

2017 UPDATE:

RETAIL MARKET ANALYSIS

Old Takoma Business Association (OTBA)



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/ Development Economics



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EXECUTIVE SUMMARY

This 2017 update of the 2008 Market Analysis for the Old Takoma Business Association (OTBA) finds that there has been enormous change and progress made in strengthening the OTBA area as a mixed-use business district. Key issues such as gaps in the urban built environment have been addressed through new mixed-use development that also helps to strengthen the built-in market for convenience and other retail goods. New restaurants and specialty shops have also helped strengthen the market base. Some inherent weaknesses remain in the district's lack of physical exposure to the broader destination market, but several new businesses have helped tap the potential market base for the area. As a specialty district, efforts are encouraged to continue growing the share of sales generated by destination traffic or "inflow." Priorities for moving forward are likely to include the following:

1. Work pro-actively to attract entertainment uses, preferably to the Takoma Theatre, as an anchor for destination traffic and support for the area's restaurants.
2. Work pro-actively to recruit certain businesses that help fill a gap in the merchandise mix, including apparel and accessory shops that appeal to young women and families with children; a brewpub or other establishment that works well with adjunct entertainment; health and personal care stores beyond CVS that offer organic or other specialized goods; and a food store or addition to the existing co-op.
3. Work with NDC on an appropriate development strategy for the Takoma Junction site in lieu of the TPSS Coop anchor. That strategy might be best-placed to include some residential component with ground-floor convenience-oriented retail such as the health or personal care concept that compliments the Coop's merchandising strategy.
4. Work with the City of Takoma Park and M-NCPPC on an Urban Design Plan for the area, as recommended in the 2008 plan. At a minimum, there is a need for a public art and amenities strategy that updates and enhances pedestrian environments and introduces branded elements and amenities.
5. Continue to implement appropriate elements of the 2008 marketing strategy that are geared to target destination markets, i.e., D.C. residents, national event-based and other tourists, etc.
6. Build on the community's reputation for environmental activism such as through an environmental innovation hub (as recommended in the 2008 strategy) or an "urban green lab" for the purposes of education, research, entrepreneurship, and destination marketing.

7. Encourage later store opening hours (as recommended in the 2008 strategy) and longer meter limits. Ultimately, the most critical element is consistency. If there are consistent operating hours, then consumers will know when to shop. That being said, the hours may vary between the three sub-districts (4th Street, Old Takoma, and Takoma Junction).
8. Work with the tenants and property owners to encourage owner-occupancy wherever possible, as noted in the 2008 strategy. OTBA businesses benefit presently by the flexibility exhibited by current property owners. Over time, however, ownership will change and it is best to be pro-active by promoting rent-to-purchase and other programs among existing landlords who may eventually consider selling their properties.

INTRODUCTION

This report provides a 2017 update of the Retail Market Analysis completed for the Old Takoma Business Association (OTBA) in 2008. The market analysis was updated based on field reconnaissance, business interviews, inventory, competitive supply analysis, and demographic data forecasted through 2022. An update to the 2008 strategic recommendations is also provided based on the findings of this updated analysis.



Section 1 of this report presents an update on the status of the study area, in terms of new development, changes in the business mix, and other factors that may have changed in the physical environment or business operations since 2008. Section 2 provides the findings of the market analysis update, including an understanding of market-area demographic shifts and the impact on demand. Overall OTBA study area potentials are updated based on this new demographic information and on the current supply.

Finally, Section 3 discusses the strategic recommendations made in 2008 and provides context for actions that may still need to be taken in light of changing market dynamics or unmet targets. This information provides a starting point for discussion on how OTBA can address lingering issues and respond to new market opportunities.

Section 1. STATUS UPDATE

This section provides a brief summary of key changes in the business mix, immediate market base, and marketing elements since the original market analysis was completed in 2008. There is also a matrix describing certain 2008 objectives for diversifying the business mix and the status in meeting those objectives today.

2008 Retail Market Findings

The 2008 Retail Market Analysis found that there would be net demand for an additional 60,000 to 70,000 square feet of retail business use in the OTBA study area by 2013. About 53% of the demand would be generated for “shopper’s goods” stores, mainly in the general merchandise category and in certain specialty goods. About 19% of the demand was in convenience goods, including expansion of grocery store food opportunities. There was also significant demand for entertainment, and for some additional eating & drinking and personal service use.

Ultimately, the market analysis found that, while the area offered a wonderful selection of specialty goods, food, dining, entertainment, and personal services; the very nature of its off-beat location suggested the need for more “destination-oriented” businesses to broaden and diversify the market base. A destination marketing strategy was thus recommended that built on the district’s competitive strengths including the unique Takoma brand as a center for environmental and political activism.

2017 Non-Retail Changes

Several market-related changes have occurred since 2008 that have bolstered the OTBA area’s commercial viability. These changes relate primarily to the construction or rehabilitation of several residential, educational, and office developments within or directly adjacent to the OTBA commercial areas. These developments include the following:

- Gables Takoma Park Apartments (145 units completed in 2009)
- Takoma Central Apartments (150 units completed in 2 phases in 2015)
- Willow & Maple Apartments (100 units completed in 2016)
- EF International Language Center (200-350 students, opened 2014)
- Takoma Metro Center Office Building (161,798sf renovated).
 - New tenants include a large office for Elite Dental

The addition of almost 400 residential units and a school with up to 350 students can generate a small but positive impact on the OTBA market base, particularly for convenience goods and services. As of early 2017, an estimated 356 of the new residential units were occupied. Tenants include a broad mix of

single young professionals (about 30-40%), DINKs (dual-income couples with no children, 30%), families with children (20-30%), and retired empty nesters (10%).

The fact that 20 to 30% of these new residents have children is an important



consideration for local retailers and service providers. Young families with children tend to spend more on such items as convenience goods, children's apparel, toys & games, and pet food/merchandise; but they spend less on full-service restaurants, bars, and entertainment. International students will purchase goods and services but tend to have limited disposable income beyond basic convenience needs. Aside from new housing, office and education uses, the Takoma Junction area saw development of its beautiful new fire station. These gains are further tempered by the fact that Washington Adventist Hospital and its 1,300 employees are relocating away from the area in 2019, removing an important source of daytime expenditures.

