Downtown Albany (NY) Retail Analysis and Strategy

MJB Consulting,
as a sub-consultant to Goody Clancy
in its development of a Downtown Plan,
on behalf of the Capitalize Albany Corporation

Completed in Summer 2014

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Qualification

Please note that the research for this analysis and strategy was undertaken during a period from late 2013 to the spring 2014, and that the report itself was completed in summer 2014, with the rollout of Impact Downtown commencing in fall 2014. **This version has not been updated to reflect new information since the initial submission in summer 2014.**

Acknowledgments

We would like to thank the generosity of the following individuals in offering both their time and input to this effort.

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Introduction

Retail as a use assumes particular importance in the case of Downtown Albany, for several reasons. One, sales tax on consumer expenditures – collected by Albany County and then "shared" with its component municipalities -- represents a critical source of revenue for the City of Albany, in light of the high percentage of non-taxable properties within city limits.

It is also a critical piece of the mixed-use, experiential character that differentiates Downtown settings today, both as part of the basic "amenity package" needed to attract new residents or employers as well as the essential ingredient for the sort of "there, there" that establishes and reinforces places as true destinations with strong gravitational pull.

Furthermore, as the first (and often the only) use that one can see and assess, retail can have an outsized impact on how he/she perceives a district and, in the case of a Downtown, an entire city. Rightly or wrongly, visitors and potential investors will draw inferences about an area – about its health, its people, its trajectory -- based on the occupancy and tenancy of the ground-floor spaces.

Visitors and potential investors cannot necessarily tell what (if anything) is happening on the upper levels of mixed-use buildings, but they *can* and will make assumptions on the basis of what they see at street level.

Such inferences are rooted in the tendency among both individuals and communities to look to types of businesses and specific brands as a form of self-identity and self-expression, a kind of shorthand for how they see themselves and wish to be seen by others. In this way, retail becomes enmeshed with ego, with all of the symbolic potency and emotional baggage that that would imply.

As important as it is for these reasons, however, retail does not just "happen" in Downtown settings. Indeed, municipalities often mistakenly believe that if they invest money in the development of additional demand generators, the retail will simply "take care of itself". However, this is not necessarily enough, particularly if the goal is a truly compelling, diversified and sustainable mix, one that moves beyond the lowest-hanging fruit, that offers more than just places to eat and to drink, and that contains the seeds of continued growth and evolution.

More to the point, an exclusive focus on non-retail demand generators might succeed in upping storefront occupancy, but it is less likely to spawn the kinds of catalytic tenancies that can elevate the role of the Central Business District (CBD) within the broader competitive ecology. Indeed, many resurgent Downtowns across the country now find themselves in a sort of arrested development, unable to move beyond the initial wave of new restaurants and bars to become a more varied destination for a broader range of submarkets.

Many officials are prone to such misjudgments because they misconstrue the precise nature and extent of the demand generated by particular uses and attractions, and will routinely mistake the "splash" and hype of a new project with true retail impact. Indeed, the "if you build it, they will come" approach underlying so many past revitalization efforts across the country grossly oversimplifies when, how and why success does (or does not) occur.

Firstly, in attempting to sell the Downtown as a retail location, one has to assume that most tenants and brokers will default to a position of skepticism – that is, if they think about the possibility at all. In other words, the "burden of proof" will be on the revitalization community to show why the CBD is worth their serious consideration, requiring a far more proactive and forceful approach.

Furthermore, marketing Downtowns as retail locations today requires a fundamentally different sort of appeal than conventional suburban formats, one based not merely or even primarily on quantitative criteria (in pitching to prospective tenants) or simple convenience (when trying to attract customers), but also, on the intangibles of narrative and momentum as well as the nuances of sensibility and self-identification.

Retail only "happens", then, if first, the revitalization community develops a realistic and nuanced strategy for "positioning" the Downtown within the broader retail ecology, as based on the results of an analytically rigorous market assessment that also accounts for these critical variables; and then, secures "buy-in" from and the active support of landlords, brokers and other key stakeholders; devises policies and tools to help in leveling the proverbial playing field; and crafts a compelling "pitch" that effectively changes the conversation.

The following report will detail the first of these steps. It starts with the market analysis (Chapter 1), looking both at the consumer demand for goods and services (A) as well as the tenant demand for storefront space (B). It then proceeds to the positioning and tenanting strategy (Chapter 2), introducing a new paradigm for understanding the Downtown as a business district (A) and then following with a discussion of the most promising submarkets (B) as well as the retail mix to which they would correspond (C).

I. Two Markets

Assessing a given business district's retail potential requires an analysis of two separate "markets". The first involves consumers purchasing goods and services from businesses. Most laypeople and even many economists treat it as the only one that matters. However, there is a second, consisting of tenants leasing (or buying) space from property owners: of course its demand and supply variables are grounded in the first, but it also operates on the basis of its own dynamic, which will be examined later.

A. Consumers and Businesses

A number of factors dictate where and from which businesses consumers will buy goods and services. The following are of particular relevance in this case:

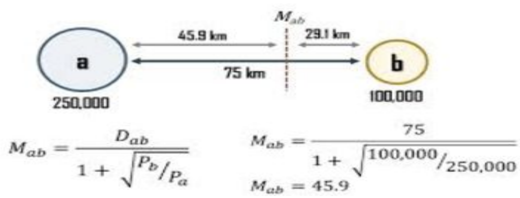
- Even with the re-emergence of other Downtowns in the Capital Region, the Central Business District (CBD) of Albany remains the largest and most prominent -- due to its historic importance and architectural scale, the presence of the State Capitol, the sheer quantity of office space and the metro-wide draw of its traffic drivers (e.g. employers, theaters, arena, etc.) – which translates to a sort of heightened visibility.

Yet while it can be directly reached via I-787 as well as the city's primary east-west arterials, Downtown Albany cannot match the **visibility** or **access** of shopping destinations along the Thruway/Northway, especially with respect to the region's more desirable suburbs (which have been moving inexorably westward since the 1800's, as described in the caption below).

The history of Albany unfolds – and, with the notable exception of one Midtown stretch, income levels and neighborhood desirability rise -- as one heads west along the Madison Avenue/Western Avenue corridor (U.S. 20). Starting at South Pearl Street, the tightly packed row-house precincts of the South End, Center Square and Hudson/Park (above), built in the 1800's, give way to the still relatively dense blocks of single- and two-family homes in Pine Hills and New Albany that were developed in the early 1900's, and, west of Allen Street, the more spacious single-family enclaves of the postwar era, before arriving in the suburban municipalities of Guilderland and Colonie.

Moreover, the typical Capital Region consumer has come to expect the sort of free and unlimited **parking** found at competitors such as Crossgates Mall and Wolf Road, not the cost and perceived inconvenience of spaces in Downtown settings. It is worth noting, however, that today's "Millenials" appear to be somewhat less interested in the car-centric lifestyle than previous generations, and less likely to fixate on this as a decisive factor.[1]

- When consumers are shopping for fashion (e.g. clothing, shoes, jewelry, etc.) or for big-ticket items (e.g. furniture, electronics, etc.), they typically prefer to "comparison-shop", that is, they will gravitate to larger **clusters** with a wide selection of possibilities that they can then compare on the basis of quality, style and/or price. This tendency partly explains and greatly favors larger one-stop destinations like regional malls.



In 1931, William J. Reilly, a Professor at the University of Texas at Austin, developed what has become known as **Reilly's Law of Retail Gravitation**, which postulates that, assuming all other variables are held equal, larger shopping centers exert a greater "gravitational" pull on consumers, even drawing ones for whom comparatively smaller offerings would be closer and more convenient. As testament to this advantage of scale, the size of the average mall has grown dramatically since the 1950's.

Put another way, customer traffic to a given district or center tends to grow exponentially once it becomes known and patronized not just for one or two specific businesses but rather, as a shopping destination in its own right. When it reaches this threshold or "tipping point", it is said to have "**critical mass**". An example would be the difference between the corridor where antique dealer "X" is located, versus the one broadly recognized as "Antique Row".

Generally speaking, consumers will prioritize convenience when running errands and buying commodities like, say, canned/package foods, over-the-counter pharmaceuticals or dry-cleaning services. This tendency to choose the most easily and quickly accessible option translates to a trade area that is primarily local, and that can be simplistically drawn as a polygon corresponding to the halfway-point(s) between the study area and the nearest alternative for such purchases.

Convenience, however, can have different meanings. It could be the easiest and quickest option, or it could be the one with the greatest potential for "one-stop" shopping. This latter definition implies a shopping destination where the consumer can, perhaps on a single weekly trip, peruse a wide selection of comparison offerings as well as purchase the every-day essentials. And it predisposes grocery and drug stores to locate in relative proximity to larger regional malls.

[1] According to *Millennials in Motion,* a 2014 literature review from the U.S. PIRG Education fund.

It was the time-harried working mom with kids in tow that Wal-Mart had in mind when creating and expanding the "**Supercenter**" format, which combines the wide range of comparison goods found at a traditional Wal-Mart discount store with a full-service supermarket.

- By definition, large volumes of consumers are drawn to **anchors** -- and by extension, to the districts and centers that contain them. Historically the ones with the most gravitational pull were full-price department stores (for comparison shopping), traditional full-service supermarkets (for conveniences), big-box discounters (for a combination thereof) and multiplex cinemas or other large-scale entertainment uses (for dining and nightlife).

However, consolidation in the last quarter-century has greatly reduced the number of possible anchors, particularly for Downtown settings, with the result that other uses have often been called upon to drive foot traffic in lieu of the traditional magnets. Indeed, both revitalization professionals and shopping center developers have looked increasingly to food – sit-down restaurants, public markets, food truck "pods", etc. – to play this role, in concert with less tangible lures, such as a revived "sense of place".

- Most retail market analyses utilize the same methodology: a hypothetical trade area is drawn, a demographic report is retrieved from one of the large data-mining companies like *Nielsen-Claritas* or *ESRI*, and the population is assessed in exclusively quantitative terms, with an over-reliance on averages, medians and percentages. This approach, however, not only undervalues density, it is also grounded in an outdated understanding of consumer culture and lacks the requisite nuance for identifying latent opportunities.

For example, we have posited the following trade area polygon for Downtown Albany, bounded by I-90 to the north, roughly the eastern edge of Rensselaer to the east, I-787 and the New York State Thruway to the south and Allen Street to the west. This roughly corresponds to prewar Albany, with neighborhoods beyond these borders characterized by a fundamentally more suburban development pattern, their residents presumably oriented outward as consumers -- towards the perimeter beltway (i.e. Thruway and Northway) and away from Downtown and the inner core.

Trade area for Downtown Albany
Source: MJB Consulting, Nielsen-Claritas

The basic demographic data for this trade area does not paint an especially flattering portrait (see table below). For example, due largely to the poorer neighborhoods to the immediate north, south and east of Downtown Albany as well as the student population to the west, the median household income is just $34,000 (versus $59,000 for the Capitol Region as a whole), and roughly 19% of households earn $75,000 or more per year (as opposed to 37%).

2013 Data / Estimates	Downtown Albany Trade Area	Albany-Schenectady-Troy Metropolitan Statistical Area
Population	73,767	871,996
Population Growth (since 2010)	-0.61%	+0.15%
Percentage with B.A. or More	32.9%	33.0%
Median Household Income	$33,589	$58,461
Percentage of Households Earning $75K+	19.2%	37.3%
Households with Automobiles	69.7%	89.5%
Percentage with Creative Class Jobs	31.7%	38.9%
Percentage of Owner-Occupied Units	29.8%	64.4%
Median Home Value	$170,190	$195,063
Percentage of Homes Valued at $300K+	11.1%	19.7%
Consumer Expenditures Per Capita	$17,236	$18,318

Demographic Profile for Downtown Albany Trade Area
Source: MJB Consulting, Nielsen-Claritas

Looking more closely, however, one finds that owing to the population density, there is in fact a sizable contingent of upper income households and "creative class" professionals[2] within the trade area. In absolute numbers, more than 6,000 earn $75,000 or more, and almost 11,400 of the residents work in such fields. Some 9,500 housing units are owner-occupied, with 1,100 valued at $300,000 or more. Much of this (though not all) can be attributed to the highly desirable Center Square neighborhood.

Furthermore, the *effective* level of educational attainment is actually even higher than the Capital Region as a whole, since the undergraduates who live within the trade area – in the so-called "student ghetto" -- do not yet count towards the overall percentage/number with a B.A. degree or more. And many of these upwardly mobile (often parent-supported) students will spend in accordance with their evolving tastes and sensibilities, and *not necessarily* their Census-reported incomes (see caption below).

Students might economize with certain purchases, perhaps to a greater degree than other sub-markets – for example, the cheap, worn-out couches that they will often place on their front porches – but it would be a mistake to dismiss them as consumers solely on the basis of such appearances. Contrary to popular belief, **students** *do*, in fact, spend money, and *not only* on alcoholic beverages, rolling papers and fast food. For example, they will purchase $4 soy vanilla lattes at Starbucks Coffee, buy higher-priced burritos at Chipotle Mexican Grill and pay handsomely for must-have Apple products. Like consumers more generally, they will part with their cash for goods, services and experiences that reflect their lifestyles and aspirations.

These sub-markets are easily missed by anyone who fails to look beyond the overall medians and percentages in dense urban settings (see caption below), including, for that matter, out-of-town retailers that lack specific local knowledge. Indeed, this is partly why the businesses that catalyze the regeneration of inner-city business districts are so often locally based, as they can see what the drive-by visitor (and market analyst) typically cannot.

2 For the purposes of this analysis, the "creative class" roughly corresponds to Richard Florida's definition in his seminal 2002 work, *The Rise of the Creative Class*, encompassing the following Nielsen-Claritas occupational categories: Architect / Engineer, Arts / Entertainment / Sports, Business / Financial Opportunities, Computer / Mathematical, Education / Training / Library, Health Practitioner / Technician, Legal, Life / Physical /Social Science and Management.

2013 Data / Estimates	Downtown Newark	Downtown Summit	Short Hills Mall
Population	**355,262**	82,748	72,432
Population Density	**12,751/square mile**	2,928/square mile	2,563/square mile
Average Household Income	$48,924	$177,859	**$191,831**
Households Earning $75K+	**24,883**	20,239	17,933
Creative Class Workers	**28,843**	21,866	19,277
Number of Homeowners	**30,464**	22,674	19,510
Total Spending Power	**$4.2 billion**	$1.7 billion	$1.5 billion
Current Sales Leakage	**$586 million**	-$134 million	$10 million

For most kinds of retail, greater **density** is a selling point. Indeed, urban neighborhoods generally viewed as impoverished often boast higher absolute numbers of well off consumers than suburban communities that are universally regarded as affluent. And from the retailer's perspective, the averages are largely irrelevant if the minimum thresholds have been reached. The above table presents demographic data for the three-mile rings surrounding the Downtown of Newark (NJ); the Downtown of Summit (NJ), a wealthy suburb; and Short Mills Mall, New Jersey's most upscale. Due to its exceptionally high population density of 12,750 persons per square mile, Newark's compares very favorably to the other two, even though its averages – for household income, for example – are far lower. Not surprisingly, Whole Foods Market recently announced that it is going to open a new store in Downtown Newark.

Source: MJB Consulting, Nielsen-Claritas

- The residential population within Downtown Albany itself is also worthy of specific mention, inasmuch as it comprises the most frequent and reliable patrons of goods and services in the retail core, especially for conveniences and basics -- like over-the-counter pharmaceuticals, dry cleaning and casual/quick-service food and beverage -- that consumers typically prefer to buy in close proximity to their residences.

At present the number living in Downtown -- estimated at almost 1,100 people[3] – is still quite modest, and primarily lower-income, with almost 60% of the households earning less than $25,000 per year. However, according to Zimmerman/Volk, roughly 1,600 to 3,600 more residents (2,700 to 4,700 in total) are expected by the year 2020, mostly young singles and child-less couples in market-rate apartments.[4]

Of course, such figures only mean so much to retailers, as they have learned to be circumspect about development that has not yet "gone vertical". At the same time, the role of rooftops in Downtown retail revitalization is often fundamentally misunderstood by real estate experts who default to a suburban frame-of-reference: in fact, it is a great deal more complicated than that (see next page).

