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INTRODUCTION

The City of Burlington selected The Eisen Group (TEG) and its sub-consultant Arnett-Muldrow & Associates to complete a Retail Market Analysis for the greater downtown area of Burlington, incorporating the Lake Champlain waterfront. The Retail Market Analysis is a component of the first phase of a three-part, HUD-funded update of the Downtown Burlington Comprehensive Plan, and incorporates a development capacity analysis, the retail market analysis, a comprehensive plan update and creation of a form-based code for Downtown Burlington and the waterfront.

This report includes four major sections (with supporting sub-sections) described below:

Downtown Overview – Description of the study area; TEG’s review of the development patterns analysis completed in Phase I; identification of potential future development opportunities; summary of Downtown Burlington’s public infrastructure (parking, streetscape, signage and wayfinding, and transportation; stakeholder comments about the regulatory environment in Downtown Burlington as it affects investment, development and location decisions (zoning, historic overlays, the project approvals process, concentration of social services); and implications of the proposed expansion of the downtown Tax Increment Finance (TIF) District

Downtown Retail Market Analysis – Analysis of the downtown retail real estate market; consumer market segmentation and demographic analysis; business mix analysis; an analysis of downtown Burlington’s competitive position in the regional market; existing retail spending zip code analysis; and a retail demand analysis

Retail Recruitment Strategy -- Retail voids in the existing mix; retail recruitment opportunities/target retail categories; recommendations for downtown to recapture sales

Implementation Plan -- Implementation strategies and projected timetable for implementation over the short-term (first 18 months), medium-term (18 months to three years), and long-term (beyond three years)

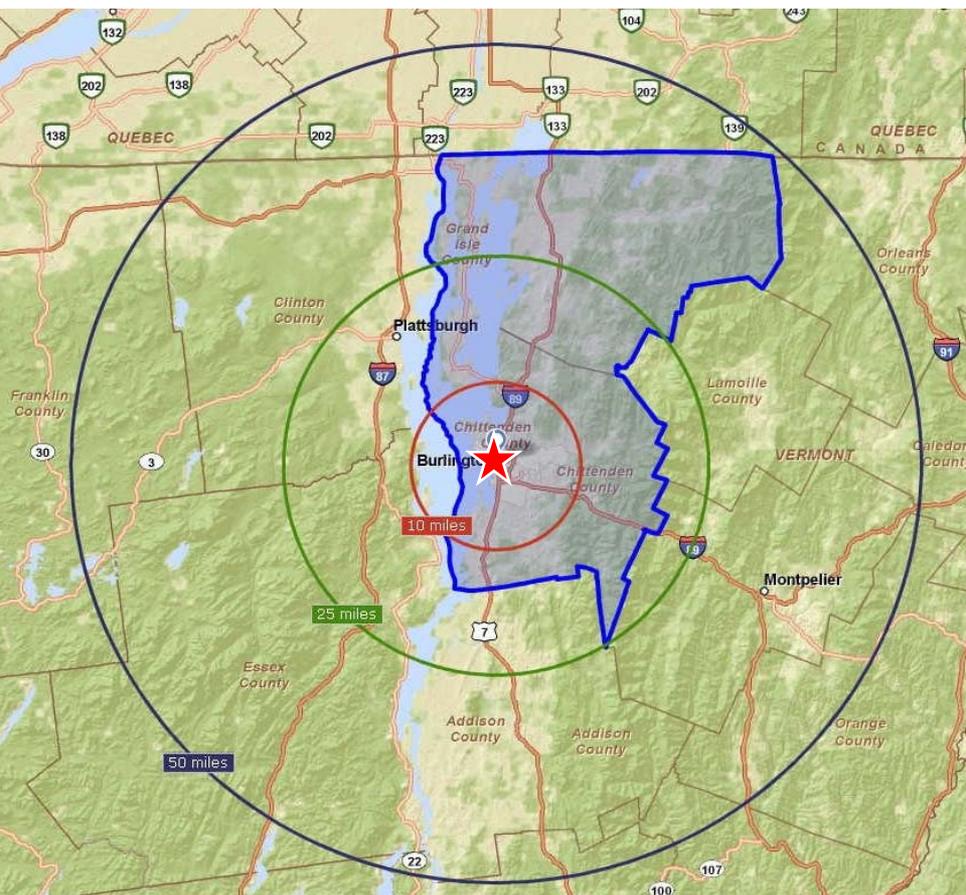
HUD Acknowledgement and Disclaimer

The work that provided the basis for this publication was supported by funding under an award with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The author and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

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1. DOWNTOWN OVERVIEW

Figure 1: Regional Context Map



 Burlington-South Burlington, VT Metropolitan Statistical Area

 Downtown Burlington

Source: ESRI Business Analyst; The Eisen Group

1.1 REGIONAL CONTEXT

The City of Burlington is located in the northwest corner of the State of Vermont and is separated from New York State by Lake Champlain. The greater Burlington-South Burlington metropolitan area is comprised of Chittenden County (Burlington is the County seat) and the more rural Franklin County and Grand Isle County. The region is well known for its natural setting and the many resorts throughout the Green Mountains.

The Canadian province of Quebec is less than 50 miles away from the city with easy access along I-89. Montreal is the next closest major city and is less than a two hour drive from Burlington. At over 200 miles away, the closest major US city is Boston, MA. While somewhat isolated from the rest of New England, the city is easily accessible to points south and east via I-89 and I-91.

Burlington International Airport is less than five miles from downtown and offers daily flights to several major markets, including New York City, Washington, DC, Philadelphia, Chicago, Detroit, Orlando, and Cleveland. While Amtrak's Vermonter route passes through Burlington, there is no regional rail service to the city. The closest Amtrak station is located in nearby Essex Junction.

Figure 2: Downtown Study Area Map



1.2 DOWNTOWN STUDY AREA

The following analyses focus on the macroeconomic, demographic, real estate market and regulatory factors affecting retail development potentials and business operations in downtown Burlington, VT. Downtown Burlington is the historic economic center of the surrounding region, and continues to play a dominant role as a major retail destination and financial nerve center. Commercial activity in the downtown area is further supported by its proximity to the University of Vermont and its associated research and medical facilities. One of the primary attractions to downtown, especially in the warmer months, is the Lake Champlain waterfront and the sweeping views made possible by the area's westward sloping topography.

The core portion of the Study Area is defined by the area bounded by South Union Street to the east, Lake Champlain to the west, Maple Street to the south, and Sherman and Peru Streets to the north. Outside the core downtown, the Study Area extends further south to Marble Avenue and includes portions of the Amtrak railroad right-of-way and the industrial area west of Pine Street. The Study Area also includes a small portion of land on the Lake Champlain waterfront to the north of the Moran Plant and Burlington Community Sailing Center.

Primary access routes to and from downtown include the following:

- Main Street (Route 2) – connects downtown to all points east of downtown, including University of Vermont, I-89, and Burlington International Airport
- Route 7 – connects downtown to all points south, including South Burlington and Shelburne
- Pearl Street/Colchester Ave – connects downtown to all points north, including Winooski and Colchester

Downtown Burlington Study Area

Source: City of Burlington; The Eisen Group

1.3 ZONING

Downtown Burlington is subject to nine major zoning districts that include 18 sub-district classifications. The core of the downtown Study Area is zoned as one of five Downtown Mixed-Use Districts, including: Downtown; Downtown Transitional; Downtown Waterfront; Downtown Waterfront – Public Trust; and Battery Street Transition. The primary intent of these districts is to encourage a diverse mix of high-density commercial and residential uses so as to preserve and enhance downtown’s economic dynamism. Future retail (re)development is well suited for city blocks located within these districts, as the zoning regulations place significant emphasis on activated streets and pedestrian-orientation of building layouts and design.

The remaining zoning districts on the periphery of the Study Area are intended to serve as a buffer between downtown and surrounding residential neighborhoods (Residential High Density and Residential Medium Density); promote light manufacturing and distribution (Enterprise Light Manufacturing); or protect and enhance public open spaces (Recreation, Conservation, and Open Space.) There is little emphasis placed on retail in each of these districts and it is generally restricted in terms of total buildable area and tenant type.

The entirety of the Study Area is also subject to a Design Review Overlay District that requires a more thorough site plan and design review of certain uses so as to protect the historical, cultural, and architectural merits of existing structures.

More detailed descriptions of the Study Area’s major zoning districts are included below in the following pages.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none">• Much of the Study Area is already zoned to accommodate most types of retail and commercial uses• Strategic parcels on Lake Champlain are zoned for commercial uses that could activate and enhance public access to the waterfront• Several strategic redevelopment parcels (e.g. the “Super Block” site) are zoned for mixed-use	<ul style="list-style-type: none">• Some developers and property owners suggested that the number of zoning districts and sub-districts contribute to a complicated and confusing regulatory environment• Residential zoning on Pine Street (between Kilburn and King) could limit the ability to link the growing technology and arts cluster (i.e. area around the Dealer.com building) with Main Street and the core downtown• Design Review Overlay adds another layer of complexity and adds time to the approvals process

Figure 3a: Map of Downtown Zoning - Mixed-Use Districts



KEY	ZONING DISTRICT	REGULATIONS RELEVANT TO RETAIL
1.	Downtown	<ul style="list-style-type: none"> • Primary urban center of Burlington – encompasses core of Church Street Marketplace • Allows for greatest by-right development density (5.5 FAR) • 50% of gross floor area must be non-residential • Ground floor residential restricted, unless historic structure • Most permissive of activating commercial uses (e.g. retail, food & beverage, entertainment, etc.) • One of three zoning districts where Bars & Taverns are permitted
2.	Downtown Transition	<ul style="list-style-type: none"> • Provides buffer between core downtown and surrounding residential districts • Allows for by-right density between 2.0 to 5.5 FAR, depending on location • Ground floor residential restricted on Pearl, South Winooski, and Main Street • Permits most commercial uses, with the notable exception of Bars & Taverns
3.	Downtown Waterfront	<ul style="list-style-type: none"> • Intends to enhance and diversify mixed-use development in the downtown waterfront area • Regulations are very similar to the Downtown District, but is more restrictive of building height and density so as to protect the Lake Champlain view shed • Allows most retail and restaurant uses, except large format grocery stores
4.	Downtown Waterfront – Public Trust	<ul style="list-style-type: none"> • Applies to all development on filled lands, most notably the sites of the Lake Champlain Ferry terminal and the Moran Plant • Strong emphasis on public access to the waterfront • By-right density limited to 2.0 FAR • Major permitted uses include recreational facilities, government office, restaurants, arts activities, hospitality uses, marine-related retail, and marine research
5.	Battery Street Transition	<ul style="list-style-type: none"> • Provides buffer between downtown waterfront and residential neighborhoods to the east • Allows by-right development density of up to 3.0 FAR • Ground floor residential restricted on Battery Street • Permits same commercial uses as Downtown District

Source: City of Burlington; Google Earth; The Eisen Group

Figure 3b: Map of Downtown Zoning – Other Districts



KEY	ZONING DISTRICT	REGULATIONS RELEVANT TO RETAIL
6.	Residential High Density	<ul style="list-style-type: none"> • Intended primarily for higher density multifamily residential districts, with hidden or subterranean parking • Only allows bakeries, cafes, restaurants, art galleries, convenience stores, small grocers, and some consumer services (e.g. tailor, salon, fitness studio, etc.) on the ground floor of residential buildings
7.	Residential Medium Density	<ul style="list-style-type: none"> • Intended primarily for detached single family and small apartment buildings that appear single family in nature (e.g., duplex, quadplex, townhouses, etc.) • Does not allow any new retail, restaurants, or consumer services; with the exception of those businesses located in historic commercial buildings or those in operation prior to 2007
8.	Enterprise Light Manufacturing	<ul style="list-style-type: none"> • Applies to the commercial/industrial center of Burlington, and is intended to accommodate manufacturing, warehousing, distribution, and other light industrial uses • One of the primary goals of this district is to ensure high-density job creation • Allows for complimentary commercial uses that serve businesses and its employees, including some types of consumer services, food and beverage, microbreweries, and most types of retail (excluding grocery stores)
9.	RCO – Recreation/ Green Space	<ul style="list-style-type: none"> • Purpose is to provide passive and active recreational opportunities for public use • In terms of downtown, this district applies to a significant portion of the Lake Champlain waterfront and City Hall Park • Allows for limited commercial activity that is complimentary to the primary use, including cafes, small museums, and recreational facilities/structures

Source: City of Burlington; Google Earth; The Eisen Group

1.4 HISTORIC RESOURCES

Figure 4: Map of Downtown Historic Districts



Source: City of Burlington; Google Earth; The Eisen Group

Similar to many cities and towns elsewhere in New England, Burlington has a significant inventory of historic resources that contribute to the city's rich cultural offerings and distinct design aesthetic. Within the downtown Study Area, there are seven buildings and eight districts listed on the National Register of Historic Places (The National Register.) Historic resources (i.e. buildings and districts) are represented by the shaded areas shown in Figure 4.

Several major redevelopment sites in downtown Burlington are also contained within historic districts, including portions of the Super Block site at the corner of Main and South Union (Main-College Historic District), and much of the Lake Champlain waterfront south of College Street (Battery-King Historic District.)

While there are some protections and incentives provided by listing a property or district on The National Register, the designation is largely symbolic; with one primary exception. Designated commercial properties (e.g., properties in commercial use and generating rent for private owners) which follow the rehabilitation design guidelines established by the Department of Interior can qualify for tax credits equal to 20 percent of the approved expenditures completed under the rehabilitation guidelines. The credit lowers the amount of Federal income tax owed by an investor in a redevelopment project and is meant to encourage appropriate rehabilitation and investment in historic commercial structures. Vermont has similar state-level incentives through the Vermont Downtown Program.

Historic designation and inclusion on The National Register is not without its challenges. According to some stakeholders interviewed by TEG, the enforcement of historic preservation standards in the City of Burlington has at times been overly restrictive, creating significant delays in the review process and driving up project costs. This has resulted in a perception that historic designation creates an impediment to downtown redevelopment, rather than encouraging it. Historic preservation standards can be especially difficult to achieve in retail properties, as modern business practices (e.g. signage, loading, bay depths, etc.) are often less compatible with older spaces.

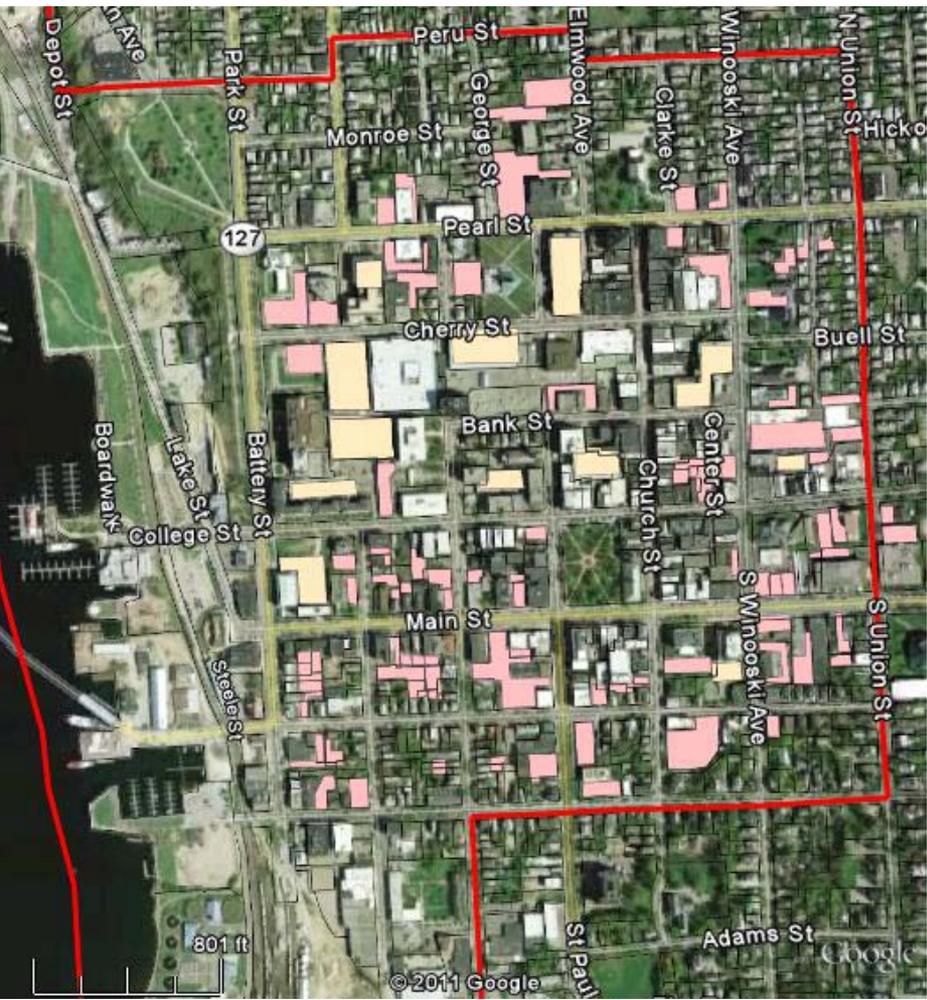
Image of Ethan Allen Engine Company No.4 (located at 135 Church Street)



1.4 HISTORIC RESOURCES

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none">• Multiple historic districts downtown preserve the scale, historic building fabric and character of the shopping district• Preserved buildings present continuity and character as part of downtown's New England heritage• Preserving existing buildings is consistent with energy efficiency and conservation goals	<ul style="list-style-type: none">• Preservation Design review sometimes considered obstructive by property owners and developers, perceived as causing delays in the approvals process or as too restrictive/less flexible in use of materials, design or modifications• If preservation controls offer limited flexibility, can inhibit redevelopment of buildings or sites, precluding new downtown investment, transfer to suburban locations for office and residential development

Figure 5: Map of Downtown Parking Facilities



- Downtown Burlington Study Area
- Parking Garage
- Surface Parking Lot

Source: City of Burlington; Google Earth; The Eisen Group

1.5 PARKING INFRASTRUCTURE

According to data from the City of Burlington, the downtown Study Area contains approximately 8,846 parking spaces spread across 11 garages and 69 surface lots. Approximately 4,300 spaces (49 percent) are available for public parking. The greatest concentration of dedicated public parking is found in three parking garages operated by Burlington Department of Public Works: the Lakeview garage located on Cherry Street, adjacent to the Courtyard Marriot (401 spaces); the College Street garage tucked behind the Hilton hotel (460 spaces); and the Marketplace garage located off the Church Street Marketplace at South Winooski and Bank Street (401 spaces.) The privately owned Burlington Town Center garage provides another 567 parking spaces. Overall, spaces located in existing garages represent about one-fifth of the total downtown parking inventory.

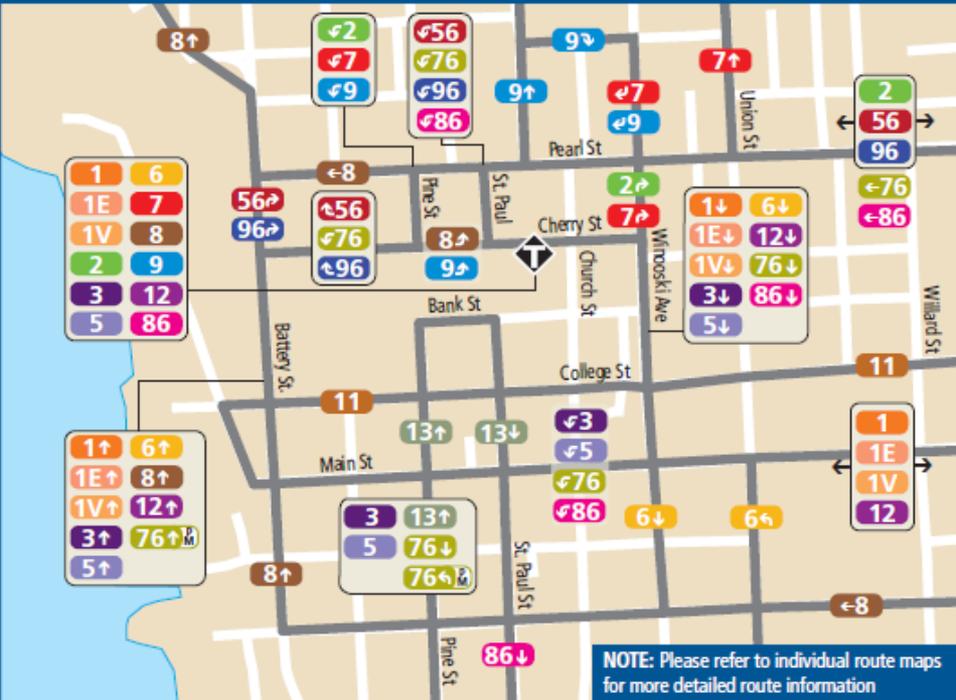
Paid parking is common in downtown Burlington, with rates varying by location and type. The cost of structured parking ranges from a low of \$8 per day in municipal garages, and up to \$20 per day at the Burlington Town Center garage. To the benefit of downtown shoppers and visitors, most parking garages offer the first two hours free of charge. Meanwhile, controlled surface lots charge \$0.75 to \$1 per half hour, with a maximum daily rate of \$8; and most on-street metered parking are \$0.25 for every 15 minutes. Meters are enforced Monday to Saturday, from 8am to 6pm. On Sundays and holidays almost all parking is free of charge.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none"> Parking rates are reasonable and do not appear to deter shoppers and visitors to downtown Large surface parking lots represent opportunities for future commercial redevelopment and densification To the extent that additional parking is required, there appears to be sufficient land area near the Lake Champlain waterfront to support a new municipal garage 	<ul style="list-style-type: none"> Better lighting and improved security in downtown parking garages is necessary to improve visitor perceptions of safety Town Center parking garage on Cherry Street disrupts storefront continuity and appears to suffer from a lack of reinvestment Cost of structured parking can place an economic burden on mixed-use development projects of significant scale

1.6 PUBLIC TRANSPORTATION

Figure 5: Map of Downtown Burlington Bus Routes

Downtown Burlington Cherry Street Station



The Chittenden County Transportation Authority (CCTA) provides bus service within Burlington and its surrounding suburbs on 13 local fixed routes, many of which begin or terminate or begin at the downtown bus terminal on the corner of Cherry Street and Church Street. Downtown Burlington is also connected to locales across Northern Vermont by the regional bus service operated by the Green Mountain Transit Agency, which offers routes running as far north as Grand Isle, south to Middlebury, and as far east as Montpelier.

Ridership on CCTA routes has been steadily increasing in recent years, with over 2.44 million rides during FY2010 (as compared to fewer than 1.7 million rides during FY2003, the last year for which data was readily available.) According to the CCTA FY10 Annual Report, the fastest growing routes are those traveling north to Essex Junction and Riverside/Winooski. The Essex Junction route also happens to be one of the most traveled in the CCTA system, followed closely by the UMass/Airport route.

In anticipation of continued growth in ridership, CCTA is considering multiple investments to enhance the level of transit service, including the addition of more regional bus routes, and implementation of Bus Rapid Transit (BRT) service.