2017 Changes in the Retail Mix

A number of significant changes have occurred in the business mix since 2008. Among the larger new uses are the new Takoma branches of Ace Hardware, Busboys & Poets, and Politics & Prose. Republic Restaurant, Souper Girl, Takoma Beverage Company, Taco-Ma Yucatan Chicken, Roscoe's Neopolitan Pizza, Starbucks, Evolve Vegan Restaurant, Trattoria da Lina, Kin-Da Thai Sushi, Capital City Cheesecake, La Mano, and Dolci Gelati are among the new eating and drinking places, some of which replaced others that closed.



Takoma Park residents pleaded for Starbucks to open in town back in the early 1990s, but now that they have opened, there appears to be less heart-felt enthusiasm for the chain. Spring Mill Bread Company is a new bakery that helped enhance and expand the appeal of the Takoma Junction node. Big Bad Woof moved and expanded their pet supply store and sleek gift shop Tabletop replaced Now & Then. Several art-related businesses have come and gone.



Overall, the 2017 inventory identified 70 retail/commercial business spaces with a total of about 141,000 square feet. This compares with 68 businesses inventoried in 2008 in 103,000 square feet. While there are certainly new retail spaces, the comparison is a bit misleading since the 2008 inventory did not include the Takoma Theatre space (23,140 square feet), which was not available for lease

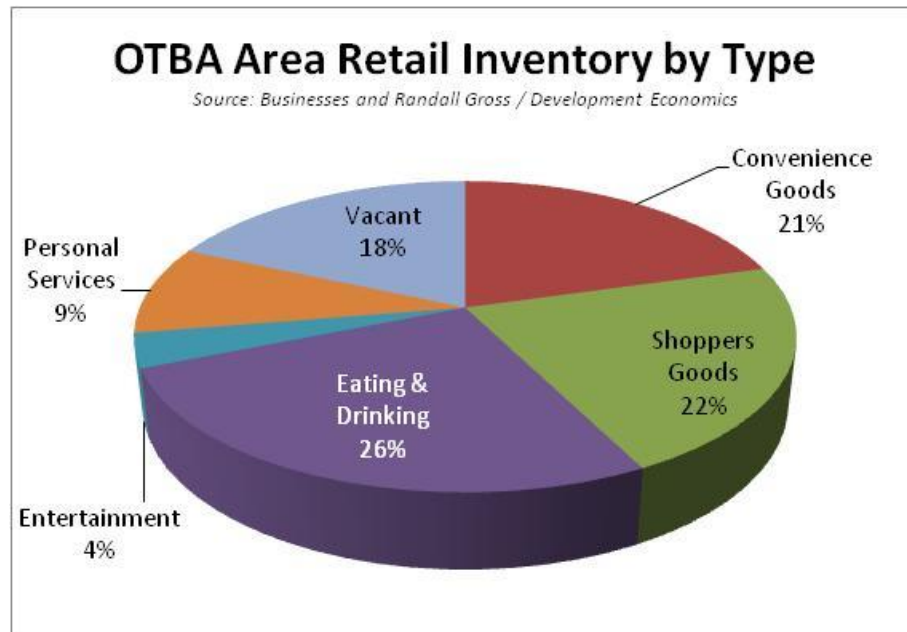
back then and therefore excluded from the inventory. If that space were to remain

excluded, then there has been a net increase of about **14,700 retail/commercial square feet** since 2008. That space includes Busboys & Poets, Politics & Prose, Starbucks, Big Bad Woof, Artful Framing, and Cycled, all located in new buildings.

Table 1. COMMERCIAL SPACE BY RETAIL CATEGORY, OTBA AREA, 2017			
Category	Number	Sq. Feet	Percent
Convenience Goods	11	29,100	21%
Shoppers Goods	20	30,912	22%
Eating & Drinking	20	37,200	26%
Entertainment	2	5,000	4%
Personal Services	13	13,056	9%
Vacant	4	25,940	18%
TOTAL	70	141,208	100%
Sources:	State of Maryland, businesses, & Randall Gross / Development Economics.		

More than one-quarter of the area’s leasable retail space in 2017 is occupied by eating & drinking establishments, while 22% is in shopper’s goods and 21% in convenience goods. About 18% of current commercial space is vacant, but again, this includes the Takoma Theatre’s 23,140 square feet. If the theatre space is excluded, then vacancy drops down to a very low 2%.

Chart 1



These numbers signal a shift from 2008, when the largest share of space was in convenience (28%) and shopper's goods (27%), with 25% in eating & drinking. If the theatre space is excluded from the 2017 inventory, then the mix is more heavily weighted to eating to drinking (32%), with 26% in shopper's goods and 25% in convenience. The number of new limited- and full-service restaurants, snack and drinking places is clearly impacting on the overall mix.

The Three Distinct Districts

As discussed in the 2008 report, there are three distinct districts covered by the market analysis. Today, 4th & Metro (Takoma DC) has more than 50,000 square feet, Old Takoma has 67,000 square feet, and Takoma Junction has about 20,000 square feet. Nearly 50% of the Old Takoma business mix is oriented to eating & drinking, with another 40% in shopper's goods. Only 2% of Old Takoma businesses offer convenience goods. By comparison, nearly 50% of Takoma Junction businesses are oriented to convenience goods, with 25% in personal services and only about 11% in shopper's goods. More than 40% of the leasable space in the 4th and Metro area is vacant (almost entirely in the theatre), and another 33% is in convenience goods, and 20% in dining and entertainment. There are no shopper's goods stores in 4th & Metro. To summarize, Old Takoma is oriented to eating, drinking and shopping; Takoma Junction is mainly convenience and personal services; and Takoma-DC is oriented to convenience, plus dining and entertainment. Strategically, the 2008 report recommended that these distinct roles be strengthened.

