

DE PERE

Downtown Master Plan





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Chapter 1

5

Market Analysis



Successful City Planning:
Public action that generates
a desirable, widespread and
sustained private market
reaction.

-Alexander Garvin

MARKET ANALYSIS SUMMARY

AECOM was engaged by RDG Planning and Design through their contract with the City of De Pere, Wisconsin to evaluate economic conditions and market trends in support of a broader master planning effort for downtown De Pere. AECOM's research effort focused on the following tasks:

- Examination of market demographics and associated trends;
- A lifestyle segmentation analysis highlighting households with a propensity for urban living;
- As assessment of characteristics of De Pere's present urban housing stock and an overview of related residential trends including permits, home sales, and pricing;
- An evaluation of office market indicators, highlighting trends in office-using employment sectors;
- An analysis of downtown retail occupancy, and broader market retail trends, highlighting regional and sector specific pull factors and associated trends in the local retail environment;
- Overview of other Midwestern downtown markets that have added urban housing in recent years

The analysis highlighted a series of core recommendations, which have been broken down into separate market and strategic elements, as follows:

CONSIDERATIONS

The master planning effort for downtown De Pere is happening at a significant moment in time, partially because of the current economic recession, which continues to impact the nation, state, and local economy. One specific consequence of the recession is that expectations for the Baby Boom generation to begin to enter retirement and downsize have been dampened, with many boomers finding their retirement plans impacted by the

recession. Although their impact remains muted for the moment, expectations remain clear that this generation will regain its historic influence. On a broader level, other factors are equally relevant:

- Ongoing changes in household structure, some related to Boomer retirement, are also gradually influencing the housing market, with greater emphasis on smaller households with fewer children.
- While gasoline prices remain below historic highs, the probability of higher gasoline prices in the near to mid-term is likely. As such, interest in walkability and urban living will gradually increase.

DEMOGRAPHIC IMPLICATIONS

De Pere offers higher household incomes and educational attainment compared to Brown County, Green Bay, and the country. Key market implications are noted below:

- The State of Wisconsin forecasts that Brown County will continue to be one of the fastest growing counties in the state through 2025, with the potential to add about 32,800 residents. Over the same period, De Pere is expected to add about 4,500 residents; only Bellevue and Howard are projected to grow at faster rates.
- While the notion of growth is difficult to accept in the current economic climate, the economy will recover, albeit at a slower pace compared to past recessions. At the same time, there are underlying trends that remain in place, which will influence market opportunities. Key factors include decisions made by Baby Boom generation residents to retire or remain in the workforce, and potentially downsize their housing requirements.
- While the household structure of De Pere is evolving in a fashion similar to the US, with greater emphasis on households without children, the rate of change for De Pere is more than twice the national level, again



reinforcing the need for a housing stock with greater diversity, particularly for residents who wish to age in place within the community.

- Income levels are higher than adjacent jurisdictions and national averages. Consistent with higher incomes, educational attainment is also above average, supported to a certain extent by the presence of St. Norbert College as well.
- Analysis of immigration data for Brown County indicated that, of the top 20 counties for in-migration



to Brown County, 17 are Wisconsin counties. As well, overall migration trends for the past several years have been modestly negative; this information would suggest that Brown County is a more insulated market within the State of Wisconsin.

- Metro area GDP growth between 2000 and 2006 was positive for the Green Bay area, with overall economic growth at an annualized rate of 3.6%, similar to levels in Appleton, slightly below rates for Milwaukee, and well below Madison (growth of 5.7% annually).

RESIDENTIAL MARKET CONSIDERATIONS

The residential analysis suggests the following:

- Although the “walkable core” within a ½ mile distance of downtown De Pere supports significant housing, (over 1,200 units), the share of more contemporary rental and owner occupied housing is smaller (about 400 units), and concentrated within ¼ of a mile of downtown. This factor is generally consistent with other Midwestern cities.
- Of all households in De Pere, an estimated 24% of households prefer multifamily (urban) types of housing, some in addition to single family homes. These figures do not convey the number of potential buyers, but reflect on the share of households that, if moving within the area, could consider an urban product in a downtown setting, such as Downtown De Pere.

Future market opportunities for urban housing need to be consistent with broader trends for how De Pere is expected grow in the near and mid term.

Current forecasts for the community point to a return to historic housing growth rates, i.e. below recent trends, offset by the likelihood of further decreases in the average housing size. Using State forecasts as a baseline, De Pere is positioned to add about 4,700 residents by 2025, which could break down to demand for about 2,300 new housing units over the same period. If the core (1/4 mile) downtown just maintains its current “fair share” of potential new inventory over the forecast period (4%), that would point to an overly conservative urban housing construction factor of 100 more urban units through 2025. Given the acceleration in changes in the structure of households (fewer families with kids), as well as the practical reality of delayed Baby Boom generation downsizing, we expect that overall demand for urban housing will increase above this threshold, with a target for 250 to 450 units in the downtown core by 2025. In practical terms, the ability of the market to deliver on these estimates would be influenced by the following:

- The limited number of sites in the downtown core that are realistically developable at current market prices, along with the impact of unique site features (brown-fields, etc.), and related factors which impact construction costs, and corresponding unit prices.
- City policy regarding the encouragement of urban housing in addition to, or as opposed to suburban housing, covering entitlements, zoning, and related planning factors.
- City investments to improve connections between downtown and the Fox River, and the extent to which available building sites are positioned to benefit from this public investment.
- The assumption that St. Norbert continues to require the majority of its students to remain in on campus housing.

RETAIL MARKET IMPLICATIONS

Downtown De Pere supports a total inventory of about 773,000 sq. ft. of leasable space, which is currently being occupied by an array of retail, service, office, government, and institutional tenants. Within this total inventory level, downtown retail trends include the following:

- Across Brown County since 1982 there has been an average of about 100,000 sq. ft. of new retail space delivered annually. In 2005, approximately 400,000 sq. ft. was delivered, making this year the peak year since 1982. This significant increment of space will take several years for the local economy to work through, dampening rent growth and reducing demand for new space.
- Downtown street level vacancies are below regional levels. In downtown west of the river, 9.7% of street level space is vacant; east of the river only 6.1% of space is vacant. The overall downtown vacancy rate is estimated at 7.4%. Countywide retail vacancy is now over 10%.

- Based on survey information, it would appear that downtown rents are in alignment with store sales. Moving forward, efforts to grow sales for downtown merchants will be a key focus of strategic recommendations, as growth in rents will support reinvestment in downtown. Quoted rents appear to fall in the \$8 to \$12 per sq. ft. range.
- There is approximately 142,000 sq. ft. of space in retail use on the west side of the Fox River and approximately 253,000 sq. ft. on the east side of the Fox River. While the overall inventory amount is regionally significant, it is divided by the Fox River, which raises core planning questions for how the two halves of downtown can be better connected.
- On both sides of the river, Restaurants and Bars constitute the largest cluster of space, covering about 130,000 sq. ft. Restaurant clusters are effective traffic generators for emerging or revitalization retail / restaurant districts. People, generally, will travel farther and into new areas for restaurant options as opposed to retail products.
- Aside from restaurants, hotels, office, and residential, other typical downtown retail store clusters remain under developed. Segments such as jewelry, shoes, and books would benefit from further growth, particularly on the East side of downtown De Pere.
- Ashwaubenon is the primary regional retail hub, where the majority of national chain stores have located. While it is unlikely that many of these stores would consider a second store in De Pere, it is likely that individual stores will consider moving into a downtown environment. For example, chains such as Ann Taylor and Talbots have moved into similar downtown markets. The arrival of these stores tends to generate the interest in other chains to consider a downtown location.

