



RETAIL MARKET ANALYSIS
FOR
CITY OF HARRISONBURG AND
ROCKINGHAM COUNTY
VIRGINIA

Community Land Use + Economics Group, LLC
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Introduction

With its idyllic setting in the Shenandoah Valley, its handsome and historic downtown, and its anchor university, Harrisonburg and Rockingham County offer the kind of authentic town setting that residents value and visitors seek. Downtown has a lively restaurant scene, and a growing population continues to spur new development in the city and county.

Compared to many other communities of similar size, Harrisonburg and Rockingham County are doing well. But local leaders have high standards: They want to create a more vibrant and economically-diverse downtown while thoughtfully supporting county development that maintains the region's valued quality of life.

The City of Harrisonburg, Harrisonburg Downtown Renaissance, and Rockingham County initiated this market analysis because they wanted to adopt a coordinated economic development strategy and chart a practical path forward. Beginning in spring of 2017, economic development leaders from the three entities, along with the city's Small Business Development Center, established a cross-agency team to oversee this effort.

This market study takes a regional perspective, but we were tasked with addressing a few particular challenges, mostly related to retail development in and around downtown, and at nearby county sites. We had three specific assignments:

- Downtown Harrisonburg. HDR and the City wanted a better definition of downtown's current and potential trade areas

and sales leakages, and a better description of its current and potential customers.

- Duke's Plaza. Located in the city but outside downtown, the aging shopping center must evolve to find a sustainable and suitable use. It could become a model for adapting other, older shopping centers around the city and the county.
- Proposed retail development. Two shopping centers under construction in the county, known as Preston Lake and Stone Port, are intended to provide shopping and dining amenities to their residential developments. They are close enough to downtown to be considered in the same trade area.

Thanks to the interagency partnership of City, County, and HDR, we were able to propose complementary development strategies to support a vibrant and sustainable future for downtown and the communities around it.

What we did



Previous plans and studies: We reviewed plans and studies relevant to our assignment. These included the “Harrisonburg City Community Profile” (Virginia Employment Commission, 2016), “Harrisonburg MSA Community Profile” (Virginia Economic Development Partnership, 2016), “Economic Impact of James Madison University” (JMU, 2016), and dozens of fact sheets and brochures produced by the City, County, HDR, area developers, and independent Harrisonburg attractions.



Demographic and psychographic characteristics: We examined demographic and psychographic characteristics and trends for Harrisonburg, Rockingham County, and drive-time areas around the city. Demographic and psychographic characteristics strongly influence how people are likely to shop, where they are likely to live and work, and how they spend their leisure time – all important to consider when identifying business development possibilities for Harrisonburg and Rockingham County in the next decade. Studying the interrelationships among demographic, psychographic, and existing-business characteristics provided insights into the types of new businesses or development concepts that would fit the city and county contexts.



Sales void analysis: Sales void (or sales leakage) is the difference between how much money area households spend and the amount captured by businesses in that area. In some cases, sales leakage can point out an opportunity for business development and sales recapture.



Surveys: We conducted two online surveys to understand how students and residents perceive and use downtown. With assistance of JMU, we distributed a survey by email to all 20,000 students and collected 773 responses. With assistance from the market analysis team, we distributed a survey to city and county residents. The survey was distributed to available email lists at the City, County, and HDR, as well as through postings on social media pages. We received 902 responses.



Site visit and interviews: We conducted two days of on-site interviews and research on April 26-27. The visit included tours of the downtown, nearby shopping centers, and county retail development sites. We also held small-group interviews with over 36 stakeholders. The groups included independent merchants (city and county), tourism officials and lodging-property managers, developers, County officials, and City officials. In addition, we conducted follow-up telephone interviews with individuals who were not available to meet during our visit.



Business development strategies: After synthesizing all the information we examined and ideas we gathered, we outlined several strategies for strengthening downtown Harrisonburg, addressing Duke’s Plaza shopping center, and planning for the development of the Stone Port and Preston Lake centers.

Previous plans and studies



In preparation for our tours and interviews, we reviewed a few previous plans, primarily for their relevance to downtown and adjacent county development. We also collected piles of brochures and visitor pamphlets for the region and for specific attractions. These were helpful in getting a better sense of how area is marketed as an experience, and how individual sites market themselves to their audiences.

- **Community Profile for Harrisonburg City** (Virginia Employment Commission, 2016). The report provides current (2016) demographic and economic data for the City of Harrisonburg, but the data tables largely stand on their own, without interpretation or synthesis. (The report does not make recommendations.) VEC used data from the U.S. Bureau of the Census and the U.S. Bureau of Labor Statistics, as well as data collected by VEC. Some of the information in the report is also included in the demographic and business-context sections of this market study. The VEC's Community Profile includes population characteristics by age, race, gender, income, languages spoken, and commuting patterns. It contains economic data on employment and employers, unemployment insurance claims, salaries, employment projections, and educational attainment levels – and trends.
- **Economic Impact of James Madison University on the Harrisonburg Metropolitan Area and Commonwealth of Virginia** (JMU, 2016). The study uses the IMPLAN model to quantify the direct, indirect, and induced effects of all spending associated with JMU, including employment, capital expenditures, students, visitors, tax revenues generated, and others. In short, JMU estimates its direct-effect spending in the Harrisonburg MSA at \$338 million, and that the University employs 3,745 people, and indirectly supports another 4,676 jobs in the region. All of these impacts are expected to increase as JMU plans for enrollment expansion.
- **Community Profile for Harrisonburg MSA** (Virginia Economic Development Partnership, 2016). This is a marketing piece for regional business recruitment. It highlights labor force availability and characteristics, the region's major employers, and employment by industry sector.

We found lots of positive things.

Evidence of downtown revitalization is all around. People we interviewed often spoke of downtown as being “a mess” before HDR and others began their efforts. Downtown is seen as having a “vibe” and being a place people want to be.

Proximity to visitors. Massanutten, Skyline Drive, Blue Ridge Parkway, and other outdoor attractions draw people to the county and city.

Rich diversity. Partly as a result of the work of the Church World Service’s Refugee Resettlement Office and partly because of the availability of agricultural jobs, Harrisonburg is home to immigrants from throughout the world.

Some JMU graduates stay. According to our survey, some JMU graduates decide to settle in Harrisonburg and start families here.

Lots of opportunity for infill development. While downtown is largely intact, there remain surface parking lots available for new development that could increase density without demolishing historic assets

Growing population. Population growth has led to new residential and commercial construction in the city and county, and new jobs.

Growing population overall and growing residential population downtown. More people are choosing to live downtown and local developers are responding by building more housing.

Biking infrastructure. Biking infrastructure is increasing, and Harrisonburg has been designated an international mountain biking center

Tech. After an early boom led by Rosettastone, some newer tech startups are leading a boomlet.

We also found some problems.

Excess commercial development. Too much land outside Harrisonburg (and outside downtown Harrisonburg, in particular) is zoned for commercial development. And there is excessive surface parking in the city, particularly in the North End.

Divergent City and County development goals. The City's drive to generate compact development in and around downtown is sometimes at odds with the County's plans for auto-dependent growth.

Scattered student housing. Off-campus student housing is shifting away from downtown and into the county, leading to several adverse impacts. These include increased auto-dependency and quality-of-life issues associated with student housing.

Blighted student housing near downtown. As JMU students have moved to the newest facilities in the county, the older housing they have left behind is being poorly maintained.

Lack of transit. Workers – particularly immigrants employed in agricultural industries – have a difficult time getting to major employers.

Meals tax. With a July 2017 increase in the City tax on prepared food, the effective meals tax at Harrisonburg restaurants is now 12% - among the highest in the country.

Distorted city income data. The presence of students in Harrisonburg appears to lower the median household income data provided by the Bureau of the Census, and makes the local market less attractive to national retailers.

Declining older shopping centers. Shopping centers like Duke's Plaza are aging out of productive use. And while Duke's Plaza offers affordable commercial rents, it is also isolated from residential neighborhoods.

Panhandling. Panhandling has become more frequent, particularly at highway exits and leads to negative perceptions, among visitors.

Retail market analysis

Midtowne OTTLE SHOP

\$250,000 RAFFLE
BENEFITTING HARRISONBURG DOWNTOWN RENAISSANCE

TICKET

Interviews

We conducted two days of on-site with over 36 stakeholders that included independent merchants (city and county), tourism officials and lodging-property managers, developers, County officials, and City officials. In addition, we conducted follow-up telephone interviews with individuals who were not available to meet during our visit.



When Downtown Renaissance started, downtown was a mess.

The foot traffic is incredible. But it's babes, burgers, and beer.

[We] want to know how to better integrate the downtown area, the Uptown area, and the county.

Panhandling at highway exits is becoming prevalent and is a turn-off to visitors

People have an over-inflated sense of what downtown land is worth. Land is too expensive and rents are too low.

We are not about taking business from the city. We are about complementing the city.

Downtown is very retail challenged.

The meals tax is highest meals tax in the state!

JMU suppresses income data and makes Harrisonburg unattractive to national retailers.

Character and proximity make [downtown] successful. Density and mixed use are key.

I want to use downtown as my living room.

We need to treat B-1 as a truly dense place... We should be vertical!

Dividing line between downtown and north downtown is where the brick sidewalk ends



Demographic profile

Recent population data for Harrisonburg City, Harrisonburg MSA, and Rockingham County have been collected in a variety of recent reports produced by the Virginia Economic Development Partnership, Virginia Employment Commission, and City and County economic development departments. Characteristics like population size and growth trends, age, income, race and ethnicity, education, and employment influence consumer behaviors and development opportunities.

Demographic analysis for Harrisonburg is made more challenging by the influence of JMU students whose presence appears to cause distortions that are particularly apparent in household income and age. While full-time college students are generally counted at the place of their permanent residence, at least some JMU students are counted in Harrisonburg. (See pages 12-13 for additional information on how to account for JMU students' impact on median income.) We have highlighted a few indicators of this anomaly in the bullet points, below, along with population characteristics and trends most associated with retail development:

- **Strong population growth.** For the past six years, the city's population has grown at an average annual rate of 1.4% and is projected to grow at an annual rate of 1.5% over the coming five years. That is nearly double the national rate of 0.8%. Rockingham County has been growing at a slower annual rate of 0.8% in recent years and is projected to grow at a rate of 0.6% in the next five years. Recent housing developments suggest the county's growth rate is higher in areas immediately adjacent to Harrisonburg.
- **Household income differs widely between city and county.** Households in Harrisonburg earn a median of \$37,191 compared to \$52,202 for households in the county. There is evidence that the presence of JMU students depresses median household income to some extent. For example, when household income is sorted by age of householder, householders under 25 years old report extremely low incomes in the city, but incomes in the county the same group reports incomes 350% higher. This suggests that some young householders in Harrisonburg are full-time students earning little or no income. (The US median is \$53,889.)

Age of Householder	Household income	
	Harrisonburg City	Rockingham County
Householder under 25 years	\$12,765	\$45,300
Householder 25 to 44 years	\$43,621	\$65,521
Householder 45-64 years	\$63,792	\$55,508
Householder 65 and over	\$37,126	\$38,687

Sources: ESRI, CLUE Group (2017)

Demographic profile

- › **The median age for the city is anomalous.** The 2010 Census reported Harrisonburg's median age at 23.8 and it is currently estimated at 24.2. As a practical matter, these ages are too young to be accurate and we assume that some undergraduate JMU students report themselves as city residents and impact the median. The current median age in the county is 41.4 years. Another indication of the influence of JMU students (who turn over at regular intervals) is the stability of the median age in the city. (It is increasing, but barely.) The county is aging more quickly. (The median age for the US is 37.6.)
- › **Educational attainment is high in Harrisonburg.** Thirty-eight percent of Harrisonburg residents over 25 have a bachelor's degree or higher, while Rockingham County is at 26% and the US is at 30%. Highly-educated consumers are more discerning and spend differently from less-educated consumers. For example, they often choose to pay higher prices for natural or organic foods and products, even if they earn more modest incomes.
- › **Rental housing in the city is in sharp demand.** Sixty percent of Harrisonburg households are renters, compared with only 22% of housing units in the county. Again, students (undergraduate and graduate) likely account much of the increased demand. Nationally, 64% of American housing units are owner-occupied.
- › **Local unemployment is very low – but so is the national unemployment rate.** Harrisonburg has a 4.9% unemployment rate compared to the county's 3.4%. The national unemployment rate is a very low 4.3%, from its most recent high of 10% in 2010.
- › **Average household size is... about average, compared to the U.S.** Household size in Harrisonburg is 2.60 and in the county it is 2.56, and the US average is 2.58. Even on further review of the number of households in each size bracket, there are no obvious anomalies that might be attributed to students. For example, about 27% of city households are single-person, compared to 23% of county households – a difference that does not appear anomalous. Among larger households (where, for example, we could envision non-family groups of students), the differences between city and county are even smaller.

Demographic profile

Solving for JMU students' impact on Harrisonburg's reported median income

A significant percentage of Harrisonburg's residents are college students – and, because most college students live within the limited means of student loans, grants, and part-time jobs, their low income levels distort the median and per capita income levels and poverty rates reported by the US Census Bureau for the city. This problem is not unique to Harrisonburg; it affects all college towns, and its impact is particularly noticeable in towns in which college students represent a significant percentage of the overall population.

In conducting the Census of Population and in estimating updates for the American Community Survey, the Census Bureau includes all college students who do not live in college-provided dormitories in its population counts. Of James Madison University's roughly 21,000 students, approximately 85 percent live off campus, in private housing (some in Harrisonburg, some in Rockingham County, and a small percentage elsewhere), and are therefore counted as residents of the jurisdiction in which they live. Eastern Mennonite University students who live off-campus are also considered residents of the jurisdictions in which they live, for Census purposes, although this number is small enough to be negligible. According to the 2016 American Community Survey, 10,267 undergraduate students and 1,074 graduate students live in Harrisonburg, accounting for 21.8 percent of the city's overall population.

Using a process proposed by the University of Virginia's Demographics Research Group in a March 2016 Census brief, we recalculated Harrisonburg's poverty rate, removing undergraduate and graduate college students living below the poverty level from the population count. When we did so, we found that the city's poverty rate is 10.6 percent – not 33.1 percent, as reported in the Census Bureau's 2016 American Community Survey. This is slightly lower than the poverty rate for the County (11.6 percent) and Commonwealth (11.4 percent), and significantly below that of the overall nation (15.1 percent).

We estimate 5,524 off-campus college students have incomes that qualify them as living below the poverty level. However, that does not mean they do not have money to spend. As the UVA's Census brief points out, "[...] college or graduate student "poverty" means something different than poverty among the unemployed, families with children, or the persistently needy." A May 2016 study of the economic impact of JMU, conducted by the UVA's Weldon Cooper Center for Public Service, estimates that JMU students alone spend approximately \$169 million annually on retail goods and services, including \$24.7 million on groceries; \$3.0 million on clothing; \$17.1 million on sporting goods, music, books, and hobbies; and \$8.0 million on restaurant meals.

Demographic profile

Total population	51,979
<i>College students not living in college-provided dormitories</i>	
Undergraduate college students living below the poverty level	8,392
Graduate college students living below the poverty level	382
Undergraduate college students living above the poverty level	1,875
Graduate college students living above the poverty level	692
Population (including college students) living below the poverty level	14,298
Poverty rate (including college students living below the poverty level)	27.5%
Population (excluding college students) living below the poverty level	5,524
Adjusted poverty rate (excluding college students living below the poverty level)	10.6%

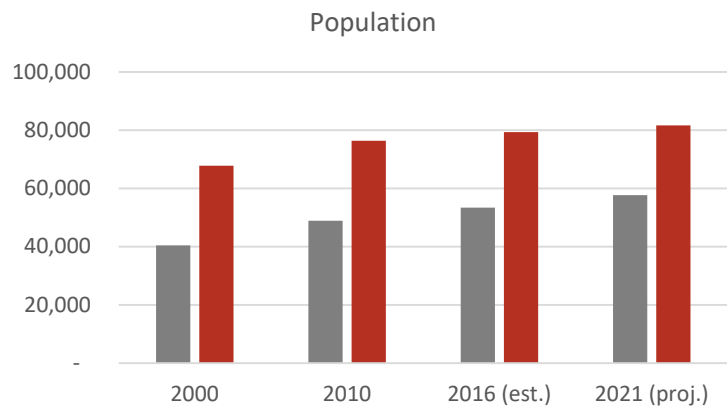
Sources: 2016 American Community Survey (US Census Bureau), CLUE Group

We concluded there is not a reliable way to estimate median household income in Harrisonburg with students excluded, but the adjusted poverty rate helps to present Harrisonburg's relative affluence more strongly.

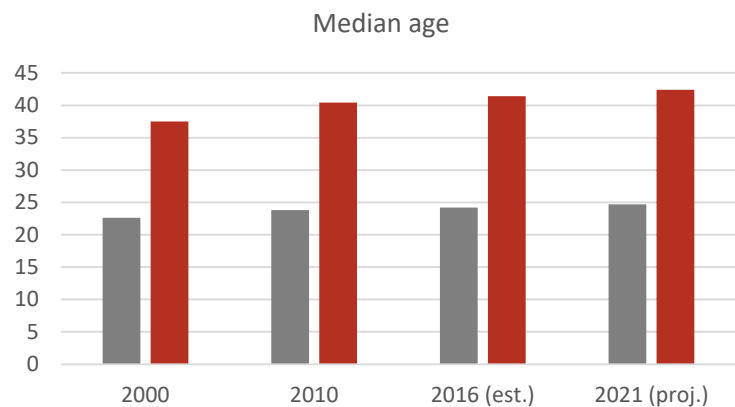
Median income and related data will be most relevant to chain retailers (rather than independent businesses who likely already understand the market). Translating the data for chain retailers will involve telling the story behind the anomalies. When reporting data on the city's median and per capita income levels and its poverty level, HDR and the City should include an explanation of the statistical distortion created by the presence of a large number of college students with limited incomes.

NOTE: Data on the numbers of Harrisonburg residents living below the poverty level are taken from the 2016 *American Community Survey*, conducted by the US Census Bureau. For consistency, the estimate of Harrisonburg's total population used in the calculations above is also taken from the 2016 *American Community Survey*. This estimate of total population differs slightly from that used in other places in this report, which is taken from data provided by ESRI, a private-sector geospatial data service provider, and which reflects ESRI's more current estimate of Harrisonburg's population.

