

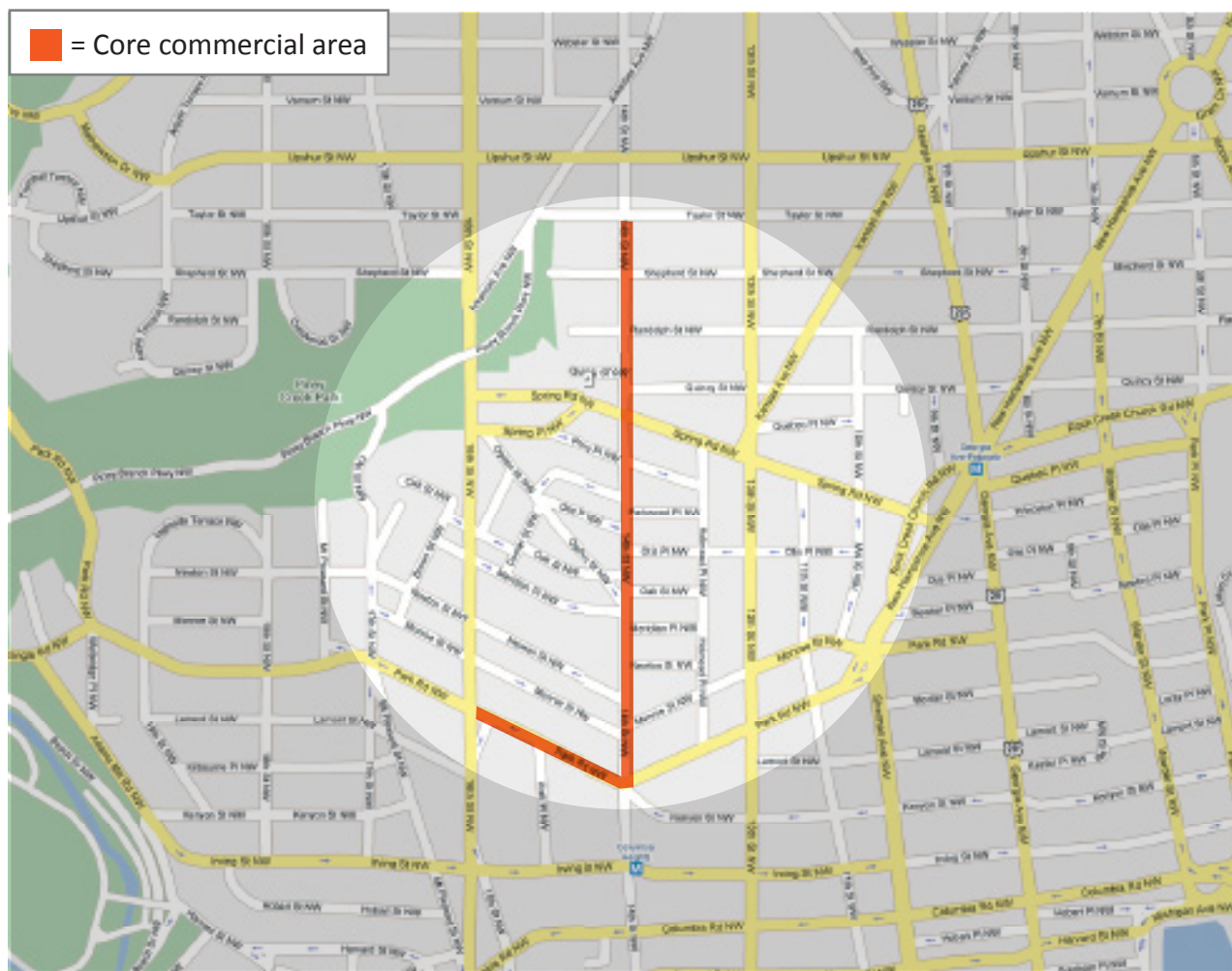
Central 14th Street NW

SWOT Analysis, Retail Demand Analysis, Strategy and Preliminary Planning Diagrams

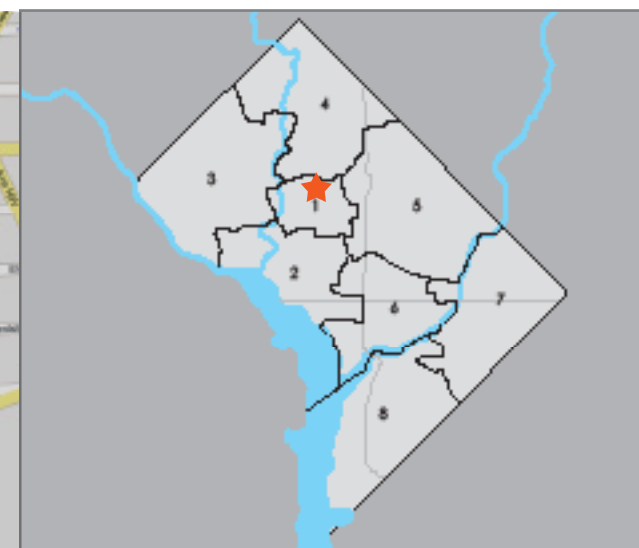


Central 14th Street NW SWOT Analysis





■ = Core commercial area



Boundaries

14th Street from Park Road north to Taylor Street;
Park Road from 14th Street to 16th Street, NW

Zoning

The Central 14th district is at the northernmost part of a commercial corridor along 14th Street that continues south past the boundary of Park Road. Besides other commercial areas along Georgia Avenue and Columbia Road, the surrounding area is overwhelmingly residential. Significant swaths of government property exist to the west at Piney Creek Park and the National Zoological Park, and to the east at the US. Soldiers' & Airmen's Home.

Overview

This transitional submarket is experiencing significant residential and retail growth, especially at its southern end near Park Road. This area is anchored to the south by booming Columbia Heights, which has regional offerings such as the Tivoli Theater (re-opened as the home of a Latino arts troupe in 2005), Super Giant, and the 500,000sf DC USA development. Central 14th Street itself is a significant north-south corridor, and the submarket also has easy access to the Columbia Heights Metro station. It is also located just west of Howard University and the Georgia Avenue-Petworth Metro stop.

1 Shops and Residences

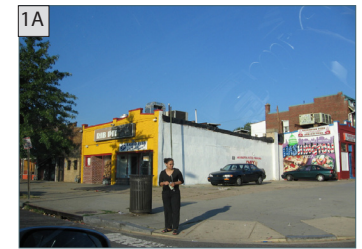
This northern node is comprised mainly of local shops in rowhouses with limited depth. This area is an authentic enclave of ethnic retail (97% of its 151 small businesses are minority-owned), and should be preserved as such. However, this small-format retail must be repositioned to remain viable given the proximity of big-box retail in Node 2. By consolidating retail offerings between Spring and Shepherd Streets, a cluster of ethnic shops could become a well-defined node of activity and community anchor.

2 Park Road Development

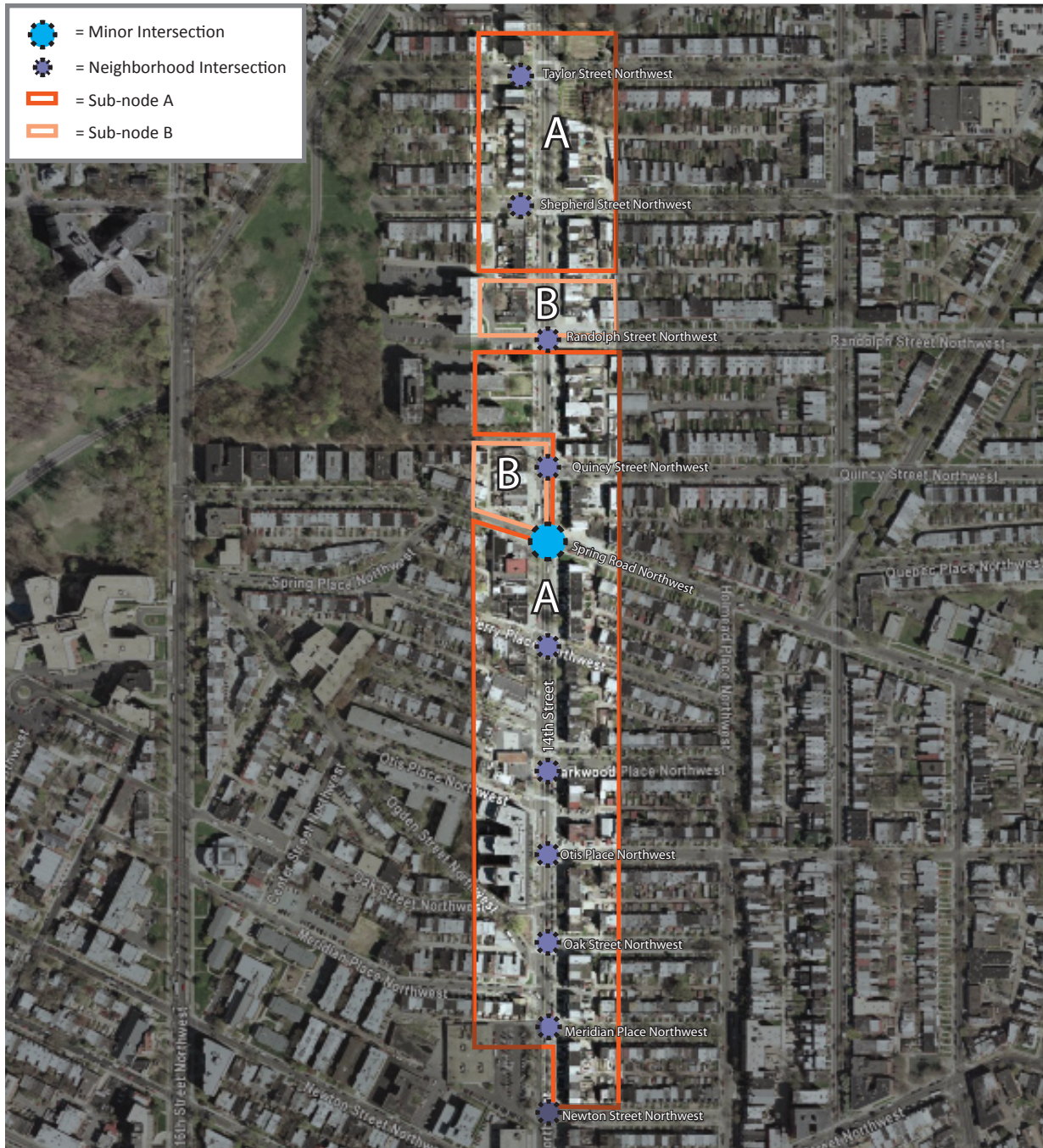
The intersection of 14th Street and Park Road marks the major retail node of this submarket and the center of its revitalization. Compared to the first node, it has more critical mass and, therefore, more potential to become a regional shopping destination. Buildings here have large footprints on consolidated lots, and contain mostly national tenants (except for Park Road west of 14th Street). Major anchors include the DC USA development under construction, which will bring the District's first Target, Super Giant, and the restored Tivoli Theater.



