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SAN ANTONIO

PHASE II: TARGET INDUSTRY SCAN

Prepared for

**ANNIE E. CASEY FOUNDATION
“MAKING CONNECTIONS” SITE
TEAM**

By

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PREFACE

This Report presents the results of a second-phase examination of retail development opportunities on the West Side of San Antonio. It is based on additional secondary data, as well as on limited primary data collected in meetings with stakeholders on the West Side and by driving the neighborhoods. Nevertheless, interpretation of these data continues to be highly dependent on local knowledge, and, accordingly, the initial interpretations in the Report should be considered as tentative. They are intended for purposes of facilitating further discussions and analysis with the client.

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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 on the West Side. 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 the *second-stage* analysis of retail opportunities on the West Side of San Antonio.

In the first phase, the *CityScan*, MetroEdge explored overall opportunity for retail development on the West Side and identified sub-areas of the West Side likely to have the highest retail development potential. The first phase analyzed “Float” metrics that indicate market opportunity due to overall retail expenditures by residents of the neighborhood in excess of sales in or near the neighborhood, as well as indicators of neighborhood trends and attractiveness to retailers. The examination revealed areas of the West Side that are very promising for retail development strategies. As a result, the Site Team decided to proceed with this second phase.

While the first phase looked at overall retail opportunity, in this second stage, the *Target Industry Scan*, MetroEdge examined opportunities for developing specific types of retail and service businesses that might be best suited to particular sites within the West Side. This entails examining Float and other metrics for particular categories of retail and services, as well as examining other characteristics of the retail, real estate, and business environment. It also reflects discussions in several meetings with residents about their buying habits, preferences, and observations concerning the retail environment. The results of this examination are contained in this report.

The Report confirms substantial opportunities for retail development. It identifies retail and commercial service market opportunities in dozens of categories, ranging from hardware stores to optometrists. It then identifies three particular commercial real estate sites or nodes of special interest, and suggests particular types of retail opportunity that might be suitable — and capture substantial untapped market — for each. These sites and store combinations are not exclusive; rather, they serve to concretely illustrate the varied opportunities available, allowing the development discussion to move toward selection of particular types of stores and locations based on local preferences and capacities. In brief, the three commercial development opportunities identified are:

1. *General McMullen and Castroville* (Northeast and Southwest Corners) — The existing retail on the Northeast corner of this intersection could be complemented with a large-scale or big-box development on the Southwest corner. This might be a department, furniture, or hardware store, or — possibly — movie theaters.
2. *West Commerce and General McMullen* (Northwest Corner) — The older, poorly tenanted strip mall behind Walgreen’s might be revitalized as a neighborhood shopping

center, with some combination of a stationery store, electronics store, dry cleaner, small restaurant, optometrist, apparel store, beauty salon, and specialty food store.

3. *SW 24th Street and Commerce (Southwest Corner)* — Taking advantage of proximity to Elmendorf Lake and the Catholic University, redevelopment of this intersection might be centered around a bookstore, photocopying establishment, and coffee shop — perhaps with entertainment — complementing the existing food store (which could be improved as well).

Finally, a distinct type of development opportunity — *tourism centered development* — also appears promising, particularly around the area of Guadalupe and S. Brazos streets. This would build upon entertainment, restaurants, and local merchandise stores, and would be marketed to attract tourists from downtown.

There are several possible paths and next steps to pursuing these retail development opportunities. The Site Team could identify or form a local development entity, and select a local or national retail real estate development partner, as necessary. It could decide — in addition or instead — to immediately solicit interest from particular retailers (particularly large retailers, which would manage their own developments). At the same time, the Site Team can conduct further discussions examining local consumer preferences, as well as entrepreneurial interests, in order to select priority sites and types of stores. Once this is done, a third phase could move toward more industry- and retailer-specific sales forecasting for particular sites, while also converting all of this analysis into more directed marketing material to attract specific retailers.

The West Side of San Antonio offers substantial retail and service market opportunity. Residents are spending hundreds of millions of dollars outside the neighborhood, much of which could be better served by new development within the West Side. Well managed, competitive developments at key sites within the neighborhood would play a key role in contributing to the vitality and economy of the West Side.

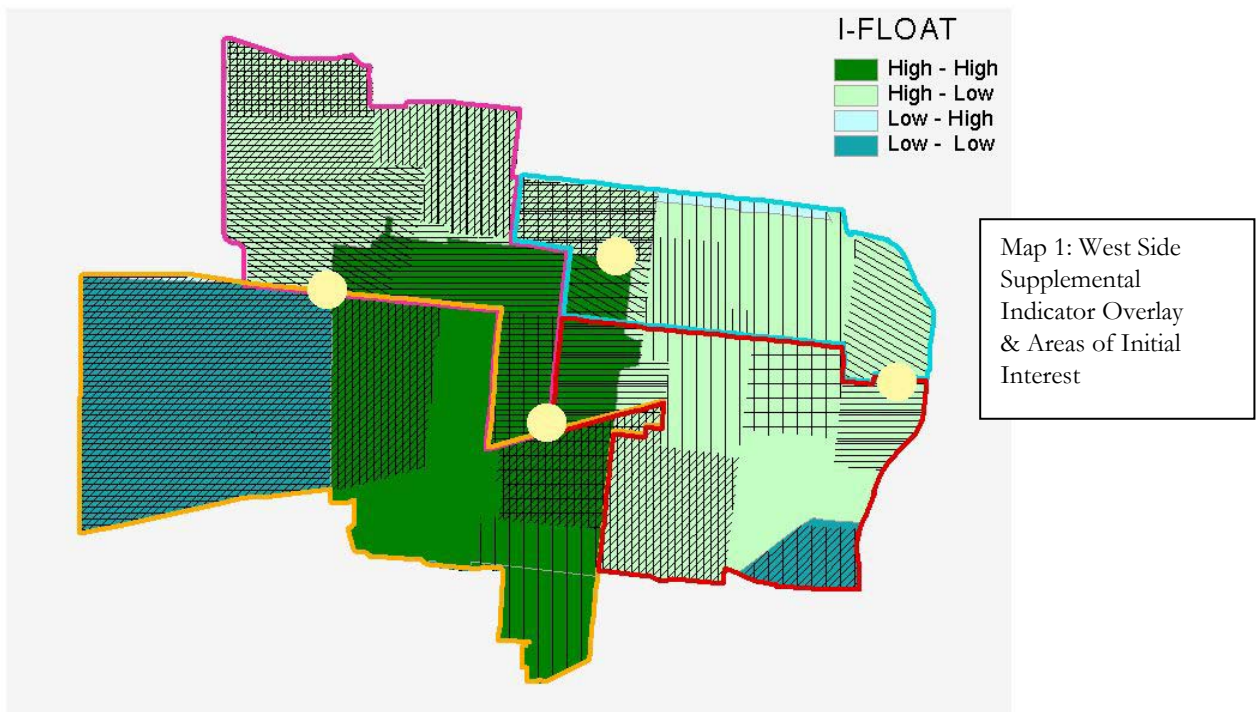
I. TARGETING COMMERCIAL DEVELOPMENT OPPORTUNITIES — WEST SAN ANTONIO

A. BACKGROUND AND METHODOLOGY

Picking up where the “CityScan” left off, this Report examines opportunities in a particular geography — West San Antonio — for specific *types* of retail and service sector development. Methodology and data sources are only briefly discussed in this Report, as relevant to the particular sections. For further discussion of the concept of “Float,” and for more detailed description of data sources and methodology, please refer to the CityScan report from Phase I. The results of that report were presented at several meetings of local residents and businesses, and this report also reflects very helpful feedback and observations from those meetings.

B. WHERE WE LEFT OFF: AREAS OF CONSUMER MARKET OPPORTUNITY

The last map in the CityScan, reproduced below, summarized the areas where high unmet consumer demand coincided with other positive indicators of opportunity (such as new investment activity or low crime rates).

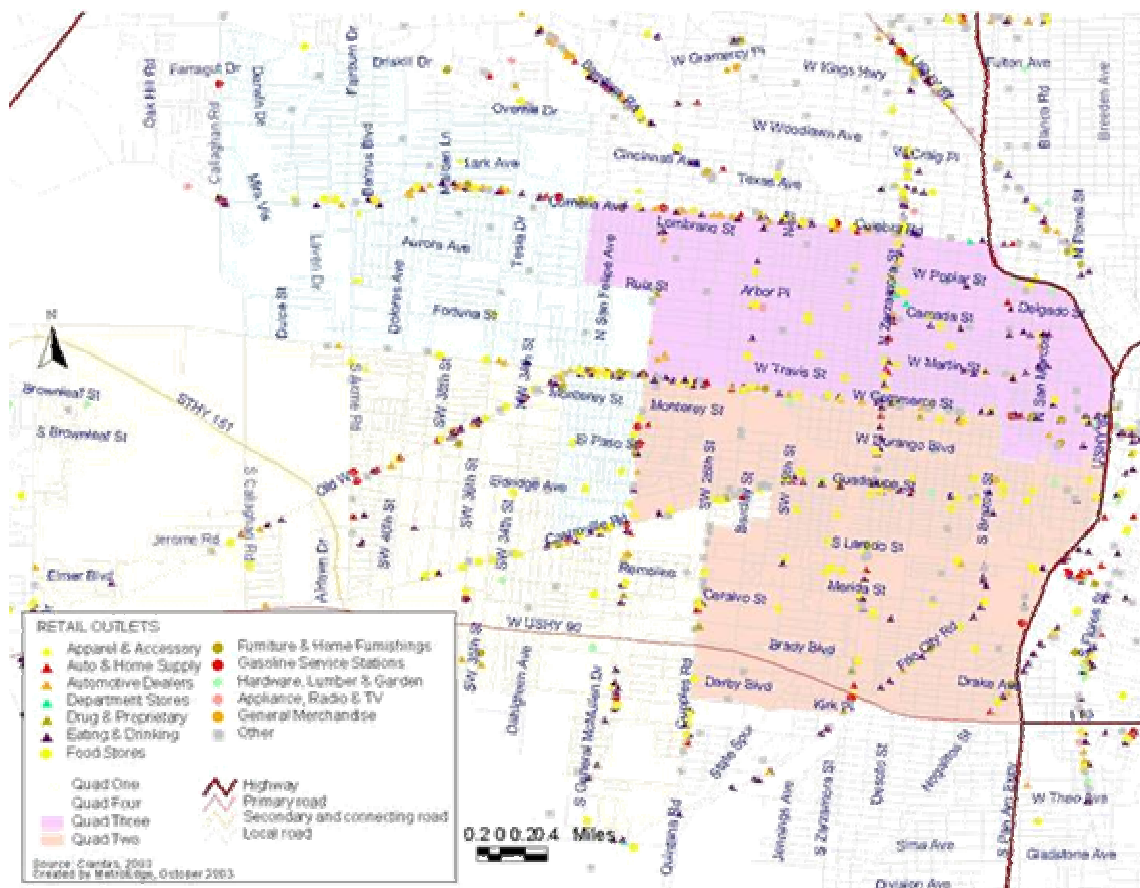


The phase-one analysis identified substantial retail market opportunity, and focused primarily on where the consumer demand is located (in other words, on where the people live that a store or service might want to capture); it did not yet focus on where to locate the store. We are now confronted with several additional questions: What *types* of stores have the best opportunity? Where are the best *locations*, taking into account existing commercial strips, commuting patterns, the location of malls and competitive businesses, real estate issues and other factors?