[3] As based on demographic data retrieved from Nielsen-Claritas, using a polygon for Downtown Albany bounded by Clinton Avenue to the north, I-787 to the east, Madison Avenue to the south and Swan Street to the west.

[4] According to Zimmerman/Volk, Impact Downtown Albany, 2011.

The Role of Rooftops

Real estate experts repeatedly utter the mantra that "retail follows rooftops", believing that a more robust mix in a Downtown setting will not materialize until the residential population reaches a certain threshold. And indeed, having more consumers living within walking distance is critical (if for no other reason than that it will register with these same experts). However, in many cases of urban revitalization since the mid '90's, not only have the rooftops actually *followed* the retail, they would probably not have come without it.

This seemingly counterintuitive phenomenon can be attributed to the marketing imperatives of urban settings, which must trade on a different sort of appeal than the suburban subdivision, with a energy and atmosphere – a "there, there", as it were -- that certain kinds of retail are particularly well-suited to provide. In other words, for a person to want to *live in* a Downtown environment, it must first be a place that he/she desires to *be in:* businesses like, say, chef-driven restaurants, cocktail-oriented bars and "Third Place" coffeehouses can play a critical role in that evolution.

Take, as an example, San Antonio's Pearl Brewery (below). Sitting within what was then a rooftop-less industrial wasteland on the northern periphery of Downtown, it seemingly offered little promise for retail. Established local chefs served as the primary catalysts, however, in drawing attention to and establishing the legitimacy of a setting that now commands the highest per-square-foot rents and sales prices in the entire metro and has prompted several other developers to erect large apartment complexes on its periphery.

Admittedly, the relationship between housing and retail tends to be a bit more nuanced than that: rather than following sequentially, it is often the case that they mutually reinforce one another. Take, for instance, the "Uptown" district of Oakland, CA: once the primary shopping destination of the blue-collar port city, it has enjoyed quite the renaissance since the early 2000's (below) due to the synergistic interplay of these two uses.

While the process might have been initially triggered by then-Mayor Jerry Brown's ambitious "10K Housing Initiative" (calling for 10,000 residents in the central core), Uptown's popularity as a residential address has surged in the last five years or so as a direct result of its visible emergence as a regional dining and nightlife destination, catalyzed by the 2009 revival of the historic Fox Theater and an influx of San Francisco-based chefs and restaurateurs.

Uptown Oakland (below) was named by the American Planning Association (APA) in 2014 as one of the ten "best neighborhoods" in the United States, and it figured prominently in the *New York Times* travel section's ranking of Oakland as #5 in its "The 45 Places To Go" in 2012.

- In addition to its residential trade area Downtown Albany can, unlike most suburban communities, tap a number of **other sub-markets** in its midst. Each of these corresponds to a population that is already in the Downtown for other reasons besides consumption of goods and services, yet will spend at certain kinds of businesses which complement the visit's primary purpose.

The most obvious, of course, is the population of daytime workers, estimated at 42,500.[5] Generally speaking, the retail impact of this sub-market is most heavily felt at quick service food and drink concepts focused primarily on lunch and caffeine, and to a lesser extent, certain types of convenience goods and services, like drug stores and barber shops. It could also be expected to contribute incrementally to sit-down restaurants and bars, including, in the case of a State capital like Albany, a small number of high-end steakhouses.

The complication in the case of Downtown Albany, however, is that more than half of those 42,500 workers are located upland, west of Eagle Street, and owing to the nine-minute rule (see caption below), the topography of State Street and the presence of more convenient alternatives nearby (e.g. lower-level concourse at Empire State Plaza, food trucks at West Capitol Park, etc.), they are unlikely to venture to the retail core, at least during the workday.

As a rule-of-thumb, office workers will walk for no longer than **nine minutes** to lunch or caffeine, and often even less for public sector employees, depending on how long they are given for break.

Furthermore, the number of workers in the retail core itself has dropped significantly in recent years as a result of the "re-stacking" of State employees, and back-filling that space – much of it Class B and C -- has proven very difficult, with vacancy rates falling just shy of 24% as of the fourth quarter of 2013.[6] At present, there are, approximately, only 18,000 workers remaining, leaving many of the quick service, lunch-oriented eateries in a fragile state.

5 According to ESRI, as based on data retrieved by W-ZHA, using a definition of Downtown with the following boundaries: Livingston Avenue to the north, the Hudson River to the east, Madison Street to the south and Lark Street to the west.

6 According to CBRE-Albany.

Yet while Downtown Albany is no longer a headquarters location for Fortune 500 financial institutions, a majority of those 18,000 still work in the private sector – at law firms, at the regional offices of larger banks, etc. – and presumably enjoy higher levels of discretionary income, which translates to comparatively greater demand for different kinds of concepts in certain categories (see caption below for one such example).

Higher annual salaries and educational levels correlate today to greater demand for so-called "**fast casual**" eateries, which utilize a similar service model to other fast food establishments -- with diners ordering and paying at a counter – but which offer somewhat healthier and better-quality ingredients, in a more up-market and contemporary space, at a slightly higher price point. Examples include Chipotle Mexican Grill (versus, say, Taco Bell) and Panera Bread (as opposed to Subway), or, in Downtown Albany, Dali Mamma and Greenhouse: A Chopped Salad Company (above).

Furthermore, W-ZHA has concluded that there is modest potential for another 1,000 to 1,500 workers in Downtown Albany over the next decade, with two-thirds in precisely these sorts of well-paid, knowledge-based industries, drawn to the premier CBD of "Tech Valley" and filling so-called "cool-space" in forward-looking projects like Peter Kiernan Plaza.[7]

Overnight visitors represent another pool of potential customers for Downtown Albany. Typically their impact is most heavily felt at sit-down restaurants and entertainment venues, as their conference or business dealings often only afford them free time in the evenings (see caption below). In these categories, proximity and convenience to hotels is obviously an important factor, though not necessarily a decisive one, if taxi service is sufficiently reliable, fast and comfortable.

[7] According to W-ZHA, Impact Downtown Albany, 2013.

Generally speaking, while the location might be used as a lure to maximize attendance, both meeting planners and convention centers have an interest in keeping delegates at the conference itself, at least during the daytime. And while spending estimates for conventioneers typically list shopping (or "general merchandise") as the second most heavily impacted retail category (next to food and drink), this would seem to depend on the specific location: visitors are far more likely to make such purchases in major tourist destinations with a critical mass of stores, whereas, other than Rite Aid and a few boutiques, there is relatively little on offer in Downtown Albany.

At present, the overall Albany hotel market – which includes properties in Downtown, at the Albany Medical Center and on or near Wolf Road -- aggregates to 295,000 room nights per year.[8] Most guests are either business travelers or meeting attendees, with leisure accounting for just 19% of the total. Not surprisingly, occupancy levels are highest during the legislative session from January to June.[9]

Downtown Albany itself presently contains a total of 760 rooms, with the 74-room 74 State Hotel, the 135-room Holiday Inn Express, the 165-room Hampton Inn & Suites and the 386-room Hilton Albany.[10] Assuming the same 59.2% occupancy rate as the Albany market as a whole[11], the four properties generate 165,000 overnight visitors per year.

These figures do not, however, account for the impact of the future Albany Capital Center and the new 204-room Renaissance by Marriott hotel. Together they are projected to increase the number of room nights in the overall Albany market to 335,000 in the first year and 362,000 by 2019. Compared to the level of growth otherwise expected, they will generate net gains of 8,000 and 28,000, respectively.

Given the location of the new Albany Capital Center as well as its close proximity to two full-service, business-class hotel properties with a combined total of 590 rooms, the overwhelming majority of these overnight guests are likely to be staying in Downtown Albany and spending most of their money in its retail core.[12]

[8] This 295,000 figure is taken from "The Albany Capital Center: Convention Center Market Study", completed by HVS Convention, Sport & Entertainment Facilities Consulting on behalf of the Albany Convention Center Authority, October 2013. For reasons that are not entirely clear, the study does not include the Holiday Inn Express in Downtown Albany, Hotel Indigo on Wolf Road or other properties that would also seem to cater to visitors.

[9] "The Albany Capital Center…", HVS, October 2013.

[10] Again, for reasons that are never explained, the HVS study omitted the Holiday Inn Express from its list of Albany hotels: while the location on the edge of the Downtown is unappealing if not downright intimidating, the flag is an established one that undoubtedly draws its share of budget-conscious visitors.

[11] "The Albany Capital Center…", HVS, October 2013.

[12] The new Albany Capital Center will also draw its share of drive-in, day-tripping attendees, although their expenditures will be far more limited than those of overnight guests.

Regional destinations generate another important sub-market for Downtown Albany. The largest of these, of course, is the Times Union Center, which holds events on roughly 120 nights per year and attracted 427,000 annual patrons in 2013. In addition to hosting college basketball, minor league hockey and professional wrestling, the "TU" is a popular concert venue that draws top acts like Paul McCartney, Bruce Springsteen, Justin Timberlake and Bruno Mars (see caption below).

According to *Pollstar,* annual ticket sales for concerts at the Times Union Center in 2012 placed the arena within the top 100 worldwide, with similar numbers to the Downtown venues of much larger cities, like, for instance, Charlotte (Time Warner Cable Arena) and St. Louis (Scottrade Center), and number one in upstate New York, far ahead of Buffalo's First Niagara Center and Rochester's Blue Cross Arena.

Generally speaking, venues like the Times Union Center provide support for nearby restaurants and bars both before and after events. Yet in the absence of other traffic generators, such establishments tend to struggle on those nights when the arena goes dark – roughly 240 per year, in the TU's case – or when a sport or team is not especially popular or successful.

Over-reliance on event traffic was one of the primary reasons why Mike Diraddo announced late last year that he would be closing his **Wolf's** 1-11 Arena Sports Grill at the Times Union Center once he is able to find a buyer. Diraddo opened a second location of his popular Wolf Road sports bar there just three years ago.

The Palace Theater and the Capital Repertory Theatre ("theREP") generate considerably less traffic -- 150,000 and 75,000 per year, respectively[13] – but their greater

[13] Proctors, in Downtown Schenectady, still tops the region with 525,000 annual patrons, while the Saratoga Performing Arts Center draws 300,000. The Egg, at Empire State Plaza, adds another 80,000 attendees to Downtown

emphasis on "high" culture (e.g. Albany Symphony Orchestra, professional theatre, etc.) translates to better-educated and more affluent attendees who are able and willing to spend more on dinner and/or drinks.

The challenge, however, is that given the nighttime scheduling of most performances, and inasmuch as many of these patrons are older, live in suburban or ex-urban settings and view Downtown Albany through the lens of sustained decline, they can be somewhat fearful about venturing too far from their primary theater destination, and quite slow to recognize or accept positive changes that are in fact occurring.

In point of fact, the highest-volume traffic generator in Downtown Albany is the New York State Museum at Empire State Plaza, which claims on its website to be the Capital Region's single largest tourist attraction, with 640,000 annual visitors[14]. However, many are parents with kids in tow, and therefore even less likely to contemplate the walk to/from the retail core (let alone spend time browsing and shopping).

Finally, the Hudson River itself could be a larger attraction with more of a regional draw. At present, the Corning Preserve Riverfront Park draws 100,000 visitors per year for outdoor recreational activities, the Alive at Five concert series, the Albany Riverfront Jazz Festival, etc., but these traffic streams are both seasonal and episodic, and ultimately, subject to the whims of "Mother Nature".

Even in the best of weather conditions, the amphitheater at the Corning Preserve hosts just fifteen events per year – eight of them for the Alive at Five concert series -- which limits its potential impact on the retail core.

Usage should increase as funding materializes for the upgrades envisioned in the Corning Preserve Riverfront Master Plan. And the renewed focus on strengthening the connections to/from Downtown proper – for example, with enhancements to and programming at the plaza on the Broadway side of the Hudson River Way bridge – should help to promote pedestrian cross-traffic that benefits the retail core.

It is also worth noting that while a Hard Rock Hotel and Casino will not be materializing across the Hudson River on the DeLaet's Landing site in Rensselaer, any future development there would draw attention to Albany's skyline and sit just four minutes

Albany (aggregating to a combined total of 305,000 for the three venues), but potential spin-off is limited by its location, a bit removed from and upland of the retail core.

14 http://www.nysm.nysed.gov/history/

away by car, although the impact on Downtown Albany's retail core could be muted by the presence of competitive businesses on the site itself.

One last sort of regional destination is not specific to a physical attraction or use but rather, derives from a particular lifestyle, sensibility or aspiration. That is, a Downtown, partly through its retail mix, can become a magnet for a community of like-minded people, wherever they may live in the region. In other words, it could expand its trade area by positioning and marketing itself in psychographic terms. This will be discussed in greater detail later on, in section II.

B. Tenants and Landlords

Just as the consumer can choose to buy an item at a number of different shops, a business owner can decide to locate in several different sub-markets and spaces. The marketplace in which it tries to lease (or buy) real estate from a property owner is the second one that must be analyzed in order to arrive at a true picture of Downtown Albany's retail potential.

It is critical to understand that, in making this decision, the tenant, like the shopper, does not evaluate any one of the choices in a vacuum, but rather, in comparison to the others. This means that Downtown Albany could meet all of a retailer's stated criteria and yet still not land that prospect, because one of its competitors scores even *higher* on the key metrics.

The following examines each of these variables in turn.

- Before even looking at possible districts or centers, a tenant has to consider a number of factors specific to its individual business. Of course it must have an interest in expanding, and the capacity to do so, both internally and financially. But also it has to determine, from its current network of locations, which sub-markets remain underserved and can justify their own branches.

Indeed, retail chains will often worry about the possibility that the trade area of a new store could overlap with that of an existing one and result in cannibalization. On the other hand, extremely high sales volumes and very long lines could convince them of the need to open another location in the immediate vicinity in order to provide relief to the first one and to keep the goodwill of loyal customers.

An operator might also feel that a nearby business district offers opportunities to tap different kinds of customers. Downtown settings, for example, include daytime workers, event attendees and other sub-markets, in addition to neighborhood residents. Or, as often happens with successful local restaurateurs (see caption below), it might be interested in debuting an entirely new concept that targets a different clientele.

Capital Region entrepreneur Matt Baumgartner started with Bombers Burrito Bar on nearby Lark Street and then expanded with Noche (now Wolff's Biergarten) in the Warehouse District and Olde English Pub & Pantry in Downtown.

In terms of this strategy, the challenging aspect of predicting such decisions is that some of the information which the tenant uses to make them – sales volumes at existing locations, zip-code tabulations of credit card receipts, origins of online purchases, etc. – is not available for analysis, nor, for that matter, are restless entrepreneurs always forthcoming with their thinking and creative imaginings.

- **Visibility and access** were discussed earlier in relation to consumer preferences, but looking at these attributes from the tenant's perspective, the current road network – not just the highways and major arterials, but also, the smaller surface streets – must be capable of both reaching and accommodating the volume of customers that the operator needs to sustain the given location.

Downtown Albany's competitive disadvantage in this respect is that it sits along the I-787 spur, whereas the region's premier shopping destinations are situated in close proximity to the intersection of its two primary highways, I-87 and I-90, allowing them access to a far larger catchment area and customer base.[15]

Whereas at one time Albany's "**Main and Main**", from a retailer's perspective, was the intersection of State Street and Pearl Street in Downtown, that has since migrated, with the rise of the automobile, to the intersection of the region's major highways, I-87 and I-90.

Indeed, the stretch between the I-87/I-90 intersection and State Route 7, which enjoys a central location vis-à-vis the Capital Region's population centers as well as the metro's highest traffic counts, also contains its largest concentration of branded retail, with the two regional malls, several big-box power centers like Northway Shopping Center and Latham Farms Shopping Center as well as the high-profile strip corridor of Wolf Road.

[15] Downtown Albany might actually exert the greatest pull on the suburbs to its south and southwest, like Glenmont and Delmar. For these communities, the most direct access to, say, Crossgates Mall, is actually to backtrack to Exit 23 of the New York State Thruway -- as there are no interchanges between that one and the Mall itself. In addition, driving on the Thruway requires payment of a toll.