Demographic profile



Growing population: The city’s population has grown at an average annual rate of 1.4% and is projected to grow at an annual rate of 1.5% over the coming five years. Rockingham County has been growing at a slower annual rate of 0.8% in recent years and is projected to grow at a rate of 0.6% in the next five years. The county’s population is only one-third larger than the city’s population. (Source: ESRI, 2017)

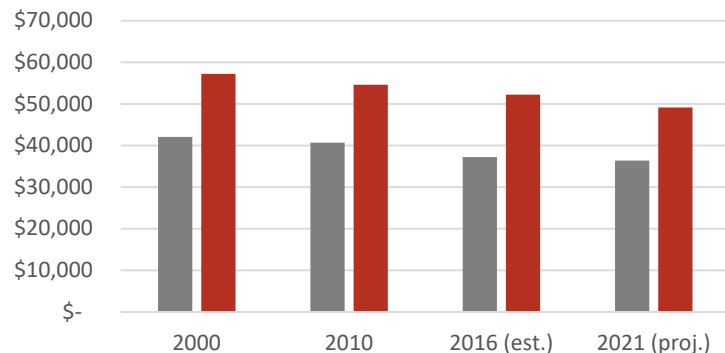


The median age for the city is anomalous. The 2010 Census reported Harrisonburg’s median age at 23.8 and it is currently estimated at 24.2. These ages are too young to be accurate. The current median age in the county is 41.4 years. Both city and county are aging, but the county is aging more quickly. (Source: ESRI, 2017)

■ City of Harrisonburg
■ Rockingham County

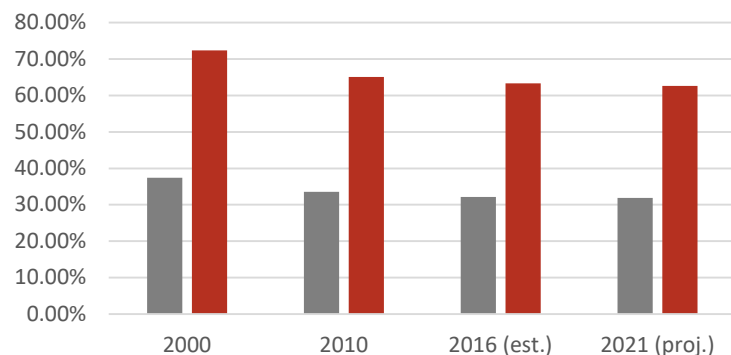
Demographic profile

Household income



Income: Household incomes (adjusted to 2016 dollars) have been declining slightly, as they have for the U.S. as a whole. Median household income in the city is anomalously low and appears to be influenced by JMU students, earning little or no income, reporting themselves as residents on Census surveys. (Sources: US Census of Population; ESRI, 2017)

Homeownership



Rental housing predominates in the city: Only 32% of housing units in the city are owner-occupied, while 60% are rented (and the remainder is vacant). In the county, the situation is reversed, with 63% owner-occupancy. Nationally, 64% of American housing units are owner-occupied. (Sources: US Census of Population; ESRI, 2017)

■ City of Harrisonburg
 ■ Rockingham County

Psychographic profile

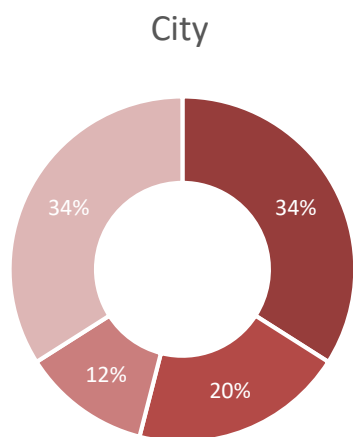
Demographics describe quantifiable characteristics of individuals and groups of people. Psychographics build on demographics, helping identify preferences for certain types of products or activities based on values, attitudes, lifestyle, and other factors. Two people might be demographically identical – same age, household size, profession, income, etc. – but one might prefer bottled domestic beer, for example, while the other prefers draft craft brews. Psychographics are also rooted in the tendency for people with similar lifestyles and preferences to live near each other, in similar types of neighborhoods. These preferences range from their type and age of home to their political leanings.

To better understand some of the general lifestyle characteristics and consumer preferences of Harrisonburg-area residents, we used data from ESRI, a private-sector geospatial information provider. ESRI has developed a proprietary classification system, called Tapestry, to classify residential neighborhoods in the US into 67 segments based on demographic and socioeconomic characteristics. The Tapestry segments are national (not specific to Harrisonburg) and the Tapestry database identifies how many Harrisonburg households align with each segment profile.

Tapestry is one of several lenses we used to study consumer behavior and spending in Harrisonburg.

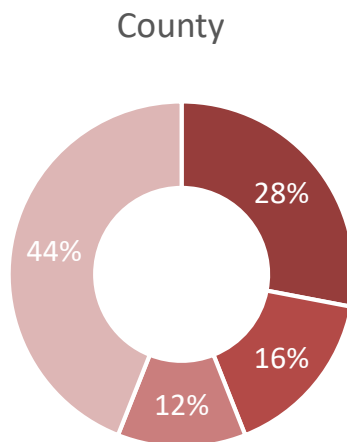
Psychographic profile

We examined Tapestry data for households in the city and county, and for people within 5-, 10-, and 15-minute drivetimes of Court Square. We have summarized ESRI's description of each major Tapestry segment present in the Harrisonburg area, viewing the mix through five different geographic slices: City and County political boundaries (this page), and three drivetime areas from Court Square (next page). (Source: ESRI 2017)



Top Tapestry segments:

- 34% College Towns
- 20% Bright Young Professionals
- 12% Dorms to Diplomas
- 34% All other segments (@ <10%)



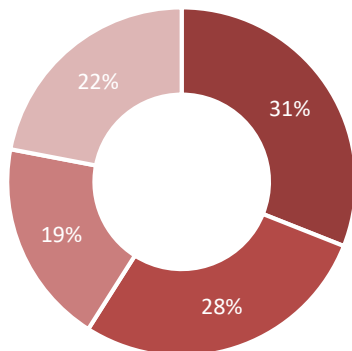
Top Tapestry segments:

- 28% Salt of the Earth
- 16% Green Acres
- 12% Southern Satellites
- 44% All other segments (@ <10%)

Psychographic profile

The following charts represent Tapestry segmentation for 5, 10, and 15-minute drivetime areas from Court Square. (Source: ESRI 2017)

5-minute drivetime

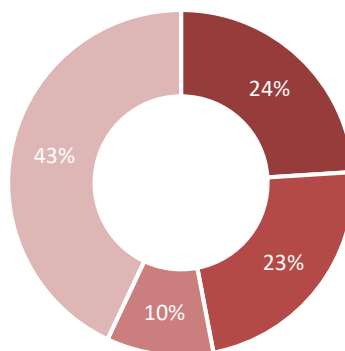


Top Tapestry segments:

- 31% College Towns
- 28% Bright Young Professionals
- 19% Front Porches

- 22% All other segments (@ <10%)

10-minute drivetime

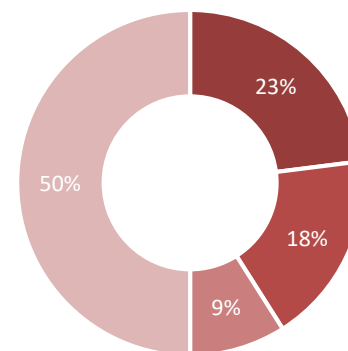


Top Tapestry segments:

- 24% College Towns
- 23% Bright Young Professionals
- 10% Dorms to Diplomas

- 43% All other segments (@ <10%)

15-minute drivetime



Top Tapestry segments:

- 23% College Towns
- 18% Bright Young Professionals
- 9% Dorms to Diplomas

- 50% All other segments (@ <10%)

Psychographic profile descriptions

COLLEGE TOWNS: About half the residents of *College Towns* are enrolled in college, while the rest work for a college or the services that support it. Students have busy schedules, but make time between studying and part-time jobs for socializing and sports. Students that are new to managing their own finances tend to make impulse buys and splurge on the latest fashions. This digitally engaged group uses computers and cellphones for all aspects of life including shopping, school work, news, social media, and entertainment. *College Towns* are all about new experiences, and residents seek out variety and adventure in their lives. These are mostly nonfamily households with many students living alone or with roommates for the first time.

Average household size: 2.12

Median age: 24.3

Median household income: \$28,000

Selected characteristics:

- They dress to impress with the latest fashions
- Prefer environmentally friendly products
- Liberal political views
- Bike- and pedestrian-friendly
- They do not eat the healthiest foods

BRIGHT YOUNG PROFESSIONALS: *Bright Young Professionals* is a large market, primarily located in urban outskirts of large metropolitan areas. These communities are home to young, educated, working professionals. Slightly more diverse couples dominate this market, with more renters than homeowners. More than two-fifths of the households live in single-family homes; over a third live in 5+ unit buildings. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs (among the college students). Median household income, median home value, and average rent are close to the US values. Residents of this segment are physically active and up on the latest technology

Average household size: 2.40

Median age: 32.2

Median household income: \$50,000

Selected characteristics:

- Up on the latest technology
- Environmental concerns impact purchase decisions
- Get most of their information from Internet
- Live in multi-unit buildings or row houses
- Primarily couples

DORMS TO DIPLOMAS: On their own for the first time, *Dorms to Diplomas* residents are just learning about finance and cooking. Frozen dinners and fast food are common options. Shopping trips are sporadic, and preferences for products are still being established. Many carry a balance on their credit card so they can buy what they want now. Although school and part-time work take up many hours of the day, the remainder is usually filled with socializing and having fun with friends. They are looking to learn life lessons inside and outside of the classroom. This is the first online generation, having had lifelong use of computers, the Internet, cell phones, and MP3 players.

Average household size: 2.20

Median age: 21.5

Median household income: \$17,000

Selected characteristics:

- Youngest Tapestry market; 90% rent
- Impulse buyers who experiment with brands
- Buy trendy clothes on a budget
- Many walk, bike, or carpool to class
- Always connected

Psychographic profile descriptions

RETIREMENT COMMUNITIES: *Retirement Communities* neighborhoods are evenly distributed across the country. They combine single-family homes and independent living with apartments, assisted living, and continuous care nursing facilities. Over half of the housing units are in multiunit structures, and the majority of residents have a lease. This group enjoys watching cable TV and stays up-to-date with newspapers and magazines. Residents take pride in fiscal responsibility and keep a close eye on their finances. Although income and net worth are well below national averages, residents enjoy going to the theater, golfing, and taking vacations. While some residents enjoy cooking, many would rather dine out.

Average household size: 1.86

Median age: 52.0

Median household income: \$35,000

Selected characteristics:

- Brand-loyal and willing to pay extra for it
- Frugal; use coupons
- Read magazines over computers
- Health-conscious; prefer brand-name drugs
- Small household size

FRONT PORCHES: *Front Porches* blends household types, with more young families with children or single households than average. This group is also more diverse than the US. Half of householders are renters, and many of the homes are older town homes or duplexes. Friends and family are central to *Front Porches* residents and help to influence household buying decisions. Residents enjoy their automobiles and like cars that are fun to drive. Income and net worth are well below the US average, and many families have taken out loans to make ends meet.

Average household size: 2.55

Median age: 34.2

Median household income: \$39,000

Selected characteristics:

- Blue-collar workforce with high labor participation
- Price is more important than brand names
- Limited incomes; not adventurous shoppers
- Cook at home rather than dine out
- Half of homes are rented

SALT OF THE EARTH: *Salt of the Earth* residents are entrenched in their traditional, rural lifestyles. Citizens here are older, and many have grown children that have moved away. They still cherish family time and also tending to their vegetable gardens and preparing homemade meals. Residents embrace the outdoors; they spend most of their free time preparing for their next fishing, boating, or camping trip. The majority has at least a high school diploma or some college education; many have expanded their skill set during their years of employment in the manufacturing and related industries. They may be experts with DIY projects, but the latest technology is not their forte.

Average household size: 2.58

Median age: 43.1

Median household income: \$53,000

Selected characteristics:

- Spending time with family is top priority
- Cost-conscious consumers, but brand-loyal
- Focus on buying American
- The last to buy the latest and greatest products
- Try to eat healthy and track ingredients and nutrition

Psychographic profile descriptions

GREEN ACRES: The *Green Acres* lifestyle features country living and self-reliance. They are avid do-it-yourselfers, maintaining and remodeling their homes, with all the necessary power tools to accomplish the jobs. Gardening, especially growing vegetables, is also a priority, again with the right tools, tillers, tractors, and riding mowers. Outdoor living also features a variety of sports: hunting and fishing, motorcycling, hiking and camping, and even golf. Self-described conservatives, residents of Green Acres remain pessimistic about the near future yet are heavily invested in it.

Average household size: 2.69

Median age: 43.0

Median household income: \$72,000

Selected characteristics:

- Rural enclaves in metropolitan areas
- 60% are college educated
- Cautious consumers; focus on quality and durability
- Comfortable with tech as tool (not entertainment)
- Older market; primarily married couples, no children

SOUTHERN SATELLITES: *Southern Satellites* is the second largest market found in rural settlements but within metropolitan areas located primarily in the South. This market is typically non-diverse, slightly older, settled married-couple families, who own their homes. Almost two-thirds of the homes are single-family structures; a third are mobile homes. Median household income and home value are below average. Workers are employed in a variety of industries, such as manufacturing, health care, retail trade, and construction, with higher proportions in mining and agriculture than the US. Residents enjoy country living, preferring outdoor activities and DIY home projects.

Average household size: 2.65

Median age: 39.7

Median household income: \$44,000

Selected characteristics:

- Consumers more concerned about cost than quality
- Not brand-loyal
- Late to adopt technology
- Obtain most of their information from TV

Source: ESRI, CLUE Group

Psychographic profile: Data implications

There are striking differences between the lifestyle preferences of city and county households. The dominant segments for the city are younger and trend-conscious, with consumer interests that reasonably align with what downtown Harrisonburg is selling: cool restaurants and boutique retail. The dominant segments in the county are wealthier and seek out a rural, agricultural way of life that is more centered around home and family.

We also looked at Tapestry segmentation sorted by drivetime areas from the center of downtown Harrisonburg. Using this lens, the Tapestry segments in the five, ten, and fifteen-minute drivetimes (which include nearby portions of the county) more closely resemble the profiles of the city's households than the county overall. County residents who live in close proximity to the city are more likely to share the city's lifestyle characteristics.

Highlights of Harrisonburg's top Tapestry segments

College Towns. About one-third of the city's population falls into the *College Towns* segment. ESRI ascribes 5,919 Harrisonburg households to this segment. Half of this cohort are enrolled as students and the remainder work for the university or the services that support it. This group is liberal, tech and fashion-savvy, and bike-friendly. They also tend to be non-family households, meaning single-person households or unrelated people living together dominate. A few key characteristics suggest how the City, HDR, downtown merchants, and developers reach and cater to this audience:

- *College Towns* households are highly engaged on social media. For HDR and others, the question is how to connect with them on their social media platforms.
- They spend money on entertainment, adventure, and experiences.
- Their low household income (\$28,000) means they are unlikely to patronize high-end restaurants or retailers.
- They are not known to be healthy eaters, meaning their habits likely lean toward burgers and burritos rather than fine-dining.
- Despite their low incomes, college students in Harrisonburg seek out amenity-rich and more expensive housing.

Psychographic profile: Data implications

Highlights of Harrisonburg's top Tapestry segments, continued

Bright Young Professionals. One-fifth of the city's population (3,598 city households) are *Bright Young Professionals*. This educated group shares some values and characteristics with the *College Towns* segment, but has a higher median household income at \$50,000. The median age is still young (32.2), but the segment is significantly older than *College Towns* (24.3). *Bright Young Professionals* likely includes many recent graduates of JMU who are now employed in white-collar jobs but haven't fully settled down and started families yet. They tend to be couples (married or unmarried), and they tend to rent. In connection with downtown, this segment is:

- More likely to spend money on better dining options
- Tech savvy, meaning they are still likely to make retail purchases online
- Reachable on social media.
- Concerned about the environment, meaning locally-made and locally-produced products have value to them
- Physically active, meaning they might be inclined to walk or ride their bikes to downtown.

Psychographic profile: Data implications

Highlights of Rockingham County's top Tapestry segments

Salt of the Earth. In the county, *Salt of the Earth* is most prevalent segment at 28%, representing 8,623 county households. This segment is older (43.1 median age) and prefers a rural lifestyle, meaning they like gardening and cooking at home, and enjoying meals with family. They seek out the outdoors, but mostly in a “sporting” capacity (e.g., fishing, boating, and camping), as opposed to athletic pursuits. Several lifestyle characteristics suggest connecting this group to local or regional retail options is challenging:

- The segment does not embrace technology and prefers face-to-face interactions, so social media marketing will likely be less effective with this segment than with some other segments.
- They are cost-conscious consumers. They likely lean toward big-box stores and online purchasing. This suggests that, when they eat out, they probably choose chain restaurants over independents.
- They prefer American-made products, but that preference may not translate into a strong connection with local or environmental qualities.

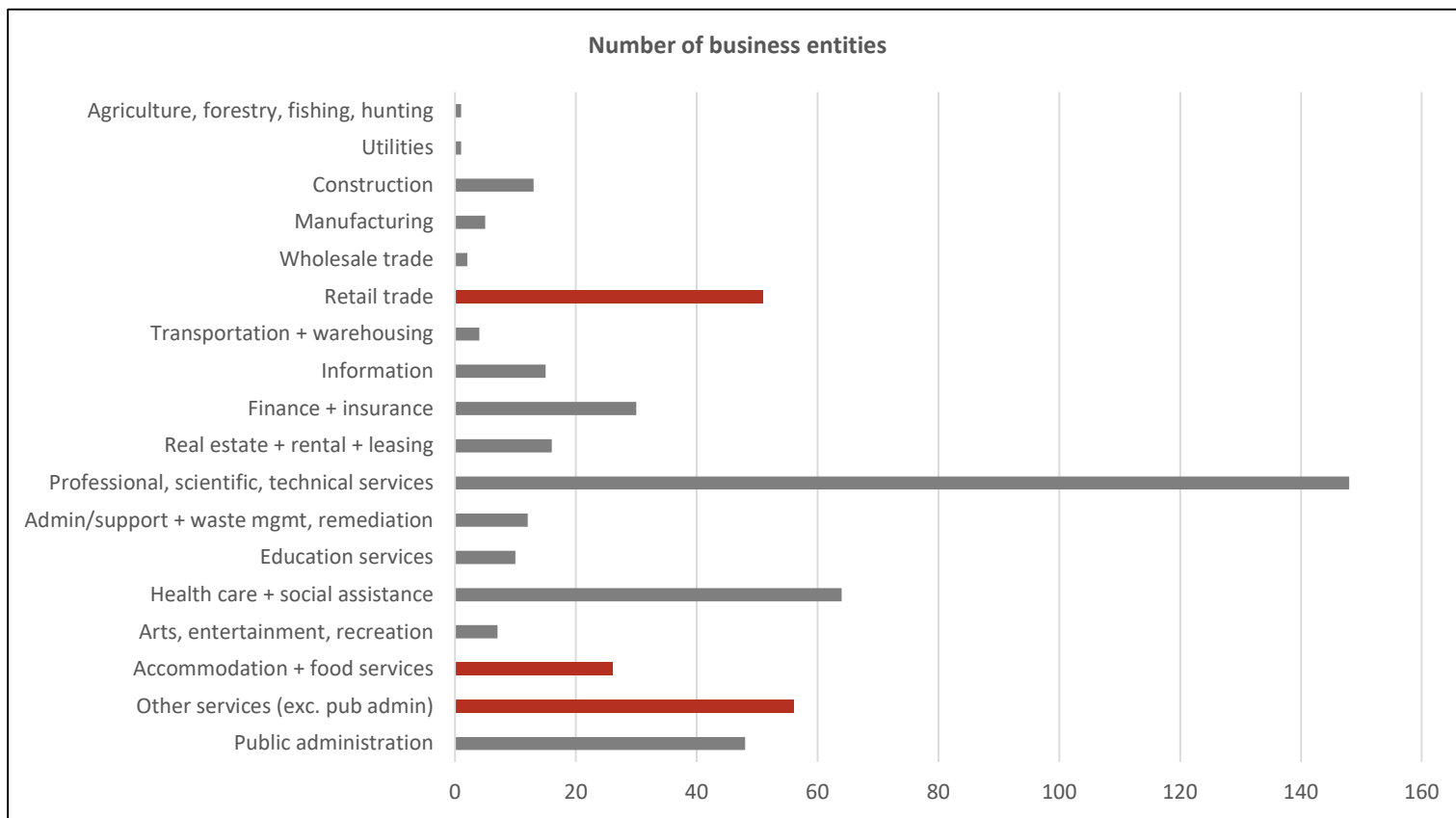
Green Acres. *Green Acres* are the second-most dominant segment in the county, at 16% or 4,708 of county households. This segment shares many characteristics with *Salt of the Earth*, but *Green Acres* households are more affluent and they embrace country living to an even greater degree. They are avid gardeners and “DIY-ers”. Like *Salt of the Earth*, this segment also likes sporting activities, but their interests extend to golf, as well. The cohort is socially conservative. Implications for retail:

- This segment buys tools, including construction and carpentry tools and gardening equipment (mowers, tractors, tillers).
- They are cautious consumers, focusing on quality and durability.
- An older market, that is comfortable with technology. (They just don't see the internet as entertainment.)
- Lifestyle preferences make them unlikely customers for downtown Harrisonburg, with perhaps an exception for special-occasion fine-dining.

Business distribution

Main Street district

We found 449 non-residential entities within the district – retail and service-sector businesses, restaurants, government agencies, nonprofit organizations, small industries, etc. Using data from InfoUSA, we assembled an inventory of businesses within the boundaries of the downtown. This 2017 inventory is based on the most recent (2012) Economic Census, which is updated annually by InfoUSA.