As we turn to these questions, it is useful to refer to a background map that shows the target area and the existing distribution of stores (see Map 2).

West San Antonio

Map 2 — Current Retail Snapshot



C. SPECIFIC RETAIL OPPORTUNITIES

The main task of this phase is to move from measuring overall retail opportunity to gauging opportunities for particular types of retail. This requires breaking out the expenditures and sales by retail category (such as hardware or drugstore). We first calculate the Neighborhood Float for particular store types, then adjust it for sales captured nearby, to calculate “Adjusted Float,” a measure of retail demand not met in or near the neighborhood. The results of this analysis are described below.

1. FLOAT BY STORE TYPE

FLOAT BY STORE TYPE PROCEDURAL OVERVIEW

1. Calculate Demand and Supply Estimates for major retail categories.
2. Identify store types with high Retail Float within West San Antonio.

Methodology

The retail-sector analysis focuses on Retail “Float” by store category. Retail Float (also sometimes referred to as “expenditure leakage”) is an estimate of how much money residents of an area spend that is not captured by sales by stores in the area. For example, if residents of the target area spend \$30 million on hardware, but hardware stores located in the area have only \$3 million in sales, then Retail Float for the hardware category is \$27 million. This is an estimate of how much money leaves the neighborhood in a retail category, and therefore also provides an estimate of the opportunity for retail development — in that category — in the neighborhood. The methodology used tends to produce a conservative estimate of Float (that is, it tends to underestimate Float, providing a minimum or lower boundary of the likely amount of Float).¹

To perform this analysis, MetroEdge first uses a dataset derived from the Census of Retail Trade (described in the CityScan), which provides an estimate of consumers’ buying power by retail category at the block-group level. To estimate sales by retail category, additional data derived from the Census of Retail Trade are used. These data provide information — on the level of sales — for different types of retail stores, based on their categories and number of employees. This dataset might indicate, for example, that hardware stores average \$100,000 in sales per employee in the county. We then utilize an additional, distinct business-establishment dataset that provides point-level information on particular businesses, their categories, and their number of employees. This dataset might indicate, for example, that there are three hardware stores, with an average of seven employees each, in the neighborhood. The two datasets combined permit an estimation of the volume of sales for a specific category within particular geographies. Using the same example, we would then project that hardware sales in the neighborhood are \$2,100,000 (three stores times seven

¹ This is primarily because stores sell to people outside the neighborhood as well. It is also possible that expenditures are underestimated more than sales in the respective datasets, which would also cause the Float estimate to be conservative.

employees times \$100,000 per employee).² Using this technique, MetroEdge apportioned estimates of Retail Float for 12 major retail store types within the West San Antonio Area.

OBSERVATIONS FROM FLOAT BY SECTOR ANALYSIS (TABLE 1)

The results of this analysis are contained in Table 1. When analyzing Float data, it is important to note that most neighborhoods have a positive Float overall, and cannot support certain types of retail by themselves, because many types of goods and services are not normally purchased in the neighborhood. For example, most neighborhood areas do not have their own major appliance stores or big-box department stores. These categories generally draw from market areas larger than neighborhoods (so high Float alone is not a sufficient indicator). In addition, retail categories used in Float calculations are large, with each category encompassing many varied establishment types. It should also be remembered that this is just a first look at how much buying occurs outside the study area for different types of retail. As the analysis proceeds, we conduct additional calculations and fold in on-the-ground observations to make recommendations about which retail types might be most successful.

This first cut reveals several retail categories with high Float:

- While Auto Dealers and Department Stores are the highest categories, these categories need to be approached with caution because, as noted above, they are less likely to be neighborhood-based (auto dealers, in particular, tend to cluster, and not to be distributed across neighborhoods). In the resident meetings, people emphasized the desire for development to include locally run, smaller businesses, which also are less likely to fall into these categories.
- *Eating and Drinking, Apparel, Hardware/Building Materials, Household Appliances, and Furniture and Home Furnishing Stores* all present major potential, particularly because not only are the dollar volumes of float substantial, but the Float represents a high percentage of the demand. Residents also emphasized major furniture as a category they particularly miss in the neighborhood.
- Eating and Drinking and Apparel deserve particular attention, since their Retail Float is especially high (\$40.4 million and \$33.6 million, respectively), and, as detailed below, these categories do not require as many sales to support an establishment (that is, smaller stores are viable in these categories).
- Gasoline Service Stores also present high Float, and may offer a real opportunity. Furthermore, residents emphasized the need for gas stations, noting particularly that there are no 24-hour service stations in the neighborhood. However, gas stations present some special considerations. They are less suitable to the type of retail “node” strip or mall development (combining multiple retail and service outlets) in which the community has

² Note that this attribution to smaller geographies introduces an additional layer of possible error if stores are not captured accurately for the geography, or if inner-city stores in particular categories tend to be staffed differently (and so have a different ratio of employees to sales) than their suburban counterparts. The supplemental database used for these attributions has proven quite reliable in identifying stores for the categories examined here. The second issue bears further case-by-case examination.

expressed interest, and their market needs to be analyzed a bit differently (with greater emphasis on traffic patterns and the location of competition).³

³ MetroEdge can undertake more detailed analysis of gas-station development opportunity if there is interest. It is not otherwise prioritized in this Report.

Table 1 — Retail Float by Store Type

Category	Demand	Supply	Float	Float as a Percentage of Demand
Automotive and Miscellaneous Auto Dealers	\$274,815,581	\$100,830,667	\$173,984,914	63%
Department Stores, Including Leased Departments	\$141,644,895	\$31,981,221	\$109,663,674	77%
Eating and Drinking	\$135,155,484	\$94,765,169	\$40,390,315	30%
Apparel	\$60,813,309	\$27,176,966	\$33,636,343	55%
Gasoline Service Stores	\$76,555,832	\$43,249,900	\$33,305,932	44%
Hardware/Building Materials	\$39,246,300	\$13,733,882	\$25,512,418	65%
Household Appliance, Radio, and TV Stores	\$24,107,052	\$4,161,260	\$19,945,792	83%
Furniture and Home Furnishing Stores	\$22,152,100	\$5,467,039	\$16,685,061	75%
General Merchandise, Excluding Department Stores	\$20,368,519	\$12,073,921	\$8,294,598	41%
Automotive and Home Supply Stores	\$21,013,710	\$17,165,458	\$3,848,252	18%
Drug and Proprietary Stores	\$34,633,528	\$33,664,026	\$969,502	3%
Food Stores	\$187,368,947	\$226,394,002	-\$39,025,055	n/a

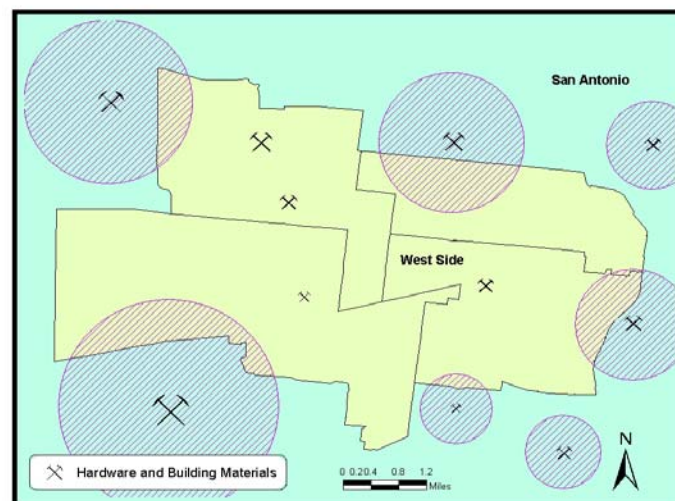
Source: Claritas 2002-2003, MetroEdge Metrics

2. ADJUSTED FLOAT

While the Float analysis provides a picture of the unmet neighborhood demand for a specific retail category, it does not consider the extent to which the unmet demand is satisfied by nearby competition. Adjusted Float takes this into account, generating a more conservative approach to retail opportunity in the target area.

For purposes of this phase, we are examining retail potential across a geography defined by neighborhood boundaries (the West Side of San Antonio), rather than a geography defined by particular sites and their target market areas (which vary, of course, by type of store). This type of analysis is adequate for this phase, where we are taking the step of identifying the most promising types of retail for closer examination.⁴ Nevertheless, it is important to get some rough measure of the extent of competition for the unmet demand in the neighborhood: How much of that Float is, in fact, met by stores nearby? In other words, if there are stores outside the boundaries of the neighborhood whose market areas likely include some of the households inside the neighborhood, the Float from those households is not as clearly unmet demand, since it is presumably satisfied nearby. As figuratively illustrated in Map 3, below, we subtract this “Near Float” from the overall Float to calculate Adjusted Float, an adjustment to the estimates of retail potential to account for nearby competition. Broadly, Float provides a higher-end estimate, assuming a new store could capture all of the resident expenditures outside the neighborhood. Adjusted Float provides a lower-end estimate, subtracting expenditures near the neighborhood (even though a new store might cause people to shop closer to home).