Status of Recommendations

Based on the findings of the market analysis and input from stakeholders and community intercept surveys, various additions or changes were recommended to the business mix in 2008 to compliment and build on the existing OTBA business base. Many of these recommendations focused on ways to enhance destination appeal and to create anchors. A 2017 status report on those recommendations is summarized below.

Randall Gross / Development Economics

2008 Use / Recommendation	Square Feet	2017 Status
TPSS Co-Op Expansion (include outdoor café)	10,000	Was Considered (outdoor seating added)
Garden Supply & Cooking Classes @ The Farmer's Market	3,000	Ace Hardware (has garden supply) TPSS Co-Op (plants added)
New Restaurants: -Local/Source -Diner (near Metro)	4,500-10,000	New Restaurants: -Republic -SouperGirl (near Metro) -Trattoria da Lina -Various others
Health & Personal Care: -Health Spa/Fitness	10,000	New Health/Fitness: -MAD Fitness
Sporting Goods -Bicycles & Center, Trails	4,700	Takoma Bicycle
General Merch Store	9,500	Ace Hardware (Not GM but similar)
Destination Art, Toy, Game Stores	4,000	
Pub/Bar	2,900	-Olive Lounge -Restaurants with bars
Book/Music/Café Hub	5,000	-Busboys & Poets Nicolás Guillén Room -Politics & Prose
IT Center		
Live Performance/Film -Regional Festival		Takoma continues the Street Festival
Art/Cultural/Civic Facility: Takoma Theatre Rehab for arts & culture, performance, environmental-themed conference center		Takoma Theatre building under renovation and for lease as office, performance space, retail, OR other use
Tourist Attraction: -Streetcar museum or -Alternative energy innovation center		

Many of the 2008 recommendations have been fulfilled. One of the anchor recommendations in 2008 was for a combination café/bookstore/venue that could become a community hub for Takoma residents and visitors. Busboys & Poets, along with Politics & Prose, have certainly fulfilled this role as hub busy throughout the day. The Nicolás Guillén Room at Busboys & Poets and the non-profit Rhizome

DC Center provide community spaces for art, culture, and engagement. Seekers Church sponsors Carroll Café, a twice-monthly coffeehouse with guest performers and activities as part of the church's non-profit ministry. Airshow Takoma Park has expanded its studio's tracking capabilities to allow for tracking of a live studio audience, although this space is not typically open to general audiences. Takoma Station Tavern continues to offer live music performances nightly. Historic Takoma has a new location in Takoma Junction, offering lectures and programming. The Farmer's Market continues to be an important draw and community-building activity. The community is also one step closer to having a destination cultural facility at the Takoma Theatre, currently under renovation. That being said, its actual use is still somewhat up on the air.

While the area has not attracted an anchor general merchandise store or garden outlet, its new Ace Hardware fulfills some of the same roles as an anchor facility with diverse merchandise and some gardening supplies. The area gained two bicycle shops, as recommended, although one required even more space and expanded out of the area. There are certainly additional opportunities to build on these assets such as through promotion of trail systems and events relating to this new store. Takoma Park-Silver Spring (TPSS) Co-Op has added outdoor seating but debated its potential for expansion as part of larger mixed-use development. Clearly, being part of such development would have had to provide favorable conditions for the Co-Op's business model to succeed.

The 2008 Market Analysis found demand for new restaurants and recommended their development to help establish more destination draw. There has certainly been a net gain in restaurant activity (as well as coffee shops and limited-service establishments) but the destination effect so far has not been very strong. It is hoped that the very recent opening of Trattoria da Lina will solidify the area's emerging reputation as a dining destination. Often, it takes a cluster of at least three or more well-recognized, full-service restaurants to establish such a reputation.

While progress has been made on many fronts, there are still some gaps in fulfilling some of the 2008 objectives. Attracting more destination arts, cultural and entertainment uses is one such gap. Another is the lack of a tourist attraction, which probably deserves further definition and analysis. Finally, there was the unfulfilled need for general merchandise retail, which has partly been filled by the Ace Hardware.

Section 2. 2017 MARKET ANALYSIS UPDATE

The market potentials for retail, restaurants, entertainment and personal service establishments was updated as a basis for making refinements to the 2008 strategic recommendations on marketing and development within the OTBA area. Demand forecasts were made for the period from 2017 to 2022, based on updated demographic data. Supply was also updated to reflect new competition impacting on the market base. Further, changes in consumer behavior were analyzed based on input from Takoma businesses and other sources.

Trade Areas

For the purposes of this update, the trade area definitions were kept fairly consistent with those provided in 2008. There have been some minor variations due to changes in the boundaries of certain census tracts and zip codes. Overall, however, the trade areas remained consistent with the following 2008 definitions:

- Convenience A: Study Area
- Convenience B: Adjacent Takoma (remainder of Takoma Park)
- Destination A: Silver Spring
- Destination B: Takoma-D.C.
- Destination C1: Shaw, Dupont / Adams Morgan, Columbia Heights
- Destination C2: Capitol Hill area
- Destination D: Selected Arlington and Alexandria
- Destination E: Hyattsville/Adelphi/Mt. Ranier
- Destination F: Bethesda, Chevy Chase, Kensington
- Destination G: Wheaton

Demographic Trends

Demographic trends were assessed for each of these trade areas, with particular attention to the primary trade area including Convenience Trade Areas A and B. All ten of the trade areas saw population and household growth since 2010. The study area itself saw population increase by about 500 and households by nearly 300 since 2010. Some of that growth has occurred within the new developments noted previously in this report.

In some cases, this recent growth reversed a downward trend prior to 2010. For example, the areas of Takoma Park outside of the study area (Convenience Trade Area B) saw declining population and household base between 2000 and 2010. But, since 2010, that same area has gained 600 people and more than 200 households.

Over the long term, the fastest growth has been in Destination C2 (Capitol Hill) and Destination D (northern Virginia), which has experienced population

growth of 2.1% per year and household growth of 2.2-2.4% annually since 2000. The slowest growth among the ten trade areas has actually been in Takoma Park (Convenience B), which has experienced annual population growth of 0.1% and household growth of 0% on average since 2000. But, as noted earlier, this area has experienced a demographic reversal in recent years, with renewed population and household growth.