Advantages & Opportunities

- Bus service improves accessibility of downtown for multiple market segments, including visitors staying in hotels on Route 2, UVM students, elderly residents, and employees of shops and restaurants

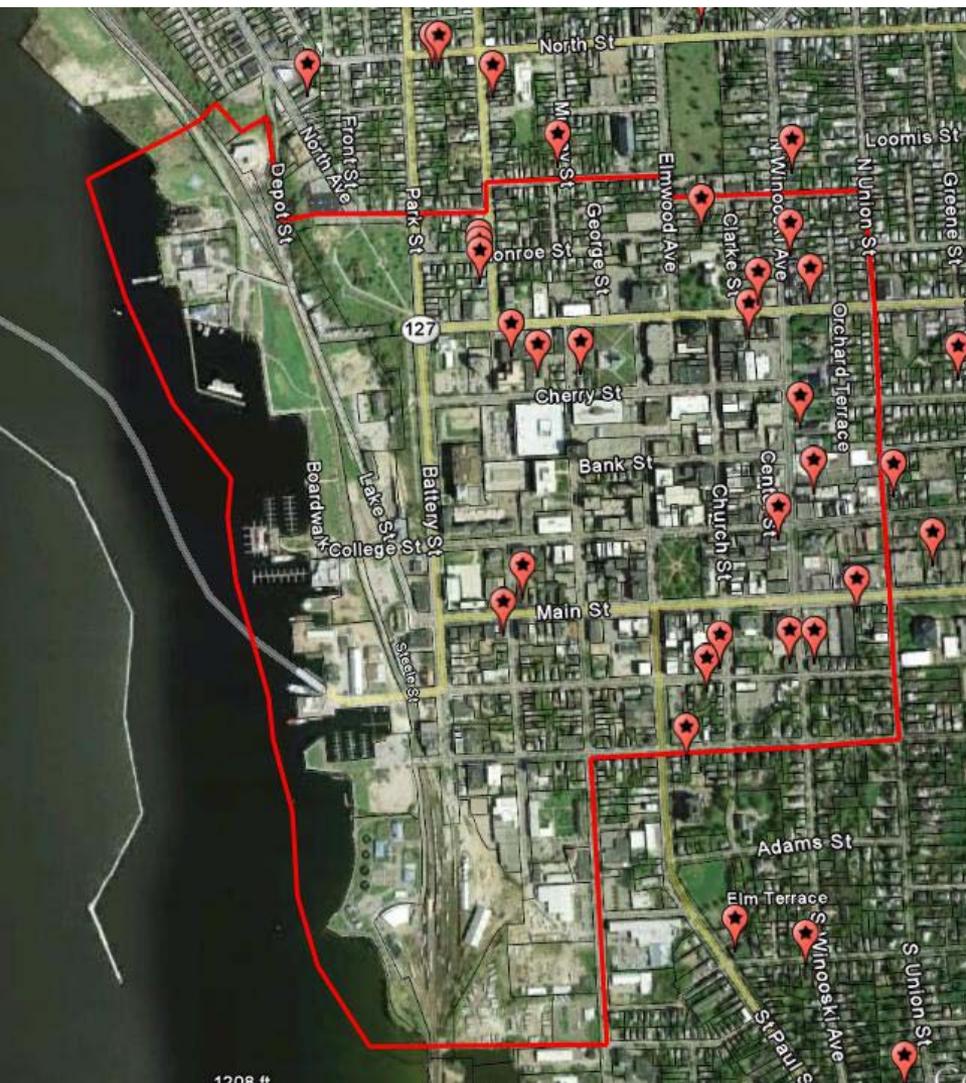
Disadvantages & Constraints

- Bus congestion concentrated at the downtown bus terminal discourages pedestrian activity on Cherry Street and is an impediment to leasing of ground floor retail
- Transit oriented development has been most successful in rail corridors – there are few examples of bus routes (conventional and rapid) spurring commercial real estate investment

Source: Chittenden County Transportation Authority; The Eisen Group

1.7 SOCIAL SERVICES

Figure 8: Map of Social Service Providers



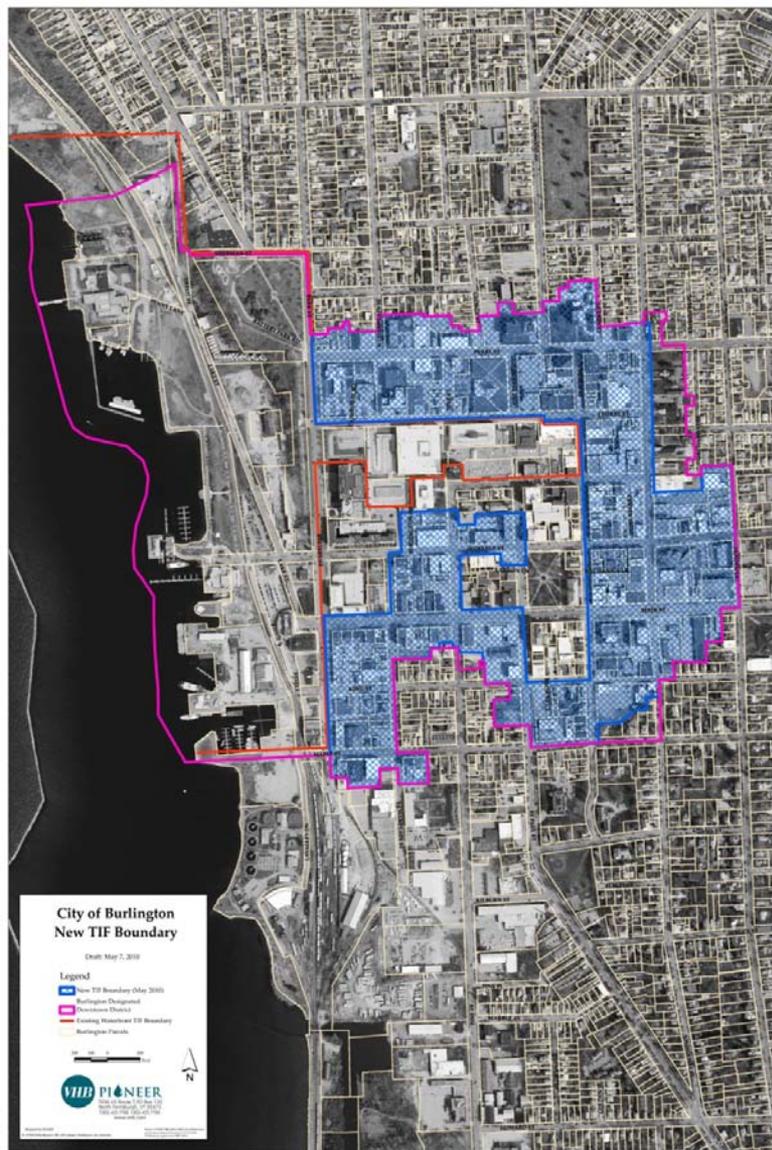
Burlington is well known for the quality of life afforded to its residents, part of which is attributable to the city’s commitment to providing much needed social services to its less fortunate and at-risk populations. According to the City’s records, there are 21 social service providers located within the boundaries of the downtown Study Area, in addition to several facilities located in adjacent neighborhoods. For the purposes of this study, social service providers is used as a broad term to include temporary housing, drug rehabilitation, job training centers, health services, parole offices, and other similar facilities.

Within the Study Area, most of the city’s social service providers are located on the periphery of the core downtown area, with notable concentrations near the correctional services center on Cherry Street, at the intersection of King Street and Church Street, and along South Winooski Avenue from College Street to Grant Street.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none"> Clustering of social services in a transit-friendly location increases accessibility for clients, especially those visiting with more than one provider 	<ul style="list-style-type: none"> From a retailer’s perspective, the concentration of service providers and clients in proximity to the core commercial district is often viewed negatively, as some consumers may be deterred by concerns (real and perceived) regarding crime and safety The City has to dedicate significant police resources to discourage transience and loitering on the Church Street Marketplace and elsewhere downtown

Source: City of Burlington; Google Earth; The Eisen Group

Figure 9: Map of Existing and Proposed TIF District



1.8 TAX INCREMENT FINANCING (TIF)

In early 2011, the City of Burlington submitted an application to the State of Vermont to create a new Downtown Tax Increment Financing (TIF) District to include most of the Designated Downtown. On the adjacent map, the existing Waterfront TIF districts is shown with the red lines, the Designated Downtown is outlined in pink, and the new Downtown TIF district is shown in blue. The purpose of the TIF district is to stimulate and incentivize private development downtown through infrastructure investments in utility upgrades, structured parking, streetscape improvements and transportation enhancements. The public investment enhances the viability and removes barriers to private redevelopment projects. The redeveloped private properties generate incremental tax revenues that repay the debt of the public infrastructure investments that made the private projects happen. This stimulates economic development and addresses social and economic issues, such as urban revitalization and job creation. In planning the Downtown TIF District, the City identified ten projects representing \$89.7 million in private investment that would not otherwise occur or would occur in a less desirable manner, but for the public TIF investment into infrastructure.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none"> • The 2011 TIF District Plan identifies four projects with significant retail components (a combined total of up to 260,500 square feet) that have redevelopment potential and could be stimulated by TIF-funded public investment. • Streetscape enhancements benefit all downtown merchants through improved pedestrian connections and increased storefront visibility • Public funding for structured parking will improve the viability of privately financed mixed-use projects • Utility upgrades benefit all property owners and businesses, especially in an older commercial district with dated infrastructure 	<ul style="list-style-type: none"> • Phases of the State-approved Downtown TIF District are still subject to future approvals by the State of Vermont • The timing and construction of the new development/redevelopment projects listed in the 2011 TIF District Plan are not guaranteed. However, before incurring any debt to finance public infrastructure projects, the City will carefully evaluate whether sufficient new incremental tax revenue will be generated to pay the debt costs. • Some developers may not have experience with public-private partnership incentives such as TIF, and may need greater guidance from the municipality

Source: City of Burlington; VHB Pioneer

2. RETAIL MARKET ANALYSIS

Figure 10: Chittenden County Sales Patterns, 2005 to 2010

2.1 REGIONAL RETAIL SALES PATTERNS

Over the past 10 years much of the retail expansion in the Burlington region has occurred outside downtown in more conventional shopping center formats. This trend has impacted downtown Burlington, and the Town Center Mall in particular, as national retail chains requiring larger store layouts and easy automobile access have left the historic commercial core for new developments in suburban jurisdictions such as Williston. Despite the proliferation of shopping alternatives in the suburbs, downtown has maintained its allure as the place to visit for unique shopping experiences, dining out, and other social and cultural activities.

Burlington's market position as a dining and entertainment destination plays into national and local consumer behavior trends in which people have been moving away from expenditures on consumer goods toward more experience oriented spending. TEG's analysis of sales tax data from the State of Vermont Department of Taxes reveals the following regional retail sales patterns:

- Businesses in Chittenden County generated an estimated total sales volume of \$1.63 billion in 2010, of which the City of Burlington accounted for \$311 million (or approximately 20 percent of the county total)
- Burlington leads all area jurisdictions in food and alcohol sales with nearly \$100 million in recorded sales in 2010, representing 35 percent of total food and alcohol sales volume in Chittenden County
- In 2010, food and alcohol represented 32 percent of Burlington's total sales volume, whereas food and alcohol accounted for only 14 percent of total sales elsewhere in Chittenden County
- Similar to other markets around the country that have suffered from the national economic downturn, Chittenden County experienced a 5.9 percent decline in total sales volume between 2005 and 2010, which was driven by a 9.7 percent decrease in retail sales
- While Burlington food and beverage sales increased by 16.7 percent between 2005 and 2010, this growth was offset by a 21.9 percent decline in retail sales as residents and visitors scaled back expenditures on non-essential goods
- Between 2005 and 2010, every jurisdiction in Chittenden County experienced an increase in food and alcohol sales, with Burlington experiencing the greatest dollar increase (\$14.9 million) and Williston posting the greatest percentage gain (26.4 percent)

	Retail Sales	Food & Alcohol Sales	Total Sales
2005 Sales (\$ millions)			
Williston	\$ 422.65	\$ 23.29	\$ 445.93
South Burlington	\$ 301.35	\$ 63.90	\$ 365.25
Burlington	\$ 270.25	\$ 85.68	\$ 355.93
Colchester	\$ 229.77	\$ 17.23	\$ 247.00
Essex	\$ 94.75	\$ 26.81	\$ 121.56
Other	\$ 167.04	\$ 29.55	\$ 196.58
Total County	\$ 1,485.81	\$ 246.45	\$ 1,732.26
2010 Sales (\$ millions)			
Williston	\$ 351.53	\$ 29.43	\$ 380.96
South Burlington	\$ 311.61	\$ 73.51	\$ 385.12
Burlington	\$ 211.10	\$ 99.96	\$ 311.06
Colchester	\$ 206.50	\$ 20.72	\$ 227.22
Essex	\$ 111.46	\$ 28.95	\$ 140.41
Other	\$ 149.83	\$ 35.47	\$ 185.30
Total County	\$ 1,342.03	\$ 288.04	\$ 1,630.07
% Change- 2005 to 2010			
Williston	-16.8%	26.4%	-14.6%
South Burlington	3.4%	15.0%	5.4%
Burlington	-21.9%	16.7%	-12.6%
Colchester	-10.1%	20.2%	-8.0%
Essex	17.6%	8.0%	15.5%
Other	-10.3%	20.1%	-5.7%
Total County	-9.7%	16.9%	-5.9%

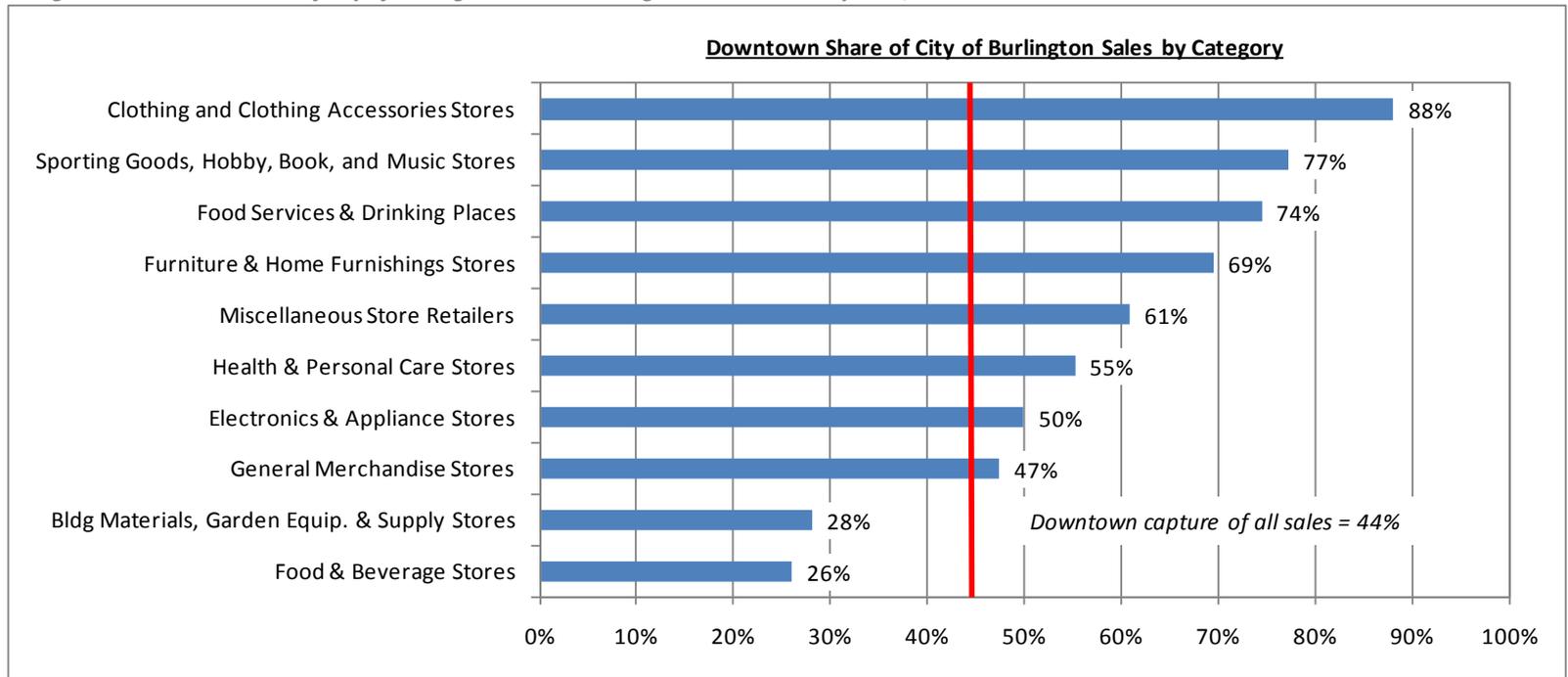
Source: State of Vermont Department of Taxes; The Eisen Group

2.2 DOWNTOWN RETAIL SALES PATTERNS

Utilizing sales data from third party vendor, ESRI Business Analyst, TEG estimates that businesses contained within the downtown Burlington Study Area generate approximately \$155.2 million in annual sales, accounting for 44 percent of the City’s total retail and restaurant sales. Closer examination of the ESRI data reveals downtown’s strength as a destination for comparison shopping and dining out:

- Apparel stores and boutiques in the downtown study area account for 88 percent of citywide clothing and accessories sales
- Downtown is home to popular independent and national chain sporting good retailers (e.g. SkiRack, Outdoor Gear Exchange, Lululemon, North Face, etc.) that help generate 77 percent of the city’s sales in the sporting goods, hobbies, books, and music category
- The large concentration of restaurants, bars and cafes on the Church Street Marketplace helps to position downtown Burlington as the region’s primary dining destination, which is reflected in a 74 percent capture of the city’s total food service and drinking sales
- The historic character of many of downtown’s buildings and other physical space constraints (e.g. store depths, floor plans, parking, etc.) limit the types of businesses that can succeed in such an environment, and as a result, downtown businesses generate a relatively low share of the city’s building materials (28 percent) and grocery sales (26 percent) – two types of retailers more commonly found larger format suburban shopping centers

Figure 11: Estimated Share of City of Burlington Sales Occurring in Downtown Study Area, 2010



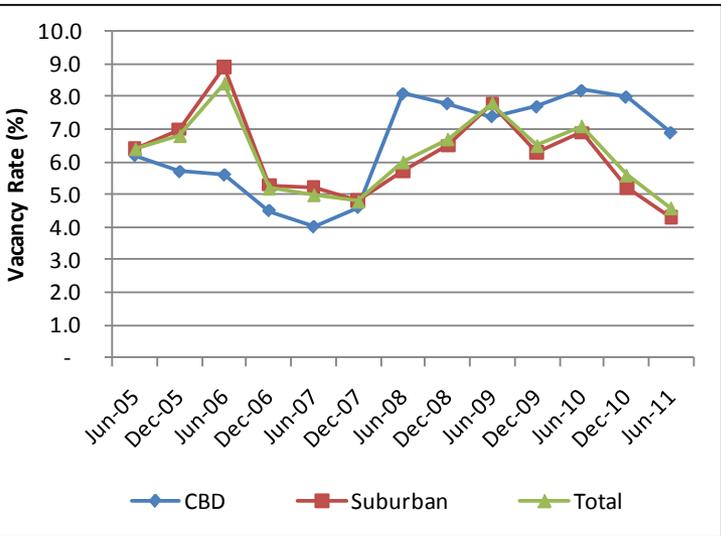
Source: State of Vermont Department of Taxes; ESRI Business Analyst; Info USA; The Eisen Group

Figure 12: Annual Net Absorption of Retail Space in Chittenden County, 2005 to 2010

Year	Retail Supply/ New Space (SF)	Retail Demand/ Absorption (SF)	Net Absorption
2005	28,000	18,647	(9,353)
2006	36,000	95,524	59,524
2007	185,000	188,412	3,412
2008	131,000	35,759	(95,241)
2009	39,000	47,115	8,115
2010	51,000	82,853	31,853
Avg Annual	78,333	78,052	(282)

Source: Allen & Brooks Report, June 2011; The Eisen Group

Figure 13: Historic Retail Vacancy – CBD vs. Suburban, 2005 to 2010



Source: Allen & Brooks Report, June 2011; The Eisen Group

2.3 RETAIL REAL ESTATE OVERVIEW

Despite macroeconomic tempering of regional retail sales volumes, the retail real estate market has held up relatively well in Burlington and throughout Chittenden County. According to the *Allen & Brooks Report, June 2011*, the retail sector suffered most during the peak period of the latest recession (between 2008 and 2010), but has been showing signs of recovery since December 2010 with the strongest rebound happening in the core downtown. Additional retail market highlights from the *Allen & Brooks Report, June 2011* include the following:

2.3.1 Supply/Demand

- Of the 4.9 million square feet (SF) of retail space in Chittenden County, almost 90 percent of the space is concentrated in South Burlington (1.66 million SF), Williston (1.08 million SF), Burlington (938,000 SF), and Essex (730,000 SF)
- Current and historic vacancy rates have been relatively stable throughout the region due to limited new retail development – since 2005, Chittenden County has averaged only 78,300 SF of new retail on an annual basis, which paralleled annual average absorption of 78,000 SF

- As of the second quarter (April-June 2011), there was approximately 40,000 SF of new retail space in the Chittenden County development pipeline for 2011, and an additional 127,000 SF planned for 2012 – it is worth noting that all of the new space in the pipeline is located outside downtown Burlington

2.3.2 Vacancy

- Retail vacancy rates throughout the region are relatively healthy, with downtown Burlington reporting a vacancy rate of only 6.9 percent as of 2Q 2011; the vacancy rate in the surrounding suburbs is 4.3 percent (and as low as 3.3 percent in Williston). The September 2011 retail inventory identified downtown vacancy at 8.1%, or about 100,000 SF (including Borders).
- Industry standards suggest that a stabilized vacancy rate (meaning that the supply and demand for physical space is in equilibrium) for a market such as Burlington is approximately 7.5 percent, which suggests that there may be excess demand for additional retail space not currently being supplied in the marketplace
- According to Allen & Brooks, a significant share of retail vacancies (as of 2Q 2011) in downtown Burlington are concentrated on the northern end of Church Street, most notably in two large spaces once leased to national chains Anne Taylor and Olympia Sports that have both sat vacant for nearly two years (note that a separate vacancy rate has been calculated by TEG based on an August 2011 inventory of downtown retail conducted as part of this study)

2.3.3 Retail Rents

- Downtown Burlington commands the highest rents in the region, with prime locations on or adjacent to Church Street Marketplace achieving rents in the \$17 to \$30 PSF range (in a Triple Net lease, or NNN, in which tenants pay for a share of property taxes, insurance and maintenance costs in addition to the base rent), depending on the specific block and tenant type; however, once beyond one or two blocks from Church Street, rents in the downtown area drop to as low as \$12 to \$18 PSF (NNN) in secondary locations with less foot traffic
- According to Allen & Brooks, the latest recession placed significant downward pressure on lease rates in downtown Burlington with some spaces renting at one-third of prior peak average rents of \$30 to \$35 PSF (NNN); however, the downtown market is showing signs of improvement with recent deals signed at \$30 PSF (NNN)
- Suburban shopping centers in premium locations represent a more cost effective alternative to downtown, offering more affordable rents at \$16 to \$20 PSF (PSF) and higher tenant improvement allowances

2.3.4 Leasing and Tenanting Trends

- National and regional retail tenants are expanding their presence in Chittenden County, most notably supermarket chains and pharmacies anchoring suburban shopping center developments
- In addition to supermarkets and pharmacies there are other major retailers looking to gain a foothold in the region, including a proposed Target department store at Taft Corners in Williston, Whole Foods was slated to anchor a project in South Burlington that has since stalled, and the sporting goods company REI has also been rumored as a potential new tenant in downtown Burlington

Figure 14: Chittenden County Retail Rental Rate Summary, as of 2Q 2011

Property Class	Rental Rates (PSF) 1/		Trend	Examples
	Low	High		
CBD - Church Street	\$17	\$30	Stabilizing	Marketplace, Burlington Town Center, core downtown
Premium Suburban	\$16	\$20	Weak, Expect Stabilization	Maple Tree Place (Williston), The Gateway (S Burlington)
Above Average Suburban	\$11	\$16	Weak, Expect Stabilization	Blue Mall (S Burlington), Taft Corners (Williston)
Average Suburban	\$8	\$11	Weak, Expect Stabilization	Service/secondary retail locations throughout the county
Below Average Suburban	\$5	\$8	Stable	Marginal projects in tertiary locations

1/ Tenant pays additionally for all operating expenses except structural repairs

Source: Allen & Brooks Report, June 2011; The Eisen Group

2.4 BUSINESS MIX ANALYSIS

Church Street Marketplace worked with TEG to develop and complete a comprehensive business inventory of the Marketplace business district, as well as the overall downtown Burlington Study Area shown in Figure 2. This inventory was completed in September 2011, and while it will continue to change and evolve over time, the inventory can be a highly valuable tool in considering the current downtown business mix, as well as providing a basis for future retail recruitment and retention. The inventory considered three downtown sub-areas, including Church Street Marketplace, Burlington Town Center, and the remainder of the downtown Study Area.