Map 3 — Illustration of Float Adjustment



⁴ Once a particular type of retail is selected as high potential (for example, an apparel store), next phase would project sales for that type of store for particular sites and defined market areas. Some preliminary store- and market-specific observations are offered toward the end of this Report.

ADJUSTED FLOAT PROCEDURAL OVERVIEW AND METHODOLOGY:

1. Using MetroEdge metrics, calculate Near Float and Adjusted Float by retail category to assess demand unmet in *or near* the Target Area.
2. In order to estimate the extent to which retail establishments near the Target Area are serving residents of the Area, using Census Block data and county-level ratios, define a trade area around each retail establishment near the Area based on its relative size (as measured by the number of employees) and the average number of households serviced by an establishment of the SIC category (that is, the bigger the establishment, the larger its trade area and competitive impact).
3. Estimate the number of households within the Target Area that fall in the trade area of a non-target area retail establishment. Calculate the associated retail spending.
4. Adjust retail Float by Sector accordingly.
5. Calculate “Demand Competition Index.” This index is the Near Float (Float minus the Adjusted Float) divided by the Total Float, so it provides a rough measure of the extent to which the Float is captured nearby. A high index suggests that a great portion of Float is captured by nearby establishments and, thus, that residents are not going far from the neighborhood to find their goods. (The index is stated as 100% for categories with negative Adjusted Float.)
6. In order to get a sense of the size and type of store the Adjusted Float might support, convert Adjusted Float figures to estimated square footage of retail space, using sales per square foot averages (from ICSC database). (See Table 3.)

Table 2 — Adjusted Float

Category	Demand	Float	Adjusted Float	Demand Competition Index	Ranking Float	Ranking Adjusted Float
Automotive and Miscellaneous Auto Dealers	\$274,815,581	\$173,984,914	\$60,539,235	65%	1	1
Department Stores	\$141,644,895	\$109,663,674	\$60,169,736	45%	2	2
Household Appliance, Radio, and TV Stores	\$24,107,052	\$19,945,792	\$12,268,640	38%	7	3
Furniture and Home Furnishing Stores	\$22,152,100	\$16,685,061	\$5,059,416	70%	8	4
Hardware/Building Materials	\$39,246,300	\$25,512,418	\$4,292,609	83%	6	5
Apparel	\$60,813,309	\$33,636,343	\$1,201,263	96%	4	6
Gasoline Service Stores	\$76,555,832	\$33,305,932	-\$1,190,874	100%	5	7
General Merchandise, Excluding Department Stores	\$20,368,519	\$8,294,598	-\$1,893,699	100%	9	8
Automotive and Home Supply Stores	\$21,013,710	\$3,848,252	-\$10,014,285	100%	10	9
Eating and Drinking	\$135,155,484	\$40,390,315	-\$11,437,379	100%	3	10
Drug and Proprietary Stores	\$34,633,528	\$969,502	-\$21,313,171	100%	11	11
Food Stores	\$187,368,947	-\$39,025,055	-\$132,727,262	n/a	12	12

Source: Claritas 2002-2003, MetroEdge Metrics

OBSERVATIONS FROM ADJUSTED FLOAT ANALYSIS (TABLE 2)⁵

The categories of Household Appliance, Radio, and TV Stores, and Furniture and Home Furnishings look even more attractive once Float is adjusted, suggesting there is little competition nearby in these sectors. Hardware and Building materials also remains strong. In contrast, Eating and Drinking and Apparel have considerable competition near the Target Area. This does not rule them out as possibilities. Restaurants, in particular, are likely to recapture residents who are leaving the neighborhood but prefer the convenience of being closer to home, so the Float indicator (rather than Adjusted Float) may be more accurate. It also may suggest aiming for smaller-sized, niche establishments, particularly for Apparel. That Department Stores also remained high increases the possibility that a Department Store has potential in the neighborhood, considering the large dollar demand not met even nearby. More detailed observations on each category follow.

- A. Household Appliance, Radio, and TV Stores** ranks third, with an Adjusted Float of \$12.3 million. This category was not affected as much by nearby competition as other categories (moving from being ranked seventh in the Float analysis to third in the Adjusted Float analysis). From the Table 1 Float analysis, we also know that Float as a percentage of demand was also highest for this category (83%), meaning it faces relatively little competition within the Target Area. With average sales per square foot in this category of \$327 (see Table 3), the \$12.3 million in Adjusted Float could support a store of approximately 40,000 square feet. This potential Retail Square Footage is big enough, for example, to support retailers such as Best Buy and Circuit City. More realistically, the community might want to start with a more local operation or franchise, such as a Radio Shack.
- B.** Although **Furniture and Home Furnishing Stores** was considerably affected by competition (70% of unmet demand is captured by nearby establishments), it still presents an Adjusted Float of \$5 million. At approximately \$316 dollars per square foot, this translates to an estimated additional potential retail square footage of 16,011, equivalent to one medium-sized or a few smaller local or regional specialty home furnishing stores.
- C. Hardware/Building Materials** showed very high proportional nearby competition (83%). Nevertheless, the Adjusted Float of \$4.2 million translates to about 17,700 square feet of space, enough to support neighborhood hardware stores such as True Value or Ace.
- D. Apparel** similarly showed high nearby competition. Even though the Retail Float in this category was one of the highest (\$33.6 million), the nearby competition is very high as well (96%), resulting in an Adjusted Float of \$1.2 million. Considering its large Float, this category still offers opportunity (especially if, as likely, a new store would recapture some of the dollars currently flowing to nearby stores). Even the conservative Adjusted Float would support developing smaller neighborhood boutique-type stores.

⁵ As discussed in later sections, the ultimate selection of retail prospects must take into account an overall strategy for developing clusters of complementary retail and the limitations of site characteristics, among other factors. At this point in the discussion, we are still exploring broad categories of opportunity, and are not yet taking these considerations into account.

- E. Department Stores** reveal a high Adjusted Float of \$60 million. Although people often leave the neighborhood for Department Stores, this level of Adjusted Float easily supports a substantial store. For example, stores such as Target and K-Mart generally have sales in the \$25 million range. Local residents and business leaders report that several large retailers, including a K-Mart and a Target, have left the area, which may in part account for the Float. It also suggests the need for further investigation if department store development is to be pursued.
- F. Automotive Dealers** showed the highest value in Float and Adjusted Float (which partly reflects the fact that auto expenses are a large part of household retail budgets). In spite of the high demand, automobile dealerships are less likely to be part of a neighborhood development strategy, since many cluster together to maximize their drawing power (for instance, in auto malls). In addition, automobile dealerships have very large trade areas, minimizing their need to have locations in each neighborhood.
- G. Eating and Drinking** presented a high Retail Float of \$40 million dollars. With nearby competition, the Adjusted Float for this category went down to -\$11.4 million, moving from third to tenth in the ranking. As previously noted, the category is still promising, since it can be supported by demand in the neighborhood, but establishments in this category will have a greater chance of success if tailored to drawing locally, or offering something unique and different from their competition.
- H. The Gasoline Service Stores** category was significantly affected by competition, resulting in a negative Adjusted Float value (-\$1M). This value suggests that any unmet demand within this category is being met by nearby retail outlets outside of the neighborhood. Since gas purchase is often highly local and the Float number is large, it may still be possible to develop a gas station that would recapture business from the surrounding area. Nevertheless, this seems to be a lower priority category (unless, for example, a local entrepreneur wanted to pursue it).
- I. General Merchandise, Automotive and Home Supply Stores, Drug and Proprietary Stores, and Food Stores** all present a negative Adjusted Float, being highly affected by nearby competition. These would all be lower priority categories for retail development in the West San Antonio Area.

At this stage in the analysis, five categories of retail seem most promising. They are summarized in Table 3.

Table 3 — Adjusted Float by Store Type Translated to Square Footage

Category	Float	Adjusted Float	Sales per Sq Ft	Estimated Square Footage (Adjusted Float)	Examples
Household Appliance, Radio, and TV Stores	19,945,792	\$12,268,640	\$327	37,519	Best Buy and Circuit City
Furniture and Home Furnishing Stores	16,685,061	\$5,059,416	\$316	16,011	Local or Regional Specialty Store
Hardware/Building Materials	25,512,418	\$4,292,609	\$242	17,738	Neighborhood Hardware: True Value, Ace
Apparel	33,636,343	\$1,201,263	\$282	4,260	Neighborhood Boutique
Department Stores	109,663,674	\$60,169,736	N/A	N/A	Target, K-Mart (\$25MM Sales)

Source: Claritas 2002-2003, ICSC 2003, MetroEdge Metrics

D. SERVICE SECTOR GAPS

In addition to examining the potential for particular store categories engaging in the *retail* sale of *goods*, the market analysis also explored *service sector* development opportunities. Since the data available on purchase and sale of services are neither sufficiently detailed nor accurate to apply the Float methodology, we undertake a *Gap Analysis* instead. While rougher,⁶ the Gap Analysis (explained below) does allow a preliminary estimate of the number of new establishments required to serve the needs of the local population — in other words, the unmet demand for local services. Gap Analysis can also be used to examine narrower *retail* categories (such as bookstores) than can be analyzed with the Float data, and is also applied below to a few retail categories of particular interest.