Table 2. DEMOGRAPHIC TRENDS, PRIMARY TRADE AREA, OLD TAKOMA BUSINESS ASSOCIATION, 2000-2017					
TA/Factor	2000	2010	2017	2000-2017 Change	
				Number	Percent
<u>CONV A</u>					
Population	5,870	6,044	6,573	703	12.0%
Households	2,538	2,715	2,984	446	17.6%
HH Income	\$ 91,063	\$ 108,113	\$ 117,983	\$ 26,920	29.6%
<u>CONV B</u>					
Population	13,627	13,328	13,918	291	2.1%
Households	5,321	5,102	5,326	5	0.1%
HH Income	\$ 103,923	\$ 102,691	\$ 112,837	\$ 8,914	8.6%
Sources:	U.S. Bureau of the Census; Nielsen; and Randall Gross / Development Economics.				

Household incomes have also increased significantly since 2010, partly because that year represented the end of a deep recession that reduced incomes nationwide. Within the study area, incomes increased by more than 9.1% in real terms (after accounting for inflation) since 2010. While that growth is positive for retail spending, it is actually slower than growth experienced in the study area between 2000 and the recession (nearly 19%). Still the long-term trend has seen increasing incomes (nearly 30% in real terms) over the 17-year period.

Incomes have not increased as dramatically over time in other parts of Takoma Park, which saw real incomes fall during the recession. But since 2010, Convenience Trade Area B has seen income growth of nearly 10% in real terms. Incomes in some areas, like Destination Trade Area A (Silver Spring) actually fell slightly in real terms since 2010, dropping by 0.05%. The highest income trade areas are Destination F (Bethesda-Chevy Chase, \$179,000) and Destination D (northern Virginia, \$159,000). The lowest household incomes are in Destination Trade Area E (Hyattsville/Mt. Ranier), at just \$77,000. Study area incomes are roughly in the middle, at \$118,000.

Demographic Forecasts

Demographic factors were forecasted forward to 2022 for population, households, and household incomes. Additional demographic data on other factors were also analyzed including employment and commutation patterns, education levels, family structure, etc.

In general, the OTBA trade areas will continue to see increasing population and household growth through 2022. The Convenience Trade Area A (study area) will add about 290 more residents and 150 households in the next five years. Because many of the newer households include singles in multi-family rental housing, incomes are not expected to increase as rapidly as the last few years of recovery since the recession. But, conservative forecasts indicate income growth of about 1% in real terms by 2022.

Table 3. DEMOGRAPHIC FORECASTS, OTBA PRIMARY TRADE AREA, 2017-2022				
TA/Factor	2017	2022	2017-2022 Change	
			Number	Percent
<u>CONV A</u>				
Population	6,573	6,861	288	4.4%
Households	2,984	3,129	145	4.9%
HH Income	\$ 117,983	\$ 119,009	\$ 1,026	0.9%
<u>CONV B</u>				
Population	13,918	14,410	492	3.5%
Households	5,326	5,514	188	3.5%
HH Income	\$ 112,837	\$ 113,122	\$ 285	0.3%
Sources:	Nielsen and Randall Gross / Development Economics.			

Convenience Trade Area B (rest of Takoma Park) will add about 500 residents and 200 households by 2022. Incomes will continue to increase (after inflation), albeit more slowly. The fastest household growth is expected in Destination D (northern Virginia, at 8.6%) and C1 (Dupont/Shaw/Columbia Heights, at 7.1%). Incomes will increase most rapidly in C1 and F (Bethesda/Chevy Chase).

Incomes are increasing within the Trade Area in part because of the continued recovery from recession, but also because of the replacement of some modest-income households with those who can afford to pay more for housing in the area. Takoma Park housing prices have, as in most of the Washington, D.C. market, increased markedly since 2014. Median prices have exceeded the \$500,000 mark several times this past year. That being said, the August median

price in Takoma Park was off 0.5% year-on-year from August 2016, based on MRIS data. According to the U.S. Bureau of the Census' 2015 American Community Survey, about 2.7% of homeowners move per year in Takoma Park. So, some of the movement in income is reflected in new homeowners' purchasing housing at higher cost. Incomes are expected to continue rising with this gradual change in homeownership.

Expenditure Potentials

Household-generated retail demand (expenditure potential) was forecasted for the trade areas through 2022. Findings from this demand analysis are summarized below.

Total Household Income (THI)

Total household income is the building block for retail demand. In 2017, total trade area household income topped \$41.7 billion. This amount is expected to increase by 9.2% to \$45.5 billion by 2022. That number represents a significant growth in overall disposable income.

Table 4. TPI FORECASTS, OTBA AREA PRIMARY TRADE AREAS, 2017-2022				
Trade Area	TPI (000)		2017-2022 Change	
	2017	2022	Amount	Percent
Conv A	\$ 352,061	\$ 372,379	\$ 20,317	5.8%
Conv B	\$ 600,970	\$ 623,753	\$ 22,783	3.8%
Dest A	\$ 4,283,772	\$ 4,857,435	\$ 573,664	13.4%
Dest B	\$ 2,863,766	\$ 3,575,959	\$ 712,193	24.9%
Dest C1	\$ 8,233,033	\$ 8,918,246	\$ 685,213	8.3%
Dest C2	\$ 5,399,136	\$ 5,786,353	\$ 387,217	7.2%
Dest D	\$ 8,552,989	\$ 9,320,803	\$ 767,815	9.0%
Dest E	\$ 3,089,768	\$ 3,212,328	\$ 122,560	4.0%
Dest F	\$ 6,456,053	\$ 6,897,886	\$ 441,834	6.8%
Dest G	\$ 1,870,853	\$ 1,976,010	\$ 105,157	5.6%
Total	\$41,702,401	\$ 45,541,153	\$3,838,753	9.2%
Notes:	Total personal income (TPI) expressed in thousands of constant 2016 dollars.			
Source:	Randall Gross / Development Economics.			

