Clarksburg Retail Study

A Staff Report by the
Montgomery County Planning Department, Research Division
The Maryland-National Capital Park & Planning Commission
September, 1991

Attachment 1

CLARKSBURG RETAIL MARKET ANALYSIS

September, 1991

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CLARKSBURG RETAIL MARKET ANALYSIS

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Overview and Introduction

The retail analysis presented in this paper discusses the amount of neighborhood retail square feet supportable by the market area households and employment proposed in the Clarksburg master plan. The Transit Corridor Concentration alternative is the recommended development scenario presented in the Clarksburg master plan.

An initial retail needs assessment of Clarksburg was prepared in October, 1990. This study estimated, for four alternatives, the amount of supportable square feet of neighborhood retail space for the entire Clarksburg Planning Area. Since this initial study, one alternative was chosen (the transit corridor concentration) and only slightly modified in the number of households and employment proposed.

Under this scenario, three different sites are proposed as locations for neighborhood retail centers. Each site in the Clarksburg Planning Area was tested to determine the amount of space supportable by the respective market area. Together, the centers located on the three sites should adequately serve the primary and secondary market areas of Clarksburg by build-out of the master plan.

A neighborhood retail center is proposed for the Clarksburg Town Center on Stringtown Road. Another is proposed east of I-270 on New Cut Road in New Cut Village and a third west of I-270 on Clarksburg Road in Cabin Branch Village.

Definition of Neighborhood Retail Center

Neighborhood retail centers, also referred to as neighborhood shopping centers, are anchored by a grocery supermarket perhaps with a pharmacy (now often found within the supermarket) and are usually visited more than once a week by most households. They usually incorporate other frequently visited stores and service establishments such as video rental, beer and wine stores, deli, sandwich and pizza restaurants, sit down restaurants, dry cleaner, banks and a card store.

They often have a few professional offices. They may also frequently include a few comparison shopping stores selling apparel, books, and other goods often found in malls. Gasoline filling stations and banks may be found on "pads" in the parking area. Non-anchor uses typically account for 30 to 40 percent of the total square footage of the neighborhood center.

These centers are now being built at a scale that serves groups of several neighborhoods but the term is still standard and is used by the Urban Land Institute so a change in terminology seems inappropriate.

Comparison goods are those goods and services the consumer "shops around" for. The consumer is more conscious of price and quality of product and may check several stores before making a purchase. And the consumer is more willing to travel longer distances to purchase comparison goods as compared to neighborhood goods. A very limited amount of comparison goods may be found in neighborhood shopping centers.

The amount of comparison goods space supportable in Clarksburg is not assessed in this retail analysis. The need for free-standing retailers offering comparison goods, such as retail stores commonly found in regional malls, is more difficult to estimate because of a regional market base and the amount of comparison goods supplied by regional malls. The estimated amount of square footage needed to serve the Clarksburg market area would be largely met outside of Clarksburg at malls and other retail stores.

We do believe, though, that there could be a need for the types of stores not usually found in malls, such as automotive services, a hardware/home improvement store (Hechingers, for example) or for an off-price/discount center (K-Mart, for example) in the Clarksburg area. Many of the area's other needs for comparison goods could be met by the nearby Lake Forest mall or the proposed Milestone mall, in north Germantown. The existing Lake Forest mall is 7.5 miles from the center of Clarksburg while the proposed Milestone mall is only 4 miles away. See Section III for more information on comparison goods.

SECTION I

Supportable Square Feet of Neighborhood Retail Centers in Clarksburg

Three different sites in the Clarksburg Planning Area were tested to estimate the amount of neighborhood retail center space supportable by households and employment in a defined market area. These three market areas are identified in the APPENDIX of this report. The three sites are referred to as the Town Center location, the New Cut Village center (east of I-270) and the Cabin Branch center (west of I-270). Together, it is estimated that the three neighborhood centers will meet the needs of the Clarksburg households and employment proposed in the Transit Corridor Concentration and of those households in the secondary market area.

1. <u>The Town Center location can support up to 152,500 square feet of neighborhood retail uses</u>.

These uses would be located in a neighborhood center as described in the Overview section of this report.

But we recommend a center size of less than 152,000 square feet for the Town Center. Large retail centers (around 130,000 - 150,000 square feet) typically have difficulty in maintaining an attractive tenant base over the long-run. Ancillary uses to the anchor have more financial difficulties because of the nearby competition offering neighborhood convenience goods and services. Finally, just because there may be a need for 150,000 square feet of neighborhood convenience and shopping goods in the Town Center are does not inherently mean it is feasible to locate all of this space in one center.

If less than 152,500 square feet is proposed in the master plan, the difference could be located elsewhere throughout the area. Some of the remainder could be located along main street, some at the transit station. Transit retail would serve commuters to and from Clarksburg and some nearby households. Most of the support for the transit station retail would probably come from nearby households.

The Town Center neighborhood center supports the largest amount of space because it captures a higher percentage of the market area than the other two proposed sites. Cabin Branch and New Cut centers are estimated to attract 15 and 24 percent of the primary and secondary market areas, respectively. See APPENDIX for map of primary and secondary market areas.

Approximately 26,000 households are located within the primary and secondary market area of Clarksburg. Twenty-seven percent of these households are estimated to shop at the Town Center neighborhood center. Capture rates of area households were estimated for the Town Center market area and for the other two locations at a subzone level. See the APPENDIX Table A1 for each site's market area and capture rates.

Not every household within 1 - 3 miles will shop at the Town Center shopping center. Transportation networks, natural barriers (streams) and competition were identified to determine accessibility to the center and in estimating capture rates.

Similarly, a small portion of the employees in the area of the Town Center is estimated to shop at the neighborhood center. Capture rates of area employees were estimated to help calculate the amount of square footage supportable by this demand group. The capture rates are estimates of the number of employees that will shop at the neighborhood centers in the planning area. The capture rates for Clarksburg planning area employees are relatively small when compared to capture rates of employees for a center located in a downtown. About 3,300 employees in Clarksburg are each estimated to spend $989 per year on neighborhood convenience goods at the Town Center shopping center.

See Table 1.

2. <u>Today, neighborhood retail centers average between 80,000 and 120,000 square feet and can be accompanied by government community service providers (library, post office, senior citizens center etc.)</u>.

Center sizes have been increasing over the last decade and are expected to continue to grow during the 1990's.

Governmental services that locate around or even in the Town Center neighborhood center could be a significant attractor of area households. The shopping center would be larger in size (than the 120,000 neighborhood center we are recommending) because of the government uses and could help create a more viable Town Center use. Locating government services in the Town Center could help create a synergy with the retail uses that could result in a more frequented center.

The Town Center is envisioned as being the focal point of Clarksburg. Social and government services could be located near the Town Center neighborhood center creating a community attraction; an environment providing both a functional element and a social setting-- a gathering place for the town's people.