Note: Tenant lists do not include all businesses located in the submarket.



Retail Node 1: Shops and Residences



The Shops and Residences zone of Central 14th Street can be divided into 2 sub-nodes: Rowhouses with Retail and Single-story Shops.



A - Rowhouses with Retail line most of this authentic live-work node of Central 14th Street. Although this retail seems out of place in these residential buildings, it serves the community without the operators having to pay high rents. Because these shops are infill and not part of an overall merchandising strategy, retail tends to be redundant (e.g., multiple hair and nail salons). Many of these shops are geared toward a Hispanic clientele, and there are several ethnic grocery stores such as Pan Am International Market and Morazon Grocery.

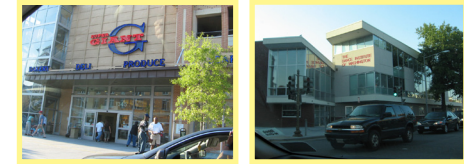


B - Single-story Shops with slightly larger footprints line 2 separate sections of 14th Street (between Spring Road and Quincy Street, and between Randolph and Shepherd Streets). Because these shops are formatted as inline retail in single-use buildings with commercial storefronts, they help create a perceptible retail focus. There is potential to consolidate and enhance retail in this area (and create a gateway to this upper node) by linking the two separate areas of single-story shops.

Retail Node 2: Park Road Development



The Park Road Development node of Central 14th Street can be divided into 3 different sub-nodes: Large-Scale Redevelopment, Ethnic Shops, and Sacred Heart Church.



A - Large-Scale Redevelopment defines most of the southern node. Large format buildings such as DC USA, the Tivoli Theater, Super Giant, the Dance Institute of Washington, and new condo and apartment high-rises cluster around the intersection of 14th Street and Park Road. A large triangular plaza in front of the Park Triangle Apartments (highlighted on the graphic to the left in green) is underutilized and not fulfilling its potential as a community gathering space.



B - Ethnic Shops serviced by a narrow rear alley occupy shallow lots along Park Road west of 14th Street. Increasing rents due to adjacent redevelopment will likely cause an inflow of sit-down restaurants and higher-end shops to this area. Offerings here are currently small-scale, which is appropriate considering that Park Road (sandwiched between two large buildings) acts as a service road for adjacent large-scale commercial space.



C - Sacred Heart Church anchors Park Road's intersection with 16th Street, which has larger-scale civic buildings. This area also has mid-rise apartments and rowhouses.

Streets & Blocks

In general, the streetscape along Central 14th Street is austere, with concrete sidewalks and few plantings; since most buildings are set far back from the street in a residential configuration, the streetscape is dominated by expanses of paving and concrete stoops. While both sides of the street have wide sidewalks, the west side is noticeably larger. Because lots and buildings are also bigger on the west side, it seems to hold more potential for retail or other large-scale redevelopment. Compared to the sidewalks, the street is fairly small. There is only 1 lane of traffic in each direction, as well as a lane for parked cars. North of Newton Street, there is bike lane running in both directions. Residential side streets are often one-way only; Park Road west of 14th Street is also a one-way street.



Intersections

The starburst intersection of 14th Street, Park Road, and Kenyon Street is the area's major intersection. Compared to the large buildings here, this intersection does not seem out-of-scale; however, improved streetscaping and crossings would make it more pedestrian-friendly. Although the northeastern corner anchored by Tivoli Theater is a pedestrian gathering spot, the other corners are underutilized. In particular, the eastern corner between Park Road and Kenyon Street, which has a gravel plaza, is very underutilized (although there are plans for a future civic plaza). Except for Spring Road, which marks the beginning of the few blocks of in-line retail (and has potential to connect to Georgia Avenue), the other intersections are uniformly minor.



Buildings

Most buildings along Central 14th Street are in fairly poor condition. North of the main intersection at Park Road, buildings are 3- to 4-story rowhouses set back far from the street. Most have paved front yards that blend with the sidewalks, making them seem even larger. In addition to ground-floor entrances, stoops lead to 2nd floor entrances in some instances. The residential configuration of these buildings makes the existing retail seem out of place, but they are part of the community nonetheless. Just north of Spring Road, the building stock transitions to single-story in-line retail. The southern end of this submarket has completely different building types. New, large-scale construction dominates from Park Road to Meridian Place, including high-rise residences, Tivoli Theater, and DC USA.



Alleys & Service

Newer construction near Park Road has designated areas for loading and parking, but most of Central 14th Street's older buildings lack service/access areas. Because most buildings are rowhouses that hold retail on the lower floors, the front yard is often paved over and acts as a visible service area for holding trash. There is no customer parking or loading areas for these smaller shops, whose patrons likely shop locally on foot. Because of their residential configuration, however, most buildings have backyards that can hold 1-2 cars.



Strengths

- Investment is already taking place at the Park Road intersection, providing momentum for the submarket's revitalization
- Residential growth, spurred by new apartments/condo construction, is creating more retail demand
- Small, local and ethnic-operated stores provide built-in market diversity and character to the upper node retail environment
- The restored Tivoli Theater and Dance Institute of Washington are state-of-the-art cultural facilities and local landmarks
- DC USA, a 500,000sf urban retail and entertainment center, will anchor the submarket with a regional destination
- The submarket's built-in population is heavily pedestrian-based, so streets are smaller and have partial bike lanes
- The area is already served by good food shops such as Super Giant at Tivoli Square and ethnic grocery stores along 14th Street
- Eclectic, neighborhood-based small shops lining Park Road west of 14th Street continue to serve the community from a daily goods and services/food perspective

Weaknesses

- Multiple ownership of commercial buildings may translate into a lack of control and consensus among stakeholders in Node 1
- Rowhouse properties have limited depth and are set back far from the street, making them challenging spaces for traditional retail; however, they are adequate for their existing uses as authentic live/work situations
- The streetscape is stark and unappealing (concrete stoops, paved front yards used for trash storage, etc)
- The plaza between Park Road and Kenyon Street is underutilized and does not enliven the main intersection
- The submarket lacks a branded identity, especially north of the Park Road development node

Opportunities

- Brand the "district" to clarify its identity (Columbia Heights with regional retail and entertainment to the south, versus residential neighborhood with smaller/ethnic goods and services to the north)
- Redevelop underutilized corner lots as neighborhood retail anchors and gathering places that activate, rather than detract from, the neighborhood's urban fabric
- Increased foot traffic to the Park Road development in Node 2 may bolster the small, local retailer base in Node 1 and along Park Road west of 14th Street; these independent, primarily ethnic shops should reposition themselves to take advantage of a changing market and demand base
- Additional retail at Park and 14th Street would further reinforce its place in the market as a more significant commercial retail destination
- To this end, allow the small ethnic shops next to DC USA to evolve naturally into competitive offerings and sit-down restaurants that complement new development (as 15,000sf inside DC USA will be dedicated to local and minority-owned businesses); instead of being spread throughout the submarket, smaller ethnic shops should be clustered in a re-branded Node 1 to remain viable
- Emphasize Spring Street's connection to Georgia Ave-Petworth Metro station by making it a more important intersection
- Consider designating Central 14th Street as a Main Street to fund/promote economic development and improvements to the streetscape

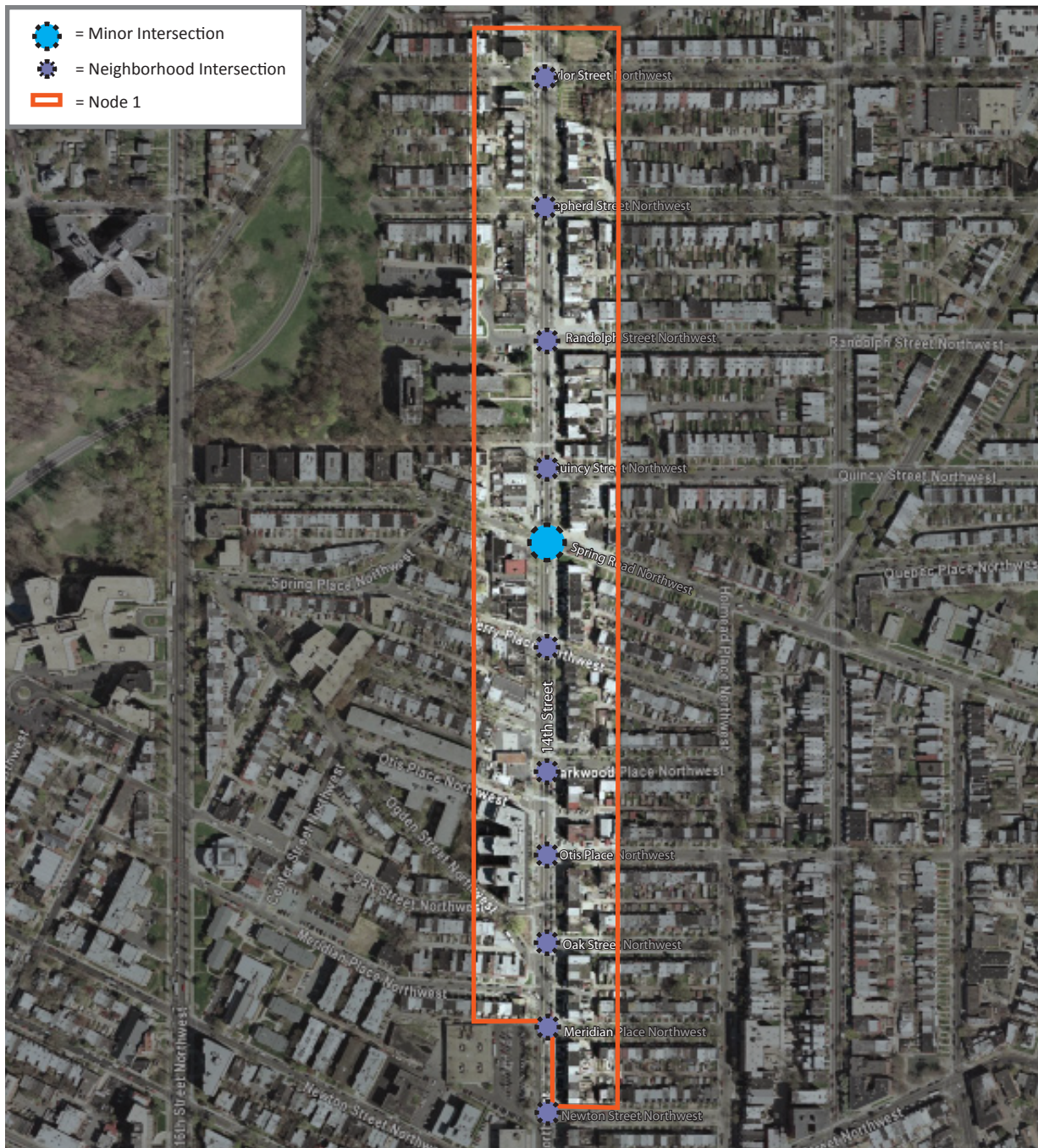
Threats

- Multiple owners might not work together to prepare/engage change and support an overall merchandising strategy
- The big box retail in the southern node of 14th Street may draw business away from the northern node if small local retailers do not reposition themselves as needed
- The upper node's residential lots have limited depths, which makes redevelopment more challenging

Central 14th Street NW Preliminary Planning Diagrams



Planning Analysis Node 1: Shops and Residences









General Observations about Existing Area:

- 1) This long corridor is comprised mostly of rowhouses that have been fitted with ground-floor ethnic retail. While this authentic live-work setup serves the local community, these residential lots are not set up ideally for larger-scale retail. Their limitations include shallow lot depth, minimal storefront transparency, and no service/loading infrastructure.
- 2) There are, however, existing commercial buildings in Zone 2 (between Spring and Shepherd Streets) that show potential for retail redevelopment.

