quadrants meet and the eastern part of the West Side, near the border of quadrants 2 and 3.[3]

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[3] It should be noted that at this phase in the analysis, we are examining general retail potential of a geography, and not yet adjusting for particular existing retail strips or site availability. Accordingly, when the analysis identifies a promising location, it is addressed to an area of underserved consumers, and not yet a primary site.

The Report concludes by recommending possible next steps if the Site Team wants to proceed further towards retail development in the most promising areas. These include on-site meetings and commercial landscape examination to confirm high potential target areas; then more detailed float analysis by industry sector for the high potential areas to identify the most promising types of retail for those areas; which allows, finally, industry sales forecasting for the most promising types of retail. Through these stages, high potential target areas are selected; then particular retail sectors (e.g., general merchandise, groceries, pharmacies, etc.) are identified with high potential for those target areas. Subsequently, detailed forecasts can be developed to quantify the specific market opportunity – the total dollars that the retailer might reasonably expect to generate by entering that target market. These studies, combined with on-the-ground analysis of site availability and other factors, are the core tools for developing new retail activity.

II. METHODOLOGY

As noted, this Report reflects a first stage of exploration that is entirely data based. Sources and limitations of the core data as well as explanation of the analytic methodology are provided below. Broadly, it should be noted that data-based analysis provides a useful starting point – and offers the benefits that it can uncover less obvious opportunities, compare multiple, large geographies, and be done relatively quickly and inexpensively - but it must be applied judiciously and in context. All data sources have certain limitations, and some important characteristics of retail markets cannot be captured by secondary data. As a result, it is important to understand how to use and interpret the data appropriately and to complement it with other types of analyses. Further methodological notes are provided as necessary in the Findings section.

A. BUYING POWER

Buying Power is the measure of potential dollars available to be spent in retail stores by the consumers in an area. This information is derived from the Retail Trade Potential database. The Census of Retail Trade is the basis of this information. Retail sales by store type are correlated with demographic characteristics to develop estimates of expenditures by store type. The Buying Power of a particular geography is estimated by identifying the demographic characteristics of the area, then extrapolating the associated expenditure patterns for those demographics and updating these estimates for the current year.[4] This procedure enables estimation of potential spending by store type for residents in a given geography. These models and resulting spending estimates are imperfect, particularly for inner-city areas, and tend to underestimate buying power for those areas. They are nevertheless the best available for present purposes, and – keeping in mind their limitations – can be reasonably reliably used to consider the relative strength or spending potential of geographies.

B. RETAIL SALES

Retailers, of course, are interested not only in the buying power of a neighborhood, but also in the competition – how much of that retail potential is not met locally? The second variable, Retail Sales, provides an estimate of the dollar amount of actual retail sales by store type (defined by NAICS codes). These estimates are also based on the Census of Retail Trade, whose data is used to calculate the sales per employee for each store type. Again, these sales estimates are updated each year. Once sales per employee by store type are known, estimates of retail sales by store type are generated for a given geography by using a separate database of current retail store locations and their associated number of employees. The Float analysis in this Report is conducted at the ZIP code level.[5] Though some retail market data companies and analysts

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[4] These estimates were obtained from Claritas. Unless otherwise indicated, Claritas was the source of the underlying data for Float -related calculations.

[5] For an overlay showing the relationship of zip codes to major streets, see Map 3 below.

offer extrapolations for smaller geographies, we believe this data, when used as part of a comparison of aggregate demand and supply, loses significant reliability below the zip code level. It should also be noted that the Census of Retail Trade as well as current business databases may tend to undercount smaller and informal economy business activity so this estimation procedure may also underestimate total retail sales in a given geography. It is, however, the best available data and quite reliable for these purposes.

C. RETAIL FLOAT

Retail Float is a simple, yet powerful, metric that measures the amount of unmet retail opportunity in a geographic area.

Retail Float is the difference between Buying Power and Retail Sales: it is an indicator of how much residents of an area spend that is not captured by actual sales by stores in the area [see Figure 1]. For example, if zip code "X" has $70 million in expenditures by local residents on retail goods, and $30 million in sales of retail goods by local stores, the Retail Float for "X" is $40 million.[6] This methodology tends to produce a very conservative estimate of float (i.e., it tends to underestimate float, providing a minimum or lower boundary of the likely amount of float) because stores sell to people outside the neighborhood as well.[7]

If …

> **Buying Power – Retail Sales = 0**
> > Then retail sales (supply) and consumer buying (demand) are at parity
> > > [Supply ≈ Demand]
> **Buying Power – Retail Sales = Negative $**
> > Then there are more sales occurring in a geographic area than what is supported by those that reside in that area.
> > > [Supply > Demand]
> **Buying Power – Retail Sales = Positive $**
> > Then there is more demand for retail than is currently available in a certain geographic area.
> > > [Supply < Demand]

Figure 1 – Retail Float Methodology

Most neighborhoods have a positive float, because certain types of goods and services are not normally purchased in the neighborhood. For example, you would not find major appliance stores or large law firms in most neighborhood areas. *Note, in particular, that because the retail*

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[6] Float is also sometimes known as "*expenditure leakage*," since in this example $40 million in expenditures "leaks" out of the neighborhood.