Business distribution

- ▶ Retailers represent 11% of all entities. Retail includes traditional shops like jewelry, bicycles, music, books, hardware, clothes, thrift stores, convenience stores, and gift shops. It also includes auto parts, flooring, opticians, and hearing aid stores.
- ▶ Restaurants, bars, and coffee shops represent 5% of business entities, even though the sector is often perceived to be a larger component.
- ▶ “Other services”, at 12%, includes salons, upholsterers, funeral homes, laundries, pet grooming and religious organizations. Religious, advocacy, civic, and business associations fall into this sector and comprise 7% of all entities.
- ▶ Taken together, retail, retail services, accommodations, and restaurants and bars (highlighted in red in the previous chart) comprise about 100 entities, or 22% of downtown’s non-residential entities.
- ▶ Professional services illustrate the large number of offices in downtown, but the number (33% of all entities) can be misleading because each licensed attorney is listed individually. This is also true for licensed healthcare providers.
- ▶ Public administration offices (e.g., clerk, sheriff, courts, assessor, etc.) are also listed as separate entities.

Retail sales void analysis

Using data from ESRI [see note below], we compiled sales void analyses for the City of Harrisonburg, Rockingham County, and the areas within a 5-, 10-, and 15-minute drive-time radius from the Courthouse Square.

Sales void analyses compare the sales volume that businesses within a given area capture (the “supply” column in the following tables) with the amount of money that households living within that area spend, based on their income levels and other demographic characteristics (the “demand” column). If the resulting sales “gap” is *positive*, it generally suggests that the area is attracting outside shoppers. If the resulting sales gap is *negative*, it suggests that area residents are making some of their purchases elsewhere.

Interpreting sales leakages and surpluses is a highly subjective and qualitative exercise, despite its basis in quantitative data. This is partly because different types of purchases are not equivalent, and businesses – particularly independent or specialized businesses – have different trade areas.

A sales leakage in a particular store category *might* represent an opportunity to recapture sales (by adding new merchandise to existing businesses or opening new businesses, for example). But sometimes doing so might be very difficult (e.g., if there is a very strong competitor nearby), or there might be lifestyle preferences or cultural characteristics unique to the community that could make doing so impractical. And, while a sales *surplus* in a store category might mean that a community has essentially absorbed all available sales in that category, it alternatively might suggest that the community has become a regional magnet and can actually absorb even more, building on its surplus.

NOTE: ESRI derives its estimates of actual sales (the “supply” column in the following tables) from the US Census Bureau’s *Census of Retail Trade and Non-Employer Statistics* (for smaller establishments without payrolls); Monthly Retail Trade data from the US Bureau of Labor Statistics; and Dun & Bradstreet. It derives its estimates of sales demand (the “demand” column in the following tables) from the US Bureau of Labor Statistics’ *Consumer Expenditure Survey* and the US Census Bureau’s *Census of Population and American Community Survey*. For the *Consumer Expenditure Survey*, the Bureau of Labor Statistics surveys thousands of US households, recording data on all household purchases and categorizing them by household demographic characteristics.

Retail sales void analysis: City

Harrisonburg has an overall sales surplus of \$1.2 *billion* on total demand of \$498 million and total sales of \$1.7 billion. Motor vehicle sales account for almost one-third of this surplus and General Merchandise accounts for almost one-quarter of the surplus. Many surplus categories can be attributed to big-box stores within the city – e.g., Building Materials (Home Depot, Lowe’s), General Merchandise (Walmart, Target), Food + Beverage Stores (Kroger’s, et al.) – and to Valley Mall and other shopping centers.

The large surplus in “Food Services + Drinking Places” reflects the strength of downtown’s dining cluster as a draw. It is an example of a sector where the sales surplus may not be an indication of saturation.

Retail sales void analysis: City

Retail sales void analysis for the City of Harrisonburg

NAICS	Store category	Demand (Retail potential)	Supply (Retail sales)	Void (Retail gap)
441	Motor vehicles + parts dealers	\$104,457,000	\$483,088,000	\$378,630,000
442	Furniture + home furnishings stores	14,782,000	41,098,000	26,316,000
443	Electronics + appliance stores	23,083,000	64,035,000	40,952,000
444	Building materials, garden equipment stores	21,863,000	102,577,000	80,714,000
445	Food + beverage stores	84,912,000	223,043,000	138,131,000
446	Health + personal care stores	23,833,000	68,539,000	44,706,000
447	Gasoline stations	28,793,000	38,331,000	9,539,000
448	Clothing + clothing accessories stores	20,529,000	57,835,000	37,305,000
451	Sporting, hobby, book, music stores	11,536,000	39,017,000	27,482,000
452	General merchandise stores	88,117,000	358,096,000	269,979,000
453	Miscellaneous store retailers	18,408,000	45,362,000	26,954,000
454	Nonstore retailers	10,042,000	2,991,000	-7,051,000
722	Food services + drinking places	47,844,000	174,313,000	126,470,000
	TOTAL	498,200,000	1,698,326,000	1,200,126,000

NOTE: “Miscellaneous store retailers” includes retail stores that do not fall into any of the other major store categories, such as office supply stores, gift stores, florists, used merchandise stores, and pet supply stores. “Nonstore retailers” includes retail businesses that operate outside a retail space per se, such as online retailers, vending machines, food carts. (Sources: ESRI, CLUE Group 2017)

Retail sales void analysis: County

Rockingham County has an overall sales void of \$286 million out of \$1.13 billion in total demand. (A portion of this sales gap is captured by stores in Harrisonburg.) At least a portion of surplus sales in General Merchandise can likely be attributed to the Walmart Supercenter just outside the city boundary. (The store would also attract sales from Harrisonburg households.)

Depending on where in the county a consumer may live, retail sales leakages could be migrating in many directions. County households living close to Harrisonburg presumably make most of their retail purchases in the city – whether at shopping centers or downtown.

Retail sales void analysis for Rockingham County

NAICS	Store category	Demand (Retail potential)	Supply (Retail sales)	Void (Retail gap)
441	Motor vehicles + parts dealers	\$243,263,000	\$333,186,000	\$89,923,000
442	Furniture + home furnishings stores	33,497,000	24,294,000	-9,203,000
443	Electronics + appliance stores	49,154,000	7,143,000	-42,011,000
444	Building materials, garden equipment stores	64,453,000	29,153,000	-35,300,000
445	Food + beverage stores	186,931,000	93,674,000	-93,257,000
446	Health + personal care stores	59,191,000	12,019,000	-47,172,000
447	Gasoline stations	65,610,000	49,330,000	-16,280,000
448	Clothing + clothing accessories stores	42,624,000	1,929,000	-40,695,000
451	Sporting, hobby, book, music stores	24,747,000	8,007,000	-16,741,000
452	General merchandise stores	192,508,000	227,160,000	34,651,000
453	Miscellaneous store retailers	44,085,000	7,638,000	-36,447,000
454	Nonstore retailers	24,346,000	2,624,000	-21,722,000
722	Food services + drinking places	101,053,000	49,692,000	-51,361,000
	TOTAL	1,131,463,000	845,850,000	-285,613,000

Retail sales void analysis: Drivetime areas

The five, ten, and fifteen-minute drivetime areas from downtown Harrisonburg include the population concentration in and around the city. So it is not surprising that, like the city, there are sales surpluses in most spending categories. The ten-minute drive area most closely aligns with the city boundaries: it includes most of Harrisonburg and small portions of the adjacent county. (See map on page 32.)

Sales voids for drivetime areas from downtown Harrisonburg: Sales voids

NAICS	Store category	5 minutes	10 minutes	15 minutes
441	Motor vehicles + parts dealers	\$ -11,019,000	\$243,271,000	\$360,672,000
442	Furniture + home furnishings stores	-2,040,000	40,370,000	39,038,000
443	Electronics + appliance stores	11,436,000	29,328,000	25,868,000
444	Building materials, garden equipment stores	11,028,000	75,811,000	74,001,000
445	Food + beverage stores	43,282,000	186,798,000	180,880,000
446	Health + personal care stores	8,041,000	43,512,000	33,230,000
447	Gasoline stations	-1,844,000	36,334,000	41,609,000
448	Clothing + clothing accessories stores	-450,000	27,108,000	19,408,000
451	Sporting, hobby, book, music stores	6,359,000	35,208,000	36,603,000
452	General merchandise stores	-10,019,000	273,238,000	271,357,000
453	Miscellaneous store retailers	2,332,000	21,362,000	20,520,000
454	Nonstore retailers	6,193,000	7,680,000	2,845,000
722	Food services + drinking places	22,678,000	121,881,000	119,799,000
	TOTAL	85,977,000	1,141,900,000	1,225,829,000

Retail sales void analysis: Drivetime areas

- ▶ The sales surplus for General Merchandise increases dramatically at the 10-minute drivetime because that is about how long it is to reach the nearest Walmart from downtown – and the Walmart attracts spending from additional customers from within and beyond that drivetime area.
- ▶ The jump in the Food Services + Drinking Places sales surplus, from five minutes to ten minute drivetime areas, suggests that much of the spending is captured at restaurants outside downtown – and that, potentially, downtown restaurants could recapture some of those sales (see note below).
- ▶ The gasoline sales surplus is likely attributable to people traveling through the county on interstates and stopping to fill up.

Opportunity for additional research:

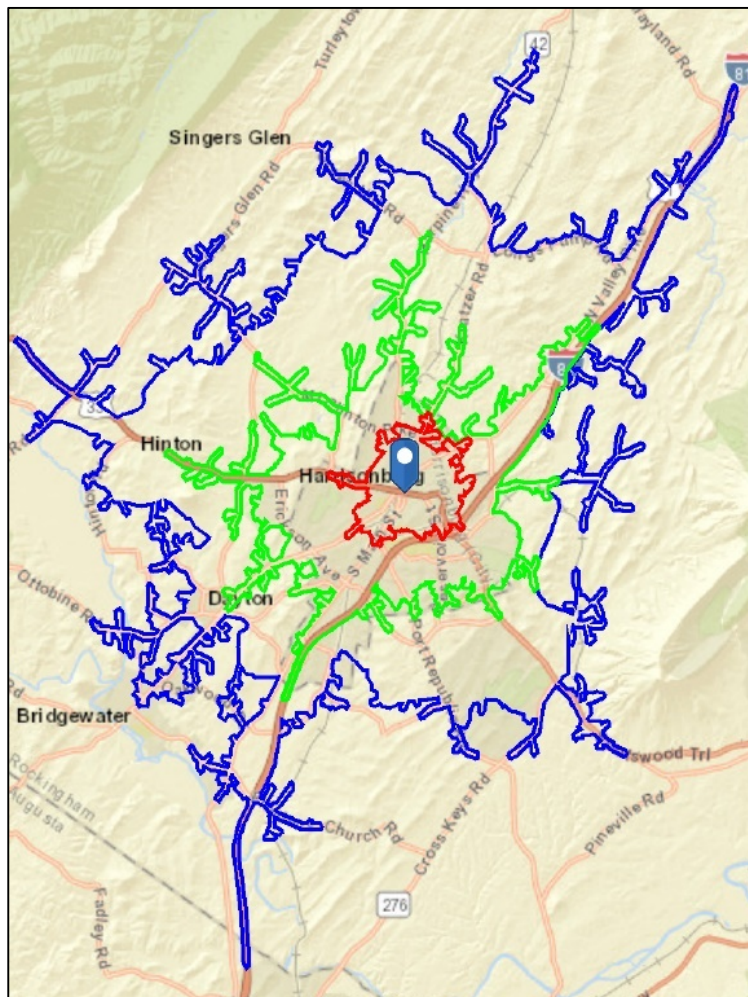
It would be helpful to know *why* people who live in the 5-10-minute drive time area are dining outside downtown Harrisonburg, and then consider what actions might persuade them to dine downtown more often. This is information that Harrisonburg Downtown Renaissance or the City could glean from focus groups, should it choose to conduct some in the future. But, even without this information, it may be possible for restaurants to attract some of these sales. See pages 92-94 for some suggestions on strengthening existing businesses.

Retail sales void analysis: Data implications

Several observations emerge from the sales void analysis:

- ▶ Overall, Harrisonburg shows very healthy capture of retail sales in the city. There are only a few areas of sales leakage, the major one being online retail sales – a retail segment that continues to grow dramatically in year-over-year sales, and one that is affecting virtually all cities and counties.
- ▶ The data highlight an inherent economic development tension between the city and county: The county has sales leakages in most retail categories because many consumers (especially those living in close proximity to Harrisonburg) shop at stores in the city. This matters, of course, because cities and counties in Virginia are completely separate entities, so sales taxes collected in Harrisonburg do not accrue to the county.
- ▶ Harrisonburg and Rockingham County both benefit from sales to visitors – people who come for any reason, such as visiting or attending JMU, or visiting parks, natural resources, or resorts. (Their spending is not considered part of the local household demand contained in the city or county, or the drivetime areas, but it is safe to assume that at least half of the City's sales surpluses are attributable to visitors.)
- ▶ Restaurant sales in downtown – while thought by some to be saturated – may have growth potential, if downtown can recapture some sales lost to restaurants outside downtown.

Trade areas



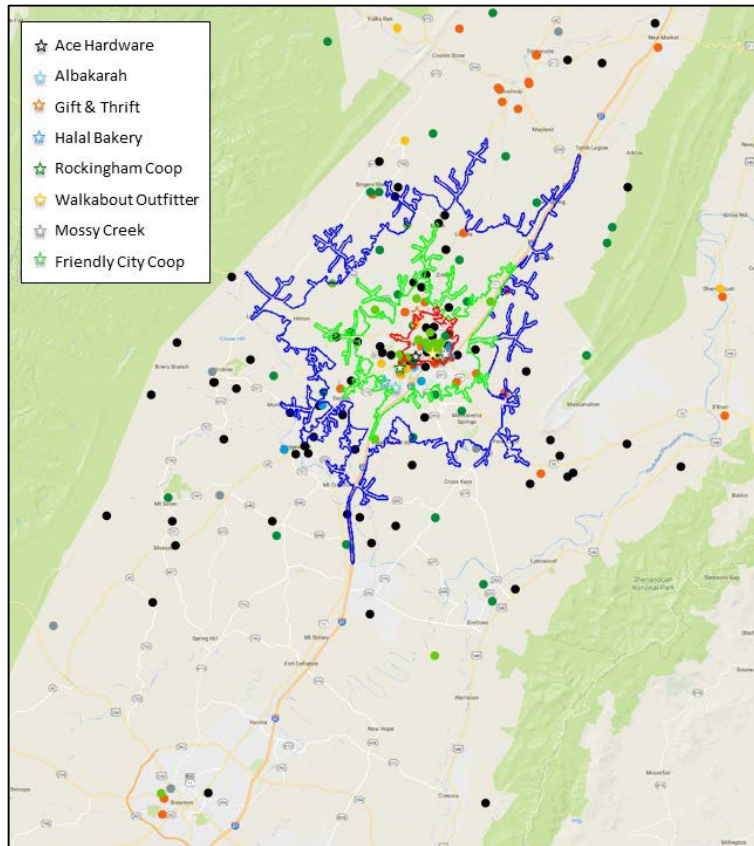
Based on our analysis of the Tapestry and sales void data, we determined that downtown Harrisonburg’s primary trade area can be roughly described as the 15-minute drivetime area around Court Square. The 15-minute drivetime area encompasses 24,792 households – that’s all of the city’s households plus 23% of the county’s households. In this area, households share similarities in consumer preferences across city and county. The city (though not necessarily downtown) captures a large portion of household spending from the entire trade area.

Note that as drivetime areas expand, they take in more households, but also additional retail stores within the respective boundary. Most of the region’s retail offerings are concentrated in the 10-minute drivetime area.

Map illustrates 5, 10, and 15 minute drivetime areas.

(Sources: ESRI, CLUE Group 2017)

Trade areas



Source: CLUE Group

Businesses in downtowns (and in other traditional commercial areas) have trade areas that differ from one another. This is in contrast to shopping malls, where all the businesses share approximately the same trade area.

To visualize the current trade areas of Harrisonburg businesses, the City and HDR placed poster-mounted maps in nine area businesses, both in downtown and outside downtown. Over a two-week period, customers were asked to mark where they live. If they lived outside the area depicted, they were asked to write their zip code in the margin. Each dot on the map represents an individual customer. Differences in number of data points may be explained by the degree to which businesses encouraged customers to participate, and by differences in customer volume at the various businesses. Note that this is a useful tool to visualize trade areas, but does not represent a random sample of all customers.

- For all businesses surveyed, most customers live in Harrisonburg or nearby Rockingham County.
- Ace Hardware and Gift & Thrift had the most customer participants, making their data more meaningful. They both draw primarily from Harrisonburg and nearby Rockingham County, but a significant number (31% and 41%) live elsewhere in Virginia – though this group is not geographically clustered.
- The findings suggest that Harrisonburg businesses are not currently drawing significant patronage from West Virginia. They also suggest Harrisonburg is not drawing from population centers like Charlottesville, Richmond, or DC.

Trade areas

This table represents trade area data gathered in the eight businesses surveyed (illustrated in map on previous page), clustered by geographic categories.

Note:

- For businesses where very few customers participated (e.g., Albakarah, Halal Bakery, Walkabout Outfitter, and Mossy Creek), the sample sizes are too small to draw meaningful conclusions for the individual businesses.
- Percentages for “All maps/all respondents” are calculated from aggregated responses (not the average of percentages in the column). This is because each business had a different number of respondents.

Business (no. of respondents)	Harrisonburg	Rockingham Co.	VA (elsewhere)	Outside VA
Ace Hardware (81)	19%	46%	31%	5%
Albakarah (8)	75%	0%	25%	0%
Gift & Thrift (46)	33%	17%	41%	9%
Halal Bakery (6)	50%	0%	0%	50%
Rockingham Co-op (33)	18%	67%	15%	0%
Walkabout Outfitter (10)	40%	40%	20%	0%
Mossy Creek (14)	0%	14%	64%	21%
Friendly City Co-op (23)	57%	22%	17%	4%
All maps/all respondents (221)	28%	35%	30%	7%

Source: CLUE Group

Surveys

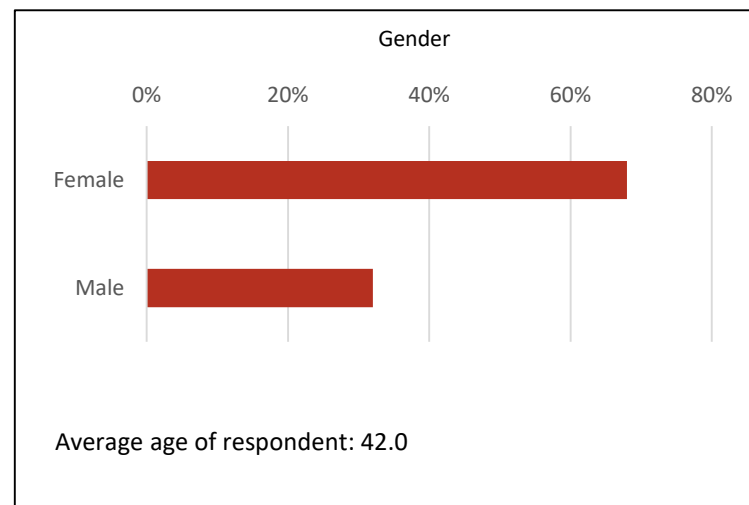
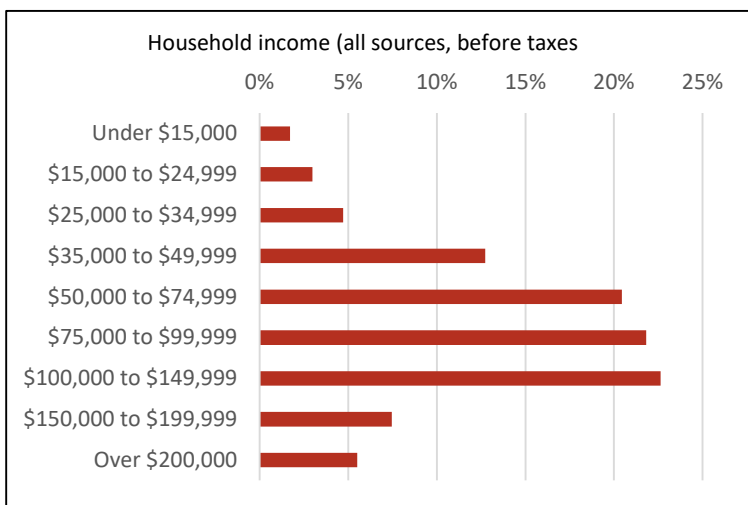
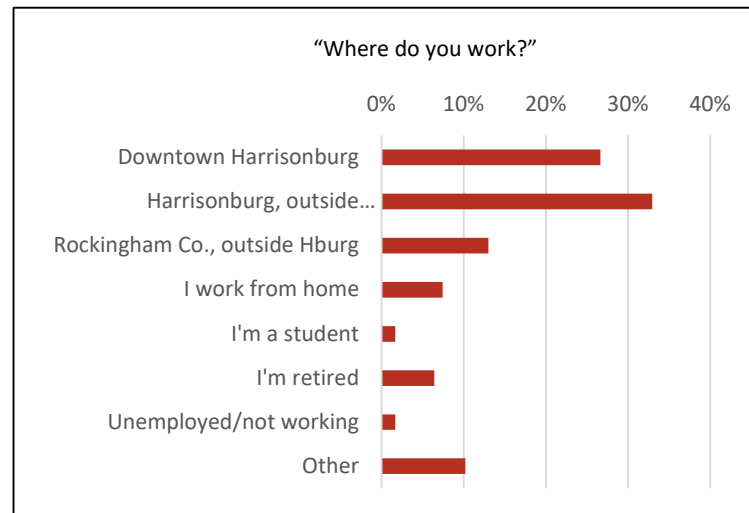
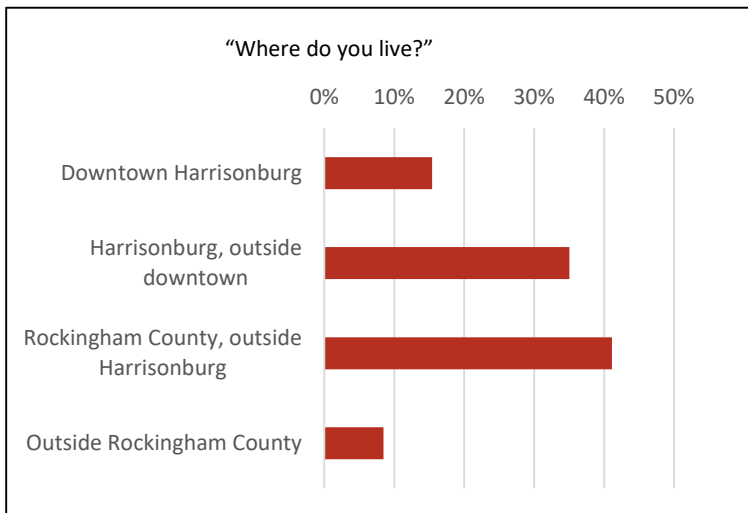
We conducted two online surveys:

- › **A community survey, open to all interested Harrisonburg-area residents and visitors.** The link to the survey was distributed to email lists available to the city and county (residential and business), and was posted to social media and published in e-newsletters. Tickets to Massanutten Water Park and a \$50 gift card to downtown Harrisonburg businesses were offered as incentive prizes. More than 900 people participated in the survey – an overwhelming response.
- › **A survey of JMU students.** The link to the survey was distributed by the university to all 20,000 JMU students in April 2017. Participation by 773 students far surpassed our expectations.