Retail Planning Principles:

- 1) Consolidate under utilized parcels to create a larger (but still local) retail offering that helps brand this unique upper node as an authentic enclave of small, ethnic shops.
- 2) Implement streetscape and storefront initiatives to assist existing store owners in providing good neighborhood services.
- 3) Cluster retail to create a more consolidated retail offering.

Planning Concepts Node 1: Shops and Residences

-  = Prime Corner
-  = Mixed-Use Opportunity
-  = Reinvestment Opportunity
-  = Single-Use / Transitional
-  = Minor Intersection
-  = Neighborhood Intersection

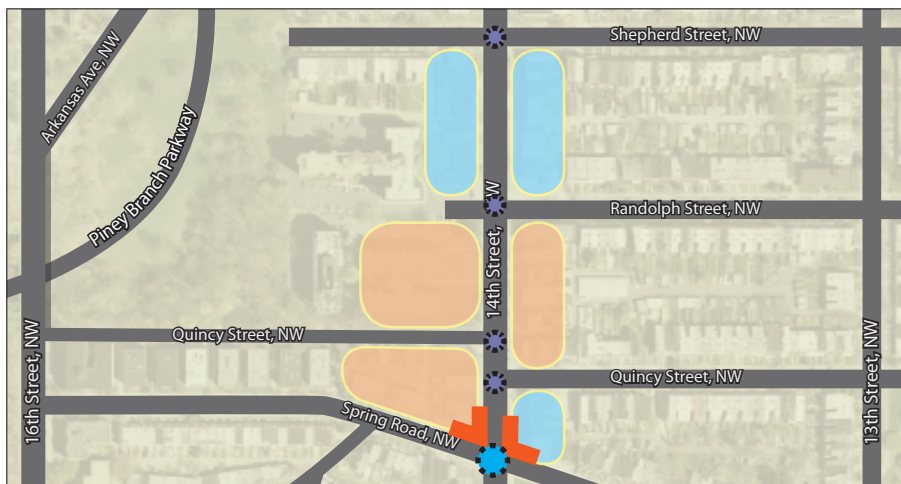
The following concept diagrams are intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a parcel-by-parcel basis.

Two redevelopment options explore a varying degree of programming.

Redevelopment Option 1



Redevelopment Option 2



REINVESTMENT/REPOSITIONING OPPORTUNITIES

Existing single-story retail buildings north of Randolph Street and south of Quincy Street are the beginnings of a consolidated retail node.

In addition, adding programming to the open space in front of the multi-unit residential building along 14th street will also foster a more successful retail clustering of small, local shops.

HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

Repositioning the blocks between the retail buildings from a residential use to a mixed-use, live-work offering will create a continuous retail experience.

HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

A more aggressive redevelopment approach should consider consolidating parcels to allow for a higher density product. Introducing mixed-use buildings with ground level retail will engage the street and create an inviting pedestrian destination. Mixed-use buildings lining the main intersection of Spring Road and 14th Street will become gateway features for the northern district of 14th street, which should be branded as an authentic enclave of small, local shops in contrast to the larger-format retail in Node 1.

Planning Analysis Node 2: Park Road Development



General Observations about Existing Area:

1) This second node is quickly redeveloping as a major retail and entertainment destination. New developments within this node are consistent with the City's goal of northern Columbia Heights becoming a transit-oriented community. Its large lots and proximity to a Metro station make it ideal for mixed-use development.

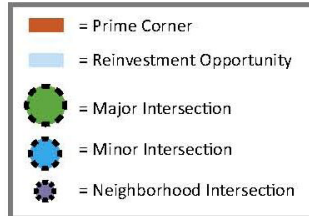
2) Fittingly, new high-density residential buildings like Allegro Spaces and Park Triangle Apartments feature ground-floor retail.

Retail Planning Principles:

1) While this area is mostly already developed, efforts should be focused on improving streetscaping to make the starburst Park Road intersection more pedestrian-friendly, as outlined in the Columbia Heights Public Realm Plan.

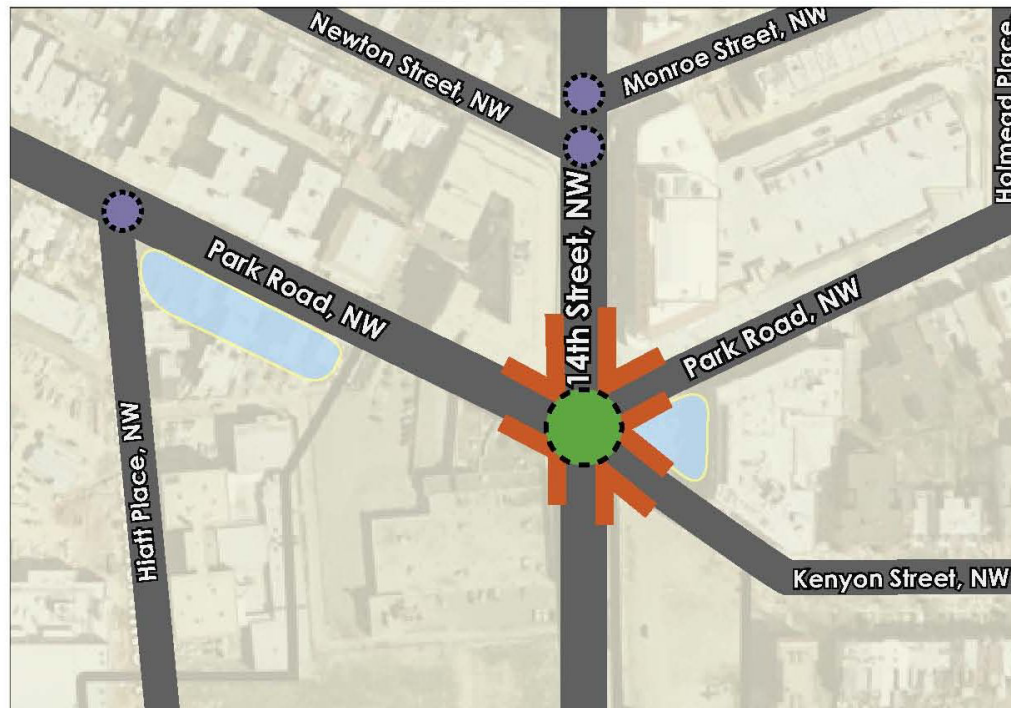
2) Special attention should be paid to small shops located along Park Road west of 14th Street, as pressure from adjacent large-scale redevelopment could render them obsolete. These independent, primarily ethnic shops should reposition themselves to take advantage of a changing market and demand base.

Planning Concepts Node 2: Park Road Development



The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a parcel-by-parcel basis.

Redevelopment Option 1



REINVESTMENT/REPOSITIONING OPPORTUNITIES

Currently, small ethnic shops along the west side of Park Road are dwarfed by the new DC USA development. These shops may transition into offerings that better complement DC USA's big-box retail, such as sit-down restaurants and boutiques (especially as 15,000sf inside DC USA will be devoted to small, minority-owned businesses). While signage and wayfinding should be added to bring attention to this retail, shops here must remain small-format because of limited depths along Park Road. The large plaza in front of the Park Triangle Apartments also needs improvement; by programming it with nearby retail and civic uses, as suggested in the Columbia Heights public realm plan, it can help knit together this busy intersection.

Central 14th Street NW Retail Demand Analysis

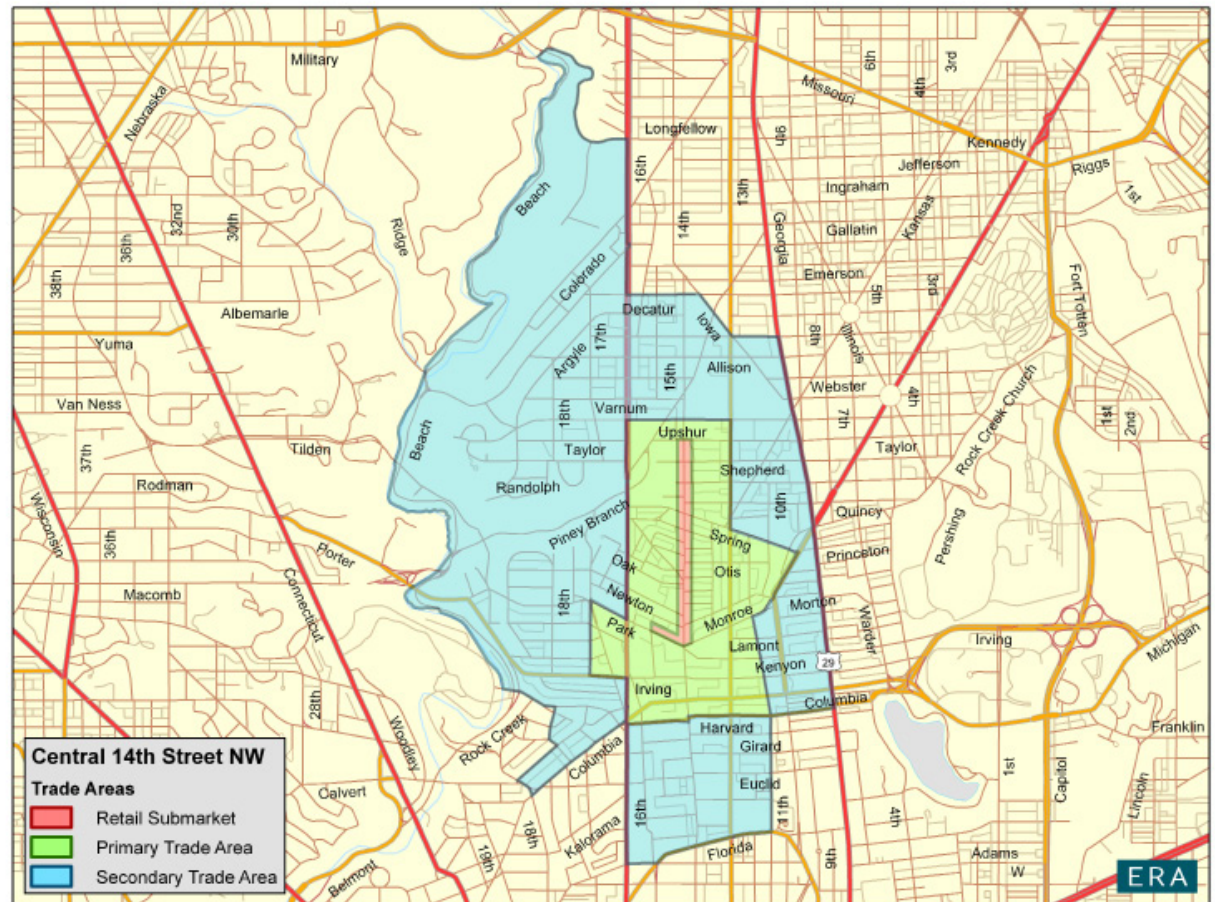


Submarket and Trade Area Boundaries

The retail submarket is located along 14th Street NW from Park Road to Taylor Street. Development trends are centered at the Columbia Heights Metro Station (Green/Yellow Line)