[7] Though it is less clear, it is also highly possible that expenditures are underestimated more than sales in the respective data sets, which would also cause the float estimate to be conservative.

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category of auto and auto-related businesses tends to have a much larger service or trade area than most retail activity, and is such a significant retail expenditure category, it is excluded from the float analysis here. Float for this category is provided separately in the Appendix.

D. RETAIL NEIGHBOR-FLOAT

Retail Neighbor-Float is a metric built to address one intrinsic limitation of the Float metric. A pure analysis of float will determine the unmet consumer demand in a given geographic area. It will not, however, indicate whether that demand is potentially being met by retail establishments in adjacent geographic areas. For example, a geography may have a high level of float because a giant shopping mall is located right across the zip code line, in which case it may not be under-served at all. Neighbor-Float helps determine the extent to which residents' retail needs are met in nearby areas by looking at the Float in those areas. By quantifying the mean Float in areas surrounding each geographic unit, Retail Neighbor-Float assigns to each geography a measure that characterizes the average Float associated with surrounding areas, thereby quantitatively identifying the likelihood that unmet demand is being captured nearby. Specifically, Neighbor-Float for zip code "X" is defined as the average float among all the zip codes adjacent to zip code "X." We cannot know, of course, at this preliminary stage of analysis, whether residents are really shopping nearby (or where residents of nearby areas are shopping). This simple metric nevertheless provides a useful first approximation of the likelihood that retail needs are met in nearby geographies.

In this first stage analysis, we are only examining aggregate retail potential, and therefore we simply used the bordering zip codes in the computation of Neighbor-Float. It should be noted that in later stages, when using Neighbor-Float to examine retail potential by specific store type, it is best to define the neighboring areas by reference to the average trade area for the specific store type being examined. For example, the trade area for a department store is much larger than for a grocery store: people expect to travel further for the first, and we do not expect one to be located in every community or even nearby every community. With respect to analysis of potential for particular store types, to determine whether the unmet demand signified by Float is in fact being met "nearby," we need to adjust our definition of nearby (used in the Neighbor-Float calculation) to account for these differences in store trade areas.

For a retailer, Neighbor-Float is an indicator of how close the competition is. This measure helps to refine the conclusions based on Float alone and suggests the role of the specific geography with respect to its neighbors.

E. RETAIL I-FLOAT

Examining Float and Neighbor-Float together is most informative and creates a combined characterization of each zip code, referred to as "I-Float," as described in Figure 2.

Figure 2 – I-Float Methodology

I-FLOAT	FLOAT	NEIGHBOR-FLOAT	IMPLICATIONS
High -- High	Higher than Average Float	Higher than Average Neighbor-Float	Target Area: High Probability that unmet consumer demand is not being captured in surrounding areas
High -- Low	Higher than Average Float	Lower than Average Neighbor-Float	Secondary Target Area: Likely that unmet consumer demand is being captured in surrounding areas
Low -- High	Lower than Average Float	Higher than Average Neighbor-Float	Local Attractor: Likely that this area is meeting the consumer demand from surrounding areas
Low -- Low	Lower than Average Float	Lower than Average Neighbor-Float	Regional Attractor: Likely that this area, along with its neighbors, is meeting the demand for goods from regional neighbors.