The stretch between I-87/I-90 and SR 7 will become an even more formidable competitor for prospective tenants with the almost 400,000 square feet of new retail space at the Shoppes at Latham Circle (above), which the Boston-based Grossman Development Group is building on the site of the former Latham Circle mall. In addition to the Lowe's Home Improvement store that remains from its previous life, the project has landed a Wal-Mart Supercenter and seeks additional medium-box anchors.

Of course, the ideal address for a given tenant depends to a large degree on its core customer. While mass-market brands typically gravitate to the most broadly accessible location, savvy "niche" concepts will get more nuanced. For example, Angelo Maddox, owner of Fresh & Fly, actually prefers Downtown Albany to the suburban malls because it is closer to where his shoppers live, and serves as the hub for the region's bus network.[16]

- Many businesses remain unwilling to consider settings with unconventional **parking** arrangements, where, for example, their patrons would have to search and pay[17] for a space, then walk a short distance. These sorts of attitudes tend to be especially prevalent in suburban-oriented metros like the Capital Region, where the consumer is still perceived as having little patience for such deviations from the norm, and where alternative locations exist that do not present this complication.

Again, however, this will vary depending on the specific tenant and its target market. A larger share of Angelo Maddox's customers, for instance, is arriving either on foot or by bus. Furthermore, younger entrepreneurs -- as part of an urbanizing generation that, as mentioned earlier, appears less attached to its cars than previous ones and more willing to consider alternate forms of transport -- might start to place less emphasis on parking in its site selection, even in a market like Albany.

- The tenant also looks very closely at the **day-parts** that a particular location can offer, that is, the times of the day and week when its core customer is actually *in* the given district. Different kinds of businesses have different requirements in this respect, depending on what primarily they sell and when/how the consumer typically prefers to buy it.

[16] According to Angelo Maddox in an interview conducted in March 2014.

[17] Businesses could offer validation to their customers, but would have to absorb that cost, which they might not be willing or able to do, especially when alternatives exist where such outlays are unnecessary.

Most sit-down restaurants, for example, cannot survive only on the basis of the weekday lunch trade: generally speaking, they require locations that can offer dinner traffic in the evenings and on the weekends. Similarly, fashion-oriented retailers gravitate to districts and centers with high levels of foot traffic on Saturday and Sunday afternoons, when consumers usually shop for such merchandise.

Chipotle Mexican Grill, one of the most highly coveted quick-service eateries, only considers locations with large numbers of workers (for lunch traffic) *and* residents (for evening and weekend trade). In Albany, for example, it can be found at Stuyvesant Plaza and on Wolf Road (above), which offer both **day-parts**, but not in Downtown, which can only provide one.

At present, Downtown Albany can only provide guaranteed streams of foot traffic on the weekdays – and even then, primarily during the lunch hour – and on Friday and Saturday evenings. Indeed, many of its businesses will close in the mid-afternoon during the week and not even bother to open on the weekends. This is one of the primary reasons why growing other sources of demand – residents, conventioneers, etc. – will be so critical.

Downtown Albany runs on Dunkin' – but only until 5:30 p.m. and not at all on Sunday, apparently. Indeed, it is quite telling that even Dunkin Donuts, which often stays open much later in Downtown settings, closes at such an early hour in this one.

- Inherently risk-averse, tenants do not want to be alone on the urban frontier, solely responsible for generating their own customers. They would rather locate in close proximity to other businesses in the same or related categories because then they know that they can, at the very least, count on the resulting visibility and cross-traffic. This "safety-in-numbers" philosophy underlies the appeal of **co-tenancy.**

"**Retailers are like lemmings**…" is an often-quoted industry saying, referring not just to their tendency to travel in packs but also, to open even in higher-risk submarkets and locations just because that is what their peers are doing.

Of course it is not just about mitigating risk. Consumers prefer to shop for comparison goods in districts and centers with large selections, and as a result, retailers typically enjoy higher sales in such settings than would have been possible in a stand-alone location -- even if it means close proximity to direct competitors. (In fact, chief rivals are in some respects preferred, in that they generate a similar customer).

This partly explains the reasoning behind and longstanding success of the regional mall format, which has been able to attract a large number of (mostly) comparison goods concepts to one place, in the shadow of two or more big-box department stores, because the benefits of co-location -- a far wider draw and much higher levels of foot traffic – outweighed the advantages accruing to the "only game in town".

In other words, tenants, too, conform to Reilly's Law of Retail Gravitation, preferring to locate in larger, well-established clusters and giving rise to a retail variant of the "rich-get-richer" phenomenon, with the premier centers in their respective metros evolving into "*super*regional malls" and ultimately, "fortress malls" that draft nearby competitors in overall square footage and that generally absorb any and all interest from "new-to-market" and "one-per market" brands. Examples include Destiny USA (Syracuse) and the Palisades Center (West Nyack).

The Capital Region is somewhat unusual in that its two most prominent regional malls – Crossgates Mall and Colonie Center -- seem to alternate in market primacy, with neither establishing a clear advantage. Crossgates, owned by fortress-mall developer The Pyramid Companies, is not only larger – at 1.7 million square feet -- but it also boasts a wider range of upscale, high fashion and one-per-market brands as well as the new Lord & Taylor anchor. However, largely due to a successful repositioning by Feldman Mall Properties in the mid 2000's, Colonie can point to the metro's flagship Macy's, its only L.L Bean and Cheesecake Factory locations and now, its first Whole Foods Market.

- Tenants will also often explain their thinking by alluding to the idea of "**critical mass**" (or lack thereof). Again, critical mass refers to that point at which a market undergoes a fundamental change with regard to its scale and potential. To retailers, the term effectively means that a district or center will only be seriously considered if it has already reached certain threshold levels of co-tenancy and foot traffic.

The frustrating part about critical mass is that retailers can be very vague about when it is or would be achieved. Larger chains might publish specific criteria on their websites and in industry publications, yet these do not necessarily apply to urban settings. And if questioned directly, their real estate representatives often respond with something akin to "I-will-know-it-when-I-see-it".

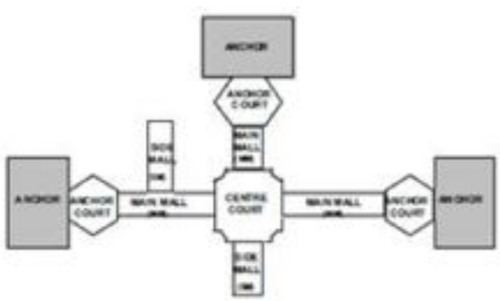
- Of course, the most important co-tenants are the **anchors**. As the largest stores which spend the most on advertising, they play a central role in determining the distance from which a given district or center can draw (i.e. the "trade area") as well as the kinds of shoppers that it can attract. Even more fundamentally, their commitment is essential to underwriting retail development as well as delivering the rest of the tenant mix and the lion's share of the revenue stream (see second caption on next page)

Historically, regional shopping destinations have been anchored by full-price department stores, but today, such magnets also include discount big-box retailers like Wal-Mart, Target, Sam's Club and Costco Wholesale. In fact, for many new projects since the late 1990's, the chief draws have also included large-scale entertainment venues like, most commonly, the multiplex.

Unlike the region's two premier malls, Stuyvesant Plaza does not contain any **conventional anchors**. In this sense, however, it might be the exception that proves the rule. While enjoying high occupancy, its annual sales – estimated in the $300's per square foot – denote Class B status, solid but not spectacular. And, unable to compete for the most highly coveted brands with the nearby Crossgates Mall, its retail mix consists of a number of smaller-scale operators that, while undeniably popular, are not *as* desirable as co-tenants. In the food chain of shopping centers, then, it sits slightly below first-tier.

Of course Downtown settings like Albany's were at one point anchored by full-price department stores too, but once these started to decamp for the suburbs, the historic core struggled to identify suitable alternatives. This could be attributed largely to its multiple property ownership and management, which could not adapted to the revenue model of the shopping center.

Generally speaking, a retail developer makes little to no money on anchor stores but must try to land them anyway because they will generate the high levels of foot traffic that justify higher rents for the "in-line" bays. In a Downtown, however, it is rare for any one landlord to own a sufficiently large amount of retail space such that he could recoup or amortize this up-front cost.



The critical importance of anchor retailers in driving foot traffic to the rest of their respective centers dictates that they be sited at the ends of a **dumbbell layout** (above). Indeed, some developers will even place visual obstacles in strategic locations along the mall concourse so that shoppers leaving one department store never realize just how far they are from the other, for if they did, they would more likely return to their cars and *drive* to the other side, thus depriving the in-line shops of the necessary pedestrian and sales volumes, and the owner of the rental revenue needed to satisfy funding sources and earn a sufficient profit.

In some cases, certain types of property owners -- ones, for instance, primarily interested in attracting other sorts of users (e.g. residents, for upper-floor apartments) for whom retail would be an important amenity or enticement – might be receptive to a variant of this model. Of course the numbers would pencil for a larger anchor only if the project's moneymaking square footage was substantial, thus implying multiple acres and/or stories. This possibility will be discussed in more detail later.

Absent that, Downtowns often must rely on non-retail magnets, such as arenas, theaters and museums. As noted above, these sorts of uses are capable of generating significant amounts of foot traffic, but they are not necessarily ideal as retail draws: unlike department stores, their patrons are not there for the express purpose to shop, plus the day-parts do not always align.

Attendees to concerts and sporting events at the Times Union Center generally do not have shopping on their minds either before or after. And while Angelo Maddox (above), owner of the Fresh & Fly boutique on S. Pearl Street, is grateful for its nearby presence and keeps his store open until 8:00 p.m. in order to take advantage of the resulting foot traffic, even he notes that its impact is muted at night, when pedestrians develop a sort of "tunnel vision".[18]

Another approach is to understand anchors not as single businesses or attractions, but rather, in terms of themes and lifestyles. Many business districts today have turned to food, which, depending on the kinds of formats and concepts, provide greater spin-off for shopping. Others have drawn on underserved psychographic sub-markets, like "hipsters", for example. These possibilities will be revisited later.

It is considered axiomatic in the industry that retail follows rooftops, yet this ignores the powerful impact that certain types of businesses – typically ones which can draw from afar and do not have to rely on the nearby population base -- can have on the perceptions of a neighborhood or Downtown, helping to create a "there, there" that then attracts new residents. In such cases, the **rooftops are following the retail.**

[18] Angelo Maddox interview, March 2014.

- On a related note, tenants will pay close attention to the moves of other "**bell-weather**" brands that have cachet in the industry and are viewed as especially shrewd with site location. These are the ones that can almost singlehandedly establish a new destination, providing others with the cover that they need to take a chance on an unproven district or center (see caption below).

Tenants, especially larger chains, are very protective of their **brand identities** and will carefully consider the impact that an association with a given district or center will have on them. Indeed, they have been known to pass on locations that enjoy strong market fundamentals if the surroundings do not look the part. In the late 1990's, for example, an up-market women's footwear chain was drawn to the demographics of the gentrifying, brownstone-heavy Bedford-Stuyvesant neighborhood in Central Brooklyn, but ultimately chose not to open a store there because it did not want to be tied in the consumer's mind to the low-end commercial corridor of Fulton Street (above).

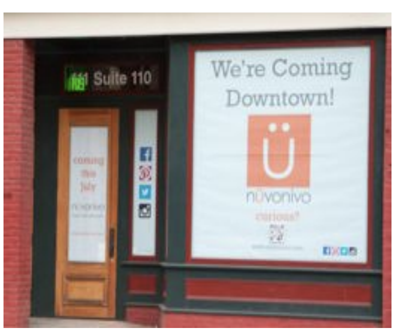
Of course bell-weather brands will change over time, due to the declining fortunes of individual chains, the changing tastes of consumers and other factors. Whereas once the Gap had this sort of impact, today some of the highest-profile examples are Whole Foods Market, Apple, Cheesecake Factory, and to a somewhat lesser extent, Michael Kors, J. Crew, H & M, Anthropologie and Urban Outfitters.

For a number of possible reasons (see caption on next page), the Capital Region has been enjoying a rising profile within the tenant community in recent years, with the arrival of bell-weathers like The Cheesecake Factory, The Fresh Market, Trader Joe's and Whole Foods Market as well as the Crate & Barrel pop-up and the return of Lord & Taylor. Furthermore, The Fresh Market has since opened a second location, and Whole Foods Market has announced that it will be developing multiple stores in the market.

There are a number of possible reasons for Albany's growing appeal to **bell-weather brands**. Larger chains might feel that they have reached or are approaching saturation in first-tier markets like New York and Boston, and therefore need to enter new ones in order to maintain the levels of growth demanded by Wall Street. Generally speaking, the more upscale ones among them – Whole Foods Market and Michael Kors, for instance – have been enjoying more favorable prospects in today's "high-low" economy and expanding more broadly across the country. Furthermore, not only does the Capital Region appear stronger and more stable than other upstate metros, but also, the "Tech Valley" narrative seems to be gaining some traction, with the creation of thousands of higher-paying, "knowledge industry" jobs feeding the perception that a new kind of consumer is moving to the area.

And while all of these brands have debuted in the suburbs, their presence and performance nonetheless represents a critical first step in the market's evolution, one that can ultimately benefit Downtown Albany as well. Indeed, there is a subset of bell-weathers that have demonstrated an affinity for such settings elsewhere as well as a greater willingness to stand alone, as the first of the larger chains, in fledgling business districts. This will be discussed in more detail later.

Furthermore, Downtown Albany boasts a number of businesses that, while not widely known national brands capable of drawing the attention of other large chains, have been very successful there and that can therefore offer a reassuring precedent to other smaller-scale entrepreneurs. Indeed, highly regarded local operators can effectively serve as bell-weathers on a metro-wide scale, their decision to open and ability to thrive in a given location conferring a sort of legitimacy on the district as a whole.



Downtown Albany's current efforts at retail revitalization are taking place within the context of, and will be bolstered by broader **urbanizing trends** nationwide that have been building since the mid 1990's. Indeed, one can plausibly argue that such business districts are more popular today as retail locations than they have been in a half-century.

However, just as the arrival and success of a bell-weather brand or operator can help to raise the profile of a fledgling quarter, the struggles and shuttering of one can have a devastating impact in the reverse, resulting in a sort of "black eye" from which it can be very difficult to recover. Indeed, the failure of a business in a struggling Downtown is often blamed on the district's inadequacies and framed as part of a narrative of continued (and expected) decline, even when other reasons are partly or primarily to blame.

- Tenants must be able to identify and secure a space that meets their **physical needs and requirements.** For example, they need a floor-plate that offers adequate square footage as well as a workable configuration. For the purposes of visibility they might insist upon a certain amount of linear frontage, large plate-glass windows and/or a corner location. Some operators might place a special emphasis on historic charm and character, in the form of, say, exposed brick walls or tin ceilings.

Such preferences will vary by tenant. Generally speaking, larger chains prefer to adhere to the same basic specifications (or "prototypes") at every one of their locations – that is, new construction, identical store size and dimensions, in-front parking and in-back delivery, etc. – because such homogenization allows for economies-of-scale in both the design and development of new stores (and thereby helps to keep price points low for consumers).

Large chains are often very specific in their real estate criteria. CVS, for example, works from a freestanding **prototype** of 13,152 square feet (96 feet by 137 feet), with a drive-thru window and wrap-around parking, located at the corner of a signalized intersection.

Of course this is rarely possible in Downtowns, which present a number of planning and logistical challenges that can add considerably to the retailer's costs. And while operators might be willing to deviate from their prototypes and absorb the additional expense in certain cities, this does *not* mean that they would consider doing so in Albany. Ultimately their flexibility (or lack thereof) depends on the dynamics of supply and demand.

Specifically, tenants will compromise in intensely urban settings like New York City and Boston – operating in awkwardly configured spaces or on multiple levels, forgoing on-site parking, etc. – because the high levels of foot traffic and the robust demand fundamentals typically result in elevated sales figures that more than compensate for the greater expense, *and* because alternative locations allowing for a prototype store do not exist nearby.