Figures 15 and 16 below summarize the downtown Burlington retail business mix. Unlike most downtown areas, Burlington includes a disproportionately large share of specialty retail, the most difficult category to recruit/sustain in most places. This is a result of the Burlington Town Center’s business mix and the ongoing efforts of the Church Street Marketplace to retain downtown retail and the critical mass of specialty retail that creates comparison shopping opportunities. The inventory indicates that there is almost 1 million square feet of retail space in the Study Area, one of the two largest concentrations of retail space in the state (the other is in Williston). In September 2011, there was approximately 100,000 SF of vacant retail space (including the former Borders Books at about 21,000 SF), and about 893,000 SF of occupied retail space in the downtown Study Area. The four major retail categories include: Food and Beverage (ranging from bars and casual dining to pick-up foods such as ice cream and coffee shops) totals about 17 percent of all occupied space downtown, while the Macy’s department store and other specialty retail represents almost of all occupied retail space (65 percent.) Grocery and Convenience (including City Market Coop) occupies an additional 6 percent of all downtown retail space, and Consumer Services and Wellness (health clubs, spas, hair salons, dry cleaning, etc.) account for almost 12 percent of occupied space. As of September 2011, total downtown retail vacancy was approximately 8 percent, which is around 300 basis points (equal to 1/10 of a percent) or 3% higher than the vacancy rate reported by Allen & Brooks in their June 2011 report. The discrepancy between the two vacancy rates is primarily due to the closing of Borders Books in August 2011.

Figure 15: Downtown Burlington Retail Inventory Summary

Category	Total SF in Category	% of Total SF Downtown	Number of Storefronts in this Category	% of Ttl Downtown Storefronts
Specialty Retail	420,672	42.4%	133	44.8%
Department Store	150,960	15.2%	1	0.3%
Food & Beverage	155,143	15.6%	70	23.6%
Grocery & Convenience	55,511	5.6%	18	6.1%
Consumer Svcs/Wellness	110,972	11.2%	51	17.2%
Total Occupied Space	893,258	90.0%	273	91.9%
Vacant Spaces	99,237	10.0%	24	8.1%
Total Retail Spaces	992,495	100.0%	297	100.0%

Source: Church Street Marketplace; The Eisen Group

Figure 16: Distribution of Occupied Retail Space by Major Category

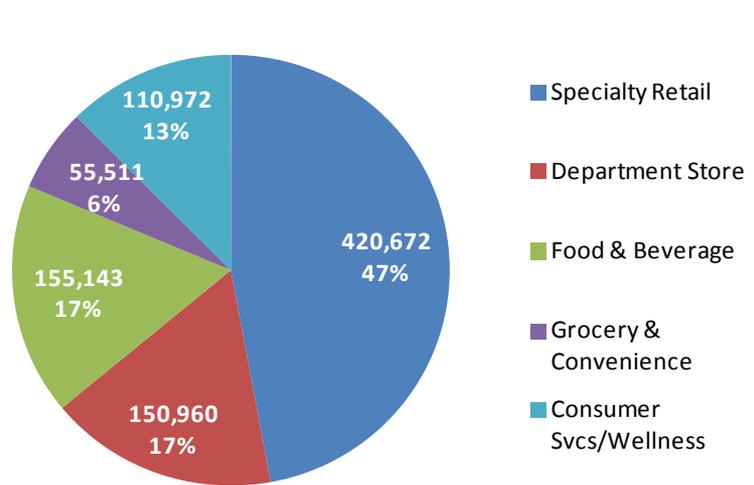


Figure 17: Distribution of Occupied Retail Space by Major Category

Category	Burlington Town Center	Church Street Marketplace	Elsewhere Downtown
Retail (Specialty & Dept Store)	48.3%	32.3%	19.4%
Food & Beverage	3.1%	58.5%	38.4%
Grocery & Convenience	0.0%	33.3%	66.7%
Consumer Svcs/Wellness	4.9%	32.4%	62.8%
Total Occupied Space	32.1%	36.9%	31.0%
Vacant Spaces	29.1%	42.0%	28.9%
Total Retail Spaces	31.8%	37.4%	30.8%

Source: Church Street Marketplace; The Eisen Group

A more detailed analysis of the downtown sub-areas shows that retail space overall is evenly distributed between Burlington Town Center, Church Street Marketplace, and on the other blocks elsewhere downtown. However, there are clear concentrations in the types of businesses located in each sub-area. Typical of a traditional mall, Burlington Town Center is predominantly soft goods oriented, with specialty retail and the Macy's department store accounting for almost 88 percent of the total gross leasable area. Church Street Marketplace has the greatest concentration of food and beverage, which represents 25 percent of the sub-area's total retail space. Meanwhile, day-to-day goods and services, such as groceries and consumer services, tend to be located off Church Street Marketplace along downtown's secondary roads

Figure 18: Downtown Burlington Retail Inventory by Sub-Area

Category	Burlington Town Center		Church Street Marketplace		Combined BTC & CSM		Elsewhere Downtown	
	Total SF	% of Sub-Area	Total SF	% of Sub-Area	Total SF	% of Sub-Area	Total SF	% of Sub-Area
Specialty Retail	125,371	39.8%	184,620	49.7%	309,991	45.1%	110,681	36.2%
Department Store	150,960	47.9%	-	0.0%	150,960	22.0%	-	0.0%
Food & Beverage	4,790	1.5%	90,771	24.4%	95,561	13.9%	59,582	19.5%
Grocery & Convenience	-	0.0%	18,497	5.0%	18,497	2.7%	37,014	12.1%
Consumer Svcs/Wellness	5,407	1.7%	35,913	9.7%	41,320	6.0%	69,652	22.8%
Total Occupied Space	286,528	90.8%	329,801	88.8%	616,329	89.7%	276,929	90.6%
Vacant Spaces	28,870	9.2%	41,645	11.2%	70,515	10.3%	28,722	9.4%
Total Retail Spaces	315,398	100.0%	371,446	100.0%	686,844	100.0%	305,651	100.0%

Source: Church Street Marketplace; The Eisen Group

2.5 COMPETITIVE POSITION ANALYSIS

While downtown Burlington retains an influential competitive position for regional retail sales, there are multiple competitive retail destinations in the greater Burlington area. Other areas vary in scale, market orientation, retail business mix and shopper experience, as shown in Figure 19 below. Downtown Burlington has retained a concentration of higher-quality specialty stores (both locally owned and national chain-affiliated), a wide range of popular dining and entertainment venues and one of the few successful pedestrian malls in the country on Church Street (the few others are also located in university towns such as Boulder CO, Charlottesville VA and Madison WI). While downtown Burlington is no longer without substantial nearby competition, it is healthier than most downtown areas in the country. The challenge is to add more residents, workers, and visitors without compromising the distinctive historic character and charming pedestrian scale that Burlington has today. Other store clusters, such as the Williston/Taft's Corner big box stores along Route 2, have captured sales from downtown, and have also extended trade radii (the distance that drivers are willing to go to have a better assortment of businesses and lower prices) beyond that which downtown traditionally supported. Because downtown's shopping experience is different than all the others, it can continue to sustain customers from nearby neighborhoods and college campuses, as well as draw customers from residential and employment areas located further away. A comparison of the number of downtown businesses in Burlington (273) indicates the diversity of the downtown area when compared to other local commercial centers. While South Burlington includes an estimated 1.66M square feet of retail space (Allen & Brooks Report, 2010), it is widely dispersed, auto-dependent and convenience/service oriented, rather than the comparison shopping orientation of other areas

Figure 19: Summary of Downtown Burlington Competitive Retail Concentrations

Area	Estimated Square Footage	Number of Retail Businesses	Retail Focus	Price Level	Major Retailers and Anchor Uses
Downtown Burlington	992,495	273	Diverse mix of retail/F&B/services, entertainment, concentration of locally owned businesses	Low to upper	Church Street Marketplace, approx 5,900 downtown office workers, 50-store Town Center Mall, Flynn Center for the Performing Arts, 63 F&B/restaurants, more upscale specialty shopping, Echo Lake Aquarium and Science Center, Vermont's only Macy's, Old Navy
University Mall & adjoining	610,000+	85	Enclosed Shopping Center	Mid-range	Kohl's, The Bon Ton, Penney's, Sears
Williston/Taft's Corner	1,000,000	approx 50	Branded, Discount Big Box and supporting in-line stores and F&B	Value- oriented	Big Box Stores: WalMart, PetsMart, Dick's Sporting Goods, Staples, Old Navy, Marshall's, Majestic 10 Theaters, Shaw's/Osco, Hannaford Markets, Home Depot + 25 other retail, 20 Food & Beverage
South Burlington/Route 7	500,000	approx 40	Several Grocery Anchored Strip Centers	Mid-range and Convenience	Palace 9 Theaters, Burton Snowboards, K Mart, 20 F&B, 12 auto dealerships, 20 Food & Beverage

Source: Church Street Marketplace; The Eisen Group

2.5.1 Downtown Burlington Competitive Position

Downtown Burlington remains as one of the major retail centers in the region, though not the only shopping destination. At approximately 1 million SF of retail space (including Burlington Town Center), it equals Williston as one of the largest retail concentrations in the state, representing an estimated 20-25 percent of the total retail space in the greater Burlington area.

Downtown remains the regional financial center, but is losing businesses as Class A office tenants relocate to suburban sites with lower rents and more available free parking. There are approximately 5,868 office workers in downtown Burlington in 2011.

Downtown’s residential base reportedly totals about 6,600 residents in 3,800 households, at all income levels. Downtown housing options include single family homes, duplexes, and multifamily rentals and condominiums, with most new market rate construction occurring along Battery Street and the waterfront area. Multiple zoning overlays, historic district designations, the desire to protect view planes toward the Lake, and parking requirements each add regulatory complexity to development of higher density housing in many parts of downtown Burlington. The combination of high land costs in the downtown area and provisions requiring inclusion of affordable housing also make it more difficult to develop mixed income housing in downtown Burlington.

Recent and planned hotel construction downtown has improved downtown’s position as an overnight stay destination, with a total of 419 rooms at the Hilton and Marriott Courtyard. Addition of the planned 125-room Hotel Vermont hotel adjacent to the Courtyard and the proposed hotel on the TD Bank site, the total number of downtown hotel rooms will exceed the suburban cluster around the Sheraton Hotel and Conference Center. The Sheraton complex remains the state’s largest hotel and meeting destination (309 guest rooms and approximately 30,000 SF of event space) on Route 89, with an additional 200+ rooms nearby. While downtown’s hotels are smaller, several have spectacular views of Lake Champlain and provide proximity to dining, shopping, cultural and recreational activities that are not available elsewhere in Burlington.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none"> • Downtown Burlington remains a regional destination for shopping, dining, entertainment and ‘the urban experience • Church Street Marketplace’s ongoing success as the heart of downtown Burlington draws from all market segments, income levels and customer categories • Burlington Town Center brings national retail tenants to the market that might not otherwise be concentrated downtown, and competes with U Mall and Williston for better quality product sales • The walkable environment, views and access to Lake Champlain, mixed scale, and historic structures in the downtown area reinforce a distinct identity for downtown Burlington • Downtown is still a major office center for the region, activating the area during the weekday • Proximity to UVM and Champlain College attracts the student population and creates a vibrant social atmosphere • Church Street Marketplace as a management/coordination entity provides services and strategies for multiple downtown property owners • Downtown property owners have demonstrated financial flexibility to retain and replace retail tenants and reduce vacancies 	<ul style="list-style-type: none"> • Downtown Burlington is no longer the major retail concentration in the area, and has lost market share to Williston and South Burlington • Higher rents, smaller floor plates, and parking issues have resulted in the relocation of larger office users to South Burlington and other areas, reducing the concentration of office workers in the CBD • Other than along Church Street, retail concentrations in other parts of downtown Burlington are somewhat discontinuous, and need better connectivity to expand an activated walking environment, especially toward the waterfront • Some perceive the concentration of transients and social services downtown as a negative • Parking is easier in suburban locations • Increasing expectations for rent may discourage locally-owned retail businesses from core shopping areas

2.5.2 Downtown Competition – University Mall

The University Mall (U Mall) is Vermont’s largest enclosed shopping center with 610,000 SF of mall stores. U Mall also includes four anchor retail stores - Sears, JC Penney, Bon Ton, and Kohl’s. While a significant retail presence in the greater Burlington area, especially for mass market consumers, U Mall is defined as a sub-regional shopping destination, because it totals under 1 million SF of space (the definition of a regional mall by the International Council of Shopping Centers/ICSC.)

Relative to downtown, U Mall primarily competes with Macy’s and the mid-priced retailers in Burlington Town Center. It also competes with national discounters in Williston, and offers a conventional enclosed mall shopper experience. In contrast to some facilities downtown, large surface parking areas provide free parking to shoppers – although the parking lots appears to be suffering from a lack of maintenance and repair.

In addition to the enclosed shopping area, there is also a 75,000 SF Hannaford’s Supermarket, and another 45,000 SF of free standing stores including Eastern Mountain Sports, Barnes & Noble, Outback Steakhouse and other businesses adjacent to the U Mall.

University Mall Advantages & Opportunities	University Mall Disadvantages & Constraints
<ul style="list-style-type: none"> • Enclosed mall less susceptible to weather conditions in winter months • Central ownership and leasing allow for management of retail mix • Proximity to UVM and Sheraton Hotel complex serves students and meetings market specialties • Ease of parking affects competitiveness with downtown retailers • Mid range goods/pricing appeals to broad spectrum of the area market 	<ul style="list-style-type: none"> • Store mix is conventional, not a unique shopping experience; limited locally owned businesses; duplicates typical mall mix; all one price-to-value set • The Mall has limited food and beverage offerings, as well as limited numbers of distinctive specialty retailers • Shopping appeal does not extend to visitor markets as a ‘Burlington’ experience • Four anchors and inline stores overlap price point and products

2.5.3 Downtown Competition – Williston/Taft’s Corner

The Williston/Taft’s Corner area south of Burlington is Vermont’s largest big box retailing concentration, with about 1 million SF of retail space configured in a conventional suburban development pattern near Interstate 89/Route 2. This commercial concentration contains approximately the same square footage of retail as downtown Burlington, although represented in fewer large format stores. Unlike downtown, Williston/Taft’s Corner is comprised mostly of national ‘credit’ tenants, which generally makes it easier for developers and property owners to secure financing for retail-anchored projects.

There are multiple large-format stores including WalMart, PetsMart, Home Depot, Bed Bath & Beyond, Dick’s Sporting Goods, Old Navy, Best Buy, Marshall’s, and Toys R Us. The area also includes two grocery stores, five banks, 18 food and beverage locations, a 10-screen cinema, as well as a number of convenience/consumer service businesses.

While the concentration of big box stores in Taft’s Corner have taken some market share from downtown Burlington (such as the relocation of Old Navy), other stores too large to fit in the downtown area also extend greater Burlington’s trade area due to the concentration of various merchandise categories, value-oriented pricing, and scarcity of these types of stores in other parts of Vermont. There is no clear measure of ‘spill over’ market sales into the downtown area, but the concentration of restaurants, recreational amenities and other characteristics downtown will attract some share of expenditures from residents traveling to Burlington from greater distances.

Williston/Taft’s Corner Advantages & Opportunities	Williston/Taft’s Corner Disadvantages & Constraints
<ul style="list-style-type: none"> • Cluster of big box, branded retail stores and discount pricing draws both local and regional consumer markets •Late night hours capture some nighttime sales from downtown Burlington stores •Proximity to I-89 ‘intercepts’ sales from southern and eastern consumer markets before they arrive downtown •Large suburban parking lots provide ease of parking and access, contrasting with perception of downtown parking conditions 	<ul style="list-style-type: none"> • Conventional suburban shopper experience is price-driven, but does not offer distinct ‘Vermont’ character • Area is auto dominated, not pedestrian friendly, requires mostly car access by consumers

2.5.4 Downtown Competition – South Burlington/Route 7

The South Burlington/Route 7 corridor is directly south of downtown Burlington and includes approximately 500,000 SF of retail space spread over the three-mile corridor toward Shelburne, based on TEG’s estimate. (The corridor represents slightly less than one-third of the total retail space in South Burlington, which was estimated at 1.66 M square feet of retail widely distributed over South Burlington’s geography.) Route 7 also includes 12 auto dealerships that are mixed in between retail and low-to-moderate density residential neighborhoods and multifamily housing. The character of the corridor is that of an auto-dominant suburban strip development.

In addition to the auto dealerships, there are about twenty food and beverage locations (casual sit-down dining and fast food/carry-out), a nine-screen movie theater complex, and two grocery stores. The corridor is also the location of the Magic Hat Brewery.

As a north-south route into Burlington, Route 7’s entry into downtown passes through the emerging Pine Street ‘creative corridor’. The connection of Route 7 to the waterfront is less clearly defined, and could be modified to make a more direct connection.

Advantages & Opportunities	Disadvantages & Constraints
<ul style="list-style-type: none"> • Easily accessible to South Burlington residents and other communities down Route 7 for convenience shopping • Variety of fast food and a few locally owned food and beverage offerings • Parking is readily available throughout the corridor for retail facilities and stores • Magic Hat Brewery, Vermont Teddy Bear and Shelburne Farms draw visitor traffic toward the south. 	<ul style="list-style-type: none"> • Auto orientation street pattern and configuration limits potential for pedestrian-oriented experience with selected exceptions along Pine Street • Generally limited retail offerings for specialty merchandise – dominated by automobile dealerships and service facilities, furniture, fast food and grocery/convenience retail uses

2.6 ZIP CODE ANALYSIS

As part of the Retail Market Analysis, Arnett-Muldrow & Associates worked with 52 downtown businesses to conduct a week-long zip code survey of customer origins during May 2011. The purpose of this exercise was to reinforce knowledge and understanding about the customer trade patterns for downtown Burlington. Zip code tracking provides insight into local versus visitor traffic, cross shopping among shops, and patterns with regard to shop types. For Burlington, the survey is one of two that will take place in downtown – the other is scheduled to occur in October 2011 and aims to provide insight into consumer origination during a different part of the year. The following findings are only “snapshots” of customer shopping patterns but provide an insight never before seen in prior studies of the downtown market.

In order to track consumer origin, shopkeepers were provided with a form to record customer zip codes and asked to keep the log for all customers during the survey period. In all these businesses recorded 3,999 individual customer visits during the survey. It should be noted that of the 52 business participants, only two Food & Beverage operators downtown retailers participated in the survey, therefore the data do not necessarily reflect trade patterns for all downtown food and beverage operators.

Below are summary findings from the Arnett-Muldrow & Associates zip code survey. A detailed summary of the analysis is contained in the attached appendix.

2.6.1 Zip Code Results

Overall

- Burlington businesses recorded customers from 811 unique American zip codes representing 45 states and 55 unique Canadian postal codes representing five provinces.
- Shops also recorded seventeen foreign countries including New Zealand, Namibia, and Singapore.

Burlington and its Environs

- Despite the breadth of visits from around the country and world, more than one in every four (27.7 percent) of the customers reported that they lived in the Burlington zip codes of 05401 or 05408.
- The South Burlington zip code of 05403 was the next most reported zip code with 285 customers representing 7.4 percent of the total visits.
- The UVM on campus zip code comprised 4.0 percent of the visits.
- Winooski, Colchester, Essex/Essex Junction, Williston, and Shelburne accounted for another 15.8 percent of the customer traffic.
- In total immediate “area” Vermonters noted above accounted for 54.8 percent of the customer visits to the participating shops.

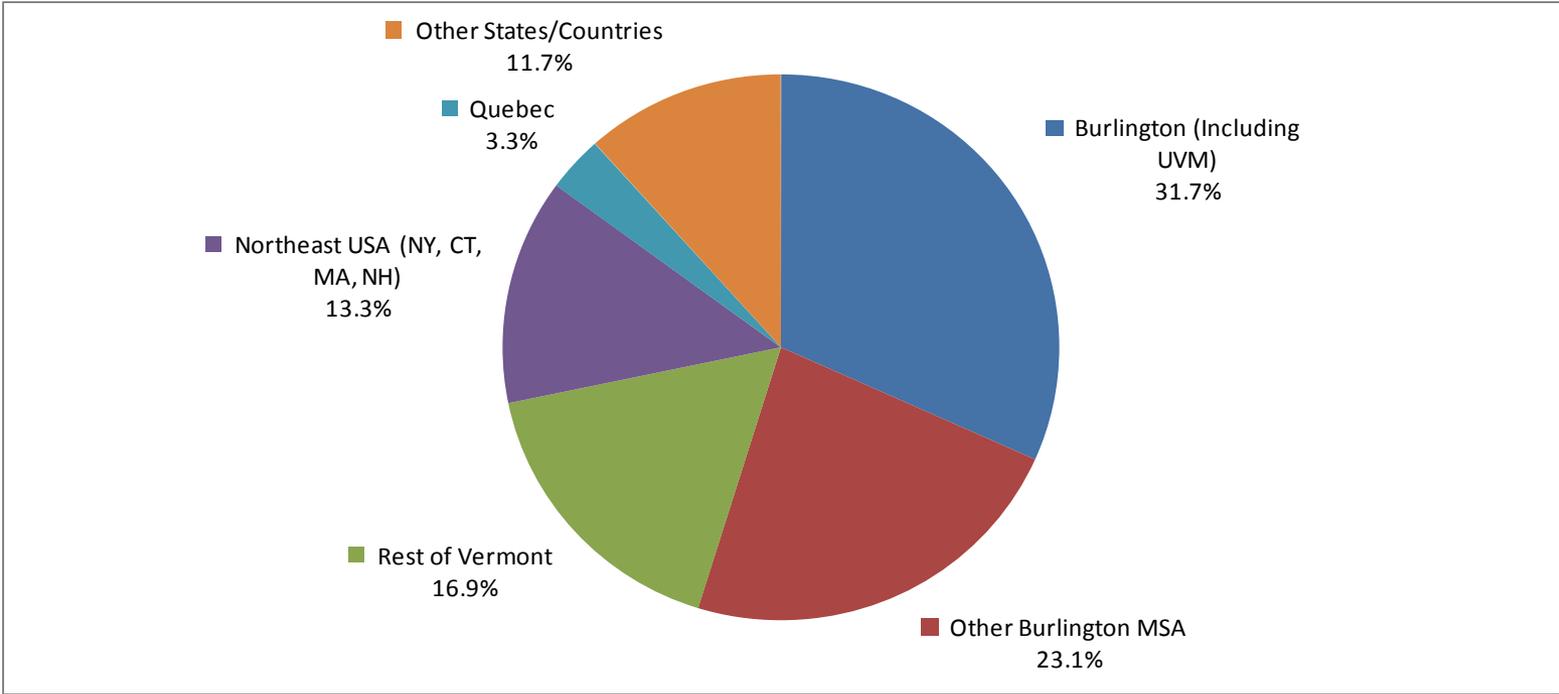
Vermont

- Other zip codes in Vermont accounted for 16.9 percent of the customer visits bringing the total number of visits from Vermonters to 2,869, or 71.7 percent of the customer traffic.