Quantifying market opportunities for downtown De Pere for the next several years is complicated by several factors. In the short-term, there are a very small number of national retailers who are in expansion mode, driven by opportunities to lease lower cost space in attractive market locations. In principal, these opportunities are tending to focus in several areas:

- Value oriented apparel: TJ Max, Dollar Tree, Staples, and Goodwill Industries. Stores in this class are less likely to consider a downtown location.
- Non-traditional stores: health clubs & family fun centers. Stores in this category would be appropriate for downtown.
- Smaller grocery stores: Trader Joes & Aldi. Stores in this segment could be located in a downtown, but site / parking factors are critical.

As well, while financial markets have begun to stabilize, a significant amount of distressed commercial real estate is about to enter the market, which will limit near-term opportunities to build new space. Perhaps more importantly, bank lending requirements have come back to earth, with logical emphasis on tenant quality dictating lending terms. In this context, the premium rents that would be required to support construction of new space will be difficult to support in the short-term.

Although the overall market across Brown County is likely oversupplied with retail space at present, the existing inventory of downtown space in De Pere is well positioned to move out of the recession in reasonable shape, with vacancy levels that are well below regional trends

In the context of average downtown store sizes smaller than 5,000 sq. ft. and rents in the \$8 to \$12 range, existing space in downtown De Pere will be well positioned as an affordable option in the regional market. Importantly, opportunities to rent existing space will be driven initially by strategic decisions made by the City of De Pere and the Chamber regarding the future structure and funding support for the Main Street Program. Recommendations in this area follow below.

OFFICE MARKET IMPLICATIONS

The market analysis suggests the following regarding downtown De Pere:

- De Pere supports an estimated 935,000 sq. ft. of office space, of which an estimated 213,000 sq. ft. is in downtown. The inventory analysis found that downtown office space is roughly divided between office tenants in existing store fronts, and space in recently built office buildings, two of which have relevant vacancy issues (18% estimated).
- In the context of available vacant space, additional office development in downtown De Pere through 2010 is not likely. However, beyond 2010, modest opportunities could emerge, tied to the economics of specific sites. Opportunities will relate to:
 - The provision of new space which offers green/sustainable elements not currently available in the market.
 - City policy decisions regarding the provision of structured parking as an incentive to encourage further development.
- In general, office space is a desired supporting use for downtowns, helping to drive lunch and dinner business.

I. TRADE AREA DEMOGRAPHIC PERSPECTIVE

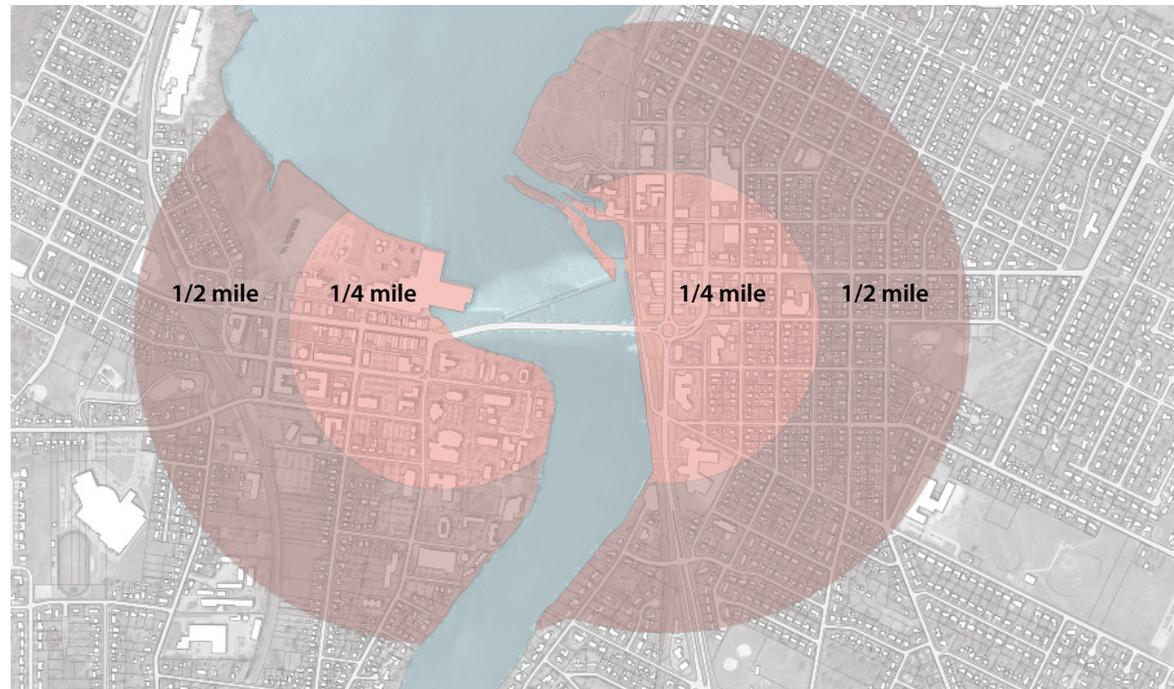
The following section summarizes demographic and economic trends for De Pere, which also influences demand for retail, office, and residential uses and broader opportunities for downtown revitalization. AECOM has examined trends at the city level, benchmarking against the city of Green Bay, Brown County, and the state of Wisconsin. Key bullet points are noted, with detailed tables that follow. AECOM notes that the Green Bay Metropolitan Statistical Area (MSA) includes the same geography at Brown County; therefore including both would be repetitive.

Regarding population, De Pere's population grew between 1990 and 2008 at an annualized rate of 1.7%, which is higher than growth rates for Green Bay, Brown County, and Wisconsin. Population forecasts developed by ESRI suggest that De Pere will continue to grow, but at a slower rate of 1.3%.

Overall, forecasts indicate that De Pere and Brown County will grow at a faster rate than Green Bay and Wisconsin as a whole. For comparative purposes, the city's 2009 comprehensive plan update forecasts a slightly higher immediate growth rate of 2%, resulting in an estimated 24,279 residents by 2010. As a third perspective, State of Wisconsin forecasts for De Pere also point to a lower annual growth rate over the near term, closer to 1.3%.

Other noted demographic factors include:

- De Pere accounts for 9% of Brown County's population; Green Bay accounts for 42%.
- Household size has decreased since 1990 from 2.64 to 2.38. This indicates a likely trend of fewer households with children.



- The US Census reported that between 1990 and 2000, the percentage of non-family households in De Pere grew by 2% (more than in Brown County and Green Bay) and the percent of family households decreased by 1%. While generally consistent with national trends, the rate of change for De Pere is faster. Area income translates to expanded resident buying power for retail as well as housing. The following trends are noted:
- Average, median, and per capita household incomes in De Pere are higher than those in Green Bay, Brown County, Wisconsin, and the country. Brown County household incomes are most closely aligned with De Pere, but Brown County's per capita and average household income is 11% lower than De Pere's.
- De Pere households with an income between \$50,000 and \$74,999 and between \$75,000 and \$99,999 represent the two largest income cohorts each containing 22% of total households. Over half of De Pere's households (64%) earn over \$50,000. The US median household income is \$54,749. A key difference between De Pere, Brown County, Green Bay, and Wisconsin is De Pere's larger percentage of households in high-income cohorts than other geographies. Likewise, Brown County, Green Bay, and Wisconsin all have higher percentages of low-income cohorts, specifically those making less than \$35,000.
- In De Pere, with the exception of one, all income brackets above \$50,000 are forecast to increase in their per-

Table 1.1: Population Trends for De Pere and Market Geographies, 1990-2013

Geography	1990	2000	2008	Estimated 2013	CAGR 1990-2008	CAGR 2008-2013	Avg Annual Increase
De Pere	16,682	20,286	22,645	24,152	1.7%	1.3%	325
Green Bay	96,948	103,641	103,950	107,767	0.4%	0.7%	470
Brown County	196,313	226,658	245,168	260,575	1.2%	1.2%	2,794
Wisconsin	4,895,542	5,363,715	5,675,156	5,896,771	0.8%	0.8%	43,532

Source: US Census; ESRI Business Analyst; Wisconsin Department of Administration; ERA | AECOM, 2009