Large-format brands have also opened **non-prototype stores** in a number of smaller "satellite" Downtowns within the New York City metropolitan area. Target, for instance, operates multi-level stores as part of larger mixed-use schemes in the Downtowns of Stamford (CT) and White Plains (NY), while The Waterfront at Port Chester project, in the Downtown of Port Chester (NY), boasts the likes of Costco Wholesale, DSW Shoe Warehouse and Bed Bath & Beyond and others in a vertical big-box format. However, all of these locations sit proximate to affluent, relatively dense suburbs that offer few available sites for conventional prototype stores. In the case of Port Chester, a small blue-collar city with no relevant co-tenancy (at the start of initial lease-up), the developer was largely responding to underserved demand in nearby high-income communities like Greenwich and Rye.

It is worth noting that in response to the growing number of desirable customers in central cities, some of the larger-format chains have started to test more modestly sized, flexibly designed formats for tighter urban settings. Even in the Capital Region, Price Chopper operates its 18,000 square foot "Limited" concept in Downtown Saratoga Springs in the ground floor of a larger mixed-use project, its frontage and windows only slightly recessed from the sidewalk and its parking in an attached garage.

Of course, zoning can mandate these sorts of urban layouts, but such requirements can backfire when they do not account for current market realities. Saratoga Springs' "Form-Based Code" insists that new projects in the Downtown blend seamlessly into the traditional urban fabric (see caption on next page), but it is only able to do so because the dynamics of supply and demand work in its favor. In other markets, the same restrictions could serve to repel many developers and retailers.

The "**Form-Based Code**" adopted in Downtown Saratoga Springs stipulates that buildings be developed close to the street, occupy most of the frontage of their respective properties, and contain at least two stories. Even committed New Urbanists will note, however, that developers are more willing to work with such restrictions in communities "where the real estate fundamentals are favorable."[19]

Downtown Albany does not currently wield this sort of clout in the marketplace: generally speaking, the tenant is the one with the leverage. For this reason, the Liberty Square development site, with its large 9.4-acre footprint and as a virtual "blank slate" which could be site-planned to an operator's exact specifications, is the one in the retail core likely to draw the interest of the greatest number of prototype-driven brands.

On the other hand, smaller-scale operators – "chain-lets" (see caption on next page) and true mom-and-pops -- often take a different approach to site selection. Unlike larger chains, most do not yet have an established infrastructure for growth and expansion: there is no in-house real estate department, nor a systematic process, guided by set criteria or a specific prototype, for analyzing and choosing new markets or locations. Indeed, many are still operating like start-ups, with inadequate capacity in the front office and a constant juggling of responsibilities.

[19] As noted in Philip Langdon's piece on form-based coding, entitled "The Not So Secret Code" in the January 2006 issue of APA's *Planning* magazine.

"**Chain-let**(s)", a term originally coined and popularized by this consultant, refer to businesses with a modest number of locations, either locally, regionally or even nationally. They offer the advantage of both distinctiveness, inasmuch as they are not (yet) ubiquitous, as well as creditworthiness, in that they have at least some track record of success, and they would therefore seem to represent a happy medium between constituencies and stakeholders who insist on local character, and landlords and creditors who value strong balance sheets. Examples in the Capital Region include The Merry Monk (above), Tierra Coffee Roasters, Uncommon Grounds and Recovery Sports Grill. In addition, a variant of the chain-let is the so-called "multi-concept operator" (MCO), like Matt Baumgartner, who owns Bombers Burrito Bar (itself a chain-let) and also co-owns Wolff's Biergarten (also now a chain-let) as well as Olde English Pub & Pantry.

On some level this works to the advantage of today's Downtowns. Without the requirements of a prototype, smaller-scale entrepreneurs are generally more willing to be flexible, relying to a greater extent on qualitative factors, broader narratives and ultimately, "gut feel" and intuition. Some, for example, will even speak of "falling in love" with the history and charm of a unique space, or with the atmosphere and energy of a specific street.

Some entrepreneurs will respond to a compelling **narrative** about where a given business district appears to be headed (as opposed to where it *is* at the moment). They might be convinced of its upward trajectory, and want to secure a space before occupancy costs increase any further. They could long to be part of something growing, or enjoy the camaraderie of a bunch of start-ups working together to build anew.

Because they are more willing to get creative on how their respective concepts could work within existing spaces, as well as buy into a vision of what a given business district can become, chain-lets and start-ups are usually the ones that kick-start the revitalization of historic Downtowns with little to no co-tenancy, whereas again, most of the larger brands prefer to wait for these early pioneers to first establish the market's viability before proceeding further.

The challenge with this model, however, is that while they might be more flexible, these smaller-scale operators are usually not as well capitalized, and as a result they must be especially careful not to commit to space that they do not need. Demand is typically heaviest for storefront measuring 1,200 square feet or less, with far less interest in the kinds of larger and deeper floor-plates that tend to predominate in older Downtowns (see caption below).

Many of the retail spaces in historic Downtowns date from an era when department stores still operated stores there – flagships even – and when the need for on-site inventory and storage necessitated deep "bowling alley"-like bays. These same **floor-plates** are difficult to fill today.

Indeed, this has posed challenges for Albany, where the tenants most likely to be interested in its Downtown are *not* the ones who would want or could afford to occupy some of the highest-profile vacancies there, like, for instance, 67 N. Pearl (roughly 19,000 square feet on the ground floor), 59 N. Pearl (11,000 square feet at street level) and 27 N. Pearl (9,000 square feet). As a result, these spaces have remained vacant for some time.

Meanwhile, there are precious few of the modestly sized spaces that *are* in high demand. Not surprisingly, then, they command relatively high rents – from $20 to $25 per square foot triple-net (NNN)[20] on the first block of N. Pearl Street north of State Street, for instance – and do not stay on the market for long. As a basis for comparison, retail space on the Wolf Road strip currently leases at $25 per square foot NNN.[21]

These numbers limit what kinds of merchants are likely to consider Downtown Albany. As a general rule-of-thumb, shopkeepers know not to spend more than 10% of their

20 A triple-net (NNN) lease is one in which the tenant, in addition to the quoted base rent, must also play for its proportional share of the building's taxes, insurance and maintenance costs.

21 Rent levels are based on interviews with local retail brokers conducted as part of this analysis.

projected gross sales on occupancy costs (i.e. rent plus NNN)[22], or else their business model starts to become unsustainable. In this respect, the first market (analyzed earlier), of consumers buying goods from retailers, impacts the second, of tenants renting space from landlords.

If, then, a landlord, then, were charging $22.50 per square foot with triple-net expenses of $1.67 per square foot, the tenant would need to generate at least $250 per square foot in sales, or $250,000 annually for a 1,000 square foot boutique. This is not an especially high number -- $250 in sales per square foot is generally considered the dividing line between Class B and C malls – but for a Downtown business district with few relevant co-tenants and low levels of foot traffic beyond weekday lunch, it would be a stretch for most.

- This gets to the role of the **property owner**. It is often mistakenly assumed that landlords have the power to set the rents as they see fit. In practice, however, they cannot simply ignore the performance of the first market either. When leasing to shopkeepers, they must also consider the 10% rule-of-thumb: if they do not, either their storefronts will remain vacant or suffer from constant turnover due to failed businesses (which entails added costs).

Property owners can, however, choose to offer their spaces not to shopkeepers, but rather, to other categories that can generate higher sales at such locations and afford correspondingly higher rents. Quick-service food and beverage purveyors, for example, will typically gross far more in a Downtown setting where daytime workers constitute the primary sub-market, and so it is not a surprise that they occupy so many bays along N. Pearl Street between State Street and Pine Street.

Numerical Limitations

Use	Number Limit	Size (sq. ft.)	Type of Permit
Art/Craft Shops, Gift/Novelty Shops, Jewelry/Watch Shops	12*	1,500	Zoning Certificate
Barber/Beauty Shops, including Manicure and other Personal Care	7	None	Zoning Certificate
Bookstores, Periodical Stands	4	2,000	Zoning Certificate
Clothing Stores, including Hats, Shoes and Accessories	10	None	Zoning Certificate
Financial Services, Retail**	2	None	Use Permit
Food Service Establishments:			
Carry Out Food Service	3	1,000	AUP
Quick Service Restaurants	7	1,000	AUP
Full Service Restaurants	7	None	AUP
Photocopy Stores, Printing, Fax, Magnetic Disk Reproduction Services	2	1,000	Zoning Certificate

*Total
**Shall have no more than 2 Automatic Teller Machines

Zoning can be used to regulate retail mix in a given business district. The City of Berkeley (CA), for example, has enforced **retail "quotas"** in its neighborhoods since the 1980's (above). The application of such tools, however, not only leads to unintended consequences that should be analyzed and understood beforehand, but also, they can backfire in sub-markets with relatively weak demand for retail space, where, for instance, there is little interest from categories other than the ones that have been limited. If, say, quick-service food and beverage purveyors were prohibited on N. Pearl, what other kinds of businesses, if any, would rush to take their place?

[22] This percentage varies somewhat by category – for example, it can be higher for shops that focus on higher-margin merchandise, like jewelry – but 10% is typically cited as the general rule-of-thumb.

It is not entirely accurate, then, to say that the market rents charged by landlords in a given business district are "too high". They might be too high for a certain type of business – for the type of business that the complainant would prefer, perhaps -- but as long as a lease can be finalized at that price, it is, by definition, *not* too high. One can only argue that property owners are charging "too much" if they continuously struggle to find or retain tenants.

Another variable in the deal-making process concerns the type and level of assistance that the property owner is (or is not) willing to provide to a new tenant. For prospects that they really want, landlords will typically offer a so-called "tenant improvement allowance" (also known as "TI") to help with the up-front costs of building out the space to the specifications of a specific user. This amount, expressed on a per square foot basis, is then built into the base rent and thereby amortized over the course of the lease.

The property owner might also propose an initial period of free rent lasting for a set number of months. This can be in addition to or in lieu of a TI allowance, although as a stand-alone offer it might not be so useful to the smaller-scale entrepreneur, who often struggles to access other sources of up-front funding for the build-out of a space. The result, then, could be a business that presents as "low-budget" to the consumer on the street.

The challenge with self-funding the interior build-out is especially great for a would-be restaurateur, given the high cost of building a **kitchen** from scratch. One of the reasons why eateries so often serve as catalysts for Downtown revitalization is that the historic fabric typically contains a number of "second-generation" restaurant spaces with this expensive infrastructure already in place. If it is not, however, the financial assistance of the property owner becomes essential.

For a variety of possible reasons, many landlords in Downtown Albany are *not* willing to offer incentives like T.I. allowances to new tenants. As in the aforementioned discussion about anchors, however, there are certain ones that can more clearly appreciate the benefit – to the rest of the building or the portfolio – of landing the right concept and operator, and that can afford to extend a suitably generous assistance package. This will be revisited later.

Mistaken assumptions about the motivations of property owners stem from a poor understanding of the incentive structure within which they operate. Their dealings with prospective tenants involve more than just aligning occupancy costs with projected sales, or providing the sorts of concessions needed to ensure lease-up: in order to justify the investment as a whole, they must be able to make a return that justifies their perceived risk and competes favorably with other possible uses of the money. They have to be able to amortize up-front development costs, including not just the TI allowances but also, the expense of the various benefits, amenities and flourishes that the municipality might require. And they need to adhere to the terms of their agreements with lenders (or shareholders), which might involve pre-leasing by anchors, credit standards for tenants, time horizons for the expected return, etc. Although sometimes landlords are just plain greedy, in many cases they are simply trying to cover their costs and make a decent living.

One last consideration for the tenant is the reputation and track record of the landlord or developer. Tenants ideally seek ones that they know will keep the building(s) and common area(s) in first-rate condition, have the market clout and financial capacity to position (and re-position) the property for success, fill available spaces with synergistic uses and operators, and providing an overall sense of order and predictability.

In Downtown settings, of course, one property owner can only control so much, which is why BID's are so essential in their roles as shopping center managers, helping to instill the tenant with a level of confidence in the ongoing maintenance of the "common area" (i.e. streets, sidewalks, parks, etc.), full-throated advocacy on behalf of a desirable retail mix and specific co-tenancies, effective marketing for the district as a whole, etc.

- The final (and most unpredictable) variable -- the "X" factor of retail leasing -- is the **human element**. Ultimately the ones making these decisions – even at the largest retail chains and real estate companies -- are human beings, each of whom brings his/her own idiosyncratic blend of personality quirks, emotional needs and raw prejudices to the process. And the resulting interactions between the key actors can play a decisive role in whether opportunities are seized or missed, deals finalized or botched.

For instance, more than a few tenants – especially smaller-scale operators – will respond positively to a sense of feeling wanted and wooed, and will view an assistance package offered by a landlord as reflective of its level of interest (or lack thereof). This courtship process is also affected by the interpersonal skills on both sides, especially given the overarching power dynamics and related posturing.

Meanwhile, the thinking of certain property owners can be frustratingly opaque: some have wildly unrealistic expectations, others are seemingly unreachable, and a few even qualify as downright impossible. Sometimes their behavior starts to makes sense with all of the information in hand and all of their motivations understood (see caption above), but not always.

II. Retail Positioning and Tenanting Strategy

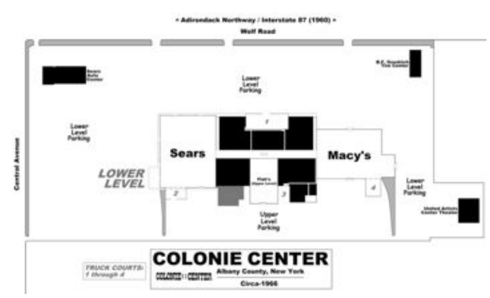
A. A New Retail Paradigm

So what does this mean for Downtown Albany?

Firstly, one can safely say that Downtown Albany is highly unlikely, at least anytime soon, to return to its earlier status as the region's premier "mass-market" shopping destination, capable of drawing a broad swath of the consumer population to its wide range of retail brands, categories and concepts. Since its prewar heyday, it has been losing ground to new competitors on the suburban periphery, starting with open-air centers like Westgate Plaza (1957), Latham Corners (1957) and Stuyvesant Plaza (1959), and then the enclosed formats of Colonie Center (1966) and Crossgates Mall (1984).

Of course, this is not a story specific to Albany, but rather, one that could be told in reference to almost any city in the United States during the postwar era. The second half of the 20th century saw Downtown business districts across the country lose much of their relevance from a retailing point of view, as their respective metros stopped viewing them as shopping destinations or visiting them for that specific purpose.

Due partly to the city's leadership in the postwar era (see caption below), Albany's retail core started to lose its footing earlier than many others, such that very few residents today are old enough to remember when it last enjoyed regional primacy. Even so, the archetype of Downtown as a "mass-market" shopping destination remains today the only frame-of-reference for assessing its current state and evaluating its future prospects.



In the 1960's, Sears and Macy's had initially wanted to locate their flagship department stores in Downtown Albany, but due to interference from then-Mayor Erastus Corning 2nd, they opted instead for a new enclosed mall under development in the asparagus fields along a rural stretch called Wolf Road, to be called Colonie Center.

As should be abundantly clear after reading the previous two sections, however, this is an unfair standard, based on an obsolete model. It does not reflect how retailing has changed in the last half-century in response to broader socio-cultural trends. There is an urgent need, then, for a **new retail paradigm** for Downtowns, one that looks for potential in different places, defines success in those terms and in the process, changes the overall narrative.

One should also be able to understand, from reading the previous two sections, why the retail core does *not* look like **Saratoga Springs**' celebrated Downtown, which, unlike Albany's, enjoys a positive and well-established "brand", a reliable stream of well-heeled tourists, a location within the metro's fastest growing sub-region and a roster of national co-tenants.

Furthermore, the answer is unlikely to come from the sort of "silver-bullet" thinking that spawns big-splash projects with high-profile ribbon cuttings. Indeed, retail is probably not going to be the primary driver or catalyst for Downtown's re-emergence, but rather, just one of several critical, mutually reinforcing components, acting as the "cause" in certain cases and the "effect" in others.

Some have wondered about the possibility of attracting **IKEA** to Downtown Albany, given that the home furnishings giant does not currently operate any stores between New York City, New Haven and Hamilton (Ontario). However, IKEA typically requires a population of at least two million within 40 to 60 miles (i.e. the same media market), and there are just 1.64 million within a 60-mile radius. Furthermore, it needs a minimum of twenty acres for its podium-style prototype (with the store above the parking), and the largest available parcel -- the former convention center site -- measures just eight.

