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March 10, 2010

TO: Gypsy Gallardo
Larry Newsome

FROM: Scott Schuler

RE: McCollum Hall Retail Analysis and Leasing Recommendations

STATEMENT OF PURPOSE

This narrative presents a retail market analysis concerning the appropriate merchandising for McCollum Hall, a historic building located in Ft. Myers' Dunbar neighborhood on Dr. Martin Luther King, Jr. (MLK) Boulevard.

EXECUTIVE SUMMARY

- The MLK corridor, which is the commercial spine of the Dunbar community, continues to rebound.
- McCollum Hall is well located for retail and restaurant uses.
- Dunbar has received investment from the City including the widening and landscaping of MLK itself and the operation of several City offices here. The City operates the Imaginarium museum across MLK from McCollum Hall. The Imaginarium attracts visitors from throughout the metropolitan market as well as tourist from out of town. It attracts 85,000-90,000 visitors per year, according to Imaginarium management. .
- Dr. Martin Luther King, Jr. Boulevard is the principal link between I-75 and downtown Ft. Myers. According to Florida DOT traffic counts it carries 26,500 vehicles per day in the vicinity of McCollum Hall, comprising a potentially lucrative retail and restaurant market.

- McCollum Hall is being programmed as a catalyst for further redevelopment along MLK. Such redevelopment will benefit McCollum Hall by adding to the area's critical mass and shopper appeal.
- Retailing in Dunbar is not competitive with nearby retail districts. Its mix, critical mass, and operating standards place it at a disadvantage when compared with retailing along Cleveland Avenue, Palm Beach Boulevard and Colonial Boulevard, among others.
- The trade area extends from the railroad tracks downtown east to Ortiz Avenue, between Billy's Creek and Canal Street. Nearly 14,000 people live here today. Trade area households generate \$35.7 million in expenditure potential today. By 2012, when the revitalized McCollum Hall is projected to open, expenditure potential is projected to reach \$38.0 million in 2012 dollars.
- The leasing should reflect the target psychographics. This will allow it to best serve the target shoppers living in the trade area, and to tap into the stream of traffic that passes in front of McCollum Hall each day.
- Appropriate uses for In Phase I: a sit-down restaurant, a bank, and a coffee-donut shop. A hair salon and day spa can succeed here as well. These are uses that will generate traffic and add liveliness to the site. They also will help make the remaining spaces more attractive to prospective tenants. All of the uses will attract the attention and patronage of those passing the site on Martin Luther King Boulevard.
- Future phases can offer a pharmacy, a card/gift shop, a café, pack and ship, a dry cleaner, a major cellular phone dealer, pizza delivery or Subway, an exercise spa like Curves, and an optical store.
- A capture rate of 10% of trade area expenditure potential, combined with attracting passing traffic on MLK and other inflow, can produce sales productivities of \$250 per square foot upon opening in 2012 (dollar values expressed in inflated dollars). This sales productivity is based on typical sales performance for the operators in the intended mix. This is an achievable sales level but will require capable owner-operators as tenants.
- Over time, sales performance will improve as nearby blocks are revitalized. The entire retail and commercial corridor can benefit from revitalization, which will enhance the street's reputation as a retail and restaurant district.

PROJECT DESCRIPTION AND SETTING

McCollum Hall is an historic building that has fallen into disrepair and now sits vacant. It has been identified as a catalyst for development and revitalization along Dr. Martin Luther King, Jr. (MLK) Boulevard. The Boulevard is the principal commercial corridor in this sector of Ft. Myers and a key connector between I-75 and the downtown commercial district. Plans are proceeding not only for McCollum Hall's revitalization but for that of the MLK corridor inboard of I-75. The widening and landscaping of MLK Boulevard itself is a sign of continued municipal commitment, along with the operation of several City Offices and the Quality of Life Center in the area. Near McCollum Hall the old community called The Bottoms was redeveloped as Velasco Village. McCollum Hall thus is a component of an extensive revitalization strategy involving the construction of commercial and residential buildings to the boulevard.

McCollum Hall contains 9,300 square feet of street level space formerly occupied by retail and services uses. New space will be built on the east side of the structure adding 20,000 square feet of ground level leasable space accompanied by office space on a second level.

McCollum Hall once hosted important African-American entertainers in its upstairs ballroom and was a cultural and social gathering place. Besides adding the retail uses downstairs, plans call for returning the upstairs space to its function as a social hall. The new construction described above will add critical mass to the retail mix and bring new office space to the market.

The building occupies a conspicuous location one half mile east of Downtown Ft. Myers along a thoroughfare carrying 26,500 vehicles per day past the site. Its location bolsters its appeal as a retail, restaurant and service location.

McCollum Hall aside, Dunbar is a residential community occupied primarily by African-American homeowners and renters. This area, densely populated and experiencing population gains, lacks immediate access to the range of retail and services seen in the surrounding communities. The corridor lacks a bank, for example. Also, MLK does not support a single chain restaurant, including fast food chains, nor is there a new-format pharmacy such as Walgreens or CVS.

Many owners and operators of shops and restaurants located on the boulevard do not have the capital required to invest in extensive building improvements, improved staffing, and marketing. This has left them at a competitive disadvantage compared with their counterparts located on Cleveland Avenue, Palm Beach Boulevard and other commercial thoroughfares. Such operators do serve the community and have developed their own clienteles. Nevertheless, local shoppers must drive elsewhere to find many retail categories and chain operators.

The philosophy behind the redevelopment of McCollum Hall is as follows:

- The community needs a competitive collection of retail, restaurant and service uses, starting with the kinds of services most urban communities support.
- Shoppers living in the community already support such operators, although they are located elsewhere in Ft. Myers.
- The convenience of having retail space at McCollum Hall will contribute to the project's success as a retail location.
- An attractively-done retail project at McCollum Hall will intercept traffic using MLK Boulevard, further bolstering its success as a commercial location.

THE REGION

Ft. Myers is located in Lee County on the southern banks of the Caloosahatchee River, 15 miles inland from the Gulf of Mexico and 125 miles south of Tampa. In order to better promote the area nationally and internationally, local advocates have combined Lee County with Collier County (where Naples is located) to produce the “Southwest Florida” market. The combined market houses 900,000 people, three times what it was in 1980.



The region’s principal industry is tourism. Southwest Florida’s economy relies upon its ability to attract Northerners, whether as full-time residents, as snowbirds who winter here in second homes, or as tourists. Most Southwest Florida residents earn their living by serving tourists. Manufacturing is a small contributor to the local economy; the city’s largest manufacturer is its daily newspaper. Of the other manufacturers, many produce construction materials. They have been hurt by the virtual halt of new construction in the region.

Upscale hotels, resorts, high-rise condos and single-family homes line the beaches, including popular vacation spots like Sanibel, Captiva, and Marco Islands. The rest of Southwest Florida consists principally of suburban sprawl. Areas located closer to central Ft. Myers house working-class homeowners and renters. This area encompasses the original part of the city and the homes generally are older than those found elsewhere in the market where new subdivisions have been built.