PROCEDURAL OVERVIEW AND METHODOLOGY

- 1) Using a commercial point level business database, calculate the average number of establishments per thousand households in the County for each of hundreds of service categories.
- 2) Determine the gap between this average and the actual coverage in the target community area, based on the number of establishments per household in the Target Area.
- 3) Translate the gap into the number of potential establishments, based on the number of households in the community area.
- 4) Repeat the procedure to compute the gap in terms of the number of employees in each service-sector category. We examine employee averages and gap in addition to establishment averages and gap to give us separate measures, in case either one is misrepresentative because the establishments may be of unusual size. For example, if the Target Area has one large hospital, it may show a large establishment gap in number of Doctors' Clinics (because there is only one establishment), even though there is no need for additional doctors. In this case, even though there is an establishment gap, there will not be a gap in employees in clinics (since the hospital is large). A positive gap in *both* establishments and employees suggests a service category development opportunity.
- 5) Identify categories with a high gap in the number of establishments and a positive gap in the number of employees. This still often leaves scores of categories. The possibilities were then further narrowed down based on conversations with stakeholders and developers concerning which categories were missing and of the most interest, which categories seemed likely to fit with other development opportunities, and which types of services are generally most viable for early-stage neighborhood markets. Many service-sector establishments

⁶ As discussed below, the methodology simply looks at establishments and employees per household, without taking household characteristics into account. Once areas of apparent opportunity are identified, further analysis is needed to confirm the opportunity.

- (such as professional and legal services firms) are not driven by neighborhood demand, nor are they generally present proportionately in neighborhoods.
- 6) Finally, nearby competition (analogous to Near Float) is taken into account in the context of particular possible sites and store types (see later sections).

OBSERVATIONS ON SERVICE SECTOR OPPORTUNITIES

The results of this analysis are summarized in Table 4, and suggest many different possible opportunities. Selection among these options should depend in large part on the interest of local entrepreneurs, their fit with different development scenarios, and further discussion with residents and the Site Team about neighborhood and development priorities. Among the service categories presenting opportunity, some that seem particularly appropriate for the sites in West San Antonio (particular sites are discussed in a later section of this Report), based on their space requirements and overall fit with neighborhood retail, include *Health Care Services (Offices and Clinics of Optometrists, Dentists); Photographic Portrait Studios; Physical Fitness Facilities; Home Health Care Services; Beauty Shops; and Photocopying & Duplicating Services* (see Table 4). Residents also expressed interest in performance venues and movie theaters, which also present opportunity and are highlighted in Table 4. Finally, two retail (rather than service) categories are included at the bottom of the table, because residents expressed interest in them (and they are too narrow to be analyzed with Float metrics); the analysis confirms opportunity; and they fit particularly well with development possibilities discussed later in the Report: *book stores and stationery stores*.⁷ It bears emphasis, though, that other categories on this list show opportunity as well. Particularly in West San Antonio, with its strong sense of community and interest in growing local businesses, many of these other types of establishments could be pursued if desired by local entrepreneurs. For example, though not discussed in any detail below, Pest Control Services, Carpet Cleaning, Photographic Studios, and Computer Repair all appear to present opportunities as good as or better than some of those highlighted below, all worth exploring further if desired.

A few additional comments on particular categories follow.

Beauty Shops

Beauty Shops present both a high establishment gap (29) and a very high employee gap (241). These numbers likely over-estimate the opportunity (because Beauty Shops can be small enough to not be accurately captured in the database), but are so large as to strongly suggest opportunity. This type of establishment is attractive because it usually requires relatively little square footage, has lower entry costs, can succeed at quite a small scale, and is viable for entrepreneurs who want to have a small business in the community. Also, people often do not want to travel long distances to get this kind of service.

⁷ Stationery stores sell primarily paper and paper products (including printing and engraving), postcards, novelties, and school supplies. These establishments may also sell additional lines of office supplies such as accounting and legal forms and other office forms and supplies.

Health Care Services

The study area shows a large gap for Offices and Clinics of Dentists and Optometrists, and significant gaps for Skilled Nursing Care as well as Home Health Care. However, many of these services require specialized skills, and some tend to cluster and to serve larger geographies (and, therefore, to be generally under-represented in neighborhoods). In addition, residents may be more willing to travel outside of the neighborhood to receive specialized medical and dental services. While this sector, in particular, requires further evaluation, it does seem to offer some opportunities. For example, there currently appear to be few optometrists in the area, and no optical goods stores; it may be possible to develop a small eye clinic in the area which would offer both optometrist and optician services. Similarly, a community health center, with offices for multiple providers, may be viable. Finally, Home Health Care, which requires fewer specialized skills, may be attractive and within the capacity of more local entrepreneurs.

Photographic Studios, Physical Fitness Facilities, Pest Control Services, Carpet Cleaning, Computer Repair

All of these categories present significant gaps in establishments and employees, have relatively low entry costs, and may be suitable for local entrepreneurs as well as good for the neighborhood. They deserve further exploration based on local interest and fit with other development plans. Note that some of these require more sophisticated industry- and household-characteristic-based analysis (getting beyond mere gap per number of households). Residents of the West Side, for example, might be less (or more) interested in health clubs or computer repair than the typical household.

Motion Picture Theaters

Residents expressed interest in a movie theater. There are none in the area, and the gap suggests an opportunity for two. Further analysis of nearby (particularly downtown) competition is needed.

Stationery Stores

Residents and local businesses expressed an interest in office supply stores, and the Gap Analysis confirms a significant undersupply in this category, suggesting opportunities. This business category may also be attractive because it could be developed by an entrepreneur in the community, and could initially operate at a modest scale.

Book Stores

Book Stores similarly represent a category in which residents expressed interest; considerable market opportunity exists, offering an attractive community retail asset.

Table 4 — Gap Analysis, West Side San Antonio

Service Sector	Establishments per 1000 Households			Additional Potential for Establishments	Employee GAP
	Bexar County	West Side	GAP		
Offices and Clinics of Doctors of Medicine	8.45	2.81	5.64	209	-532
Offices and Clinics of Dentists	1.47	0.54	0.93	34	170
Beauty Shops	2.57	1.78	0.79	29	241
Disinfecting and Pest Control Services	0.37	0.08	0.29	11	71
Offices and Clinics of Optometrists	0.40	0.13	0.26	10	80
Photographic Studios, Portrait	0.38	0.16	0.22	8	28
Passenger Car Rental	0.21	0.00	0.21	8	106
Physical Fitness Facilities	0.18	0.00	0.18	7	114
Job Training Services	0.25	0.08	0.17	6	180
Carpet and Upholstery Cleaning	0.27	0.11	0.16	6	35
Computer Maintenance and Repair	0.23	0.08	0.15	5	37
Employment Agencies	0.38	0.24	0.14	5	-25
Medical Laboratories	0.27	0.13	0.13	5	-79
Offices and Clinics of Podiatrists	0.11	0.00	0.11	4	19
Skilled Nursing Care Facilities	0.11	0.03	0.08	3	368
Home Health Care Services	0.29	0.22	0.07	3	46
Photocopying and Duplicating Services	0.05	0.00	0.05	2	15
Dance Studios, Schools, and Halls	0.15	0.11	0.04	2	-5
Motion Picture Theaters, Except Drive-In	0.04	0.00	0.04	2	29
Video Tape Rental	0.13	0.11	0.03	1	20
Bowling Centers	0.03	0.00	0.03	1	24
Stationery Stores	0.17	0.03	0.14	5	67
Book Stores	0.21	0.05	0.15	6	54

GENERAL SUMMARY

At this point in the analysis — considering Retail Float and Adjusted Float, service establishment and employee gap, neighborhood characteristics examined in the first phase, fit with community interests, development impact, and other factors — a number of categories look particularly promising. These include Household Appliance, Radio, and TV Stores; Furniture and Home Furnishing Stores; Hardware/Building Materials; Apparel; Department Stores; plus a wide range of service and specific retail categories, from optometrists to office supplies and bookstores. The task now is to understand the best fit of these market opportunities with the commercial real estate landscape, considering site availability, traffic patterns, and other development factors. The goal is to begin picking constellations of sites and stores that would fit well together and achieve the community’s economic development objectives — to conceive a specific commercial development vision.

II. PRELIMINARY TARGETING OF RETAIL LOCATIONS: TRANSLATING THE MARKET POTENTIAL INTO COMMERCIAL SITE DEVELOPMENT OPPORTUNITY

A. FLOAT SMOOTHING —

TARGET INDUSTRIES RELATED TO PARTICULAR GEOGRAPHIES

The Adjusted Float analysis in Section I.C. above reveals the *amount* of market opportunity in the West Side for specific types of retail, but it does not yet begin to specify its *distribution*. As one step toward beginning to answer the question “what are the best locations?” we seek to examine where the unmet market demand is concentrated. To do this, we first overlay a grid on the geographic area of interest. Then, for each retail category, demand and supply are attributed to the cells of the grid based on concentrations of households, retail employees, and establishments. Float is then calculated for each cell as the difference between supply and demand. Using a technical application known as “pynophylactic interpolation,” Float is then “smoothed” across the target area using a formula based on cell values and distances between the cell centers, in a way that better estimates where the unmet demand is located. This more refined distribution of the Float, in turn, can help determine which commercial real estate sites are best located to serve the unmet demand.