The study area (Convenience Trade Area A) has TPI of \$352.1 million, expected to increase by 5.8% or \$20.3 million by 2022. Convenience B income will increase by \$22.8 million by 2022, representing an increase of 3.8%. While these numbers seem impressive, they represent the slowest overall income growth in

the broader regional trade area. Still, they do represent growth. The fastest growth in total household income will be generated within Destination B (Takoma-DC), with growth of about \$712.2 million representing an increase of nearly 25%. Destination A (Silver Spring) will also see rapid total income growth of 13.4% (\$573.7 million). Overall, TPI is fairly well-distributed in the region, but with slightly higher concentrations in Destination D (northern Virginia), B (Takoma-DC), and C1 (Dupont/Shaw).

Retail Expenditure Potentials

Retail expenditure potentials (the amount of income spent on retail goods and services) will also increase dramatically over the next five years. The overall trade area generates retail demand of about \$13.3 billion in 2017, and this amount is calculated to increase to about \$14.9 billion by 2022. This change represents an increase of about \$1.6 billion (12.1%) in total retail demand in the trade area.

Inflow and Other Sources

There is also demand generated by study area employees, with the current number estimated at 5,950. The number of employees is increasing with new employers such as the EF International Language Center and others. Washington Adventist Hospital is relocating in 2019, removing some employment from this area. For now, non-retail study area employment is roughly equal to what it was in 2008. This “captured market” of daytime employees is an important source of market support for restaurants and other retailers. The retail analysis determined that these workers generate annual retail sales of more than \$30 million. Other sources of retail demand include students (e.g., Strayer College, EFILC), tourists (mainly for major events), and others.

Competitive Framework Update

The competitive supply was updated from 2008 based on field reconnaissance, research and available information. The key competitive locations generally remain the same for primary trade area households, although it is important to note that a specialty district is competing primarily with other specialty districts in the region for destination shoppers.

Downtown Silver Spring

Downtown Silver Spring has continued to enhance its image and improve its overall mix of retail, dining and entertainment. New amenities like the skating rink and interactive fountain have been added along with assets like the Silver Theatre, to bring destination and convenience shoppers downtown. Silver Spring is particularly competitive with Takoma for primary trade area households since it is a larger, more diversified and relatively proximate commercial business node. Silver Spring now offers the closest Whole Foods Market to Takoma Park, and this

anchor supermarket no doubt attracts trade area residents who are not otherwise (and sometimes are) patrons of the Co-Op. Silver Spring still offers the requisite chain apparel and other retailers (Loft, Designer Shoe Warehouse, CVS, Panera, Potbelly, Starbuck's, Men's Warehouse, etc) but also offers ethnic restaurants and certain specialty goods.

Georgetown / Downtown D.C.

Downtown has gradually filled its shoes as a regional retail hub, including destination retail shopping and restaurants. There is now nearly 4.0 million square feet of existing or planned retail, restaurants and personal services space in the downtown area. About 215,000 square feet of retail/commercial space is currently under construction. Despite the addition of new commercial use, vacancy has fallen to about 7.0% from more than 10% in 2009.

About 1.5 million square feet is in eating & drinking places, with 1.0 million in shopper's goods and 500,000 in personal services. Downtown now has 66 destination retailers, including Macy's, Nordstrom Rack, Sacks Off 5th, H&M, Urban Outfitters and Anthropologie. High-end brands including Gucci, Dior, Hugo Boss, Tesla, Canali, Burberry and others have a strong presence in the downtown area as do specialty retailers like art supplier Blick, Fahrney's Fountain Pens, and others.

Bethesda

Bethesda remains a thriving destination shopping and dining node that draws heavily from affluent areas of Northwest D.C. and suburban Maryland. Upscale chain businesses like Barnes & Noble, Pottery Barn, Williams Sonoma and Trader Joe's are joined by specialty stores like Denim Bar, Bella Vestiti, Little Shoebox, Daisy Too, Blanca Flor, Union Hardware, and many others. Bethesda has a cluster of high-end women's apparel and accessory shops that is very competitive within the market.

Shopping Malls

Shopping malls such as Westfield Wheaton (formerly Wheaton Plaza), Fashion Centre at Pentagon City, Pentagon Row, Mall at Prince George's, and others remain competitive despite the gradual decline of mall shopping nationwide. Several area malls have undergone renovations and rehabilitation since 2008. Others continue to benefit from regional market growth that, despite declining mall participation rates, continue to gain volume based on household and income growth. Ultimately, the malls are less likely to compete for sales with specialty districts like Takoma.

Adams Morgan / 14th Street / U Street

Adams Morgan and U Street have become even more competitive for the OTBA market base, especially for dining and entertainment. However, the 14th Street corridor has also come into its own since 2008 as part of this broader retail shopping, dining and entertainment district. While businesses like Home Rule and Miss Pixies have been around for some time, there is a plethora of new businesses in 14th Street including Redeem, Salt & Sundry, Current Boutique, GoodWood, MadeWell, Hudson & Crane, Buffalo Exchange, and Room & Board. Among the newer restaurants are Kingfisher, Pearl Dive, Ghibellina, Barcelona Wine Bar, Shake Shack and others. Given that prime Takoma target demographic households are concentrated in Zip Code 20009, the expansion and flourishing of the walk-able Dupont, Adams Morgan, 14th Street and U Street commercial districts has greatly increased competition for these target markets.

Other

Other competitive retail nodes continue to be Rockville, Tysons Corner, White Flint, Georgetown, Ballston/Clarendon, College Park, Old Town Alexandria, and Columbia, among others. Takoma Park's New Hampshire Avenue Initiative ("New Ave") is oriented to promoting investment and rehabilitation along the corridor including new retail and commercial business development. Among the projects relating to this area are the Ethan Allen Gateway Streetscape Project, Crossroads Farmer's Market, and placemaking improvements along New Hampshire Avenue. A website has been established for New Ave to assist in marketing and business development. The area is being marketed as an international hub, with several ethnic specialty restaurants and stores.