3. <u>The New Cut Village market area east of I-270 could support about 130,600 square feet of neighborhood shopping center space</u>.

The market area for the New Cut center is different from the market area for the Town Center shopping center. We estimate that just over 6,000 households will shop at the eastside neighborhood retail center. That's about 1,000 less households compared to the Town Center market area.

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4/7/93

Table 1
Amount of Square Feet of
Neighborhood Shopping Centers
Supportable in Three Clarksburg Market Areas

Clarksburg Site	Captured Market Area* Households	Captured Market Area* Population	Captured Market Area* Employment	Square Feet of Center Supported by Households and Employment
Town Center	6000 7,086	13,800 15,648	3340 3,281	128,700 ~~152,500~~
New Cut Center	5400 6,228	13200 14,621	150 1000	111600 130,600
Cabin Branch	~~3,865~~ 3400	~~8,799~~ 8100	~~1,067~~ 1800	~~82,000~~ 74,500

* Market area for each Clarksburg site is comprised of a primary and secondary market. See Table A1 in the APPENDIX for a description of each site's market area.

Source: M-NCPPC, Montgomery County Planning Department, Research Division

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TC!

15% of HH mkt area within 2-mi C.B.
incl. 23% of PA or
338 = du's

23% of HH mkt area hhlds
incl.
4900 primary area
mkt hhlds (CB) or
23% of HH hhlds

.95 (4000)

The New Cut center will probably be more of a conventional neighborhood center as compared to the shopping center at Town Center which may include more government and human resource services.

A very small percentage of the area employment is estimated to shop at the New Cut center.

4. The Cabin Branch market area could support about 82,000 square feet of neighborhood shopping center uses.

The market area for the Cabin Branch site is the smallest of the three sites tested. About 3,800 households are located in the Cabin Branch market area. Most of the households are west of I-270 but some are east of 270. Because road networks provide accessibility to the westside location, we believe some of the households located just east of I-270 will shop at the westside center. About 1,000 employees are estimated to spend about $989 per year at the Cabin Branch neighborhood shopping center.

SECTION II

The Market for Comparison Goods in Clarksburg

As mentioned in the Overview section of this report, the amount of comparison shopping goods needed to serve the planning area's households and employment is not estimated in this analysis. The nearby regional malls absorb much of this demand and any amount of space that we could measure with our standard retail model approach would be artificially high. We do, though, have these observations concerning comparison shoppers goods for Clarksburg.

Comparison shopping in Clarksburg needs to occupy market niches other than those which are directly competitive with regional malls. The market area for conventional comparison shopping goods in Clarksburg has been critically reduced due to the proximity of the proposed Milestone and Kentlands Malls and the existing Lake Forest Mall. Milestone is only 4 miles from the center of Clarksburg while Lake Forest is 7.5 miles away. A similar situation exists in Germantown. The viability of comparison goods shopping in the proposed Germantown Town Center is affected by the proximity of these three malls. A study was performed by Legg Mason that specifically analyzed the impact the three malls would have on the Germantown Town Center. The study concluded that the Town Center should differentiate itself from the mall as much as possible. It also recommended that, "to reinforce the vitality of the Germantown Town Center, inclusion of restaurants, cinemas and other commercial/ recreational/community opportunities should be discouraged on other Town Center sites".

The following uses were recommended by Legg Mason for the Germantown Town Center:

> entertainment uses such as movie theatres and dinner theatres;
> health clubs;
> eating and drinking establishments, both formal sit-down and informal ice cream parlors, pizza parlors and delis;
> convenience retail directed mainly at nearby office workers and residents; (only 35,000 square feet was recommended for Germantown Town Center, in addition to the existing neighborhood retail totaling approximately 175,000 square feet);
> comparison shopping goods, such as; women's apparel, children's shoes, galleries and other specialty boutiques that would not traditionally locate in shopping malls.

See APPENDIX for the Legg Mason Germantown Town Center study conclusions.

The Clarksburg Town Center may offer similar uses but on a smaller scale than what will be done Germantown. The Clarksburg recreation uses and other comparison goods and services may compete with similar uses in Germantown because of its proximity to Clarksburg and the willingness of consumers to drive longer distances to purchase such items.

In addition to these Town Center uses, Clarksburg Town Center could offer off-price retail outlets as well as discount stores (K-Mart and Wal-Mart, for examples), hardware stores and automotive services. These uses would serve the surrounding Clarksburg market area. Legg Mason also recommended similar uses for the Germantown Town Center. If suitable land could be located near the Town Center, these types of uses could help create a synergistic agglomeration of retail uses providing a central location of retail activity in the Clarksburg planning area.

A variety of these uses could consume several hundred thousand square feet. A discount store, such as K-Mart, requires about 90,000 square feet of building space, a market area of 30,000 - 40,000 households and a nearby neighborhood center anchored by a grocery store. K-Mart is planning on opening a new store next year in Gaithersburg and plans on refurbishing existing K-Marts. Wal-Mart, the number one retailer in America (in sales), is another strong discount/off-price center that would be attractive to Clarksburg. Wal-Mart is expected to make its foray into the Washington area soon. Several stores are proposed in the region with one store planned in Annapolis, Maryland.

Hechingers stores are about 80,000 square feet in building size and usually require 7 - 10 acre sites. They demand a market area with about 40,000 households and a site having excellent visibility on a major highway with other anchors nearby. At present, Hechingers is looking for expansion sites in Maryland. Other possible comparison uses could include a limited amount of apparel/specialty clothing, a health club, fast food stores, gourmet delis, sit-down restaurants and entertainment uses and Clarksburg retail may not directly compete with the three nearby malls.

The leasing, marketing and management staff of the Clarksburg Town Center must prepare unique marketing strategies and tactics to insure the success and viability of the Town Center. The unique specialty and boutique tenants which are desired in the Clarksburg Town Center "Main Street" are few and sometimes difficult to attract into town center locations. Incentives may need to be offered and other promotional programs developed to help attract a regular customer base to the area. Promotional programs have often been used in downtown areas and town centers to establish or reinforce a particular image, sometimes considerably before the physical setting has been determined and major private investments have been made.

A report prepared by Halcyon Ltd. in January, 1990 for the Germantown Master Plan recommends certain promotions/events that could help the Town Center achieve and develop an identity. Program activities and a program cost sharing and management structure are attached in the APPENDIX.

Because Germantown and Clarksburg Town Centers are both near the proposed Milestone Mall, each will have problems in carving out their market niches. Not only will they both have problems related to their proximity to the mall, but problems could arise due to the nearness of the town centers to each other. Creating a unique Town Center identity may prove to be an important characteristic to a successful shopping and socially desirable attraction.