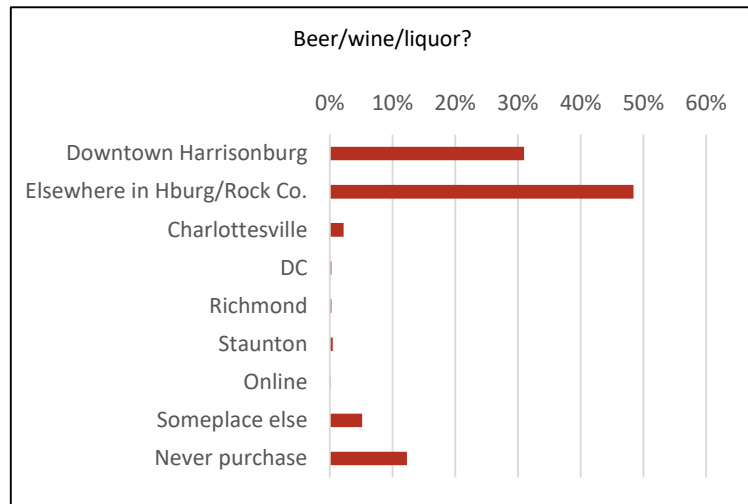
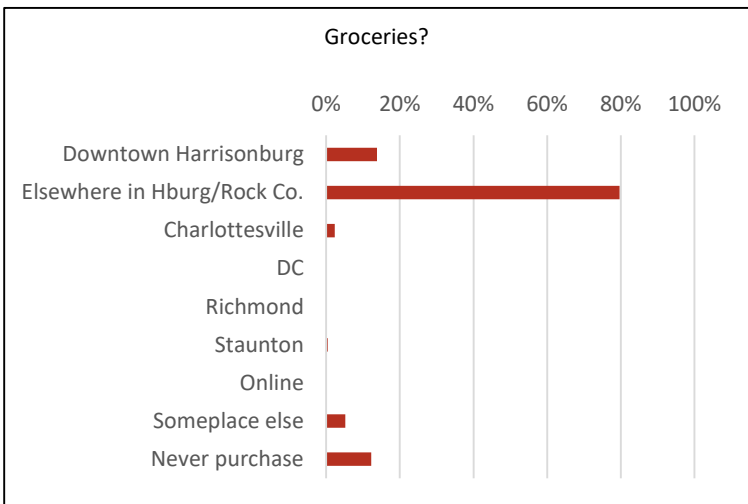
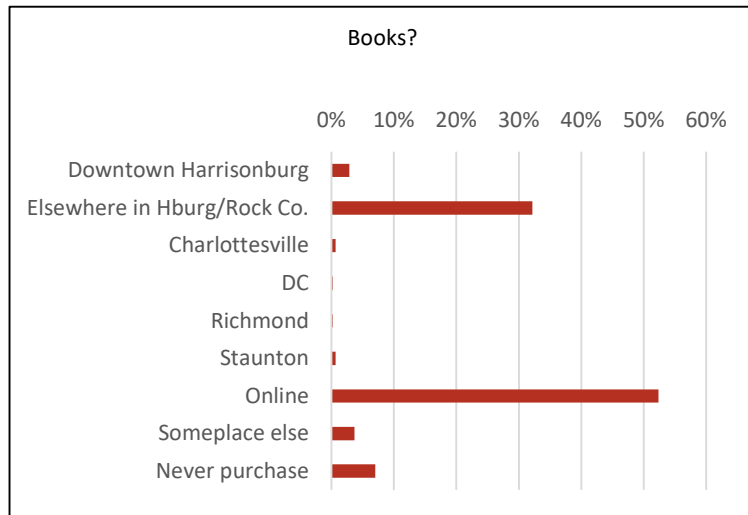
We should note a few limitations of the surveys:

- › Because of differences in the two survey groups, there were several differences in survey design and format. For example, when asking about where people shop for goods, services, or restaurant dining, the community survey asked respondents to choose among several cities or locations seen as potential competitors. The JMU survey asked students to name the retailer, restaurant, or website.
- › Because of the collection technique, the community and student surveys do not represent a true random sample (and, therefore, the margin of error from the full population is not known). However, the high response rate suggests the results are quite reliable.
- › Both surveys asked several open-ended questions, including “What three words come to mind when you think about downtown Harrisonburg?” The JMU survey asked for the names of businesses where students purchased goods or services.
- › Responses to open-ended questions are displayed as “word clouds”, where the relative sizes of the words reflect the frequency of the response. We cleaned up the data so the answers would display properly and meaningfully in the word clouds. (E.g., Walmart and Wal-Mart were all entered as “Walmart”; Amazon and Amazon.com were all entered as Amazon.) The large amount of data allow clear scaling of the words. However, if a word or business was only mentioned once or a few times in 900 surveys, it would not show up visibly in the word clouds.

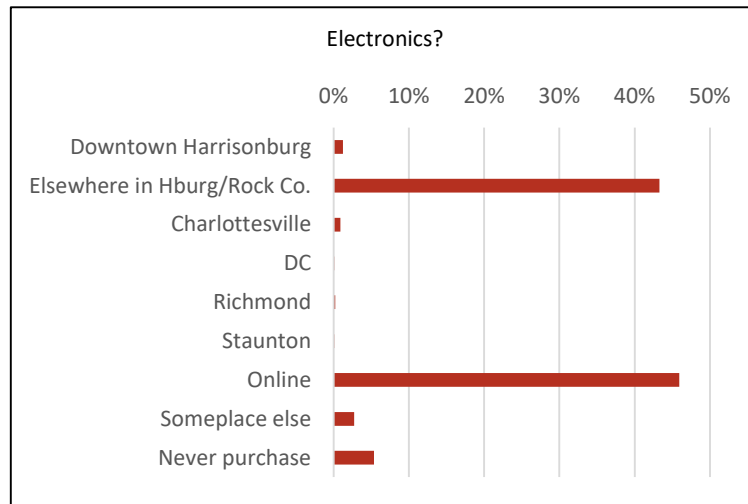
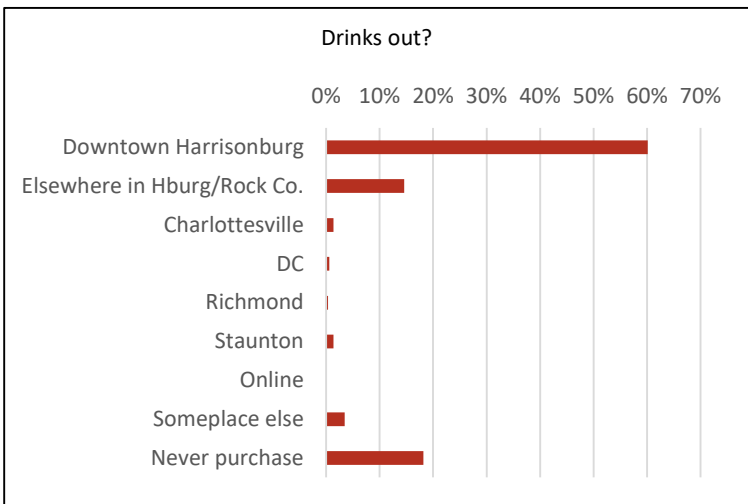
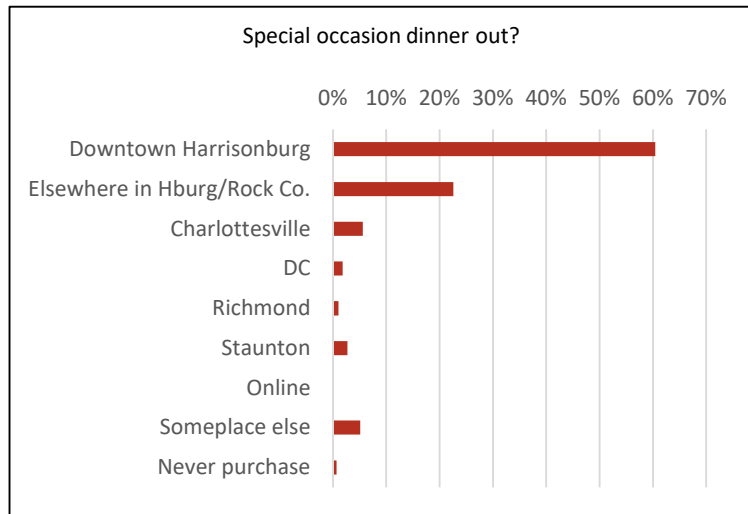
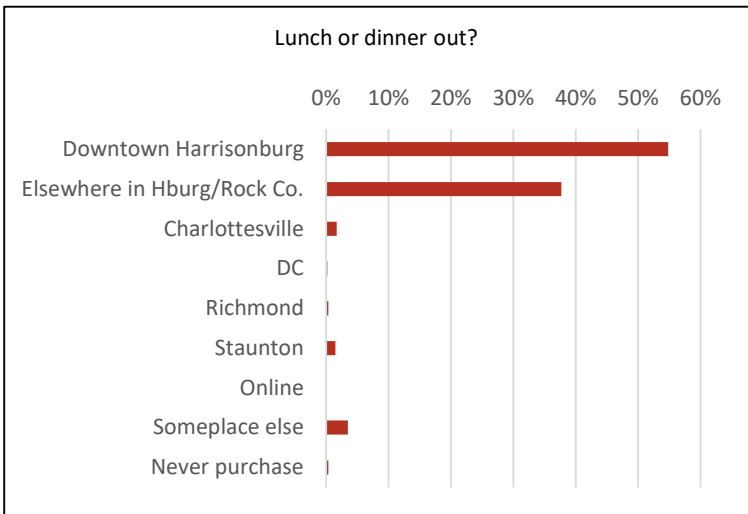
Community survey: demographic characteristics



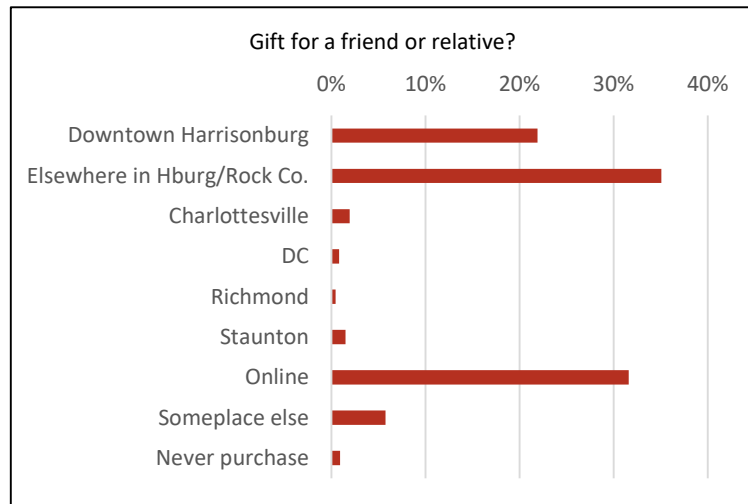
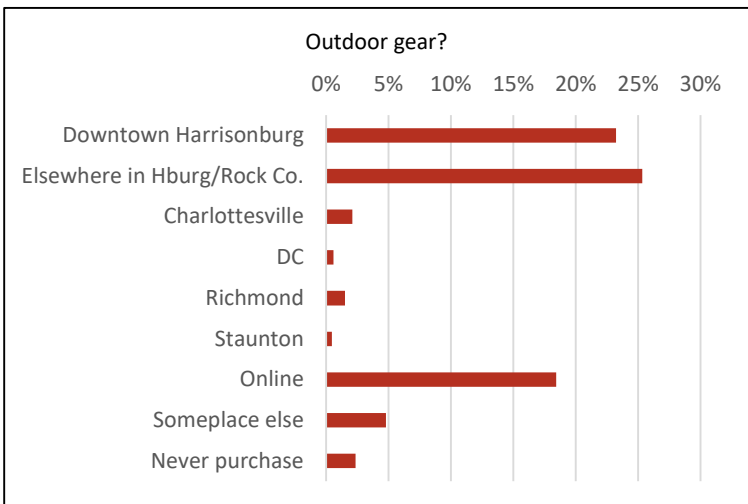
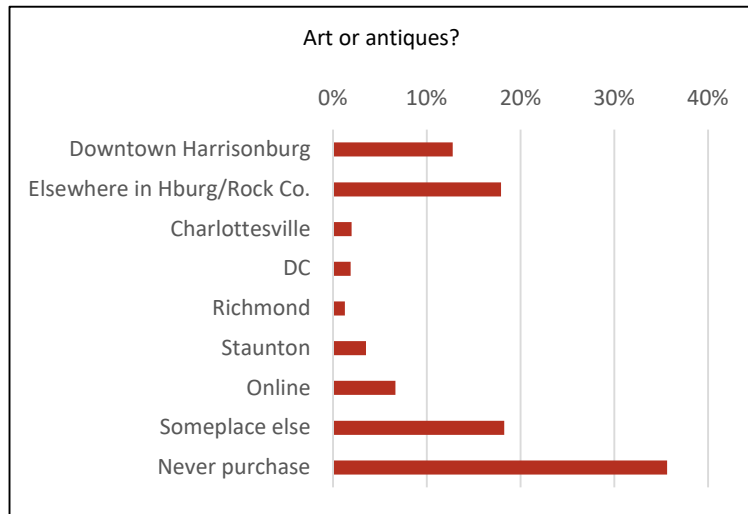
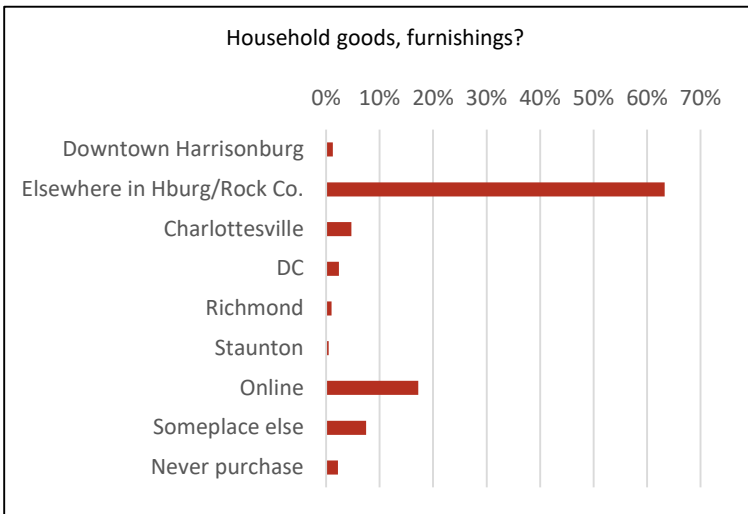
Community survey: Where did you most recently purchase...



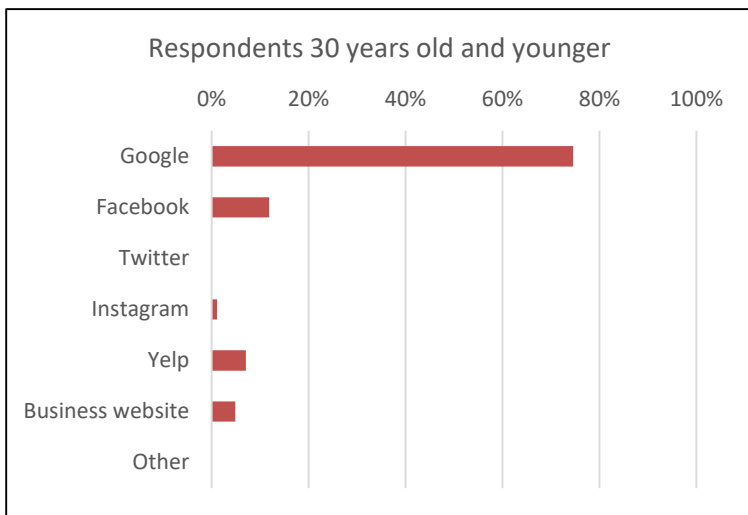
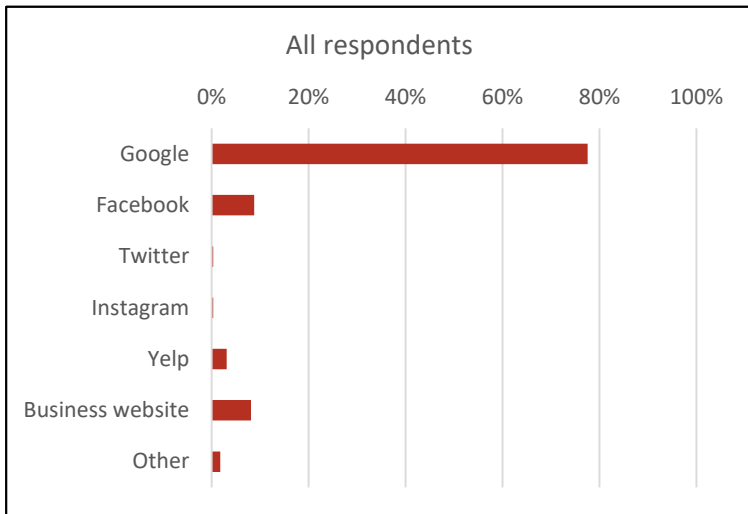
Community survey: Where did you most recently purchase...



Community survey: Where did you most recently purchase...



Community survey: Online sources



When looking for information about businesses, which online source do you go to first?