Table 1.2: Share of Regional Population

Geography	Share of County	Share of State	Share of County	Share of State
De Pere	9.2%	0.4%	9.3%	0.4%
Green Bay	42.4%	1.8%	41.4%	1.8%
Brown County	n/a	4.3%		4.4%

Source: US Census; ESRI Business Analyst; Wisconsin Department of Administration; ERA | AECOM, 2009

Table 1.3: Household Population and Trends for De Pere, 1990-2013

Geography	1990	2000	2008	Estimated 2013	CAGR 1990-2008	CAGR 2008-2013	Avg Annual Increase
De Pere	5,797	7,724	8,936	9,550	2.4%	1.3%	163
Green Bay	38,182	41,591	43,812	45,281	0.8%	0.7%	309
Brown County	72,280	87,295	98,601	104,425	1.7%	1.2%	1,398
Wisconsin	1,822,1118	2,084,544	2,280,012	2,379,670	1.3%	0.9%	24,241

Source: US Census; ESRI Business Analyst; Wisconsin Department of Administration; ERA | AECOM, 2009

Table 1.4: Median Household Income, 1990-2013

Geography	1990	2000	2008	Estimated 2013	CAGR 1990-2008	CAGR 2008-2013
De Pere	41,822	62,126	79,954	96,328	3.7	3.8
Green Bay	31,983	46,499	59,835	70,787	3.5	3.4
Brown County	36,923	55,574	71,740	85,225	3.7	3.5
Wisconsin	35,180	53,863	69,193	81,884	3.7	3.4

Source: US Census; ESRI Business Analyst; Wisconsin Department of Administration; ERA | AECOM, 2009

Table 1.5: St. Norbert College Figures, 2009

	Undergraduate	Graduate	Total	Faculty
Students	2,084	53	2,137	132

Source: St. Norbert College, 2009

Table 1.6: Percent of Households by Income Bracket, 2008

Geography	De Pere	Green Bay	Brown County	State
<\$15,000	6%	11%	7%	9%
\$15,000-\$24,999	7%	12%	9%	10%
\$25,000-\$34,999	8%	11%	9%	10%
\$35,000-\$49,999	15%	17%	15%	16%
\$50,000-\$74,999	22%	22%	22%	23%
\$75,000-\$99,999	22%	17%	21%	17%
\$100,000-\$149,999	13%	7%	11%	11%
\$150,000-\$199,000	3%	2%	3%	3%
\$200,000+	4%	2%	3%	3%

Source: US Census; ESRI Business Analyst; AECOM, 2009

Table 1.7: Households Income Growth by Cohort Bracket, 2000-2013

Geography	De Pere	Green Bay	Brown County	State
<\$15,000	9%	6%	5%	-3%
\$15,000-\$24,999	12%	7%	5%	-8%
\$25,000-\$34,999	11%	8%	7%	-2%
\$35,000-\$49,999	18%	15%	9%	-9%
\$50,000-\$74,999	24%	22%	23%	1%
\$75,000-\$99,999	15%	22%	19%	-3%
\$100,000-\$149,999	7%	13%	20%	9%
\$150,000-\$199,000	3%	3%	6%	14%
\$200,000+	2%	4%	6%	7%

Source: US Census; ESRI Business Analyst; AECOM, 2009



centage of total households and all income brackets below \$50,000 are forecast to decrease. Over the next five years, households earning \$150,000 to \$199,999 are currently projected to represent the largest growth cohort in De Pere.

- In 2008, 32% of De Pere’s population had a bachelor or advanced degree (increased 2% annually since 1980) and 11% had an associate degree (increased 1% annually since 1980). The proportion of those with higher educational attainments is growing faster in the region and state markets than in De Pere, but De Pere still has more educational attainment among its households.
- A much greater share of De Pere residents has an associate or advance degree compared to Brown County, Green Bay, Wisconsin, and the country. De Pere has maintained a highly educated population since the 1990s, which may be due to the presence of St. Norbert College and its faculty and employees.
- High education attainment is a great marketing tool to attract retail and businesses. Retailers often evaluate education levels when considering a specific locale; they typically associate more education with more disposable income and spending power.

II. STAKEHOLDER INTERVIEWS

As part of the initial stakeholder involvement process, a series of interviews were conducted with public officials, city staff, property owners, commercial tenants, developers, and related groups. The interviews provided relevant insight into the current competitive position of downtown De Pere, broader linkages with the Green Bay region, as well as near-term market realities and opportunities. A more detailed report is available in the Appendix: Downtown Plan Market Analysis.

III. RESIDENTIAL MARKET OVERVIEW

The residential market overview considers the overall the overall health of local and regional residential markets, and explores more specific opportunities for downtown residential development. The approach includes analysis of building permit data for De Pere and Brown County, as well as information on home values, and analysis of downtown housing opportunities.

BUILDING PERMIT DATA

Tables on the following page summarize building permit data reported by the US Department of Housing

and Urban Development (HUD). Analysis indicates that between 2003 and 2008; Brown County issued permits for an average of 723 single family units and 552 multi-family units annually. Within these averages, key findings included:

- Across the county, housing unit deliveries have decreased significantly, dropping to about 460 units in 2008, well below levels recorded in 1998.
- Data from HUD also indicates that the City of De Pere issued permits for, on average, 129 single family units and 167 multi-family units annually.
- Building permit trends indicate a slowing residential market starting in 2006. Residential permits in De Pere peaked for single-family homes in 2004 and for multi-family complexes in 2002.
- Although housing permits issued in De Pere for 2008 were the lowest since 1998, with only 55 single-family permits issued, De Pere’s share of total county housing permits increased, growing to 33%, which is the highest level sustained since 1998.
- The modest peak in multi-family construction in De Pere includes the recent construction of 333 West Main, a more upscale condominium property in the downtown core west of the Fox River.

Table 1.8: De Pere Building Permits by Units, 1998-2008

Unit Type	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Avg 1998-2008	Avg 2003-2008
All Single-family	108	137	129	132	117	125	188	179	130	94	55	127	129
All Multi-family	62	96	99	93	278	256	175	170	163	135	100	148	167
2 units	26	40	36	32	32	34	4	0	0	0	n/a	148	167
3-4 units	0	0	0	0	0	0	0	0	0	0	n/a	-	-
5+ units	36	0	63	61	0	222	171	170	163	135	n/a	102	172
Total	170	233	228	225	395	381	363	349	293	229	155	275	295

Source: Department of Housing and Urban Development, AECOM, 2009

REGIONAL HOME VALUE COMPARISONS

According to information collected by the Federal Housing Finance Agency, home values across Brown County have shifted in line with those of the Appleton Metropolitan Area.

In both areas, values peaked in the 3rd quarter of 2004 and decreased dramatically through the 3rd quarter of 2006. Values have continued to decrease through the 2nd quarter of 2009, albeit at a much lower rate. For comparative purposes, values in the Madison Metropolitan Area peaked at a higher level (See Figure 2 below). For De Pere, interviews with local brokers indicate that residential values began to stabilize and increase during the summer of 2009.

HOUSEHOLD MIGRATION

AECOM analyzed IRS data between 2002 and 2007 to better understand recent patterns of migration into Brown County as a demand generator for area housing, retail and area employment. The Internal Revenue Service (IRS) collects data from two consecutive household tax returns.

Households that file a return from one county one year, and another county the following year are classified as “migrants” while households that file in the same county are classified as “non-migrants” or residents. The analysis indicates that Brown County experienced a net migration of negative 325 households since 2002, with a total of 33,471 migrants moving in and a total of 33,796 migrants moving out over the course of five years.

Brown County attracts a significant share of Wisconsin oriented migrants. Of the top 20 counties for in-migration to Brown County 17 are Wisconsin counties; the other counties are in Illinois and Michigan. The top two counties (by approximately 200 households) for in-migration are consistently neighboring Outagamie and

Oconto Counties in Wisconsin. In general terms, the lack of significant in-migration from cities outside of Wisconsin is noted as a relevant detail.