Key Elements

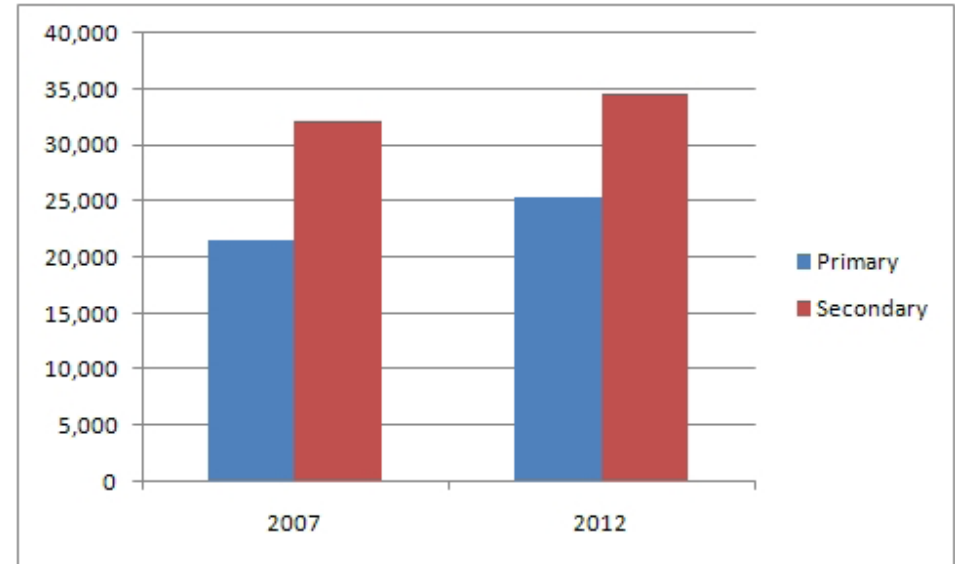
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances for pedestrian shopping)
- Primary trade area residents are expected to be frequent customers, with a focus on those living closest to the site; Secondary trade area residents are expected to be consistent, but not frequent customers
- Potential customers who are not primary or secondary trade area residents are accounted for by an “inflow” factor; this is a percentage applied to potential expenditures at the site
- Trade area includes the new DC USA shopping center



The Central 14th Street NW trade area will see significant increases in population and housing units over the next five years

- New residential projects may add 2,605 households or approximately 6,372 new residents (based on average household size in each trade area) in addition to projections by ESRI
- ERA accounted for this addition in the 2012 figures for population and households
- Total population in the trade area is projected to increase from 53,642 in 2007 to 60,014 in 2012; an average annual growth rate of 2.3 percent
- Major new projects include Highland Park, DC USA, The Allegro, Meridan Place, View 14, and Park Place, among others

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

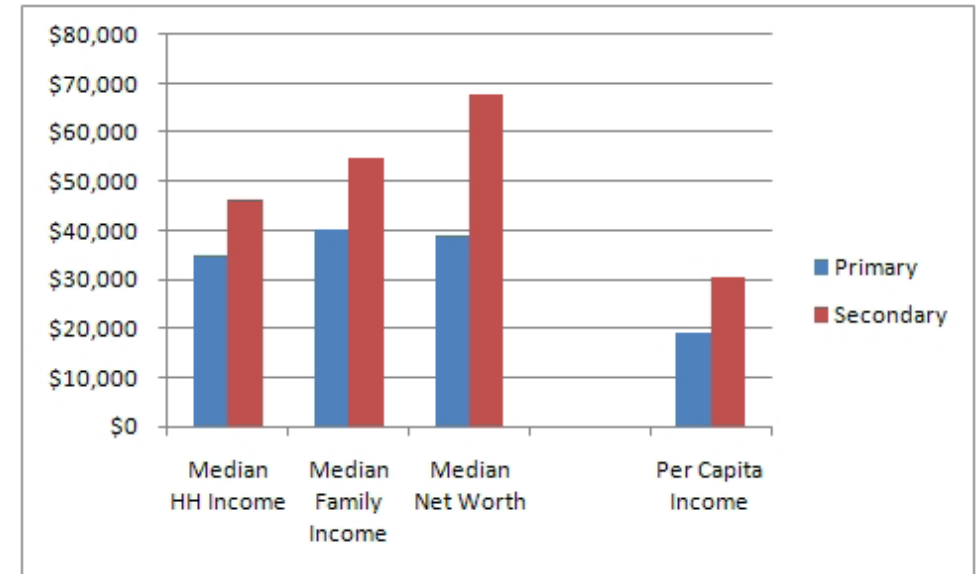
	Estimated 2007	Projected 2012
Primary	7,748	9,186
Secondary	13,562	14,729
Total	21,310	23,915

Central 14th Street NW Key Demographics: Trade Area Household Profile

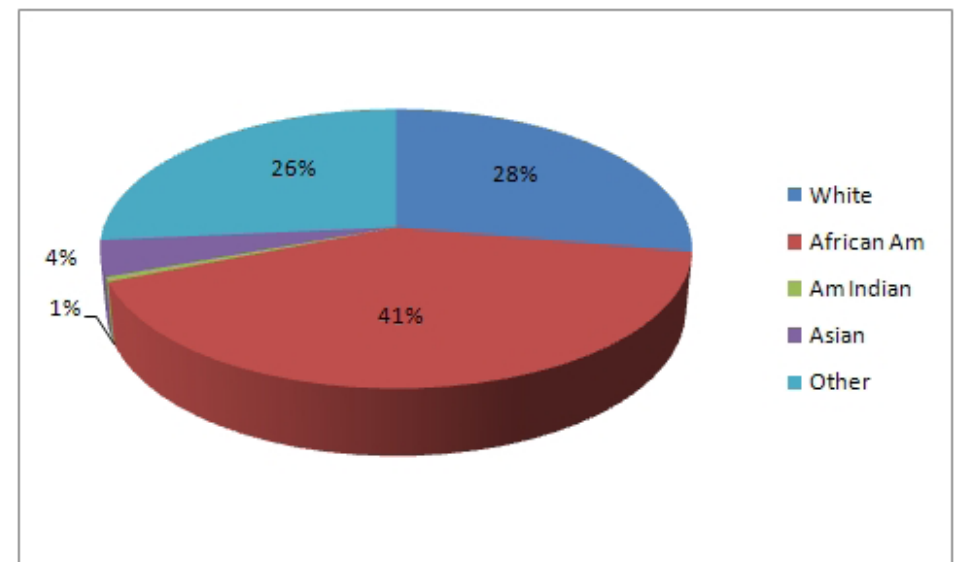
- The Central 14th Street NW trade area has a solidly middle-income base
- Median household income in the primary trade area is \$34,765 and is \$46,415 in the secondary trade area
- Median family income is \$40,033 in the primary trade area and is \$54,673 in the secondary trade area
- The median net worth of the households reflect some greater home values for owners and additional assets, again a result of the mix of Central-middle, middle, and lower-middle income households
- Racially and ethnically, the trade area is very diverse. African-Americans make up 41% of households, followed by White at 28% and Other at 26%*

*"Other" may also include persons self-identifying as mixed race

Income Statistics, 2007



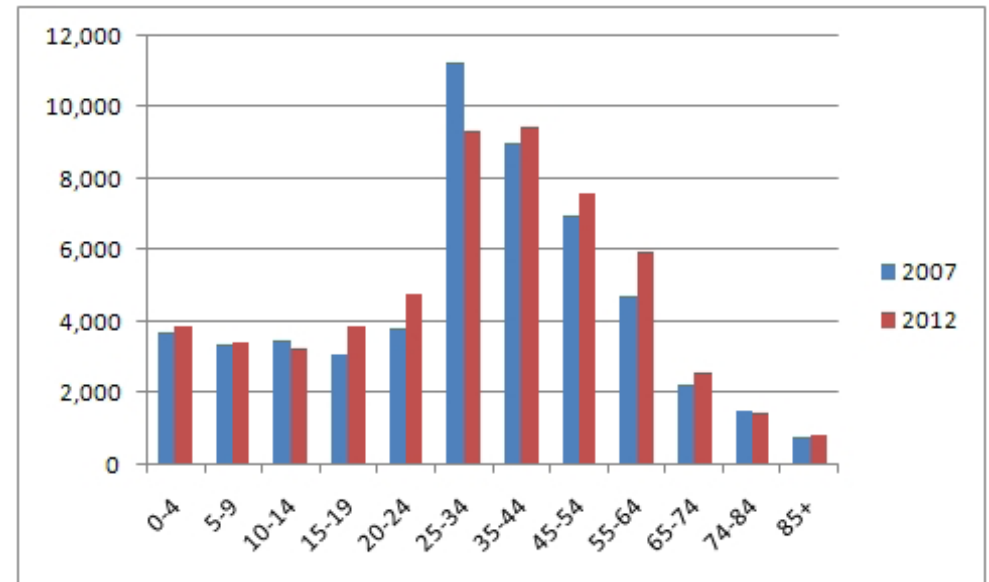
Racial and Ethnic Groups, 2007



The Central 14th Street NW trade area has a high percentage of young and mature adults. Moderate projected population changes will generate retail opportunities

- Age cohorts 35 through 64 will see an increase in population over the next five years, a positive indicator for residential and retail demand
- Growth in the 55 to 64 age cohort will increase demand for goods and services associated w/ "Empty Nesters" and those heading towards retirement
- Growth among the 15 to 19 and 20 to 24 age cohorts indicates continued demand for family-oriented goods and services and young adult household formation-oriented items such as inexpensive furniture, quick service restaurants, bars, and pre-prepared foods at supermarkets