Ft. Myers contains two large subdivisions originally developed to accommodate Rustbelt residents looking to move south. Lehigh Acres, a moderate- and middle-income master-developed community located east of Dunbar, is home to 68,000 people and has room for 4½

times this many upon buildout. Cape Coral, located across the Caloosahatchee from Ft. Myers, was begun in 1958. Occupying nearly 150 square miles, Cape Coral's population has grown to 170,000. Its population now exceeds that of Ft. Myers, and consequently the metropolitan area has been renamed Cape Coral-Ft. Myers. Cape Coral has become popular with young working-class couples and families with limited upscale development. When completed Cape Coral could house 400,000 people.

The recession has hit Southwest Florida hard, but the long-term forecast is for growth to resume. The Southwest Florida Regional Planning Commission expects the population of Lee and Collier Counties to reach 1.58 million by 2030. Florida's attributes still have the ability to attract people from the Rustbelt.

Shorter term, average annual population gains are forecast to be 2.9 percent in Southwest Florida and 1.7 percent for Florida statewide (according to Southwest Florida Regional Planning between 2010 and 2015. Jumping ahead, the McCollum Hall trade area's population is forecast to show 1.2 percent annual gains through 2015.

FT. MYERS – BACKGROUND

Ft. Myers began life as a U.S. Army outpost. Its inland location provided shelter from storms and anchorage for seagoing vessels. Thomas Edison's arrival in 1885, and Henry Ford's arrival shortly thereafter, helped Ft. Myers gain national attention, spurring growth. The railroad's arrival fueled the Florida land boom, aided later by the completion of U.S Route 41. Two hurricanes and the Great Depression ended growth for a time. In fact, the entire state of Florida struggled until World War II began. During the War Florida and Ft. Myers became important military locations. Ft. Myers saw the construction of two military airfields housing thousands of servicemen and women. As frequently happens in military towns with a high quality of life like Ft. Myers, large numbers of veterans moved here upon retirement. Growth was steady after the War, but exploded during the 1970's and thereafter. Thus the population of nearly 1 million people today.

As mentioned above, Lee County is almost entirely suburban. Even neighborhoods near downtown are dominated by single-family homes rather than by row homes or apartment blocks. Multi-family development in Ft. Myers favors garden apartments and rental townhomes, subdivided single-family homes, and high-rises hugging the shoreline.

The climate and beaches have proven attractive to a mobile society. As the retirees arrived they exerted demand for retailers and service providers. More recently a wave of younger newcomers arrived, swelling the labor force, but the median age for Lee County nevertheless has risen by 2 years (to 43 years) since the 2000 Census. Working age migrants took advantage of the expansion in growth industries like professional services. The local economy stands to benefit from the in-migration of retired Baby Boomers over the coming decades.

Ft. Myers has at least one other attribute that most cities lack: a completely new University. Florida Gulf Coast University was established in 1997. Enrollment has reached 9,500. The local economy benefits from the infusion of graduates into the labor force every spring.

A synopsis of the local economy will help focus some key elements of the market:

- **Population** – Again, Southwest Florida’s population has reached 900,000 people. At the moment Cape Coral-Ft. Myers ranks eighth nationally in population growth. Local officials project a figure of 1.55 million in 20 years.
- **Employment and unemployment** – Historically the local economy outperformed that of Florida, which in turn has outperformed the US as a whole. This has changed in the past few years due to the recession. Employment in Lee County contracted in 2009 by 5.4%, while Florida saw a 3.1% decrease and the US decreased by 3.8%. As for unemployment, traditionally the unemployment rate in Lee County has been very low, lower than state and national figures. The current recession has reversed this. Today the unemployment rate in Lee County is 13.8%, versus the statewide and national figures of 11.6% and 9.7%, respectively.
- **Tourism** – Tourist visitation increased 1.5% during the fiscal year ended ending September 30, 2009. Tourist spending was essentially flat: down 0.2%. The annual tourist count for Lee County was 4.8 million, a figure that includes visitors staying in commercial lodging facilities or staying with friends/relatives. Total tourist-generated retail spending was \$854 million plus \$794 million for food and beverage, \$1.6 billion in all. All in all, tourist spending accounted for 15 percent of Gross Metropolitan Product in 2009. Tourists stay in Ft. Myers an average of 8 days overall, nearly 10 days during the winter high season. The average stay thus is more than a week, and in that time vacationers will be looking for something to do, including shopping. The beaches are the main tourist attractors. Shopping is popular as well, mainly the two outlet centers. None of the major attractions are located in the Dunbar area, although Manatee Park is located on Palm Beach Boulevard east of I-75. The Imaginarium was not included on the list of leading attractions, meaning that the Imaginarium was not visited by at least 1 percent of visitors. Visitation levels are determined via a monthly survey conducted by the Visitors and Convention Bureau.
- **Seasonal population** - Southwest Florida Regional Planning estimates that Lee County’s population swells in the high season (mid-February through Easter) by 18% due to seasonal residents. This amounts to 107,000 people.
- **Retail** - CBRE provides reports for Lee County as a whole. They report that the county’s shopping center vacancy rate was 10.5% at year’s end. Shopping center vacancies rose by 4.3 percentage points during the previous 12 months. For the year countywide absorption was a negative 621,000 square feet and rents were down by 13% to \$15.00 per square foot annually, triple net is this countywide. Bear in mind that the overall rental rates include old and new space. The figures also include large spaces like Publix and Staples. Large spaces command lower rents per square foot, and including them exerts downward pressure on the market’s average rental rate figures.

THE DUNBAR COMMUNITY

Overview

Dunbar has been the heart of Ft. Myers' African-American community for many years, and Dr. Martin Luther King, Jr. Boulevard (formerly Anderson Avenue) has been its commercial spine throughout its history. Its heyday generally is described as having occurred before desegregation was mandated by the Civil Rights Act of 1964. Since then, large competitors located elsewhere in Ft. Myers have siphoned traffic from the shops and restaurants along MLK. Over time MLK's retailing became increasingly uncompetitive when compared to the new large stores that have opened in the market.

Development along the Boulevard is discontinuous. Vacant lots and undeveloped parcels create gaps in the streetscape. Most buildings do not abut. In other words, its form follows that of a typical highway commercial strip. As such, it relies upon shoppers' access to cars, buses, taxis, or bicycles in order to patronize its shops and restaurants. Continued emphasis on raising design standards and the encouragement of infill development will make the area easier for customers to shop while promoting the more efficient use of urban space.

Most of MLK's retail space lies west of Veronica Shoemaker Boulevard. Further east toward I-75 development is primarily industrial, along with the large Fleamasters flea market. Three government buildings also are located here. Proposals for shopping centers surface periodically for these eastern areas, but according to Bill Spikowski, an author of the MLK/Shoemaker Revitalization Plan, these proposals are long term, assuming they occur at all.

Office

MLK does not support much office space. As with most commercial corridors, office users intermingle with retail and restaurant space. Representative users include attorneys, realtors, and insurance agents. The City maintains several offices here as well. An office study may conclude that additional space is warranted along MLK. The impact on area retailing will be positive. Office space provides employment and thus brings workers and clients to the area, both of whom will support nearby shops and restaurants. A satisfactory approach to office development here would echo the McCollum Hall model in which office space occupies upper floors while retail, restaurant and office tenants occupy ground level space. Ground level retail adds to a street's appeal as a retail destination.