Other States, Provinces, and Visitors

- New York and Massachusetts accounted for nearly identical number of visits (199 and 195 respectively). One in every ten customers was from one of these states, 5.0 percent and 4.9 percent respectively.
- Quebec accounted for 3.3 percent of the customer visits with many of those centered on the Montreal metropolitan area.
- Connecticut and New Hampshire accounted for less than 2.0 percent of the customer visits for each state.
- Other states and countries altogether accounted for 11.7 percent of the customer visits to downtown.

Figure 20: Share of Visits to Downtown Burlington (based on zip code survey results)



Source: Participating merchants; Arnett Muldrow & Associates

2.6.2 Cross Shopping (“Browsing”) Patterns

Another advantage of tracking customer zip codes is that we can get a sample of the amount and location of shop browsing. This is particularly true of vibrant downtowns that have many merchants participate in the survey and where visitors comprise a significant portion of the customer base. A zip code from out of state (particularly one that is from a unique or small town) can be tracked to see if it shows up in multiple shops.

The zip code survey revealed over 100 potential browsers. The browsing occurred in over 30 of the participating shops with the greatest concentration of browsing in the tens and hundreds block of Church Street, concentrating between Pearl and College Street. This area is the clear “center of browsing” activity in downtown. However, the UVM store was able to generate quite a bit of browsing traffic as well.

2.6.3 Observations and Opportunities

- Downtown Burlington is not a “tourist only” or “locals only” retail destination. It is clearly a mixture of local, regional, and visitor shopping as evidenced by the zip code participation. This points to a multi-pronged marketing strategy that cannot neglect one target market for the other.
- If there is a “weak spot” in downtown’s shopping, it is the break between Burlington customers and customers from the immediate adjacent communities surrounding Burlington. There is a clear drop-off of customer loyalty between Burlington residents and residents of Winooski, Essex, South Burlington, and Colchester. Each of these areas offers their own shopping districts and alternatives.
- The Church Street Marketplace clearly has two very strong “browsing” blocks, yet the cross shopping does not extend as successfully beyond these clusters of businesses. A physical, marketing, and planning strategy to get shoppers circulating throughout the district should be considered.
- The University represents a tremendous opportunity to co-market downtown Burlington.
- Additional zip code surveys including dining spots in downtown would provide further insight into the consumer origin patterns of downtown.

Figure 21: Summary of Downtown Burlington Consumer Market Expenditures

DT Burlington Consumer Markets	Size of Consumer Market	Total Annual Consumer Expenditure	% of Total Expenditure Available to DT Burlington
Resident Market	49,821 households	\$1.05 billion	83.2 %
<i>Downtown Area Residents</i>	<i>4,132 households</i>	<i>\$65.9 million</i>	<i>5.2%</i>
<i>Regional Residents</i>	<i>45,619 households</i>	<i>\$982.5 million</i>	<i>77.9%</i>
Employee Market	9,808 employees	\$47.3 million	3.7%
<i>Downtown Office Workers</i>	<i>5,868 employees</i>	<i>\$28.9 million</i>	<i>2.3%</i>
<i>University/ College Staff & Faculty</i>	<i>3,940 employees</i>	<i>\$18.3 million</i>	<i>1.5%</i>
Visitor Market (1)	2.6 million visitors	\$114.6 million	9.1%
Student Market (2)	6,695 students	\$50.5 million	4.0%
<i>UVM Undergrads</i>	<i>5,912 campus students</i>	<i>\$41.2 million</i>	<i>3.3%</i>
<i>Champlain College</i>	<i>1,335 campus students</i>	<i>\$9.3 million</i>	<i>0.7%</i>
TOTAL MARKET		\$1.26 billion	100%

- Notes:
- (1) Based on data from VT Department of Tourism & Marketing; market size reflects estimated annual person trips to Chittenden County
 - (2) Students living on campus only; students living off campus included in resident market

Source: The Eisen Group

2.7 DOWNTOWN BURLINGTON CONSUMER MARKETS

The retail market potential in downtown Burlington is extraordinarily strong, primarily due to its access to multiple consumer markets that help to drive year round sales and foot traffic. Downtown’s core consumers represent primary sources of market support:

- 1) Downtown and Regional Residents
- 2) Downtown Area Employees (downtown office workers, university/college staff and faculty)
- 3) Overnight Visitors (hotel guests, meeting attendees, business visitors, and leisure travelers visiting friends and relatives)
- 4) Day Visitors (regional tourists, boaters, student/event visitors not staying overnight)
- 5) On-Campus Students (University of Vermont, Champlain College)

Spending by each of these groups will vary by time of day, discretionary spending capacity, time and accessibility, pricing sensitivity and area of need. For example, a downtown worker who also lives downtown may be the same person, but will have different needs and demonstrate different spending patterns according to the day of the week and time of day. A leisure visitor staying with friends and relatives may spend more on dining out because their costs do not include hotel rooms, while a hotel guest may spend more on food and beverage than retail if traveling by air, due to more limited carrying space. A particularly important factor specific to Burlington is the currency exchange rate between the United States and Canada, which can draw Canadian consumers to the area for product value and assortment that may not be available in their areas north of the border. Meanwhile, as tuition continues to rise at local colleges and universities the student population may have less discretionary spending power.

The following sections provide an overview of each of these markets’ demographic and consumer behavior characteristics, which will be used to inform the retail market demand analysis shown in Section 2.8.

2.7.1 Resident Market

In order to better understand the market factors that will affect the demand potential for retail in downtown Burlington, TEG developed a demographic profile of residents living in two consumer market trade areas. The demographic profile provides insight into the overall size of the consumer markets and key lifestyle characteristics that will help inform an appropriate retail tenant mix and opportunities for future business recruitment.

The geographic boundaries of the resident market trade areas are informed by several factors:

- Proximity to competitive commercial centers and other shopping/dining destinations
- Local traffic patterns and road networks
- Typical consumer shopping behavior (e.g. purchase frequency; willingness to travel for different types of merchandise/services/experiences; etc.)
- Findings from Arnett Muldrow & Associates' zip code survey of downtown businesses that identified resident shopper origins
- Potential opportunity to attract additional resident shoppers downtown through increased quantity and diversity of retail and dining options

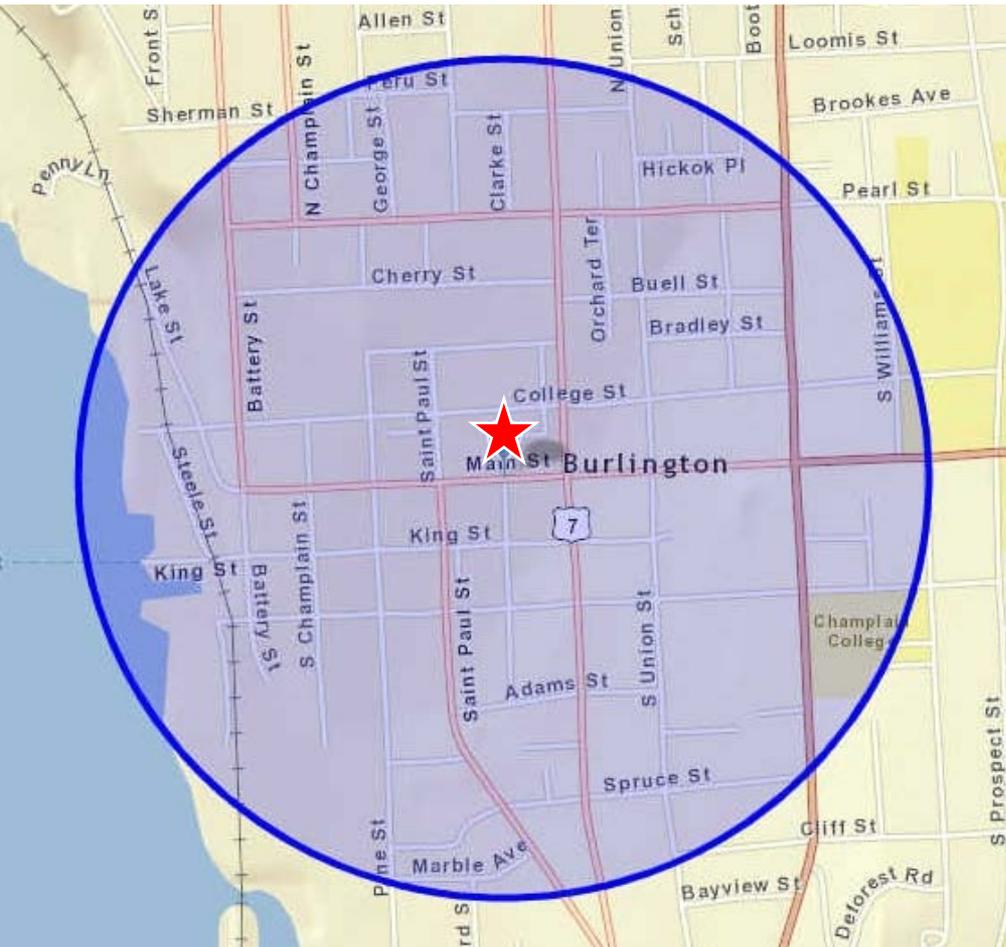
Based on these guidelines, TEG identified two resident based retail market trade areas for downtown Burlington. (Maps depicting the geographic boundaries of the respective trade areas are shown on the following page.)

Downtown Market Area: The first market area consists of those residents who live within one-half mile of the intersection of Church Street and Main Street. This consumer group is likely to visit downtown on foot, and regularly patronize businesses for day-to-day goods and services. The Downtown Market Area consists of a diverse mix of affluent condominium owners, college-age students living off campus, and working class families and individuals.

Regional Market Area: The second consumer group is comprised of residents living within a 20-minute drive of downtown Burlington, encompassing an area that spans north of Colchester, as far south as Charlotte, and portions of Richmond to the east. Assuming a captivating tenant mix and visitor experience, residents living in the Regional Market Area will view downtown Burlington as one of their primary destinations for unique shopping and dining experiences. While regional residents will visit downtown less frequently than those residents living closer in, this is a much larger market that will generate the majority of the sales for downtown businesses.

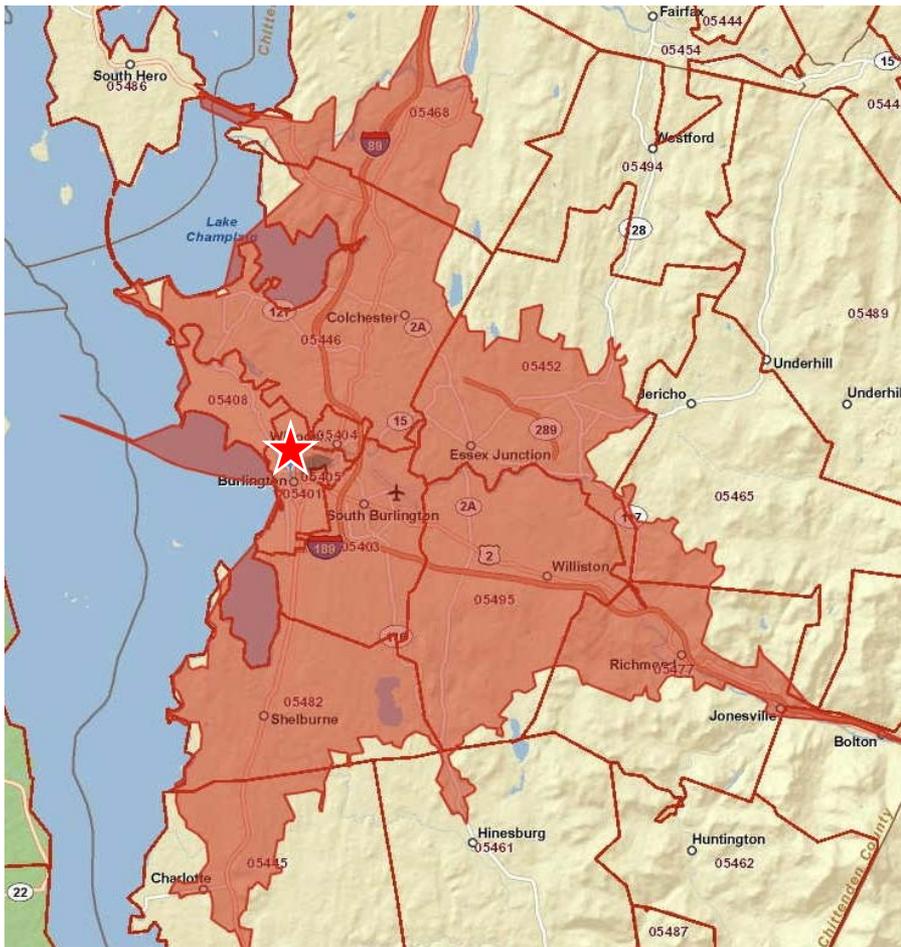
Demographic profiles for the two trade areas are presented on the following pages. The demographic analysis also includes a comparison to the Burlington-South Burlington Metropolitan Statistical Area, which is used as a benchmark geography to better understand the socioeconomic and behavioral characteristics of the resident market areas.

Figure 22: Map of Downtown Resident Market Area (0.5-Mile Ring)



Source: The Eisen Group

Figure 23: Map of Regional Resident Market Area (20-Minute Drive Time)



Source: The Eisen Group

Figure 24: Population Characteristics of Resident Consumer Markets

	Downtown Mrkt 0.5-Mile Ring	Regional Mrkt 20-Minute Drive	Burlington MSA
Population Trends			
2000	7,995	107,744	198,889
2010 (estimated)	8,243	113,425	211,299
2015 (projected)	8,314	115,001	214,317
CAGR - '00 to '10	0.31%	0.52%	0.61%
CAGR - '10 to '15	0.17%	0.28%	0.28%
Race & Ethnicity (2010)			
White	86.9%	91.6%	93.4%
Black	4.4%	2.1%	1.5%
Asian	3.8%	3.6%	2.3%
Other	4.8%	2.7%	2.9%
Non-Hispanic	96.1%	96.9%	97.6%
Hispanic	3.9%	3.1%	2.4%
Age of Population (2010)			
Under 20	13.7%	25.7%	26.5%
20 to 24	29.1%	10.1%	8.5%
25 to 34	22.3%	12.8%	12.4%
35 to 54	18.8%	28.5%	29.8%
55 to 64	6.4%	11.3%	11.7%
Over 65	9.7%	11.6%	11.1%
Median Age	27.8	35.7	36.9
Education (2010)			
Population Age 25+	4,710	72,824	137,316
Pop w/ bachelors degree or higher	2,510	33,388	54,514
% w/ bachelors degree or higher	53.3%	45.8%	39.7%

Notes:
CAGR – Compound Annual Growth Rate

Source: ESRI Business Analyst; The Eisen Group

Population

Downtown Burlington is home to some of the highest density neighborhoods in the region. According to ESRI Business Analyst estimates for 2010, there are approximately 8,240 people living within one-half mile of downtown, which translates into a population density of roughly 10,495 people per square mile. Meanwhile, there are nearly 113,425 people living within a 20 minute drive of downtown, but outside the Downtown Market Area.

Unlike trends observed in the cities of other major metropolitan areas, population growth in the Downtown Market Area has been outpaced by the surrounding suburbs in the Regional Market Area that have attracted residents with new home construction and a lower cost of living. This trend is expected to continue into the future as population growth will be limited by land constraints and demographic factors, such as decreasing family sizes and national migration patterns favoring other metropolitan areas with broader job opportunities. However, growth in the downtown resident market can be induced through additional high-density multifamily housing on key redevelopment sites

Race & Ethnicity

Both market area populations are predominantly white, but are becoming increasingly diverse as minority populations are projected to increase in number while the white population is expected to remain roughly the same over the next five years.

Age

The age profile of the Downtown Market Area is similar to most college towns, with a median age of 27.8 that is skewed lower by the prevalence of younger households and a large off-campus student population. The presence of more families and empty nesters living in the surrounding suburban jurisdictions results in a significantly higher median age of 35.7 in the Regional Market Area.

Education

Residents living in the Downtown Market Area are highly educated, with 53 percent of the population over the age of 25 holding a bachelor's degree or higher. This level of educational attainment is nearly twice the national average – an appealing characteristic for retailers selling upscale goods or services. Educational attainment levels decrease slightly in the Regional Market Area where only 46 percent of the relevant population has a college education.

Figure 25: Household Characteristics of Resident Consumer Markets

	Downtown Mrkt 0.5-Mile Ring	Regional Mrkt 20-Minute Drive	Burlington MSA
Households			
2000	3,909	41,588	75,978
2010 (estimate)	4,132	44,698	82,556
2015 (projected)	4,202	45,619	84,285
CAGR - '00 to '10	0.56%	0.72%	0.83%
CAGR - '10 to '15	0.34%	0.41%	0.42%
HH Composition (2010)			
HH's w/ children	23.5%	60.0%	63.5%
HH's w/o children	76.5%	40.0%	36.5%
Avg HH size	1.85	2.37	2.46
Housing Characteristics (2010)			
Owner Occupied	19.3%	61.1%	61.8%
Renter Occupied	76.1%	33.3%	28.7%
Median Home Value	\$ 256,395	\$ 240,112	\$ 233,493
HH Income Distribution (2010)			
< \$35k	47.8%	20.1%	22.4%
\$35k < \$50k	16.1%	15.0%	15.5%
\$50k < \$75k	17.1%	24.2%	24.3%
\$75k < \$100k	7.7%	16.1%	16.6%
\$100k < \$150k	7.2%	16.7%	14.9%
\$150k +	4.1%	7.8%	6.4%
HH's w/ income \$75K +	19.0%	40.6%	37.9%
Median HH Income			
2000	\$ 24,345	\$ 47,095	\$ 46,111
2010 (estimate)	\$ 36,366	\$ 65,294	\$ 62,274
2015 (projected)	\$ 43,089	\$ 74,502	\$ 70,662
CAGR - '00 to '10	4.09%	3.32%	3.05%
CAGR - '10 to '15	3.45%	2.67%	2.56%
Average HH Income			
2000	\$ 35,220	\$ 59,609	\$ 57,019
2010 (estimate)	\$ 51,118	\$ 78,811	\$ 74,053
2015 (projected)	\$ 60,627	\$ 89,827	\$ 84,259
CAGR - '00 to '10	3.80%	2.83%	2.65%
CAGR - '10 to '15	3.47%	2.65%	2.62%

Households

As of 2010, there are an estimated 4,130 households in the Downtown Market Area and 44,698 households in the Regional Market Area, respectively. A closer examination of household composition reveals that the most common household types in the Downtown Market Area are singles and couples without children, and as a result, has a significantly lower household size than the Regional Market Area and the broader Burlington region. In addition to the sizeable student population, this also reflects national demographic patterns of increasingly smaller households as a result of aging baby boomers, and younger couples delaying, or choosing not to have children.

Absent the completion of major new residential developments in the Downtown Market Area, current projections show only 70 new households within one-half mile of downtown over the next five years.

Housing Tenure

Due to a higher concentration of multifamily housing, residents living closest to downtown are less likely to own their home than those living farther away. Meanwhile, homeownership rates in the Regional Market Area and the Burlington MSA are just below the national average of 66.9 percent.

Home Values

While homeowners represent a very low share of households in the Downtown Market Area, those who do own their home benefit from relatively high housing values. The estimated 2010 median home value in the Downtown Market Area is approximately \$256,400, which is approximately 10 percent higher than the estimated median home value in the entire Burlington MSA.

Income

Households living in the Downtown Market Area report an estimated 2010 average household income of around \$51,100, with around 80 percent of total households earning more than \$75,000 per year. Households in the Regional Market Area are relatively more affluent, which is a reflection of the higher incomes found in jurisdictions to the south of downtown, including South Burlington and Shelburne. Forecasted income growth for each of the market areas suggests that residents will be able to maintain their quality of life over the next five years, with incomes expected to grow at a rate slightly above the historic rate of inflation.

Source: ESRI Business Analyst; The Eisen Group

Figure 26: Annual Expenditure Patterns of Resident Consumer Markets

Expenditure Category	Downtown Market		Regional Market	
	Avg per Household	Avg per Capita	Avg per Household	Avg per Capita
Retail				
Apparel	1,247	625	1,756	692
Electronics	1,185	594	1,604	632
Furniture & Home Furnishings	886	444	1,423	561
Music, Books, and Hobbies	500	251	659	260
Sporting Goods & Equipment	105	53	162	64
Miscellaneous	1,058	531	1,600	630
Total Retail	\$ 4,982	\$ 2,497	\$ 7,204	\$ 2,839
Dining Out				
Food away from Home	2,635	1,321	3,711	1,462
Alcohol away from Home	324	162	415	163
Total Dining Out	\$ 2,959	\$ 1,483	\$ 4,126	\$ 1,626
Groceries & Convenience				
Food & Beverages at Home	3,856	1,933	5,524	2,177
Alcohol at Home	216	108	277	109
Nonprescription Drugs	69	34	109	43
Prescription Drugs	299	150	524	206
Housekeeping Supplies	507	254	779	307
Total Groceries & Convenience	\$ 4,947	\$ 2,480	\$ 7,213	\$ 2,842
Consumer Services				
All Consumer Services	531	266	707	278
Total Consumer Services	\$ 531	\$ 266	\$ 707	\$ 278
Total Annual Expenditure	\$ 13,419	\$ 6,726	\$ 19,249	\$ 7,585

Source: ESRI Business Analyst; The Eisen Group

Average Household Expenditure

Estimated 2010 average household expenditures in the Downtown and Regional Market Areas are \$13,420 and \$19,250, respectively. The sizable difference in average household spending (more than \$5,000) between the two market areas is due to two primary factors – the relative income disparity between the two markets and the presence of larger households in the Regional Market Area.