WALKABLE / URBAN HOUSING MARKET PERSPECTIVE

Downtown De Pere includes a significant amount of walkable urban housing options, including apartments and condominiums. There are 229 units on the west side of the river, with the majority concentrated in one senior housing project called Nicolet Highlands. The east side of the river includes a broader array of smaller projects, with a similar total inventory (204 units). The east side residential anchor is the 70-unit Lawton Foundry Apartments. These totals include more upscale urban housing, with Arbor Landing on the east side and 555 Main on the west side of the river. Both projects offer condominium / townhouse units with pricing between \$160,000 and about \$300,000. In addition to higher density residential, there are a significant amount of walkable housing options on both sides of the river adjacent to downtown, covering both modest homes, as well as older historic structures.

There are three current urban housing projects in Green Bay, including Riverside Place, Watermark, and the Riverfront Lofts, with a total of about 100 units. Pricing varies, with some lofts advertised in the \$139,000 to \$160,000 range with unit sizes that range from 860 to 1,850 sq ft, and finished units in the \$89,000 to \$191,000 range, with unit sizes in the 787 sq. ft. to 1,375 sq. ft. range. There are several upscale units with larger floor plates (up to 3,300 sq ft.) pricing in the \$700,000 range. There are two additional projects, called River Tower, River Center and Astor Place, which could add a minimum of 230 additional downtown housing units, if and when they are completed. The total potential inventory of walkable housing is considered very modest, representing about 2% of total countywide unit deliveries since 1998.



Table 1.9: Net Household Migration to Brown County, WI 2002-2007

	'02-'03	'03-'04	'04-'05	'05-'06	'06-'07	Total
Inflow	4,596	4,790	4,748	4,864	4,825	33,471
Outflow	4,793	4,632	4,848	5,147	4,805	33,796
Net Migration	(197)	158	(100)	(283)	20	(325)

Source: US Census; IRS Statistics of Income, AECOM, 2009

Downtown Housing Inventory & Analysis

AECOM worked with RDG and the City of De Pere to define two distinct submarkets that serve the downtown area. The two submarkets include separate ¼ mile and ½ mile rings from either side of the De Pere River Bridge approach. The two market areas were defined based on realistic walkability levels. At the national level, a ¼-mile distance is seen as walkable; in AECOM experience, this can be extended to a ½ mile distance for those who seek out walkability. Data revealed the following trends:

- There are approximately 1,200 housing units within a ½ mile (on both sides) of the bridge; 58% are single-family homes and the remainder are multi-family, du-



plex, or condo style units. The downtown core includes about 430 multi-family units, the majority of which are in single projects. There are a small number of upper floor units as well.

- St. Norbert residence halls house about 1,500 students on the west side of the river. The College is planning to add additional dorm capacity in the future, with the expressed goal of housing the majority of students on campus
- Nicolet Highlands, an age restricted senior housing project, constitutes a significant cluster of homes on the west side; average unit sizes range between 700 and 1,400 sq. ft. The primary west side condominium project is called 555 Main, and offers units priced between \$160,000 and over \$300,000.
- The east side of the river includes a broader array of smaller projects, including the 70-unit Lawton Foundry Apartments, with quoted rents in the \$0.90 per sq. ft. range. Each side of the river is home to upscale urban condominiums / townhouse units with pricing between \$160,000 and \$300,000.
- The housing type changes significantly beyond a quarter mile from the bridge. For instance, 78% of the units within a quarter mile are multi-family units; whereas

24% of the units in the outer area between the quarter mile and ½ mile bounds are multi-family units.

URBAN HOUSING BENCHMARKS

To place these urban housing market share factors in perspective, AECOM evaluated urban housing trends in similar upper Midwestern cities, including Sun Prairie, WI, and Traverse City, MI. The analysis highlighted key comparative factors:

- Sun Prairie is a suburb of northeast of Madison with a current population of about 24,000 residents and a per capita income of about \$31,000. Downtown housing efforts in Sun Prairie were driven by city decisions to redevelop several old brownfield sites adjacent to the traditional historic core of downtown. Through this redevelopment effort, a total of about 300 housing units were added in the downtown core (about 3% of city inventory), covering apartments, condominiums, and townhomes, with several projects supporting mixed use activity, with a total housing inventory of 400 units. Units were priced at a modest discount to overall downtown averages. The city played a key role in facilitating the process, with financial support to remediate and assemble properties.
- Traverse City, Michigan is smaller city that serves as the hub for a significant portion of northwestern lower Michigan. The beginning in the late 1990's, developers in Traverse City began to experiment with urban housing, which led to the development of about 280 units in the downtown core over a 10 year period. Notably, several developers ran into challenges with pricing their condominiums, which were priced at a premium to local averages; several projects went through bankruptcy proceedings as a result. The Traverse City market is complex, with a mix of significant affluence concentrated outside the city, along with residents of typical means in the city itself; tourist markets are equally complex, with a summer season of families with children, and a fall market that is more upscale.

Overall downtown housing markets in these and other Midwestern cities remain modest, with inventories of recently built housing that represent about 2% to 3% of overall citywide inventories, well below the 25% to 35% of households that typically have an interest in downtown housing. Larger Midwestern markets, such as Madison or Des Moines, have seen more significant downtown housing market growth, with market shares that represent up to 5% of total area housing inventory. In all cases however, as cities transition from one or two unique (and more expensive) projects to larger scale urban housing, related pricing tends to shift toward area-wide averages.

For De Pere, with a core downtown housing inventory of about 400 units and a city wide housing unit count estimated at about 8,900 units, downtown would be supporting about 4.6% of citywide housing unit inventory (excluding dorms). This factor is at the high end when compared to similar Midwestern Cities. There are several explanations:

- Several developers took risks, such as with 555 West Main, which was priced at a premium to the local market, and has seen slower absorption.
- Developers built projects that take advantage of existing buildings, such as the Lawton Foundry project, which was converted into unique apartments which appear to be well regarded by the market.
- At least one developer took advantage of waterfront views (Arbor Landing). For the near-term, abilities to leverage waterfront views and urban amenities will support market response.

DOWNTOWN HOUSING VALUES

Understanding markets for urban housing is complex. In most Midwestern markets, initial urban projects have tended to be very upscale, and have benefited from public incentives. In many cases, these higher end projects have also run into financial challenges, because most

Midwestern downtowns are still in the process of revitalizing, and the amenities that would otherwise be supportive of higher prices are not in place yet. As well, projects built since 2004 also faced higher construction costs, which drove up related sales prices, and lowered absorption. On a broader level, urban housing is also challenged by the unique nature of urban sites, many of which are oddly shaped, have concerns with prior use (including environmental contamination), access to parking, and ongoing debate about zoning and allowable building height; two factors which drive construction cost and unit affordability.

To provide a framework for existing values and market opportunities for downtown, AECOM explored current property value trends for units in proximity to the Fox River. Broadly, within 1/2 mile of the Bridge, the average home value ranges between \$123,000 and \$129,000 depending on whether the home is on the east or west side of the river or within a quarter or 1/2 mile of downtown. Average home sizes range from about 1,500 to 1,900 sq. ft.

Across the city, homes built in the past five years currently have the highest value per square foot and comparable total values to homes built in the past ten years. Generally, home values decrease as the age of the home increases. Interestingly the ten year increment between 1986 and 1996 exhibits the largest average home size of all years. As well, compared to city-wide data, residences within a 1/2 mile of downtown have lower total assessed values and lower values per square foot. These findings are relevant, but complicated by the presence of newer condominiums as well as older historic homes within a 1/2 mile distance. For the smaller 1/4 mile market, which includes multi-family units, the analysis yielded more relevant findings:

- Units built since 2000 in downtown were priced at a significant premium (up to \$120 per sq ft.) to existing downtown levels (\$80 per sq. ft.) This premium was reflective of pricing at 555 West Main, which has had reported difficulty in gaining market acceptance.
- The analysis suggests a significant opportunity to build urban housing, albeit at prices that are below this \$120 per sq ft threshold, targeted to a market that is relative to overall citywide values.