SECTION III

Other Factors to Consider When Planning Neighborhood Retail Centers

1. Flexibility in designing a neighborhood retail center has increasingly become an important element in retail planning.

Be sure that the site acreage is large enough to allow for retail expansion in the future, should market conditions heighten. Many of the existing retail centers in the market area are unable to expand to meet excess retail demand. When designating land for the neighborhood shopping center, be aware of future expansion needs.

2. Locate sites for neighborhood centers on the going home side of the road.

Some major players in the food retailing industry stressed the importance of locating food stores on the side of the road where workers going home can easily turn off to reach a shopping destination. A significant amount of shoppers stop at stores nearest their home--on their way home. And many consumers do not want to cross to the other side of the street to shop; they would rather have easy access and egress to and from the center and not worry about crossing through traffic. This would not pose as much a problem if stop lights were installed at the turns into the center.

3. Store site monopolization can reduce the chances for market area competition.

Competition is an important market phenomenon that helps maintain more affordable products for consumers. If one food retailer is able to secure the only two or three sites in a market area, there is no chance for another retailer to locate within this same market. The site monopolizing retailer can therefore charge a higher range of prices than if there was more competition nearby.

One way to avoid monopolization of store sites is to locate centers close to each other (one mile or so apart). In this way, one chain will not chose to locate on both sites; the stores would just be too close. And industry experts believe that centers locating near each other do not inherently have financial problems. As long as there is enough demand to support the centers, both should be viable. In addition, a spokesperson at Safeway stated that they have no problem going "head-to-head" with a Giant store.

Another way to reduce the chances for store site monopolization is to zone sites so that a village center can meet the projected demand and can expand 10-15 percent in building area.

4. Neighborhood retail centers are commonly anchored by a supermarket and perhaps a drug store.

In addition to the anchors, other smaller, specialty food stores, sandwich shops and delis commonly locate in neighborhood centers. A dry cleaner, video store, convenience restaurants, record shop, card shop, beauty/barber shop and liquor store are also usually found in these centers. Professional service companies have been known to locate in retail centers, such as insurance companies, banks and even medical offices (dentists and family practices).

5. The size of village retail centers has been growing over the last few years.

The main reason for this is the increase in size of the major anchor, the superstore. It is becoming more common to find a 50,000 square foot supermarkets in a neighborhood retail center. Industry experts expect the size of these stores to continue to increase but no one had any idea by how much. That's why it is a good idea to provide enough land so a store can expand, if and when the market warrants, but preferably after competitive centers are well established.

Our retail model shows three neighborhood retail centers are supportable in the Clarksburg Planning Area. The center sizes could range from about 82,000 square feet to 152,000 square feet in building area. Assuming an FAR of 0.25, a 152,000 square foot building would require about a 14-acre site. An 82,000 square foot neighborhood shopping center would need about a 7.5 acre site.

6. In existing neighborhood retail centers, professional office space usually comprises not more than 10 percent of the total center square footage.

This is true especially in centers near employment centers.

Be careful not to propose too much professional office space in the Clarksburg village centers.

The usual tenant for this type of space employs under 15 people (in fact often under 10) and requires a minimum of space (usually under 2,000 square feet). Larger firms locate in major employment centers such as the employment corridor proposed in Clarksburg. Smaller businesses such as insurance companies (often only 2 or 3 people), travel agencies, dental offices and other medical practitioners are often attracted to neighborhood centers.

7. Monitor, a shopping center industry magazine, reports in its May, 1990 issue that maintaining traditional tenant mixes is an important marketing strategy to help neighborhood centers remain competitive.

This positioning tactic achieved a high mark among retailers surveyed. These high marks mean centers with traditional tenant mixes can look forward to positive business prospects over the next several years.

8. Entertainment and leisure retailers expect a significant increase in the amount of sales over the next several years.

Monitor also reported in its May, 1990 issue that entertainment and leisure retailers can expect higher sales. A rating scale is used which helps identify improving, stabilizing or worsening retail business prospects. A reading of 50 shows conditions are expected to remain about the same over the next several years while higher numbers (up to 100) mean improvement is anticipated and lower numbers (down to 0) mean worsening conditions could occur over the next several years.

Entertainment and leisure retailers had a rating of 68; strong sales are expected in the near future. Restaurant and fast food retailers registered an index of 62 which means an increase in sales, but not as much as the increase in the entertainment/leisure sales. Supermarkets, drug and variety stores and children's apparel all are expected to have higher sales with readings around 60. Not expected to perform as well are jewelry stores, home furnishings, department stores, and women's and men's apparel, all below an index of 50.

9. Developers report that business prospects for the next several years are brightest for community and neighborhood centers.

Monitor stated in its May, 1990 issue that developers rate neighborhood and community centers as having an overall high rating for business prospects. The four-year average index (1986-1989) for neighborhood retail centers was 60. The four-year average for super regional malls was a rating of 47; respondents foresee poorer conditions over the next several years.

10. Business Week reports in a recent issue that there is 18 square feet of retail space for every man, woman and child in America, more than double the amount in 1972.

This statistic is reported in the August 1991 Value Retail News magazine. Value Retail News states," ... that the booming real estate market of the 1980's has left in its wake a number of new malls without established traffic patterns or demographic support". It also reports that "the growth of outlet and off-price retailing itself has contributed to this overstoring".

Another factor helping to explain the state of retailing, reports Value Retail News, is that many of the retailing companies that changed hands in the last few years are companies lacking a sense of purpose and are operating tired, obsolete concepts. The emergence of new discount retailing concepts such as the outlet mall and "category killer" (i.e. Toys R Us and Circuit City) stores have changed the way Americans shop and have stolen the target market of many traditional retailers and pulled customers away from traditional shopping centers.

11. The Washington Post reports in the August 11, 1991 Business section that many industry observers see a massive shift toward value-oriented shopping by consumers weary of the spending sprees of the 1980's and scared of what the economic future holds in the 1990's.

Analysts expect the shift to be profound, especially among the large and influential pool of the aging baby-boom generation that seems to be abandoning upscale stores to shop downscale. "As people get older, they tend to spend less of their income", according to Management Horizons, a retail consulting firm. "Stores like K-Mart and Wal-Mart are expected to perform very well".

12. The Kiplinger Washington Letter reports the following observations concerning the retailing industry in its August 16, 1991 issue.

> Discount stores such as K-Mart and Wal-Mart will profit by catering to price-smart shoppers. These stores will hurt department stores and specialty shops by pushing staple products to lower prices.
> Chains that dominate a niche, referred to as "category killers" like Toys R Us and Circuit City buy in such volume that competitors struggle to match selection and price.
> No frills membership warehouse clubs are getting more popular--shoppers pay small annual fee, get merchandise and groceries at a discount.
> Catalog showrooms are fading--discounters offer the same prices.
> Not many new shopping malls, development off one-third from 1990 nationwide. Too many were built in the 1980's.
> Bucking this trend is the outlet mall.