Generally speaking, the most sustainable Downtown success stories are the ones that evolve incrementally, with a succession of modestly sized projects that respond to market reality and competitive advantage and that synergize with each other. This more diversified approach also reduces the overall risk, relying as it does on many different ventures, rather than one single undertaking, and allowing for the possibility -- indeed the likelihood -- that some will fail.

The ongoing revitalization of **Downtown Troy** has been catalyzed by a number of smaller individual projects rather than any one single development. As a result, the overall risk was spread across many different efforts, which provided room for the inevitable failures, like, for instance, the Troy Community Food Co-op.

Indeed, the most compelling urban business districts today, it might be argued, are ones that resonate with several different types of consumers, partly because the resulting diversity in the pedestrian traffic creates the sort of "people-watching" theater that differentiates such spaces from their suburban counterparts. But also, on a more practical level, Downtowns on the scale of Albany's typically have to be able to tap multiple sub-markets in order to sustain a healthy retail mix.

Of course, the department stores that used to anchor Downtowns also required broad appeal in order to support their large floor-plates. The difference today, however, is that not only has the so-called "mass market" gravitated to the periphery for the reasons explored above, but also, the very idea of a single mass market -- in which consumer tastes and preferences are relatively homogeneous -- no longer applies, at least to the same degree.

Consumer demand today has become highly segmented, and not only in retail. Consider the television industry, for example. The airwaves were long dominated by the "big three" networks. In 1980, more than 90% of viewers were tuned in to CBS, NBC or ABC during prime time.[23] Everyone watched them, thereby creating an experience common to virtually all Americans.

Over the next quarter-century, however, the market share of the big three would be eroded by the introduction of countless new broadcast and cable networks, many with their own, narrowly defined audiences (see caption below). Soon there was a channel for every interest and every sensibility, and "mass" was less mass than ever before, with only 32% watching CBS, NBC or ABC during prime time by 2005.[24]

23 According to a March 1, 2008 piece by Douglas Blanks Hindman and Kenneth Weigand in *The Journal of Broadcasting and Electronic Media* entitled "The big three's prime-time decline: a technological and social context".
24 Ibid.

An example of the trend towards **segmentation** in the television industry, The Tennis Channel was started in 2003, its programming devoted exclusively to racquet sports. Today it provides coverage of three of the four Grand Slam tournaments. Its founder, Steve Bellamy, went on to establish The Ski Channel in 2008 and The Surf Channel in 2012.

A similar evolution has taken place in retail, especially in urban settings, with both individual retailers and whole business districts increasingly defined and differentiated by the tiny micro-slivers of the consumer market to which they cater. Rather than uniting everyone through a common experience, like the Downtowns of yesteryear, they attract a collection of self-selecting "**niche**" audiences.

Niche-oriented strategies deliberately focus on certain types of consumers while de-emphasizing others, guided by their respective track record with the "product" in question (in this case, with struggling Downtowns): like tenants, some are drawn to such an opportunity and willing to pioneer, while others remain skeptical and only materialize later if at all. The approach recommended here concentrates initial energies on the former (see caption below).

Urban retail revitalization should be understood not as an on/off switch, but rather, an **evolution** that proceeds through discrete stages or waves. Many such efforts insist on skipping the earlier stages and moving immediately to the end state, not realizing that, except in rare circumstances, the quickest, surest (and cheapest) path there starts at the beginning, not with the naysayers who will need quite a bit of convincing (i.e. pushing the proverbial "rock up a hill") but rather, those "early adopters" who naturally gravitate to such settings.

Niches can be defined in a number of different ways. One of particular relevance in the case of urban retail is with the use of "**psychographics**". As opposed to demographic data, which characterizes markets in quantitative terms (e.g. household income, home value, etc.), psychographic profiles also address them qualitatively, in terms of what lifestyles, sensibilities and aspirations are most prevalent.

Psychographic positioning is increasingly important to the competitive strategies of individual brands. For example, retailers like Anthropologie and Eileen Fisher do not just cater to a specific age range or income bracket (i.e. 30 years old and up, relatively affluent) but also, on a more abstract level, a certain sort of consumer sensibility (i.e. artsy, vaguely bohemian), which is very different from the one targeted by, say, Talbots.

The use of psychographic profiles in product marketing can be traced to the tendency of so many consumers today to look to retail brands as a form of self-identification, as a reflection of how they see themselves, who they aspire to be and what they want others to think of them. While such existential forces are not always easy to quantify, it is difficult to deny their influence on our purchasing decisions.

Psychographics also applies to the positioning of entire business districts, which are often associated with certain types of consumers. Even though these characterizations are typically based on impressions and subjectivities, they nonetheless play a critical role in shaping the “brand” -- to a far greater extent, it might be argued, than logos and slogans – and thereby trigger and reinforce a sort of self-selecting/self-fulfilling process, as individuals gravitate to those shopping streets with which they most closely identity.

Lark Street is a local example of a business district has been defined in the popular imagination in psychographic terms. Descriptions of its vibe and retail mix are often peppered with words like “funky”, “alternative” and “eclectic”, its arts and LBGT communities are commonly referenced, and comparisons are frequently made to Greenwich Village in New York City and the Left Bank in Paris.

The peace sign and multiple hearts on the logo for the June 2014 “Art on Lark” event serve to reinforce Lark Street’s unique **psychographic** identity within the Capital Region.

Conceiving of business districts in such terms implies a different sort of appeal, based on the presence of a certain type of person and worldview – which can be especially valued by those accustomed to existing on the fringe of the mainstream. Indeed, the lure of a place “*where we can be with others like us*” can be so strong as to pull from an entire metropolitan area, thus recasting the “trade area” as a community of like-minded consumers rather than a discrete, geographically defined zone.

Using Lark Street again as an example, the district was for decades the only one within the entire Capital Region where the creatively inclined and alternatively minded could truly feel in their element, shopping in businesses that reflected their values, commiserating about local politics and sensibilities, etc. Even if they did not live in the immediate neighborhood, it was a destination to which they were drawn and for which they would drive significant distances, partly because there was so little else for them.

This not only upends traditional notions of "trade area", but also, reduces the importance of conventional metrics such as visibility and access in evaluating district potential. That is, a given corridor can become and remain relevant within the broader competitive ecology even if it does not sit or near at the intersection of major roadways, as long as it is known and cherished by a sufficiently large number of fellow travelers.

This also suggests a new kind of co-tenancy, one based not so much on category of merchandise – footwear retailers wanting to be near other shoe stores, for example – but rather, a psychographic niche. The owner of a vintage clothing shop would much rather locate in proximity to a hipster coffeehouse or a retro barber than, say, a Banana Republic, which, even though it sells similar sorts of items, caters to a very different sensibility.

By reconsidering business districts in such a light, one can unearth competitive advantages and latent opportunities that might have remained hidden in a more conventional analysis focused on mass-market potential. And in so doing, this new retail paradigm offers an alternate and more promising path for Downtowns like Albany's that continue to draw on an obsolete and unrealistic model for success.

B. The Downtown Psychographic

The following details the various psychographic segments that appear to exist in Downtown Albany.

Mainstream Coeds

While Albany boasts a slew of colleges and universities with a combined enrollment of more than 63,000[25], virtually all of them – except for a new, modestly sized satellite of Schenectady County Community College – are located outside Downtown. And student housing is most heavily concentrated on the University at Albany's Uptown campus, with its nearly 8,000 dorm rooms[26], and in the Pine Hills neighborhood, where thousands live in inexpensive, privately owned apartments.

Not surprisingly, convenience-oriented businesses that cater directly to this sub-market – like college bookstores, quick-service eateries and coffeehouses – tend to cluster either on campus or in close proximity, along, for instance, Western Avenue and Madison Avenue. These corridors also contain a considerable number of typical college bars, and students also allegedly party in their residences, according to disgruntled homeowners in Pine Hills' so-called "student ghetto".[27]

As in many college-town environments, however, there is relatively little for those students who do not like to drink heavily and/or who prefer to socialize in calmer, quieter spaces. They may well represent the minority – the University at Albany has

25 Based on a 2008 estimate by the *National Center for Educational Statistics*.

26 According to a March 28, 2011 *Times Union* article by Scott Waldman entitled "How can troubles in Albany's student ghetto be fixed?"

27 Ibid.

long had a reputation as one of the nation's top "party schools"[28] – but even as a small percentage of the city's 63,000+, they can likely support more evening alternatives than currently exist.

The media attention lavished on the most **raucous parties** in college towns feed the perception that the entire student body prefers this sort of nightlife. The percentage that does so might indeed be higher at the nation's top-ranked party schools, but even at these institutions, there are a considerable number who have no interest in partaking, at least not all the time.

Hudson River Coffee House, with its late hours, live performances and study-friendly amenities, offers one such option. Another could be a lounge for social gaming (known as a "LAN center"), where students and teams can compete in multi-player computer games – along the lines of Jiggawatts Gaming in Glens Falls -- or one of the newer formats that incorporate the latest craze in electronic sports (or "eSports") while also including a bar.

A related concept is a board-game café, where one pays a cover charge (say, $5) and enjoys unlimited usage of a large library of board games, ranging from classics like *Scrabble* to fantasy role-playing. Typically open very late, these venues have proven especially popular among college students, and can actually skew more towards the social-casual (versus the hardcore) gamer. In order to generate sufficient revenue, they will also sell sandwiches, espresso-based drinks and, in most cases, alcohol.

[28] According to a March 25, 2011 *Albany Business Review* piece by Robin K. Cooper entitled "UAlbany fights off party-school image"

The **board-game cafe** can serve an important social purpose in today's hyper-connected culture: wireless access is usually not provided, so as to encourage visitors to play with friends face-to-face and not on mobile devices.

Perhaps these sorts of businesses are most appropriately located in Pine Hills, but because they would be such novelties, they could conceivably draw as destinations, from a Downtown address (see caption below). Indeed, inasmuch as the retail core offers an increasing number of more "mature" nightlife offerings (e.g. The Merry Monk, City Beer Hall, The Hollow Bar + Kitchen, etc.), they would seem to align with where that part of town appears to be headed.

Monopolatte, a board-game café that opened last year on Somerset Street W in Ottawa's Chinatown neighborhood, is extremely popular among **college students** even though it is a 30 to 40-minute walk from the campuses of the city's two major universities, University of Ottawa and Carleton University.

As shoppers, Albany students manifest a relatively mainstream sense of style, wearing more than just sweatpants and sweatshirts but nothing too edgy or high-fashion. Not surprisingly, they are also budget-conscious. They tend to gravitate, then, to retailers like Forever 21, H & M, Old Navy, Rue 21 and Express, all of which can be found at one or both of the two major malls.[29]

For those, however, who generally eschew large chains and who look for unique (affordable) pieces that their classmates will not be wearing, Albany offers precious little, with just a few possibilities at Stuyvesant Plaza and on Lark Street, with students

[29] Based partly on conversations with Georgette Steffens, Executive Director of the Downtown Albany BID, and Cheryl Stock, her Business Development Manager and a former retail buyer.

otherwise having to travel further afield for their boutique shopping, to Downtown Troy or to Downtown Saratoga Springs.

Despite its long-time association with youth culture, the **Lark Street** corridor offers just a few fashion boutiques for the student shopper.

This suggests yet another gap in the marketplace that Downtown Albany could theoretically hope to fill, although in practice, boutiques in the retail core would likely require some sort of larger anchor drawing significant numbers of fashion-loving students as well as property owners willing to “partner” with the kinds of fledgling entrepreneurs who would be interested in the opportunity.

Hipsters

This psychographic consists of young, creatively inclined and alternatively minded types who live in and are drawn to the underground. These are the “early adopters” who often start trends, popularize nightspots and pioneer neighborhoods. They tend not to be deterred by a little grit, and they are not ones to be cowed by reputation or influenced by bad press – indeed, such supposed downsides more often add to the appeal (see caption below).

While the **hipster** is often the subject of caricature, as in the IFC comedy series *Portlandia*, the psychographic is actually grounded in a discrete **worldview** and socio-cultural critique. Tenets include the following: 1) an embrace of authenticity, of places that remain "real" and un-scrubbed", with a corresponding distrust of anything that appears overly polished or packaged; 2) a love of old things, and a talent for finding pragmatic ways of instilling such things with new meaning ("up-cycling") while retaining their original character; 3) an emphasis on creativity and personal expression, with an associated disdain for homogenization, the mass market and the single-minded pursuit of profit; 4) an espousal of personalized, small-scale "grass roots" enterprise, in opposition to the hegemony of faceless corporate behemoths and other entrenched forces; 5) an approach of "do-it-yourself" (DIY) as an alternative to the mainstream's reliance on others (especially large business or bureaucracy) to satisfy needs and attain objectives; 6) an appreciation of irony, with the self-awareness of irony – how incongruent something is with what would be expected – considered the barometer of hip; 7) an (ironic) celebration of kitsch, defined as once-popular products and ideas that are now widely mocked by mainstream culture as tasteless and tacky; and 8) a belief that one is special and culturally superior because he/she knows what is cool before others do.

Hipsters are most often associated with artists, and it is true that many of them work in creative fields. Indeed, they are the ones driving the so-called "maker movement", joining "maker-spaces" like Troy's Tech Valley Center of Gravity (see caption below), starting new food production businesses like Albany's Nine Pin Cider Works and, in so doing, continuing in the role as "creators of culture" that they have always filled in one form or another.

At "**maker-space**(s)", a mix of inventors, builders, entrepreneurs and crafters share tools, equipment and knowledge that they would not necessarily be able to secure on their own. The Tech Valley Center of Gravity (image) is a maker-space that opened just last year in the Uncle Sam's Parking Garage in Downtown Troy.

Yet while they are so often the ones who *create* culture, hipsters, like the "starving artists" of the popular imagination, are typically not well off, and cannot always afford to *consume* what their own psychographic creates. Indeed, it is *because* they are extremely sensitive to price -- and by necessity, drawn to products and places that are *not* (yet) in high demand -- that they so frequently play the role of trendsetter or pioneer.

Many in Albany reflexively associate hipsters with Lark Street. Yet while they might represent the modern iteration of the "counterculture", their sensibilities are typically less idealistic and political, more urban and artsy than the '60's-era "hippie" vibe that still defines that district and informs its marketing. The hearts and peace signs on the 2014 logo for the "Art on Lark" event (above) are not only unlikely to resonate with them, but might even present as somewhat dated.

They should also not be confused with the "yup-sters" who typically follow after them (see below), co-opting their looks, brands and neighborhoods. In fact, the hipster psychographic should be understood in terms of a general mindset – one fixated on staying *ahead* of the pack and "in the know", ready to move at the first sign of broader adoption – rather than as a set of very specific consumer preferences that they themselves might have helped to popularize.

The apparent **mainstreaming of hipster tastes** in today's consumer culture actually represents just a moment in time, as the psychographic follows its predictable pattern of pushing the boundaries and finding something new to (at least temporarily) call its own.

While many will poke fun at or refuse to give serious consideration to this psychographic, the reality is that second and third-tier cities are well-positioned for hipster led revitalization, in that they are able to offer far lower cost-of-living and barriers-to-entry than traditional magnets like New York City and San Francisco. Indeed, this has been part of the formula for the artistic re-awakenings of long-struggling urban cores like Pittsburgh and Oakland.

At present it would be a stretch to call the Capital Region a magnet for hipsters. *Times Union* columnist Daniel Nester has commented extensively on their relative absence in Albany.[30] There is reason to believe that their population is increasing -- Tech Valley Center of Gravity's rapid growth, for example -- yet most of them tend to be drawn first to Downtown Troy. In sheer numbers, then, they would, at best, account for a modest share of the customer base in the retail core.

Even if a relatively small cohort, however, the psychographic could still play an outsized role in Downtown Albany's revitalization. Due largely to their need for inexpensive space, hipster-oriented businesses are more likely to locate on the periphery, in sub-

[30] "Albany is not a hipster town," writes Nester in his October 6, 2010 post on the www.timesunion.com website. "We've got other archetypes. … But we do not have a critical mass of hipsters."

districts that desperately need the energy and identity. Indeed, they are often found – like the former Valentines on New Scotland Avenue – along blocks and in buildings awaiting redevelopment.