From experience, the likely near term product could focus on multi-family buildings that are less than five stories in height, with affordable wood frame construction. Although greater building heights could be achievable, cost factors associated with steel and concrete structures would drive up unit sales prices and reduce near-term market opportunities. Rental units should also be considered, building from a market base established by the Foundry Apartments, where reported rents are in the \$0.90 range per sq. ft.

HOUSEHOLDS WITH URBAN PREFERENCES

AECOM evaluated ESRI Tapestry information in the context of households' likelihood to live in an urban area and households' preferences on housing type. AECOM also evaluated the percentage of total market share households that are living in downtown. AECOM found the following conclusions.

- Of all households in De Pere, about 4,050 (45%) have a potential to live in an urban area, but not exclusively. This count includes households that may exhibit tendencies and preferences associated with both urban and suburban areas. Brown County has a similar proportion.
- Of all the households in De Pere 2,159 (24%) prefer multifamily (urban) types of housing, some in addition to single family homes. Brown County's percentage of households is 32%. Green Bay, again, exhibits a higher



Table 1.10: Summary of Housing Based on Side of River

Geography	Average Value Per SF	Average Size	Average Home Value
East			
1/4 mile	73	1630	\$116,361
1/2 mile	81	1568	\$123,442
Total East	\$80	1576	\$122,505
West			
1/4 mile	64	1935	\$124,580
1/2 mile	86	1503	\$129,177
Total West	85	1515	\$129,051
Citywide	94	1770	\$169,601
Values by Year Built			
2003-2008 (5 yr)	111	1873	\$207,199
1997-2002 (5 yr)	107	1979	\$207,757
1986-1996 (10 yr)	100	2029	\$199,139
1975-1985 (10 yr)	98	1728	\$165,459
Before 1975	88	1586	\$137,501

Source: City of De Pere, 2009



preference for urban living with 46%.

- These figures do not convey the number of potential buyers, but merely of the households that, if moving within the area, may consider an urban product in a downtown setting, such as Downtown De Pere.
- The market share of actual households living downtown is very narrow in De Pere and even smaller in Green Bay, compared to the market opportunity. Experience in other markets would suggest that efforts to link downtown with the waterfront would expand market opportunities.

RESIDENTIAL MARKET SUMMARY

The residential analysis suggests the following:

- Although the “walkable core” within a ½ mile distance of downtown De Pere supports significant housing, (over 1,200 units), the share of more contemporary rental and owner occupied housing is smaller (about 400 units). This factor is generally consistent with other Midwestern cities.
- Of all households in De Pere, an estimated 24% of households prefer multifamily (urban) types of housing, some in addition to single family homes. These figures do not convey the number of potential buyers,

but reflect on the share of households that, if moving within the area, could consider an urban product in a downtown setting, such as Downtown De Pere.

Future market opportunities for urban housing need to be consistent with broader trends for how De Pere is expected to grow in the near and mid term. Current forecasts for the community point to a return to historic housing growth rates, i.e. below recent trends, offset by the likelihood of further decreases in the average housing size. Using State forecasts as a baseline, De Pere is positioned to add about 4,700 residents by 2025, which could break down to demand for about 2,300 new housing units over the same period. If the core (1/4 mile) downtown just maintains its current “fair share” of potential new inventory over the forecast period (4%), that would point to an overly conservative urban housing construction factor of 100 more urban units through 2025. Given the acceleration in changes in the structure of households (fewer families with kids), as well as the practical reality of delayed Baby Boom generation downsizing, we expect that overall demand for urban housing will increase above this threshold, with a target for 250 to 450 units in the downtown core by 2025. In practical terms, the ability of the market to deliver on these estimates would be influenced by the following:

- The limited number of sites in the downtown core that are realistically developable at current market prices, along with the impact of unique site features (brownfields, etc.), and related factors which impact construction costs, and corresponding unit prices.
- City policy regarding the encouragement of urban housing in addition to, or as opposed to suburban housing, covering entitlements, zoning, and related planning factors.
- City investments to improve connections between downtown and the Fox River, and the extent to which available building sites are positioned to benefit from this public investment.

IV. DOWNTOWN RETAIL MARKET ANALYSIS

The goal of the retail market analysis is to understand the current strategic position of De Pere in the region, and the competitive position of downtown De Pere as a retail destination. The approach includes assessment of regional and city-level retail inventory and vacancy trends, a detailed inventory of downtown retail space, a review of recent survey data regarding downtown merchants in De Pere, and consideration of local implications driven by national retail trends. The approach is built around Co-Star market and submarket data, ESRI Business Analyst and US Census data, and Wisconsin Department of Revenue sales tax data.

DOWNTOWN CONTEXT

Downtown De Pere is divided into east and west sides by the Fox River, connected by a bridge that is about a ½ mile in length; beyond practical walking distance. The downtown retail market is almost entirely made up of locally owned stores, with very few national chains present (i.e. Pizza Hut, Big Apple Bagel, & Edward Jones Investments). Businesses on the east side of the river are modestly more entertainment oriented, supported by restaurants such as the Vault, which offer evening entertainment. Other tenants include Café Indulge, Life’s a Stitch, and Butterfly Books. East side retail anchors include ShopKo and Seroogy’s Chocolates, the latter of which is a De Pere institution and a relevant demand generator. Traditionally, businesses on the west side of the river were more tailored to demand generated by St. Norbert and the paper mill, with greater emphasis on bars rather than restaurants. Tenants include Café Luna, Do or Dye Salon, the Abbey, the Sports Corner, Erbert & Gerbert’s, and Jameson Pub. Although site assessments confirmed that downtown vacancies remain below national levels (below 8%), across the city and region, vacancy levels have increased. Considerations include:

- Within De Pere, there is considerable vacancy at the interchange of US-41 and Scheuring Road, with a closed Sportsman’s Warehouse as well as a number of strip center vacancies, which add to about 60,000 sq. ft.
- To the east in Bellevue, development around the intersection of Route GV and Route 172 has also seen slow absorption, with greater emphasis on office, medical office, and service tenants, rather than retailers, with relevant vacancy issues. Projects include Lakeview Plaza and Millennium Park.

KEY DEMAND DRIVERS

Interviews suggest that the presence of several anchor projects shape demand potentials for downtown, including:

- **St. Norbert College** has an enrollment of 2,100 students, and about 400 faculty and staff. The campus includes several demand drivers including meeting and performing arts space, a new library, and the Kress Inn, all of which are open to local residents. A summer theater group also uses the grounds for outdoor summer events. The school is actively planning for additional projects, including a science building renovation, and completion of new athletic fields. Most students are expected to live on campus.
- **The Nicolet Paper Mill** is a key downtown employer with about 210 employees running multiple shifts. While the company is no longer locally owned, its current base of clients appears solid, with significant business reportedly driven by 3M. The mill complex, operated by Thilmany Papers, is significant in scale, covering 27 buildings along the waterfront. The operation may need to respond to changes in proposed state emissions regulations, which could require the plant to make capital investments to reduce emissions. The plant generates about 25 truck visits per day, as well as consistent rail deliveries of pulp.

- **The downtown office market** is a relevant driver of downtown demand. On the west side of the river, office buildings such as Nicolet Commons support office employment by Humana, a key downtown tenant. The adjacent Marquette Centre, also recently built, supports tenants in legal and insurance areas.
- **Boating traffic** along the Fox River uses a lock to bypass the existing dam in De Pere. Boat traffic that uses the lock ranges from a low of around 200 boats in May, up to around 800 boats in prime summer months; total passengers can exceed 3,500 people. The key variable with boat traffic is the extent to which boats have temporary places to tie up in De Pere.
- **Hotels** in downtown De Pere include Union Hotel, the James Street Inn, and the Kress Inn, as well as a small B&B.
- **The Fox River** supports a robust fishing tournament industry, focused in part below the dam in De Pere. During the spring, up to 500 fishing boats will be on the water, driving modest demand for area hotels and restaurants. The river is relatively shallow, aside from a dredged center channel. Most boaters enter the river further north from Fox Point Boat Landing. There appear to be few temporary boat slips that can service the downtown area directly.