Per Capita Expenditure

There is greater spending parity between the two resident consumer market areas when considering expenditure potential per person. The presence of fewer children in the Downtown Market allows those residents to spend almost as much on a per capita basis as their cohorts in the Regional Market.

Demographic characteristics also influence how per capita spending is allocated to specific categories of goods and services. For example, in comparison to Regional Market Area residents, people living in the Downtown Market Area allocate more of their per capita spending to the following categories:

- Apparel
- Electronics
- Music, Books, & Hobbies,
- Dining Out (both food and alcohol)
- Alcohol at Home
- Consumer Services

Meanwhile, residents in the Regional Market Area are more likely to allocate a greater percentage of their annual expenditure to the following:

- Furniture & Home Furnishings
- Sporting Goods & Equipment
- Miscellaneous Retail
- Nonprescription and Prescription Drugs
- Housekeeping Supplies

Figure 27: Summary of Resident Market Expenditure Potential

MARKET	HOUSEHOLDS IN 2011 (1)	AVG ANNUAL SPEND PER HH (2)	TOTAL ANNUAL EXPENDITURE
Downtown Resident Market			
Retail	4,132	5,910	24,420,120
Food & Beverage	4,132	3,530	14,585,960
Groceries & Convenience	4,132	5,870	24,254,840
Consumer Services	4,132	630	2,603,160
Total Downtown Market	4,132	\$ 15,940	\$ 65,864,080
Regional Resident Market			
Retail	44,698	8,210	366,970,580
Food & Beverage	44,698	4,740	211,868,520
Groceries & Convenience	44,698	8,220	367,417,560
Consumer Services	44,698	810	36,205,380
Total Regional Market	44,698	\$ 21,980	\$ 982,462,040
Combined Resident Market			
Retail	48,830	8,015	391,390,700
Food & Beverage	48,830	4,638	226,454,480
Groceries & Convenience	48,830	8,021	391,672,400
Consumer Services	48,830	795	38,808,540
Total Resident Market	48,830	\$ 21,469	\$ 1,048,326,120

Notes:

- (1) Assumes nominal household growth between 2010 and 2011
- (2) Based on consumer expenditure data developed by ESRI Business Analyst

Source: ESRI Business Analyst; The Eisen Group

Resident Market Expenditure Potential

Figure 27 shows that the combined resident consumer market has the potential to spend up to \$1.05 billion on an annual basis, of which \$982.5 million (94 percent) is attributable to regional residents living outside the core downtown area. The resident market will spend almost equally on retail and groceries – approximately \$391 million for both categories. Another \$226 million will be spent on food and beverage away from home, and the remaining \$39 million will be spent on consumer services.

2.7.2 Employee Market

Figure 28: Major Downtown Burlington Employers (1)

Downtown Employer (2)	Estimated # of Employees
People's United Bank (Pri)	435
State of Vermont, Dept of Health, Agency of Human Services (Pub)	263
ARD, Incorporated (Pri)	201
Burlington Free Press (Pri)	169
Greater Burlington YMCA (NP)	169
City Market (NP)	160
US Postal Service (Pub)	158
Downs Rachlin Martin PLLC (Pri)	119
Hilton Burlington (Pri)	110
Seventh Generation (Pri)	102
TD Bank (Pri)	101

Notes:

- (1) Employers w/ 100+ full time and part time workers
- (2) Pri – private; Pub – public; NP – non-profit

Source: Lake Champlain Regional Chamber of Commerce; Individual companies; The Eisen Group

Places with a diverse mix of residential and office uses are able to penetrate multiple consumer markets throughout different times of the day and parts of the week. When a resident living downtown leaves the area to commute to work, that resident is replaced by an office worker who is arriving from elsewhere in Burlington or from one of the surrounding jurisdictions.

From a retailers perspective, these two consumer segments are behaviorally different in how much they spend and in the types of goods and services they purchase. An office worker typically has less time available for shopping and dining during the day, so convenience and business proximity are critical elements in capturing this segment's spending potential. In TEG's experience, an office worker will generally travel (on foot or by car) no more than five to ten minutes during the day in order to make a purchase. On foot, this translates into a maximum walking distance of slightly less than one-half mile, or from the edge of the downtown Study Area to the intersection of Church and Main Street.

The types of industries comprising an employment center will also influence worker spending behavior. Industries that typically offer higher compensation, such as financial services and information technology, will have employees who will make more expensive purchases during the workday and will also spend more frequently for individual and business purposes (i.e. client dinners, lunch meetings, etc.) Meanwhile, service workers (e.g. retail, hospitality, etc.) are more likely to be hourly employees and therefore have limited time to shop during breaks, as well as less disposable income than a typical office worker.

For the purposes of this study, TEG identified three distinct employee markets that represent potential consumers for downtown Burlington merchants, including the following:

Core Downtown Office Workers: office using employees working within the boundaries of the downtown Study Area; this is the most captive of the employee consumer segments, particularly with respect to food establishments on the Church Street Marketplace

Downtown Perimeter Office Workers: office using employees working outside the Study Area boundaries, but within one-half mile of downtown – most notably the burgeoning tech-oriented business cluster south of downtown on Pine Street; while not as captive as the core downtown office worker, this employee segment will be drawn to downtown for a specific experience or retailer

University/College Faculty and Staff: professors, researchers, and administrative staff at University of Vermont and Champlain College; this is the least captive of the employee consumer segments, but still noteworthy given the dominant role of the education and healthcare sectors as major employers in the region

Figure 29: Burlington MSA Unemployment Rate, Q2 2001 to Q2 2011

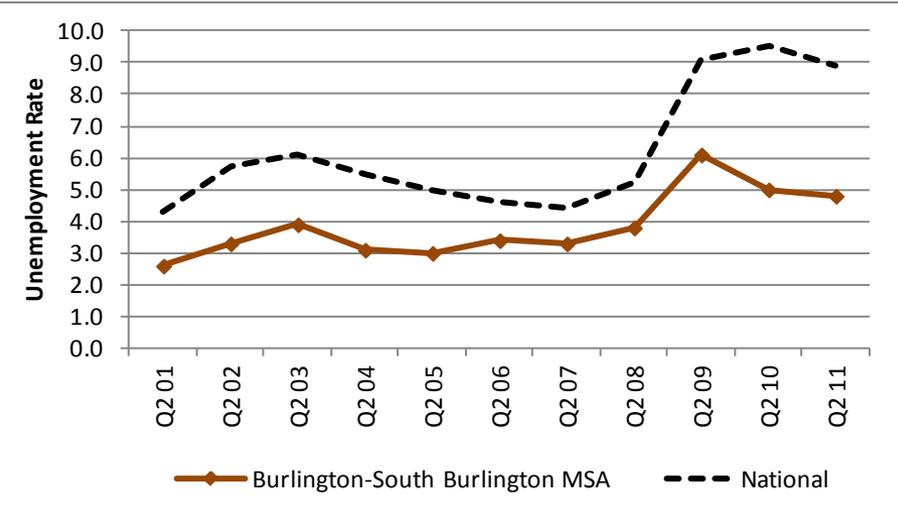
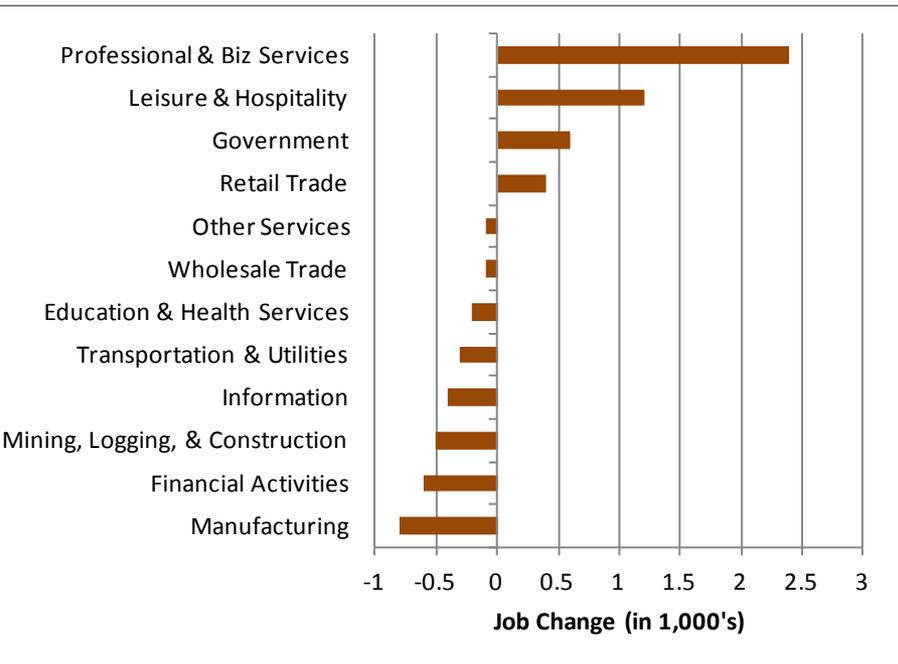


Figure 30: Change in Employment by Sector, Burlington MSA, Q2 2006 to Q2 2011



Source: US Department of Labor, Bureau of Labor Statistics; The Eisen Group

Regional Employment Trends

While the Burlington MSA has felt the effects of two recessions over the last ten years, the region’s economy has remained relatively stable due to a diverse employment base that spans multiple industry sectors. The presence of a major university and healthcare system provides a backbone for an evolving economy that for the past decade has been shifting from more traditional sectors, such as finance and manufacturing, towards more cutting edge businesses focused on value added services and research and technology. According to local economic development officials, corporate site selection processes are increasingly focused on an area’s quality of life as a recruitment tool to attract top talent, a criterion that plays well into one of Burlington’s greatest strengths.

Other regional economic trends relevant to downtown Burlington include the following:

- The unemployment rate in the Burlington MSA peaked at just over 6.0 percent in 2Q 2009, and is currently at 4.8 percent as of the second quarter of 2011, or 410 basis points lower than the national average (or about 4.1% lower)
- The local finance sector has mirrored national trends of significant industry contraction and then stagnation as the country struggles to emerge from the 2008-09 economic crisis, having lost over 600 jobs over the past five years
- Companies in the Professional and Business Services sector have more than made up for job losses in the Financial Activities sector, adding over 2,400 high paying jobs (average annual wage of \$63,507 as of year end 2010)
- As financial services firms located downtown contract or leave for other locations, a concerted effort should be made to recruit professional services companies to fill office space and maintain employee demand for daytime goods and services
- The Dealer.com headquarters (with 700+ employees) has the potential to serve as the southern anchor of the developing creative corridor on Pine Street, which could then lead to a better commercial connection with the core downtown as the northern anchor

Downtown Employment Base

According to data from ESRI Business Analyst and Infogroup, there are approximately 12,210 people working within a half-mile of the intersection of Church and Main Street, of which 10,500 are employed within the boundaries of the downtown Study Area. This represents more than two-thirds (31%) of total employment in the City of Burlington (estimated at 33,800 workers as of 2010), and over 11 percent of total employment in the Burlington-South Burlington MSA (estimated at 109,400 workers as of 2010.) In terms of total number of employees, dominant industry sectors in the downtown area include: Professional, Scientific, and Technical Services (1,895 workers); Healthcare and Social Services (1,890 workers); Retail Trade (1,853 workers); Accommodations and Food Service (1,772 workers); Finance and Insurance (1,184 workers); and Government (947 workers.)

In order to quantify the spending potential of downtown employees, the analysis in this report specifically focuses on the expenditure potential of office workers, as experience suggests that these employees are the most likely to spend on retail and food during the workday. As shown below in Figure 30, there are an estimated 5,067 office workers in the core downtown area, representing over 48 percent of the total core downtown employment base. In the commercial clusters on the perimeter of the core downtown there are another 801 office-based employees, for a combined total of 5,868 downtown office workers. Office workers in the core downtown and on its perimeter earn an average wage of \$58,296 and \$50,789, respectively, representing a premium over the average wage of \$49,888 for all workers in the City of Burlington.

Figure 31: Downtown Burlington Employment by Sector, 2010

Industry Sector	Core Downtown	Downtown Perimeter	Total Downtown	Burlington MSA	Downtown as % of MSA
Utilities	56	13	69	379	18.2%
Construction	334	79	413	6,645	6.2%
Manufacturing	310	92	402	10,023	4.0%
Wholesale Trade	73	28	101	4,576	2.2%
Retail Trade	1,624	229	1,853	16,669	11.1%
Transportation and Warehousing	91	21	112	3,248	3.4%
Information	504	59	563	3,532	15.9%
Finance and Insurance	1,168	16	1,184	3,488	33.9%
Professional, Scientific, & Tech Services	1,725	170	1,895	8,754	21.6%
Educational Services	133	261	394	8,481	4.6%
Health Care and Social Assistance	1,316	574	1,890	21,113	9.0%
Arts, Entertainment, and Recreation	70	1	71	1,738	4.1%
Accommodation and Food Services	1,707	65	1,772	9,470	18.7%
Other Services (except Public Admin)	439	105	544	5,328	10.2%
Public Administration	947	-	947	5,945	15.9%
Total	10,497	1,713	12,210	109,389	11.2%

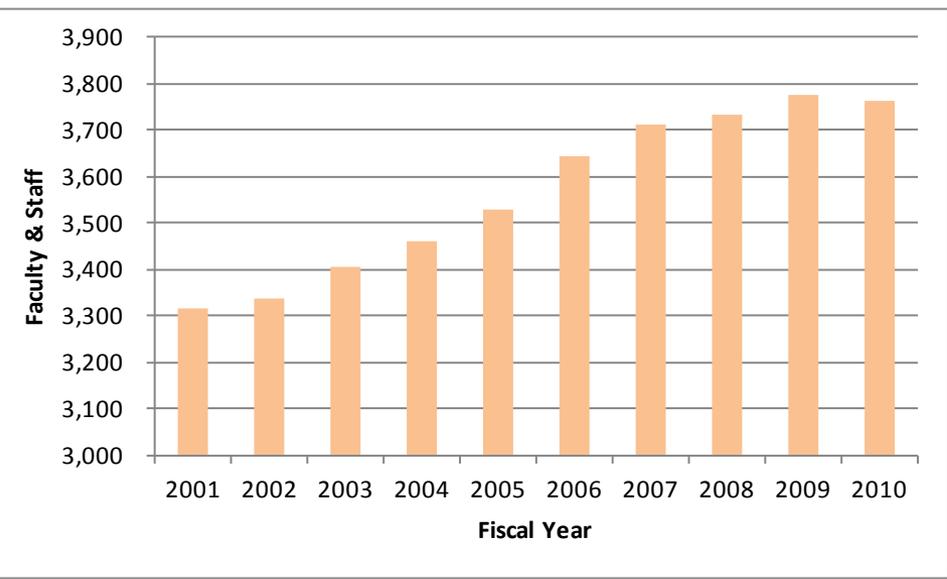
Source: State of Vermont Department of Labor; ESRI Business Analyst; Infogroup; The Eisen Group

Figure 32: Estimated Downtown Office Workers & Wages, 2010

	Core Downtown	Downtown Perimeter
Total Employment	10,497	1,713
% Office Using (1)	48.3%	46.7%
Total Office Workers	5,067	801
Average Annual Wage - Downtown Office Worker (as of 2010)	\$58,296	\$50,789
Average Annual Wage - All Workers in City of Burlington (as of 2010)	\$49,888	\$49,888
Downtown Office Worker Wage Premium	116.9%	101.8%

Notes:
 (1) Share of employees working in an office based on sector level data developed by John Burns Consulting Company for the National Association Realtors 2007 report, "Who Are Your Future Tenants? Office Employment in the United States 2004-2014"

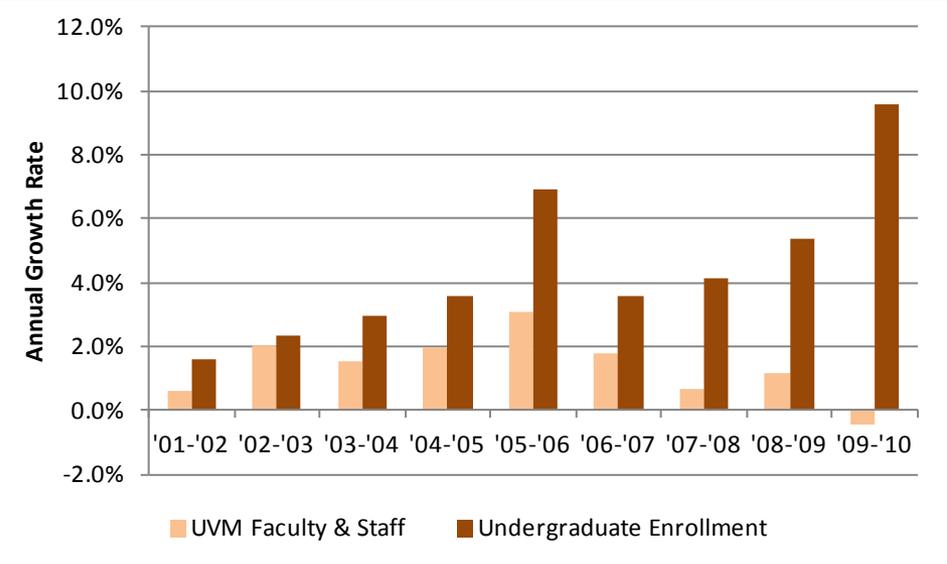
Figure 33: University of Vermont Faculty & Staff, FY 2001 to FY 2010



University/College Faculty & Staff

In addition to downtown office workers, employee-based consumer demand will also be driven by the faculty and staff at nearby colleges and universities – primarily the University of Vermont and Champlain College. Both schools are located outside the heart of downtown, but the Champlain College campus is only about a five minute walk and UVM operates a shuttle service between its campus and downtown Burlington every fifteen minutes and the campus is within walking distance, as well. The education sector represents a significant share of the city’s overall employment base – UVM alone employed approximately 3,760 faculty and staff members during the 2010 fiscal year, equaling about two-thirds of the downtown office worker population. Meanwhile, Champlain College employed an estimated 178 faculty during the same time period, increasing the size of this consumer segment to a total of 3,938 employees.

Figure 34: Annual Growth in UVM Employment and Undergraduate Enrollment, FY '01 to FY '10



Similar to most publicly funded universities around the country, the University of Vermont is experiencing budget constraints that in turn have limited the hiring of new faculty and staff. In FY 2010, employment at the University of Vermont actually decreased for the first time in the past ten years, with 16 jobs lost from the year prior. As the growth of the student population (increasing at a compound rate of 5 percent per annum since 2001) continues to outpace the addition of new faculty and researchers, the University may need to consider new hires in order to maintain competitive student-to-faculty ratios.

A university or college employee will generally earn a higher salary than the average worker in the City of Burlington. According to 2010 data from the State of Vermont Department of Labor, the annual wage in the Education & Health Services sector was approximately \$54,186, or close to 9 percent higher than the average citywide wage.

Source: University of Vermont; The Eisen Group

Figure 35: Summary of Employee Market Expenditure Potential

	ESTIMATED EMPLOYEES	AVG ANNUAL EXPENDITURE	TOTAL ANNUAL EXPENDITURE
Core Downtown Office Workers			
Food & Beverage	5,067	2,214	11,217,206
Retail	5,067	309	1,564,656
Convenience	5,067	2,486	12,597,785
Total Core Downtown Office Workers	5,067	\$ 5,009	\$ 25,379,648
Downtown Perimeter Office Workers			
Food & Beverage	801	1,943	1,556,235
Retail	801	271	217,075
Convenience	801	2,182	1,747,771
Total Downtown Perimeter Office Workers	801	\$ 4,396	\$ 3,521,081
UVM + Champlain College Faculty & Staff			
Food & Beverage	3,940	2,059	8,111,381
Retail	3,940	287	1,131,434
Convenience	3,940	2,312	9,109,705
Total University Faculty & Staff	3,940	\$ 4,658	\$ 18,352,520
Combined Employee Market			
Food & Beverage	9,808	2,129	20,884,822
Retail	9,808	297	2,913,165
Convenience	9,808	2,391	23,455,262
Total Combined Employee Market	9,808	\$ 4,818	\$ 47,253,249

Source: University of Wisconsin Extension, *Downtown Milwaukee Market Analysis - 2007*;
ESRI Business Analyst; Infogroup; The Eisen Group

Employee Market Expenditure Potential

Estimated employee expenditures for downtown Burlington were based on a study of office worker expenditures in a series of commercial centers. While International Council of Shopping Center (ICSC) spending studies established the first parameters for office worker expenditures in the 1990's, more recent research suggests that higher average spending levels should be used. After reviewing several studies (including a suburban Connecticut community indicating annual employee expenditures of over \$6,700 per year), TEG concluded that a 2004 study of office workers in downtown Milwaukee was most applicable to Burlington. The Milwaukee study indicates an average annual expenditure of roughly \$4,412 per office worker. Adjusting for inflation and relative income characteristics of the three employee consumer market segments, the estimated annual expenditure per employee in the Burlington market ranges from \$4,396 for office workers on the perimeter of downtown, to over \$5,000 for office workers employed in the core downtown.

As shown in Figure 35, estimated total annual expenditure potential for the downtown Burlington employee market is approximately \$47.3 million. Approximately half of the total expenditure will be allocated to convenience goods, another 44 percent will be allocated to food and beverage (including breakfast, lunch, dinner, and drinks), and the balance will be spent in retail shops. It should be noted that not all of this expenditure will occur downtown, as office workers and university employees will occasionally spend in a competing commercial district or shopping center during their commute to or from home, as well as make specific trips outside downtown during the workday.

2.7.3 Visitor Market

Support for retail in downtown Burlington is clearly enhanced by a large visitor market drawn to the area by Lake Champlain and a broad array of recreational and cultural amenities. According to an analysis conducted by the Vermont Department of Tourism & Marketing, Chittenden County receives about 2.6 million visitors per year. Approximately 1.6 million visitors (62 percent of total visitation) are in Burlington just for the day, another 806,000 visitors stay overnight (31 percent), and the remaining 180,000 visitors are second home owners who spend a portion of their year living in the Burlington region (7 percent.) This level of visitation should remain relatively stable as the country continues to recover from the “Great Recession,” and then begin to grow in size once the nation starts to realize real economic growth.

In terms of seasonality, visitation to Chittenden County reaches its peak in the summer months when the area attracts over 972,600 tourists, or 37 percent of total annual visitor volume. Summertime visitors are one of the key consumer segments that help to sustain the vibrant outdoor dining scene on Church Street Marketplace and elsewhere throughout downtown. The next busiest travel season is in the fall with 720,900 visitors (28 percent) who are in the area to enjoy the fall foliage. The County’s travel volume then decreases in the winter months to approximately 594,500 visitors (23 percent) when more people are spending time in nearby ski resorts. Finally, visitation drops off significantly in the springtime to only 314,200 visitors (12 percent) as travelers aim to avoid the “mud season” that occurs during April and May.