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APPENDIX

Methodology and Assumptions

Attachments: Excerpts from Legg Mason Market Study and Halcyon Report on the Development of the Germantown Town Center

APPENDIX

METHODOLOGY AND ASSUMPTIONS

Identification of the Clarksburg Market Area

The first step in determining demand for a retail center is identifying the households and employment that comprise the Clarksburg market area. In this case, three market areas are identified for three neighborhood retail locations. Each market area is comprised of primary and secondary markets. Primary market areas consist of households and employment that are usually closer to the site than the competition. These consumers will do most of their shopping at the subject location. The secondary market area extends beyond the primary market. Households and employment within the secondary market usually have other shopping choices and they spend less of their retail dollars in the primary market area.

In analyzing the Clarksburg market, both primary and secondary market areas are identified. The primary markets are composed of subzones which, aggregately, comprise the Clarksburg Planning Area while the secondary market unit of analysis is the traffic zone; all are adjacent to the planning area. See the map in the APPENDIX for a description of the primary and secondary markets.

Traffic zones adjacent to rural communities are considered part of the secondary market because of the lack of competition currently serving these market areas. The year 2010 Round IV totals for households and population were used for the rural TZ's while build-outs from the Transit Corridor Concentration scenario were used for Clarksburg.

The Market Areas

Three sites in the Clarksburg Planning Area are tested for neighborhood retail center uses. Each proposed location has its own market area comprised of households and employment.

The Town Center location, and the New Cut and Cabin Branch center sites are shown on the map in the APPENDIX. The market area for each site is detailed in Table A1 in the APPENDIX. Notice the capture rates for each primary market area subzone and the capture rates for the secondary market traffic zones.

For example, the primary market area for the Town Center site consists of parts of 27 subzones within the Clarksburg Planning Area. The secondary market area is comprised of 4 traffic zones outside Clarksburg. Damascus is not included in the Town Center secondary analysis because Damascus currently offers a neighborhood retail center and in the near future will offer another center, both of which are projected to meet area-wide household demand in Damascus. Capture rates are applied to households within the market area to estimate the number of households that are expected to shop in Clarksburg. About 37 percent of Clarksburg households are estimated to shop at the Town Center neighborhood shopping center. TZ 334, located east of Clarksburg, has a capture rate of only 5 percent because of its distance from Clarksburg and other shopping opportunities nearby.

In identifying both primary and secondary market areas, we take into consideration the man-made and natural barriers to the proposed site, such as the transportation network, traffic congestion and proximity to existing or proposed competition. The capture rate of the employment and households in the market area provides the basis for the demand analysis.

Overview of the Retail Model and Assumptions

The retail model assesses the impact two major demand components have on retail goods and services in a defined market area. Together the two demand components, households and employees, form the basis of demand for retail goods and services. A market area is geographically defined which identifies households and employees and estimates to what extent they are willing to shop in the area being tested for retail expansion or contraction.

In assessing need for neighborhood centers, the market area is more easily defined because these types of goods generally attract consumers one to three miles away. These types of centers are normally conveniently located and consumers do not have to travel long distances to shop at them.

The Retail Model

The retail model calculates supportable square feet of neighborhood retail center space. The two major components of demand for retail space are households and employment. Together they comprise 100% of the demand for neighborhood retail centers in our model.

In addition, employees support retail space. The amount of retail space supportable by employees is added to the amount supportable by households to derive the total amount of space supportable by the market area.

Household Demand

The model calculates household retail support by using three different approaches. An average of the three approaches is the estimated amount of retail space supportable by households under the Transit Corridor Concentration alternative. The first method, the income method, determines the amount of retail space supportable given the percent of income spent by households in the market area on certain types of retail goods. Market area household income is taken as a percent of County income under this approach. Total dollars spent per household is divided by the total dollars spent per square foot of retail space (from ULI) to derive supportable space. The second method used in calculating supportable square feet uses the County average spending per household. The third approach uses County average dollars spent per person to calculate per capita supportable square feet.

An average of the three approaches is the estimated supportable square feet of retail by area households for the tested alternative development scenario. Using the three methods together helps account for the different proportions of income spent on retail goods by households with different income levels.

<u>Employment Demand</u>
The amount of retail space supportable by employees in the market area is also calculated in the retail model. The model uses employee retail expenditures (per year) to determine the amount of supportable space based upon dollars spent on the space, per square foot. The result is the amount of retail space supportable given a certain level of annual employee expenditures.

Employment in the Clarksburg market area is not nearly as significant a factor of demand for retail space as is the number of households. Employment areas proposed in the Transit Corridor Concentration alternative are not within a 9 minute walking distance to retail. This distance (in minutes) was identified in a study prepared by ULI that estimated, through a survey, how far employees are willing to walk to retail. A CBD retail center has a much higher capture rate of CBD workers who are within a 9 minute walk of retail than a suburban retail center trying to attract employees who are not within this walking distance.

The amounts of calculated supportable square feet, from the household component and the employee component, represent the future retail space needs of the defined market area.

Calculating the Supply of Competing Retail Space

Competing retail space in nearby areas such as Germantown and Damascus is considered in delineating the market area. See the map in the APPENDIX for locations of competing, existing and proposed neighborhood retail centers.

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Table A1
Primary and Secondary Market Areas and Capture Rates of Three Proposed Neighborhood Retail Center
Clarksburg, Maryland

Subzone	Neighborhood Center Location Town Center	New Cut	Cabin Branch
TIL		23	
Primary Mkt.	37%	32%	21%
571	0%	0%	95%
572	0%	0%	80%
573	0%	0%	95%
574	0%	0%	95%
575	0%	0%	65%
576	0%	0%	50%
577	0%	0%	65%
578	0%	0%	70%
579	0%	0%	95%
580	0%	0%	95%
581	5%	0%	90%
582	5%	0%	90%
583	0%	0%	85%
584	25%	0%	70%
585	50%	0%	45%
586	50%	0%	45%
587	5%	0%	90%
588	50%	0%	45%
589	50%	0%	45%
590	0%	30%	20%
591	0%	25%	0%
592	0%	45%	45%
593	30%	60%	5%
594	0%	40%	5%
595	0%	75%	0%
596	0%	95%	0%
597	0%	75%	0%
598	25%	65%	0%
599	0%	85%	0%
600	50%	45%	0%
601	40%	55%	0%
602	50%	45%	0%
603	50%	45%	0%
604	95%	0%	0%
605	75%	10%	10%
606	55%	0%	40%
607	80%	0%	15%
608	95%	0%	0%
609	85%	0%	10%
610	95%	0%	0%
611	70%	0%	25%
612	70%	0%	25%