- ▶ Most people go directly to Google when searching for information about a business.
- ▶ We cross-tabulated the data by age to see if younger respondents behaved differently from older respondents, but we did not find an appreciable difference.
- ▶ The survey question asked about businesses in general. Had the survey asked specifically about restaurants (an important business sector in downtown), Yelp might have scored higher, but that is not knowable from the data.

Community survey: How many times in the past month did you go to...

Downtown Harrisonburg?

Average	10.6
Median	6.0

Staunton?

Average	5.9
Median	2.0

Charlottesville?

Average	1.3
Median	1.0

“What was the reason for your last visit?”



“I live downtown”

“Work”

“Food”

“Dinner with friends

“Drinks

“Library”

“Church”

“Farmers Market”

“Banking”

“Passing through”

“Theater, dinner, show”

“Blackfriars”

“Dining”

“Shopping”

“Walking around with friend”

“Grocery shopping – better Kroger’s”

“Doctor”

“Food”

“Dog kennel”

“Subaru repair”

“Trader Joe’s”

“Airport”

“Better healthcare options”

“Doctor”

“Train station”

“Whole Foods”

“Clothes shopping”

“Visiting a friend”

“Concert”

“UVA Hospital”



Community survey: What would make downtown a better place?

“

“Preservation of or retrofitting historic buildings and building up, not out. Reducing surface parking lots.”

“More living above downtown retail space.”

“If Blacks Run didn't smell like fermented barf all of the time.”

“While downtown is amazing, there are still plenty of places that need to be restored”

“Better cycling and pedestrian infrastructure. Not allowing tractor trailers in downtown Main St (north and south). A Green Way bike path would be AMAZING.”

“I think Staunton is a better city, but it has no life. Contrary to popular opinion, I like the college kids. They bring vibrancy, life and people watching to town.”

“It's pretty fantastic already.”

“More selection of things downtown. I think the park will help bring a different element but more retail would be nice. There are plenty of restaurants. I would be inclined to go to shops like Lady Jane and Yellow Button more often if there were more retail shops and “go shopping”. To go to those shops individually right now I have to have something specific in mind to go to them.”

“Larger parking deck downtown.”

“Stay open later. Encourage Townies and JMU to mingle more.”

“I like living in a mixed neighborhood, all ages, ethnicities, etc. I don't mind the students. I don't mind controlled parties-- and I live at the epicenter (Campbell & Mason). I wish the city could do something about the slummy look of the student rentals on Mason and Campbell.”

“More diversity of things to do (plenty of restaurants & bars and little else).”

“Larger scale mixed use development to accommodate a robust economic development strategy specific to the downtown.”

“More kid-friendly stuff.”

“More clothing shopping at affordable prices.”

“More affordable but quality retail of all types – not just dining. More movies and theater.”

“More trees to make walking pleasant on hot, sunny days.”

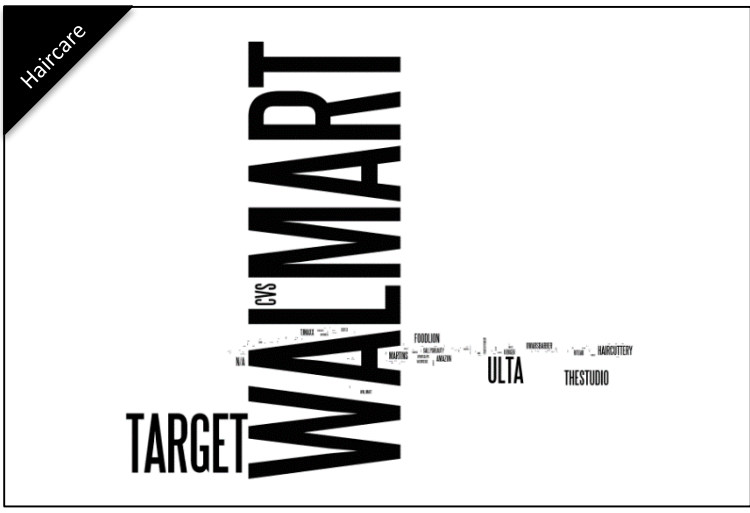
“More pedestrian-friendly – e.g., pedestrian mall.”

“I really have few ‘complaints’ about downtown.”

“A nice park... Glad one is coming!”

”

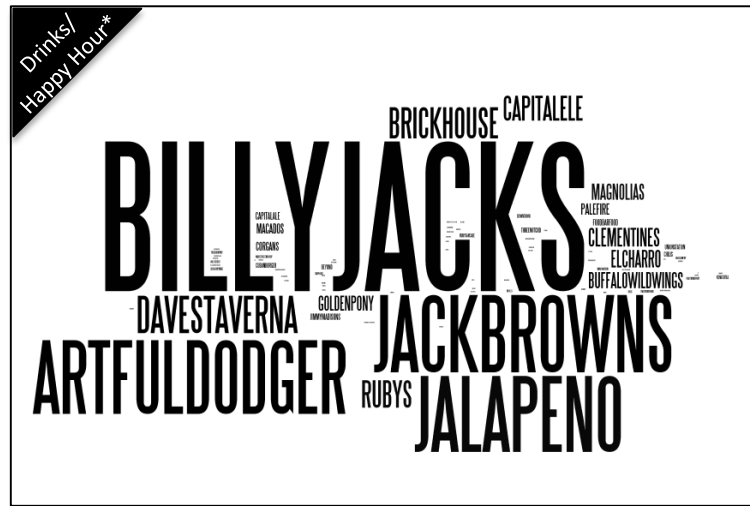
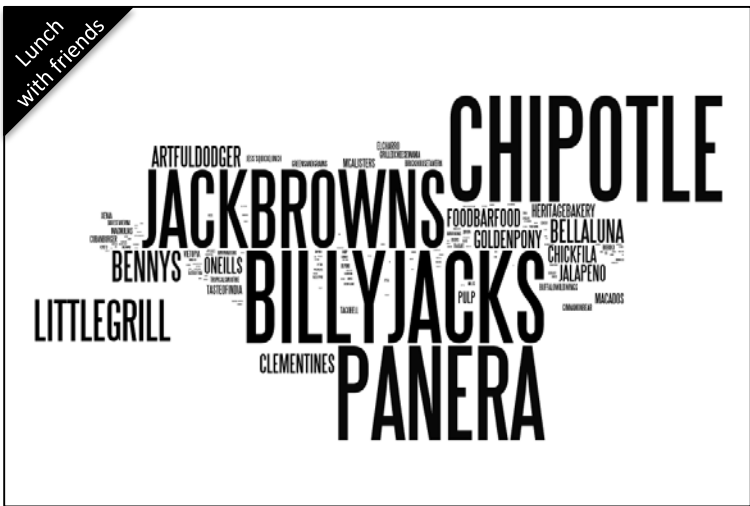
JMU survey: Where did you most recently purchase...



JMU survey: Where did you most recently purchase...

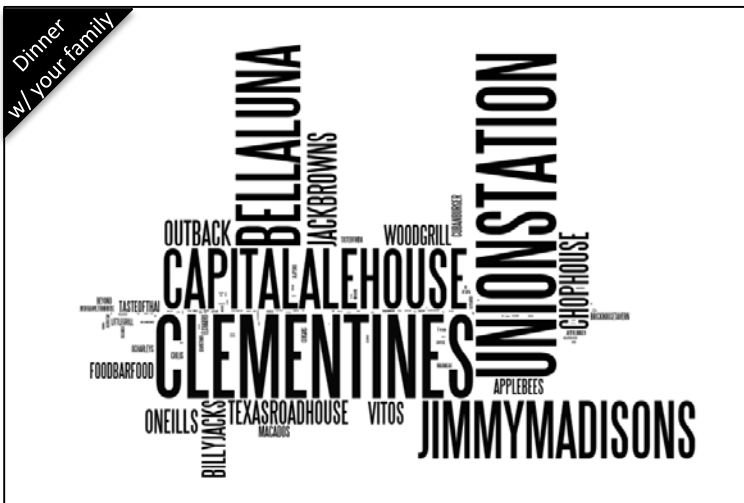
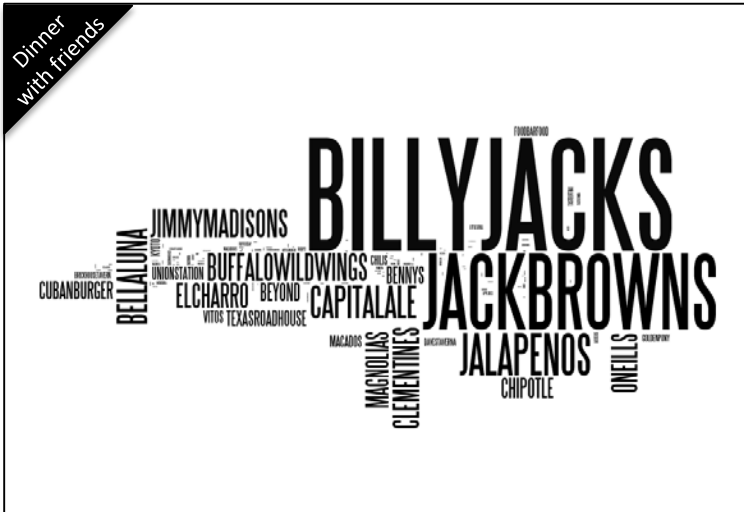


JMU survey: Where would you be most likely to go for...



*Many students noted they are not old enough to drink.

JMU survey: Where would you be most likely to go for...



Survey highlights + implications

The community survey and JMU survey provided a wealth of information and they can be studied further – especially for their open-ended comments, which are wide-ranging. We have highlighted some of the themes that emerged:

- ▶ Perceptions of downtown are very positive. In other communities where we work, we often see negative words like “abandoned”, “vacant”, or “boring”. None of those came up in Harrisonburg.
- ▶ It should be noted that respondents to the community survey are wealthier and older than typical Harrisonburg and Rockingham County residents. For HDR and others trying to understand this market, that’s a good thing. On the other hand, the respondent sample skews away from the two younger Tapestry segments – “College Towns” and “Bright Young Professionals”.
- ▶ While downtown lags as a retail destination, it is the destination of choice for drinks and dining. In the community survey, downtown dominates for “Drinks out” and “Special occasion dinner”. JMU students named many downtown businesses for “Coffee”, “Dinner with friends”, “A nice date”, “Dinner with family”, and “Drinks/happy hour” (though many noted they are not of drinking age).
- ▶ The community survey assessed whether Charlottesville, DC, Richmond, or Staunton are significant competitors to Harrisonburg. Most of these cities barely captured a few percentage points across purchase categories. Charlottesville scored the highest in capturing 6% of most-recent clothing purchases and 6% of most recent “special occasion dinner” purchases.
- ▶ From the survey comments, it appears that some Harrisonburg residents travel to Charlottesville regularly for healthcare, and some go to Trader Joe’s in there. It is likely that people plan for several stops in Charlottesville, if they are making the trip.
- ▶ Students like the unique and independent-business aspects of downtown, but (as the word clouds illustrate) they do most of their shopping online and at Walmart and Target. The word clouds make clear just how hard it is for downtown retailers to capture regular, day-to-day purchases. The community survey asked this question differently, but online purchases by community members are dominant in books and electronics, and they are also high for apparel.
- ▶ Students show more inclination toward independents over chains when going out to eat, particularly for cafes, dates, and dinner with family.

Regional retail context

Using data from the International Council of Shopping Centers' *Global Shopping Center Directory* and ESRI, we identified 2.27 million square feet of shopping center space in Harrisonburg and Rockingham County and a total of 9.5 million square feet within a 75-minute drivetime area of downtown Harrisonburg. (Data is for 2017; the primary source, *Directory of Major Malls*, is updated annually.)

Nationally, ICSC has estimated that 25-30 percent of shopping center space will need to be adapted to non-retail uses. Some of the shopping centers in the region are anchored by weak or contracting tenants, including Sears, Belks, Staples, JC Penney, Bed Bath & Beyond, Best Buy, and others. These will be the most vulnerable as national tenants close stores and resize themselves.

Miles	Shopping center + street address	City	SF	Yr open	Representative tenants
1.3	Harrisonburg Crossing I-81 & Reservoir St	Harrisonburg	503,426	2003	Walmart Supercenter, Home Depot, Best Buy
1.8	Hobby Lobby & Gabes 1835 E Market St	Harrisonburg	93,300	1973 /2015	Hobby Lobby, Gabes
1.9	Spotswood Valley Square E Market St & University Blvd	Harrisonburg	205,380	1987 /1997	Kroger, TJ Maxx, Planet Fitness
2.0	Port Crossing 1021 Port Republic Rd	Harrisonburg	65,365	1999	Food Lion, AJ Gators
2.0	Town Center Shopping Center 182 Neff Ave	Harrisonburg	44,019	1992	Grand Home Furnishings, FedEx, Schewels
2.0	Market Street Shops 1866 E Market St	Harrisonburg	36,137	1980 /1998	GNC, Bath & Body Works, Hollister, Belks
2.0	Valley Mall E Market St & University Rd	Harrisonburg	506,000	1978	Target, Belk, JC Penney, Dick's Sporting Goods
2.1	Rockingham Square Shopping Ctr 1751 S High St	Harrisonburg	55,860	1984 /2007	Food Lion, Valor Healthcare, Aarons

Regional retail context

Miles	Shopping center + street address	City	SF	Yr open	Representative tenants
2.3	Skyline Village E Market St & University Blvd	Harrisonburg	338,484	1988	Target, Kohl's, Martin's
2.4	Duke's Plaza 2245 S Main St	Harrisonburg	139,956	1990	Dollar General
2.5	Shenandoah Plaza 2475 S Main St	Harrisonburg	101,626	1967	Sharp Shopper, House of Oak, Goodwill
2.5	Garber's Crossing John Wayland Hwy & Erickson Rd	Harrisonburg	181,136	1999	Walmart Supercenter
12	Elkton Plaza 14817 Spotswood Trail	Elkton	90,942	N/A	Dollar General, Rite Aid, Food Lion
14	Villa Crossing Shopping Center 83 Augusta Ave	Grottoes	41,557	2002	Wood Fired Oven, Food Lion
18	Augusta Plaza 208 Laurel Hill Rd	Verona	47,200	1985 /2000	Food Lion
22	Statler Square 650 Statler Blvd	Staunton	133,660	1985 /2007	Kroger
24	Staunton Plaza 1015 Richmond Ave	Staunton	80,265	2006	Martin's, Fashion Bug
24	Statler Crossing Shopping Center 853 Statler Blvd	Staunton	166,944	N/A	Walmart
25	Dogwood Square 1104 Greenville Ave	Staunton	71,000	N/A	N/A
25	Staunton Mall Greenville Ave, I-64 & I-81	Staunton	424,117	1986	JC Penney, Belk

Regional retail context

Miles	Shopping center + street address	City	SF	Yr open	Representative tenants
25	TJ Maxx Center 81 Orchard Hill Cir	Staunton	78,823	1988 /1994	TJ Maxx
26	2715 W Main St	Waynesboro	79,323	1978	Dollar Tree, Big Lots
62	Apple Blossom Corners S Pleasant Valley Rd & Patsy Cline Blvd	Winchester	242,851	1990	Kohl's, Martin's, HomeGoods, Books-A-Million
62	Apple Blossom Mall US 50 & I-81	Winchester	420,000	1982	JC Penney, Belk, Sears, Carmike Cinema 10
66	Rutherford Crossing NEC I-81 & Martinsburg Pike/Rt 11	Winchester	484,525	2008	Target, Lowe's, Vacant, Vacant

Market analysis synthesis: Some observations

The nature of retail market analysis in a complex place, where there is a multiplicity of uses and users, is that the data provide useful perspectives but rarely point to a single strategy. This is especially true in Harrisonburg and Rockingham County, where the economic relationships among the historic downtown, the city as a whole, JMU, and the county are intertwined. But first, some observations based on a synthesis of our quantitative and qualitative research, and our many interviews across sectors:

- **Downtown is a turnaround story.** The leaders of downtown's renaissance are now at a point where they are asking, "What comes next?" Downtown is vibrant. And retail and dining in the city and downtown are net attractors. (Staunton, Charlottesville, DC, and Richmond are not pulling shoppers away in significant numbers.) This is a good moment to pause and think through the directions to guide growth in the next 10 to 20 years, and to align economic development staff, political leaders, and private developers around strategies that keep downtown dense and innovative.
- **Housing development in the county and city are not aligned.** Cities and their adjacent counties are ultimately both stronger when their development strategies are in sync. As new housing draws students out of the city, vacancies in older housing stock downtown increase, attracting lower-income families and individuals. This causes a ripple effect – consumer demand for different types of goods and services, and at different price points; different transportation needs; etc. These ripple effects currently seem unintended and the situation needs guidance. There is real growth in the county, but it should be supported by housing consistent with that growth.
- **Housing being built by private developers primarily for students is decentralized.** It causes more students to live farther from the JMU campus and increases transportation burdens.
- **Immigrant communities present needs and opportunities.** Resettled refugees and immigrants represent a growing part of the Harrisonburg community. According to the American Community Survey, foreign-born naturalized citizens and foreign-born non-citizens comprise 10% of the Harrisonburg population. Many can't find affordable housing in the city, so they are renting dilapidated former student housing. And they face transportation challenges in getting to hourly jobs in the county.

Market analysis synthesis: Some observations

- › **What about the other towns in the county?** The portions of the county adjoining the city have more in common with the city than the rest of the county. But, at the same time, smaller, outlying towns are saying, “What about us?”
- › **Too much new commercial development is planned in the county.** New commercial development will dilute the overall supply of commercial space within the region and will ultimately make redevelopment and infill development downtown more challenging. Aging shopping centers in the city (such as Duke’s), combined with systemic shifts in the retail sector, point to an uncertain future for shopping center development.
- › **There are 300,000 square feet of new, destination retail being planned at Preston Lake.** This will likely take direct aim at Valley Mall.
- › **Downtown has good opportunities to benefit from three potential groups of entrepreneurs.** Downtown has a robust tech economy, with almost unlimited opportunities for growth. And downtown, Harrisonburg, and Rockingham County have the benefit of two potential pools of new entrepreneurs: Immigrants and refugees, and JMU, EMU, and Bridgewater alumnae/alumni.
- › **There is a need to strengthen the visual appearance and character of major commercial corridors throughout the community.** This points to a need for zoning that is more effective at shaping the physical appearance of new development and for better sprawl-repair incentives.

Strategies + Recommendations





BUSINESS DEVELOPMENT STRATEGIES AND RECOMMENDATIONS FOR HARRISONBURG AND ROCKINGHAM COUNTY

We developed one set of contextual guidelines and two sets of strategies and recommendations.

- ▶ **Overarching themes.** We describe the systemic shifts happening in the retail sector and the ways they are likely to affect Harrisonburg and the county. We also set out some guidelines for forward-looking approaches to city and county development.
- ▶ **Downtown.** The second section presents strategies for downtown and supporting recommendations.
- ▶ **Shopping centers.** The third set addresses the repurposing of Duke's Plaza and shopping center development in the county.

Overarching themes: Some guidelines

A few overarching principles should guide future development in downtown, the city, and the county.

- Existing mixed-use centers should be densified. That applies to downtown Harrisonburg, of course, but also to other developed places, like Duke's Plaza. Nationally, development of stand-alone shopping centers has slowed to a trickle; the trend is toward redevelopment of existing shopping centers into mixed-use neighborhoods offering a range of housing options, dining, convenience retail, and office space, gradually weaving into the community's older and historic urban fabric.
- Walkability should be part of the development ethos in downtown Harrisonburg, in smaller downtowns throughout Rockingham County, in existing centers (like Duke's Plaza) and in new development in the county.
- Keep housing closer to the places people work and shop. And closer to where they go to college.
- Strive for closer collaboration between the city and county in planning for new retail development. We recognize that both jurisdictions want to maximize commercial property tax revenue – but overdeveloping the region's retail sector carries with it a serious risk of eroding the urban design characteristics that help make Harrisonburg and Rockingham County distinctive places. Both should be steering toward greener, more sustainable development, and the amount of retail and retail mixes they develop should reflect total regional needs.
- Don't knock yourselves out trying to fill every ground-floor space with retail. There are other uses that can also be part of a vibrant downtown.
- Public- and private-sector funding for downtown's management operations (meaning, primarily, Harrisonburg Downtown Renaissance) needs to be ramped up so the organization and its partners have the financial resources to tackle the next level of revitalization, which includes expanded roles in facilitating infill development and new business development.
- Appearances count, and the county and city need better design controls for strip and mixed-use development. The region's older commercial districts have distinctive architectural and urban design

Overarching themes: Some guidelines

characteristics – characteristics that help distinguish Harrisonburg and Rockingham County from other regions in Virginia and the nation – and these design traditions should carry through to new commercial and mixed-use development and to older centers redeveloped for new uses.