The results of this technique are shown in the following maps, one for each of the categories of greatest opportunity and interest as identified in Section I.C. above.⁸ In interpreting the maps:

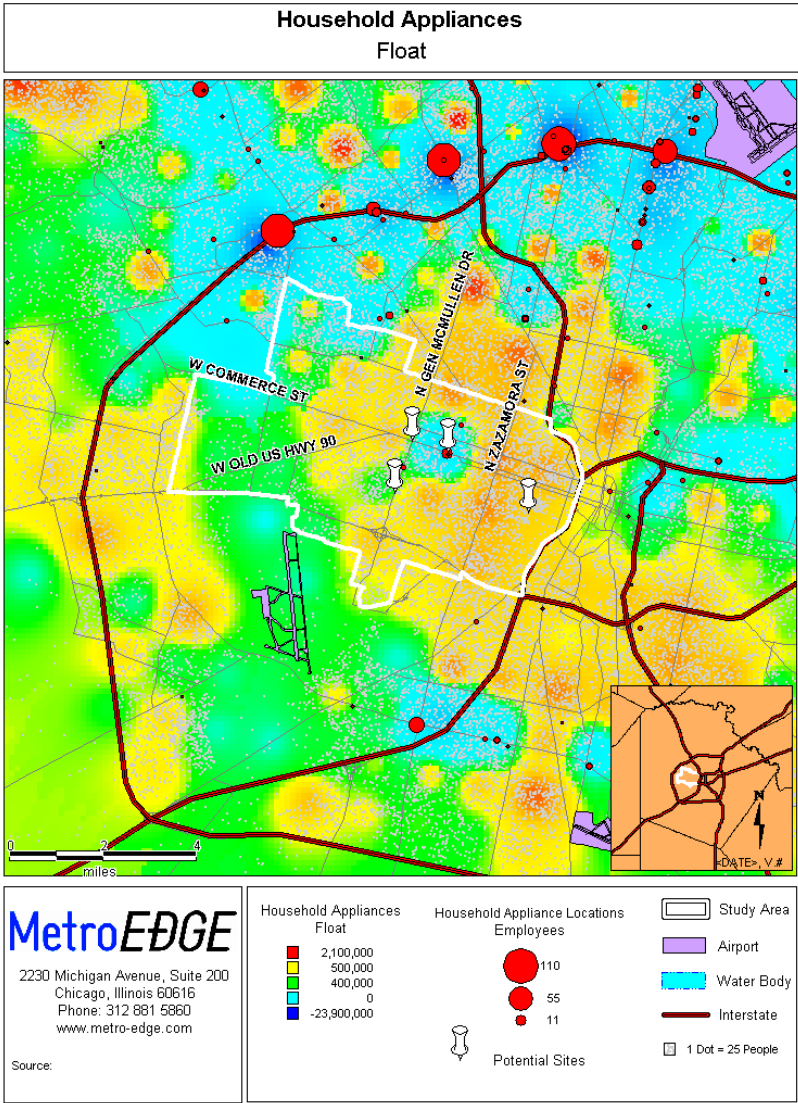
- The Float is represented by shading ranging from dark red to dark blue, where redder indicates higher Float, and bluer indicates lower Float.
- Existing retail locations in the category are represented by red dots, whose size is proportional to the size of the retail establishment (measured in number of employees). Notice, for example, that the areas with more blue (low Float) coincide with the locations where retail is present (as one would expect, since demand is met by the local retailer).
- Residents in the area are represented by the white density dots (each density dot represents 25 people). Notice, for example, that areas with higher concentrations of white dots (more consumers) tend to be redder (have more Float).
- Finally, in a later section of the Report, four particular potential sites are identified. These are marked with a white pin symbol on the maps.

⁸ Similar maps are available for all of the categories, if others are of interest as well.

Household Appliance, Radio, and TV Stores Float Map

This map reveals large stores in this category north and west of the target area, and unmet demand surrounding the center of the target area. All of the sites identified are well located to capture this demand.

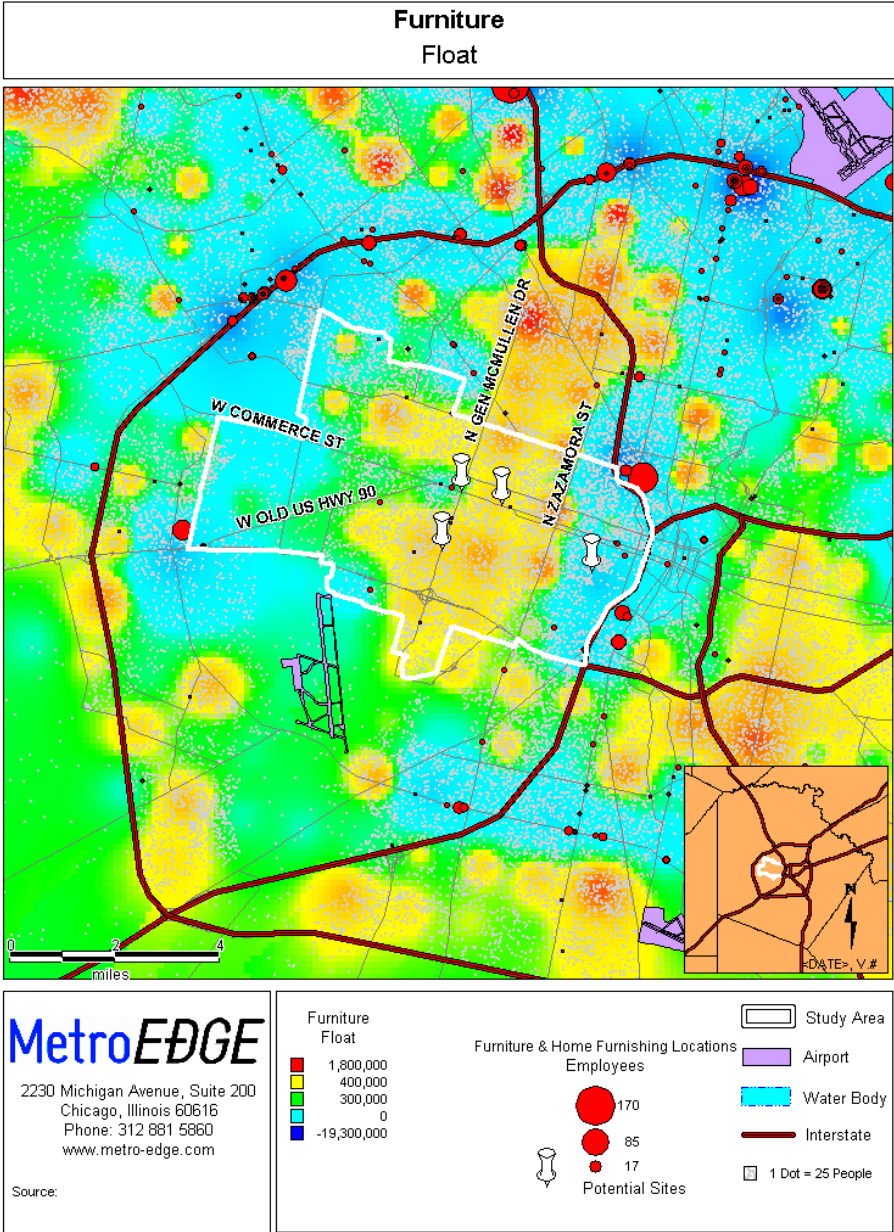
Map 4 — Float for Household Appliance, Radio, and TV Stores



Furniture & Home Furnishing Stores Float

This category also presents high Float around the center of the target area. Float is lower in the east and the west sides of the target area, reflecting significant existing retail to the east and west, especially the bigger store northeast.

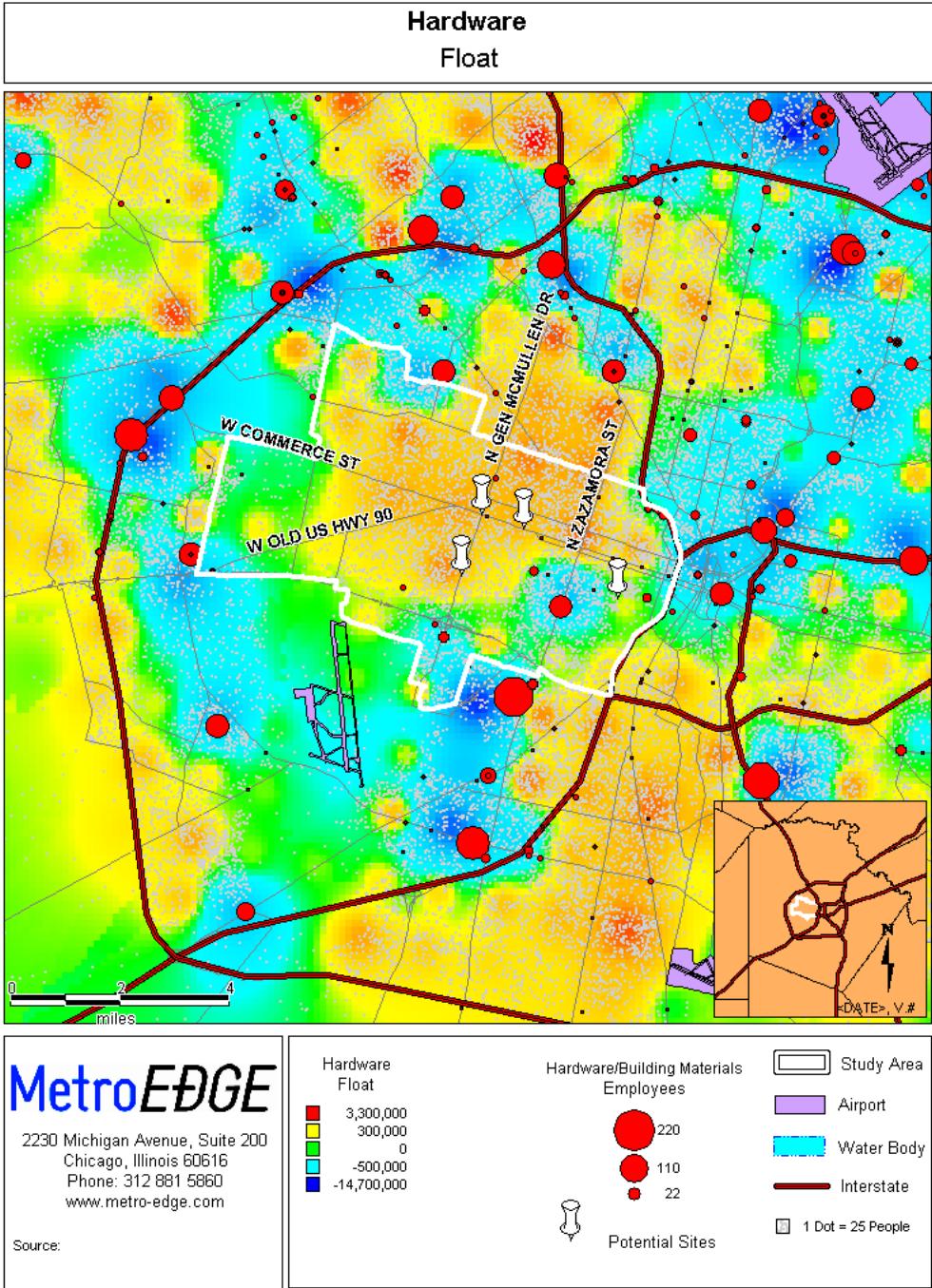
Map 5 — Float for Furniture and Home Furnishing Stores



Hardware/Building Materials Float

Despite more competition on the periphery of the target area in this category, the unmet demand is concentrated in the center-north, and would support an establishment, particularly at the potential site on Commerce and General McMullen.