Hotels

There are no hotels or motels along MLK between downtown and the freeway. Hyatt Place operates a hotel on the other side of I-75. There has been discussion about the possible need for one within the study area, but nothing concrete is in the pipeline. Under present economic circumstances the demand for additional rooms is probably limited, but separate studies would be needed to determine whether or not this is so.

Residential

Efforts to improve residential neighborhoods continue. A notable program replaced substandard housing in a community called The Bottoms (located immediately north and northeast of McCollum Hall) with a new development called Velasco Village. Existing housing is a mixture of well-kept single-family homes intermingled with others that have fallen into disrepair or have

been abandoned altogether. Few homes are located along MLK, instead favoring the network of quiet streets located either side of the boulevard. To date the Dunbar area has not attracted large-scale suburban tract development. The existing Revitalization Plan calls for residential development along MLK, including extensive multi-family development. This would provide a significant addition to the housing stock and to the shopper base for shops and restaurants.

Retail

The retail space along MLK is occupied by independent operators with the exception of Family Dollar, a Pure gas station, and a Marathon station located east of Fleamasters. There are no fast food restaurants here, no large gas stations with modern, full-format convenience stores, no banks, no supermarkets, and no cinemas. The lack of chains makes it difficult for the area to compete with larger, more extensively merchandised retail districts such as those along Palm Beach Boulevard and Cleveland Avenue. Chains are needed along a commercial strip like this, and at the moment the boulevard has just the three mentioned above.

A supermarket opened along MLK in 2001, filling a conspicuous retail void. Called Topps, the market closed within a year. Several reasons for its demise have been posited, mainly dealing with poor name recognition, unacceptably high prices, poor customer service, and poor (or at least poorly trained and poorly managed) sales help. Moreover, the items stocked at the Topps store appears to have been out of step with the demands of the Dunbar shopper. The combination of factors led to unsatisfactory sales levels and the store was closed. The building is occupied by the Lee Charter Academy. Other supermarket chains apparently are exploring the market, but nothing definite has been announced.

ACCESS

MLK is an important thoroughfare in Ft. Myers. The average daily traffic count in the vicinity of McCollum Hall is 26,500 according to Florida DOT data. By comparison, Palm Beach Boulevard near Tice carries an average of 21,500 vehicles daily.

As far as McCollum Hall is concerned MLK will be useful both for locally-originating traffic and through-traffic. Widened in 2002, MLK now carries two lanes of traffic both east- and west-bound with dedicated left-turn lanes at major intersections, including Cranford Avenue where McCollum Hall is located. Eastbound traffic thus can safely access the property.

Within Dunbar a classic street grid blankets the area, allowing almost endless combinations of routes that shoppers can use to reach McCollum Hall.

Several other thoroughfares stand out in Dunbar. They feed traffic from residential neighborhoods to MLK and thence to the site. Chief amongst these are Evans Avenue, Park Avenue, Veronica Shoemaker Boulevard, and the Michigan Avenue Link.

I-75 is located outside of McCollum Hall's trade area and so does not provide internal traffic circulation within it. Its importance to McCollum Hall derives from its bringing outside traffic, including downtown traffic, to Dr. King Boulevard.

MLK is walkable – technically. It has sidewalks on both sides of the street east to the Michigan Link, and on the south side of the street they continue on to Ortiz Avenue. The sidewalk is in good repair, but there are few places along MLK where one ordinarily would go to stroll. Traffic on MLK can be heavy and in many places there is no lawn strip between the sidewalk and the

roadway. The subject of pedestrian friendliness is incorporated into the corridor revitalization plan and will be dealt with over time. Making the street more walkable will add to the street's appeal as a destination retail district.

In front of McCollum Hall there is a special circumstance when it comes to the sidewalks. Here, and for two blocks to the east of the site, the widened MLK makes a slight arc southward. The sidewalk does not follow this curve, but runs straight from one end of the arc to the other. At its greatest, the sidewalk is located approximately 50 feet from the street, providing a buffer from traffic and making this stretch of roadway more pleasant for pedestrians. In front of McCollum Hall, the sidewalk sits approximately 10-20 feet from the street. The setback provides space that could be used for outdoor restaurant and café seating.

Elsewhere along MLK, it may be that as revitalization progresses perhaps the sidewalks can be set back from the street by 3-4 feet or so to make the area more agreeable to pedestrians.

Summarizing, vehicular access appears adequate for the plans envisioned for McCollum Hall.

COMPETITION

Dr. Martin Luther King, Jr. Boulevard

The retailing along MLK Boulevard consists of independent operators along with two chains: Family Dollar and an Edison Express convenience store attached to a Marathon gas station. There also is a Pure gas station incorporated into the locally-owned D&D convenience store.

Currently the district contains 26 retailers including Fleamasters and several auto garages. Five of these are located at the Galleria Plaza, a neighborhood center located on the corner of Dr. MLK, Jr. Boulevard and Veronica Shoemaker Boulevard.

No particular use dominates the mix. There are several restaurants, hair salons, neighborhood markets and auto repair establishments. Since the 2006 report on the corridor was completed 12 operators have closed. A small shopping center located near Fleamasters is vacant.

The retailers are scattered along the boulevard, but the greatest concentration is located just west of Veronica Shoemaker Boulevard where the Galleria Plaza is located. The retail district is vulnerable to stronger competition located along Palm Beach Boulevard, Cleveland Avenue and Colonial Avenue, among others.

Palm Beach Boulevard

Interestingly, while MLK has little in the way of chain and shopping center retailing, Palm Beach has an extensive array of operators geared toward the price-aware and price-driven shopper. This is a utilitarian retail district and many of the shopping centers and freestanding buildings are in need of remodeling and upgrading. Vacancies are high, but some appear to be as much the result of unattractive spaces as the market's vacancy rates. Walgreens and CVS, either of which would enhance the retail offerings along MLK, are located on Palm Beach and are amongst the better looking stores there. Other notable users located on Palm Beach Boulevard:

- Auto Zone
- Bank of America
- Bealls Outlet
- Big Lots
- Bravo
- Burger King

- Citgo
- Dollar General
- Domino's
- Family Dollar
- Goodwill
- H&R Block
- Hardees
- Hess
- KFC
- Long John Silver's
- Mobil
- Papa John's
- Payless
- Pizza Hut
- Popeye's
- Radio Shack
- Rainbow
- Rent a Center
- Shell
- 7-11
- Stop 'n Go Food Mart
- Subway
- Sunoco
- Taco Bell
- U-Save
- Wachovia
- Wendy's

Palm Beach Boulevard serves East Ft. Myers' Hispanic populace. We acknowledge that there is resistance on the part of Dunbar residents to shop in East Ft. Myers, but the presence of so many retailers and restaurants, along with many independents, automotive shops, offices, and services likely induces some Dunbar residents to shop there - until more reasonably-located options emerge.