- › There are needs for different kinds of commercial spaces, especially as startups downtown push boundaries with new and nontraditional retail uses.
- › The immigrant community brings new entrepreneurial energy, and it needs dedicated attention from someone with business development acumen to help turn ideas into new businesses.
- › Make it easier for business and property development in the places where you want development to occur than in the places where you don't. Take a close look at the ordinances and codes that regulate business and property development in the City and County, and remove any obstacles that might make development in priority areas (downtown Harrisonburg; under-performing shopping centers; mixed-use neighborhoods in the County) needlessly difficult.
- › Several of the issues that arose in the course of this study suggest that undertaking a community master plan, or at least a downtown master plan, would be beneficial. A master plan would provide more specificity to where the City would like new development to occur over the next decade or two, and the types of development it prioritizes.

Overarching themes: Systemic shifts in retail

It's time to think differently about retail development.

Visions for a revitalized downtown – or even a successful strip shopping center – usually emphasize retail stores, or a mix of uses that include retail as a significant component.

For downtowns, this vision is often influenced by the perception that, historically, main streets were retail centers. In reality, downtowns contained a mixture of personal and professional services, small industry, government, housing, entertainment, worship, and other uses – and they still host these functions.

Nationally, there are profound changes underway in the retail sector. These changes are in the news almost every day, and the pace of change is accelerating. Some of the indicators of these changes:

- The amount of retail space per capita in the US has grown from 4.0 to 41.6 since 1960. The world average is 11 square feet per capita.
- Retail analysts predict that almost 9,500 retail chain stores will close in 2017. As of August 2017, 5,700 had already closed.
- According to numerous sources, including the International Council of Shopping Centers, as many as 30 percent of US shopping malls are failing and will ultimately need to be demolished or repurposed.

To some extent, these changes are being driven by a systemic shift to a “delivery economy”, which is changing where people shop for the things they need. To some extent, they are being driven by fiscally unsustainable expansion of national retail chains over the past decade. To some extent, they are driven by over-extended consumer credit. And, to some extent, they are being driven by the lifestyles of Millennials and Generation-Z.

Millennials and Generation-Z each outnumber the Baby Boomers and Generation-X, and they are buying less “stuff” than previous generations. Millennials spend more time dining out and shopping than those in other age cohorts, but they spend 27 percent less than Generation-X. Compared with Baby Boomers and Generation-X, Millennials are much more likely to repair things than to discard and replace them, to reuse things for new purposes, to share things, to buy used products, and to spend more for products that last longer than less-expensive products – decisions that are largely influenced by their concern for the environment. Millennials are

Overarching themes: Systemic shifts in retail

now moving into their prime household formation years, and their habits and preferences will shape the next decade or two of retail development.

While Millennials and Generation-Z are spending less on retail goods and services than Generation-X and Baby Boomers, seventy percent of their shopping still takes place in bricks-and-mortar stores and they shop fluidly between bricks-and-mortar and online stores. They prefer shopping in locally owned businesses over retail chains. And, they have a strong preference for living and working in mixed-use downtowns and neighborhoods. (See note on birth-year brackets for generations, page 61.)

Changes in the retail landscape will be felt in Harrisonburg and Rockingham County. Where once residents were limited in their choices to what was sold locally (or in Staunton, Waynesboro, Charlottesville, or other regional retail centers), proximity is becoming less important as selection online is becoming, essentially, limitless. These changes should influence the City's and County's economic development strategy. This does not mean that there is no need for more retail businesses or restaurants in Harrisonburg or Rockingham County – but it does mean that both the City and County will need to be more deliberate about how much, and where, new retail development should take place.

- **Scrutinize development proposals.** Civic leaders will need to carefully scrutinize proposals for new commercial development, ensuring that there is enough new market demand (e.g., new demand from population growth or other significant population or demographic changes) to warrant the new space. Some communities (such as Easton, Maryland, for example) now require developers who wish to develop new commercial space to first conduct a retail market analysis, using a consultant approved or chosen by the local government, demonstrating that sufficient market demand exists.
- **Prioritize non-retail uses.** Look far beyond retail for new uses for vacant and underused downtown buildings (and shopping centers, also). New uses might include small industries, incubator spaces, entertainment facilities, schools, housing, warehouses, offices, or one of many other options. The point is to not assume that all vacant downtown and shopping center buildings need to be filled with new *retail* businesses in the future. Ground-floor storefront activity is important in encouraging people to browse and 'window shop' – but non-retail businesses can provide storefront window activity as well as retail businesses.

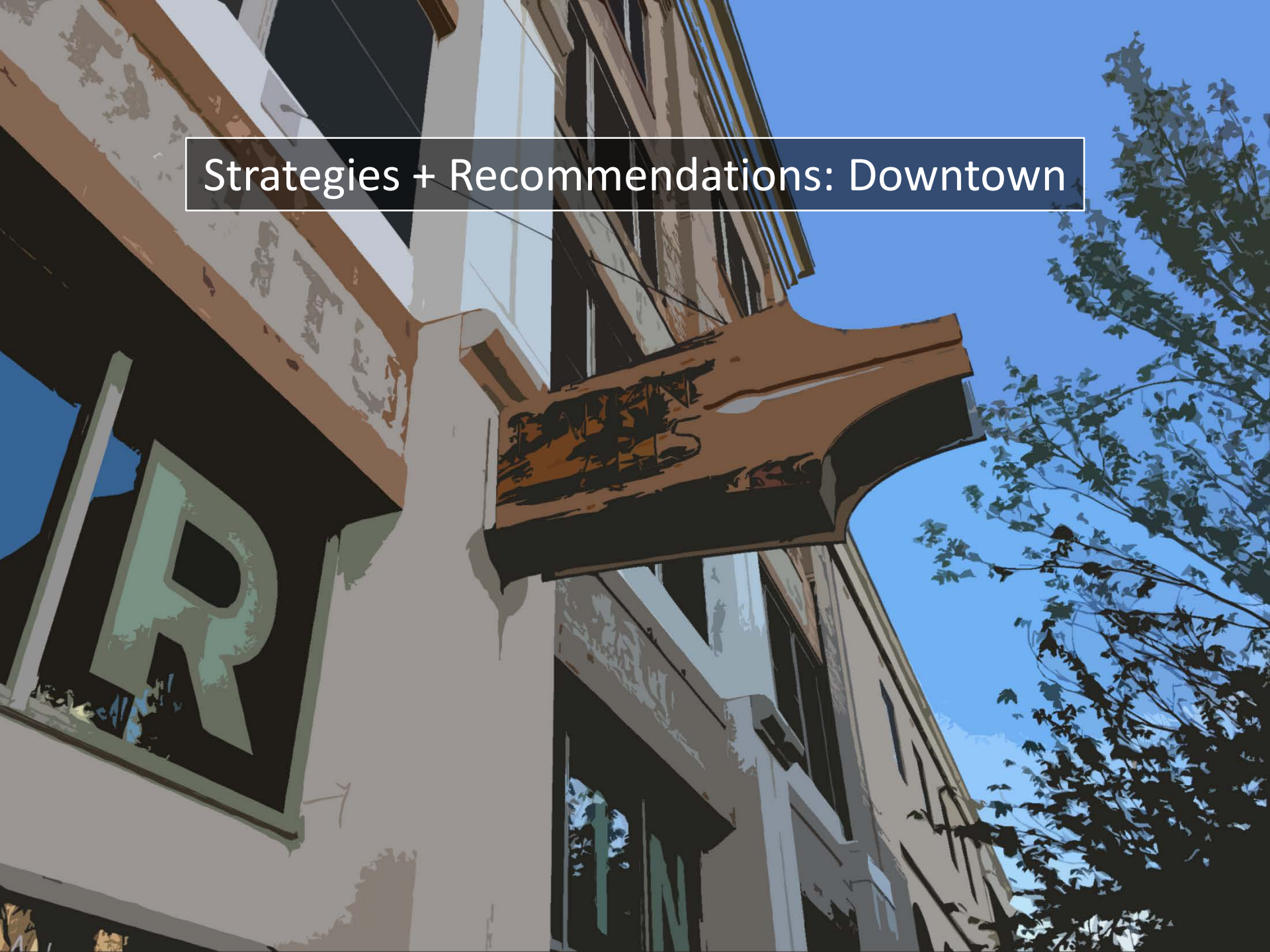
Overarching themes: Systemic shifts in retail

- › **Ensure that existing space is almost fully occupied before building new space.** Look for opportunities to funnel new businesses, housing, and other uses into existing commercial and mixed-use centers, boosting the occupancy of these centers before building new.

The generally accepted birth years for generations:

- › Baby Boomers: 1946 to 1964
- › Generation X: 1961 to 1981
- › Millennials (sometimes called “Generation Y”): 1981+
- › Generation Z follows Millennials, though there is not yet consensus on the starting year.

Strategies + Recommendations: Downtown



Strategies + recommendations: Downtown

1. Develop more housing downtown.

Downtown's expansion of retail and other amenities can be accelerated through the development of more downtown housing, particularly as a component of mixed-use projects on infill opportunity sites. The more downtown housing there is, the more downtown retail market demand there will be, particularly for convenience-oriented goods and services (like groceries). This, in turn, makes the downtown more appealing to workers, as well. Options that fit the market include:

- › Historic rehabs, adaptive-use, and infill apartments that appeal to the tech community and young couples.
- › Apartments and condominiums (rehab and infill) that appeal to young professionals.
- › Condominiums for empty-nesters.

Downtown housing has shown strong recent demand. There are a number of potential incentives that might entice more rapid housing development downtown and more people to live downtown. For instance:

- › In order to encourage people to live downtown, some communities offer rent rebates for first-time downtown tenants, typically funded by a TIF or BID (if established).
- › Purchase incentives can encourage homeownership and longer-term residents downtown. For example, a developer working with Wayne State University offered renter savings accounts for grad students and young faculty, putting aside a portion of their rents into interest-bearing escrow accounts. If the tenant wants to buy the apartment after several years, s/he can use the savings as a down payment.
- › For new development, encourage use of car share programs (like Zipcar), bike share programs, and shared use of existing parking structures.
- › Continue offering tax abatement on the increased value of improved commercial property.
- › Encourage the use of state and federal historic rehabilitation tax credits (and, if appropriate, low income housing tax credits), and provide technical support to property owners and developers in using the credits.

Strategies + recommendations: Downtown

2. Rethink the concept of “retail” in downtown.

Ground-floor spaces downtown do not *have* to be retail – or restaurants. This shift in thinking is especially appropriate as the nature of retail changes fundamentally. The kinds of retail that fit downtown Harrisonburg’s eclectic niche and the preferences of its customers are retailers that are unique and one-of-a-kind, that sell locally-made or locally-sourced products, that emphasize sustainability and, perhaps, that draw upon the international flavor of Harrisonburg’s immigrant communities. These types of businesses are more likely to be home-grown than recruited, though they often evolve from home-based businesses, or from pop-up businesses (like “With Simplicity” beauty products, in the converted Airstream store).

The important quality for ground-floor occupancy is activity, rather than retail *per se*. And there are lots of business types that can add activity to downtown, such as pop-up stores (especially by using Harrisonburg’s larger, more physically challenging retail spaces) and manufacturing services, like bakers and upholsterers, who bring their work to the front of the store to enliven storefront windows.

3. Strengthen HDR.

Harrisonburg Downtown Renaissance’s consistent work over the past 15 years has been central to strengthening the economy of downtown Harrisonburg and reversing its downward spiral. The organization has now completed many of the early-stage tasks that needed to happen to strengthen the district – but the toughest challenges lie ahead. With about 450 businesses and about 4,600 workers, downtown Harrisonburg is one of the region’s top economic engines. It is crucial that Harrisonburg Downtown Renaissance continues to be one of the region’s top public- and private-sector investment priorities.

In order for HDR to undertake its next phase of work downtown (which may include capital improvements or acting as a development partner), the organization will need to systematize and grow its funding sources and its budget.

- **Establish a Business Improvement District.** We recommend establishing a BID – a designated area within which property owners agree to pay an annual assessment in order to improve the overall district. BIDs offer several substantial benefits: They provide an equitable way of ensuring that all property owners contribute to the district’s ongoing progress, and BID revenues can be used for a wide range of activities that improve

Strategies + recommendations: Downtown

the condition and performance of the district, including physical maintenance, streetscape improvements, marketing, and business retention and attraction.

- **As a preliminary step, HDR and the City should commission a BID feasibility assessment.** This will lay out a set of options and calculate anticipated revenues based on potential assessments. The exercise can also help to educate property and business owners and begin to build support for a BID ordinance.

There are nearly 2,000 BIDs throughout the US, ranging in size from the downtown BID in West Racine, Wisconsin (annual revenues of \$18,500) to New York's Times Square Alliance (annual revenues of \$18 million). Dozens of Virginia communities use BIDs. Marshall's Electric Light and Business Improvement District was adopted specifically to provide and maintain streetlights. Assessments run from two cents per \$100 of assessed value (in Chesterfield, for Midlothian Turnpike landscaping) to 63 cents (Wythe, to upgrade roads). Of those that use BIDs for downtown development activities, assessments range between six cents (Fairfax's Old Town) to 23 cents (downtown Winchester).

Winchester's downtown BID was launched in 1982 and is managed by the Old Town Development Board, which is also the home of Winchester's Main Street Program. The ordinance creating the BID specifies that the Board shall have 11 members, of whom six are downtown property or business owners subject to the assessment, three are at-large community members, one is a business owner within the city, and one represents Shenandoah University. The Board manages the BID's funds for "improvement, maintenance, development, planning, and promotion of downtown Winchester". The assessment is 23 cents per \$100 of property value in the core downtown area and 13 cents per \$100 in the remaining areas of the district.

Under Virginia's BID authorizing legislation, a City Council approves a Service District ordinance and the ordinance goes into effect the following January 1st.

- **In addition to a BID, establish a Tax Increment Finance district downtown.** A TIF district overlay on the downtown district (including the North End and areas with excessive surface parking) can capture some of the anticipated tax revenue generated by anticipated rises in real estate values. The TIF can debt-finance future improvements within the downtown district and help to jump-start infill projects – all of which help to achieve the larger goal of fostering density and investment downtown.

Strategies + recommendations: Downtown

4. Leverage the immigrant community.

Harrisonburg's international residents can serve as a small but strategic economic development engine for the city as a whole, for downtown, and for Duke's Plaza. They could add to the number of international restaurants downtown and could distinguish Harrisonburg in the regional marketplace.

The Refugee Resettlement Office of the Church World Service has been resettling between 100 to 250 refugees per year in the city and county for about 20 years. (This is in addition to non-refugee immigrants who may come to Harrisonburg.) They have contributed to Harrisonburg's diverse schools, workforce, and (to some extent) businesses. Kurds, Iraqis, Congolese, Sudanese, Eritreans, and others are among the resettled families. The region's new residents have brought considerable entrepreneurial energy and business management acumen with them, and Harrisonburg and Rockingham County have a very unique opportunity to help orient immigrant entrepreneurs to the US business environment, tease out entrepreneurial talent, and pair business entrepreneurs with local and regional capital. We applaud the Shenandoah Regional SBDC for focusing on the region's immigrant community. A few additional suggestions:

- **Provide “business acculturation” classes.** The Church World Service has found that refugees often have no understanding of business regulations and practices in the US, and even less understanding of local zoning and licensing regulations. (This applies to food services, but also to more imaginative “businesses”, like a few refugees who found themselves in violation of the law when they purchased junked cars at auction and began swapping parts and reassembling the cars.) With the Church World Service's help in outreach, the City, HDR, and SBDC can help potential entrepreneurs understand the rules and connect them with resources.
- **Create a food-business incubator.** Specialty and ethnic foods are among the most promising business development opportunities for immigrant communities. For refugees, the costs of starting a business (capital, rent) are often insurmountable. A shared commercial kitchen space can provide a springboard for home-based entrepreneurs to bring their products to market. *Note that, alternatively, a food-business incubator could be incorporated into an immigrant-business strategy for Duke's Plaza.*

In addition to differentiating downtown, the development of more international restaurants could also address some complaints about downtown being expensive and JMU students who are looking for “cheap eats”.

Strategies + recommendations: Downtown

5. Redevelop the former-theater lot. And prioritize other vacant parcels.

The former-theater lot on South Main Street presents an obvious opportunity for mixed-use development that should include upper-story housing. It also presents opportunities to create new and interesting kinds of public and commercial spaces downtown – alleys, outdoor and indoor performance spaces (such as examples on the following pages), and storefronts that would incorporate the kinds of smaller footprints that are in demand in downtown already. Yet the site has been languishing.

While redevelopment is stalled, the space has been partially activated by the converted Airstream selling locally-made beauty-aid products. There are more opportunities to activate this space through temporary installations, generate excitement, and inspire creative thinking around its reuse.

- **Movies.** Project movies on a wall on Saturday nights. (This was the site of a theater, after all.)
- **Mobile retail.** HDR could negotiate a temporary master lease that allowed it to set up mobile retail and food-truck events (such as a “Nite Market”).

We were told that 70 percent of the land area in downtown Harrisonburg is used for parking. That represents a lot of potentially-developable land. A good place to start is to have the City and HDR catalogue all of this land and triage: First, which parcels would, if developed, best contribute to the district’s visual cohesiveness, traffic flow, and overall good function? And, second, which parcels could be most easily developed (in terms of ownership, environmental condition, etc.?)

6. Reduce the Restaurant Food Tax. (And increase the Hotel/Motel Room Tax.)

Harrisonburg’s restaurant meals tax acts as a disincentive both for restaurant development and for restaurant diners both downtown and in the city. This disincentive is misaligned with the city’s overall goals, and particularly its goals for downtown. The 7% local tax when combined with the state’s 5.3% sales tax makes Harrisonburg’s effective meals tax among the highest in the country, at over 12%. (Some news outlets have reported that it is *the* highest meals tax in the country.) While local taxes vary widely across the U.S., the effective meals tax is in the range of double the typical tax in most places outside the largest and most expensive

Strategies + recommendations: Downtown

cities. The tax almost certainly encourages some diners to patronize restaurants outside the city and some restaurant developers to seek sites in the county.

- › **The City should rebalance the local Restaurant Food Tax and the Hotel/Motel Room Tax.** Lodging taxes primarily impact visitors and tend to be more elastic. (A higher lodging tax would likely have a small impact on occupancy rates.) But the meals tax primarily impacts local residents. While we did not quantify its effects as a disincentive to downtown diners and restaurateurs, it was raised as a critical issue by the restaurateurs we interviewed.

With an increased lodging tax, a reduced city meals tax, increased restaurant patronage downtown, and continued restaurant and retail development downtown, a rebalanced tax structure could be designed to be revenue-neutral while aligning the financial incentives (or disincentives) with the City's and HDR's overarching goals.

Examples: Multi-use retail, restaurant + performance space



NEW DEAL CAFE

The New Deal Café is a restaurant, performance, gallery, and community gathering place in Greenbelt, Maryland. Organized in 1999 as a part-time coffee house, the business has expanded and now functions as a full-service restaurant serving breakfast, lunch, and dinner. Evening entertainment ranges from performances by local musicians to art gallery openings and film screenings. New Deal Café is a business organized as a cooperative, meaning that community members made equity investments to start and expand the business and they own it collectively. The business is overseen by a board of directors and day-to-day operations are run by a general manager.



BUSBOYS AND POETS

Busboys and Poets is a Washington, DC, bookstore, restaurant, café, and performance space that has expanded to five additional locations inside and outside the District. The “mixed uses” generate customer traffic at different times of day (allowing the space to generate revenue at, say, more than just lunchtime and dinnertime) and the mixture of musical and literary arts fosters the sense that Busboys is a “third place”, away from home or work, where people connect.

Example: Innovative food incubator



THE GOOD ACRE COMMERCIAL KITCHEN

The Good Acre offers a licensed commercial kitchen on the University of Minnesota campus, primarily to help regional immigrant farmers and producers create value-added food products and bring them to market. The kitchen opened in 2015 and was funded by private philanthropy.