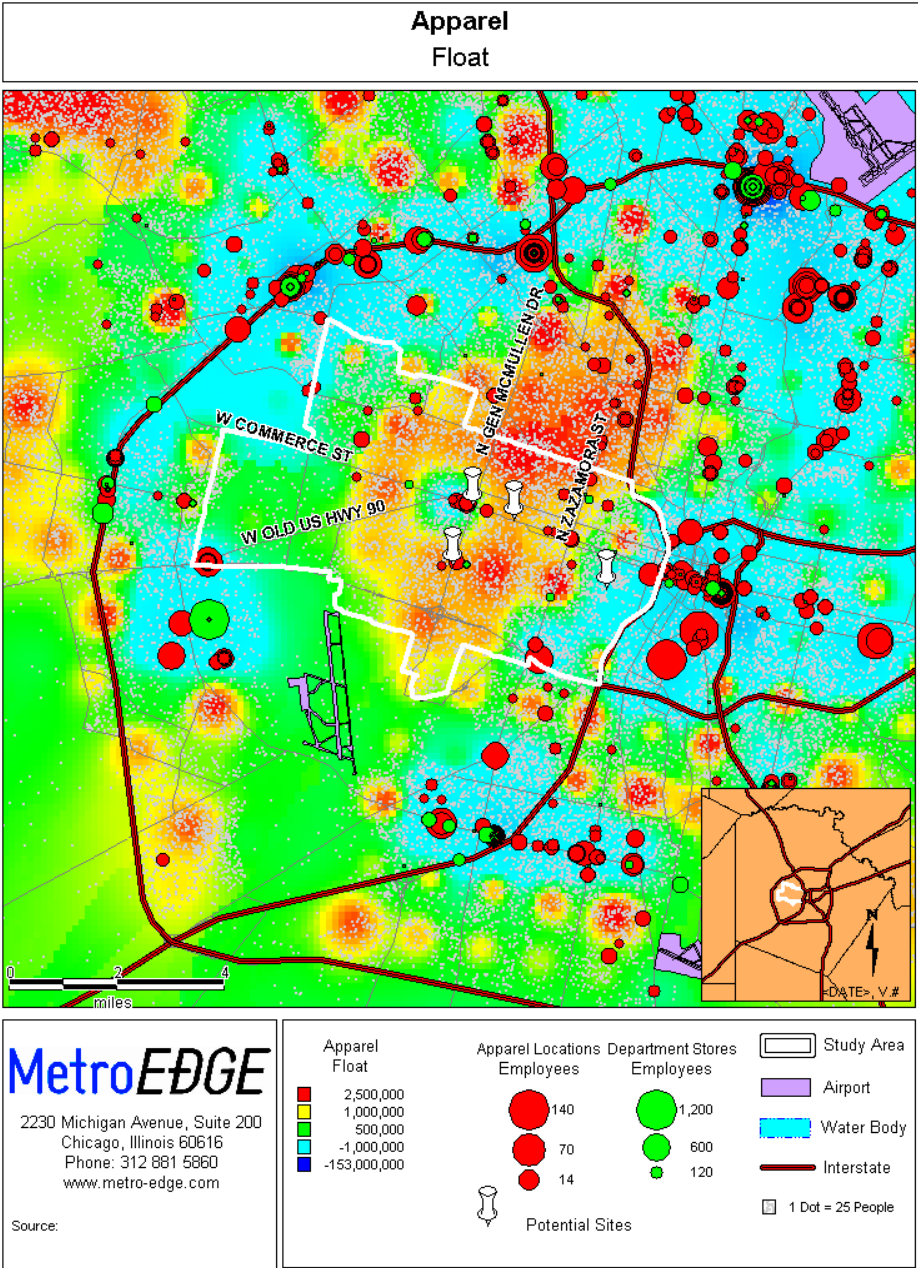
Map 6 — Float for Hardware/Building Materials



Apparel Float

Float is less evenly concentrated in the target area in this category, and there are a large number of substantial stores nearby. [Note that this map also identifies Department Stores, since they often include this type of retail.] If it is decided to pursue this opportunity, further category-specific research should focus on what types of neighborhood-level niche apparel would be most suitable, considering the nature of the demand and what is available nearby.

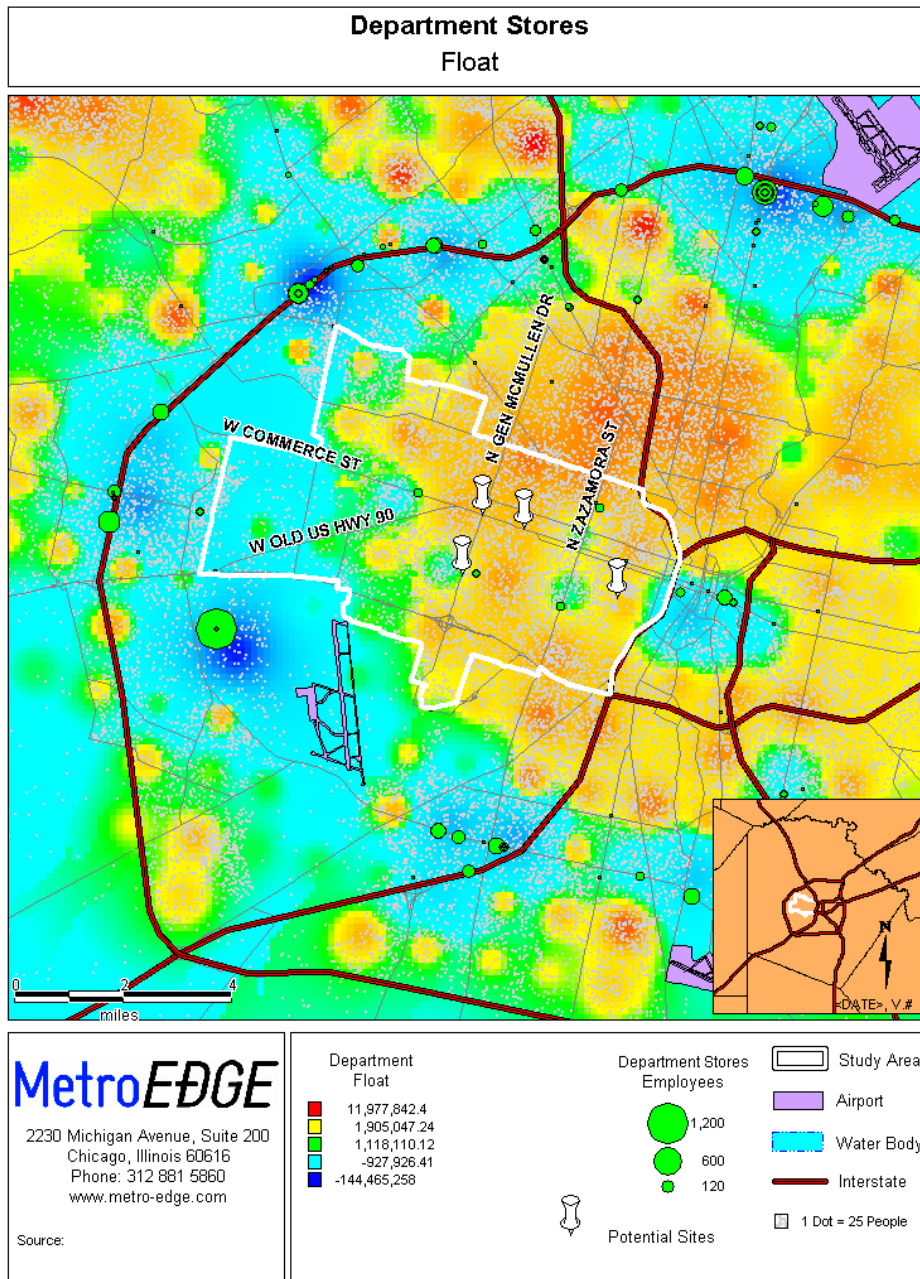
Map 7 — Float for Apparel



Department Store Float

This was one of the categories that presented the highest Float in our analysis and, as revealed in the map, it presents an opportunity due to the high density and Float in the Target Area. A large establishment is located southwest of the study area; smaller establishments are found around — but very few in — the Target Area. This category would require further study to analyze the feasibility of department stores in West San Antonio.

Map 8 — Float for Department Stores



B. THE RETAIL LANDSCAPE:

OBSERVATIONS FROM PHYSICAL EXAMINATION OF THE AREA

a. General Comments

The team — including, particularly, an experienced urban retail real estate developer — examined the physical characteristics, traffic patterns, distribution and condition of stores, and other factors that affect the attractiveness and “feel” of particular sites. Before discussing these, a few general observations should be noted:

- ✓ Culebra (on the north boundary of the study area), General McMullen, and, to a lesser degree, Commerce and Zarzamora Streets, appear to be the major commercial and traffic corridors.
- ✓ The HEB grocery store, in the area near Zarzamora, Buena Vista, and Commerce, appears to be doing well. The landscaping and general appearance of the site are good, and it appears to be a location where the operator continues to reinvest in the project. This is a strong anchor, and may offer opportunities for targeted additional development. Since it is not as narrowly defined a development site, this opportunity was not prioritized below, and further investigation would be necessary.
- ✓ Community comments indicated a dearth of selection for virtually all types of retail, as well as a long commute to suburban retail malls. However, there is a significant downtown mall that is well tenanted, and it was very busy during MetroEdge’s visit. This mall is closer to the study area than most suburban malls are to their markets, and would present a challenge to the location of many types of retail in the study area. Generally, more detailed, category-specific analysis of competition should be undertaken in the next phase as particular store types are pursued for development.

b. Particular Potential Target Sites and Developments/Stores

As briefly listed above, other local and physical conditions affect site desirability. These include:

- Traffic Volumes
- Ingress/Egress
- Visibility
- Existing Retail (synergies with proposed new stores)
- Area Accessibility (nearby highways, etc.)
- Nearby Attractions (e.g., office buildings, cultural centers, universities)
- Competition
- Availability of Suitable Space or Opportunities for Site Assembly

More important than any one of these factors, or any particular store-type Float number, is the combined effect of all of them. The goal is to achieve a critical mass of activity around a site. This can happen in varied ways, as stores build upon (or supplant) existing activity, reinforce each other, and support new activity. Examining these factors in combination in the context of the analysis of market opportunity (including, in particular, the geographic distribution of unmet demand) it becomes possible to begin focusing on particular possible sites and the combinations of retail establishments that might be successfully developed at each.