These categories should not be viewed as a linear progression from best to worst opportunities for retail attraction. Rather, they take a step towards defining different types of retail markets, each of which may offer different types of development opportunities. This is because retail develops in stages, and with different combinations appropriate for different neighborhoods. For example, while high-high may be the most underdeveloped, and so offer the most general opportunity, it may be better suited for earlier stage or more localized retail – such as grocery stores and dry cleaners. To attract a major clothing store, for example, may require a critical mass of earlier stage retail establishments and activities. Thus, a low-high area may be a particularly good candidate for later stage retail development, since it already has some retail activity (indicated by the low float), but its neighbors do not. The high-high areas receive priority in this report because it is likely that neighborhood-based development organizations will be most interested in starting with earlier stage retail development in the most under-served neighborhoods.
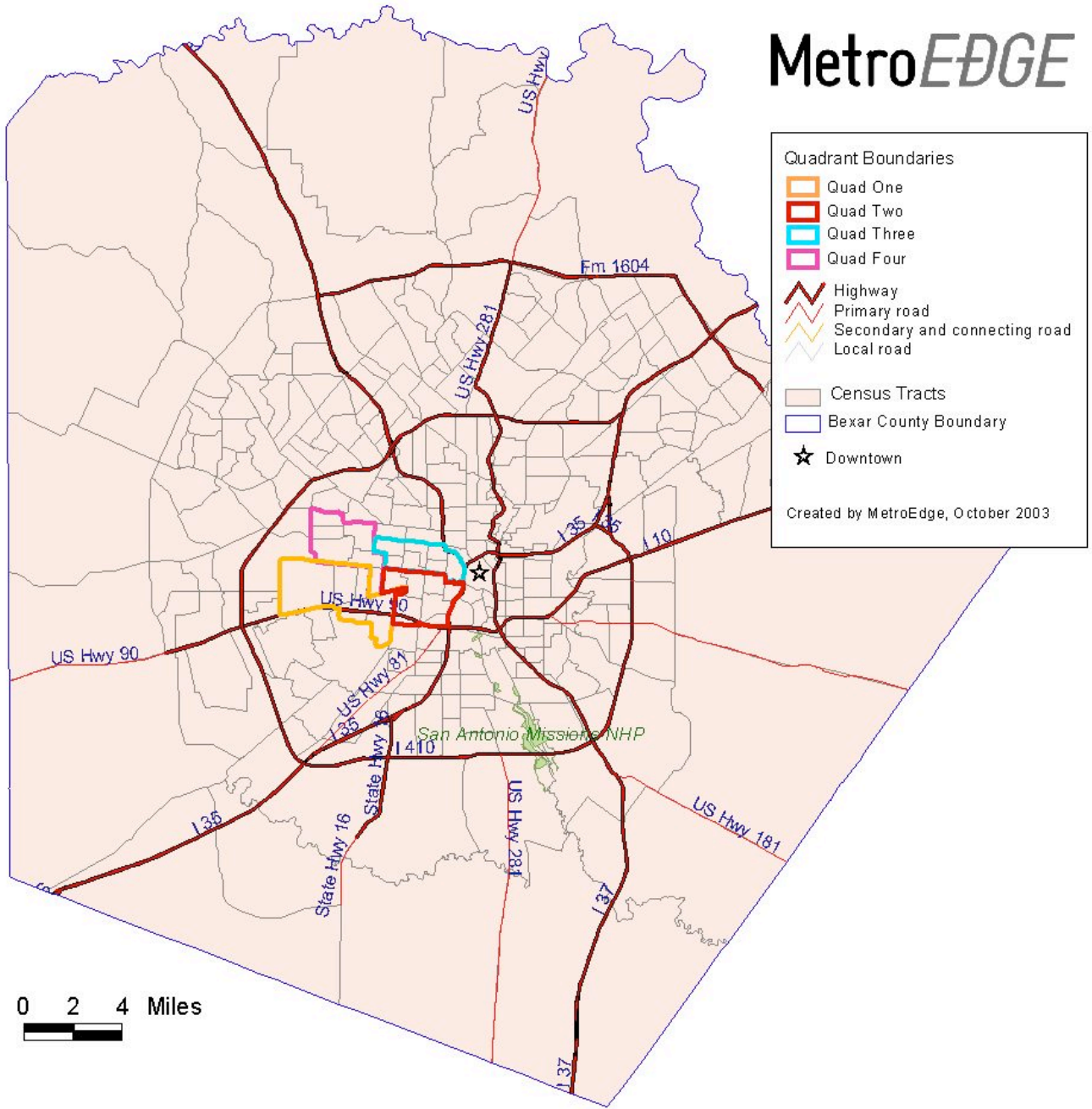
F. INTERPRETING THE MAPS

In order to be consistent and remove any bias in classification, the thematic maps in this report display data categorized by quintiles (five equal divisions). Generally, the darker colors indicate higher values.

The thematic maps display data at the census tract or zip code level. Streets, census tract and zip code numbers for the study area can be found in reference Maps 1 to 3, as these features are not included in the thematic maps.

Finally, all of the underlying data for the charts and maps in this Report is provided in spreadsheets in the Appendix.

This report will repeatedly refer to the "West Side", which is defined as the area comprised of quadrants one, two, three and four. (See Map 1). These areas are generally due west of downtown, with Quadrants 2 and 3 contiguous with downtown. Core demographics for the West Side quadrants, such as population, household counts and race/ethnic breakdowns, can also be found in the Appendix, and will be referenced as appropriate in the analysis below.

Map 1: Bexar County - Major Roads