In addition to providing hourly rental of the certified commercial kitchen, The Good Acre has established a marketing partnership with Twin Cities-area food cooperatives: The coops will feature products from Good Acre entrepreneurs on the coops' shelves in exchange for a one-year exclusive agreement. That helps give the products an opportunity to test their public appeal and gain a foothold in the market.

Strategies + Recommendations: Shopping centers



Shopping centers

Our assignment included examining retail development possibilities for several shopping centers: Duke's Plaza, in Harrisonburg (as an example of under-performing shopping centers within the city, and particularly along Rt. 11/South Main Street), and several new commercial centers in Rockingham County, just outside the Harrisonburg city limits.

In the course of our research, we found that there are over a million square feet of shopping center space within three miles of downtown Harrisonburg – some dating back to the mid-1960s, some currently under construction. In addition, there are more than 100,000 square feet of freestanding commercial buildings, plus close to 200,000 square feet of commercial space in downtown Harrisonburg. In all, we estimate that the City of Harrisonburg has more than 27 square feet of retail space per capita. Most commercial centers have some vacancy, and some have significant vacancy levels.

In general, we recommend that the City and County commit to a collaborative framework for developing, and redeveloping, shopping centers and mixed-use centers, using the following rough guidelines:

- Ensuring that the overall region is not over-retailed
- Ensuring that commercial centers complement, rather than compete with, one another
- Minimizing low-density commercial space
- Emphasizing walkable, pedestrian-focused design rather than auto-focused design
- Emphasizing architectural design that builds on Harrisonburg's architectural traditions rather than using national prototypes
- Prioritizing development of commercial centers and housing near major employment centers throughout the County
- Concentrating JMU-serving development near JMU rather than permitting or encouraging campus sprawl
- Using tools and incentives (such as Transfers of Development Rights, Tax Increment Finance, and property tax abatement) to guide development to high priority areas

Shopping centers

We believe these guidelines will ultimately create higher value and greater return on investment than single-use, low-density development or development that duplicates or directly competes with shopping centers, neighborhoods, or mixed-use centers already within the region.

As the region's economy (and, in particular, its retail and housing sectors) evolve over the next few years, we recommend paying close attention to Harrisonburg's under-performing shopping centers – particularly those that are relatively close to downtown Harrisonburg and that are, or could be, served by public transit. These close-in shopping centers are relatively affordable, and they could become the hubs of immigrant communities, of student communities, of independent- and assisted-living communities, or other higher-value investments as downtown Harrisonburg strengthens its position as a regional economic development hub. Should the City and its partners wish to pursue planning for under-performing shopping centers, and for mixed-use and commercial development for the region as a whole, we strongly encourage the City to update its comprehensive plan, with the County as a full partner in the process. If the overall supply of commercial and mixed-use space is jointly regulated by the City and County, we would encourage the City and County to create special incentives to encourage property owners to redevelop their older shopping centers to better serve the region's evolving market. As the market and investment popularity of mixed-use shopping centers grows, the range of examples for Harrisonburg's and Rockingham County's underperforming shopping centers grows, as well. We have suggested a few examples on pages 78-79. The Congress for the New Urbanism (cnu.org) is a good source of examples, as well. And "Greyfields into Goldfields", by Lee Sobel et. al., provides several dozen solid examples of struggling shopping malls redeveloped as mixed-use neighborhoods.

Duke's Plaza

Built in 1990, Duke's Plaza is a 140,000 square foot auto-oriented community shopping center on a 16.6 acre parcel on US Rt. 11 (South Main Street), currently anchored by Ollie's Bargain Outlet and by the House of Oak and Sofas Furniture Store. It is buffered from Rt. 11 by several outparcels with banks and fast-food drive-through restaurants and by several landscaped islands, all of which partly obscure the shopping center itself from visibility from South Main Street. Its surface parking lot – containing more than 500 parking spaces – further distances the shopping center itself from the highway.

According to the Virginia Department of Transportation's 2016 daily traffic volume estimates for the City of Harrisonburg, US Rt. 11 between I-81 and Pleasant Hill Road has an Annual Average Daily Traffic Volume of 21,000 vehicles, of which 97 percent are four-tire vehicles and three percent are trucks and tractor-trailers. But, in spite of the relatively high vehicular traffic count (one of the highest in Harrisonburg, not including I-81 itself), the shopping center appears to be struggling. Its current tenants are a hodge-podge of retail shops, personal services, businesses, restaurants, and nonprofit organizations. As of our April 2017 site visit, 26 percent of Duke's Plaza's rentable space was vacant, with parcels ranging from 1,200 to 16,000 square feet available for rent at an asking price of \$8/square foot, triple-net – significantly below comparable newer shopping center space in Harrisonburg (generally in the \$15-\$18/square foot range). In 2013, Duke's Plaza was listed for sale, with an asking price of \$5.4 million, net operating income of \$486,000, and a resulting capitalization rate of nine percent, according to the listing flyer from Lee and Associates.

Duke's Plaza

Tenant	SF
House of Oak and Sofas Furniture Store	43,200
Ollie's Bargain Outlet	34,240
Al Sultan Middle Eastern Restaurant	2,250
Euro Hair	2,250
DelTAX & Auto Insurance	1,200
Kingsway Prison & Family Outreach	2,400
House of Restoration	1,200
Runions Hunting & Fishing	1,200
Sinbad (grocery, Halal)	1,200
Artistically Inclined Tattoo Studio	1,000
Hi Tech TV Service	750
Lee's Nail Salon	1,500
Al Baraka Middle Eastern Restaurant	1,350
All Performance Gym	3,600
La Roca Eterna Church	2,400
Roz Hi-Tech Mac & PC Repair	1,200
Serenity Spa	1,200
China King	1,200
Vacant	36,550

Duke's Plaza is typical of thousands of shopping centers built in the 1970s-1990s that were originally anchored by a neighborhood-serving grocery store but that have now lost tenants to newer shopping centers. As these shopping centers age, they are no longer competitive with newer centers – and, as the overall supply of commercial space grows, older shopping centers gradually slip into a spiraling pattern of lower rents, undercapitalized tenants, and diminishing value. But, the shopping center's low rents make space there affordable for entrepreneurs – and, over the past decade Duke's Plaza has attracted several businesses owned by recent immigrants. A number of articles in recent years have pointed out that, for a number of reasons (from customer loyalty to the compactness of the market) shopping centers with concentrations of ethnic businesses tend to do better during economic downturns than shopping centers with national retail chains, businesses that shoppers can find almost anywhere.

Duke's Plaza: Strategies + recommendations

We recommend one of two options for Duke's Plaza:

1. Ethnic specialties

In this scenario, the shopping center's leasing agents would focus on developing and recruiting a well-rounded mix of businesses serving one or more of the immigrant populations that have settled in the Harrisonburg area, including restaurants, specialty groceries, hair and nail care, clothing, home furnishings, and personal and professional services. It might also include one or more shared workshops (such as a woodworking or metalworking shop) where immigrants (and others) might affordably create products to sell through existing retail venues in the region. And/or, it might include a food incubator where individuals can develop specialty food products in a certified sanitary kitchen for distribution through restaurants, mobile vending units, or food distributors, possibly serving as a business incubator for future restaurants for downtown Harrisonburg and other communities throughout the region. This scenario would be a relatively low-cost option, which is key to retaining the affordability of the shopping center's commercial spaces.

There are a number of successful models of shopping centers whose leasing models focus on ethnic specialties. For example, almost all of the 40 businesses located in Cary, North Carolina's Chatham Square shopping center are owned by immigrants from around the world. Most of the businesses are owned by entrepreneurs who moved to Cary from India and Pakistan, and the shopping center includes an Indian clothing store, gift shop, a small grocery market, ice cream shop, and dance school and several restaurants. The shopping center's tenants also include a Korean steakhouse, Hispanic grocery store, and Japanese gift shop – plus several hair salons and tax services catering to primarily to immigrants.

Many of the region's immigrants need affordable housing, also, and portions of the Duke's Plaza parking lot could be developed with multi-floor affordable housing, or a mix of affordable and market-rate housing, perhaps through a long-term land lease from the property owner or perhaps by the property owner itself, working in tandem with a developer with expertise in affordable housing development and the federal low income housing tax credit.

Duke's Plaza: Strategies + recommendations

2. Mixed-use neighborhood

In this scenario, portions of the shopping center would be redeveloped for a mix of affordable and market-rate housing, with the remainder of the shopping center tenanted with neighborhood-serving shops, restaurants, and services.

There are scores of examples of strip shopping centers that have been successfully converted to mixed-use neighborhoods in recent years. Mashpee Commons, on Cape Cod, was originally a 62,000 square foot strip shopping center built in 1962 as the New Seabury Shopping Center. The Center was sold in 1982 and, after a several-year planning process, was redeveloped as a mixed-use village center with more than 300 housing units (including some affordable housing), 95 shops and restaurants, a post office, movie theatre, bank, and church. The original buildings were “re-skinned”, and new multi-floor, mixed-use buildings replaced some of the surface parking.

Awash in strip shopping centers, city officials in Huntington Beach, California engaged a planning firm in 2011 with expertise in form-based codes to develop a Specific Plan focusing on retrofitting under-performing strip shopping centers on a six-mile corridor. The plan concentrates development around the two largest retail nodes along the corridor, with smaller, convenience-oriented centers at strategic intervals. The plan also calls for corridor improvements, including service lanes and slow-traffic lanes, protected curbside parking, and improved landscaping in segments slated for residential development. The city uses a triage method to prioritize shopping centers with the greatest potential for improvement and these segments receive the most intensive assistance and attention from the city's planning department.

Closer to home, Arlington, Virginia's Shirlington neighborhood began as an open-air one-story strip shopping center and, with strategic investments by the County and collaboration between the County, the property owner, and several financial institutions, has evolved into a thriving neighborhood with 585,000 square feet of office space, 282,000 square feet of retail space, 1,000 housing units, a public library, movie theatre, performing arts theatre, and 150 hotel rooms.



Mashpee Commons, before and after.

Commercial centers in new, mixed-use communities

Several new mixed-use communities are currently under development in Rockingham County, immediately adjacent to Harrisonburg. All are “mixed use” in the sense that each overall community includes some combination of residential, commercial, and recreational space, but not in the traditional definition of “mixed use”, in which multi-floor buildings combine ground-floor commercial space and upper-floor residential space. Thus, while the architectural and urban design of two of the three new communities we examined are guided by form-based codes and include some recreational space, they are generally auto-oriented, not pedestrian-oriented, with commercial space fronting on one or more major vehicular arteries. All are sited along the recently opened Southeast Connector, a three-mile-long, four-lane divided highway.

STONE PORT

Stone Port is a 105-acre phased development in Rockingham County, at the intersection of Port Republic Road and the Southeast Connector. It is a high traffic area – Port Republic Road and the Southeast Connector have Annual Average Daily Traffic volumes of 24,000 and 31,000, respectively, according to the Virginia Department of Transportation. Its development plan includes a 25-acre “village concept”, a 33-acre office park, several residential sections – The Reserve at Stone Port (396 apartments) and Aspen Heights (183 structures) – and an 88-unit assisted living facility, Bellaire at Stone Port. The development has been marketed as a luxury community, with the developer stating that residential units would not be leased to undergraduate students. The community is across the Southeast Connector from Rockingham Memorial Hospital.

Several retail parcels have already been leased and developed at Stone Port; they include the Harrisonburg area’s third Walmart store (which serves as the “grocery hub” described in the development’s initial marketing material), Wendy’s, and Bojangles.

PRESTON LAKE

Preston Lake, a 60-acre site at the intersection of US Rt. 33 and Massanetta Springs Road, offers six “home collections” that, at build-out, will include 480 single family residences and 340 condominiums and townhouses, with prices ranging from \$300,000 to \$800,000. Like Stone Port, its developer is marketing it as a luxury home community. And, like Stone Port, Preston Lake benefits from high vehicular traffic volume – an Annual Average Daily Traffic volume of 35,000 on US Rt. 33 and 31,000 on the Southeast Connector. The Preston Lake Marketplace will include up to 300,000 square feet of retail space, which its leasing agent describes as “destination retail”, with anchor sites, pad sites, and in-line stores available.

Commercial centers in new, mixed-use communities

ROCKINGHAM PARK AT THE CROSSROADS

Rockingham Park at the Crossroads (originally called Albert Long Park) is a 65-acre recreational park for Rockingham County that, when completed, will offer athletic fields, an indoor recreational facility, and an outdoor amphitheater. The park also includes a ten-acre parcel for commercial development, fronting on US Rt. 33 and adjacent to the Recreation Center. In addition, there will be a small concession area inside the park, serving people using park facilities.

All three sites benefit from recent rapid growth in the eastern part of Harrisonburg – and, as they are in Rockingham County, which has no Business, Professional, and Occupational License tax (BPOL), they have a small potential advantage in business recruitment over Harrisonburg. However, their highway orientation makes them more suitable for national retail chains (which benefit from motorists’ quick visual recognition) than for independently owned businesses (which benefit from pedestrians). In this sense, new retail development along the Southeast Connector is more likely to harm retail sales at Valley Mall than in downtown Harrisonburg, which has the substantial advantages of an architecturally and historically unique physical environment, a large work force, and a strong base of independently owned businesses.

Recent Harrisonburg commercial vacancies and asking rents:

Address	Asking rent
1760 East Market Street	\$ 38.00
Forbes Crossing (1645 Reservoir St)	19.85
1705 E Market St (pad site at Valley Mall)	50.51
217 S Liberty St (Ice House)	16.00
1866-A E Market St (former Pier I Imports)	18.95
1741 Virginia Ave, Suite G (former Smoke Haus)	14.00
109 S Carlton (Food Lion-anchored shopping center)	12.00
1318 Hillside Ave (Starbucks-anchored shopping center)	24.00
313 Neff Ave (Bluestone Square)	19.00
3420 S Main St	17.78
1880 Port Republic Road (Shops on Stone Spring)	28.00

New commercial centers: Recommendations

Convenience-based, resident-serving

We recommend that retail development at both Stone Port and Preston Lake first and foremost serve the day-to-day needs of residents of these two communities, offering groceries, pharmaceuticals, sundries, and a variety of convenience-focused dining options. Both are also likely to benefit from hospital-related traffic, as both staff and visitors are likely to seek similar day-to-day necessities nearby. With 300,000 square feet of retail space in its development plan, Preston Lake is the most likely of the three new developments (and of the two that include a residential component) to support a tenant mix comparable to that of a mid- to upper-mid-market lifestyle center or small shopping mall.

Farm-to-table dining in a natural environment

With its athletic fields and nature setting, Rockingham Park at the Crossroads may be the most likely of the three new developments to support fine dining – at least to the extent that its retail development faces nature, not the highway. If its retail development faces the highway, its best retail options are likely to be sports-oriented retail – sporting goods, uniforms, specialized instructional facilities, a sports bar, and similar businesses.

Sync with the City's retail development plans

It's important to better-align the City and County retail development plans. In fact, this was, in part, an impetus for this Retail Market Analysis.

Small business development: Tools + resources



Small business development: Tools + resources

Finding tenants for a shopping mall is a somewhat straightforward and formulaic process. The demographically homogeneous nature of shopping malls' customers, combined with malls' predictable physical configuration and environment, makes it relatively easy for national retail chains to evaluate whether a particular mall might be a good fit for its business model.

But few things are homogeneous or predictable about historic downtowns and older shopping centers – and, consequently, national retail chains are unlikely to locate there. Developing – or recruiting – businesses for older and historic commercial centers requires a special set of tools and resources.

We suggest three overall guidelines for business development in downtown Harrisonburg, Harrisonburg's underperforming shopping centers, and smaller downtowns throughout Rockingham County:

- **Funnel new business development to districts and shopping centers with vacancies, rather than developing new retail centers.** We have made this point earlier in this report, but it is worth stressing once again that all the City's and County's commercial centers will suffer, to some degree, if the City and County have more retail space than their residents and visitors can realistically support. This is a particular problem on the outskirts of Harrisonburg, where hundreds of thousands of square feet of new commercial space has recently been developed or is slated for development. We understand, of course, that the County has a powerful tax revenue motivation for encouraging new development – but, with the political will to do so, it might be possible for the City and County to share commercial property tax revenue, helping alleviate the risk of flooding the region with too much commercial space.

There are a few precedents for doing so. In particular, Minnesota adopted a plan in 1971 to enable Minneapolis/St. Paul and the seven counties surrounding them to share commercial property tax revenue. The "Twin Cities Fiscal Disparities Act" collects 40 percent of the growth in commercial property assessments and redistributes this amount to city and county governments within the seven-county region according to how each municipality's *per capita* commercial tax base compares with the region's. By essentially compensating areas with less commercial development, allowing them to capitalize on their proximity to the economic power of the Twin Cities, the revenue-sharing program helps prevent sprawl development and helps ensure that the overall region maintains a healthy level of commercial space.

Small business development: TOOLS + RESOURCES

- › **Place greater emphasis on business development than on business recruitment.** *Recruitment* suggests that there is a business somewhere that can be easily replicated and brought to Harrisonburg or Rockingham County. National retail chains are the businesses for which “recruitment” is a logical approach. National retail chains are designed for replication, providing a homogeneous product and shopping experience to consumers in all the chains’ store outlets. But national retail chains almost always follow the market, rather than lead it. They rarely take risks on transitional districts or on sites that do not meet their specific square footage, street frontage, vehicular traffic, demographic, and co-tenanting benchmarks. So, it is unlikely that more than a small handful of national retail chains would consider locating in downtown Harrisonburg or in one of the city’s under-performing shopping centers, at least not for the foreseeable future.

Persuading an independently owned retail business or restaurant to open an additional outlet is possible – and independently owned businesses are often great springboards for new businesses. Their owners are familiar with the regional market and are in an excellent position to identify opportunities and unmet market needs, and local lenders and investors are familiar with them. And, Harrisonburg and Rockingham County are fortunate to be the homes of three colleges, providing a potential source of entrepreneurial energy for new business development.

- › **Think beyond retail and dining.** Although retail businesses and restaurants are usually the most visible activities in older downtowns, they have rarely been responsible for more than 20-25 percent of downtowns’ economic uses. With many national retail chains scaling back operations and with Millennial and Gen-Z shoppers likely to spend less on retail goods and services than older generations in the years ahead, it is becoming increasingly important for downtowns and other existing commercial centers to diversify their business mixes, adding a broader range of personal and professional services businesses, small industries and manufacturers, distributors, entertainment venues, visitor accommodations, and other uses.

To briefly reiterate earlier recommendations about the types of businesses on which to place primary emphasis:

- › **Downtown Harrisonburg:**
 - **Downtown residents and workers:** Focus on meeting the daily needs of downtown residents and workers, including the JMU community. Businesses that might fill this niche include specialty food

Small business development: TOOLS + RESOURCES

stores, restaurants, pharmaceuticals, office supplies/stationery, gifts, greeting cards, hardware, and daycare services.

- **Families:** Focus on providing shopping, dining, and entertainment options for families within the region. This could mean developing a few businesses with a particular family focus, such as children’s clothing, toys/games, or family-friendly restaurants. It could also mean making existing businesses more family-friendly through small changes in design and market positioning – for example, providing a small play area for children, offering family-friendly shopping hours (or days), or adding one or two new product lines to appeal to more members of the family.
 - **Regional destination:** Downtown Harrisonburg already has several businesses that serve as regional destinations as well as serving Harrisonburg area residents. Because successful specialty retail businesses usually generate a substantial percentage of their sales online and are not dependent only on in-store sales, downtown Harrisonburg can, theoretically, support many more specialty retail businesses – but, adding just a few more would enhance the district’s appeal as a regional destination. Tap into the special skills and interests of local entrepreneurs to identify potential specialty business ideas.
- › **Under-performing shopping centers:**
- **Businesses needing ample space:** Rental rates are substantially lower in the region’s struggling shopping centers than in downtown Harrisonburg, making them a good value for businesses that need ample square footage – businesses like furniture and appliance stores, food incubators, small manufacturers, and indoor sports facilities.
 - **Businesses needing low rents:** In part because of their relatively advantageous rental rates, some of Harrisonburg’s under-performing shopping centers could also become homes for small clusters of ethnic specialty retailers and restaurants.
 - **Mixed-use neighborhoods:** Some of the city’s under-performing shopping centers might have the potential to be redeveloped into mixed-use neighborhoods, possibly catering to people with similar demographic and lifestyle characteristics (such as retirees or immigrants).