Table A1
Primary and Secondary Market Areas and Capture Rates of Three Proposed Neighborhood Retail Center
Clarksburg, Maryland

Subzone	Neighborhood Center Location Town Center	New Cut	Cabin Branch	
613	70%	0%	25%	
962	65%	0%	25%	
963	65%	0%	25%	
964	65%	0%	25%	
Secondary Market TZ's	5%	6%	1%	= 12
320	30%	0%	20%	50
321	0%	0%	5%	5
322	15%	0%	15%	30
324	0%	0%	5%	
325	0%	0%	5%	
328	35%	0%	0%	
330	0%	5%	0%	
331	0%	5%	0%	
333	0%	25%	0%	
334	5%	0%	0%	

Source: M-NCPPC, Montgomery County Planning Department, Research Division

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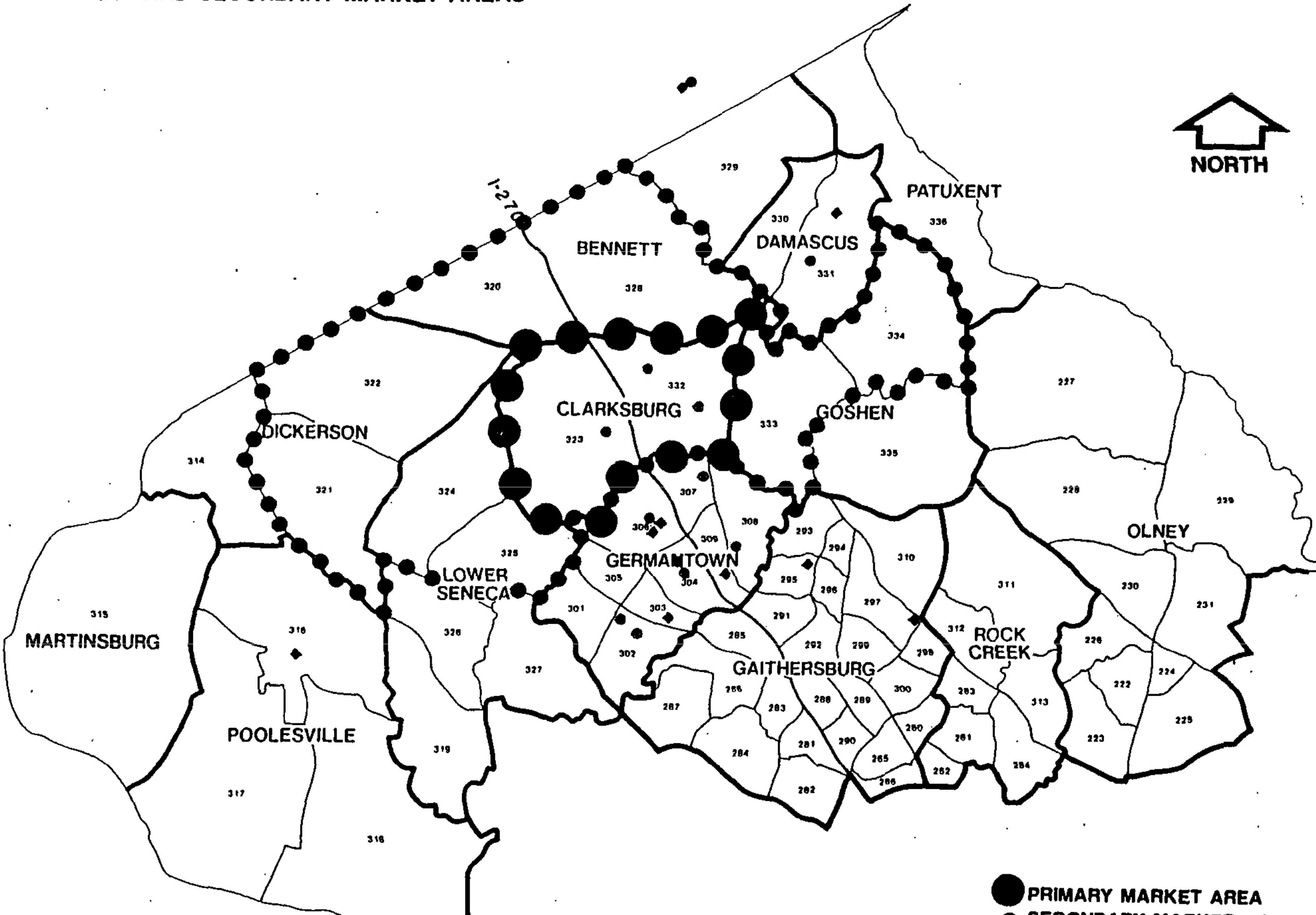
CLARKSBURG RETAIL NEEDS ASSESSMENT
PRIMARY AND SECONDARY MARKET AREAS



SOURCE: MONTGOMERY COUNTY PLANNING DEPARTMENT

Legg Mason Realty Group, Inc.

8301 Greensboro Drive
Suite 250
McLean, VA 22102
(703) 356-7507

MARKET ANALYSIS

GERMANTOWN TOWN CENTER

Prepared for:

The Montgomery County Council

May, 1989

We conclude that, if developed as a mixed use center, the Town Center will function separately from the Milestone Mall. Also, if Milestone is not developed, Germantown residents will continue to frequent Lakeforest Mall for their general merchandise and apparel needs.

3. **What are the specific conditions needed to make a Town Center viable?**

The specific conditions needed to make a Town Center viable are detailed in the Town Center Section of this report and include the following:

- o An active and growing market;
- o A compact area uninterrupted by other uses;
- o A diverse and concentrated mix of uses which promotes weekday, weeknight and weekend activities;
- o A quality environment that established a distinct sense of place.

All of these conditions can be met by carefully planning the development of the Town Center Core parcel (TC-1).

4. **What types of retail, commercial, residential, and cultural development would result in a unique environment so as to achieve a viable Town Center?**

The types of retail, commercial, residential and cultural uses that would result in a unique environment include the following uses:

- o Retail - convenience and personal services for Town Center area residents and workers; entertainment uses such as movie theatres, dinner theatres, and health clubs; and synergistic uses such as eating and drinking establishments, both formal sit-down and informal ice cream and pizza parlors, and delicatessens.
- o Commercial - mid-rise office buildings offering retail on the first floor.
- o Residential - high-rise and mid-rise apartments and condominiums.
- o Cultural - a cultural arts center, an amphitheatre, public open space in parks, pedestrian paths and biketrails, and a water feature.
- o Hotel-a first-class high rise project.