Most commonly, these concepts are evening-oriented and center on alcohol and music, which plays a central role in the sub-culture. Rarely built from scratch, they are more often existing, longtime businesses, like the aesthetically unpleasing if not downright intimidating "dive bar", with the patina of age and coat of lived-in shabbiness, complete with a jukebox and perhaps even some vintage arcade games. The most beloved and iconic ones typically offer a regular schedule of bands and live performances.

Hipster nightspots need *not* be located in high-profile entertainment districts – an off-the-beaten-path address is actually in some ways preferable, in that it reinforces the belief among patrons that they are truly "in the know". For example, Palais Royale, a popular dive bar among this psychographic, sits on a modest residential street more than a block removed from the nearest high-volume traffic corridor.

In many cities, hipsters also develop and provide a market for consumer products that communicate – and, in turn, help to build -- a sense of local and civic pride. With many such businesses, the references are, not surprisingly, laced with irony, often in an effort to turn long-time slights and insults to a city's advantage. For example, one of the most popular brews at Cleveland's renowned Great Lakes Brewing Company is its Burning River Pale Ale, alluding to perhaps the most embarrassing event in the city's history.

In a similar vein, one of Albany's more prominent blogs is *Keep Albany Boring*, a slogan that draws on Austin's celebrated "Keep Austin Weird" campaign (and that was later featured in a line of t-shirts produced by the blog's author, as shown on the next page). And the recently opened Cider Belly Doughnuts on N. Pearl Street showcases a variant of the confection – made with apple cider-based batter -- that is both locally viewed as unique to the Capital Region and priced affordably, at one dollar per doughnut.

Whether due to a need to economize, a preference for vintage/retro or a combination of the two, hipsters typically shop for their comparison goods – clothing, furniture, etc. -- at bargain-priced thrift stores that they have discovered through word-of-mouth. Like the dive bars that this psychographic frequents in the evenings, such businesses are often found in unglamorous, low-rent parts of town, their merchandise presented in no-frills settings that more mainstream consumers would consider dingy, down-market and downright grim.

A Salvation Army **thrift store** has long occupied a prominent corner at the Bedford Avenue subway station in the heart of Brooklyn's Northside (Williamsburg), the epicenter of the American hipster sub-culture from the early '90's to the late '00's.

The challenge, however, with many of these sorts of businesses that cater specifically to the hipster psychographic – thrift (or "second-hand") stores, dive bars, tattoo parlors and others – is that they are often opposed by older (more politically influential) locals on the basis of an outdated understanding of what they represent and who they attract (see caption on next page).

Tattoo parlors have long been perceived negatively in revitalization circles, but body art has since entered the mainstream and even become popular among young professionals (though perhaps on rarely-seen parts of the body). According to a 2012 poll by *The Harris Poll*, 21% of Americans have one or more tattoos -- including 38% of 30-somethings and 30% of those aged 25 to 29 -- and it has become *de rigueur* among creative types.

It is the visible presence of these businesses, though, that makes artists and other hipsters feel welcome in a particular community, encourages them to settle there, and ultimately, helps to facilitate broader revitalization. Indeed, inasmuch as the psychographic tends to grow organically and *start* trends, municipal government can sometimes be most supportive by *not* getting in its way, and giving its creativity the chance to bear fruit.

While **artist colonies** are often assumed to include actual galleries for the showcasing and selling of work, the reality is that areas capable of supporting these sorts of businesses are probably too expensive for hipsters to live in (anymore). In fact, the retail mix most likely to beget such a district from scratch is one that caters not so much to the consumers of art, but rather, those who create and produce it.

Finally, while such uses cannot be described as true retail, co-working spaces such as BEAHIVE and "maker" businesses like Nine Pin Cider Works can serve a similar purpose, in communicating to hipsters that there are many others "just like them" in Albany, while at the same time suggesting to the general population that Albany is not just the State Capital but also, a pretty hip and contemporary place with a forward-looking energy and vitality.

Second and third-tier cities might well represent the next frontier for artist and hipster led revitalization, given the lower **cost-of-living** and barriers-to-entry in comparison to traditional magnets like New York City and San Francisco. Indeed, this has been part of the formula for the artistic re-awakenings of long-struggling urban cores like Pittsburgh (image) and Oakland.

Yup-sters

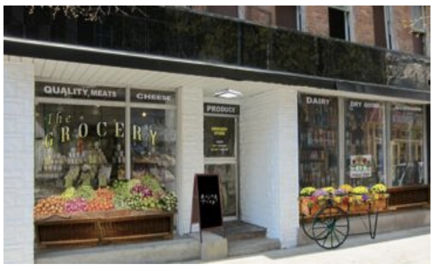
The visible presence of hipsters catalyzes broader revitalization partly because yup-sters often follow in their stead. This latter psychographic consists of upwardly mobile young professionals and well-established empty nesters who have higher levels of discretionary income but retain some of the same creative and alternative sensibilities and gravitate to parts of town that have developed reputations as hip and artsy.

Yet while yup-sters are usually the first to follow an initial wave of pioneering hipsters, they are generally not as drawn to urban grit and edge, instead preferring settings that are a bit more stylized and sanitized. They might choose, for example, to live in Downtown, but in a high-end loft or a museum-quality townhouse. They might be curious about ethnic food and culture, but only when it is dressed in more familiar, up-market garb.

<u>Yup-sters (younger)</u>

This sub-set consists of the prototypical young professional, in his/her twenties or early thirties, with a B.A. degree or higher, earning a reasonably high salary in a knowledge-industry job. Their numbers have been increasing in recent years, owing to continued growth at the city's hospital and the universities, including the University at Albany's College of Nanoscale Science and Engineering.

This psychographic's youthful and contemporary sensibility is a relatively new one for the Capital Region, giving rise to and providing support for up-market brands and concepts that did not exist in the metro previously. In keeping with their hipster lineage, such businesses tend to emphasize history, authenticity and craftsmanship while embracing a studied casualness, in the process re-defining what "upscale" (or, better put, "yup-scale") means in retailing today.



With its old-timey feel, its meat counter and its carefully edited selection of hip (and high-priced) contemporary brands like Blue Bottle Coffee and Mast Brothers Chocolate, The Grocery, operated by the owners of the adjacent Charles F. Lucas Confectionery in Downtown Troy, offers a local example of **"yup-scale" retailing**.

This psychographic is already quite active in Downtown Albany, most visibly in the evenings, when they congregate at gastro-pubs like City Beer Hall, The Merry Monk and Wolff's Biergarten, which employ the standard yup-scale formula of craft beer, "artisanal" cocktails and high-quality, locally sourced menus often featuring cheeky, knowing takes on comfort-food classics.

This selection can be expanded further, with additional evening-oriented concepts like a so-called "bar-cade", which adds a compilation of vintage arcade games from the '80's and '90's to the gastro-pub formula described above; a freestanding retro-themed cocktail lounge focusing on old-school classics and atmosphere; or tasting rooms for local microbreweries or distilleries that are included as part of the production facilities themselves, similar to the model employed by Nine Pin Cider Works.

Younger yup-sters are also among the primary drivers, along with students, of the so-called "fast casual" revolution in quick-service dining. These sorts of concepts, which continue to gain market share at the expense of the traditional fast-food brands, adhere to a similar counter-service model while offering healthier and higher-quality menu items, in a more stylish and up-market environment, at a slightly more expensive price point.

Prime examples of "**fast casual**" food concepts include Chipotle Mexican Grill and Panera Bread, which are clearly a step above traditional fast-food brands like Taco Bell and Subway. And locally there is Bellini's Counter, recently opened by Marello's Restaurants and Catering, the owner-operators of the Bellini's chain.

Fast casual eateries primarily oriented towards lunch, like Dali Mamma and Greenhouse, have already started to materialize in Downtown Albany. However, as noted earlier, the ones that require multiple day-parts, such as Chipotle Mexican Grill, would likely pass on Downtown Albany today due to the weak evening and weekend traffic, preferring to wait for further growth in the number of residents and knowledge workers.

The larger point, though, is that fast casual has increasingly become the model for the more inventive, upscale food concepts of today, with younger diners no longer viewing white tablecloths, or even waiter/waitress service, as essential to a high-end culinary experience. Top-shelf eats can be had in a number of different settings that do not necessarily "look the part" to those accustomed to the archetypes of the stuffy French restaurant or clubby steakhouse.

The presence of this psychographic is more muted in the daytime – and will likely remain so until new housing product is delivered and the tech initiative at Kiernan Plaza gathers steam. Partly for this reason, comparison goods retailers locate elsewhere, with a few on Lark Street and at Crossgates Mall – for favored brands, like J. Crew -- and then, slightly larger selections further afield, in Downtown Troy and Downtown Saratoga Springs.

That said, certain styles appealing to the more artsy, alternatively minded student might resonate with this psychographic as well. And, like hipsters, younger yup-sters are also drawn to proclamations of local and civic pride. Finally, they represent one of the primary sub-markets for outdoor recreational gear and clothing, a sub-category that aligns with Downtown Albany's riverfront setting as well as the city's current efforts to activate the Corning Preserve.

Matt Baumgartner (left), the Albany-based restaurateur and owner of Bombers Burrito Bar, Olde English Pub & Pantry and Wolff's Biergarten has created a menswear line, Howes & Baum, that, in its evocation and celebration of upstate New York's **outdoors lifestyle**, would seem to appeal to the area's younger yup-sters. At present there is no flagship store: Capital Region residents can only purchase the apparel online, with the nearest brick-and-mortar vendor in Rhinebeck.

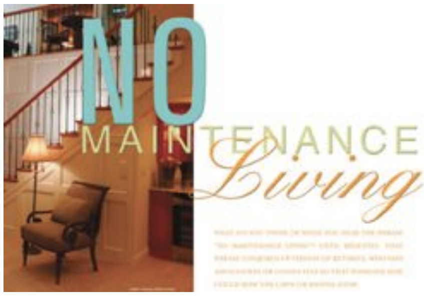
CAPITAL REPERTORY theatre
managed by PROCTORS

Yup-sters (older)

This contingent is comprised of empty nesters, often belonging to the "Baby Boom" generation, who are, whether still working or retired, relatively comfortable and well established. They include many from among the region's cultural and intellectual elite, with either ongoing or previous careers in academia, the arts and other cerebrally and creatively oriented professions.

Yet while they share a great deal with their younger psychographic brethren, these sorts of yup-sters embrace a somewhat more traditional notion of culture, specifically, *high* culture. For example, they listen to National Public Radio (NPR), read *The New Yorker*, attend performances at the Capital Repertory Theatre and watch art-house fare at Spectrum Cinemas.

Older yup-sters are often disappointed, however, with what they perceive to be a paucity of cultural offerings in the Capital Region. And while, in theory, they are among the most susceptible to the unique charms of a Downtown setting (see caption on the next page), and while they already visit Albany's for the performing arts and the fine dining, they have yet to fully buy in to the possibility of its revival.



As detailed in Zimmerman/Volk's work on this same project, **older yup-sters** typically represent one of the primary sub-markets for Downtown housing, as many of them, having owned and maintained a single-family home for decades, are intrigued by the possibility of downsizing to a smaller residence in a multi-family building.

For many older yup-sters, their perceptions of the Downtown, formed largely in the evenings and on the basis of N. Pearl Street, have been negatively impacted by the raucous nightlife and vacant storefronts. In fact, women often start to feel a bit apprehensive at night upon walking more than a few steps from the intersection of N. Pearl and Sheridan.

Assuming these perceptions are satisfactorily addressed, however, older yup-sters could help to elevate Downtown Albany into a premier destination for upscale dining. Not only does it already contain a handful of restaurants that would qualify as such, but also, the metro's only other cluster of appreciable size is Downtown Saratoga Springs, nearly forty minutes away.

Yet while they are generally quite cosmopolitan as diners, with an interest in and appetite for ethnic cuisines, older yup-sters still understand a gourmet restaurant as one that "looks the part", with up-market décor, white tablecloths and, at the very least, waiter/waitress service: they struggle to conceive of other formats – gastro-pub or fast-casual, for instance -- in a similar light.

In terms of shopping, older yup-sters often evince a knee-jerk distaste of large corporations and voice a strong preference for independently-owned boutiques and galleries. In practice, however, they seem to favor a mix of the two, including a select assortment of national brands that reflect their artsy, eclectic sense of style, such as Chico's, Coldwater Creek and Eileen Fisher.

Stuyvesant Plaza provides this sort of blend: whether by design or because it could not hope to compete for larger chains with Crossgates Mall, the retail mix there today includes a considerable number of small local chain-lets and one-offs, in addition to a few of the staples. And further afield, a similar assortment is available in Downtown Saratoga Springs.

One would think that **Lark Street** would also be a shopping destination for this sub-market, but in fact, its offerings are quite limited. That said, inasmuch as its rents tend to be lower than the above rivals, the corridor would actually compete *more* directly with Downtown Albany, vying for those prospects that, due to a lack of credit and capital, might struggle to secure a space in either of the above.

Finally, it is important to note that while older yup-sters are at least somewhat willing to leave their comfort zones for an arts venue or a new restaurant, they are generally less likely to do so for an afternoon of shopping, which might involve browsing and perusing at a more languid pace and across a larger area, and therefore, greater exposure to the street traffic, the tattered fabric and the overall grittiness.

In other words, while they might be able to appreciate the value of diversity from a distance and as a political principle, they themselves tend to prefer settings where the warts have been removed and the sense of danger attenuated, and they are likely to insist upon a more polished, overtly up-market look and feel, such as exists at the aforementioned competitors.

Art galleries are often suggested as a possible catalyst for retail revitalization in urban settings, but unless it is a non-profit, this sort of tenant thinks like any other retailer, ideally wanting to locate where there are existing streams of *relevant* foot traffic, like, for instance, Stuyvesant Plaza.

One last category of particular relevance to both subsets of this psychographic is the coffeehouse. In the United States, coffee has evolved from a basic commodity (the "First Wave", e.g. Folgers, Maxwell House, etc.) to a lifestyle choice (the "Second Wave", e.g. Starbucks Coffee) to today, for a largely urbanized slice of the market – most notably, younger yup-sters -- an artisanal foodstuff (the "Third Wave", e.g. Tierra Coffee Roasters), understood and appreciated in a manner similar to wine.

With its commitment to securing the highest quality beans through direct and fair trade with coffee growers, showcasing their unique flavor profiles through lighter roasts, and preparing them for consumption using alternative methods like the "pour-over" (above), Tierra Coffee Roasters is a local example of the **"Third Wave" coffee** movement.

The café, however, has become such a foundational element in so much of American culture not only because of the product (drug) that it dispenses, but also, the role that it plays as a so-called "Third Place". Coined by the sociologist Ray Oldenburg in his seminal 1989 work, *The Great Good Place*, a third place is an informal gathering place, other than the home and workplace (or, in the case of students, the classroom), which anchors community life, where, as at the fictional Cheers, "everybody knows your name."

Coffeehouses can serve as **third places** in a wide variety of settings and communities. Indeed, examples in the Capital Region range from Spill'n The Beans in Downtown Troy to Uncommon Grounds in Uptown Albany to Perfect Blend in suburban Delmar.

And in recent decades the coffeehouse has assumed an even greater importance for both younger and older yup-sters, inasmuch as they have together comprised the leading edge for the re-population of deserted Downtowns over the last two decades, and have looked to it as their third place on the urban frontier, a beacon of sorts, that helps to forge and cement a sense of "neighborhood" and identity among modern-day trailblazers.

Finally, resentment of "downstaters" notwithstanding, the Capital Region might be able to draw more yup-sters as *tourists* by showcasing its unique and impressive architectural heritage (see caption below) to the very large contingent in the New York City metropolitan area, a significant number of whom already own second homes and/or visit fashionable towns located not far from Albany.

While it understandably still touches a raw nerve in many local residents, **Empire State Plaza** is nonetheless one of North America's finest examples of modernist architecture and planning, a rare, fully-realized version of the movement's grand ambitions (and failures). In conjunction with the "Art Collection" scattered throughout the concourse, buildings and grounds, ESP could be far more of a visitor attraction than it is. And while not as famous (or infamous), the Uptown campus of the University at Albany also belongs to the modernist canon. Then there is the region's repository of Victorian-era vernacular buildings – the Mansion and Center Square neighborhoods, for example – that is large even by Northeastern standards and yet still largely unknown to downstaters.