Site Capture & Retail Potential

Based on the analysis of the competitive framework, the study area capture of potential area sales was determined and forecasted through 2022. Retail potentials were translated into square feet by type of retail business establishment and compared with the results from 2008. This information was used as the basis for making refinements to marketing and development recommendations

2017 Retail Potentials

Based on the analysis of site demand in the competitive market, it was determined that the OTBA study area can capture about 96,500 square feet of warranted demand for retail goods and services. After existing vacant space, the total net demand for new space would be about 70,000 square feet.

Table 5. SUMMARY WARRANTED RETAIL DEMAND BY USE OTBA AREA, TAKOMA PARK, 2017 & 2022				
Type of Good	Gross Demand (SF)		Existing Uses	Warranted Demand
	2017	2022		
Convenience	44,705	48,821	29,100	19,721
Shoppers Goods	74,530	80,652	30,912	49,740
Eating/Drinking	42,587	45,784	37,200	8,584
Entertainment	19,220	20,733	5,000	15,733
Personal Services	14,064	15,820	13,056	2,764
TOTAL	195,106	211,810	115,268	96,542
<i>Existing Vacant</i>			25,940	
Net New Space				70,602
Source:	Randall Gross / Development Economics.			

This number is roughly 10,000 square feet more than what was determined to be OTBA demand in 2008. Thus, despite the addition of new retail and restaurant space, there is still net demand for another 10,000 square feet of space (after excluding the Takoma Theater and other existing vacant space). This potential includes about 20,000 square feet of additional convenience space, 50,000 square feet of shopper’s goods, 9,000 square feet of additional eating & drinking, 16,000 square feet of entertainment, and 3,000 square feet of personal services uses. A more detailed summary of OTBA area potential by type of retail establishment is provided on the following page.

2017 Potential by Type of Store

The most significant potential would be generated for entertainment uses, 15,500 to 16,500 square feet that could act as a driver for the commercial district. There remains demand for general merchandise stores, 10,000 to 11,000 square feet, which has not been completely fulfilled since the 2008 market analysis found similar demand. Demand also remains for sporting goods, although some of the potential forecasted in 2008 has since been captured for the new bicycle shop. Remaining demand would be generated for other types of sporting goods and related merchandise.

There is also potential for additional health and personal products use. In this case, such use would include but extend beyond the products offered by CVS at its existing store in the study area. Certainly there is scope for this store to increase sales due to household and student population growth in the immediate area, but there is also the opportunity for more specialized personal care merchandising such as organic health care products, specialty eyewear, and other specialty goods. There is also scope for increased grocery store and miscellaneous convenience goods space or enhanced merchandise sales.

There is also potential for some additional full-service restaurant and drinking establishments, although there is a slight oversupply now of limited-service (fast food, sandwich, snack, coffee, buffet or counter-style) businesses. Sales for shopper's goods stores will continue to increase over the next five years and some of these sales could be translated into new business opportunities. Among these might be specialty hobby, game, gift, novelty and souvenir shops. Increasing the area's tourist capture would help enhance these opportunities further. There is potential for 5,000 to 6,000 square feet of additional apparel and accessory stores that appeal to a younger professional woman and/or to families with young children. While a children's clothing store did open and close since the 2008 report, a children's clothing store that offers hand-made and specialty goods would complement the existing toy store and help the district capture more sales in this demographic. Detailed potentials by specific type of store are summarized in the table on the following page.

Randall Gross / Development Economics

Table 6. WARRANTED RETAIL DEMAND BY USE, OTBA AREA, 2017 AND 2022				
Type of Good	Gross Demand (Sq Ft)		Existing Uses	Warranted Demand
	2017	2022		
Convenience				
Grocery	10,336	11,211	5,500	5,711
Conv/Specialty Food	6,109	6,663	6,400	263
Health/Personal Care	18,073	20,142	12,500	7,642
Gas/Convenience	3,871	4,105	2,400	1,705
Misc Convenience	6,316	6,700	2,300	4,400
Sub-Total	44,705	48,821	29,100	19,721
Shoppers Goods				
Apparel/Accessories	5,795	6,240	900	5,340
Jewelry	1,259	1,349	1,800	(451)
Shoes	1,110	1,188	-	1,188
Furniture	2,394	2,588	-	2,588
Home Furnishings	3,887	4,203	3,210	993
Appliances	330	369	-	369
Hardware/Bldg	9,007	10,006	7,500	2,506
Garden Supply	1,766	1,878	-	1,878
Gen Mdse/Dept	9,886	10,459	-	10,459
Auto Dealers	987	1,061	-	1,061
Auto Supply	1,158	1,229	-	1,229
Electronics/Comp	2,243	2,433	-	2,433
Books/Music	2,695	2,910	750	2,160
Used Merchandise	1,724	1,871	1,200	671
Gift, Novelty, Souvenir	6,924	7,522	4,500	3,022
Hobby/Toy/Game	4,843	5,274	2,000	3,274
Luggage/Leather	151	163	-	163
Office/Stationary	1,728	1,835	-	1,835
Sewing/Piece	586	638	-	638
Sporting Goods	8,481	9,229	900	8,329
Misc SG	7,574	8,209	8,152	57
Sub-Total	74,530	80,652	30,912	49,740
Dining & Entertainment				
Restaurant-LS	13,289	14,219	15,850	(1,631)
Restaurant-FS	22,998	24,837	20,550	4,287
Drinking Establishment	6,300	6,728	800	5,928
Entertainment	19,220	20,733	5,000	15,733
Sub-Total	61,807	66,516	42,200	24,316
Personal Services				
	14,064	15,820	13,056	2,764
TOTAL	195,106	211,810	115,268	96,542
<i>Existing Vacant</i>			25,940	
Net New Space				70,602
Source:	Randall Gross / Development Economics.			

Section 3. 2017 STRATEGIC RECOMMENDATIONS

Strategic recommendations and an implementation Action Plan were provided in the 2008 report that were meant to help guide OTBA in marketing, management, development and financing within the three areas of the commercial district. Some of the recommendations made previously have been implemented, while others have not. Most importantly, there is still an imperative to enhance the destination market for the OTBA area and diversity businesses' source market base.