Small business development: TOOLS + RESOURCES

- **New residential and mixed-use neighborhoods in the County:** Rather than providing a broad range of convenience, comparison, and destination retail, we recommend that new residential and mixed-use neighborhoods in the County focus on meeting the basic daily needs of neighborhood residents – groceries, personal services, casual dining, gasoline, and other convenience-focused goods and services.

Here are some tools and resources we recommend for helping develop locally owned businesses in Harrisonburg and Rockingham County:

1. Develop and seek out entrepreneurial talent, matching it with local capital when needed.

Finding entrepreneurs:

- **Issue RFPs for priority businesses.** Issuing a Request for Proposals for lets the public know that a district is interested in attracting new businesses and also provides a mechanism for vetting potential businesses to help ensure that those selected have a good chance of succeeding. For example, in 2016 the City of San Antonio issued an RFP to attract potential retailers to four city-owned storefronts, with spaces ranging from 166 to 1,500 square feet, in San Antonio’s La Villita Historic Arts Village. The RFP asked interested entrepreneurs to submit proposals outlining their experience, backgrounds, and qualifications; their proposed business plans; and their eligibility for any special financing, funding, or set-aside programs. The RFP asked for proposals in three categories: artist studios, art galleries, and retail businesses. Entrepreneurs whose business concepts were selected were offered five-year leases at reduced rates.
- **Organize periodic “Shark-Tank”-like competitions.** Business development competitions generate excitement and public visibility for the business development process – and can help identify entrepreneurs who might otherwise not consider opening a business. As with the television show, entrepreneurs pitch their business concepts to a panel of judges whose scrutiny helps them sharpen their concepts and refine their business plans.

In both instances, consider rewarding winning or selected businesses with start-up grants, several months of free rent, and ongoing technical assistance.

Small business development: TOOLS + RESOURCES

- **Solicit ideas for new types of businesses from the public.** There are a number of examples. For instance, public-space artist Candy Chang placed a box of adhesive-back name tags, imprinted with “I wish this was” instead of “My name is”, next to a vacant storefront, inviting people to jot their suggestions on a name tag and stick it to the window. Renaissance Downtowns, a New York-based development company, created crowdsourcing websites for three of its downtown development projects, inviting the public to suggest types of businesses for future downtown storefronts, then to vote on the suggestions. When a suggested business receives 100 ‘like’ votes, the developer commissions a feasibility study to test its potential viability – and, if the business seems feasible, Renaissance Downtowns invites entrepreneurs to pursue the possibility of opening it.
- **Incubate potential new businesses within existing businesses.** Capitalize on the foot traffic generated by existing businesses to test out new product lines and new business concepts. This is particularly effective in high-traffic businesses, like restaurants and food stores – but can work in any type of business if the new product’s or new business’s target customers are similar to those of the host business.

One of the best examples of this is (or was) The Hardware Store Restaurant in downtown Charlottesville, which closed in 2006 after 30 years in operation. The restaurant’s owners, Stan and Marilyn Epstein, rented small cubicles in the foyer to start-up businesses. The start-ups provided fun browsing opportunities to restaurant patrons waiting for a table – and the start-ups benefitted from the foot traffic of tens of thousands of restaurant patrons. The Epsteins also provided each of the start-ups with work or storage space in the building’s third floor. Over the course of its 30-year run, The Hardware Store hosted more than 200 start-ups, of which at least 50 eventually opened their own storefronts (and several grew into regional retail chains).

Capitalizing new businesses:

Some entrepreneurs may have enough equity to launch a new business and ensure that it has adequate cash flow for its first few years of operation, but many do not. And, since under-capitalization and inadequate cash flow are two of the main reasons that new businesses fail, it is vital to help ensure that new businesses have enough capital to cover start-up expenses and operating expenses for at least one full year of operation (and preferably two years).

Small business development: TOOLS + RESOURCES

There are a number of options for helping raise capital for small business start-ups, with HDR, the City, or the County helping identify local capital sources and connect qualified entrepreneurs with interested investors. Among the options:

- **Private investment groups:** Countless small businesses throughout the US are owned by partners or small groups of investors who operate as a corporation, partnership, or limited liability company. In most instances, these are straightforward investments, with the investment group hiring qualified staff to manage and operate the business. In some instances, an investment group might be motivated by a desire to strengthen a commercial district. For example, in the mid-1980s, a group of friends in Oskaloosa, Iowa pooled their money to buy a downtown furniture store whose owner was retiring. Similarly, in 2009, members of the police department in Clare, Michigan bought the Clare City Bakery, which had been in operation since 1896, to prevent the business from closing (they renamed the business “Cops & Doughnuts”). And in 2006 a group of friends in Effingham, Illinois started Firefly Grill, hiring an experienced husband-wife chef-manager team to operate the restaurant, offering them the option of buying out the group’s investment over ten years.
- **Crowdfunding:** Hundreds of small businesses have used crowdfunding to help raise start-up money. And, with the adoption of the final regulations for the Jumpstart Our Business Startups Act (JOBS Act) in 2015, it became easier for small businesses to raise equity from private investors. In essence, a business can now raise up to \$1 million in equity annually from “non-accredited” private investors without needing to do a public stock offering. There are four primary types of crowdfunding:
 - Rewards-based, in which a donor receives a reward for making a contribution.
 - Donation-based, in which a donor simply makes an outright contribution to a business.
 - Equity-based, in which someone invests money in a small business startup or expansion, with the expectation that her/his investment will likely pay a dividend or appreciate in value over time.
 - Debt-based (crowd-lending), in which someone lends money to a small business, usually at a lower interest rate or with better terms than might be available through conventional loans.

Small business development: TOOLS + RESOURCES

So far, rewards-based crowdfunding has been used most often to help raise money for small business start-ups, via crowdfunding platforms like Kickstarter.com and Indiegogo.com. For instance, Sweet Bar Bakery, in downtown Oakland, California, raised \$21,000 in three months on Kickstarter.com five years ago to help raise money to cover start-up expenses. The bakery offered donors premiums such as baked goods, cooking lessons, and naming rights for menu items.

In the past two years, though, the number of businesses using equity-based crowdfunding has quickly grown. Under the JOBS Act's Regulation CF, a person whose annual income OR net worth is \$100,000 or less may invest \$2,000 annually or five percent of the lesser of her/his annual income or net worth, whichever is greater. So, for example, a person whose annual income is \$60,000 could invest the greater of \$2,000 or five percent of his annual income (which, in this case, would be \$3,000). A person whose annual income *and* net worth are \$100,000 or more may invest \$10,000 annually or ten percent of the lesser of her/his annual income or net worth, with an annual cap of \$100,000.

Both of these models – small, private investment groups, and crowdfunded equity – could be effective tools for capitalizing new businesses in Harrisonburg and Rockingham County. In addition, there are some hybrid models that might be a good fit for some property and business development projects in downtown Harrisonburg. For example, Renew Port Holdings (renewportholdings.com), in Port Washington, Wisconsin, raises crowdfunded equity from area residents, then invests in downtown property and business development projects. To date, Renew Port Holdings has purchased two historic buildings threatened with demolition and rehabilitated them for new uses (a restaurant and a children's museum); it is now working on a mixed-use infill project that will include 13 luxury condominiums and 10,000 square feet of retail space.

While both of these models are a good fit for new business development, they are equally useful for existing businesses interested in expanding within the district or region.

Small business development: TOOLS + RESOURCES

- **Forgivable loans:** Some downtown management programs offer forgivable loans to help attract and support high-priority new businesses (and/or to help existing businesses develop a new product or service line). For example, Waterville, Maine’s downtown forgivable loan program offers loans up to \$50,000 to entrepreneurs interested in opening one of the businesses identified in the district’s market analysis as a high priority. Interested entrepreneurs pay an application fee, then make interest-only payments for five years; 20 percent of the principal is forgiven each year, assuming the business continues to meet program requirements (which include being open a minimum of 48 hours per week).

Since most forgivable loan programs are funded by Tax Increment Financing, a similar program might be out of reach for downtown Harrisonburg (see note below) – but it might be an option for some of Harrisonburg’s under-performing shopping centers.

- **Special programs for high-priority, capital-intensive startups.** Some businesses, like restaurants and some types of specialty food stores (like breweries), have capital-intensive startup costs (equipment and furnishings, in particular) and must have liquid assets sufficient to cover one or two years of operating expenses while building a clientele. To help establish capital-intensive startups, a growing number of communities and nonprofits have created special incentive programs. A couple of examples:
 - Winston-Salem, North Carolina’s Restaurant Row program uses part of the city’s Community Development Block Grant funds allocation to help alleviate financial pressure on new restaurants in a targeted section of the downtown district. To be eligible, restaurateurs must have an established track record in the restaurant business and must provide 30 percent of the restaurant’s start-up expenses as owner equity. Restaurateurs can then borrow the remaining 70 percent, at preferential interest rates, from one of two participating banks. The City uses its Block Grant money to make loan repayments on behalf of the restaurants for the first two years. The restaurateurs repay this amount to the City at the end of the loan term. The loan deferment program helps alleviate financial pressure on the restaurants during their first two years of operation, giving them time to build a clientele and become established before beginning loan repayments.

NOTE: We recommend that the City establish a Tax Increment Financing district in downtown Harrisonburg, but with other priorities for the use of the revenue generated. See page 66 for more information.

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- Allentown, Pennsylvania’s Restaurant Row grant program offers outright grants to help defray the costs of interior construction, fixtures, façade improvements, and exterior signs for restaurateurs willing to open a restaurant within a seven-block section of the district. Grants cover 50 percent of eligible expenses, up to a maximum of \$50,000.
- **Percentage leases:** Although not a source of capital for new businesses, percentage leases help lower initial out-of-pocket expenses for new businesses. Rather than charging a flat rental rate for retail businesses, owners of commercial property – particularly in downtown Harrisonburg – might consider charging a lower rate, plus a percentage of sales, for start-up businesses, particularly in secondary locations with less pedestrian and vehicular traffic. For example, rather than charging \$14/square foot, a property owner might charge, say, \$8/square foot, plus five percent of gross sales revenue above the business’s first \$100,000 in sales. Percentage leases not only make it easier for a business to take root but also provides an incentive for the property owner to support and mentor the business owner.

Example:

1200 SF x \$14/SF = \$16,800 annual rent (market-rate rent)

1200 SF x \$8/SF = \$9,600 annual rent (reduced rent)

Difference: \$7,200

Annual sales: \$250,000 - \$100,000 = \$150,000 x 5% = \$7,500 (revenue from sales percentage)

2. **“Recruit” businesses from within the region.** It is a huge undertaking for a locally owned business to open another new business within the community or region. In addition to needing capital, the business owner needs to divide her/his time between the old and new locations, ensuring that neither suffers. There are many other complications, also – like making sure that the new location expands the business’s sales, rather than simply shifting sales away from the new one, and ensuring that capital needed for the new location isn’t cutting into the existing location’s cash flow.

But, there are compelling benefits in encouraging, and helping, an existing business open a new shop downtown. The business owner is already very familiar with the region, its residents, and its visitors; she or he has already established working relationships with financial institutions and suppliers. And the business’s existing reputation gives the new location name recognition, helping boost its visibility.

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Should HDR, the City, or the County decide to encourage existing businesses to open a new location in Harrisonburg or Rockingham County, we recommend the following sequence:

- **Identify prospective businesses.** Give volunteers some parameters for the types of businesses you are seeking, then ask them to scout out prospects as they travel throughout the region. Ask them to not make contact with business owners at this point but to simply bring back notes (and, if possible, some photos) that describe the business, its merchandise mix, its customers, its décor, and its market position.
- **Meet with the business owner for a preliminary conversation.** Briefly present the reasons you think the business might be a good fit for the district or shopping center for which you envision it – but focus primarily on what the business owner might need, should he or she be interested in considering opening a new shop in Harrisonburg or Rockingham County. Among the questions to answer:
 - How much space might the new business need?
 - Is there a particular type of space configuration that the business needs?
 - How much visibility does the business need? Does it need a prime corner location, with maximum visibility, or would it be equally successful in a less visible space?
 - Does the business need a quiet location?
 - Does it need to be near dedicated parking, or near quick-turnover parking?
 - Does it need a loading dock?
 - What types of businesses would its ideal neighbors be?
- **Follow up with specific, helpful information.** Offer answers to the specific questions the business owner asked in your initial meeting.
- **Identify ideal spaces.** Finding the ideal space is one of the most challenging parts of the process, since vacancies in downtowns (and sometimes in older shopping centers) are difficult to predict, due to multiple property ownership. It could take several years for an ideal space to become available.
- **Line up the tools and resources needed.** Working from the business owner’s list of needs, line up the tools and resources he or she will need to eventually open a new shop. These might include financial

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needs, cutting red tape, identifying qualified store management staff, or spiffing up the district's or the shopping center's marketing/promotion strategy.

- **Stay in contact.** The process of helping an independently owned business open a new location can take several years. It is crucial to stay in contact with the business owner throughout this process, not only letting them know that you are still working towards their arrival but also that you are welcoming them into the district or shopping center and helping them feel part of the community even before their arrival.
- 3. Strengthen existing businesses.** Helping existing businesses increase sales and reach new customers is as important as attracting or developing new businesses. Harrisonburg is fortunate to have the Shenandoah Valley Small Business Development Center, offering hands-on training and technical assistance not only to people interested in starting a new business but also to established business owners interested in improving their businesses, and the SBDC will undoubtedly continue to be a valuable resource for downtown Harrisonburg, Harrisonburg's under-performing shopping centers, and current and new mixed-use neighborhoods in the County. The challenge is persuading business owners to take advantage of the SBDC's services – and, rather than becoming frustrated over business owners' reluctance, or lack of time, to tap into the hands-on assistance the SBDC can offer, we recommend bringing small nuggets of information and ideas to business owners, indirectly, through brief email or written communiqués, buttressed by occasional workshops or short-term offers of hands-on coaching.

There are several constant themes that HDR, the City, and the County might promote – through newsletters, meetings, workshops, email messages, and casual conversation – to help businesses (particularly retail businesses) increase sales. These include:

- **Changing window displays:** This is particularly effective in reaching shoppers who live and work in and near a commercial district. When people walking past storefront window displays every day notice a change in a display, they pay closer attention to the shop. When the storefront displays are unchanged, pedestrians tune them out after a week or two.

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- **Shift store hours:** Downtown stores that shift their store hours from 9-5 to 10-6 can sometimes increase sales by as much as 50 percent. The shift does not increase the number of hours in the work day for the store's workers – but it makes it possible for people who work from 9-5 have an hour at the end of the work day when they can shop.
- **Online sales:** Launching an online storefront not only makes it possible for a business's current customers to shop 24/7 but also makes it possible for a store to reach new customers throughout the world. In a city like Harrisonburg, with college alumnae and alumni nostalgic for the places they once frequented, online storefronts (coupled with a moderately aggressive email or even snail mail campaign to reach graduates) can be particularly successful. There are a number of web-based companies that offer turnkey, easy-to-use ecommerce storefronts at very reasonable prices, such as Shopify.com and Squarespace.com.
- **Co-merchandising:** Co-merchandising involves placing merchandise from one store inside another store with similar or compatible customers, thereby increasing the number of shoppers who see it and growing the store's effective trade area. Two store owners might agree to voluntarily host merchandise from the other store, or a store owner might rent a small amount of square footage inside a compatible business.
- **Value-added services:** Offering services that enhance customers' knowledge about how to better use the products they buy helps build customer loyalty and provides opportunities to sell add-on or additional products and services. Restaurants might offer small-group cooking lessons, for example, and clothing stores might offer personal shopper services, special shopping nights for men or children, and invitation-only fashion shows. Restaurants should consider joining a national online reservation service, such as OpenTable.com, the nation's largest online reservation service (currently, only three restaurants in Harrisonburg use OpenTable). Businesses that cater to younger and to tech-savvy shoppers might consider adding in-store beacons, offering specials to shoppers who opt in when they walk within a certain perimeter of the store. And all businesses should carefully monitor and cultivate their social media profiles, keeping customers engaged through frequent updates, and responding to all online customer reviews promptly.

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A few special notes about online sales:

- Harrisonburg and Rockingham County attract hundreds of thousands of visitors each year – friends and family visiting college students, people vacationing at Massanutten, and many others. Each of these visitors has the potential to become a longtime customer of Harrisonburg-area businesses. A positive in-store experience might encourage a visitor to look for the store online – particularly if the store provides its internet address on the receipt or on a business card, or if it offers an occasional email newsletter or special online-only offers, and maintains continuing contact with the visitor. The City and County are fortunate in having such a strong tourism base – and, with some creativity and patience, almost all retail businesses can benefit more directly from the presence of visitors within the region.
- Given the growing tendency for people (particularly younger people) to shop online, it is becoming crucial for independently owned businesses to have a strong online presence – not only to reach non-local shoppers but also to help blend the in-store and online shopping experiences for local shoppers, making it more likely that local shoppers might shop online, as well as in person, from local businesses. For example, a growing number of retail chains now offer a same-day, in-store pickup option for people who purchase things from their websites – and a small, but growing, number of independently owned businesses offer this option, as well. Independent businesses might also offer local-area delivery service for orders placed online, making it very easy for shoppers to patronize local businesses and benefit from delivery service that rivals the speed of even Amazon Prime.

4. **Build business and property databases and continue conducting research.** These databases are particularly needed in downtown Harrisonburg, for which comprehensive business and property databases do not yet exist – but are essential for identifying and prioritizing locations for business expansion and new business development, for establishing benchmarks, and for measuring changes in the district’s economy (such as changes in property value, occupancy/vacancy, numbers of workers, and space allocation by use).

We also recommend that Harrisonburg Downtown Renaissance repeat the trade area mapping exercise conducted as part of this market analysis every two years, comparing results to see if the district’s effective trade areas for different types of stores is expanding, contracting, or shifting in direction (see pages 32-34). And we recommend that Harrisonburg Downtown Renaissance begin conducting downtown intercept surveys every 3-4 years to learn more about the district’s current shoppers, visitors, and other users and

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about how these characteristics change over time. The survey should be brief, simple, and straightforward – no more than half a dozen questions, answerable in just a minute or two – and should focus on where the district’s visitors live and work, the purpose of their visit, and some basic demographics. In order to be statistically valid (so the survey sample is reflective of all downtown visitors), the survey must be conducted using random sample methodology. (See articles in *Main Street News* and *Main Street Now*, available on the National Main Street Center’s website, for information on conducting intercept surveys).

5. If you want to attract retail chains.... Should Harrisonburg Downtown Renaissance, the City, or the County wish to pursue national retail chains for downtown Harrisonburg or one of the City’s or County’s shopping centers or mixed-use commercial centers, there are several national and international directories of retail chains available online that provide detailed information about the specific site characteristics each chain requires. These parameters typically include:

- Demographic characteristics
- Square footage
- Street frontage (linear feet)
- Neighboring businesses
- Prevailing market-rate rents
- Minimum lease terms
- Average sales per square foot for the overall district and for the chain’s store category
- Minimum pedestrian and vehicular traffic counts

The most comprehensive of these directories include Plain Vanilla Shell (plainvanillashell.com), Crittenden’s Retail Tenants Online Directory (crittendenonline.com), and RLТ’s Retail Tenant Database (rltrac.com). All are available on an annual subscription basis.

General limitations + disclaimer



General limitations + disclaimer

Retail market analyses, their components (such as retail sales void analyses), and derivative business development plans provide important guidance on how a commercial center should, theoretically, be able to perform and on the sales levels businesses should be able to achieve. However, a number of factors affect the actual performance of retail businesses and commercial centers, including the skills of the business operator, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors. The information in this report is intended to provide a foundation of information for making retail recruitment decisions in Harrisonburg and Rockingham County, but it does not, and cannot, ensure retail success. Accordingly, the CLUE Group makes no warranty or representation that any of the potential results contained in this study will actually be achieved.

As is true of all demographic, economic, and market studies, the reliability of our analysis is limited to the reliability and quality of the data available. Our research assumes that all data made available by federal, state, county and municipal sources, from community organizations, and from business owners is accurate and reliable. Given these limitations, our report reflects what we believe are reasonable estimates of trends, current conditions, and future possibilities.