Edison Mall

The only enclosed mall in Ft. Myers, Edison Mall is located on Cleveland Avenue 3 miles south of MLK. It opened in 1965. Simon purchased the mall in 1997 from local developer George Sanders. In 2008 they added a small outdoor "lifestyle" wing, and today the mall contains 1.1 million square feet of gross leasable area (GLA) including 300,000 square feet of small tenant space. Macy's operates two stores at Edison (the result of department store consolidation) along with Dillard's, JCPenney and Sears. The mall's central location and conventional merchandise mix have served it well. It serves most of Lee County's middle-income populace. The mall appears to perform well and occupancy levels remain healthy if not spectacular. Dunbar residents shop here, attracted by a strong mid-line and budget mix and its location within 15 minutes of most Dunbar residents.

Cleveland Avenue (US Route 41)

Virtually everything that is available in Ft. Myers is located along Cleveland Avenue. There is an extensive roster of lifestyle and big box retailing on the stretch of Cleveland Avenue located north of Daniels Parkway. Most of the major chains operate units somewhere along Cleveland Avenue, often operating multiple units.

Combined with Edison Mall, Cleveland Avenue presents McCollum Hall with a rationale for not pursuing chain apparel or shoe stores. Until the MLK corridor earns a reputation as a retail location there is little opportunity for shoppers' goods at all, particularly in the initial phase due to the abundance of such retailing along Cleveland.

The Forum at Ft. Myers

Well located on I-75 one exit south of the MLK interchange (Colonial Boulevard), The Forum is a big box/power center. It contains nine anchors, chiefly Target, Ross Dress for Less, Home

Depot, Staples, Bed Bath and Beyond and Books a Million – along with 7 small tenants. The trade area illustrated on the shopping center’s website excludes Dunbar, labeling it a “low income area.” It targets Lehigh Acres and the growing communities to the south. The developer’s statements notwithstanding, the center’s proximity and mix ensure that some of its sales support comes from Dunbar.

Gulf Coast Town Center

CBL opened the first phase of this lifestyle/power center in 2005 as part of a joint venture with Richard E. Jacobs. Phase III was completed in 2008. It is a lifestyle center surrounded by power retail and restaurants. Its location on I-75 (at Alico Road) allows it to serve Dunbar residents since it is just 10 minutes south of the I-75/MLK interchange. Dunbar residents may choose to shop here rather than patronizing Cleveland Avenue in order to visit stores like Best Buy, Dick’s Sporting Goods, Ross Dress for Less, Marshalls, JCPenney, Costco and Target. Amongst its 120 small tenants are budget stores like 5-7-9, Catherine’s, Kay, Finish Line, Dollar Tree, Zales, Dollar Tree, Payless, and Rack Room Shoes. It has an extensive roster of food and beverage operators; 26 of its 76 non-anchor tenants are restaurants or specialty food purveyors. Additional phases are planned and CBL has 8 more pad sites for sale. CBL says the entire project will contain 1.7 million square feet of retail space upon completion, including 15 anchors and 120 shops and restaurants.

Other

Several other retailers merit our attention because they serve Dunbar residents. To provide a sense of scale, the following bullet points include the highway mileage from the intersection of MLK and Veronica S. Shoemaker Boulevard.

- The nearest Walmart is located on Colonial Boulevard just west of I-75, 3.8 highway miles to the southeast.
- The nearest Sam’s Club is located on Cleveland Avenue across from Page Field. It is the only Sam’s Club in Lee County. Sam’s Club is a destination and so it is normal for shoppers to go to some effort to reach them. This means that Dunbar residents shop there in some measure. It is located 6.2 highway miles to the southwest.
- Two Publix stores serve the market. One sits just west of Downtown on McGregor Boulevard, 2.2 highway miles to the west. The other is located on Colonial Boulevard near the Walmart store, 3.8 highway miles to the southeast.

DEFINING THE RETAIL TRADE AREA

A retail trade area encompasses neighborhoods whose residents patronize the shopping center, retail district or retail establishment regularly. Trade area residents are suitable targets for ongoing marketing efforts. In other words, retailers can rely on the continued patronage of shoppers living within this particular area.

Retail trade areas are irregular in shape. A trade area’s extent in any direction is affected by several influences:

- Physical barriers may impede traffic flow. Indeed, such barriers may so isolate areas from one another that the demographics in each may vary markedly.
- The configuration of the highway network either facilitates or hinders adequate flow to the subject retail site.

- Each retailer serves a particular target customer. The extent of its trade area is shaped by where these target customers live.
- The location of a retailer's competitors bears upon trade area configuration and extent.

In defining a retail trade it is important to strike a balance between the often contradictory motivations of developers and leasing agents on the one hand, and objective market realities on the other. Developers and leasing agents are tempted to exaggerate a trade area's extent to boost the population figures, thus helping to attract higher order retailers.

Convenience is an issue in all cases; shoppers seek the greatest return for their effort. People have only so much time for shopping and so shoppers travel to the nearest alternative meeting their needs, the textbook definition of "convenience." This introduces the concept of "intervening opportunities." Since the competition is not spread evenly across the landscape, travel times based on the location of intervening opportunities are not uniform. This, retail trade areas are, as mentioned, irregularly shaped due to the influences of the various competitors.

In defining the trade area, McCollum Hall's logical retail direction comes into play:

- McCollum Hall should supply the basic needs of Dunbar residents with tenants operating at a competitive quality level.
- McCollum Hall should provide attractive, well-managed tenants capable of attracting passing traffic on MLK Boulevard.
- Differentiate the project from MLK's existing retail, service and restaurant offerings.

Bringing all factors to bear, we define McCollum Hall's residential retail trade area based on the following logic:

- To the north, the trade area extends to Billy's Creek. Not only is it a physical barrier, but there is an appreciable change in demographics in areas located north of the creek. Dunbar is primarily African-American. North of the creek, the area known as East Ft. Myers hosts a growing Hispanic community along with Caucasians and some African-Americans.
- To the west, the railroad tracks historically have served as the boundary between Dunbar and central Ft. Myers. Additionally, areas located west of the tracks are located close enough to Cleveland Avenue to favor that important corridor as their principal shopping district. Under the circumstances McCollum Hall's tenants will be unable to compete effectively with so large a retail concentration.
- To the east, McCollum Hall can serve areas as far as Ortiz Avenue. Beyond that, competition from other sources is strong enough to draw these residents away from McCollum Hall.
- To the south there the Dunbar community gives way to a commercial and industrial zone. This occurs south of Canal Street. Beyond that, residents are located closer to the extensive competition located along Cleveland Avenue and, to a lesser extent, along Fowler Street. The attached map portrays the extent of this area.

McCOLLUM HALL RETAIL TRADE AREA



TRADE AREA DEMOGRAPHICS

McCollum Hall's retail trade area is populous for so compact an area. According to ESRI, the nationally-recognized demographics firm, the trade area's current population is 13,600 people living in 4,600 households. The trade area has been growing, up slightly since 2000 and projected to climb to 14,500 people by 2014.

Household incomes in the trade area average \$33,100, below the national average of \$71,000. The large working class populations nevertheless are augmented by a significant higher-income population. 21 percent of households have incomes exceeding \$50,000, and 4 percent have incomes exceeding \$100,000.