Recommended Business Mix

Based on the updated market analysis, the study area could still accommodate up to about 76,000 square feet of business uses that would enhance its destination draw and diversify the market base. Ideally, the TPSS **Co-Op would expand** up to 10,000 square feet, as was recommended in the 2008 report. By doing so, the store not only maximizes its existing market base (including new residents of the immediate vicinity) but also helps create more of a destination for Takoma Junction and the area.

Table 7. UPDATED RETAIL RECOMMENDATIONS OTBA AREA, 2017-2022	
Type of Store	Square Feet
TPSS Co-Op+Expansion	10,000
Personal Care/Health (Specialty)	4,500
Sporting Goods Addition (Specialty)	6,500
General Mdse (Specialty)	10,000
Destination Art Supply/Game/Hobby	3,200
Destination Performance/Film Venue	20,000
Café/Retail	4,000
Chef Inspired Local Source/Organic Restaurant	4,000
Brewpub	4,000
Apparel (Children's, Young Women)	5,000
Expanded Hand-Crafted Furniture/HF	2,500
Maker Space/Gifts	2,500
Total	76,200
Source: Randall Gross / Development Economics.	

In addition to this store, there is a complementary personal care component that could (as noted earlier) accommodate **organic health and personal care products**, specialty eyewear, and other specialty goods. Such merchandising could also be integrated with an expanded Co-Op model, or at least co-branded

with it. Also as noted earlier, there is still the opportunity for additional **sporting goods businesses**, which could include an expanded line for the bicycle shop, other specialty stores, or a broader mix (such as carried within a specialized general merchandise store).

Since the demand for **general merchandise** was not fulfilled since 2008 (except through lines carried by Ace Hardware), there is still an opportunity for such stores. General merchandise stores can act to anchor a commercial district and, if unique to the region, can become regional destinations. Examples might include traditional hardware stores that branched out to also sell home furnishings, garden supplies, toys & games, apparel (such as gardening clothes), kitchenware, and tourist items. Traditional “general stores” still going strong include Franklin’s (Hyattsville, MD) as well as Brown & Hopkins (Chepachet, RI), Alley’s General Store (Martha’s Vineyard, Mass), Cataract General Store (Cataract, IN), Jefferson General Store (Jefferson, TX), Beeker’s (Pemberville, OH), Eisler Bros (Riverton, KS), and others.

Addition of more destination **art supply/gallery, game and/or hobby shops** is recommended along with a **destination cultural & performance venue**. Ideally, the Takoma Theater would house live entertainment activities along with retail and café uses. Another chef-inspired **full-service restaurant** (e.g., farm-to-table or local-source) is recommended as well as a **brew-pub**. There are many successful examples of entertainment venues integrated with brewpubs. While several full-service restaurants have opened in recent years, the addition of one or two more will help solidify the district’s reputation as a laid-back place to dine or have a drink.

As noted earlier, there is the opportunity to appeal to a younger female and family market that is not targeted per se by most existing businesses. **Women’s and children’s apparel and accessory stores** are recommended to help OTBA reach this under-served local and regional market. Expanded or new **hand-crafted furniture or home furnishings businesses** are also recommended. Such activity could be integrated with a **maker space or gift shop** that features locally-made and sourced merchandise. While Rhizome offers classes, there is a real opportunity to build on the commercial appeal and Takoma branding of locally-made merchandise. One small store alone (such as ArtSpring) will naturally have challenges in creating a destination for these goods by itself, so there would have to be a clustering of such businesses (much like with any specialized merchandising) to appeal to the destination shopper.

Marketing Strategies

The 2008 strategy recommended pro-active programming and marketing to include an extensive public art campaign, celebration of gateways and improved streetscape, façade improvements, and business signage. Marketing themes were to focus on the community’s “unique brand of progressivism, with a particular focus

on health of mind, body, and spirit.” An update of this program is provided below where applicable.

Marketing Program

The marketing program recommended in 2008 focused on increasing the destination market or inflow to the OTBA study area. Significant progress has been made, although it is clear that there is still room for attracting more inflow to the district. It is recommended that OTBA redouble its efforts to re-align the consumer base and ensure more diversity.

The 2008 report recommended the creation of a comprehensive marketing plan, branding and imaging for all marketing outreach materials, an urban identity program (“community vibrancy”), collaterals, website improvements and e-marketing, use of social media, advertising, events (as discussed below), and public relations outreach. OTBA should revisit these approaches and determine whether enough has been done to focus efforts specifically on attracting inflow through outreach and marketing.

Target Markets. As in 2008, OTBA businesses generate the vast majority of their sales from within the Takoma MD-DC area. Data from business operators suggest that the share of sales generated from within the immediate area has increased from 53% in 2008 to 64% today (which is fairly consistent with findings from the 2008 Consumer Intercept Survey, which found that 62% of shoppers originated from within Takoma DC-MD).

The OTBA market should be diversified towards other parts of the D.C. region as well as tourists. In 2008, it was recommended that OTBA increase the share of business sales generated from D.C. from 6% to 12%, representing the largest single increase in source markets. Neighborhoods of northwest, northeast, and southeast D.C. are already targeted by a number of OTBA businesses. However, as noted in 2008, these neighborhoods represent growing markets for OTBA specialty goods and it will be important to grow the capture of these nearby markets. Significant growth in the share of business generated by tourists was and is also targeted. In 2008, the consumer intercept survey identified zero tourists, although businesses estimate that up to 5% of their sales were generated by tourists. That share remains roughly the same today, indicating that there remains a need to attract more tourist traffic to the area.

And, consistent with the information provided in 2008, today’s “tourists” consist mainly of friends or family of current Takoma residents or former Takoma residents themselves. Many stores only see an influx of tourists during major events such as the Women’s March, suggesting an opportunity to expand marketing outreach during those events. Thus, there remains scope for increasing OTBA’s capture of the huge Washington tourist base, particularly people who might be attracted to Takoma’s progressive lifestyle-oriented businesses.