So-called "archi-tourism" has been increasingly recognized as an economic driver ever since a new, Frank Gehry designed branch of the Guggenheim Museum transformed the struggling Spanish city of Bilbao into a global tourist destination in the late 1990's, and its impact has been undeniable in a select number of North American cities as well, such as South Beach and Santa Fe.

Indeed, while historic architecture is not in itself a retail use, the presence of a larger number of these out-of-town (well educated and well off) visitors would serve to generate additional traffic for and further elevate the overall mix of sit-down restaurants and watering holes in Downtown Albany, as well as help to raise the profile and visibility of the city and region more generally.

Inner City

This psychographic consists primarily of the large numbers of low and moderate-income consumers residing in the close-in neighborhoods of the South End and Arbor Hill as well as across the river in Rensselaer. Many are employed in relatively low-paying blue collar or service industry jobs while others live on fixed incomes, accounting for the roughly 12,700 trade area households that earn less than $25,000 per year.

This cohort is especially prominent in Downtown Albany not only due to their number – by comparison, just 6,200 trade area households make $75,000 or more -- but also, their relatively low levels of automobile ownership and elevated rates of transit utilization. A high percentage of the city's bus routes converge on the retail core, with a number of heavily used stops along N. Pearl Street and State Street.

While convenience-oriented goods and services for this psychographic can be found on S. Pearl Street and Lower Madison Avenue in the South End as well as along Delaware Avenue (e.g. Price Chopper, City Square Plaza, etc.) and Central Avenue, it is also drawn to the retail core itself for shopping destinations like B. Lodge & Company and Fresh & Fly.

Fresh & Fly's staying power has been particularly impressive in light of the lack of relevant co-tenancy, with most such businesses located along Central Avenue or at one of the two major malls. Its formula appears to include a more convenient and central location for its core customer, an emphasis on niche merchandise as well as a focus on service and atmospherics.

Fresh & Fly's owner, Angelo Maddox, first opened the business in 2006 as a tenant in the Coliseum, a mini-mall on South Pearl Street, developed by Gallagher & Co., that provides nominal rent and flexible terms as well as low utility costs and technical assistance to fledgling entrepreneurs. His move four years later to a far larger, 2,800 square foot space in the retail core, and his continued presence there, points to the value of the project as an incubator of sorts for Downtown (see caption below).

Most of the **entrepreneurs** at the Coliseum never graduate to stand-alone storefronts, and many ultimately fail, but that is effectively the price to be paid for the success of others like Fresh & Fly.

Fresh & Fly also demonstrates this psychographic's zeal for shopping and its tastes in fashion. At the risk of over-generalizing, it is a style-conscious consumer, sensitive to price yet willing to pay a premium for certain items like, for instance, limited-edition sneakers and branded "urban sportswear", and attracted to more up-market store facades and interiors (see caption below).

Nojo Kicks, which recently opened in Downtown Detroit, sells high-end, exclusive **sneakers** as well as jerseys, hats and other urban apparel, in a stylized, upscale space with a contemporary, industrial-chic vibe.

Such stores have been known to attract large numbers of loyal customers from miles around – most notably for launches of high-profile items -- as well as draw from other psychographic segments, like the aforementioned hipsters. Indeed, many "skate shops" represent a fascinating blend of the skateboarding, sneaker and street-art subcultures (while also embracing a similarly up-market aesthetic).[31]

Many other shoppers in this psychographic, particularly those who are older, will gravitate instead to the exact opposite in terms of look and feel, the bargain-priced thrift stores – sometimes even the same ones that attract the aforementioned hipsters -- where they are able to stretch their dollars much further, in a wide variety of comparison goods categories.

The category with the greatest potential for a crossover draw, however, is food. Diners are often willing to tolerate a certain level of discomfort and inconvenience, visit neighborhoods or streets that they would otherwise avoid, for the opportunity to eat at an establishment with a particularly novel or fun concept, high-caliber cuisine and/or a popular chef/restaurateur.

A prime example from upstate New York is Dinosaur Bar-B-Que, which deliberately looks for locations "on the other side of the tracks" and yet still manages to attract an extremely diverse clientele. And while Dinosaur has already settled on its Capital Region address (in Downtown Troy), it is the cuisine (along with the atmosphere and popular mythology) of Southern barbecue, and not just any one specific purveyor, that has the capacity to draw across cultural and socioeconomic lines.

The same holds for soul food. Indeed, Hattie Gray first opened Hattie's Chicken Shack some seventy-six years ago in the Congress Street neighborhood – at the time, the "Harlem of Saratoga" – and it remains an institution today, even though African

[31] Not all skate shops manifest this sort of intermingling, however. For instance, Seasons Skate Shop, on Lark Street, appears to cater primarily to skateboarders.

Americans account for less than 2% of the city's population (and less than 2% of the nearby community of Wilton, to which it expanded in 2010).[32]

Hattie's offers an example of how ethnic or local specialties can be elevated to artisanal cuisine and thereby achieve a broader appeal. In contrast to Hattie Gray, the eatery's current chef, Jasper Alexander, is a graduate of the prestigious Culinary Institute of America (CIA) and has worked at three renowned New York City restaurants. His version of Hattie's fried chicken became known to foodie culture when he defeated Bobby Flay in a "cook-off" on the Food Network's *Throwdown! With Bobby Flay* program.

Artisanal takes on local favorites are theoretically capable of achieving a crossover draw. The new Cider Belly Doughnuts, on N. Pearl Street, featuring the cider donut, a Capital Region specialty, has been described by the Times Union as a "gourmet" doughnut shop".[33] Another concept might offer a more refined version of the "mini hot dog(s)" sold at stands across the Capital Region, or, perhaps, the ever-popular "fish fry" -- served on a hot dog bun, of course.

In order to retain the patronage of the initial demographic, however, all of these sorts of crossover concepts must present themselves as broadly accessible, on a number of levels. First and foremost, the price point, even with higher-end ingredients, must still be affordable – or, at the very least, an "affordable luxury" that the budget of any consumer, rich or poor, can absorb every once in a while.

Furthermore, the cosmetics and atmospherics must be welcoming to multiple sub-markets. Obviously this is a matter of considerable nuance, as the sorts of cues that influence such perceptions can be quite subtle. Moreover, they can be sent on a number of different levels, including signage, facades, window displays, interior layout, product presentation, even the demographics of the sales clerks.

For example, the fortress-like exteriors and minimalist product staging typical of high-end jewelers (see image on the next page) are meant to convey messages of exclusivity and scarcity, and to deter all but the most serious and able buyers. This is to be

32 Based on figures from the 2010 Census.

33 According to a March 5, 2014 *Times Union* blog post by Steve Barnes entitled "Gourmet doughnut shop opening in Downtown Albany".

contrasted to a retailer with wide entrances and large plate-glass windows, which conveys a sense of transparency and permeability that encourages further exploration.

The main entrances of Tiffany & Co. stores are often designed so as to convey a sense of impenetrability and underscore a message of restricted **access**.

Existing entrepreneurs, it should be noted, will sometimes struggle to understand and afford the kinds of changes and enhancements that might be necessary to attract a broader audience. For this reason, relevant public and non-profit entities should partner in the establishment and administration of a program of assistance – both technical and financial – that can facilitate such transformations.

Finally, it is important to remember that, all of the ethnic, cultural and socio-economic diversity notwithstanding, this psychographic also exists within the broader consumer culture and manifests many of the same preferences and aspirations as the “mainstream”. Indeed, they, too, would be drawn to fast-casual concepts that feature elevated versions of basic staples – like gourmet burgers, for example – although depending on the price point, they might patronize such eateries less frequently, as a sort of “affordable luxury”.

Similarly, the psychographic has just a great of a need for gathering places, and while the setting will vary by sub-culture – urbanized African Americans have historically looked to barber shops and beauty salons, for example – the coffeehouse has emerged in the last two decades as the most broadly applicable one, playing such a role even in many inner city communities across the country, where Starbucks Coffee branches are often packed and thriving.

Amore Clothing
the difference between dressed and well dressed

Suits

This psychographic is comprised of prominent individuals from the business and political worlds, including, for instance, bankers, lawyers, elected officials, high-ranking bureaucrats, lobbyists and others. Many earn relatively high incomes, but not all; rather, they all enjoy a level of influence and proximity to power, or, at least, harbor an aspiration to such.

Generally speaking, this cohort exhibits conservative tastes as consumers, both while dining and shopping. They have historically gravitated to upscale restaurants specializing in steaks, seafood or "Continental" cuisine, and, as they remain overwhelmingly male, to purveyors of fine menswear. They also tend to be among the most loyal to longtime iconic businesses, like "down-home" diners and old-school barbers.

That said, they are unlikely to add all that much to Downtown spending beyond this rather narrow band of categories, partly because so many of them are men, and also since a high percentage actually live in and commute from distant residential enclaves. Destination businesses aside (see caption on the next page), theirs is largely a weekday lunchtime market, with some bleed into the evenings for drinks and/or dinner.

Their contribution has a seasonal aspect as well, with expenditures declining when the state legislature is not in session during the second half of the year. Indeed, the weakened state of Downtown's private-sector economy in recent decades (e.g. loss of bank headquarters) has increased its dependence on the government-related sources of daytime traffic, and reduced the aggregate number in this cohort.

With its selection of "couture" wedding gowns as well as its name recognition across the region, Angela's Bridal is that rare shopping destination that can draw irrespective of location or visibility. Not surprisingly, its relocation to a much larger space Downtown Albany has been a rousing success. Generally speaking, however, a **bridal salon** is not an ideal anchor, at least not for other kinds of (non-bridal) comparison retailers, since a visit to one is often understood and treated by brides- and bridesmaids-to-be as a self-contained "event" (rather than part of a larger shopping trip), and also because, with its typically high level of customer service, this sort of store is not necessarily designed to handle (and therefore, generate) large volumes of foot traffic. And while it might spawn additional banquet facilities nearby for weddings and other special occasions, attendees to such affairs typically do not venture beyond the venue itself.

That said, the continuing popularity of high-end restaurants like 677 Prime and Yono's – even as the private-sector office market has waned – speaks to the ongoing potential for well-executed fine dining concepts in the retail core, especially when, as in the case of Yono's, they are able to draw large numbers from other submarkets as well, such as older yup-sters.

Furthermore, "off-peak" demand – on the weekends and during the legislative off-season – is expected to grow with the openings of the Albany Capital Center and the Renaissance By Marriott, as the new conventions and business-class hotel rooms serve both to expand the market's overall "pie" as well as recapture market share from outlying properties like the Albany Marriott and the Desmond.

Of course high value **residential development** in and around the Downtown would also help to boost off-peak demand. Indeed, Yono's reports an "uptick" in sales just from The Monroe and 17 Chapel.[34] Even though these two complexes aggregate to just 68 units, they might include the restaurant's most frequent and loyal patrons.

[34] As based on comments during a focus group meeting with Downtown Albany merchants in October 2013.

Even so, plans for additional offerings catering to this psychographic should remain modest. First of all, the kind of crossover achieved by Yono's is actually more the exception than the rule. Of the sub-markets that have been discussed, only the yup-sters can realistically afford the price point, and as noted earlier, many younger ones, as well as even some of the older, would find such concepts a bit too stuffy and overly formal, or feel uncomfortable with their overt, seemingly unapologetic displays of conspicuous wealth.

And secondly, the impact of the new convention center on Downtown Albany's retail mix is uncertain, and will depend to a significant extent on the kinds of conferences that it is able to attract: ones that draw well-off professionals and businessmen for multiple days and nights will generate far more demand for high-end dining establishments than the so-called "S.M.E.R.F." events (i.e. "social/military/educational/religious/fraternal") and consumer shows that typically fill the calendars at lower-tier meeting destinations.

Perhaps, then, restaurateurs targeting this psychographic should hedge by proceeding only with concepts featuring cuisines that fall within the traditional canon yet offer something new for Downtown Albany, and/or striving in their menus, atmospherics and marketing to draw yup-ster diners as well. As just one example, this kind of fine dining can dovetail with the current vogue for classic, pre-Prohibition cocktails.

Middle

This psychographic is the one with which Albany is most often associated, at least in the retail industry, due partly to its ranking in a widely publicized 2004 survey as the top consumer (i.e. most demographically "average") test market in the United States.[35] Of course that study is now a decade old, and some upscale chains have joined the retail

[35] The 2004 "Mirror on America" study, issued by Little Rock, AK-based Acxiom, ranked the top 150 metro areas in the U.S. on the basis of such demographic characteristics as age, marital status, home ownership and estimated income.

mix in recent years, but overall such "middle-of-the-road" sensibilities appear to remain quite prevalent.

Most households in this cohort consist of families and reside in the suburbs. Some of the adults commute to Downtown Albany for mid-level jobs in the public sector -- where they provide support for unpretentious lunch spots serving basic staples (e.g. sandwiches, pizza, diner food, etc.) at reasonable prices – and then leave for home as soon as their workdays are finished. Otherwise, except for the periodic child-focused special event or museum visit, it does not really figure in their day-to-day lives.

Typically not at the forefront of societal trends, this psychographic gravitates to mass-market brands at stores like Wal-Mart, Kohl's, Boscov's and Christmas Tree Shops as well as hugely popular restaurants such as The Cheesecake Factory. With a suburban model as their frame-of-reference, they are often particularly sensitive to and impatient with the inconveniences and rough edges of Downtown settings (e.g. parking, loitering, etc.).

Furthermore, their number, in the retail core at least, has declined in recent years as a result of re-stacking, with many now working in offices closer to Empire State Plaza's lower-level concourse -- where the retail mix has recently expanded to include several new eateries and conveniences, and where even ShopRite has been eyeing space for a scaled-down market -- as well as the food trucks on the streets surrounding the State Capitol.

Of course they could be replaced in the coming years by others from the same psychographic, visiting Downtown – either from the region or beyond – to attend events and shows at the new Albany Capital Center. Precisely how many will depend on the kinds of conferences attracted, although it will be sizeable if, in fact, the balance skews towards the aforementioned "S.M.E.R.F." category, which tends to draw heavily from this cohort.

The retail impact of S.M.E.R.F. attendees, however, tends to be somewhat muted. While such events often take place and generate traffic during off-peak periods (e.g. on the weekends), this sort of visitor normally pays most or all of his/her own meeting expenses, sticks to a modest budget and spends a fraction of the typical convention or trade show delegate.

One of the few concepts capable of drawing this psychographic to Downtown Albany in significant numbers is the dueling-piano bar (see image on the next page), in which two or more on-stage piano players engage directly with those in the audience, performing songs which they request and inviting them to sing along. Not only does this sort of high-energy venue tend to be popular among conventioneers, but also, there is currently no such offering in the Capital Region, a market of sufficient size to support at least one.

The other category would be sporting goods. One of the favorite pastimes of the "Middle" psychographic – especially with the surrounding beauty and bounty of upstate New York -- is outdoor recreation, including hunting and fishing. And this cohort has been known to travel significant distances for the large, entertainment-driven stores that offer wildlife displays, large aquariums, shooting galleries, archery ranges, etc. (see image below) along with the gear itself.

Other than these notable exceptions, however, the "Middle" psychographic, while accounting for a considerable share of the metro-wide and visitor populations – and containing a great many who wax nostalgic about and claim to long for the Downtowns of yesteryear (while bemoaning all of their present-day shortcomings) -- should *not* drive the current thinking about retail revitalization, or comprise one of the primary sub-markets for recruitment efforts.

C. Tenanting Implications

Based on this new retail paradigm, the above psychographic analysis can be used to inform tenanting strategy and recruitment efforts. The following details some of the retail categories and concepts that seem especially promising in this light, as well as a few select chains that might serve as anchors. Keep in mind, however, that it is not meant to be exhaustive, or to imply that other possibilities mentioned in the preceding section should be dismissed.

- **Diversified nightlife**. This would include a broader range of concepts for recreating and socializing that, while typically offering alcoholic beverages, are not primarily focused on the excessive consumption thereof, and that could thereby attract a broader psychographic mix of Mainstream Coeds, Yup-sters and maybe even some Middle and Hipsters.