Other hospitality and visitor market statistics relevant to downtown retail include the following:

- Canadians traveling to Burlington by car and boat represent a significant share of the area’s visitor volume (statewide, Canadians represent approximately 18 percent of total visitor volume); this visitor segment will often shop in the stores on Church Street Marketplace to take advantage of lower priced shopping, especially when exchange rates favor the purchasing power of the Canadian Loonie relative to the US dollar
- Burlington has a relatively small convention market, with most sizable events taking place at the Sheraton Hotel & Convention Center; the hotel’s location on Route 2 past UVM makes it more challenging to attract convention visitors to downtown shops and restaurants
- Downtown’s relatively small inventory of hotel rooms (419 total rooms – 258 at Hilton Burlington, 161 at Courtyard Burlington Harbor) limits the number of visitors who are able to stay within walking distance of Church Street Marketplace and other commercial destinations; the construction of a new 125-room independent boutique hotel on the vacant parcel to the north of the Courtyard will help to bring more overnight visitors to downtown
- The owners of the Lake Champlain Ferry terminal have plans to expand the existing marina to include 300 new boat slips and a mixed-use hotel on the downtown waterfront; should this project move forward, it will greatly expand the downtown tourism market and attract more boaters who tend to be more affluent visitors
- The ECHO Lake Aquarium and Science Center attracts many families and school groups to the downtown waterfront and is a great amenity for the community; annual attendance is reportedly about 150,000 persons per year, with half of the total during the summer months. It is not known how many ECHO visitors also patronize downtown restaurants and stores as part of their museum experience, but incremental growth of F&B and retail uses near the Aquarium and Science Center on the waterfront are likely to increase expenditures within close proximity

Visitor Market Spending Potential

According to the Vermont Department of Tourism & Marketing, the average day visitor to the state spends approximately \$69 per trip; the average overnight visitor spends \$163 per trip; and the average second home owner spends \$63 per trip. Applying these average expenditures to the Chittenden County visitor market profile, the region benefits from an estimated \$254.7 million in annual visitor spending. Utilizing statewide data for average visitor expenditures across multiple categories, TEG estimates that the Chittenden County visitor market has the potential to spend over \$114.6 million on an annual basis. A large share of this expenditure will likely occur in downtown Burlington, as most attractions in Chittenden County are located along the Lake Champlain waterfront and on Church Street Marketplace.

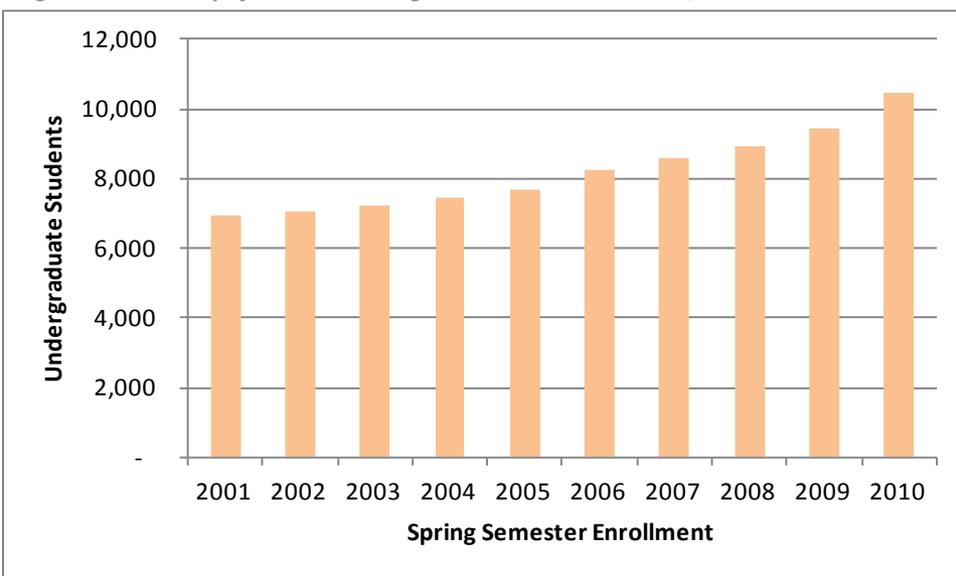
Figure 36: Summary of Visitor Market Expenditure Potential

CHITTENDEN COUNTY VISTOR SEGMENT	TOTAL PERSON TRIPS	AVG SPEND PER PERSON	TOTAL SPENDING POTENTIAL	LESS: LODGING EXPENDITURE	TOTAL NON-LODGING EXPENDITURE POTENTIAL
Day Trippers	1,616,018	69.01	111,518,609	-	111,518,609
Overnight Visitors	806,708	163.49	131,892,260	77,527,724	54,364,536
Second Home Owners	179,558	63.13	11,335,156	-	11,335,156
Total	2,602,284	\$ 97.89	\$ 254,746,025	\$ 77,527,724	\$ 177,218,301

VISITOR SPENDING CATEGORY	DISTRIBUTION INC. LODGING	DISTRIBUTION EXC. LODGING	SPENDING DISTRIBUTION	INCLUDE IN ANALYSIS? (1=Yes, 0=No)	TOTAL SPENDING AVAILABLE TO DOWNTOWN
Food & Beverage	25.9%	31.4%	55,568,450	1	55,568,450
Lodging	17.4%	0.0%	-	0	-
Gasoline	18.8%	22.8%	40,335,400	0	-
Groceries	15.2%	18.4%	32,611,600	1	32,611,600
Retail	12.3%	14.9%	26,389,650	1	26,389,650
Amusement/Recreation	8.2%	9.9%	17,593,100	0	-
Other Transportation	2.2%	2.7%	4,720,100	0	-
Total	100.0%	100.0%	\$ 177,218,301		\$ 114,569,700

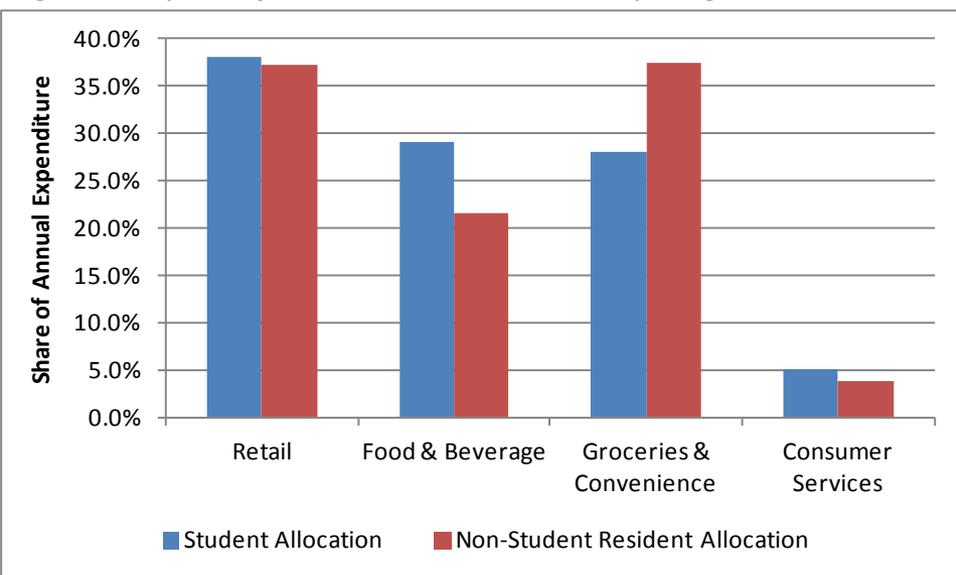
Source: Vermont Department of Tourism & Marketing; Economic & Policy Resources, Inc; The Eisen Group

Figure 37: University of Vermont Undergraduate Enrollment Trends, 2001 to 2010



Source: University of Vermont; The Eisen Group

Figure 38: Comparison of Student and Non-Student Resident Spending Allocation



Source: ESRI Business Analyst; US Department of Labor report, *Expenditures of College-Age Students and Nonstudents, 1998*; The Eisen Group

2.7.4 Student Market

For the purpose of this analysis, TEG defined the student market as comprised of individuals enrolled in an undergraduate program and living in university-owned housing (including sorority and fraternity houses) in and around downtown Burlington, with a primary focus on University of Vermont and Champlain College. Off-campus student spending potential (either downtown or other Burlington neighborhoods) is captured in the resident consumer market analysis.

Historic growth in undergraduate enrollment at the University of Vermont has far outpaced Burlington’s resident population growth, increasing at an annual rate of 5% since 2001. Enrollment figures for 2010 indicate that 10,460 students attend UVM as undergraduate students (there are an additional 1,490 graduate students.) According to UVM Department of Residential Life, it is estimated that 57 percent of the total undergraduate student body lives on campus, or about 5,900 students. Champlain College has 2,673 students, of which 50% (about 1,335) live on campus; the College’s goal is to have all of its students live on campus within 3-5 years. St. Michael’s College in Colchester has 2,000 full time students and is located 6.6 miles from downtown Burlington.

According to an O’Donnell & Associates analysis of college student spending behavior, the typical student allocates 40 percent of their annual budget to discretionary purchases, including entertainment, apparel, travel, and other expenditures. Based on inflated data from 2007, the national average college student budget (including tuition, room and board, and other non-discretionary expenses) in 2010 was approximately \$17,425, or average annual discretionary expenditures of approximately \$6,970 per student.

With more free time for social activities, the average students spend more on food, beverages and entertainment as a proportionate share of their total retail spending than the typical household. Further, student expenditures are seasonally tied to the academic year, with other expenditures occurring closer to home during intersession and holidays.

In total, TEG estimates that UVM and Champlain College students have the potential to spend up to \$41.3 million annually. Detailed student spending calculations are shown in Figure 39 on the following page.

Figure 39: Summary of Student Market Expenditure Potential

	STUDENT POPULATION	% LIVING ON CAMPUS	ON CAMPUS STUDENTS	AVG ANNUAL STUDENT SPEND	TOTAL ANNUAL EXPENDITURE
University of Vermont - Undergrad					
Retail	10,460	56.5%	5,912	2,649	15,659,845
Food & Beverage (outside dining halls)	10,460	56.5%	5,912	2,021	11,950,934
Groceries & Convenience	10,460	56.5%	5,912	1,952	11,538,833
Consumer Services	10,460	56.5%	5,912	349	2,060,506
Total UVM Undergrad	10,460	56.5%	5,912	\$ 6,971	\$ 41,210,118
Champlain College - Undergrad					
Retail	2,673	49.9%	1,335	2,649	3,536,179
Food & Beverage (outside dining halls)	2,673	49.9%	1,335	2,021	2,698,663
Groceries & Convenience	2,673	49.9%	1,335	1,952	2,605,606
Consumer Services	2,673	49.9%	1,335	349	465,287
Total Champlain Undergrad	2,673	49.9%	1,335	\$ 6,971	\$ 9,305,735
Combined Student Market					
Retail	13,133	55.2%	7,247	2,649	19,196,024
Food & Beverage (outside dining halls)	13,133	55.2%	7,247	2,021	14,649,597
Groceries & Convenience	13,133	55.2%	7,247	1,952	14,144,439
Consumer Services	13,133	55.2%	7,247	349	2,525,793
Total Combined Student Market	13,133	55.2%	7,247	\$ 6,971	\$ 50,515,853

Source: University of Vermont; Champlain College; O'Donnell & Associates, LLC; The Eisen Group

2.8 RETAIL DEMAND ANALYSIS

TEG conducted a market demand analysis in order to inform a specific program for ‘activating’ (i.e. primarily ground floor) commercial uses in downtown Burlington. The proposed program takes into consideration existing retail and restaurant uses in the downtown, as well as new space that could be added through re-tenanting of existing non-retail space and/or space in future redevelopment projects. The recommended program is based on market opportunities and physical site constraints identified by TEG as part of the preceding analyses, current retail industry trends with respect to store formats and merchandising concepts, as well as experience in other downtown environments nationwide. The demand analysis quantifies supportable square footage for commercial space in the following store categories:

- **Retail** – apparel, furniture and home furnishings, electronics, department stores, book stores, music stores, cosmetic stores, optical goods, office supplies, florists, gift stores, used merchandise, art galleries, sporting goods and hobby shops
- **Food & Beverage** – restaurants, cafés, coffee shops, delis/carryout, ice cream shops, bars and taverns
- **Groceries & Convenience** – supermarkets, convenience stores, specialty food shops (for consumption at home), pharmacies
- **Consumer Services** – hair and nail salons, dry cleaners, pet care, photo finishing, laundromat/dry cleaning, tailoring

2.8.1 Assumptions

Timeframe

The proposed downtown retail mix is based on current market conditions as of 2011. This timeframe assumes that future efforts to reposition downtown through marketing and new business recruitment, as well as the completion of redevelopment projects that will add to the existing consumer base (e.g. hotels, multifamily, office etc.), increasing a concentration of new downtown consumers in all categories.

Consumer Markets

The analysis focuses on downtown Burlington’s four major consumer markets – Residents (downtown and regional); Employees (downtown office workers and University/College faculty and staff); Visitors (day trippers, overnight visitors, and second home owners); and Students (primarily UVM and Champlain College undergrads living on campus and off-campus living in downtown neighborhoods).

Expenditure Potentials

Expenditures on specific categories for each of the consumer markets is based on the spending data presented in Section 2.4. All expenditures are expressed in 2011 dollars.

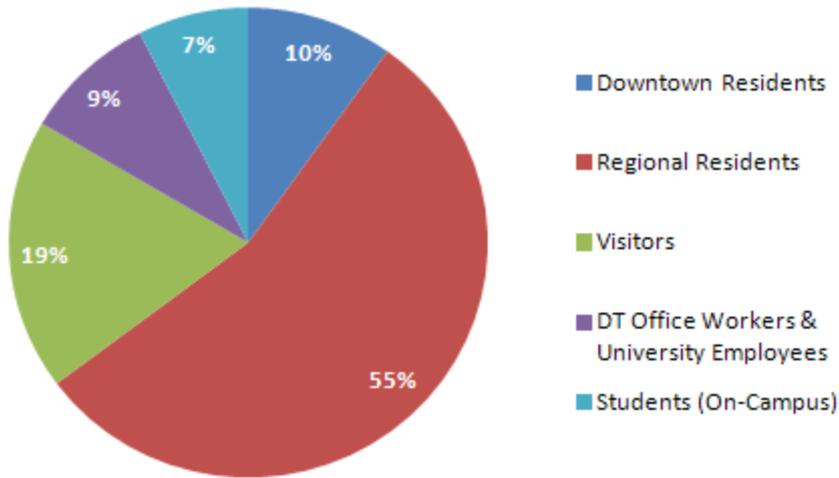
Capture Rates

Capture rates were developed in order to quantify the amount of household expenditures from each of the consumer markets that could potentially occur in downtown Burlington. Differences in capture rates are subject to several variables, including: 1) proximity and compatibility of each consumer market to downtown; 2) quality and amount of downtown retail, restaurants, and services; 3) access to downtown via major streets, pedestrian linkages, and transit; 4) proximity to future consumer-generating development; 5) constraints related to parking and other urban infrastructure; and 6) consumer expenditure patterns inherent to the respective consumer markets for each type of business category.

Sales Productivities

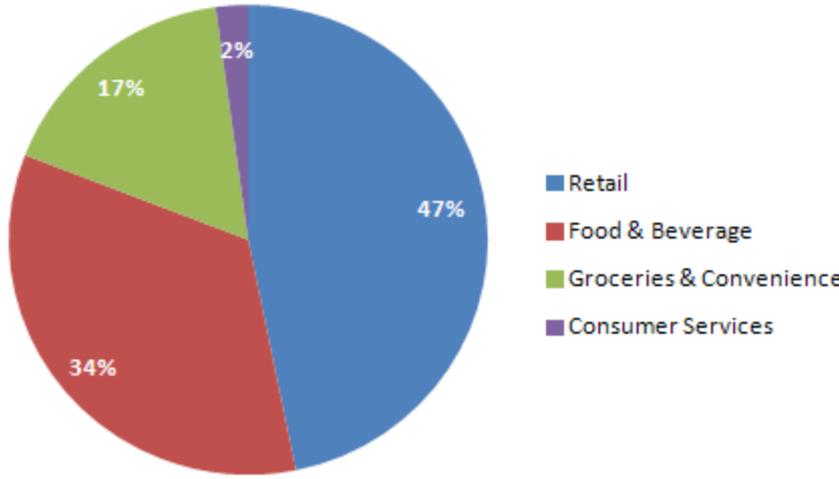
Factors of investment grade sales productivity – i.e. sales per square foot of retail floor area – are applied to estimates of captured expenditure potential to convert dollars spent in downtown to a physical program recommendation. Sales productivities are derived from a number of sources, including competitive market rents in the downtown area, reported sales volumes for specific national chain retailers, as well as analysis of existing gross sales in the downtown area.

Figure 40: Distribution of Estimated Captured Spending by Major Consumer Market



Source: The Eisen Group

Figure 41: Distribution of Estimated Captured Spending by Business Category



Source: The Eisen Group

2.8.2 Captured Sales Potential

Based on the assumptions described above, it is estimated that downtown Burlington has the potential to capture between \$156 million and \$226 million of total consumer market area expenditure. The high end of the range ('High') assumes that the consumer experience in downtown has been further enhanced through improved urban infrastructure (e.g. wayfinding, streetscape, parking, etc.), the addition of new destination businesses that generate additional foot traffic above the level resulting from the current mix of offerings, and increased consumer density (e.g. new market rate multifamily housing, professional office, hotels, etc.) proximate to downtown. Meanwhile, the low end of range ('Low') reflects a scenario in which downtown operations remain the same or nominally deteriorate, with few new tenants and limited changes to current marketing and events programs, as well as continued stagnation in national economy and the overall retail industry. It should also be noted that these figures do not take into consideration additional inflow of spending by consumers outside downtown Burlington's core consumer market areas.

Approximately 55 percent of total captured spending in the downtown is expected to originate from regional residents. Regional resident's relatively large share of total captured expenditures emphasizes the importance of increased marketing efforts to attract additional spending from the other consumer groups so as to minimize overreliance on one market. For example, the addition of new households to the core downtown area through future redevelopment is an opportunity to broaden the most captive consumer base. Assuming similar spending behaviors as demonstrated by existing residents, every 100 new households living downtown will generate an additional \$1.8 million to \$2.4 million in captured sales.

In terms of business categories, 'Retail' is expected to account for approximately 47 percent of total sales in downtown, reflecting the area's current reputation as shopping destination. 'Food and Beverage' represent another 34 percent of total captured sales, which indicates strong demand for food operators, as well. TEG believes that F&B can increase downtown.

See Figure 42 on the following page for a more detailed summary of captured spending is presented on the following page.

Figure 42: Captured Consumer Expenditure by Business Category

CATEGORY/ CONSUMER MARKET	TOTAL ANNUAL	CAPTURE RATE			TOTAL CAPTURED EXPENDITURE		
	EXPENDITURE	LOW	MODERATE	HIGH	LOW	MODERATE	HIGH
Retail							
Downtown Residents	24,420,120	17.5%	20.0%	22.0%	4,273,521	4,884,024	5,372,426
Regional Residents	366,970,580	15.0%	17.5%	20.0%	55,045,587	64,219,852	73,394,116
Visitors	26,389,650	45.0%	50.0%	55.0%	11,875,343	13,194,825	14,514,308
Downtown & University Employees	2,913,165	25.7%	36.1%	43.8%	749,952	1,052,076	1,275,967
Students (On-Campus)	19,196,024	20.0%	25.0%	30.0%	3,839,205	4,799,006	5,758,807
Total Retail	\$ 439,889,539	17.2%	20.0%	22.8%	\$ 75,783,608	\$ 88,149,783	\$100,315,625
Food & Beverage							
Downtown Residents	14,585,960	20.0%	30.0%	40.0%	2,917,192	4,375,788	5,834,384
Regional Residents	211,868,520	10.0%	12.0%	15.0%	21,186,852	25,424,222	31,780,278
Visitors	55,568,450	30.0%	35.0%	40.0%	16,670,535	19,448,958	22,227,380
Downtown & University Employees	20,884,822	28.8%	39.2%	46.9%	6,015,169	8,181,131	9,786,232
Students (On-Campus)	14,649,597	40.9%	45.9%	50.9%	5,994,772	6,727,252	7,459,732
Total Food & Beverage	\$ 317,557,350	16.6%	20.2%	24.3%	\$ 52,784,520	\$ 64,157,351	\$ 77,088,006
Groceries & Convenience							
Downtown Residents	24,254,840	25.0%	35.0%	40.0%	6,063,710	8,489,194	9,701,936
Regional Residents	367,417,560	2.5%	3.0%	5.0%	9,185,439	11,022,527	18,370,878
Visitors	32,611,600	5.0%	7.5%	10.0%	1,630,580	2,445,870	3,261,160
Downtown & University Employees	23,455,262	28.4%	33.4%	38.4%	6,668,109	7,840,872	9,013,635
Students (On-Campus)	14,144,439	10.0%	15.0%	20.0%	1,414,444	2,121,666	2,828,888
Total Groceries & Convenience	\$ 461,883,701	5.4%	6.9%	9.3%	\$ 24,962,282	\$ 31,920,129	\$ 43,176,497
Consumer Services							
Downtown Residents	2,603,160	25.0%	35.0%	40.0%	650,790	911,106	1,041,264
Regional Residents	36,205,380	5.0%	7.5%	10.0%	1,810,269	2,715,404	3,620,538
Visitors	-	na	na	na	-	-	-
Downtown & University Employees	-	na	na	na	-	-	-
Students (On-Campus)	2,525,793	15.0%	20.0%	25.0%	378,869	505,159	631,448
Total Consumer Services	\$ 41,334,333	6.9%	10.0%	12.8%	\$ 2,839,928	\$ 4,131,668	\$ 5,293,250
TOTAL	\$ 1,260,664,923	12.4%	14.9%	17.9%	\$156,370,337	\$188,358,930	\$225,873,377

Source: The Eisen Group

2.8.3 Supportable Retail Mix

Next, TEG developed estimates of sales productivity – i.e. sales PSF – for each of the major business categories, which are derived from competitive market rents in the downtown Burlington area and industry sales requirements to warrant investment in new retail space. For all captured scenarios, average sales productivity levels were kept constant and vary by retail category. Sales productivities are generally higher for Food and Beverage and Groceries and Convenience because these types of retail businesses have higher operating costs and specialized equipment that increases the amount of investment to operate the businesses.

The *Low Capture of Total Sales* scenario assumes that the status quo continues in downtown Burlington with little change from conditions today. This assumption suggest that there is limited incremental supportable retail space (up to 12,400 SF under the most optimistic scenario); up to 2,000 SF for additional Food and Beverage; 5,500 to 13,400 SF of groceries and convenience (which could be met by expansion of City Market Coop or addition of a convenience store, probably near the lakefront) and a surplus of consumer services (driven in part by the high percentage of hair and nail salons downtown, which are greater than industry norms for this population size.)