As in 2008, the market analysis once again suggests targeting an increase in the share of business generated by affluent residents of Chevy Chase, Bethesda, and Kensington, who are less impacted by downturns in the economic cycle and have more disposable income available for the purpose of specialty goods. Other increases are targeted to suburban Maryland and Virginia (such as Arlington and Alexandria) which are seeing increased income and household base. Certainly more attention needs to be paid (through business mix, merchandising, sales, advertising, and events) to the younger female shopper as well as families with children.

Business Recruitment

Since 2008, OTBA appears to have worked to attract new businesses, particularly through direct interaction with developers proposing new mixed-use projects and recruiting new businesses to the area. These efforts have been largely successful, with the area attracting new restaurants and drinking places, along with new shopper's goods stores that help to strengthen the existing mix. That being said, there is still the need to build on the destination market that new businesses like Republic have been able to tap. Entertainment is an important key to build on this market and strengthen destination appeal. Also, attracting businesses that appeal to the new market base of apartment dwellers on the OTBA doorstep is critical to the district's long-term sustainability.

The 2008 report recommended outreach geared to specific tenants or types of tenants identified through the analysis and consultant's direct engagement. Development of a recruitment plan was recommended along with a local entrepreneurship program (in coordination with the City of Takoma Park). Finally, an Urban Design Plan was recommended that could help provide guidelines and planning for improvements to the streetscape that would help to strengthen the sense of place and marketing identity. Specific recommendations were already made in this respect and remain relevant today.

Programming & Design

The 2008 report recommended "soft" programming and the use of urban design to help strengthen the marketing of the OTBA area. Urban design improvements were recommended as one tool to enhance the character of the area, knit together the disparate elements into a coherent "district," and solidify key marketing themes through physical design elements. While OTBA has clearly integrated the Takoma logo and information into banners and signage, there programming and design components recommended in 2008 that are still relevant today to build destination appeal, including public art, gateways, streetscape improvements, façade improvements, and enhanced business signage. Artifacts from earlier marketing efforts (like the miniature clock "tower") remain in place, but are not adding significant value to the branding and marketing of today's Takoma.

Growing the local festival and event program beyond the historic Takoma Park Street Festival was recommended in 2008. Recommended themes included Regional / National Acoustic Music Festival, Dance Festival, and Eco-Fest or Green Building Show (building a regional Takoma-branded destination off of the Earth Day celebration), Conference, or Event.

Takoma now accommodates the Grant Avenue Market, Takoma Truckgarden, 4th Street Block Party, Takoma Park Folk Fest, Art Hop Arts Fest (matching artists with businesses), Parking Day, Pajamarama, Takoma Cocoa Crawl, House and Garden Tour, Porch Fest, Takoma Park Jazz Fest, and Takoma Tap Takeover along with sidewalk sales and other events. Regular monthly events were also recommended, some of which are implemented in one form or another (such as the “summer move nights,” First Fridays/Music Jams,” holiday events and cultural festivals described in the 2008 report. The weekly blast from OTBA helps advertise these events and other activities.

Development & Management

There has been a significant change in the overall development context within the OTBA study area since 2008. Three new apartment or mixed-use developments have been added in the study area in addition to at least two new retail/commercial projects and rehabilitation of a large office/warehouse building.



A new language school has opened and there is development interest in redeveloping a key site in Takoma Junction. Some, but not all, of this redevelopment activity was anticipated in the 2008 Market Analysis.

The 2008 report recommended a strategy to infill development and “activate” dead spaces, especially between the Metro and the heart of the Old Takoma business district on Carroll Avenue. Infill development was meant to address one of the serious deficiencies identified in 2008, where the lack of active commercial activity on certain blocks between the Takoma Metro station and the main part of the Old Takoma district created a serious gap that reduced the overall draw of the commercial district as a destination. Since 2008, several of these blocks have indeed become activated, with the completion of new housing and commercial space. The café/bookstore offers outdoor seating and helps activate portions of that “gap.”

That being said, there is always room for improvement. For example, there will always be a need to ensure that vacant spaces provide an active street-front

presence. Just recently, one of the area's few vacant spaces was leased and will now house Yoga Heights Studio, which will help activate this space.



In 2008, programmed use of the open space between the Metro bus parking and the 7-11 store was recommended, again to help draw consumers up into the heart of the commercial district. This area still feels “under-programmed” and could provide an excellent opportunity for a Sculpture Park, an amphitheater for live music, or other permanent

program along with regular events. At a minimum, this open space (“Metro Park”) should be branded, defined, and identified through signage, park infrastructure, and gateways (such as stone pillars at the corners). That being said, some new elements are planned in the area. A new installation of public art seats will be implemented at the Gazebo Patio in 2018.

There was also the concept of creating commercial frontage for the Takoma Business Center, although it was acknowledged that the physical and legal viability of such activity would need to be tested. Urban design improvements (public art, gateways, streetscaping, etc), were recommended as part of the 2008 report, planned through an Urban Design Plan for the area.

Since 2008, there has been investment by additional developers including NDC, which seeks to redevelopment the parcel adjacent to the TPSS coop. Only recently, negotiations ended on the possible integration of the coop as an anchor within NDC's proposed new development. Given this recent development, it is recommended that OTBA work with NDC to determine an alternative strategy which integrates residential where possible along with ground-floor retail. This concept may require structured parking as part of the project, which may impact negatively on the project's pro forma (and may suggest a need for some incentive).

If residential cannot be integrated into the project, then the logical alternative would be retail storefronts that complement the existing co-op and its merchandising strategy. One potential use might be a health or organic personal care business as noted earlier, which would complement the co-op's mission while strengthening this location as a destination for consumers seeking healthy products. A larger-scale example of this model would be the “Whole Body” concept store operated by (and usually adjacent to) Whole Foods supermarkets.

Overall, OTBA has enhanced its marketing and management within the business district and helped to attract new businesses that expanded the market

base. There are opportunities to further enliven, update, and activate the streetscape and public spaces to help brand the district and generate more destination traffic. Such physical improvements are not the sole responsibility of OTBA but can result from partnerships with the City and Montgomery County to enhance small business districts through investment in public spaces.