NATIONAL RETAIL MARKET PERSPECTIVE

Understanding trends applicable to downtown De Pere requires a summary of broader national retail industry trends. AECOM examined national retail spending trends from 1992 through 2008. First, retail sales by retail category are evaluated, along with changes in spending patterns of consumers not only on what is being purchased, but where those purchases are being made. The U.S. Census Bureau provides national estimates of retail sales annually by category in the Annual Revision of Monthly Retail and Food Services. Retail sales include establish-



ments that sell merchandise to the general public without changing the product. Sales can occur in department stores, warehouses or specialized stores or through catalogs, infomercials and the Internet. In 2008, retail sales declined slightly for the first time since 1992. In 2007, retail sales were \$4.43 trillion, which fell to \$4.41 trillion in 2008. Annualized estimates for 2009 point to significant further declines in total sales.

Although the amount being spent on general retail has grown substantially since 1992, how retail dollars are being spent has changed considerably. The following chart shows the distribution of retail dollars by segment. The biggest decline occurred at food and beverage (grocery) stores, falling from 25.7% of general retail dollars in 1992 to 18.7% in 2008.

Part of this decline may be explained by the decline in the price of food that took place between 1992 and 2006. However, a large part is likely due to the increasing number of stores offering groceries including warehouse clubs and superstores like Wal-Mart Supercenters and Wal-Mart Neighborhood Markets. Department stores have also seen a smaller share of retail dollars. This can also be explained by the expansion of sales at warehouse clubs and superstores. In 1992, 2.8% of general retail dol-



lars were spent at stores such as Costco, Sam's Club, Wal-Mart and Target. By 2008, this share had increased to 11.2%. Another notable change is the share of retail dollars being spent on retail purchases made through commercials, catalogs and the Internet (non-store retailers). In 1992, 5.5% of general retail dollars were spent this way. This increased to 9.5% by 2008.

The following chart provides further evidence that Americans are moving away from traditional department stores and making more of their retail purchases in big box stores and online. From 1992 to 2008, retail sales captured by warehouse clubs such as Wal-Mart, Costco and Target grew at an average annual rate of 14.5%. Online purchases increased 11.6% per year over this same time frame. Sales at traditional department stores have actually fallen at an average annual rate of 0.8%.

The following segment specific trends are also noted:

- The Internet continues to absorb market share from traditional retail formats. Between 1992 and 2008, Internet retailing increased from 2.4% to 6.5% of general related retail sales, representing growth from about \$35 billion in 1992 to more than \$204 billion in 2008. On a per household basis, this reflects an increase from

\$368 on the internet per year to \$1,749 per year. While the re-allocation of retail sales to the Internet is of little concern to retail chains, the same cannot be said for communities that derive sales taxes from retail space in the community and see sales dollars and taxes captured by internet formats.

- Growth of health and personal care stores reflects the increasing scale of products and services that drug stores and pharmacies now offer. Walgreens and CVS have been very aggressive in expanding across the Midwest.
- While larger format building material stores (Lowe's, Menards and Home Depot) have dramatically altered the market for home improvement supplies, sales growth appears to have peaked in 2006 at \$306 billion. Sales decreased by 4% between 2006 and 2007 and 6.5% the following year. Market share has also decreased since 2006 and, assuming that current trends hold, will decrease again in 2009. These declines reflect both the impact of downturn in the housing market / recession, as well as a likely level of market saturation in this segment.
- While Department stores have only continued to struggle, grocery stores have responded, with formats either growing in size (80,000 sq. ft. and up) or getting smaller (Trader Joes at 15,000 sq. ft.). Between 1992 and 2006 spending on food and beverage stores grew at an average annual rate of 2.6%. However, spending on this category grew nearly 5% each year between 2006 and 2008. This may indicate a possible turnaround as grocery stores become more competitive with warehouse clubs and superstores. However, this increase may also reflect recent increases in the price of food, which began in 2006.

There are also several broader economic factors that are influencing retail spending patterns. The economy slid into a recession in December 2007 which worsened through 2008 and 2009. As unemployment increases,

consumers are being more careful with their retail dollars and stores with perceived value are doing better. Wal-Mart, dollar stores and other discount retail stores are capturing market share from more upscale competitors. Auto repair stores are thriving as people invest in their cars rather than buy new ones. Full-service restaurants are experiencing a decline, but fast food and limited-service restaurants have seen a slight increase in sales. Also, grocery store sales are up as more people eat at home rather than at restaurants. The lingering impact of the economic downturn may be an increase in the personal savings rate, at least in the near-term, which will have an effect on retail sales beyond the recession. Other considerations include:

- In addition to declining sales, the tight credit markets have led to a wave of bankruptcies among American retailers. Midsize chains such as Levitz and Sharper Image have filed for bankruptcy protection and larger chains such as Circuit City and Linen 'n Things have closed leaving thousands of storefronts empty. Others companies such as Office Depot, Lowe's, J.C. Penny, Ann Taylor and the jeweler Zales, have all announced that they are downsizing their operations. CoStar Group Inc. estimated a net loss of 1,300 retail stores during 2008 and 2009.
- Auto dealerships across the country are also being affected. Auto sales dropped by nearly 15% in 2008, the largest drop in more than 25 years. Declining sales have led two automakers to close nearly 1,900 dealerships combined. By June 2009, Chrysler will close one-quarter of its 3,200 stores which account for 14% of annual sales. GM is expected to close 2,600 total dealerships. About 1,100 dealers will not have their franchise agreements renewed with GM when they expire in October 2010. The remaining stores to be closed through attrition are brands the company will no longer be manufacturing such as Saturn and Hummer. The unprecedented closings reflect the precarious financial state of the firms, both of which have received substantial loans from the federal government.

- Due largely to the rising price of gasoline, the share of retail dollars spent on fuel has increased significantly in recent years. Between 1992 and 2003 sales at gasoline stations were fairly steady at approximately 11% of general retail sales. It has been increasing each year since reaching 15.2% in 2008. Assuming that current trends hold, it is likely that fuel costs will begin to eat into other retail sales.
- Retailers in general are also reacting to changing spending patterns driven by new technologies (broadband access and cell phones), which have in the past several years captured a significant share of disposable income, in the range of \$50 to \$150 per month. The emergence of services including TiVo, XM Satellite Radio, iTunes and Netflix are examples. The impact of broadband access is expected to have a significant impact on the profitability of traditional video rental stores, a standard anchor of many neighborhood retail centers.

The rollout of Macy's in recent years as a national brand also highlights the disappearance of more than 10 regional department store brands, including Marshall Fields, Filene's, Foley's, Hecht's, Famous-Barr, Kaufmann's, Robinsons-May and L.S. Ayres, impacting shopping centers. Furthermore, other changes like the Sears/Kmart merger in 2005 has led to modifications for those retail formats. Chicago-based General Growth Properties' Chapter 11 bankruptcy protection announcement in early 2009 was a result of the company not being able to refinance its maturing debt. This announcement from the second largest mall owner in the United States is one major example of the inability to refinance debt in the current credit market crunch, which may impact other real estate companies as well.

- Big box formats are increasingly engaging in battles for market share (Wal-Mart versus Target, Kohl's versus JC Penney and Lowes versus Home Depot and Me-nards and Walgreens versus CVS). In all cases, the companies involved will choose to locate stores in close

proximity to each other to pull sales from a competitor, even at the expense of cannibalizing existing store sales. This level of competition has boosted retail inventories, lowered store sales per square foot and created greater competitive pressures for independent store owners.