The *Moderate Capture of Total Sales* scenario assumes some expansion of existing offerings, and focused expansion of the downtown area in phases, including creating contiguous retail as much as possible and connecting the core with the waterfront. Greater critical mass induces more shoppers to come downtown and produces more market potential. Under the Moderate scenario, up to 107,000 SF of new retail would be supportable, with 24,000 to 36,000 SF of Food and Beverage, an additional 23,00 to 34,000 SF of Groceries and Convenience (which could be met through the addition of a specialty grocer or expansion of City Market Coop, and/or introduction of a full service drug store), and locating any new consumer services businesses in vacant spaces. This scenario also assumes addition of some new downtown residents and office workers to the existing mix (most likely at higher income levels, since they have more disposable income.)

The *High Capture of Total Sales* scenario would be possible only if there are major changes in the public realm: continuous streetscape enhancements along Main and the waterfront; new hotels in addition to the 125-room Hotel Vermont; a visitor promotion program that brings more visitors and tourists; a significant number of new downtown residents and office workers (as a general guideline, each new downtown resident will support 4-7 SF of retail space, and every new office worker will support 2-5 SF of retail space); and recruitment of several new destination retailers with enough drawing power to induce increased market share in downtown. This is the most optimistic scenario, suggesting that up to 201,000 SF of retail could be possible, with over 82,000 SF of new Food and Beverage, and 53,000 to 67,000 SF of new Grocery and Convenience businesses.

TEG recommends that while this scenario could be possible over time, the current economic conditions - high national unemployment rate, reduced consumer confidence levels, limited available financing and conservative spending patterns by the resident population – suggest that the Moderate Capture scenario is both more likely and less risky, and would be less dependent on aggressive completion of major public-private partnerships. This would mean that **approximately 100,000 to 200,000 square feet of new retail space can be supported in Downtown Burlington** (primarily across the non-service categories), filling vacant spaces as much as possible, and including incremental new retail space in mixed-use projects along lower Main Street and infilling vacant/underutilized retail space throughout the downtown Study Area.

Source: The Eisen Group

Figure 43: Summary of Net New Supportable Square Feet of Retail in Downtown Burlington

SALES SCENARIO/ BUSINESS CATEGORY	TTL CAPTURED SALES	INFLOW FACTOR	TTL CAPTURED SALES	SALES PRODUCTIVITY		SUPPORTABLE SF (ROUNDED)			LESS: EXISTING OCCUPIED SPACE (1)	NET NEW SUPPORTABLE SF		
				LOW	HIGH	LOW	AVERAGE	HIGH		LOW	AVERAGE	HIGH
Low Capture of Sales												
Retail	75,783,608	4.0%	78,814,952	\$135 PSF	\$185 PSF	426,000	505,000	584,000	571,632	(145,632)	(66,632)	12,368
Food & Beverage	52,784,520	4.0%	54,895,901	\$350 PSF	\$400 PSF	137,000	147,000	157,000	155,143	(18,143)	(8,143)	1,857
Groceries & Convenience	24,962,282	4.0%	25,960,773	\$375 PSF	\$425 PSF	61,000	65,000	69,000	55,511	5,489	9,489	13,489
Consumer Services	2,839,928	4.0%	2,953,525	\$125 PSF	\$150 PSF	20,000	22,000	24,000	54,150	(34,150)	(32,150)	(30,150)
Total - Low Scenario	\$ 156,370,337	4.0%	\$ 162,625,151	\$246 PSF	\$295 PSF	644,000	739,000	834,000	836,436	(192,436)	(97,436)	(2,436)
Moderate Capture of Sales												
Retail	88,149,783	4.0%	91,675,774	\$135 PSF	\$185 PSF	496,000	587,500	679,000	571,632	(75,632)	15,868	107,368
Food & Beverage	64,157,351	4.0%	66,723,645	\$350 PSF	\$400 PSF	167,000	179,000	191,000	155,143	11,857	23,857	35,857
Groceries & Convenience	31,920,129	4.0%	33,196,934	\$375 PSF	\$425 PSF	78,000	83,500	89,000	55,511	22,489	27,989	33,489
Consumer Services	4,131,668	4.0%	4,296,935	\$125 PSF	\$150 PSF	29,000	31,500	34,000	54,150	(25,150)	(22,650)	(20,150)
Total - Moderate Scenario	\$ 188,358,930	4.0%	\$ 195,893,287	\$249 PSF	\$298 PSF	770,000	881,500	993,000	836,436	(66,436)	45,064	156,564
High Capture of Sales												
Retail	100,315,625	4.0%	104,328,250	\$135 PSF	\$185 PSF	564,000	668,500	773,000	571,632	(7,632)	96,868	201,368
Food & Beverage	77,088,006	4.0%	80,171,526	\$350 PSF	\$400 PSF	200,000	214,500	229,000	146,170	53,830	68,330	82,830
Groceries & Convenience	43,176,497	4.0%	44,903,557	\$375 PSF	\$425 PSF	106,000	113,000	120,000	52,817	53,183	60,183	67,183
Consumer Services	5,293,250	4.0%	5,504,980	\$125 PSF	\$150 PSF	37,000	40,500	44,000	54,150	(17,150)	(13,650)	(10,150)
Total - High Scenario	\$ 225,873,377	4.0%	\$ 234,908,313	\$254 PSF	\$303 PSF	907,000	1,036,500	1,166,000	824,769	82,231	211,731	341,231

Note:

(1) Existing space under "Consumer Services" category excludes some business types shown in the retail inventory, including: acupuncture; health clubs; yoga studios; psychic shops; tattoo parlors; and martial arts schools. Does not include vacant space.

Source: The Eisen Group

3. RETAIL MERCHANDISING STRATEGY

3.1 RETAIL MERCHANDISING OVERVIEW

Retail development has come full circle over the past 65 years, beginning with traditional downtowns and commercial districts (stores and businesses lining commercial streets, often with offices and housing on upper floors), and shifting to suburban malls in the 1950's. The traditional enclosed shopping mall layout located department stores as destination "anchor" uses at the ends of internal corridors lined with smaller "in-line" stores (e.g., the configuration of the University Mall in Burlington). Often about half of enclosed mall space was comprised by department stores, while the other half was in-line stores, frequently with high sales productivity jewelry stores at the most prominent intersections of the interior corridors which provided maximum exposure to shoppers. The "big box" store trend began as high volume tenants wanted affordable space and ample surface parking, located adjacent to or near other Big Box retailers (the site layout of the stores in Williston), with perimeter "pad sites" occupied by restaurants and banks. The most recent retail trend beginning in the mid 1990's was lifestyle centers, newly constructed pedestrian-oriented environments built to look like traditional streets, but with single ownership and leasehold control, and merchandised with national credit tenants. Unlike downtown locations with multiple property owners and public streets, lifestyle centers fabricate replicated 'downtowns', but as strictly controlled environments under single ownership and management. The tenant mix is also carefully controlled and is often built without department stores, but anchored by smaller 'junior anchor' tenants such as Nike, Saks Off Fifth, or Williams Sonoma (typically 15,000 to 40,000 square feet per store).

Burlington and Church Street Marketplace are among the few successful pedestrian malls in the US that have survived and thrived as retail environments. Others are also located in college towns, which provide continuous pedestrians with disposable time and money. The businesses and restaurants they support and the quality of the public space also attract other shoppers, as in Burlington— downtown attracts everyone. Unlike the other pedestrian oriented downtowns, Burlington also has a single-ownership, enclosed shopping mall in the Burlington Town Center, which is anchored by Macy's at the western end that draws consumers from Church Street past the mall's in-line stores. About half of Town Center's total area (315,000 square feet) is Macy's, with about 150,000 square feet, similar to the balance between anchor stores and in-line stores in traditional enclosed malls. Macy's is also one of the largest retail floor plates (occupied surface areas) in downtown Burlington.

While Church Street Marketplace and other streets in Burlington may share physical characteristics with lifestyle centers, there are several distinctions that complicate strategic merchandising. In shopping centers, one owner and management structure directly controls which stores go where, and which businesses are located adjacent to others. In downtown areas, multiple property owners may have inconsistent levels of investment capacity, differing lease structures or may not have a clear strategic objective for their spaces that could strengthen the overall mix – by nature, the retail recruitment process is more complex because no single entity has direct control. Organizations like Church Street Marketplace can organize and assist property owners in finding potential tenants, can represent the interests of downtown areas through cooperative efforts, and can take on responsibility for management of public spaces. Without direct control of tenant decisions, downtowns must rely on property owners, commercial brokers and retailers to understand and support a central merchandising strategy; the alternative is a less coherent decision process and outcome. Fortunately for Burlington, there are a number of property owners and brokers who have made strategic decisions to attract or retain retail tenants (flexibility about rent levels, building improvements and not taking the first deal that comes along) to keep a diverse range of offerings and a mixture of national tenants and locally owned businesses. This has been a great tactical benefit to downtown Burlington's retail mix.

Figure 44: Downtown Burlington Merchandising Opportunities by Category

Category	Net New Supportable SF by category	Representative Retail Examples (by quality level, pricing, etc.)	Typical Store Size in SF	Notes
Specialty Retail 36,000-125,000 SF				
Home Products and Furnishings		Target (urban format)	Up to 80,000 SF	Department within Target stores, good match for student population Potential sites limited/non-existent downtown; consider two level 'urban' store with parking
		CB2	6,000-8,000 SF	New Crate & Barrel concept, primarily urban locations to date
		Room & Board	15,000-20,000 SF	Affordable modern furnishings and housewares
		Simon Pearce	Varies	Quechee Vermont-based home products; no Burlington store location
		Floral/Plants/Garden	1,000 - 1,200 SF	Local operator likely with plants, books, flowers, garden implements, etc.
Bookstore		Booklink Booksellers	1,800-2,500 SF	Downtown Northampton MA company
Men's Apparel		Jackson & Connor	1,000-1,800 SF	Downtown Northampton MA
Art Galleries		Green Mountain Fine Art Gallery	500 SF-2,000 SF	Stowe
Baby Products and Classes		Cradle	1,000-1,500 SF	Downtown Northampton MA company
Electronics and Computers		Apple Store	6,000-10,000 SF	New initiative to locate in University Bookstores; work to locate downtown
Apparel and Accessories		Local owner, distinctive products	1,200-2,000 SF	Benefit from cross shopping opportunities, Marketplace location
		J.Jill	1,000-1,200 SF	Explore full service store on Church Street as company is re-established
		25 Central	1,000-1,500 SF	Downtown Northampton MA women's apparel company
Shoes (Athletic and Other)		Strada Shoes for Women	1,000-1,500 SF	Division of Shoefly Shoe Salons LLC
Sports Equipment & Apparel		REI	20,000-45,000 SF	Seattle based sports coop; expands Burlington options, would induce mkt
Food & Beverage 55,000-69,000 SF				
Temporary carts and trucks		Ethnic foods, BBQ, Lobster Rolls	No size	Locate at/on City Hall Park daily to activate public space
Fine Dining Steak House/Bar		Abe & Louie's	2,500-3,500	Water view location preferable
Fine Dining - Seasonal/Local		Hen of the Wood	1,800-2,000	Waterbury
Italian Trattoria/Bar		Foxfire Inn	2,500	Stowe
Gourmet Pizza/Bar		Picasso	2,500	Stowe
Gourmet Hamburger		Five Guys, BGR	1,200-1,800	East Coast, expanding mid-Atlantic chains that like urban locations
Groceries and Convenience 27,000-32,000 SF				
Convenience Store		Corner Market, C Store	1,500-10,000 SF	7-Eleven, expanded Champlain Farms with 'urban' format
Full Service Drug Store		Lakeside Pharmacy (expanded)	8,000-10,000 SF	Could also be a CVS or Walgreens (maintain design control of exteriors)
Specialty Grocery		Trader Joe's, Fresh Market	10,000-20,000	Preferable to expand City Market Coop, if possible
Consumer Services/Wellness Fill Vacancy				
Natural Cosmetics, toiletries		Keihl's	750-1,000 SF	Primarily east coast cities; New York-based
Cosmetics		Sephora	1,200-1,800 SF	New York-based

Source: The Eisen Group

3.2 MERCHANDISING VOIDS, RETAIL NICHEs AND RECRUITMENT TARGETS

Creating merchandising programs for downtowns (or shopping centers) reflect a number of fixed elements, including: store sizes and layouts; opportunities to cluster complementary uses; co-tenancy between certain brands who want to locate near another; available servicing infrastructure; and sales-to-rent requirements between retail tenants and property owners. Determining the potential merchandising voids, niches, and recruitment targets for downtown Burlington are partially a response to market conditions and partially a suggested approach that is based on experience and subjective judgment about the retail categories that would complement and strengthen the existing mix, or would (through increased drawing power from the available consumer markets) induce new shopping and increase the downtown capture rate. The potential recruitment targets are shown below, with store examples that indicate a quality and pricing level that would be appropriate for Burlington, along with notes about specific operators. This list based on market findings about downtown Burlington, and the three scenarios of net new supportable square feet presented in Section 2.8.3.

In order to identify specific retail voids in the downtown market, Church Street Marketplace recently completed the first comprehensive retail inventory of downtown Burlington (within the boundaries of the Downtown Master Plan study area) and concluded the following:

- Downtown Burlington has 283 occupied businesses classified as retail, including specialty and department store retailers, food and beverage, grocery and convenience, and consumer services/wellness.
- The downtown study area includes over 893,250 square feet of occupied space and about another 100,000 square feet of vacant retail space (some of which would be viable for re-leasing such as the Borders space, and other spaces which could be considered obsolete space due to its configuration, condition or marginal locations). The only larger retail comparison shopping retail concentration is the Williston/Taft's Corner area, with an estimated 1 million square feet (Including vacancies)
- About one-third of all downtown retail space is located along Church Street and the adjoining blocks, another one-third is in Burlington Town Center, and the remaining one-third is distributed throughout the remainder of downtown and the waterfront.
- Almost two-thirds of downtown Burlington retail space is occupied by specialty retail and department store businesses, an unusually high percentage of downtown retail space, as generally retailers are the most difficult businesses to recruit in downtown areas across the country; this is a result of ongoing management and success for the Marketplace, which in many respects defines differentiated retail offerings in Burlington.
- About one-sixth of all retail space is occupied by food and beverage businesses (70 operators); this may indicate an undersupply of F&B, both from a market demand perspective and in comparison to other US college cities with downtown pedestrian malls. The uncaptured potential sales in this category suggest that more food & beverage offerings (and more varied food categories) could increase downtown's F&B market share.
- Downtown Burlington has 51 consumer service/wellness businesses, including 24 nail and hair salons; this category represents 11 percent of occupied downtown retail space and 17 percent of all retail businesses, and may be disproportionately high for the market.
- The greater concentration of national (chain affiliated) retailers are located in Burlington Town Center, reflecting its mall industry ownership, management and coordinated leasing strategy.
- With Macy's as the largest individual retail floor plate in downtown Burlington there are no other apparent sites for large-format stores as downtown space is currently configured; this would make recruitment of a larger format store (and providing parking for it) highly challenging.

3.3 COMPARATIVE MERCHANDISING MIXES IN COMPARABLE MARKETS

While not a direct comparison with downtown Burlington (inventory square footages for other locations were not available), TEG also reviewed a comparison of the store mix by number and types of stores in other US college towns with downtown pedestrian malls. Figure 45 below illustrates comparative characteristics with Burlington, and demonstrates that Burlington compares very favorably:

- With a city population that is 40 percent of Boulder, Colorado and a student population that is just under 60 percent of University of Colorado, downtown Burlington has the same number of downtown stores per 1,000 population, and without the proximity of Denver’s population of 600,000 only 28 miles away.
- Downtown Burlington has a greater concentration of retail businesses than all but Boulder; retail uses comprise less than half of the businesses in Iowa City (University of Iowa) and Ithaca (Cornell University and Ithaca College); none of the other cities have downtown department stores
- Church Street Marketplace includes a number of restaurants, but Burlington is generally less-food oriented than the other comparable cities; half of the retail businesses in downtown Madison, WI are Food and Beverage operations
- Burlington has a higher percentage of consumer services businesses than any of the other comparable communities, reflecting a higher proportion of spas and hair and nail salons; only downtown Ithaca, with a Metropolitan Statistical Area (MSA) population half of Burlington’s has a comparable percentage of total businesses, and its number of stores is over a third smaller than downtown Burlington

This reinforces the conclusion that Burlington has sustained the strength of the downtown area effectively and over a sustained period of time, increasing the ability to attract the interest of potential additional retailers, restaurants and convenience businesses.

Figure 45: Downtown Burlington and Selected Comparable Downtown Pedestrian Mall Locations (Occupied Retail Spaces as of September 2011)

Category	Location	Total DT		Retail		F&B		Services		City	MSA	Total Univ	% of City	% of MSA	# DT Stores per
		Stores	# Stores	%of Ttl	# Stores	%of Ttl	# Stores	%of Ttl	Population	Population	Students	Population	Population	1K MSA Pop.	
Burlington	Burlington VT	273	133	49%	70	26%	69	25%	39,326	211,299	16,161	41%	8%	1.13	
State Street Mall	Madison WI	279	88	32%	155	56%	36	13%	235,626	576,264	55,498	24%	10%	0.48	
Charlottesville Hist DT Mall	Charlottesville VA	185	98	53%	52	28%	35	19%	46,335	195,847	22,139	48%	11%	0.94	
Pearl Street /Pearl Street Mall	Boulder CO	334	155	46%	117	35%	62	19%	101,160	294,567	28,555	28%	10%	1.13	
Dubuque/College Streets	Iowa City IA	103	52	50%	36	35%	15	15%	68,903	131,676	24,426	35%	19%	0.78	
Ithaca Commons/Downtown	Ithaca NY	141	49	35%	61	43%	31	22%	30,013	101,564	27,312	91%	27%	1.39	

Source: The Eisen Group

4. IMPLEMENTATION STRATEGY

4.1 Introduction

The suggested implementation strategy for downtown Burlington assumes that some activities may not be able to occur until regulatory controls or changes from current market conditions are possible. The timing of some implementation actions will also be contingent on the potential for funding from public and/or private sources, the amount of time it may take to consider and authorize possible regulatory changes, and the characteristic of the need being addressed by the implementation action. For example, some activities such as retail retention and recruitment will be ongoing, rather than occurring with a specific beginning and end date.

Figure 46 on the following page illustrates a potential schedule of actions, and is organized into three time periods: Short-term activities (to be completed within the first 18 months after the implementation program has begun); Mid-term activities (to be undertaken between months 18 and 36); and Long-term activities (from month 36 and beyond). As shown, some activities will continue well beyond the three years on the schedule, and will be determined by owner priorities for some sites, available funding, required permitting, and regulatory approvals. The suggested implementation steps are displayed in the left column across the three schedule periods and are both sequential and overlapping – that is, some tasks are not likely to occur until preceding ones are complete (for example, potential considerations for selected zoning changes should only occur after completion of the physical plan). Meanwhile others may require multiple months for completion, but can occur concurrently with other tasks (exploration and discussions about establishing a downtown redevelopment revolving fund is one such example).

4.2 Recommended Implementation Tasks

4.2.1 Short Term (1-18 Months)

Explore and Solidify the Role for the Downtown Burlington District – The future role and capacity of the Downtown District has recently been discussed, along with the possibility of expanding the boundaries of the district to extend services beyond the current Church Street Marketplace District boundaries and to create a more comprehensive structure to accommodate future retail, office and residential development and to better connect the current commercial centers with the Burlington Waterfront. This would require designation by City government, and as a practical matter, the willingness of property and business owners to support the vision of a greater downtown Burlington district. Potential expansion would increase the capacity of the Church Street Marketplace staff to add new programs, to provide management coordination/enhanced security and guidance to downtown shoppers and to better integrate the improved waterfront area as a more vibrant recreational and commercial district with the rest of downtown Burlington, and to prioritize certain areas for extension of street-animating uses to provide active pedestrian connections on principal streets.

Fund and Hire a Downtown Retail Recruiter – To supplement the current range of coordination services provided through the Downtown District, it is recommended that, when funding is available (potentially connected with possible expansion of the Downtown District service area boundaries), a part-time downtown retail recruiter should be hired as part of the Downtown District staff. The recruiter will provide three primary services: (a) to coordinate with downtown property owners and commercial brokers to implement a retail strategy that retains existing retailers (even if moving from one location to another in downtown Burlington); (b) to seek out appropriate local/regional/selected national retail operators whose products and services would complement and strengthen the retail business mix, fill vacant spaces, and supplement current offerings to sustain shopper traffic downtown. This would not replace the transactions completed by local brokers; the primary focus is to work with property owners and developers AND brokers to investigate and deliver tenants that will add to current offerings, address unmet market opportunities and complete a coordinated leasing strategy downtown, much like a leasing director in a shopping center (admittedly with site control) to carry out a logical tenant strategy and sustain sales and shopper traffic.

Figure 46: Retail Strategy Implementation Schedule

Downtown Burlington Retail Strategy Implementation Recommendations																																							
Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37		
	Year 1												Year 2												Year 3														
Short Term (1-18 months)																																							
Explore/Solidify Role for Downtown District																																							
Fund and hire a DT Retail Recruiter																																							
Plan/budget phased infrastructure																																							
Explore select DT zoning changes to increase tax base																																							
Adopt DT Master Plan recommendations																																							
Create waterfront enhancement program																																							
Develop/enhance visitor strategy																																							
Initiate discussions on DT Dvt. Revolving Fund																																							
Integrate retail opportunities w/Planning Study																																							
Explore redev. options for selected City-owned sites																																							
Mid-Term (18-36 months)																																							
Determ. goals, rules, and processes DDRF																																							
Begin outreach for DT Dvt Revolving Fund																																							
Explore potential funding capacity DDRF																																							
Establish, operate DT Redevelopment Revolving Fund																																							→
Continue DT retail recruitment efforts																																							→
Explore targeted land use/financial redev. incentives																																							→
Exlore strategies for Train Station Bldg																																							
Budget waterfront improvements																																							
Implement phased WF enhancements																																							→
Continue to implement visitor strategy																																							→
Long-Term (36 + months)																																							
Continue DT retail recruitment efforts																																							→
Redevelop waterfront (phased)																																							→
Continue DT housing redevelopment																																							→
Continue office retention strategy																																							→
Continue Visitor services strategy																																							→

Source: The Eisen Group

4.2.1 Short Term (1-18 Months)

Plan and Budget Phased Downtown Infrastructure Improvements -- Part of the identification of the Church Street Marketplace is the uniform public improvements, landscaping, lighting, events programming and other features of the pedestrian area. It should be noted that downtown pedestrian malls have generally succeeded in the US only in University towns with student populations to keep it active; Church Street in Burlington is considered one of the most successful, with other good examples on State Street in Madison WI, Pearl Street in Boulder CO, Downtown Mall in Iowa City IA, and the Charlottesville Historic Downtown Mall in Charlottesville VA. In order to reinforce the streetscape quality and downtown identity for the larger area, high quality streetscape enhancements should be planned, budgeted and implemented on key streets such as Main, parts of College and Cherry, and Battery Street/parts of the Burlington waterfront so that all of the primary commercial streets will be visually consistent and will be ‘understood’ by visitors and shoppers as functional parts of the greater downtown area. The specifics of this recommendation will emerge from the Phase II planning process and long-term capital planning programs by the City.