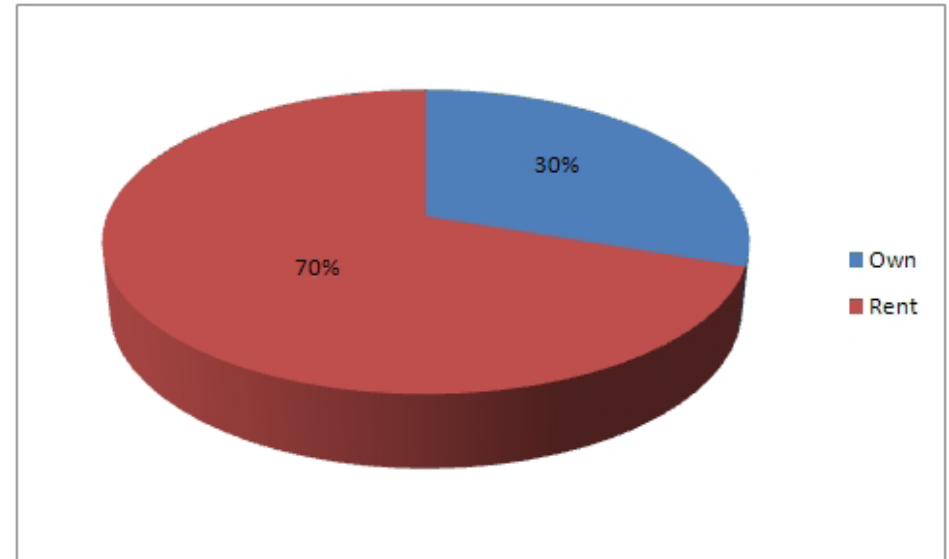
Trade Area Population by Age, 2007 and 2012



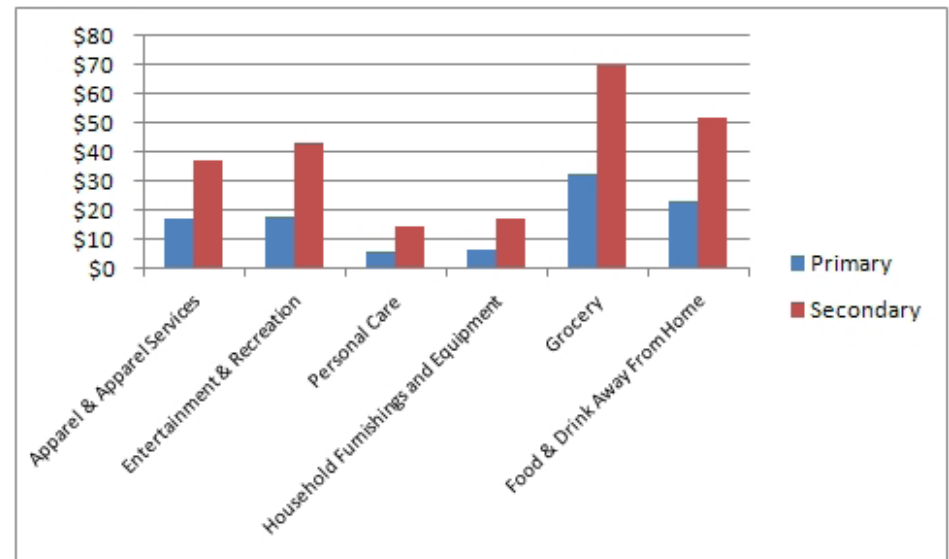
Central 14th Street NW Key Demographics: Trade Area Household Profile

- A higher percentage of households in the Central 14th Street NW trade area rent their homes, versus own (70% v. 30%)
- A significant number of homeowners is generally considered a positive indicator of neighborhood stability. Home ownership rates also impact the median household net worth
- Reviewing the trade area's household expenditures provides a "snapshot" of how households spend their disposable dollars. In order to increase opportunities for retail sales in the community, the trade area needs to be able to capture more of the total expenditures available
- In 2007 trade area residents spent a total of \$338.4 million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Trade area residents spend the most money on groceries
- Food and drink away from home, especially in the secondary trade area, represents the second highest expenditures category in the trade area

Home Ownership, 2007



Household Expenditures (In Millions) by Category, 2007

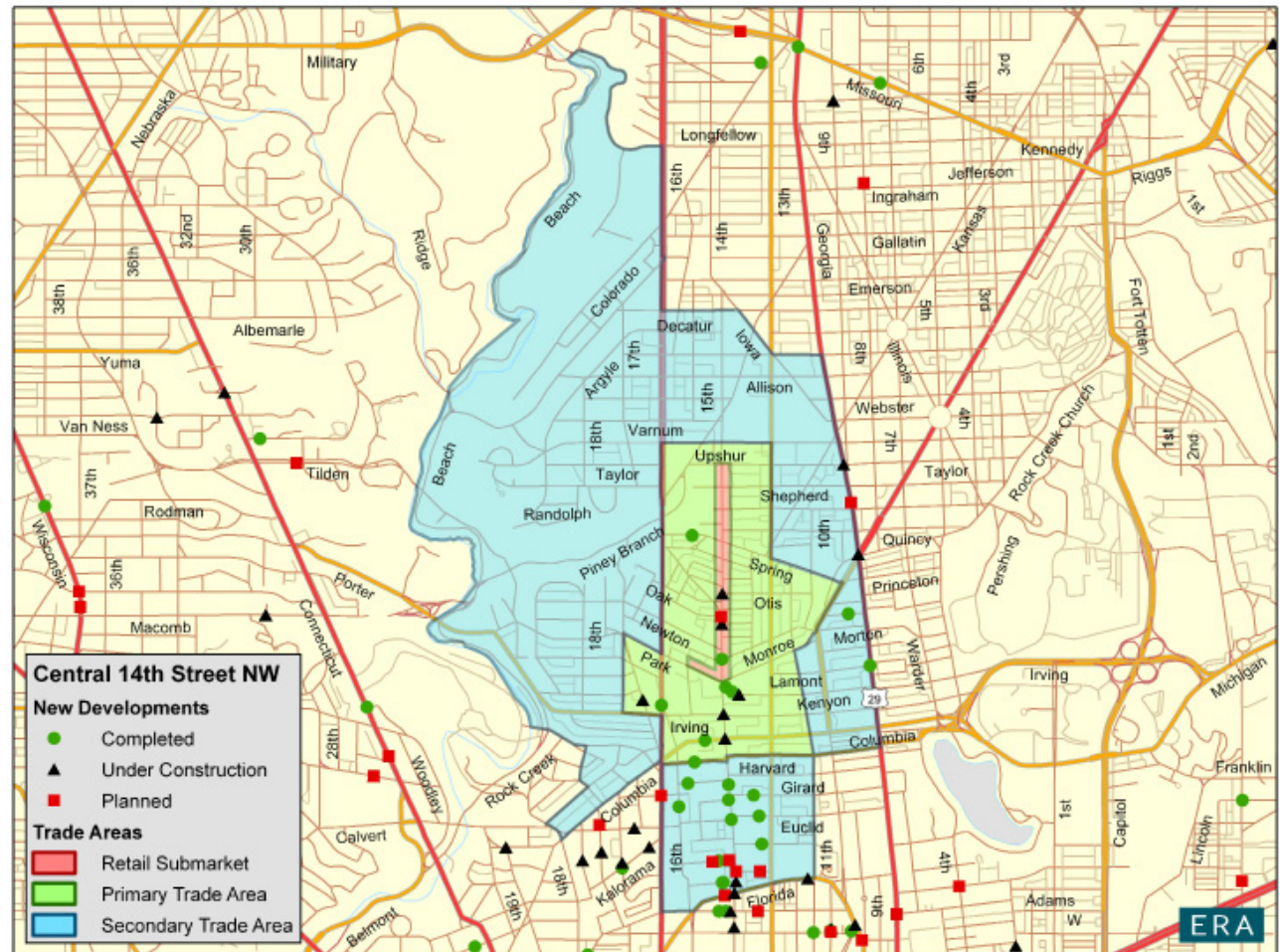


Development Pipeline of Under Construction and Planned Projects

Pipeline Retail Projects

developments in the Central 14th Street NW trade area that will deliver retail space within mixed-use projects

- The Central 14th Street NW trade area has delivered 1,058 residential units with 59,000 square feet of retail in the last few years
- DC USA added 500,000 square feet of retail
- There are currently 1,114 residential units under construction in the trade area with 85,585 square feet of retail space
- There are two projects in the planning stages that are expected to deliver an additional 426 residential units and 37,500 square feet of retail space in the trade area



Overview of Market Demand Analysis

The purpose of the market analysis is to provide quantitative data that, combined with qualitative analysis in the Strengths-Weaknesses-Opportunities-Threats (SWOT) section, inform the retail development strategy for the submarket and provide a tool to DC government, private developers and retailers, and community organizations for developing retail business opportunities.

Developing Estimates of Supportable Square Footage

A key component of the quantitative analysis is determining how much retail space is supportable in each submarket. To calculate this, retail demand or spending within the trade area along with an estimate of the spending that the submarket could capture are measured. Various factors are taken into account in developing submarket capture rates, such as the quality of existing retail offerings and trade area competition. Retail spending potential for each major retail category (Convenience Retail, Specialty Retail and Food & Beverage/Restaurants other Food Service) is divided by the retail industry standard for sales-per-square foot (sometimes called retail sales productivity) to arrive at an estimate of retail square footage that the submarket can support. Submarket demand is compared to supply by subtracting the existing retail inventory to determine the net supportable square feet for retail space.

For potential future development in 2012, pipeline residential and commercial projects, and associated increases in trade area expenditures, are factored into future demand. On the supply side, the pipeline of “under construction” and “planned” retail projects is subtracted from the estimate of supportable retail space, as it is assumed that the new space will absorb an equivalent amount of space at the threshold productivity levels.

Generally speaking, retail market demand analysis should not be considered conclusive, as it combines “typical” and “industry average” performance measures with professional judgment based on local conditions and knowledge of the market and retail industry. There are several factors that will determine the success or failure of any individual retail business; that is why the industry is constantly changing. This analysis is intended to guide the Retail Action Strategy to opportunities to recruit potential successful retail categories based on estimated demand potential.

*Estimated retail spending potential is based on household spending patterns, household income and household composition as reported by the Consumer Expenditure Survey prepared by the US Census for the US Bureau of Labor Statistics. For retail sales productivity rates, ERA used a range of retail industry-based sales per square foot estimates based on the company's experience in urban commercial districts similar to each individual submarket, as shopping center industry standards do not always reflect comparable performance in either market orientation or financial structure by locally-owned businesses or by smaller/older commercial buildings.

Retail Demand: Primary Trade Area Supportable Retail Space

Retailers measure business success by comparing their sales per square foot or productivity against their costs and revenue objectives as well as reported retail industry standards for comparable types of stores. The amount retailers can afford to spend for rent is also determined by annual sales (both the total amount and sales per square foot per year). Retail rents usually range between 8 percent and 12 percent of total annual sales. This industry standard is a benchmark by which retail performance can be determined.

Local retailers whose sales fall below these industry standards may be considered to be underperforming; the reasons for underperformance may be a result of the size of the market, stronger competitors with better merchandise, merchandising, and/or better pricing, or undercapitalization. Underperforming retailers may cause the analysis of supportable square footage to be underestimated. The higher performing operators can capture market share from existing retailers as well as new customers not currently patronizing a commercial district. When considering a commercial location or district such as the submarkets included in this analysis, retailers often review the levels of rent achieved by property owners as an indication of the level of sales that other retailers are generating.