- Because larger format retailers are finding their traditional suburban markets increasingly saturated with retail space, national chains are increasingly looking at inner city markets for new growth in sales. Firms such as General Growth, Target and Wal-Mart are actively looking at urban sites and trying to deal with difficult questions of site assembly, brownfields remediation and entitlement.

For De Pere, and Green Bay, the current recession will likely mark the end of the national expansion of big box retail. Locally, and across the Midwest, the period from 2004 to 2007 saw a significant surge in new retail inventory, driven by corporate expansion plans, battles for market share, and access to lower cost financing. While more boxes will be built, the larger format stores have essentially saturated most markets. For Green Bay, the period of retail expansion extended between 2000 and 2007, during which space was built at a rate of about 190,000 sq. ft. per year, nearly twice the long term average. The surge in inventory, combined with the impact of higher unemployment and reduced discretionary income, will continue to impact the pace at which local recovery occurs. Locally, these recessionary impacts are visible at places such as Scheuring Road and US 41, where there is a closed Sportsman's Warehouse as well as a number of strip center vacancies, which add to about 60,000 sq. ft. Since 2007, retail vacancy rates across Brown County have increased from about 7% to above 10% as of the second quarter 2009.

DOWNTOWN MERCHANT SURVEY

To begin to place downtown De Pere into the broader regional context, we worked with the cooperation of the



De Pere Chamber of Commerce and staff from the City of De Pere to implement a survey of downtown merchants. The survey, sent to about 150 businesses, generated 80 responses, which is a response rate above 50%. Although the response level is technically insufficient for statistical significance, the analysis provides a good perspective on trends and expectations for the downtown area. A summary of key findings is as follows:

- A total of 49 businesses responded from the east side of the river and 27 responded from the west side of the river.
- Average store sales are about \$390,000, or about \$172 per square foot. Sales performance for the west side of De Pere appears modestly stronger, at slightly over \$400,000 in annual sales. These trends should be evaluated carefully, as not all respondents filled out their square footage and store sales factors. The respondents support about 500 full-time and part-time jobs, which is a relevant concentration of employment
- While a majority of respondents (73%) are using computer databases to track customers, a majority (78%) are not using the internet for advertising.
- Store performance was split, with 40% reporting an increase in sales, 46% reporting a decrease in sales, and about 13% reporting no change in sales. Store perfor-



mance appears modestly better on the west side of the river, where 58% of respondents indicated that sales were either stable or increased.

- The survey respondents noted an array of comments, of which the most consistent orbited around the theme of increased marketing support for downtown, which could include signage, event promotion, advertising, and related efforts to draw more people downtown.

One key finding from the survey is that with reported rents in the \$8 to \$12 dollar per sq. ft. range, and sales in the \$170 per sq. ft. range, it would appear that rents fall within reasonable thresholds, i.e. about 10% of sales. General experience in similar markets would suggest that when rents exceed 14% of sales, it is an indication that either rents are too high or store sales are insufficient.

DOWNTOWN INVENTORY ANALYSIS

ERA worked extensively with City staff, with the support of the Chamber, to develop a detailed inventory of downtown retail and office space. The inventory approach was built from property tax records, field surveys of individual stores, and meetings with local real estate brokers. Given that historical downtowns are true mixed use environments, the inventory approach needed to discriminate

between the following categories of space:

- Street level space in retail, office, entertainment, restaurant, service, or institutional use
- Upper story space, which could be residential, office, retail, or used for storage or vacant. In this case, the analysis identified several upper floors whose occupancy status could not be verified.
- Stand alone office buildings

Occupied retail space is also broken down by store type for cluster analysis. The inventory effort, effective as of September 2010, documented a total inventory of about 773,000 sq. ft. of space in Downtown De Pere, which includes storefront space, as well as office space in stand-alone buildings.

The analysis highlighted an array of key findings:

- There is approximately 142,000 sq. ft. of space in retail use (including food and beverage, restaurant, and consumer services) on the west side of the Fox River and approximately 253,000 sq. ft. on the east side of the Fox River. About 90% of the retail space is on the ground floor.
- In addition to street level retail, the analysis identified a total of 110,000 sq. ft. of street level office space, and 102,300 sq. ft. of space in single use office buildings, with a modest majority concentrated on the west side of the river (138,000 sq. ft. to 126,000 sq. ft.).
- Street level vacancies have significant impact on a downtown retail environment compared to upper level vacancies. In downtown west of the river, 9.7% of street level space is vacant; east of the river only 6.1% of space is vacant. In an average economy, downtowns typically have a 10% vacancy rate; the overall downtown vacancy rate is estimated at 7.4%, which is lower than the current county wide vacancy level, which is above 10%. Upper floor vacancy is higher, estimated at 36% on the west side and 44% on east side.

As the occupancy status of upper floors can be questionable at times, these estimates should be evaluated with care.

- On both sides of the river, Restaurants and Bars constitute the largest cluster of space, covering about 130,000 sq. ft. Restaurant clusters are effective traffic generators for emerging or revitalization retail/restaurant districts. Generally, people will travel farther and into new areas for restaurant options as opposed to retail products. A majority of restaurant and bar options are concentrated on the west side of the river.
- Personal services, including financial, gas stations, auto repair, beauty salons, and dry cleaning are important uses in downtown De Pere that serve day-to-day needs of residents in surrounding neighborhoods.
- Other retail categories that are very limited in square footage or completely absent include, sporting goods, shoes, health and personal care, jewelry, and electronics and appliances. It is common to find that these categories are underserved in smaller downtown and 'main street' environments.
- The downtown retail market is almost entirely made up of locally owned stores, with very few national chains present. Interviews suggested that at one point, Starbucks was interested in a downtown location, but instead selected a site closer to US 41.

RETAIL SALES ANALYSIS

Retail sales trends for Brown County were reviewed to evaluate growth in sales and the competitive capture position of the county as a regional destination. Key factors include:

- Between 2001 and 2006, retail sales grew moderately in Brown County at a pace of 2% annually. Specific categories such as clothing and accessories and restaurants and bars grew faster at 4% and 3% respectively, which bodes well for downtown De Pere, as these cat-

egories work well in downtown and “main street” environments, especially restaurants.

- Brown County retail sales are growing at a faster pace than households and population, but at a slower pace than average, median, and per capita household income.
- Pull factor analysis indicates that in 2006, Brown County generated 29% more sales than the County population should logically support. This indicates that people from outside the county are traveling into the county to spend money. The Brown County 2006 pull factor (1.29) is a modest decrease over its pull factor in 2003 (1.34).

DOWNTOWN RETAIL MARKET IMPLICATIONS

Downtown De Pere supports a total inventory of about 773,000 sq. ft. of space, which is currently being occupied by an array of retail, service, office, government, and institutional tenants. Within this total inventory level, downtown retail trends include the following:

- Across Brown County since 1982 there has been an average of about 100,000 sq. ft. of new retail space delivered annually. In 2005, approximately 400,000 sq. ft. was delivered, making this year the peak year since 1982. This significant increment of space will take a couple of years for the local economy to work through, albeit in larger format store segments.
- Downtown street level vacancies are below regional levels. In downtown west of the river, 9.7% of street level space is vacant; east of the river only 6.1% of space is vacant. The overall downtown vacancy rate is estimated at 7.4%. Countywide retail vacancy is now over 10%.
- Based on survey information, it would appear that downtown rents are in alignment with store sales. Moving forward, efforts to grow sales for downtown merchants will be a key focus of strategic recommen-



dations, as growth in rents will support reinvestment in downtown. Quoted rents appear to fall in the \$8 to \$12 per sq. ft. range.