5. **What is the market area for the Town Center and the Milestone Mall and what patronage is likely to come from Frederick County for each?**

The market area for the Town Center Core encompasses all of Germantown, northwest Gaithersburg, and the outlying areas of northwestern Montgomery County including Boyds, Poolesville, Barnsville, Comus, Clarksburg, and Damascus. The Milestone Mall's market area includes all of these areas along with Rockville, Olney, Potomac and all of Frederick County. This larger market area reflects the significant attraction of consumers from a large area to a mall of the size planned at Milestone. Due to the types of uses supportable within the Town Center (mostly entertainment, restaurants, convenience and personal service uses), the market area is smaller for the Town Center, as will be we will demonstrate later.

LMRG estimates that patronage from Frederick County would account for approximately 10 to 15 percent of sales at the Milestone Mall. However, if the existing malls in Frederick County are not expanded and no new malls are developed, the rapid growth in southern Frederick County could greatly enhance sales in the Milestone Mall.

6. **In general, will there be sufficient market demand within the time-frame of the Master Plan to support those existing and planned commercial centers in the Germantown/Gaithersburg area (Town Center, Milestone Mall, the Kentlands project, Lakeforest Mall, and others)?**

In general, LMRG projects that there will be sufficient market demand within the time-frame of the Master Plan to support the existing and planned commercial centers in the Germantown area. Based upon the supply and demand figures we generated, along with reviewing the existing supply of retail space, LMRG concludes that Germantown will continue to grow as a vibrant, healthy retail market. In addition, we feel that the mall, either Milestone or Kentlands that can attract anchor stores first may preclude or delay the development of the other project.

Analyzing the projected demand for hotels in Germantown, LMRG concludes that while a first-class high rise hotel would be an excellent use for the Town Center Core, demand may be lacking into the early 2000s before market support would be sufficient to accomodate such a facility.

7. **What effects are the master planned Village Centers likely to have on the Town Center? To what extent will the Village Centers adversely impact the viability of the current Town Center (especially the Dunns Cabin proposal and the proposed center in the Kingsview Village)?**

Figure 1

GERMANTOWN TOWN CENTER CONCEPT
LAND USE MIX

Area	Size (acres)	Office (square feet)		Retail (square feet)		Residential Units		Other Uses	
		Master Plan	LMRG	Master Plan	LMRG	Master Plan	LMRG	Master Plan	LMRG
TC-1	58	400,000	400,000	A.N.S.	125,000-175,000	800	800	Cultural Arts Ctr, Hotel	Cult Arts Ctr, Public Park, Outdoor Skating
TC-2	10	0	0	0	15,000	600	400	Transit Station	
TC-3	8	A.N.S.	75,000	A.N.S.	5,000	0	0		0
TC-4	1	A.N.S.	A.N.S.	0	0	0	0		0
TC-5	76	0	0	400,000	400,000	1,000	400		0
TC-6	23	A.N.S.	125,000	0	0	0	0	Pedestrian Enclave	Pedestrian Area with Low Rise Office
TC-7	11	0	0	0	0	0	0	Post Office	
TOTAL	187	400,000+ square feet	600,000	400,000+ square feet	550,000-595,000	2,400 units	1,600		

Amount Not Specified

Sources: Legg Mason Realty Group, Inc.
Maryland National Capital Park and Planning Commission

residents and employees to engage in outdoor activities during the warm weather months. If possible, an ice skating rink or other recreational facilities could be included to provide year-round activities.

3. Retail space should include a heavy emphasis on nightlife activities such as sit-down restaurants, a large movie theatre complex and a dinner theatre. These uses will create pedestrian traffic in the evenings and on weekends.

4. Other retail activities should include convenience goods and personal services for Town Center residents. Examples of these include a convenience food store, video rentals, dry cleaning, florists, drug stores, beer & wine stores, deli's, book stores and beauty salons, banks, travel agencies, and real estate offices.

5. General merchandise and apparel tenants should include retailers such as women's clothing, shoes, home accessories, records and tapes, jewelry and gift shops.

6. Professional services such as physicians and law offices could be located on the street level or above retail stores.

7. On-street parking should be provided on all streets within TC-1 to provide easy access to retailers. Public or private parking structures should be hidden from view if possible, walkways from any parking areas should be heavily landscaped and well lighted.

8. One of the critical aspects of successful Town Centers has been the management and promotion of activities. Scheduling events such as festivals, outdoor concerts and other promotional activities will draw

people to the Town Center area. In Germantown, this could be accomplished through a coordinated public and private effort to attract performers and events to the cultural arts center and the public open space areas.

9. A plan that encourages pedestrian activity should include wide sidewalks and sidewalk cafes which would attract people to the Town Center.

LMRG concludes that the development of the remaining TC parcels will not likely directly affect the success of the Town Center Core. The development parameters and recommendations provided in the Germantown Master Plan suggest that these areas be developed with a mix of uses compatible with areas surrounding the Town Center Core.

The following uses are appropriate for the remaining TC parcels:

Area	Use
TC-2	Transit station and high rise residential development
TC-3	Lowrise office space or office condominiums
TC-4	Low-mid rise office
TC-5	Retail and service park including automobile dealerships and freestanding buildings with retailers such as Hechingers, Toys-R-US, auto parts, muffler shops, lube and oil shops, etc.
TC-6	Low-mid rise offices along with open space adjacent to the pedestrian promenade
TC-7	Post Office

10. Growth trends in Montgomery and Frederick Counties indicate that there is sufficient market support for the Milestone Mall. If the Kentlands Mall is also developed, the market will support both malls by 2005.

C. Conclusions

The analysis performed by LMRG has resulted in the following conclusions based upon the questions included in the County Council's February 16, 1989 Request for Proposal.

1. **Can the Town Center function as a viable focal point of community activity as envisioned in the Master Plan, or will the regional mall be so dominant that the Town Center cannot serve its intended function?**

   LMRG concludes that the Town Center Core area (TC-1) can function as a viable focal point of community activity as envisioned in the Master Plan if it is developed as a balanced, mixed-use center. Retail uses should include a strong entertainment and restaurant presence in order to specialize this area and diminish the competition between the Town Center and the Mall.

   If entertainment and restaurant uses are limited in the Milestone Mall, they may have a negative impact on the Town Center Core. However, if these uses could be phased properly in both locations, the negative impact on the Town Center may be diminished. For example, if entertainment and restaurant uses are limited in the Mall during the first several years that the Town Center is being developed, these uses will have the opportunity to establish a broad client base in the Town Center Core before competition can be placed in the Milestone Mall.

2. **If the Milestone Mall is not built (and no other land is designated for similar commercial use), to what extent will this enhance or diminish the viability of the Town Center?**

   Due to the current nature of retail operations and tenanting strategies, it is not likely that the absence of the Milestone Mall would significantly enhance retail development in the Town Center Core. As we will document, the Town Center Core would not likely attract the general merchandise tenants orginally envisioned in the 1974 Master Plan, even if the Milestone Mall was not developed.