Lower average rent levels also influence the amount that property owners can afford to invest in property improvements to retain existing tenants or recruit new ones. If property owners are unable to offer tenant improvements because rents are too low, the retailers are then required to increase the amount they must spend to prepare a building to become a store, café, or consumer service business. The greater the amount the retailer is required to invest in space improvements, the greater the financial risk, resulting in additional financial pressures during the early years while the retailer is becoming established and building a customer base. Districts presenting a higher risk of failure have difficulty attracting well managed, well capitalized businesses.

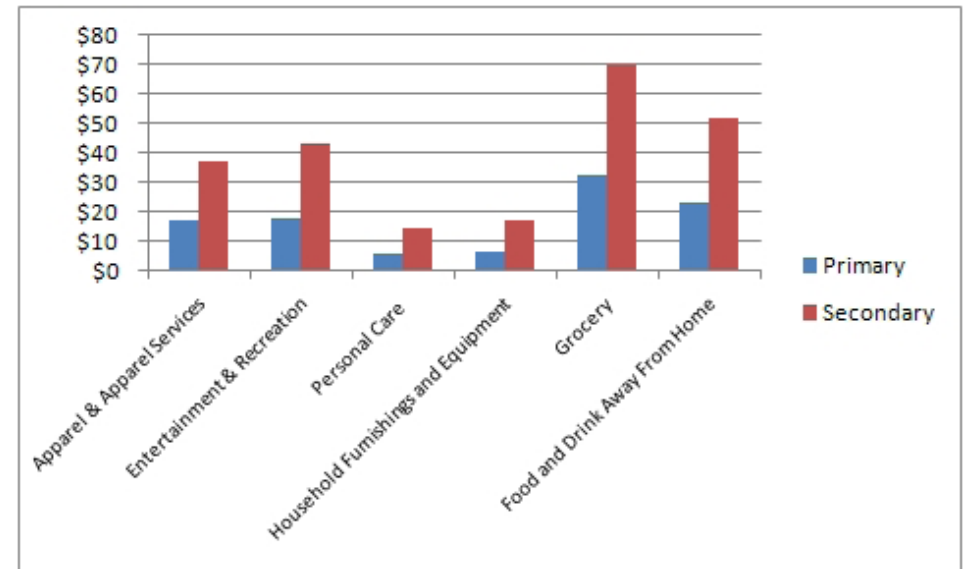
This relationship establishes the connection between the total sales that retailers can achieve, the amount they can afford to pay in rent, and whether the property owners will be willing (or able) to invest in major needed building upgrades (electrical systems, HVAC, tenant improvements) to attract or retain retail tenants.

Trade Area Resident Spending

- Retail opportunities are measured using trade area retail expenditures, which describe consumer spending patterns
- Expenditures typically cover resident spending, but have been adjusted to include worker, visitor, and other spending, as appropriate
- Key categories include:
 - Apparel and Apparel Services
 - Entertainment and Recreation
 - Personal Care
 - Household Furnishing and Equipment
 - Grocery
 - Food and Drink Away from Home
- Entertainment and Recreation includes expenditures such as fees and admissions, TV/video/sound equipment, pets, toys, recreational vehicles, sports equipment, photo accessories, and reading
- Personal Care includes stores such as, drugstores (excluding prescription drugs) cosmetic stores, and services (nail salons, hair salons, shoe repair, etc.)
- Grocery (food and drink for consumption at home) absorbs the most expenditures for the households in the trade area

Trade Area Expenditures By Category (In Millions), 2007

\$338 Million Total



Capture rates are applied to total trade area expenditures in order to estimate potential expenditures within the retail submarket

A capture rate is calculated as a percentage of sales expected from households or inflow shoppers in the entire trade area.

The rate is developed by examining the trade area’s existing retail offerings, quality of retailers, the potential for increased sales with improved retail operations, size of the trade area and a professional judgment considering nearby competition and other available retail purchasing opportunities for customers.

The analysis utilizes capture rates specific to the trade area to calculate likely on-site spending within the retail submarket. For example:

- A 10% capture rate = \$10 of every \$100 spent will occur in the retail submarket
- Note that 100% capture rate is not possible, as the rate reflects all retail purchasing opportunities available to the shoppers in the trade area
- The capture rate is generally a major determinate of a retail submarket’s viability

Central 14th Street Submarket Capture Rates By Category

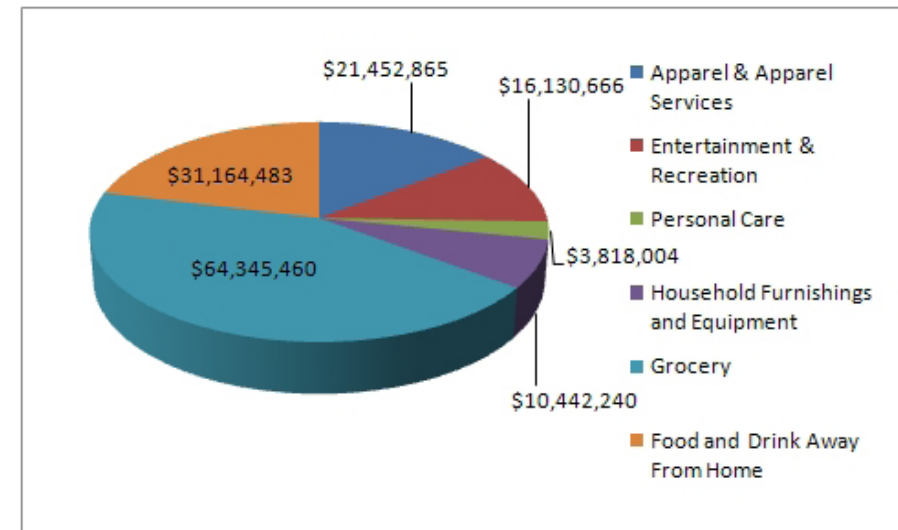
	Primary	Secondary	Inflow
Apparel & Apparel Services	50%	20%	35%
Entertainment & Recreation	30%	20%	15%
Personal Care	20%	15%	10%
Household Furnishings and Equipment	50%	30%	20%
Grocery	75%	45%	15%
Food and Drink Away From Home	45%	30%	20%

Source: ESRI Business Analyst; Economics Research Associates, 2007

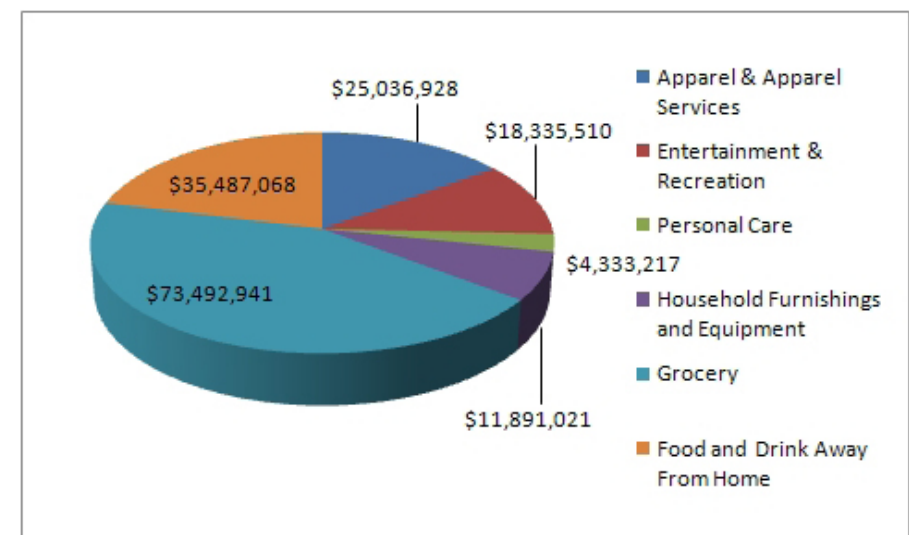
Estimated Captured Spending within the Retail Market

- Captured spending in the trade area was estimated to be \$147.3 million in 2007 compared to total trade area spending of \$338 million in the same year
- Captured spending in the trade area is expected to be \$168.6 million in 2012 compared to total trade area spending of \$383 million in the same year
- ERA estimates by 2012 that Grocery spending will account for more than \$73.4 million annually and Food and Drink (away from home) will account for more than \$35.4 million annually
- Captured spending in the retail submarket is expected to increase by more than \$21 million between 2007 and 2012, due mostly to significant changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007
\$147.3 Million



Estimated Captured Retail Trade Area Spending, 2012
\$168.6 Million



Productivity and Typical Store Size

- A calculation of store productivity is typically based on optimal performance of quality retailers, not actual operators
- However the lower quality of the retail space available in this retail submarket requires that a lower than “optimal” productivity rate must be used to adjust the supportable square footage calculation
- The square footage of retail type does not indicate number of stores since stores sizes vary

“Typical” stores sizes might be:

- Apparel 3,500 SF
- Accessories 2,000 – 10,000 SF
- Personal Care 2,000 – 10,000 SF
- Household Furnishings 3,500 – 10,000 SF
- Grocery Stores- 30,000 to 65,000
- Restaurants 3,000 – 6,000+ SF
- Quick Service food 1,200 – 3,500 SF
- The retail submarket offerings could be anchored by a supermarket, a collection of restaurants and neighborhood-focused goods and services

Source: ESRI Business Analyst; ERA 2007

Central 14th Street Submarket Comparable Productivity

- The best way to estimate a site’s productivity is to assess annual sales per square foot for comparable projects
- The type of retail often impacts the sales per square foot (i.e. jewelry versus furniture)

Category	Sales per Square Foot	
	Low	High
Apparel & Apparel Services	\$ 250	\$ 350
Entertainment & Recreation	\$ 250	\$ 450
Personal Care	\$ 450	\$ 650
Household Furnishings and Equipment	\$ 300	\$ 450
Grocery	\$ 450	\$ 550
Food and Drink Away From Home	\$ 350	\$ 450

1/ International Council of Shopping Centers, Dollars & Cents of Shopping Centers 2006

Source: Economics Research Associates, 2007

While the productivity rates used for this submarket were based on national averages as reported by the International Council of Shopping Centers (ICSC), ERA used the lower national rates to reflect space limitations and likely performance in the submarket. The rate still reflects the minimum productivity that would be needed for a quality retail operation return on investment.