- There is approximately 142,000 sq. ft. of space in retail use on the west side of the Fox River and approximately 253,000 sq. ft. on the east side of the Fox River. While the overall inventory amount is regionally significant, it is divided by the Fox River, which raises core planning questions for how the two halves of downtown can be better connected, in physical and market terms.
- On both sides of the river, Restaurants and Bars constitute the largest cluster of space, covering about 130,000 sq. ft. Restaurant clusters are effective traffic generators for emerging or revitalization retail / restaurant districts. People, generally, will travel farther and into new areas for restaurant options as opposed to retail products.
- Aside from restaurants, hotels, office, and residential, other typical downtown retail store clusters remain under developed. Segments such as jewelry, shoes, and books would benefit from further growth, particularly on the East side of downtown De Pere.
- Ashwaubenon is the primary regional retail hub, where the majority of national chain stores have located. While it is unlikely that many of these stores would



consider a second store in De Pere, it is likely that individual stores will consider moving into a downtown environment. For example, chains such as Ann Taylor and Talbots have moved into similar downtown markets. The arrival of these stores tends to generate the interest in other chains to consider a downtown location.

Quantifying market opportunities for downtown De Pere for the next several years is complicated by several factors. In the short-term, there are a very small number of national retailers who are in expansion mode, driven by opportunities to lease lower cost space in attractive market locations. In principal, these opportunities are tending to focus in several areas:

- Value oriented apparel: TJ Max, Dollar Tree, Staples, Goodwill Industries
- Non-traditional stores: health clubs, family fun centers.
- Smaller grocery stores: Trader Joes, Aldi

Although the overall market across Brown County is likely oversupplied with retail space at present, the downtown core of De Pere is well positioned to move out of the recession in reasonable shape, with vacancy levels that are



well below regional trends. Short-term development of new retail space in the downtown core is unlikely because financial markets remain unsettled, and bank lending requirements have come back to earth, with logical emphasis on tenant quality dictating lending terms. In this context, the premium rents that would be required to support construction of new space will be difficult to support in the short-term.

In the context of average downtown store sizes smaller than 5,000 sq. ft. and rents in the \$8 to \$12 range, existing space in downtown De Pere will be well positioned as an affordable option in the regional market. Importantly, opportunities to rent existing space will be driven initially by decisions made by the City of De Pere and the Chamber regarding the future structure and funding support for the Main Street Program. Specific elements, to be discussed in separate strategic recommendations, will focus on the potential role of the Main Street program in tenant retention and recruitment, event promotion, and engagement with building owners. As well, city officials will need to consider broader planning frameworks for downtown, to include efforts to develop structured parking in the downtown core.



V. OFFICE MARKET OVERVIEW

The office market assessment evaluates the key economic drivers of demand for office space, and looks at current trends with regard to changes in office space inventory, both in the downtown area, and across De Pere and Brown County. The office market discussion focuses initially on changes in employment in office related sectors, before moving into discussion of real estate indices.

EMPLOYMENT PERSPECTIVE

Analysis of employment data yielded the following information:

- Between 1990 and 2000, Brown County employment grew twice as fast as employment in Wisconsin, 3.2% in Brown County compared to 1.7% in the state. The annual growth rate is forecast to slow from 3.2% between 1990 and 2000 to 1.3% between 2000 and 2010. Over the past five years from 2003 to 2008 employment grew by 1.7% annually to a total of 191,000 employees in Brown County.
- Over the past five years the two fastest growing employment sectors were Services and Finance, Insurance, Real Estate (FIRE). This is a positive trend for



downtown De Pere and indicates office using employment demand increased.

- Employment in office using sectors reached approximately 21,500 in Brown County in 2007 and is projected to reach 22,000 in 2008. The Information sector is not growing, but other sectors are: Management of Companies/Enterprises (3.8%), Professional Services (2.4%), and Finance and Insurance and Real Estate (2.4%).
- Assuming an average rate of growth of office employment of 400 positions annually and an industry standard of 175 to 200 sq. ft. of office space per employee, this translates into 70,000 to 80,000 sq. ft. of additional office capacity required on an annual basis at the county level.
- Brown County currently has 595,000 sq. ft. of vacant office space (10% vacancy). However, as the downtown revitalizes, office space in the core may become more desirable than older suburban office space. This could take the form of new or renovated second level space or small professional office on side streets.
- In April 2009 Brown County ranked with the 58th lowest employment rate out of approximately 70 counties.

LOCATION QUOTIENT ANALYSIS

AECOM utilized a location quotient to ascertain employment trends. A location quotient (LQ) is a measure of business concentration. For example, the motion picture industry is concentrated in California. That is, there are many more employees in this industry in California than California’s proportional share of employees nationwide. Think of the location quotient as testing the hypothesis, “Business activity in a small area is proportional to the location’s share of activity in a larger area.” A location quotient of 1.0 means the statement is true: activity (concentration in a specific industry) is consistent with your location’s proportional size. For example, if a city has 1% of employment in the state and it also has 1% of restaurant employees, the city’s location quotient for the restaurant industry would be 1.0.

- LQ of 1.0 means that the industry is concentrated evenly with the location’s concentration of employment.
- LQ over 1.0 means the given industry is more concentrated than the employment as a whole.
- LQ under 1.0 means that a given industry is less concentrated than the employment as a whole.

The location quotient analysis for Brown County revealed existing concentrations in Transportation, Utilities, Communication; Finance, Insurance, Real Estate; and Wholesale Trade which are office using. However, also according to the location quotient analysis, service oriented employment is an underrepresented segment, and may be an area of growth for the county.

OFFICE INVENTORY PERSPECTIVE

Site investigations, data analysis, and local interviews confirmed that De Pere has approximately 988,000 sq. ft. of office space, of which about 265,000 sq. ft. is in downtown. The downtown inventory includes space in single

use office buildings, as well as store fronts in office use.

Downtown office vacancy is concentrated in two stand alone office buildings, with an overall vacancy level of about 18%. It is understood that developers are targeting one site on the east side of the Fox River on the traffic circle for office development. We understand that the developer is actively trying to pre-lease additional space, which would be required to support construction financing. In the context of the current recession, the project will likely find continued short-term difficulty in getting traction from potential tenants. Of more realistic concern is current pressure on rents resulting from the current recession, which will place pressure on the developer’s business plan. Other findings include:

- Green Bay is the primary employment center for the region. De Pere supports about 15% of county office space. Green Bay is home to 4.8 million sq. ft., which is about 80% of county office space.
- The average office building size in De Pere is 12,500 sq. ft. compared to 17,000 sq. ft. in Green Bay and 16,000 sq. ft. in the county.
- On average, office space in De Pere leases for a premium of about \$1.50 per square foot above rates in Green Bay and Brown County.

OFFICE MARKET IMPLICATIONS

The market analysis suggests the following regarding downtown De Pere:

- De Pere supports an estimated 935,000 sq. ft. of office space, of which an estimated 213,000 sq. ft. is in downtown. The inventory analysis found that downtown office space is roughly divided between office tenants in existing store fronts, and space in recently built office buildings, two of which have relevant vacancy issues (18% estimated).

Table 1.11: Downtown De Pere Space Distribution

	Total RBA	Vacancy	Percent Vacant
Downtown Office Buildings	102,282	18,414	18%
Downtown Storefront in Office Use	110,898	-	
Remainder in City	723,472	95,672	13%
Total	936,652	114,086	12%

Source: CoStar Group, Inc., AECOM, 2009

Table 1.12: Office Lease Rates by Class by square foot

Market	Class A	Class B	Class C	Total
De Pere	\$13.48	\$13.96	\$13.25	\$13.78
Green Bay	\$17.30	\$11.37	\$11.77	\$12.16
Brown County	\$16.43	\$11.60	\$11.74	\$12.24

Source: CoStar Group, Inc., AECOM, 2009

- In the context of available vacant space, we do not view further office development in downtown De Pere through 2010 as likely. However, looking beyond 2010, modest opportunities could develop, albeit only as a function of the economics of specific sites. Opportunities will relate to:
 - The provision of new space which offers green/sustainable elements not currently available in the market
 - City policy decisions regarding the provision of structured parking as an incentive to encourage further development.
- In general, office space is a desired supporting use for downtowns, helping to drive lunch and dinner business. Core planning questions for downtown will be discussed in the strategic recommendation section.