Real Estate Advisors
Development Counselors
Project & Asset Managers

1717 K Street NW, Suite 802
Washington, D.C. 20006
202-393-1896 FAX 202-223-5722

DRAFT

DEVELOPMENT OF A TOWN CENTER
GERMANTOWN, MARYLAND

Presented to:

The Maryland National Capital Park
and
Planning Commission

Presented by:

Halcyon Ltd.

November 1989

Hartford, CT
One Union Place
Hartford, CT 06103
203-527-1896

San Francisco, CA
930 Montgomery Street, Suite 600
San Francisco, CA 94133
415-397-1896

Miami, Fl
140 W. Flagler Street, Suite 1601
Miami, FL 33130
305-375-1896

Sarasota, FL
1188 Blvd. of the
Sarasota, FL 342
813-957-0120

1.2 TOWN CENTER DEVELOPMENT STRATEGY

The most significant role the County can play in realizing a functional Town Center is to establish and define a differentiated Town Center concept and to protect it and enhance it through implementation. This section focuses on the definition of this concept.

In order to create a viable Town Center, the Center must be recognized by the greater community as **the place to be**, the place to go for activities, events, and social gatherings. Conceptually, the Town Center means that place in the community where the greatest diversity of activities occur in a concentrated, dense, and balanced manner. It has to have a clear differentiated identity, recognized universally by all the members of the community. The diversity of uses should include retail, office, hotel, housing, cultural, entertainment, recreation and special events. The concentration of development uses is important: compactness promotes pedestrian activity and vitality. Development intensity is important in establishing the Town Center as a focus for the community.

The Consultant Team recommends the following:

- Success of the Town Center will be built around its strong identity as the cultural and recreational center of Germantown. The Town Center should incorporate a cultural facility on TC-1, and should expand the concept to include a community recreational center, as well as commercial recreational facilities, including multiplex cinemas, nightclubs, a concentration of restaurants, and a health club which will attract patrons from throughout the Germantown area. The Town Center should also be the place in the community for festivals, promotions and public events.

- The Consultant Team agrees with the Master Plan that the core of Germantown Town Center should conceptually and practically be limited to the TC-1 site. If the uses and densities that need to be in the core area are spread out onto sites beyond TC-1, the concentration of activities required to generate vitality will not be achieved.

- Commercial retail on TC-1 should focus on restaurants, commercial entertainment, convenience retail directed mainly (but not exclusively) at nearby office workers and residents, and galleries and other specialty shops that would not traditionally locate in shopping malls.

- The development density of uses on TC-1 (residential, hotel and office) should be encouraged at the highest possible levels to reinforce market support and activity on the site. Development intensity of these uses should also be encouraged on the rest of the Town Center sites.

- Design of the core area must be distinctive. The architectural treatment of all components of the TC-1 site are crucial to the success of the program. The design of the structures and landscape plan must be unique in order to achieve a successful sense of place for the Town Center.

- The Town Center uses should be clustered around/near a "ceremonial" public open space, designed to accommodate special events like Oktoberfest while providing a focal point for the Town Center at other times.

- To reinforce the vitality of TC-1, inclusion of restaurants, cinemas and other commercial/recreational/civic/community opportunities should be discouraged on other Town Center sites.

1.3 CULTURAL/RECREATIONAL CENTER

The cultural/recreational center is one of the most important uses to be included in the Town Center, both for symbolic as well as activity generating reasons. The cultural arts/recreation center should become the symbol, the identity focus that differentiates the Town Center within the Germantown community. Questions concerning the actual size and programming of the facility can only be answered, however, after community input has been received.

The Consultant Team believes that the facility should be both a cultural center as well as a recreational center and should serve as many community functions as is feasible from a financial standpoint. Even if the community and the County accept the idea the facility should be both a cultural center as well as a recreational center, there are still financial and particularly market questions which need to be considered. Is the focus of this center limited to the Germantown community or will it be an Upcounty facility? The alternative programs and rationales are outlined below:

- It is recommended that the components of a cultural arts center--modest size performing and exhibit spaces, lobby, technical support facilities, and administrative offices--be situated in a community center facility which also includes a swimming pool and health and fitness facilities and general purpose facilities including a kitchen, meeting rooms, workshop spaces and lounge.

There are economies of scale to be realized in the management of such a complex, synergistic opportunities in the co-mingling of the various user interest groups, and the design of the overall facility can serve as a "signature" building for the Town Center. Modeled after the Reston Community Center and other similar comparable examples, such a community center would be primarily dedicated to serving the needs and interests of the Germantown Community market.

- If, however, it is important to Town Center to attract people (audiences) from the broader Upcounty market, it is recommended that a regional cultural center be considered. Such a performance and/or visual arts facility would be larger in terms of theater capacity and classroom, gallery and other spaces. It therefore would be more expensive to build, and would require professional management and programming. However, the nature of the events which would occur in a regional facility would have a greater market impact.

Capital costs for such a facility could range from as little as $5.0 million to over $20.0 million. Operating costs could range from as little as $0.5 million to over $2.0 million annually. However, until community input can be received, the programming, as well as the management and financial aspects of this center cannot be further defined.

Steps required to implement a Cultural Arts Center for the community include the following:

1. Inventory and assess the Germantown community's cultural interest. Determine range of current and desired activities.

2. Conduct a patron market analysis of Germantown and the Upcounty market with respect to the feasibility of a regional center.

3. Identify cultural/recreational center leadership and form a "Steering Committee" to consider the broad implications of the findings from steps one and two.

4. Form a community center task force to work with planners and developers. Involve the community in the planning process.

Finally, the question still remains as to what are the alternative methods available to involve the business community in the capital and operating costs of a cultural arts/recreational center? Alternative methods aimed specifically at the business community are outlined below:

Capital

- Corporate sponsorship of specific program components (pool/theaters etc.)
- Donations of materials and/or labor
- Matching contribution programs (where employers match contributions of employees)
- Transfer of amenity requirements or community contributions by landowners to the cultural/recreational center
- Special assessment/taxing districts

Operating

- Sponsorship of user fees (corporations agree to pay for all their employees to utilize certain of the centers facilities)
- Corporate sponsorship of a specific center program (e.g. dance classes, arts and crafts instruction, theater etc.)
- Underwriting endowments
- Special assessment/taxing district
- Corporate underwriting of specific theater productions

1.5 PROMOTIONS/EVENTS ANALYSIS

Promotion programs are most often understood to mean marketing an area through special events. The success of Oktoberfest in Germantown is a strong indication of how well a special event will attract large numbers of people. But to establish a viable Town Center in Germantown, a more indirect kind of promotion and marketing must also take place--ongoing maintenance of the core area through delivery of special services: cleaning and garbage pick up, urban design controls, parking and transportation, etc. Promoting and marketing the image of an area doesn't only occur on five or six festival days each year; it is the atmosphere of the setting every day. Our recommendations for specific types of promotions are predicated on the assumption that special events are the most visible elements of a broader promotion and marketing program.