Other selected comparisons are presented on the following table.

COMPARISON OF SELECTED DATA McCOLLUM HALL TRADE AREA, FT. MYERS, LEE COUNTY, AND FLORIDA 2008

<u>COMPARABLE POPULATION</u>	McCOLLUM HALL				
	<u>TRADE AREA</u>	<u>FT. MYERS</u>	<u>LEE CO.</u>	<u>FLORIDA</u>	<u>U.S.</u>
MEDIAN AGE	29.0	32.8	42.7	40.1	36.9
PERCENT UNDER 18 YEARS	33.3%	24.3%	20.8%	22.1%	24.5%
PERCENT OVER 65 YEARS	12.1%	13.8%	22.5%	17.1%	12.6%
PERCENT AFRICAN-AMERICAN	82.3%	35.9%	7.4%	15.3%	12.3%
PERCENT HISPANIC OR LATINO	12.4%	19.0%	16.8%	20.5%	15.1%
AVE. HOUSEHOLD SIZE	2.92	2.37	2.35	2.51	2.61
BACHELOR'S DEGREE OR HIGHER	9.6%	20.8%	25.0%	25.7%	27.4%
OWNER OCCUPIED HOUSING UNITS	43.8%	45.5%	74.9%	70.3%	67.1%
MEDIAN HOUSEHOLD INCOME	\$ 24,944	\$ 40,344	\$ 51,599	\$ 48,637	\$ 52,175
INCOME DISTRIBUTION					
Under \$25,000	50.1%	30.2%	20.2%	23.9%	23.3%
\$25,000-\$34,999	16.9%	14.6%	11.8%	11.8%	10.6%
\$35,000-\$49,999	12.4%	16.4%	16.2%	15.5%	14.2%
\$50,000-\$74,999	12.5%	16.6%	21.0%	19.2%	18.8%
\$75,000 and over	8.1%	22.3%	30.9%	29.6%	33.2%

SOURCE: U.S. Census, ESRI, Downtown Works.

For several other pieces of information there are corresponding figures for the US as a whole. A summary of comparisons between the trade area and national data follows:

- Within McCollum Hall's trade area, 43.8 percent of housing units are owner-occupied. The overall national figure is 58.7 percent. Nationally, approximately 48 percent of African-American householders own their homes, not dramatically different from the figure in the defined trade area.
- The percentage of housing units that are vacant exceeds the national average: 16.6 percent versus 11.2 percent.
- The population is majority-minority. 82.3 percent of residents are African-American, compared to 12.7 percent in the nation as a whole. Of the city's African-American population, 53 percent lives in the defined trade area; 26 percent of Lee County's African-American population lives here.
- The percentage of the population that is Hispanic is less than the US figure: 12.4 versus 15.7. Fifteen percent of Ft. Myers' Hispanic population lives here, equivalent to 2 percent of Lee County's Hispanic populace.
- White-collar workers constitute 37.0 percent of the adult population, exceeding the 61.5 percent national figure.
- Professional and administrative workers account for 47 percent of White-collar workers (59 percent nationally).
- The percentage of adults who have never married is well above the national average: 40.9 percent versus 28.9 percent. However, the percentage of trade area households that are non-family households actually lags the national average: 28.0 versus 31.9 percent.

With this information in hand, the next step is to calculate expenditure potential. This is derived through information provided by the US Bureau of Labor Statistics through their quarterly Consumer Expenditure Survey. In it, the BLS determines how American households distribute their expenditures, including expenditures on housing, taxes, food, retail purchases, and medical care. These studies examine expenditures made by varying groups, including by household income level. This analysis focuses on expenditures involving categories that relate most closely to the anticipated retail, restaurant and service offerings that will be available at the redeveloped McCollum Hall. These categories are:

- Food away from home
- Food at home (includes snacks, coffee, baked goods and other items that will be available for off-premises consumption)
- Housekeeping supplies
- Apparel and services (including dry cleaning and shoe repair)
- Drugs/medical supplies
- Personal care products and services
- Reading material

Nationally, consumers spend 23.4 percent of their incomes for the goods and services that are likely to be offered at McCollum Hall. This is the pool of dollars from which McCollum Hall will draw. While different income groups will spend at different levels, and while the market's higher income groups are more likely to patronize McCollum Hall more frequently, the entire market will contribute sales support in some measure.

DETERMINATION OF SPENDING PERCENTAGES
CONSUMER EXPENDITURE SURVEY - 2008

	EXPENDITURES AS PCT. OF HOUSEHOLD <u>INCOME</u>
FOOD AT HOME	7.4%
FOOD AWAY FROM HOME	5.3%
HOUSEKEEPING SUPPLIES	1.3%
HOUSEFURNISHINGS AND EQUIPMENT	3.2%
APPAREL AND SERVICES	3.6%
DRUGS/MEDICAL SUPPLIES	1.2%
PERSONAL CARE PRODUCTS AND SERVICES	1.2%
READING	0.2%
 TOTAL	 23.4%

SOURCE: U.S. Bureau of Labor Statistics,
 Consumer Expenditure Survey, 2008.

From the information Overall the trade area generates \$35.7 million in retail expenditure potential. This figure is projected to increase by \$740,000 annually through 2012 (the anticipated opening year for the project) leading to a figure at that time of \$38.0 million in 2012 dollars.

SELECTED ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

McCOLLUM HALL TRADE AREA

FT. MYERS, FLORIDA

2000-2014

	<u>2000</u>	<u>2009</u>	<u>2012</u>	<u>2014</u>	<u>TOTAL CHANGE</u> <u>2000-2009</u>		<u>TOTAL CHANGE</u> <u>2009-2014</u>	
					<u>NUMBER</u>	<u>PCT.</u>	<u>NUMBER</u>	<u>PCT.</u>
POPULATION	13,220	13,606	14,115	14,455	386	2.9%	849	6.2%
HOUSEHOLDS	4,358	4,618	4,805	4,930	260	6.0%	312	6.8%
AVERAGE HOUSEHOLD INCOME	\$ 27,865	\$ 33,077	33,754	\$ 34,205	\$ 5,212	18.7%	\$ 1,128	3.4%
TOTAL INCOME (000)	\$ 121,436	\$ 152,750	\$162,194	\$ 168,631	\$ 31,314	25.8%	\$ 15,881	10.4%
EXPENDITURE POTENTIAL (000)	\$ 28,416	\$ 35,743	\$ 37,953	\$ 39,460	\$ 7,327	25.8%	\$ 3,716	10.4%

SOURCES: BLS, ESRI, Downtown Works.

PSYCHOGRAPHICS

Demographics tell part of a market's story. It matters what a trade area's average age and income are, but understanding market behavior requires more extensive analysis. Within the simple metrics of age, income and family structure dwell a range of attitudes and lifestyles. Some affluent people do not care very much about how they look when they go out in public. On the other hand, some people with modest incomes are fashion-conscious or even fashion-driven. They dress well and may skimp on buying furniture in order to buy more clothes.