2007 Net Supportable Square Feet

- Based on the current and projected level of households in the study area and their spending patterns the Central 14th Street NW submarket can support between 364,000 and 510,800 square feet of retail in 2007
- The existing retail inventory totals 62,575 square feet within the retail submarket. In order to take into account the lower quality space it was discounted to 25,030 square feet
- The retail submarket has a net supportable square foot range between 338,970 and 485,770 in 2007
- Based on typical store size and spending patterns, the site can easily support multiple grocery stores, restaurants, and one or more entertainment/recreation stores such as a gym or bookstore

Estimated Net Supportable Square Feet 2007

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	58,100	85,800	103,000
Entertainment & Recreation	58,100	64,500	77,400
Personal Care	7,700	8,500	10,200
Household Furnishings and Equipment	31,300	34,800	41,800
Grocery	128,700	143,000	171,600
Food and Drink Away From Home	80,100	89,000	106,800
Subtotal 2007 Supportable	364,000	425,600	510,800
Less Adjusted Existing Inventory 1/	(25,030)	(25,030)	(25,030)
Total 2007 Net Supportable	338,970	400,570	485,770

1/ Inventory adjusted for condition

Source: ESRI Business Analyst; Economics Research Associates, 2007

2012 Net Supportable Square Feet

- Based on estimated trade area expenditures and capture rates, the Central 14th Street NW submarket can support between 439,300 and 585,600 square feet of retail in 2012

- There is approximately 623,085 square feet of new retail under construction or planned for the trade area and when completely leased it will be more than sufficient to support demand in the neighborhood

- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012

- Due to the amount of retail in the pipeline, there is a negative supportable square feet range between (208,815) and (62,515) in 2012

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	90,300	100,300	120,400
Entertainment & Recreation	66,100	73,400	88,100
Personal Care	8,600	9,600	11,500
Household Furnishings and Equipment	35,700	39,700	47,600
Grocery	147,200	163,500	196,200
Food and Drink Away From Home	91,400	101,500	121,800
Subtotal 2012 Supportable	439,300	488,000	585,600
Less Existing Retail 1/	(25,030)	(25,030)	(25,030)
Less Planned/Under Construction 2/	(623,085)	(623,085)	(623,085)
Total 2012 Net Supportable	(208,815)	(160,115)	(62,515)

1/ Includes adjusted inventory

2/ Includes new retail at 3501 14th St., The Allegro, Cavalier, DC USA, View 14, Park Place, 2400 14th St., and Georgia Commons

Source: ESRI Business Analyst; Economics Research Associates, 2007

What Does Negative Supportable Square Feet Mean?

- Negative supportable square feet indicates that, at a certain point in time, there may be more retail space than the current market expenditure potential can support
- Many existing retailers in Washington DC
 - (a) operate in lower priced spaces that can be considered functionally inefficient/obsolete (too small, too shallow, in poor condition, etc.) or
 - (b) are not well capitalized to compete in an improved environment. ERA has 'discounted' the square footage of these retailers in many areas to reflect the qualitative/competitive differences in operating capacity
- Markets evolve and shift as the amount and type of available retail changes; what today may appear to be oversupply can attract new spenders from outside the immediate trade area and become positive over time (such as Adams-Morgan or downtown Washington near the Verizon Center). A 'negative' supportable square footage estimate in 2012 does not mean an area is permanently oversupplied
- Retail submarkets may have a store mix imbalance and unfulfilled retail potential. These areas may have too much of one kind of retail and not enough of other types. An improved retail mix could increase demand and reduce the perceived oversupply of space.
- The retail submarket strategies will include programs and incentives to assist local retailers operating in growth/expanding markets where substantial new retail is being introduced

Commentary on the Current Retail Inventory

According to CoStar Group Real Estate Information Services, there is 62,575 square feet of retail space in the Central 14th Street NW retail submarket. To determine net supportable square feet, the existing retail space is subtracted from the gross supportable square feet. One major determinant of opportunity relies on the quality of the existing space – how competitive is the space relative to the rest of the trade area and other competitive districts?

ERA analyzed the existing retail along the Central 14th Street retail submarket and concluded that 60% of the retail inventory in the trade area was Grade “C”, or inadequate, for contemporary retailing needs. In order to calculate supportable square footage, the existing space was discounted by removing the Grade “C” inventory from the equation.

Inventory Adjustment

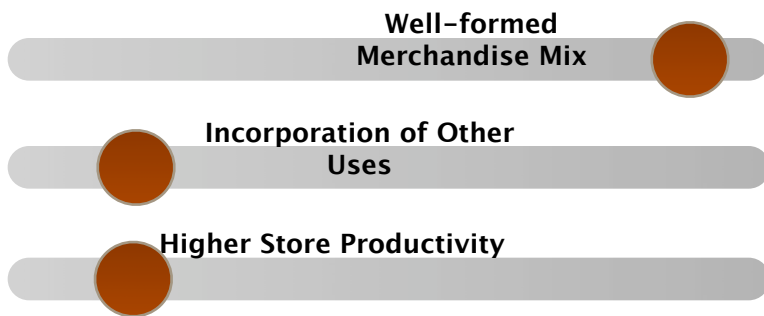
Existing Retail Inventory in Submarket	62,575
Less Discounted Space ("C" Grade)	37,545
Adjusted Existing Inventory	25,030

Source: CoStar; Economics Research Associates, 2008.

Multiple factors will ultimately affect the supportable square feet and success of the retail sub-market's offerings over the long-term

Factors Affecting Store Supportable Square Feet, 2007

338,970 SF ← 400,570 SF → 485,770 SF



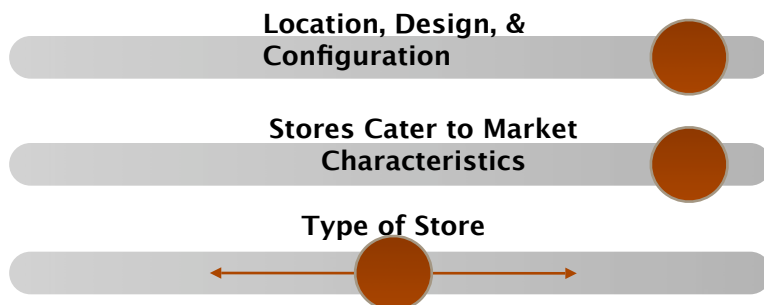
The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

Incorporating other uses and programs may limit retail space, but complement overall project

The trade areas are capable of spending a certain amount. If more \$\$ are spent in one store less \$\$ will be spent elsewhere

Factors Affecting Store Productivity

Low Sales / SF ← High Sales / SF



A store's size, placement within the district, interior and storefront design are part of total appeal for customers

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the customers

Merchandise quality/price positioning/merchandising/mark-up relative to cost of goods, as well as store size and other operating factors, influence a retailers' profitability (Sales / SF)

Detailed captured retail spending on site by category and market

2007 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 8,475,921	15.9%
Entertainment & Recreation	\$ 5,309,837	10.0%
Personal Care	\$ 1,250,335	2.3%
Household Furnishings and Equipment	\$ 3,482,104	6.5%
Grocery	\$ 24,400,352	45.8%
Food and Drink Away From Home	\$ 10,381,280	19.5%
Subtotal	\$ 53,299,828	100.0%
Secondary		
Apparel & Apparel Services	\$ 7,415,091	10.5%
Entertainment & Recreation	\$ 8,716,829	12.3%
Personal Care	\$ 2,220,578	3.1%
Household Furnishings and Equipment	\$ 5,219,763	7.4%
Grocery	\$ 31,552,222	44.6%
Food and Drink Away From Home	\$ 15,589,122	22.0%
Subtotal	\$ 70,713,605	100.0%
Inflow		
Apparel & Apparel Services	\$ 5,561,854	23.8%
Entertainment & Recreation	\$ 2,104,000	9.0%
Personal Care	\$ 347,091	1.5%
Household Furnishings and Equipment	\$ 1,740,373	7.5%
Grocery	\$ 8,392,886	36.0%
Food and Drink Away From Home	\$ 5,194,081	22.3%
Subtotal	\$ 23,340,285	100.0%
All Markets		
Apparel & Apparel Services	\$ 21,452,865	14.6%
Entertainment & Recreation	\$ 16,130,666	10.9%
Personal Care	\$ 3,818,004	2.6%
Household Furnishings and Equipment	\$ 10,442,240	7.1%
Grocery	\$ 64,345,460	43.7%
Food and Drink Away From Home	\$ 31,164,483	21.1%
Total	\$ 147,353,719	100.0%

2012 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 10,384,372	16.2%
Entertainment & Recreation	\$ 6,349,648	9.9%
Personal Care	\$ 1,495,185	2.3%
Household Furnishings and Equipment	\$ 4,163,994	6.5%
Grocery	\$ 29,178,607	45.6%
Food and Drink Away From Home	\$ 12,414,218	19.4%
Subtotal	\$ 63,986,024	100.0%
Secondary		
Apparel & Apparel Services	\$ 8,161,501	10.5%
Entertainment & Recreation	\$ 9,594,274	12.3%
Personal Care	\$ 2,444,103	3.1%
Household Furnishings and Equipment	\$ 5,745,190	7.4%
Grocery	\$ 34,728,299	44.6%
Food and Drink Away From Home	\$ 17,158,338	22.0%
Subtotal	\$ 77,831,705	100.0%
Inflow		
Apparel & Apparel Services	\$ 6,491,055	24.3%
Entertainment & Recreation	\$ 2,391,588	8.9%
Personal Care	\$ 393,929	1.5%
Household Furnishings and Equipment	\$ 1,981,837	7.4%
Grocery	\$ 9,586,036	35.8%
Food and Drink Away From Home	\$ 5,914,511	22.1%
Subtotal	\$ 26,758,956	100.0%
All Markets		
Apparel & Apparel Services	\$ 25,036,928	14.9%
Entertainment & Recreation	\$ 18,335,510	10.9%
Personal Care	\$ 4,333,217	2.6%
Household Furnishings and Equipment	\$ 11,891,021	7.1%
Grocery	\$ 73,492,941	43.6%
Food and Drink Away From Home	\$ 35,487,068	21.1%
Total	\$ 168,576,685	100.0%

Central 14th Street NW Strategy



Central 14th Street NW

Introduction

The Central 14th Street NW submarket extends along 14th Street from Park Road north to Taylor Street, and includes a branch along Park Road from 14th Street to 16th Street. This transitional commercial corridor includes small, independent retailers in row house retail spaces in the northern portion and shifts to a major retail development in the southern node. As referenced in the submarket SWOT analysis, 97% of the 151 small businesses in the northern node are minority-owned small businesses primarily serving a neighborhood customer base. The southern node centered at 14th Street and Park Road has already begun to transform into a regional retail center with large national chains, sizeable footprint developments and a critical mass of retail, residential and service uses.

The Central 14th Street NW trade area has a solidly middle-income residential base. Median annual household income in the primary trade area is \$34,765 and \$46,415 in the secondary trade area. Median household income is expected to increase to \$40,550 and \$54,904, respectively by 2012. The median net worth of the households in the primary and secondary trade areas together average nearly \$53,574; the majority of households in primary and secondary trade areas are renters. This could reflect some greater home values for owners and additional assets, a result of the mix of Central-middle, middle, and lower-middle income households.