Promotions and marketing programs are effectively used in downtown areas and town centers to establish or reinforce a particular image. These promotions are effective in establishing and reinforcing community wide identity and acceptance before and after the physical setting has been determined and major private investments have been made.

Three categories of promotions and marketing programs are recommended for the Germantown Town Center. They are:

- the programming of public spaces which could include programming for a farmers market, crafts fair, antique market, flea market(s), recreational activities, as well as coordination of streetscape programs, special cleaning and garbage pick-up services, and maintenance of public areas;

- cultural/recreational programs including concerts, exhibits, performances, workshops, demonstrations and recreational activities; scheduled and programmed in coordination with the Cultural/ Recreational Center, and finally,

- special events, including holidays, parades, major retailing days, themed festivals, and community events such as Oktoberfest.

Programming of the types of events and activities to be included in the Town Center will largely be a community task. The most significant recommendation of the Consultant Team is a need for a professional management organization.

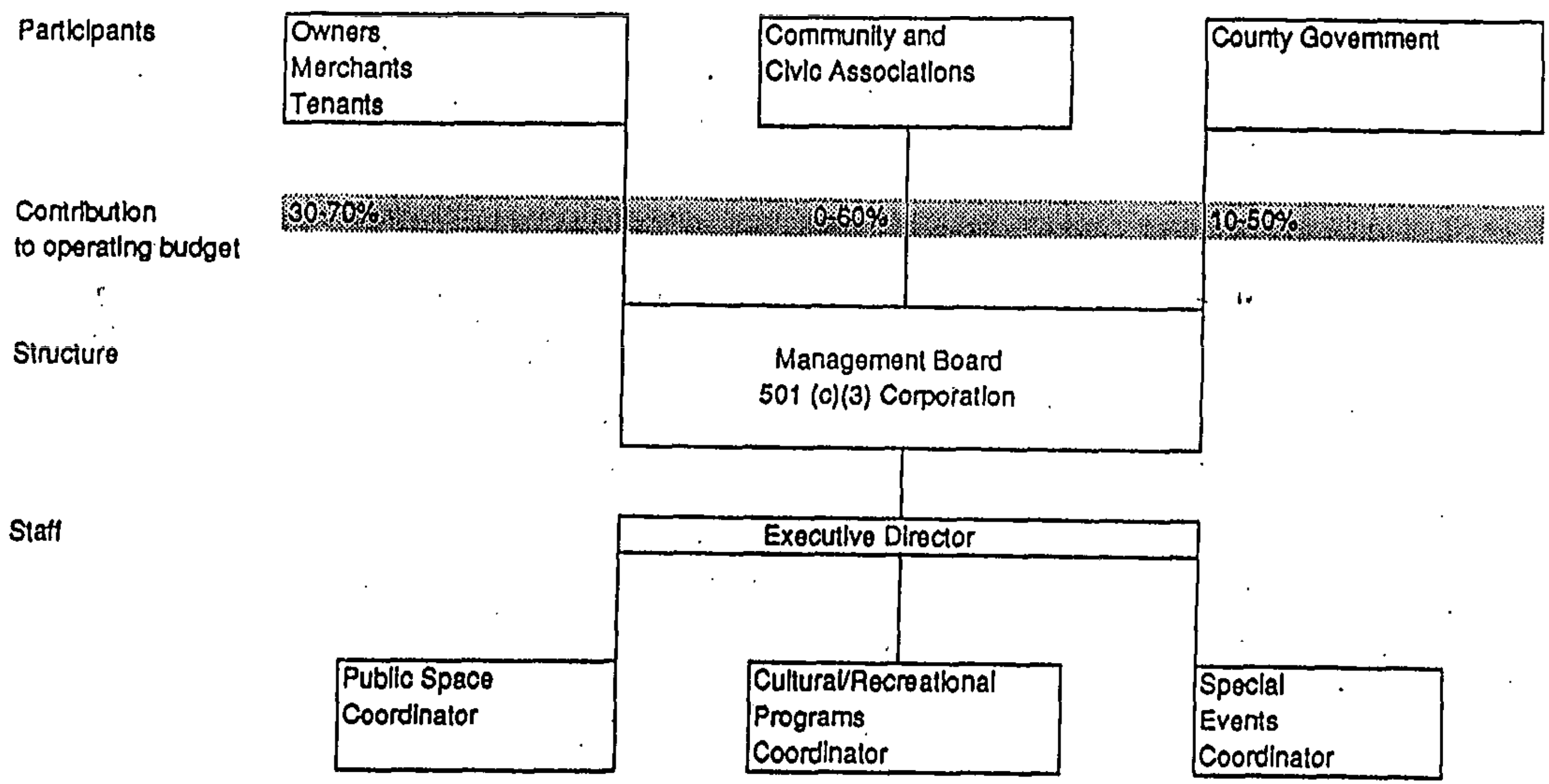
Volunteerism will only take the program so far. The following describe the Consultant Team recommendations:

- A tax exempt charitable organization, organized under Section 501(c)(3) of the IRS Code should be established to coordinate all management requirements in the Germantown Town Center: parking, transportation, promotions, urban design controls, etc. A professional executive director should be hired to manage the "umbrella" activities of the organization.

- Promotional and marketing programs should be part of the 501(c)(3) umbrella organizational responsibilities. Each program area should have its own full-time director, accountable to the executive director of the umbrella organization.

The anticipated structure and responsibilities of the management organization are outlined on the charts on the following pages. Depending on the responsibilities of this organization, operating costs (including the programming costs for a cultural/recreational center) could range from as little as $650,000 to nearly $3,000,000 annually.

SUGGESTED MANAGEMENT FRAMEWORK AND STRUCTURE
TOWN CENTER PROJECT, GERMANTOWN, MD.



SUGGESTED PROGRAM FRAMEWORK AND STRUCTURE

TOWN CENTER PROJECT, GERMANTOWN, MD.

	Public Spaces	Cultural/Rec. Programs	Special Events
Program Activities	Farmer's Market Craft Fairs Antique Markets Flea Markets Recreational Activities Parades Maintenance Urban Design Controls	Concerts/Exhibits Recreational Activites Performances Workshops (To be coordinated with Cultural/Recreational Center)	Holidays Major Retail Days Themed Festivals Community Events Parades
Marketing Materials	Brochures Flyers Posters Media Ads	Brochures Flyers Posters Media Ads	Brochures Flyers Posters *Media Ads*
Operating Budget	$50-200K	$500K-2M	$100-500K
Revenue *Sources*	Common Area Charges *Special Assessments* Impact Fees License Fees	Special Assessments *Contributions* User Fees	General Fund *Bonds* License Fees