In short, the lifestyles and attitudes of the populace must be taken into account when developing, designing, leasing, managing and marketing a retail center. The study of these attitudes is Psychographics. Who lives in McCollum Hall's market?

Differences between neighborhoods are reflected in nearly everything their residents do. Magazine readership, musical tastes, recreational activities, attitudes toward innovation, investment strategies, shopping patterns and spending levels all are influenced by a person's attitudes. Direct mail marketing firms know where to find particular consumers, often targeting entire neighborhoods because "birds of a feather flock together."

The study of these lifestyle variations is the heart of psychographic research, the name having been derived from the fact that it takes into account how people think and behave.

The developers, arising out of their experience with the African-American market, have developed a psychographic model for majority-minority markets. The following discussion describes the groups that will be McCollum Hall's target shoppers.

There are five principal psychographic groups in urban African-American communities. These are:

- Elders, including those who are comfortably retired, those retired on moderate incomes who grapple in some measure with their budgets, and those who are "Subsistence Elders" who are living on low fixed incomes and who have little discretionary income. They account for approximately 15 percent of the population. Excluding the subsistence group puts the percentage at 7.5 percent.
- Older Parenting, working class groups who are approaching retirement age and whose children, if they are at home, are in their teens or twenties. They are working families and single parents employed in service occupations. They account for approximately 35 percent of the population.
- Lower-moderate-middle income families and singles, a group that is younger than the previous group. Three groups within this group are defined on the basis of their income levels (lower, moderate, or middle income). They account for approximately 40 percent of the population.
- The Gentrification Group, made up of areas where more "artsy" people buy homes and renovate them to suit their tastes. They are attracted by the housing stock, the location near downtown, and the diversity. This is a small group, occupying approximately 5 percent of the population.
- Singles and college students, young people who are going to the university or the community college. They rent their living quarters and often hold part time jobs. Their incomes are low although they may find help from their families. This also is a small group, accounting for approximately 5 percent of the market.

The Older Parenting group is a large segment in the community and will be a target market for McCollum Hall. They are working in service occupations. Many work in medical offices or hospitals as LPN's, orderlies, nursing assistants, and so on. Others work as for the Board of Education, as bus and truck drivers, in clerical functions, as factory workers, in warehouses, or in skilled trades. They have children at home, generally of high school age or slightly older. They have discretionary income and generate demand for the usually array of retail goods and services. Life may be somewhat more difficult for the single parents, who constitute a significant segment of this group, but they have steady incomes. Many have been working for their present employers for years and have been promoted several times. As for leisure spending, members of this group dine out occasionally. They prefer shopping at off-price and discount stores like Walmart, Marshalls or Burlington Coat. This is a group that McCollum Hall should target with its leasing.

Two other groups that will be target shoppers fall into the label of "Low, Moderate and Middle Income Families and Singles." Within this large group are two subgroups that will be target shoppers for McCollum Hall. The first of these is called Moderate Income Working Families and Singles. They, along with their middle-income counterparts, will patronize McCollum Hall and will be parts of its target market. Both groups trend younger than the Older Parenting group described above. Their children therefore tend also to be younger. Like their older counterparts, they are working in service positions with some having attained positions as teachers, insurance agents, realtors, and the like. As mentioned, approximately 40 percent of households fall under

the umbrella of lower/moderate/middle. The moderate and middle income groups, which constitute the target shopper groups, account for approximately 20 percent of the population. These shoppers likewise will demand the basic merchandise categories common to all consumers. All must keep an eye on their budgets, especially the moderate income group, but they will dine out regularly and prefer to shop at discount and off-price stores.

As for the Elders, the target groups are the groups that are comfortably retired and that are retired on modest incomes. The former group will be the more fruitful group for McCollum Hall to target; the modest income retirees will patronize the shops and restaurants to a lesser degree. Few of these retirees have moved here from out of state. They are mostly long-time residents who have been in their home for years and so have found the mortgage payments to be getting easier to handle (assuming they have not paid the mortgage off altogether). Dunbar attracts retired African-Americans and future arrivals will be looking for retail and dining opportunities in their adopted community. Older consumers are generally lucrative target patrons for restaurants, snack shops, pharmacies, and gift shops, among others. The comfortable retirees likely will gather there frequently, particularly in the middle of the day. This will help keep traffic levels up when many area residents are at work.

The Gentrifying Group seeks out communities like Dunbar. They like the urban lifestyle and are strongly attracted to the diversity present in this part of Ft. Myers. They dine out often and will gravitate toward McCollum Hall to experience the diversity of their neighborhood. They are not a large group numerically, but they spend out of proportion to their numbers.

The last group, the Single Students, have limited budgets as they work their way through school. They are major consumers of coffee, carry-outs, pharmacies, and cell phone stores. They hold part-time jobs, often have roommates to help lessen household expenses, and can receive some financial help from their parents.

The target groups account for 67 percent of the market. Bear in mind that the target shopper groups are those that will drive the merchandising plan for the project. Those who are not target shoppers will patronize McCollum Hall to some degree given the nature of the mix.

BASIS FOR A MERCHANDISING MIX PLAN

McCollum Hall and the entire MLK corridor will return to a position of retail importance by staying faithful to several overarching principles.

- *The Dr. Martin Luther King, Jr. Boulevard corridor is the commercial heart of the community.* This is where commercial enterprises should locate in order to build upon historic and existing patterns.
- *Begin by focusing on the basics.* By providing the community's most basic and indispensable needs McCollum Hall can immediately make an impact in its market. These will serve as anchors and traffic generators. As they become established they will attract the attention of other retail, food and service operators to this stretch of MLK.
- *The building lacks critical mass.* There is an expressed desire for the community to return to former days when all manner of retail goods can be found here. However, there is only so much one can do with 9,300 square feet to begin with. As the remaining phases are developed there will be space available for other uses, but it is unlikely that there will be much room, nor much call, for apparel and shoe stores. The lack of critical mass makes it difficult for an apparel or similar store to compete with the large retail

districts located in Ft. Myers. As the roster of retailers grows, so will the mass and thus the ability to support higher-order retailers.