There are a significant number of development projects in the pipeline that will add about 1,540 households or approximately 3,868 new residents to the Central 14th Street trade area by 2012. This growth in residents could potentially increase the retail opportunities in the area. However, according to the SWOT analysis and the Retail Market Demand Analysis, most of the retail projects coming online and in the development pipeline are focused on the southern node and will continue to shift the market focus to a District-wide draw. A significant challenge facing the submarket is how to support the small businesses in the northern node recognizing that larger scale retail developments like DC USA will impact the market, rents, and customer base of surrounding retailers and markets.

Merchandising Concepts

The changing nature of the Central 14th Street submarket and its two distinct nodes suggests that the retail focus for each node be addressed and developed according to unique assets and opportunities. The merchandising options for the northern and southern nodes are mostly smaller store sizes that both complement the big box scale of the DC USA development as well as fit the existing retail store spaces in both areas.

Node 1- Northern Node: The small retailers in the northern node of 14th Street should continue to position themselves as neighborhood-serving, convenience and service-oriented retail. A unique feature of this area is that the majority of the businesses are minority-owned, and the broad diversity could be an important branding and marketing tool. While there are traditional storefronts of line retail between Spring Road and Quincy Street and between Randolph and Shepherd Streets, many of businesses are located in basements and first floors of row houses with residential units in upper floors. Where possible, the productivity of the line retail should be strengthened by conversion of row house retail back to residential or non-retail uses.

The retail shops in the northern node are currently serving a majority-Latino market. In order to attract shoppers from other ethnic groups, it may be necessary to display bi-lingual signs, in English to attract new shoppers and in Spanish to maintain the customer base as well as the Latino flavor. Efforts to recruit new businesses to the traditional storefronts along 14th Street should focus on neighborhood service retailers that enhance the mix of businesses. Businesses could include a dry cleaners, such as Zips; personal services (shoe repair, tailoring); and small scale professional services (accountants, dentists, etc.). The area already contains some of these services, and efforts for existing businesses need to focus on improving presentation, including interior layout and design. As the area develops, the northern node may see interest from national and regional chain service businesses and credit tenants seeking lower priced rents but wanting to be near areas like DC USA; examples include Aveda Skin Care or H & R Block. The area already has several papusas and taquerías. The addition of other ethnic restaurants and cafés to the northern node would be a good fit for the area. This scenario may be likely as operators seek to relocate from the rental pressures of other areas of the District such as Adams-Morgan and the U Street.

Node 2- Southern Node: The large-scale, chain stores in the southern node along 14th Street are already positioned as a transit-oriented, District-wide retail center. The larger tenants in the DC USA project and adjacent operators including Giant Foods characterize this merchandising mix with a broad appeal to mid-priced, mass market retail customers. The catalytic effect of DC USA and Giant Foods has already improved the business mix. The private development community is currently addressing tenant mix in this area and no public strategy is needed at this point.

The small shops on Park Road between 14th and 16th Streets should continue to position themselves as neighborhood serving, ethnically-oriented, independent businesses. Ethnic food service operations have a broad appeal to diverse groups and incomes. Businesses in this area should consider a positioning strategy that allows them to continue to operate in a manner appealing to their current customer base, even as they renovate space and present merchandise appealing to new residents. Further, they may also draw on visitors to DC USA as their businesses offer a unique experience and unique products.

With household incomes increasing in the trade area there is an opportunity to introduce both moderately priced and more upscale dining and gathering places such as Guapos, Rasika, Saint Ex, or Murky Coffee. Square footages for these types of establishments range from about 1,500 to 2,500 square feet. There is also potential for resident-serving uses such as a hardware store and consumer services (hair salons, skin care, bank ATM's). Square footages for consumer services require around 1,200 to 1,500 square feet; approximately 75 to 100 feet for ATMs. Both nodes possess an excess of buildings in below-average condition. There is currently about 62,500 square feet of existing retail inventory. The Retail Market Demand Analysis estimated that about 60% of the total inventory in the submarket is class retail "C", or of diminished quality and maintenance.

Urban Design

The greatest urban design needs relate to streetscape. As noted in the SWOT analysis, the streetscape along 14th Street is sparse and limited.

Plantings and street furniture can soften the appearance of the street front as well as invite pedestrians. As most retail spaces in the northern node are actually the ground-floor of a residential building, the stoops of the houses create a great deal of separation between the storefronts and the sidewalk. Design assistance for business and property owners in the northern node to improve storefront appearances with well-designed signs, awnings and display windows (where appropriate) can reinforce the commercial nature of the buildings and draw the attention of pedestrians.

In the southern node, streetscape improvements at the starburst intersection with 14th Street, Park Road and Kenyon Street should be pedestrian-oriented in nature. Implementing the improvements recommended in the Columbia Heights Public Realm Plan will foster pedestrian-oriented retail and, by extension, reinforce the small shops along Park Road. Additional signage and wayfinding systems that guide shoppers to the smaller retailers north and west of the large-scale developments will improve opportunities for the independent operators in those areas.

Transportation Improvements

Transportation improvements in the area have been identified in the Columbia Heights Public Realm Plan and the Columbia Heights/Mount Pleasant Transportation Study. In particular, the reconfiguration of key intersections (i.e. 14th Street and Monroe

Street, 14th/Monroe/Park) will support the reorientation of the area as a pedestrian shopping district. As mixed uses continue to be developed in the southern node, the area will become even more pedestrian-focused. Introducing turning lanes at key intersections may relieve congestion while also managing pedestrian-vehicle conflicts.

Although the new, large developments in the southern node have added parking to the area, on-street and off-street parking continues to be limited. While many residents moving into the mixed-use buildings will likely use alternative modes of transportation such as bus, metro, walking and biking, the parking limitations may create resident and shopper conflicts. Parking capacity should be monitored.

The Columbia Heights Public Realm Plan and the Columbia Heights/Mount Pleasant Transportation Study both recommend improving bus shelters in the area, addressing and improving pedestrian safety, and expanding the coverage of bicycle lanes.

Retailer Support

Small retailers in line retail commercial buildings in the northern node and small retailers and ethnic independents in the southern node need technical assistance to support their efforts to remain competitive in a changing retail environment. Although the submarket is not currently serviced by a DC Main Streets program, direct technical assistance from a Main Streets program or similar support effort by the DC Department of Small and Local Businesses (DSLBD) would be valuable. These programs should focus on preparing retailers to adjust their product or services and price points to accommodate both their current and future customer bases. Currently, much small business support in the form of technical and financial assistance is

provided through the Department of Housing and Community Development (DHCD). At a District-wide level, some form of programmatic consolidation and streamlining would be helpful to simplify and better coordinate retail assistance. Types of technical assistance needed by these businesses would include:

- Northern Node: Limited design assistance to address the problems faced by retailers in former residential buildings, including signage and awnings (until such time as the buildings can be redeveloped as residential buildings, and storefronts and design assistance for the one story retail buildings at the Spring Road intersection and in line retail along 14th Street between Spring Road and Quincy Street and between Randolph and Shepherd Streets in the northern node to help establish the retail presence in the northern area;
- Southern Node: Exterior design assistance for the small retailers on the western side of Park Road to improve the appearance and appeal of their façades. Interior merchandising and layout assistance for the Park Road businesses to address the issue of repositioning in a changing market without discouraging existing customers; Business planning assistance and financial assistance (loans and grants) to help repositioning and remerchandising.

There are also opportunities to work with the local merchant association to support public space programming that gets people outside and on the street. To facilitate coordination between the entertainment district businesses and their residential neighbors, the area should consider implementation of a Responsible Hospitality Resource Panel.

Supportable Square Footage and Evolving Markets

As described in the Retail Market Demand Analysis, the Central 14th Street submarket can be considered an evolving market. Taking into account the new developments and pipeline projects, the submarket will have more retail space than would be considered “supportable” under existing and near-term market conditions. This estimate, sometimes indicated by so-called “negative” square footage, should not be viewed as a permanent condition, and will be affected by both near-term improvements as well as longer-term (beyond the five-year study period) growth. Available expenditures and the rate at which the Central 14th Street submarket can capture a share of those expenditures will be based on changing both median household income levels as well as the quality and quantity of retail uses that are retained and recruited to the corridor’s two nodes. Particularly in the southern node, the impact of the DC USA project adjacent to the Columbia Heights Metro station has already altered the character of the market and drawing power to the area established by Giant Foods and Target. To put into perspective the incremental resident demand needed to balance the planned under-supported/“negative” space, using a disposable income estimate based on present and projected median household income levels for the primary and secondary trade areas and reasonable capture rates, expenditures from approximately 15,250 additional households would be required to place retail supply and demand in balance. Some of these resident expenditures may occur as inflow from beyond the primary and secondary trade areas as the Central 14th Street continues to emerge as a transit-related and retail anchored district with regional appeal.

Longer term, continued growth in residential development attracted by both Metro proximity and the enhanced retail amenities can provide

another share of market support. Based on reasonable percentages of household income spent on retail/dining/consumer services and an assumed rate of capture reflecting a good, typical mix of available offerings, each new resident in a commercial area supports between four and seven square feet of retail space. Each new employee will support between two and five square feet. The tourist/visitor market is less likely to be a major contributor to the Central 14th Street area in the near term – this is an urban residential neighborhood; generally, each visitor supports between one-half and one and one-half square feet of retail. In all cases, the range of supportable square footage is based on available retail offerings, the quality of the public spaces and continuity of retail within the corridor, and relative proximity to where people live, work, or want to visit an attraction. The relative differences in spending support indicate the importance of the resident and (to a lesser degree and beyond the five year study period) potential future employee markets to provide sales for the additional retail space. The greatest factor will be the importance of inflow expenditures from residential areas beyond the primary and secondary resident submarkets, made possible by Metro access and the anchor retail uses located at DC USA.

Key Recommendations

1. In collaboration with the Washington DC Economic Partnership (WDCEP), retailers on Central 14th Street and Park Road, NW, “brand” the submarket to establish an identity beyond “Central 14th”, “Upper Columbia Heights”, or DC USA. The small business support organizations or associations in Columbia Heights could work together to leverage and strengthen efforts.
2. With the support or encouragement of the DSLBD, create, or support the creation of, an organization of businesses in the area to establish a service delivery channel and provide an outlet for ideas, issues and needs. If there is sufficient support or interest from the business community, consider encouraging the group to apply for DC Main Streets.
 - a. Small, independent retailers for the southern node should receive targeted, repositioning assistance;
 - b. Small retailers in the northern node will need design assistance.
3. Support local retailers via technical assistance and organizational support particularly in the Park Street area, where there are a number of small, locally owned businesses and cafes that may be threatened by increasing rent expectations caused by DC USA's impact on the customer base and perceived real estate values.
4. Through Great Streets, ReStore DC, and/or DHCD, provide design improvements assistance for façades, signage, and awnings.
5. Great Streets and other capital improvement funds can be used to support the implementation of the streetscape improvements recommended in the Public Realm Master Plan.
6. Supplement the Metro-based transportation infrastructure by installing a City Bike station at the Columbia Heights Metro station to create multiple modes of movement