Downtown Parking -- In almost any downtown, Parking is considered a significant issue. Over many years, downtown Burlington has steps to address parking, through provision of City-owned parking structures, development of private garages offering public parking (such as the Macy’s garage on Cherry Street), encouraging structured parking for new infill housing and office development, allowing two free hours of shopper parking and free parking on Sundays downtown, organizing use of otherwise private parking lots for peak shopping periods during holidays and other strategies. As the Downtown Master Plan update is explored in the Phase II Planning Study, several goal for parking should be included. The first is that no net loss occur in existing parking capacity; if an existing surface lot is planned for redevelopment, either the existing number of public parking spaces should be replaced, either within the redevelopment project, or transferred to another nearby location. Second, as sloping sites like the Super Block or the TD Bank site are considered for redevelopment, use of the slope to add parking capacity with different street level entrances or opportunities to incorporate parking into lower levels utilizing the slope should be given priority. Third, City-owned garages (and the private garage adjacent to Macy’s) should be studied for the potential to renovate, add or demolish and reconstruct to (a) make them brighter and better lit (b) add more parking capacity, or (c) create opportunities to add street-activating uses at the ground level of the garages so that the garages don’t create dead spaces along the street edges. If City owned, these spaces can also be considered as potential retail start-up business retail incubators, as the rents can be kept low for the early years of operation. Fourth, if garages cannot be modified and must be reconstructed, the planning effort should consider opportunities to create development pads (such as the Cherry Street location of the Hotel Vermont) to animate blocks and create new office, retail, housing or hospitality uses adjacent to set-back garages. This should be a central element in exploring infill sites for the study area during the later stages of the Plan and its implementation.

Adopt Downtown Master Plan Recommendations -- After completion of the Phase II Downtown Master Plan (scheduled to begin in October 2011) has gone through a thorough public review and consideration process and any necessary modifications are incorporated, the plan be adopted as public policy in order to pursue implementation and clarify new zoning, establish a more efficient review process and expedite decisions for downtown development opportunities. The Master Plan will incorporate potential uses for selected opportunity sites, preservation of historic structures and walkable scale, improved connectivity between the downtown core and the waterfront, and the types of improvements that will integrate pedestrian pathways and circulation routes throughout downtown Burlington. Until the plan is adopted, the policy framework to implement it will not be in place. Analysis, development and adoption of a form-based code for downtown Burlington will require time to be fully understood by the investment/development community, but will also add **predictability**, a characteristic that is highly desirable to these groups. In TEG’s experience, this could shorten Burlington’s complex review and approvals process for downtown projects and streamline the decision process for property owners, designers/architects and for City staff.

4.2.1 Short Term (1-18 Months)

Explore Select Downtown Zoning Changes to Increase the Tax Base -- As described earlier, the downtown Burlington study area includes nine zoning categories and eighteen subcategories, as well as multiple historic districts and design review requirements. This level of complexity sometimes makes it difficult for property owners to understand the range of obligations, requirements and review procedures involved in completing a building renovation or new construction project, and has resulted in less efficient decision processes, delayed projects and frustration with the entire process. While each of the zoning categories and review requirements has a purpose, the multiple layers should be re-considered and the review process streamlined without losing sight of the overall vision of a vibrant downtown area. Historic scale, view corridors and height restrictions are often confusing to property owners although there are existing ten story historic buildings in the downtown area today. This recommendation suggests that the existing zoning designations, building heights, allowed FAR's (Floor Area Ratio's) and other regulatory designations be reconsidered during the planning process in order to clarify where new infill projects might be planned and completed in order to encourage continued investment in offices, residential, lodging and the additional retail uses they would support in the downtown study area. This does not mean that major restrictions should be removed; rather, that existing designations and processes be re-evaluated to explore selected opportunity sites and increase downtown Burlington's tax base to cover the services provided.

Create a Waterfront Enhancement and Redevelopment Program – There has already been significant progress in making open space improvements and pedestrian enhancements along the Burlington Waterfront. However, there also is significant opportunity to add to these enhancements and fulfill the allowed redevelopment potential already in place for certain sites such as the area around the Ferry terminal; this location is the only site on the waterfront that retains private use and access, as well as serving as the city's gateway from Lake Champlain. Flooding along the lakefront in the summer of 2011 reinforces the need to plan for changing water levels and to maintain open space, parkland and recreational/cultural opportunities along the waterfront. It is also recommended that site-specific opportunities be explored to determine the right fit for potential uses such as additional retail, office, residential and recreation uses (such as the potential redevelopment of the Moran Plant structure as a commercial recreation facility) and retention of the sailing center.

The marina area should be explored as a site for addition of (market-based) new slips (including transient slips for all sizes of boats), water-based visitors from Canada and New York State, and the support services that could be shared with other visitors and the general public (restaurants, specialty retail and marine services, and cultural facilities like the expanded Echo Center. Office, residential and recreation uses (such as the potential redevelopment of the Moran Plant structure as a commercial recreation facility) and retention of the sailing center. Many of the services desired by maritime visitors (emergency response, towing, launching/hauling, marine hardware and supplies, fueling, repairs, laundry services, showers, groceries, etc.) are not provided conveniently, or not at all for transient boat visitors. Some of these services could be located in less valuable waterfront areas, allowing redevelopment space for commercially viable, activating uses that would energize and visually improve the existing downtown waterfront for everyone.

The Burlington waterfront has limited short-term/transient slip space for larger boats that make the trip from Canada, and is as convenient for boaters who need provisions or who need better connections to downtown and its services. While this is not the primary transportation method for visitors, pleasure boaters often spend disproportionately if the needed goods and services are provided near where they can land. It is recommended that planning for future visitor strategies for Burlington include specific campaigns, approaches and targeted advertising to attract Canadian visitors during periods when the US dollar is weak against Canadian currency to attract sales and expenditures in Burlington.

4.2.1 Short Term (1-18 Months)

Develop and Enhance the Downtown Visitor Strategy – Burlington has already established an enviable reputation as a destination city for summer, fall and winter visitors, bringing conferences and meetings, general tourism attracted by the Green Mountains and Lake Champlain and other ‘social’ events such as destination weddings. Downtown Burlington is a central element in regional and national tourism and visitor promotions, reinforcing its value to the city’s identity and to the visitor experience. During interviews, it was also commented that, although not as well known as some other visitor segments, Canadian tourists account for a large part of visitor-based sales for shopping, dining and travel (by car, plane and boat). This visitor market is motivated by value, different offerings, combination of an on-land visitor experience combined with a boating experience, and/or changes in currency exchange rates between the Canadian and American dollar. Future visitor campaigns may need to focus on Canadian, New York and New England visitors, the primary groups represented in out-of-state zip codes collected in the initial zip code analysis portion of this report.

Initiate Discussions on Potential for a Downtown Development Revolving Fund – Several cities have created successful downtown development revolving funds oriented toward redevelopment of historic commercial and residential structures and encouragement of appropriate infill construction in commercial districts. The revolving funds have been created using CDBG funding, participation by local financial institutions and program related investment by private foundations to leverage private investment in downtown areas. The funds function primarily as sources of loans(although some make grants, as well), and borrowers must demonstrate that their projects meet financial, design and social requirements in order to qualify. Provision of assistance to create affordable housing and to support locally owned businesses are also encouraged, often in partnership with housing finance agencies or other programs, and financing can be made available to for-profit and non-profit property owners, as well as commercial tenants. Operated as a public-private partnership by the Louisville (KY) Downtown Development Corporation, the Downtown Housing Revolving Loan Fund is primarily directed toward creation of market rate housing in the downtown area to activate the district and provide a stable consumer base for retail, food & beverage and services. The \$6.8M revolving fund has generated over \$128 M in private investment (a leveraged ratio of about 1: 20); it was initially capitalized by the City of Louisville (\$2.3M) and the private sector (\$2.7M), and later expanded due to its successful operation and growing demand.

The Providence (RI) DownCity Revolving Loan Fund was initially capitalized by a program-related investment by the Rhode Island Foundation (a state-wide community foundation similar to the Vermont Community Foundation) of \$6.8M, now over \$7.5M. Designated for redevelopment/building rehabilitation/facades and signs for use in Providence’s historic downtown core, the DownCity Fund is administered by the Providence Revolving Fund, which also directs a housing revolving fund for use in Providence’s historic districts with low-income residents. Since 2004, The DownCity fund has leveraged over \$100M in private investments downtown (a leveraging ratio of about 1:14) and has encouraged development of market rate housing development, artists housing and commercial rehabilitation of office and retail spaces in downtown Providence. The Rhode Island Foundation has total assets of over \$572M in 2010, while the Vermont Community Foundation had assets of about \$117M in 2009. The funds allocated to the DownCity fund were considered a program-related investment; this means that the Rhode Island Foundation has invested assets to capitalize the DownCity Loan Fund expecting a return on the investment, while recognizing that its programmatic goals for appropriate community development are also being addressed.

4.2.1 Short Term (1-18 Months)

TEG recommends that Burlington consider the benefits of establishing a similar fund for use in the greater downtown Burlington district/waterfront as a means to leverage private investment as well as building in a mechanism to assure that appropriate design and materials standards are met for downtown historic districts. In order to determine the level of potential need, to explore potential funding and to ascertain the support for such a program, TEG suggests that (a) a site visit could be made to Providence to meet with the Providence Revolving Fund (or alternatively, that the Director of the Fund be invited to Burlington to make a presentation), that local financial institutions and Foundations (including the Vermont Community Foundation in Middlebury) be contacted to explore whether and how such a program might be set up over several years in Burlington. The exploration discussions are suggested to occur over up to a year.

Integrate Retail Opportunities with the Downtown Planning Study – The Downtown and Waterfront Plan, scheduled to begin in October of 2011 and to be completed in 2012, will address a range of issues (existing vs. potential uses and locations for retail, height limits and view corridors, accessibility and linkages between downtown and the waterfront, potential for office, residential, lodging, marina, etc.). The retail demand analysis has identified the potential to add new retail space in downtown Burlington, but it is a limited amount of square footage, and should be located (as possible) on priority streets that will provide activating uses and retail continuity between Church Street and the waterfront area, preferably along Main Street, where there are intermittent blocks of retail space and more planned/pending. Although retail is a powerful tool to activate pedestrian environments, to the extent possible, it will be important to concentrate new retail in priority areas, blocks and streets. The market potential for retail in downtown Burlington is not infinite, and encouraging retail businesses to locate throughout downtown will not be economically sustainable. The planning study should incorporate established planning principles for store layouts, operational requirements and efficient servicing, whether in rehabilitated buildings or new construction/mixed-use.

Explore Redevelopment Options for City-Owned Properties – The City of Burlington owns several important sites in the downtown area and along the waterfront which could be redeveloped to provide better street retail continuity, add new uses to support retail downtown, and generate revenues to the City. The current debt levels resulting from the Burlington Airport Parking Garage and purchase of the Telecommunications utility could be reduced by converting currently vacant/underutilized property owned by the City into rehab and infill development that would place the parcels on the property tax rolls and to generate sales taxes from commercial businesses. For purposes of leveraging publicly owned properties into City revenues, the “Super Block” site (bounded by Main, South Winooski, College and South Union Streets) has several parcels owned by the City, including the Fire station on S. Winooski, the Fletcher Free Public Library, and the old Gymnasium at Main and S. Union. The block also contains privately owned properties including the College Street Congregational Church, the Mid-Town Motel (currently vacant) site and a duplex house facing Main Street. While the church and library are unlikely to change, there is redevelopment interest on the part of the motel and duplex owners and the Fire Station could be relocated (reportedly a goal of Burlington’s Fire Chief, when it can be funded) and the building re-used/added to for commercial purposes.

It is possible that about half of the sloping site could be redeveloped, combining some preserved structures with appropriately designed infill development. The slope could incorporate parking tiers, with a retail/commercial edge along Main and S. Winooski to create an urban street edge and gateway at the eastern end of downtown. Other City-owned parcels include the Moran Plant on the waterfront, which TEG considers to be more appropriate for a destinational/commercial recreation use, rather than as a priority retail site. City-owned parking garages could also be considered in the planning process as potential redevelopment sites (depending upon their design, capacity, physical condition and locations), but with the understanding that downtown parking capacity would need to be maintained or expanded over the longer term, and would have to be replaced first before any existing sites could be planned for redevelopment. The other location to review is the area along the rail track right of way, as a redevelopment strategy for the Pine Street corridor.

4.2.2 Mid-Term (months 18-36)

The recommended implementation tasks for the Mid-Term period are often continuations or next steps for the tasks described in the first 18 months of the project, and are based on the assumptions that tasks requiring public support or public approvals have been supported and approved. The first four Mid-Term tasks relate to implementation of the Downtown Development Revolving Fund. All four presume that the idea of the DDRF was proven to be of interest during initial discussions during the first eighteen months. By definition, if the concept of a fund was not supported, it would either be deferred or dropped. Should the idea be of interest, the next steps described below would be appropriate. One other task relates to the agreement between Vermont Department of Transportation and the ownership of the Burlington Train Station at the foot of Main Street. Under the agreement, the station is under consideration as a transit location for commuter rail. The Mid-Term task considers the alternatives at the end of the agreement. Other Mid-Term tasks would be dependent on availability of funding for capital improvements to the waterfront. The City's current debt level would likely preclude those types of capital investments; if the debt is not moving toward resolution within the next 36 months, publicly financed waterfront planning and improvements would be deferred until a later date. The proposed Mid-Term implementation tasks are described in greater detail below.

Determine the Goals, Rules and Processes for the Downtown Development Revolving Fund -- If there is sufficient interest in establishing a downtown revolving fund during the first eighteen months of the implementation process, it will be necessary to create and clearly state the goals policies and purposes of the Revolving Fund, the rules for participation (minimum and maximum loan funds per owner, whether multiple facades on corner buildings qualify for multiple loans, whether loan funds can be used for systems upgrades and interior enhancements; criteria for evaluation of Revolving Loan fund applications; risk analysis; compliance standards for design and materials; loan administration procedures; etc.) and other factors. These goals rules and policies and processes would need to be drafted and accepted by a Board of Directors, if created as a private non-profit, and/or by the Burlington City Council if created as a municipal program. The successful funds created in other areas are operated independently as private non-profits, but also are eligible to receive City funds or other public funding to keep the funds capitalized and operating. There are downtown redevelopment models in cities like Providence and Louisville, as well as statewide preservation revolving loan funds in Georgia, North Carolina and New Jersey; the rules, procedures and policies of these organizations can be reviewed and adapted for a downtown Burlington Revolving Fund. The effectiveness of the Burlington fund (and level of risk associated with it) will be shaped by the terms of the rules and procedures around which it is organized and structured. Field visits to cities that have successfully implemented Downtown Revolving Funds can provide practical insights and specific ideas on rules and processes that would work best in Burlington.

Begin Outreach for the Downtown Development Revolving Fund -- Concurrently with internal exploration of rules, policies and procedures, community leaders should begin outreach to potential participating foundations, financial institutions or other sources who might help provide capital for the fund. Outreach should also include review of potential goals and procedures to determine if potential funders would agree or have other suggestions for operation of the fund. This task should run concurrently with the preceding to balance potential fund sponsor requirements with operating goals and administrative procedures appropriate for Burlington.

4.2.2 Mid-Term (months 18-36)

Determine Funding Capacity to Capitalize the Revolving Fund – While self-evident, the amount of available funding to capitalize the Revolving Fund will have significant effect on the types and sizes of loans that the fund can make. The revolving funds in Louisville and Providence have had both public and private sponsors, with both City government, private foundations and financial institutions providing capital to finance larger scale loans of up to \$500,000 (or more) for building rehabilitation and/or infill development. This task can be combined with or can be a follow-up to the outreach in the preceding description, as appropriate. The fund could be organized and/or operated as a separate non-profit organization, could be a new program of the Downtown District or a cooperative venture between several City Departments including the Planning and Zoning Office and CEDO. While the potential capitalization amount of the fund is not yet determined, TEG recommends that a minimum of \$1.75 M be the initial goal. Experience in other cities suggests that the Fund can be recapitalized/expanded as demand and processes are proven, but also that there should be enough initial funding to make an impact on multiple projects.

Establish and Operate the Burlington Downtown Development Revolving Fund – Once the Revolving Fund is approved and established, the Downtown Development Revolving Fund can become active. At initial operation of the Fund, it will be necessary to have a written summary of the Fund's purpose, eligibility requirements, application components (project description, costs and budgeting, proof of creditworthiness, key participants, historic/infill components, etc.) as well as sample application forms. Specific terms of financing should also be spelled out, as well as how the project review process will be managed and implemented.

Continue Downtown Retail Recruitment Efforts – The retail recruitment efforts established in the first eighteen months of the implementation program should continue throughout the mid-term actions. The part-time retail recruiter should also be fully aware of the Revolving Loan Fund, in case prospective owners, tenants or brokers representing them need incentive funding to consider a downtown Burlington location.

Explore Targeted Land Uses and Financial Redevelopment Incentives – As the Downtown Master Plan is updated and specific opportunities for redevelopment are further explored, it will be necessary to consider the potential for other redevelopment incentives to sustain downtown's role as a retail destination. As described earlier, this means adding additional office workers, housing and lodging facilities over the longer term; it also assumes that solutions will be found to address the City's debt to allow for creative approaches to public/private partnerships, joint projects and other strategies to encourage new rehabilitation and infill development downtown while retaining strong businesses and retailers. In order to continue sensible growth and expansion of downtown Burlington's retail base, additional spenders and rates of capture for available spending potential will be necessary, whether they are new residents, new visitors and hotel guests, or new employees. Within the context of the updated Master Plan, the City of Burlington can address publicly owned redevelopment sites as well as shaping the direction of privately owned buildings and sites to focus retail locations, create more activity on the waterfront and complete further improvements to downtown Burlington's public realm, including the Church Street Marketplace, public parking garages, development of new public facilities (such as a replacement for the historic fire station on the Super Block) and extending streetscape improvements to/along the waterfront.

This exploration process is suggested to occur between eighteen months and thirty-six months from initiation of the implementation process to allow time for resolution of City budget issues and longer term Capital Investment Planning and programming. As the level of debt can be reduced, the City will have more flexibility to consider property tax incentives, funding for a share of the Revolving Fund, availability of public financing mechanisms, and enhanced

4.2.2 Mid-Term (months 18-36)

property tax revenues generated by selected renovation and infill projects downtown. Other key privately-owned sites that will play a critical role in Downtown's evolution are the TD bank site on lower Main Street, surface parking lots anywhere in the downtown study area (based on the premise that while parking must be provided, several surface lots are not an optimal use for the long term), and the private property/waterfront area around the Lake Champlain Ferry terminal. There is both development potential and greater efficiency in land uses that can be provided on these (and other selected) sites that will increase the downtown market base, strengthen the retail sector, and provide locations for carefully planned infill development.

Explore Strategies for the Train Station Building – The visual focus for lower Main Street at Lake Champlain is the Burlington Train Station, a handsome structure that is privately owned, but is under a lease agreement with the Vermont Department of Transportation as a potential location for the commuter rail system proposed under Governor Dean. While this plan is ambitious and worthy of consideration, the prospects for completion of a Vermont Commuter Rail are unclear, as funding has not been identified or allocated. As a planning and development option, it is recommended that the ownership of the Station be engaged in the Downtown Master Plan process to consider alternatives after the current VDOT lease ends, should funding for commuter rail not be forthcoming. The Train Station site is visually prominent and can be a catalyst location for further redevelopment of the Burlington waterfront, but will remain unavailable until the current lease agreement is resolved whether for use as a commuter rail station/transportation hub or for other uses.

Budget for Waterfront Improvements – Future planning for the Burlington waterfront will involve a number of planning and land-use factors. Existing public destinations like the Echo Science Center and the sailing facilities near the Moran Plant, as well as potential redevelopment sites such as the Ferry Terminal will need to be visually unified across the waterfront by carefully designed public improvements. The Island Line Trail is a great amenity for walking and biking, and the Echo Lake Aquarium and Science Center is expanding as a destination, but more publicly and privately funded amenities over time will unify the identity and character of the Lake Champlain waterfront, and better link it to the identity of greater Downtown Burlington. A comprehensive waterfront improvements plan may be phased, and is not likely to be built all at one time due to a lack of funding and differing timetables for private owners and their potential development opportunities. By establishing improvements standards, designs and materials, it will be more practical to prepare long-range CIP budgets, which can be adjusted as funding capacities evolve.

Parking – Continue to plan and explore opportunities to add, relocate and supplement parking on redevelopment sites (public and private) throughout the study area. Consider the cost/benefits of creating new development sites adjacent to/as part of reconstruction/reconfiguration of existing City-owned parking structures. Review criteria for onsite parking requirements that recognize new behavioral patterns regarding automobile ownership, smaller vehicles and alternative energy sources that recognize future market shifts.

4.2.2 Mid-Term (months 18-36)

Continue to Implement the Downtown Visitor Strategy – At least annually, review visitor patterns, trip origination patterns, and anecdotal information from downtown businesses regarding visitor expenditures as points of reference on how the visitor strategy should be focused, changed or supplemented. Understanding the Burlington visitor market requires consideration of many elements that go beyond downtown’s offerings, but downtown should remain a priority in structuring how the Visitor Strategy is organized, who the target audiences are for downtown retail and services and how market share can be increased. Currency exchange rates with Canada, average gas prices as they affect drive-to vacation decisions, weather patterns affecting seasonal visitors (and interests such as snow levels for skiing, average temperatures, or other conditions) and social/cultural events (college visits, regional programming at the Flynn Theater, state- and regional – conferences and conventions scheduled for Burlington, etc.) should all be considered part of the Visitor Strategy.

Explore Concentrating Tech Start-up Businesses Downtown – As the updated Downtown Plan is adopted and new development/redevelopment sites are identified, explore opportunities to retain and recruit technology based companies, including relocations as well as start-up/incubator businesses. As one example, Dealer.com has grown and helped to activate the Pine Street area as a more lively mixed use area. As its space needs increase, they (and other growing companies like them) could fill new infill projects near the Lake Champlain waterfront or other sites large enough to accommodate that scale of employment. For other start-up companies, the underutilized upper floors of retail buildings downtown could provide affordable space close to the shopping, dining and entertainment options in the central business district. At the regional level, Burlington offers many quality of life elements preferred by tech-based companies – nearby universities and colleges, outdoor recreational activities, dining, entertainment and cultural attractions, a range of housing options and a vibrant downtown area.

4.2.3 Long-Term (year three and beyond)

Long term implementation tasks are continuations of many of the implementation actions undertaken in the first three years of the Downtown Master Plan retail program, but continuing into the foreseeable future. Longer term actions are listed below, but have been described in previous sections of the implementation recommendations.

- Continue Downtown Retail Recruitment Efforts to retain existing businesses and attract new retailers downtown
- Redevelop Burlington Waterfront in Phases (as funds become available) under the updated Downtown Master Plan guidelines
- Continue to encourage development of Downtown Housing Redevelopment and Infill to add activation, increase critical mass of residential units and add new retail consumers
- Continue Downtown Office Retention Strategy to add weekday activation, increase critical mass of office downtown and add new retail customers
- Continue the Downtown Visitor Services Strategy to sustain and increase visitor volume and expenditures downtown
- Continue to seek additional parking capacity in proportion to new housing, office and retail downtown as well as incorporation of public parking in private redevelopment sites/projects beyond three years