- *Quality is key.* As the developer has expressed it, “The operators must be both willing and able.” High operating standards will figure prominently in each tenant’s prospects for success. The landlord should expect to see a sound business plan when leasing space at McCollum Hall. This advice should be applied all along MLK.
- *Home-grown is preferable, but not mandatory.* The operators should be, where possible, local residents with ties to the community, who understand it and its needs. Local owner-operators should not be engaged if they are not willing and able to operate competitively.
- *Quality includes curb appeal.* The large volume of commuter and through-traffic along MLK can be enticed to McCollum Hall if the development is well executed and generates traffic amongst local residents. A project that looks attractive from the street will generate interest and patronage on the parts of passing traffic.
- *Tourism can be a factor.* It may be premature to think of McCollum Hall as a tourist spot, although it could be included in a program to promote Dunbar as a cultural tourist destination. However, the Imaginarium’s presence has immediate potential to bring tourist traffic to the neighborhood, traffic that could also patronize McCollum Hall. They project attendance this year at 85,000-90,000 people.
- *Walkability is a longer-term goal.* Currently the plans for McCollum Hall do not supply enough space to attract pedestrians out for a stroll. This can change as adjacent blocks develop. This is not to deny that any strollers will show up, but that it will not be a major trip generator for a while.
- *Safety.* A must. The community’s pride in McCollum Hall should help assure this, as should the City’s determination to bring this long-standing plan to fruition.
- *The daytime population* will be important as a source of sales. McCollum Hall is close to downtown and its daytime population. This will allow it to attract business during the lunch hour. The lunchtime trade can be an important market for the project. Many restaurants rely on lunch traffic to make their numbers, and McCollum Hall’s has access to the 9,000 workers employed downtown. It likewise has access to the thousands of people who visit downtown on any given day, especially those driving along MLK past McCollum Hall to get there. In order to achieve this, McCollum Hall must have the curb appeal needed to attract shopper interest and patronage.
- *Long term plans for the Martin Luther King Boulevard corridor* include new developments incorporating structures that provide more of a streetwall. This will make the street more walkable and more appealing as a gathering place. This in turn makes the area more attractive to retail tenants and will have a salutary effect on rental rates. As the revitalization program is implemented this is an important consideration; such development makes the street scene more interesting and inviting, appealing both to trade area residents and to passing traffic. Retail districts tend to be healthier if they are double-loaded, especially as pedestrian-based development progresses. This is something to bear in mind as revitalization progresses and various blocks are developed.

VOID ANALYSIS

We have completed a void analysis of the community, focusing on what is missing in the market that ordinarily would be expected to locate in such a mart, along a corridor carrying nearly 27,000 vehicles daily. Bear in mind that the number of vehicles passing McCollum Hall daily is double the number of people who live in the trade area.

There is a population of retailers that is missing from Dunbar, is underrepresented based on population, or is being provided by lower-quality operators. The list below illustrates where the

retail voids exist. This list also focuses on operators most appropriate for MLK and so do not include big boxes like Best Buy, or department stores. It takes into account the demographic and psychographic characteristics of the market.

Absent from the market

- Fast food chains
- Chain sandwich shop like Subway
- Bank
- Coffee/bakery (Dunkin' Donuts can build a combined unit offering Baskin Robbins ice cream)
- Optical
- Pharmacy
- Pizza, including home delivery
- Supermarket
- Auto parts
- Chain auto repair
- Verizon/AT&T
- Pet store
- Rent a Center
- Pack and ship, and related business services

Underrepresented in the market

- Sit down restaurant/cafe
- Dry cleaner/tailor/shoe repair
- Gift/card (some may include candy)
- Hair and nail salon/spa
- Convenience store
- New format gas station and convenience store
- Optical
- Dollar store
- Check cashing
- Florist

Represented by uncompetitive operators

- Sit down restaurants/café
- Convenience store
- Apparel stores
- Dollar store
- New format gas station and convenience store

There also is a need for offices space to provide a greater variety of essential services, notably insurance, medical, and dental, real estate, tax service, and legal offices.

Not all of the listed uses are appropriate for McCollum Hall, necessarily, but all are appropriate for MLK west of Veronica Shoemaker Boulevard. Some categories, of course, can be represented by more than one operator, such as restaurants, fast food chains, auto supply and service chains, pizza, hair salons and day spas.

McCollum Hall should not lead with higher-order retail stores such as clothing, shoe, furniture or jewelry stores. Begin with the basics and build traffic, making the market more attractive to such shops.

In order to succeed McCollum Hall's renovation should be part of a greater plan for the Martin Luther King corridor. The building is too small to accomplish its success entirely without help

from the surrounding blocks. McCollum Hall should be designed as a catalyst to advance other development, beginning with voids in basic goods and services.

The developer's plans for McCollum Hall incorporate the re-establishment of the upstairs hall as a community and social venue. This will help advance the retail leasing program as the site becomes popular as a gathering place. Retailers look for areas that are lively and which sustain high traffic levels. McCollum Hall's re-opening will generate the activity and traffic that will help in this regard.

MERCHANDISING IMPLICATIONS

Allowing that McCollum Hall has ample demand to support the amount of retail space being proposed, we can proceed with our merchandising guidelines from which our recommendations flow.

Phase I

To reinforce earlier statements, McCollum Hall is to be a showpiece of functional urban retail revitalization. Properly developed, leased and marketed, it will spur development on nearby blocks which, if it incorporates appealing design standards, will add to the quality of life in the community. As the catalyst for future development, the uses placed in McCollum Hall will be useful and appealing, a combination that will generate frequent visits by larger numbers of people.

The project will be best served by offering the public a mix of uses. For instance, it would not be appropriate to fill the entire ground level space with a dollar store, although this probably could be done. The market can indeed use such a store, but placing it in Phase I of McCollum Hall would not make the project a showpiece nor would it be likely to spur additional development along the corridor. A more appropriate mix is needed.

While some stakeholders desire the building be completely occupied by a community center, McCollum Hall occupies an excellent retail location. Moreover, the ground level space has a history as a retail location. Retail has proven reliable as a driver for revitalization programs. Retail stores generate traffic, bringing activity and life to an area, and activity attracts interest and attention on the parts of shoppers and potential tenants.

A restaurant should anchor the project, occupying approximately 3,500 square feet. We do not recommend ethnic food for this key operator. "American Food" (beef, seafood, poultry) would work best at the outset. It provides broader and more general appeal, attracting larger numbers of diners, and if it is family friendly its appeal will be broader yet. This is appropriate psychographically due to the importance so many residents place on their children. Quality must be acceptable but prices cannot be high. There can be some higher-priced items on the menu but diners on a budget must be able to find a menu of affordable entrees. Older diners can visit during the day, downtown workers can visit at lunch or on the way home. Local residents will keep it busy on weeknights and weekends augmented by some Imaginarium visitors. As the restaurant builds a following it may be able to attract business from more distant neighborhoods. (If so, there could be justification for expanding the trade area, which will help to promote the area to prospective tenants.)

Destination restaurants are exciting and make valuable tenants. However, it is difficult to attract such a restaurant right away. More likely, the restaurant will have to build itself into a

destination restaurant. This may prove to be a non-issue, but if the goal is to provide the Dunbar community with a gathering place then the presence of a destination restaurant may not serve this purpose. The “feel” of a neighborhood restaurant is difficult to maintain if most of the diners do not live there.

The restaurant would benefit from outdoor seating. The setback from MLK will militate against traffic noise. A corner location will help further, providing additional seating on the quieter side street (Cranford). In the present case, the building’s corner location occupies a single story, helping with the installation of HVAC, venting, etc.

A coffee/donut/bakery shop also is appropriate, and can occupy 1,500 square feet. Preferably a strong local owner-operator can be identified. Everyone drinks coffee, both area residents and commuters. Round out the menu with donuts and sandwiches, especially breakfast sandwiches. A canny operator will understand how to vary the menu by time of day.

A bank is needed here, and should be developed sooner rather than later. Placing the bank on the eastern edge of McCollum Hall allows a walk-up window and ATM to be built either on the side of the building, or in the planned expansion, which will house a lobby. The need for a drive-up window needs to be settled, but we should provide Dunbar with a bank as soon as reasonably possible. It will occupy approximately 3,500 square feet.