At this stage of analysis, it is not yet possible to definitively identify sites and stores for development (see discussion of Next Steps, below). Nevertheless, a number of intersections and combinations of stores look very promising. For illustrative purposes, three sites stand out, based on this phase of analysis, as possible catalytic economic development opportunities. Again, for illustrative purposes, it is currently possible to envision a particular combination of specific types of stores at each of these sites.

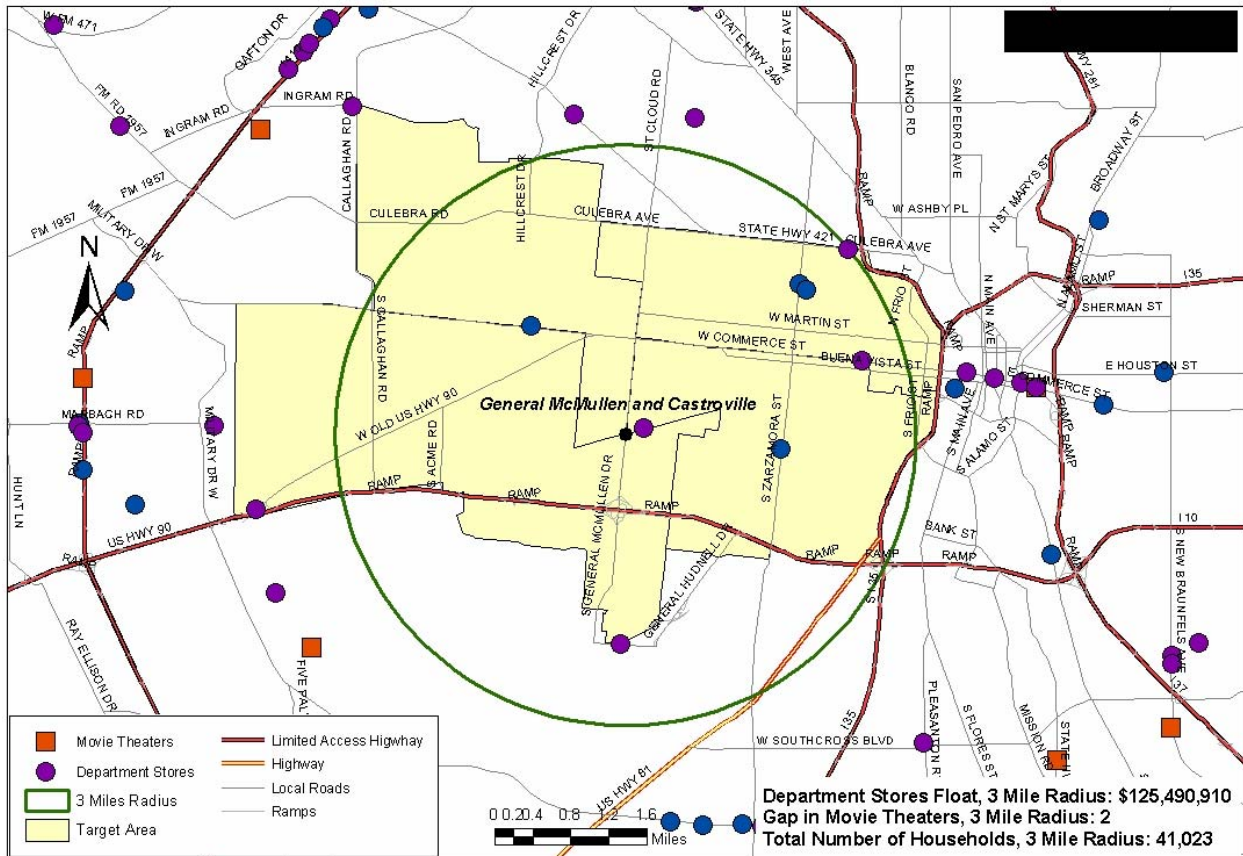
1. GENERAL MCMULLEN AND CASTROVILLE (NORTHEAST AND SOUTHWEST CORNERS)

This intersection appears to have potential for large-scale and big-box type development. Existing retail at this location, particularly the northeast corner, appears to be performing at the average level, and should be studied as to its continued viability. This strip center might complement and be reinforced by a big-box development on the apparently vacant land on the Southwest corner. If the Site Team is interested in attracting a big-box development (for instance, a department or hardware store, such as Target or Home Depot, or perhaps a multi-screen movie theater), this corner appears the most viable, considering the nearby existing retail, the physical site characteristics, and the proximity of the Interstate 90 interchange. It would be necessary to do additional, more specific, competition, demographic, and category analysis to prove the site.⁹

Map 9 shows, for illustrative purposes, the location of existing department stores and movie theaters around the intersection of General McMullen and Castroville. The map also reports the total amount of Float for department stores, the gap in movie theaters, and the total number of households within a three-mile radius from the selected location.

⁹ This analysis should include determination of why both Target and K-Mart were previously in but left the neighborhood. This is likely because of other considerations (national financial issues; poorer sites, etc.).

Map 9 — General McMullen and Castroville (Northeast and Southwest corners)



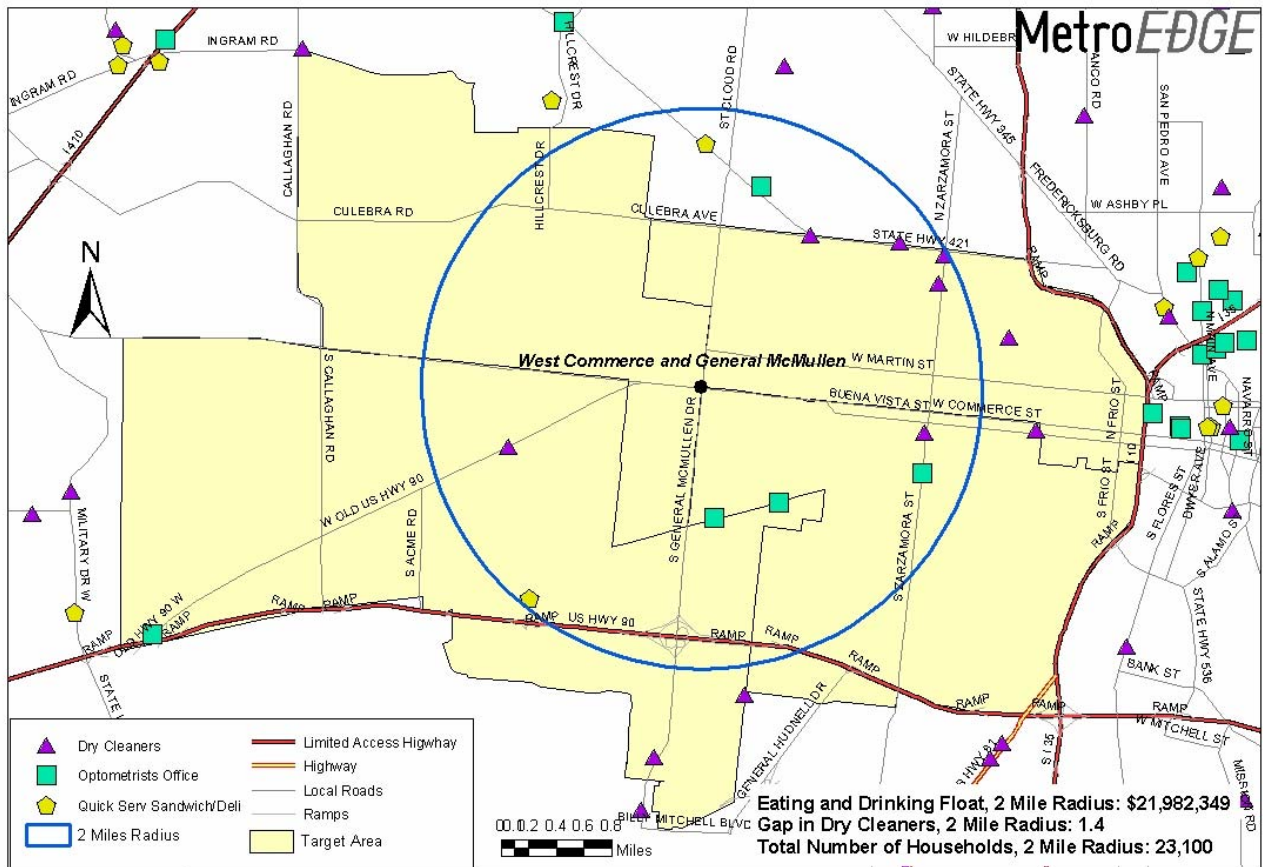
2. WEST COMMERCE AND GENERAL MCMULLEN (NORTHWEST CORNER)

This site has an old, poorly tenanted strip center in an “L” configuration behind an approximately three-to-five-year-old Walgreen’s. The location appears to have high traffic volumes, but the center has poor visibility and shows signs of neglect. The location, however, could be a neighborhood convenience center due to its central location in the market, the Walgreen’s anchor, and the traffic volumes. A commercial development strategy could reinvest in the shopping center and attract the types of tenants that fit into a typical neighborhood shopping center, and for which the analysis shows substantial opportunity: food, drugstore, convenience store, beauty salon, electronics store, dry cleaner, sandwich shop or take-out restaurant, optometrist, card store, or neighborhood apparel boutique.

