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DATE: October 20, 2009
TO: Mayor and City Council
Redevelopment Agency Board Members
FROM: City Manager
SUBJECT: Update on Retail Attraction Strategy

RECOMMENDATION:

Staff recommends that the City Council reviews/comments on this report.

BACKGROUND:

In April of 2009, the City of Hayward entered into an agreement with the Buxton Company to develop a retail marketing strategy for the City of Hayward. Based on the City's retail attraction efforts in the past, it was determined that in order to effectively recruit attractive retail tenants to the City of Hayward, it was necessary to use a more sophisticated approach that takes into account the psychographic characteristics of consumers and their purchasing preferences. Retailers such as Trader Joes, Kohl's, The Guitar Center, Beverages & More, Men's Warehouse, Old Spaghetti Factory, etc. require a comprehensive approach that details how the buying habits of the City's population are a match for their retail product mix. Such an effort is consistent with Council's stated priority for Economic Development under our Fiscal Stability Initiative.

Buxton Company utilizes their expertise in retail location and market analysis to benefit communities desiring retail expansion. Using their proprietary methodologies, Buxton collects and analyzes a community's trade area information and delivers it to the community in a format that is easy to use and appealing to real estate executives and developers. They then deliver an execution strategy called Community ID® to assist in developing a marketing program for retail sites.

In a meeting with City staff and the Buxton Company, it was determined Buxton's services could best be used to assist in matching retailers to site opportunities within the following three targeted areas:

- Tennyson/ Mission to Industrial Boulevard
- Southland Mall/ Hesperian corridor
- Downtown/Foothill area

The professional services contract includes the following scope of work and deliverable products for each of the three areas:

- Research and verify Hayward's retail trade area – produce drive-time trade area map.
- Evaluate Hayward's retail potential - produce retail leakage/supply analysis and customer profile.
- Match retailers and restaurants to Hayward's market potential – produce final report and final list of up to sixty retailers, between the three sites, and produce marketing (pursuit) packages for each.
- Produce an electronic presentation of the Hayward Community ID process, including the major findings such as lifestyles, purchase behaviors, media reading and viewing habits.
- Create an “on-line” account, which will allow Hayward to access all of the information developed as part of the retail analysis and to further refine marketing presentation materials or respond to inquiries by specific retailers. This on-line account will be available as part of the contract for a one-year period, and can be renewed at a cost of \$12,000/year in subsequent years.

Buxton was to consider the following factors for retail matching:

- Buying patterns of households, students, and workers in the trade area
- Demand for retail goods and services, including retail leakage from Hayward
- Site setting, situation, and configuration
- Growth and development plans
- Retail goals of the community
- Destination retailer analysis

The primary goal of the Buxton Company service is to prepare Hayward to successfully expand its retail sector by matching those retailers that are a good fit to the Hayward customer profile. With the opening of Cinema Place, revitalization of our historic downtown, extensive economic, educational, and recreational opportunities, Hayward has moved into a position to attract new retail opportunities.

The attached Buxton Retail Strategy report was also presented, received, and discussed at the October 5 Economic Development Committee meeting.

DISCUSSION:

The City of Hayward identified sixty (60) targeted retailers (twenty (20) per targeted area), based on the psychographic and segmentation analysis from Buxton, and has received the corresponding retail marketing packages. These packages will be used as a tool to alert retailers as to how the specifics of the Hayward trade area are conducive to that particular retailers' business model, their demographics/psychographics, and how Hayward can be instrumental in their respective expansion plans. Some of the national retailers that have been identified as matches and targets are: Whole Foods Markets, American Apparel, Ashley Furniture Home Store, Barnes & Noble, Red Robin Restaurants, Chipotle, TJ Maxx, etc.

Staff has begun to contact these respective targeted retailers to develop relationships and initiate potential interest. At the recommendation of Buxton, staff attended the International Council of Shopping Centers ("ICSC") Western Region conference in San Diego in September 2009 and relayed the Buxton results to the retailers that were present. Staff is currently working on following up with prospective businesses as well as contacting all sixty (60) targeted retailers over the next few months.

Due to the current retail and economic conditions, retailers in general are curbing their expansion plans as they attempt to shore up their balance sheets, although there are a few retailers that are still growing. The overall goal is to position Hayward as a desirable retail arena so that when retailers/restaurants choose to expand, they will look to Hayward as an option. The desired outcome of the partnership between Buxton and the City of Hayward is to have more national and regional retailers and restaurants to expand within the City limits. Additionally, the informative data gathered will also be used as a tool to share with existing businesses, real estate brokers, and others to illustrate that Hayward is a good and viable market based on the analytics provided.

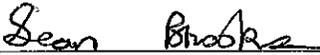
FISCAL IMPACT:

Increased retail activity not only provides a higher quality of life for our residents by supplying desired services and products, but also provides an increase in our sales tax base. Retail only businesses in the City currently generate approximately \$5.2 million annually (annualized based on the most recent 4 quarters) to help fund general services. Placing retailers in Hayward will strengthen our capacity to serve the community.

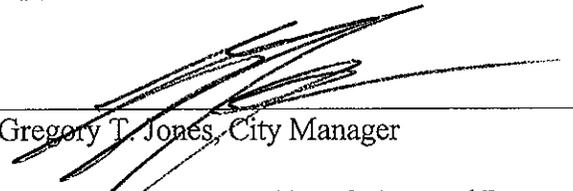
NEXT STEPS:

Staff will continue to contact and follow-up with respective targeted retailers as well as others who meet our demographics. Staff will use the analytical information to market the City not only to potential retail and restaurant businesses, but also to future commercial, industrial, and office clients to show the vast amount of disposable income and opportunities that are in Hayward. Between the contacts provided through Buxton, various forums through ICSC, the Urban Land Institute ("ULI"), as well as leads through brokers, existing businesses, and others, the City will continue to share with prospective businesses that Hayward is indeed open for business and a retail destination.

Prepared by:


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Approved by:



Gregory T. Jones, City Manager

Attachment: Buxton City of Hayward Presentation for City Council

**Due to the color and length of the attachment,
it has been included as a separate link**