The remaining space can go to a hair/nail salon and spa. This should be the best available in Dunbar. The operator must be creative with regards to the African-American clientele, including the white-collar worker. If this is too small for a spa a small gift and card shop could fit here.

There are other uses that are appropriate at this location, but in the first phase focus on tenants that cohere with McCollum Hall’s history and stature.

Phase II – 10,000 square feet

The mix here can be somewhat more fluid than the original McCollum Hall.

A suitable use is a card/gift shop. Some operators also sell candy. Everyone buys cards and gifts, but the operator must know Dunbar and should understand the local market. There is an opportunity to serve commuters (e.g., Secretary’s Day). Market the shop as a place to stop on the way home for last minute items. This shop will occupy approximately 2,000 square feet.

A café or other informal dining establishment can occupy this location. It must differentiate itself from the restaurant via a different atmosphere and menu. A locally-grown version of Panera Bread could work here. Daily specials featuring soups and sandwiches can provide good meals for those on a budget. Approximately 3,000 square feet should allow sufficient seating.

Pack and Ship or similar use. Various business and personal services can be offered, including printing, fax, some stationery/office supplies, and so on. This may be a tough sell, but there are a lot of businesses in the area, not only downtown but east of Veronica Shoemaker Boulevard. Residents can rely on this shop for printing or to use the fax machines. Perhaps it can be possible to provide computers with internet access. Commuters may find this appealing as well. Allow 1,500 square feet.

Dry cleaner, preferably with tailor and shoe repair services. When people are on a budget they may prefer to repair rather than replace apparel and shoes. A good dry cleaner will satisfy white-

collar workers. It can serve commuters, also. Good service will be a must. Allow 2,000 square feet for this. The cleaning itself likely will not be done on the premises, a common practice.

AT&T or another reputable cellular phone dealer can work here. Besides serving residents of the trade area it would appeal to downtown commuters. Allow 1,200 – 1,500 square feet.

If the card/gift shop is inserted into Phase I, the hair/nail salon and day spa should go here.

Phase III – 10,000 square feet

As the project adds Phase III the project will be ready to support pure retail space. Examples: a neighborhood pet shop, a florist, or a dollar store.

Food uses can include pizza or Subway. Stakeholders report that pizza delivery is not available in Dunbar at present.

Services could include Curves or an optical store.

Dunbar needs a pharmacy. Given that Walgreens and CVS both operate full-size units along Palm Beach Boulevard, it is more likely they will open an in-line store along the Martin Luther King Boulevard corridor. McCollum Hall is the ideal place for such a facility. The community needs one, and McCollum Hall will be developed soon. A pharmacy will add to the project's drawing power and will serve both trade area residents and passing traffic. Pharmacies often operate stores with their standard corporate design criteria, but they also will follow a developer's design guidelines and thus help preserve the atmosphere of McCollum Hall.

Other uses needed in the area, such as fast food, should be located elsewhere rather than on the subject property. Many of these uses just require too much space, including their own parking fields.

Marketing

Marketing will be needed to attract shoppers, diners and tenants to the property. This seems obvious but it will be critical to the project's success. In the world of retailing marketing is one of the first expenses to be cut during slack periods. Here, marketing will be needed to keep the project "top of mind" with local residents, whose repeat patronage it will rely upon. Marketing likewise can sell the project to commuters, reinforcing the impression they will get when driving by the project each day.

It is important to create the necessary "buzz" about Dunbar and this keystone development. McCollum Hall not only becomes the site where the community gathers, but it is the place that presents Dunbar's face to the commuters, through-traffic, and tourists (including Imaginarium visitors) whose business will improve the project's financial returns.

SUPPORTABLE SQUARE FOOTAGE

The 13,600 households in the trade area generate \$35.7 million in expenditure potential today for the merchandise lines likely to be offered at McCollum Hall. By 2012, the anticipated opening year for McCollum Hall, expenditure potential is projected to increase to \$38.0 million in 2012 inflated dollars.

Typically a retail center draws some of its sales support from shoppers living beyond the trade area. This is called “inflow” and will include the commuters and other traffic using MLK Boulevard in the vicinity of McCollum Hall. Given the large volume of traffic passing the site, and the presence of the Imaginarium across the street, we project inflow to be 40 percent of sales.

The economic pro forma has not yet been finalized. For retailers, base rent should be approximately 10 percent of sales volume to allow sufficient income to cover other operating expenses. For restaurants the figure can be as high as 12 percent. Sales productivity of \$250 in current (inflated) dollars will be reasonable for a center of this size upon opening in 2012. This figure is derived from information provided by the International Council of Shopping Centers in their “Dollars and Cents of Shopping Centers,” which includes neighborhood centers in the 30,000-square-foot range. Sales performance levels for the shops, restaurants and services recommended above are used to derive this figure. The \$250 figure is a project average. As an average there will be uses within the project that will perform at levels exceeding \$250 per square foot (such as the restaurant, the coffee shop and the pharmacy) and others will perform at lower levels (the hair salon and dry cleaner).

Allowing that a bank occupies 3,500 square feet of space, the remaining 25,800 square feet of space, generating \$250 per square foot, yields a volume in 2012 (in inflated dollars) of \$6.45 million. Allowing that 60 percent of sales are derived from the trade area, this leaves \$3.87 million in trade area-based sales volume. In 2012, this requires a capture rate of approximately 10 percent.

SUPPORTABLE CAPTURE RATES

**McCOLLUM HALL
2012
(inflated dollars)**

2012 sales per square foot	\$250
Total square footage	
(occupied, sales producing space)	25,800
Total sales volume	\$ 6,450,000
Percent of sales derived from trade area	60%
Trade area-based projects sales volume	\$ 3,870,000
Trade area - expenditure potential	\$ 37,953,000
Project capture of trade area-based expenditure potential	10%

This is an achievable capture rate due to the vulnerability of the competition along MLK. However, in order to achieve this, the project’s tenants must be good at what they do, that is, “willing and able.”

Indicated base rents with sales equivalent to \$250 per square foot and rents equivalent to 10 percent of sales: \$25 per square foot. Earlier in the report, the CBRE report announced that retail rents in Lee County average \$15 per square foot. This includes new space in locations like Estero and Bonita Springs. Local brokers report sales in central Ft. Myers in the \$8-\$12 range. Thus, the \$25 supportable rent appears unlikely to be achieved at McCollum Hall even though project sales volumes may allow it. The question becomes whether the financial pro forma shows McCollum Hall to generate positive cash flow at market rents.

DISCLAIMER

All conclusions presented herein is based on our current knowledge and market experience, but as in all such studies the findings are based upon assumptions and estimates which are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy which are highly uncertain. Therefore, while our estimates will be conscientiously prepared on the basis of our experience and the data available to us, we make no warranty of any kind that the occupancy, rates, revenues, or expenses projected will, in fact, be achieved.

We acknowledge the material supplied by the Dr. Martin Luther King, Jr. & Veronica S. Shoemaker Boulevards Revitalization Plan prepared in July 2006 for background information.