Map 10 shows, for illustrative purposes, the location of existing dry cleaners, optometrists, and sandwich shops around the intersection of West Commerce and General McMullen. The map

also reports the total amount of Float for eating and drinking, the gap in dry cleaners, and the total number of households within a two-mile radius from the selected location.

Map 10 — West Commerce and General McMullen (Northwest Corner)



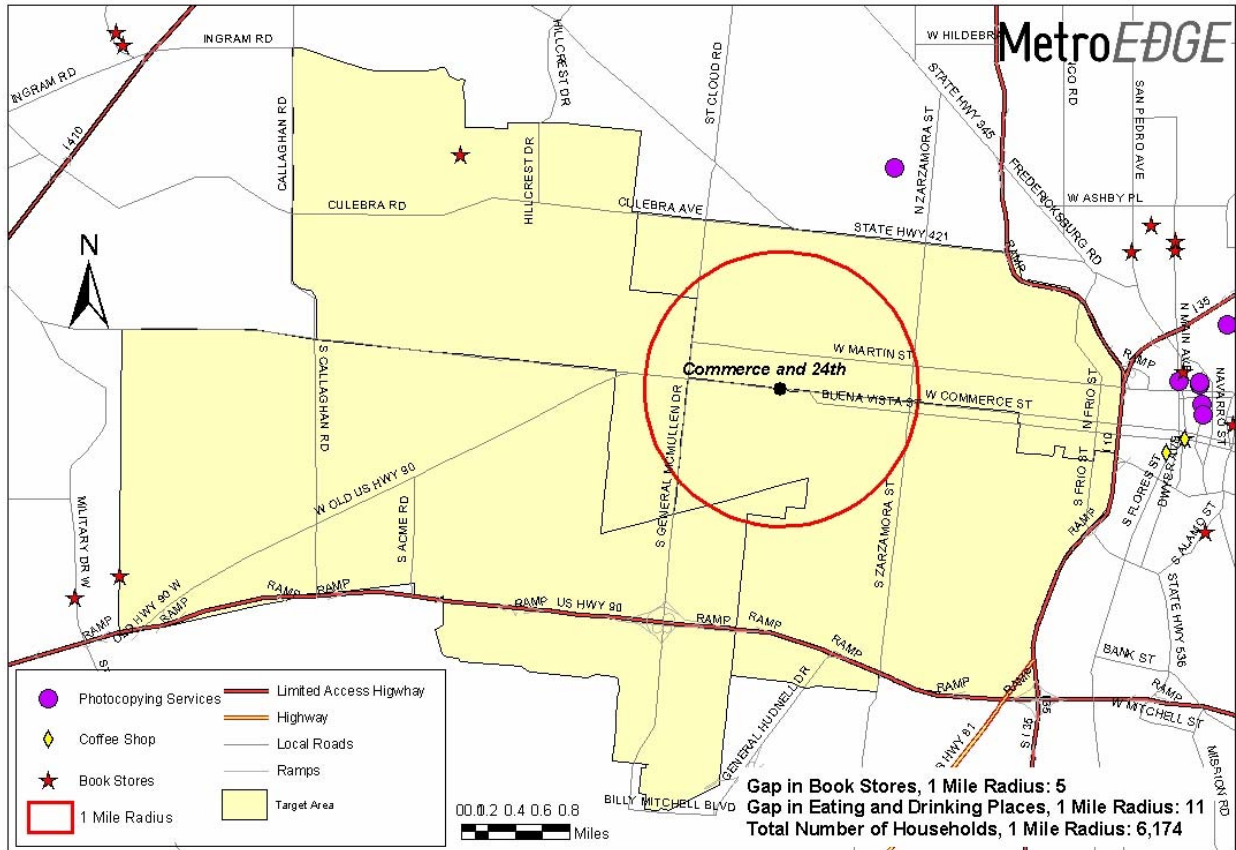
3. SW 24TH STREET AND COMMERCE [SOUTHWEST CORNER]

This intersection is adjacent to Elmendorf Lake and the Catholic University. There is declining retail on three corners, but an existing grocery at the location. This site shows potential for the most innovative redevelopment — building something a little more unique. An effort might be made to retain and improve the grocery and to redevelop the site, opening and partly orienting it to the river and targeting student as well as neighborhood users (perhaps with the University as a development partner). Uses for which the analysis has shown opportunity, and that would fit together well, might include a bookstore, a coffee shop, an entertainment environment (perhaps a restaurant with music), a photocopying center, and, perhaps, a mailing and supplies center. A targeted apparel shop might succeed here as well.

Map 11 shows, for illustrative purposes, the location of existing bookstores, coffee shops, and photocopying establishments around the intersection of West Commerce and 24th Street. The

map also reports the gap in eating and drinking places, the gap in bookstores, and the total number of households within a one-mile radius from the selected location.

Map 11 — SW 24th Street and Commerce [Southwest Corner]



B. Other Development Opportunities — Tourism (a Fourth Site)

This analysis has focused primarily on opportunity arising from underserved retail demand from existing residents. Other types of retail development, designed to attract consumers from outside the community, are possible. In particular, the West Side offers unique cultural characteristics and a location close to downtown, which would make a retail tourist-attraction strategy possible. Efforts have been focused on the area around Guadalupe and Brazos Streets, where the Guadalupe Cultural Center, an open air Mercado, a restaurant, and some local retail exist. Attempts are being made to combine these into a major cultural attraction that would attract tourists from nearby downtown as well as serve the neighborhood.¹⁰ While substantial baseline attractors and amenities exist to bolster this opportunity, it does not yet appear that a consolidated vision is creating critical mass, and there

¹⁰ One of the strategic decisions that will have to be made is the balance of Spanish-speaking cultural activities and more general tourist attractions.

are some real and perceived neighborhood attractiveness issues (see, for example, crime data in the *CityScan*). A concerted development strategy could develop this area for tourist/cultural attraction; it would require political collaboration, coordinated marketing, and community strengthening, combined with targeted development to fill out and complement the cultural anchors. Further analysis would, of course, be necessary, mostly of a different nature from that presented here. It is our understanding that Partners for Livable Communities, a national organization specializing in cultural-based development, is undertaking this analysis. The data presented here, and similar data, could easily be developed to support broader retail development around the basic cultural strategy, once that is more clearly established.

III. NEXT STEPS

At this point, sufficient analysis has been undertaken to suggest with a high degree of confidence that substantial retail development opportunity exists on the West Side. The analysis further suggests particular store types and sites that might be successfully combined into commercial real estate developments. The next steps entail picking particular store types and sites and undertaking the development or attracting the retailers (or both). This can proceed in several ways, each of which entails several steps.

First, it may be time to identify or establish a community commercial real estate developer. This could be a new local for-profit or non-profit development company, an existing one, or a new partnership of a local CDC and a local or national developer. It will soon be time to have an operating business on the ground to manage and undertake the development. To move forward, it is important to shift from defining the opportunity to creating the deal. Such an entity can select a target site, create a business plan, raise capital, acquire real estate, attract partners and bring a deal to fruition.

An alternative or complementary strategy would be to identify a major retailer that the site team wants to attract as an anchor for one of the sites, and go first to that retailer. Many major retailers manage their own development. If having a local development company is not desired or conceivable, it is possible to leverage development through attracting the right retailer. Even in this case, most retailers will want to see more than the confirmed opportunity: it helps to move towards a deal, including through confirming appropriate site availability (even through site acquisition), and sales projections specific to the particular store brand and site. As discussed below, marketing materials could be prepared to help attract lead retailers.

At the same time, under either strategy, the Site Team can begin to identify its preferences, priorities, and local capacities with respect to the varied opportunities identified in this Report. This helps identify what retailers are of most interest, and may also affect choice of development partners. If the Site Team wants to actively pursue its preference to support local entrepreneurs, now would be the time to identify interested entrepreneurs, link them to appropriate support as necessary, help create business plans (including market analysis from this report as well as the *CityScan*), and otherwise put them in the emerging deals.

If the Site Team plans to organize, attract, or undertake major development, it may also want to explore key local resources and partners. Particularly if a local commercial development CDC is created, government support and facilitation (ranging from direct subsidies to creating relationships that will be helpful with land assembly, zoning, etc.) should be explored. Similarly, partners such as the University should be contacted, depending on the sites selected.

In addition, under either strategy, once priority sites and retailers are selected, further work to specify the market opportunities is necessary. Whether in order to attract a national retailer, or simply in order for the local development team to attract retailers to its development, more detailed category and site-specific analysis can be undertaken. If a particular store is interested, it may be possible to do detailed site analysis and sales forecasting for that store. If not, it is still possible to undertake more specific sales forecasting based on the exact brand and size of the store and site anticipated. Once this more specific analysis is undertaken, marketing materials can be prepared, containing the highlights of the CityScan, this Report, and the further analysis. These marketing materials can then be used to attract specific retailers (or development partners) to the community.

The order and extensiveness of these steps, of course, depends on which path is chosen, and on the broader discussion by the Site Team of the development opportunities highlighted in this report.

CONCLUSION

The West Side of San Antonio is home to 135,000 people who spend well over \$1 billion in just twelve major categories of retail. Over \$250 million of that billion dollars is leaving the neighborhood. Analysis of this Float or “expenditure leakage” reveals substantial opportunities for retail market development, ranging from household appliances to hardware to apparel. Examination of service industry markets reveals similarly large gaps, from optometrists to photocopying services.

The West Side also offers commercial real estate sites or nodes of special interest, suitable for combining several categories of retail and service stores to create critical mass, and capture the substantial untapped market. The Report identifies several constellations of sites and stores that would fit well together, and begins to offer a specific commercial development vision.

Undertaking this development serves many purposes. It reduces the cost of living in the community, as better, less expensive goods and services become available nearby. It creates jobs, entrepreneurial opportunities and wealth for local residents. In addition, it makes the community a more attractive and competitive place to live, improving quality of life and property values and, in conjunction with other community and family development activities, contributing to the overall health and vitality of the West Side.

The opportunity is demonstrably there. The challenge now is to seize it – to build capacity, attract partners and investment, and create new services, investment, market activity, jobs and wealth in the West Side.