This tenanting direction takes advantage of one of Downtown Albany's current strengths – its somewhat more mature orientation in the evenings, with the performing arts venues, the fine dining establishments, the gastro-pubs filled with young professionals, etc. – as well as the relatively weak competition elsewhere in the Capital Region.

Diversified Nightlife
Concepts: Gaming lounge, board-game cafe, bar-cade, cocktail lounge, tasting room, dueling-piano bar, etc.
Submarkets: Mainstream Coeds, Yup-sters, Middle, Hipsters
Sub-districts: N. Pearl Street (Steuben Street to Van Tromp Street); lower-rent spaces on upper floors, along side streets and in other sub-districts

It also makes sense in light of trade area demographics. For example, 76% of households do *not* have kids, and this cannot be attributed solely to the large number of students, but also, to the married couples, of which the overwhelming majority (3,900, versus 2,600) are child-less, and for that reason, more likely to patronize such offerings in the evenings.

Given the locations of the existing draws, most of these concepts are ideally sited along N. Pearl Street, on the three-block stretch from Steuben Street to Van Tromp Street. They do not necessarily require that level of visibility, however, and, especially with the smaller niches (social gaming, for example), might have to consider lower-profile, lower-rent possibilities elsewhere in the Downtown.

- **Upscale dining**. With its draw among Suits as well as older and younger Yup-sters, Downtown Albany already boasts a nucleus of up-market restaurants -- the second largest in the region, after Downtown Saratoga Springs. And given that the nearby competition, across Albany and its immediately adjacent suburbs, appears rather thin and scattered, further additions to the mix could help in establishing it as a true dining destination.

Yet given the varying sensibilities within this psychographic blend and with the uncertain trajectory of the Suits cohort in particular, the most promising concepts in Downtown Albany will be ones that can achieve a certain crossover appeal and attract robust levels of patronage from at least two of the three above sub-markets. Those, on the other hand, that focus too narrowly on just one might not find enough of a customer base to meet their numbers.

Upscale Dining
Concepts: Up-market restaurants with crossover appeal
Submarkets: Suits, Yup-sters
Sub-districts: N. Pearl Street, State Street, Riverfront

In terms of location, proximity to the theaters on N. Pearl Street would be valued, especially given the aforementioned hesitation of some patrons to venture too far from their primary destination. And with its stately, elegant feel and its business-class hotels, State Street might also be tempting to certain operators. Finally, the Riverfront could justify premium pricing by dint of its views and setting, particularly if current plans to upgrade and activate the Corning Preserve come to fruition.

It is also worth mentioning again that many independent restaurateurs, even ones that have been successful with an initial venture, do not have access to the kind of capital required to build a kitchen from scratch. And given that the number of available spaces in the retail core already outfitted with such infrastructure is quite limited, new offerings will likely not materialize without some provision of assistance for funding the necessary improvements.

- **Crossover dining**. Other promising food concepts in Downtown Albany include those that, whether sit-down or quick service, have repeatedly demonstrated an ability to appeal across ethnic, cultural and socioeconomic lines, drawing the Inner City psychographic as well as an assortment of other cohorts (that would, in this case, probably include Hipsters, Mainstream Coeds and younger Yup-sters).

Indeed, with African American and Latino diners accounting for roughly 45% of trade area residents, such offerings are capable of tapping a particularly large base of potential customers. And by engaging and showcasing sub-cultures that seem to feel marginalized in the current revitalization effort, they would also help to position Downtown Albany as a true "crossroads" for the entire city and region.

Crossover Dining
Concepts: Food concepts that appeal across ethnic, cultural and socioeconomic lines
Submarkets: Inner City, Hipsters, Mainstream Coeds and Yup-sters (younger) and Mainstream Coeds
Sub-districts: S. Pearl Street, between State Street and the South Mall Arterial

As for location, these sorts of eateries would make the most sense on S. Pearl Street, along the stretch between State Street and the South Mall Arterial (and on the southbound side), where they would sit within an existing retail fabric, in more affordably priced spaces and closer to the Inner City concentration in the South End neighborhood.

Finally, with such restaurateurs financial assistance for build-out costs will be especially critical, given that many lack access to capital and that new kitchens might be required. Some will also require technical assistance so that their concepts present as broadly accessible, especially with the ongoing need to market both the Times Union Center as well as the corporate office buildings across the street to a wide range of patrons and users.

- **Coffeehouses and other "Third Place" venues**. Given the role of the coffeehouse in building a sense of community in fledgling neighborhoods, and the desire to grow the residential population in Downtown Albany, it is problematic that the retail core currently lacks such a venue. There are cafes, but they are geared exclusively towards daytime workers: all of them close early, just one stays open on the weekends and none offers a particularly warm and appealing space for gathering and lingering.

Of course this is a "chicken-or-the-egg" scenario: existing offerings are simply aligning their hours with present-day demand realities. A working business model, then, might be one that serves multiple sub-markets and day-parts, providing both injections of caffeine to office workers and "Third Wave" quality to connoisseurs, and then, driving additional traffic as a juice purveyor, board-game cafe and/or even a small-scale grocery (to be discussed later on).

"Third Place" Venues
Concepts: Coffeehouse, with multiple sub-markets and day-parts
Submarkets: Suits, Yup-sters (younger), Hipsters
Sub-districts: N. Pearl Street, between Steuben Street and Sheridan Avenue

Given the need to attract the daytime worker, a location at or near the intersection of State Street and Pearl Street would seem to make the most sense. However, with both Starbucks Coffee and Stagecoach Coffee already there, the more promising opportunity might lie further north along N. Pearl, where the competition would be considerably less and the cross-traffic in the evening hours much greater.

Finally, it is worth reiterating that coffeehouses are not the preferred third place for every sub-culture. Again, in many African American precincts, the barbershop and the beauty parlor have long played this role, while working class whites have looked to the neighborhood bar and the hair salon. This is not to say that such businesses should be actively pursued for the retail core, but rather that, if present, their larger importance to these groups should be fully appreciated and not readily dismissed.

- **Boutiques**. Given the relatively limited selection of comparison goods stores in the Albany area for the 18-to-29-year-old who does *not* want to look like everyone else and longs for alternatives to the large mass-market chains, there would seem to be an opportunity for some business district to position itself as its boutique shopping destination for youthful, moderately priced fashions.

With an almost complete lack of fashion co-tenancy, Downtown Albany does not present itself as an obvious candidate. However, it does offer proximity to the city's large student population as well as visibility to a growing number of young professionals. Indeed, it sits in a similar location vis-à-vis these sub-markets as the cluster of boutiques in Syracuse's Armory Square.

Boutiques
Concepts: Moderately priced fashions for 18 to 29-year-olds
Submarkets: Mainstream Coeds, Yup-sters (younger)
Sub-districts: Project/landlord that can accommodate a larger cluster and offer a forgiving rent structure

In order, though, to build towards a critical mass in Downtown Albany, at least four or five such stores would need to open together and in close proximity to each other, ideally in relatively small (thereby affordable) spaces within a single building or development, with a property owner who is willing to "partner" in their success and remain patient as they grow.

Such entrepreneurs might first look to the blocks of N. Pearl Street with the highest levels of daytime foot traffic. However, this is not where they are likely to find their core customer(s); in fact, inasmuch as their success will depend largely on destination trade, their precise location is not as important as their ability to cluster in one place and then market themselves effectively, with a lease structure that affords them time to establish a customer base.

If successful, these sorts of unique offerings could extend the reach of Downtown Albany beyond just the immediate trade area – drawing younger shoppers from across the city, for example -- as well as leave it in a less vulnerable position vis-à-vis its chief (chain-filled) competitors. Again, Armory Square has retained its collection of shops even though New York State's largest mall sits less than two miles away.

Urban Outfitters. The ultimate anchor for a shopping destination geared towards this 18 to 29-year-old age range, even one consisting primarily of independently owned and operated shops, is the Philadelphia, PA-based Urban Outfitters chain, which features an eclectic mix of apparel, home accessories and gifts tied together by a common psychographic (falling somewhere between hipster and yup-ster).

Somewhat surprisingly, Urban Outfitters does not yet have a presence in the Capital Region. However, it has most likely been looking and will continue to do so, given the size of the metro and the large number of students. Indeed, it already operates stores in Syracuse and Buffalo as well as the smaller markets of Ithaca, Northampton (MA) and State College (PA).

In addition to its many mall-based locations, Urban Outfitters also considers Downtown settings and will pioneer, in a sense: it is often the first comparison goods *chain* willing to open in emerging business districts. Even in these cases, however, it tends to wait for an initial wave of independents to "prove" the market -- as it did, for example, in Syracuse's Armory Square.

For this reason, it would probably prefer to locate its Capital Region store in either Crossgates Mall or Downtown Saratoga Springs, and if it is going to consider something more urban and pioneering, Downtown Troy would be likelier, given that district's closer alignment with Urban Outfitters' alternative brand and growing contingent of boutiques.

That said, Downtown Albany does offer proximity to a larger number of students (see caption below), especially given that only a small percentage of Rensselaer Polytechnic Institute's student body presents as likely Urban Outfitters shoppers. Furthermore, there are several available spaces within the retail core that could accommodate the chain's typical floor-plate of 9,000 square feet.

Even though it draws heavily among students, Urban Outfitters' locations in university towns are not always within **walking distance** of this primary sub-market. Indeed, the heart of Pine Hills sits roughly the same distance from Downtown Albany's retail core – less than two miles away -- as the hub of Syracuse University (image) vis-à-vis Armory Square.

In Syracuse, Urban Outfitters was also impressed with the vision for and direction of the Armory Square district[36], and might be similarly taken with the level of commitment and buy-in implied by the Impact Downtown Albany initiative. And ultimately, much can turn on the deal itself, and by extension, the kind of package that the property owner, in partnership with the public sector, is able to offer (see caption on the next page).

[36] According to a 2009 City of Syracuse press release entitled "Urban Outfitters Coming To Downtown".

Urban Outfitters was persuaded to locate in Armory Square with the help of a $50,000 grant from the Metropolitan Development Association as well as two $75,000 low-interest loans from the Syracuse Economic Development Corporation and the Greater Syracuse Business Development Corporation, and also, in all likelihood, a generous T.I. allowance from the property owner, Syracuse-based Brookline Development.

In the end, while it might be a bit of a long shot, making a run at Urban Outfitters would still be worthwhile given the potential payoff. Not only is it a high-volume traffic generator that would attract and support other comparison goods stores, but also, as an industry bell-weather, its presence would serve to legitimize and validate Downtown Albany as a retail sub-market.

The chain would most likely want a space within the retail fabric of N. Pearl Street, but would probably not require a location on Downtown's highest-visibility intersection. And with a clear affection for and willingness to work with historic buildings, it would not need a prototypical space in a newly built structure, and could spread its square footage across multiple levels if necessary.

- Sporting goods. Despite its proximity to the Adirondacks, the Catskills and the Berkshires, the Capital Region has yet to attract some of the highest-profile retailers in the outdoor recreational space.

This subcategory focuses on gear and equipment for a number of different pursuits, including hiking, backpacking, cycling, kayaking, canoeing, camping, skiing and snowboarding as well as hunting and fishing. It also includes the clothing brands most closely associated with this lifestyle (e.g. North Face, Columbia, Patagonia, etc.), which have become popular in broader culture as basic wardrobe staples.

Sporting Goods
Concepts: Outdoor recreational gear and equipment as well as lifestyle apparel
Submarkets: (Younger) Yup-sters, Hipsters, Students, Middle
Sub-districts: Riverfront, with direct I-787 access

At present, locals can shop the in-store departments within broad-line formats like Dick's Sporting Goods and Sports Authority and big-box discounters like Wal-Mart and Target, as well as specialists such as Eastern Mountain Sports (EMS) and Mountainman Outdoor Supply. And skewing more towards lifestyle fashion, there is an Eddie Bauer Outlet, a full-priced Eddie Bauer as well as a high-grossing L.L. Bean store.

Yet other large chains like Recreational Equipment Inc. (REI), Cabela's, Bass Pro Shops and Gander Mountain remain conspicuously absent, as does "Herb" Phillipsons, a near-ubiquitous presence in Central New York. The above nationals, however, have reportedly started to scout possible locations in the Capital Region. The following covers the ones most likely to consider Downtown Albany.

Recreational Equipment Inc. (REI). An especially popular brand among younger yup-sters is the Kent, WA-based REI, which covers only the "non-lethal" outdoor sports, refusing to carry guns, ammunition, fishing rods, bows and arrows. It is the nation's largest consumer co-operative, with roughly 5.1 million members, although all of its stores are open to the general public.

REI's tenant-rep broker is actively looking for space in the Capital Region, and weighing Downtown Albany as one among a number of possibilities. With its interest in locations that offer the potential for synergy with its merchandise mix (see caption below), the chain is drawn to the Hudson River and specifically, the Corning Preserve, as a nexus for outdoor activities as well as the focus of a City-led planning effort and upgrade.

As a general rule, **REI** prefers to locate near other destination retail, but will consider a freestanding opportunity with proximity to other outdoor recreational activities and uses. For example, its Denver flagship store sits alone on the banks of the South Platte River, but offers connections to hiking and biking trails as well as proximity to the city's premier kayaking course.

REI requires 25,000 square feet, preferably on a single floor, with surface parking and convenient highway access. However, in an urban setting that it highly covets, there is a willingness to consider a multi-level arrangement as well as a parking structure, as long as the latter sits immediately adjacent to the store, offers drive-up access to an entrance and provides an area for customer loading of large items.

While it would not insist on retail co-tenancy, REI would at the very least want to open as part of a larger, well-branded, mixed-use project. And given the importance of the aforementioned synergies, a site either at or near the Corning Preserve would be essential. It is prepared to locate west of I-787, but would, in any case, need to be satisfied by the pedestrian connectivity with both the Riverfront and the Downtown.

With the image boost that its brand would provide to Downtown, especially in the eyes of younger yup-sters, REI would be worth the special attention. However, as it has expressed a desire to open as soon as possible, the effort must proceed immediately, with the City moving quickly and aggressively, for example, to demonstrate real commitment to and tangible progress on the Corning Preserve upgrades.

Each of the other large nationals – Cabela's, Bass Pro Shops and Gander Mountain – adds hunting, fishing and archery to its respective repertoire, and as a result, caters to a wider base of potential customers, including the aforementioned "Middle" psychographic. Of the three, the St. Paul, MN-based Gander Mountain is probably the most likely to give serious consideration to Downtown Albany.

Differentiated by a more utilitarian (less entertainment-driven) concept and lower price point, **Gander Mountain** typically does not draw from as far afield as a Bass Pro Shops or a Cabela's, or generate as much sales tax revenue. On the other hand, it also does not require the same level of public subsidy as these other two, which have become well known for demanding exceedingly generous incentive packages from host municipalities.

Gander Mountain has thrived in a Downtown setting before, having opened in 2005 as the initial anchor of WaterWalk, a larger mixed-use development on the Arkansas River in Downtown Wichita. The location has become one of the chain's top performers[37], expanding in 2011 to accommodate a Gander Mountain Academy for firearms education and training, one of the six that it has opened across the country.

However, with a floor-plate consisting of 88,000 square feet on a single level, it would be a stretch to call this store "urban". And despite initial plans for fishing areas and restaurant decks, the design does little to engage the riverfront. Moreover, there has been precious little retail spinoff in the ensuing nine years, with WaterWalk widely considered a dismal failure.

Finally, while these chains have been experimenting with more modestly sized floor-plates for smaller markets, like the new 40,000 square foot "Cabela's Outpost" format, such an offering would, in the case of the Capital Region, be vulnerable to and outflanked by the full-line, big-box "destination" store expected in a more central and broadly accessible location along the Thruway/Northway.

- **Crossover shopping**. A very small subset of comparison goods retailers are not just able to appeal to multiple sub-markets, but also, can simultaneously attract different types of shoppers that, intentionally or not, tend to have very little to do with one another. Specifically, they manage the feat of tapping the "Inner City" psychographic,

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[37] According to Chris Juelich, national director of Gander Mountain Academy, the chain's school for firearms training, as reported in a July 27, 2011 blog post by Carrie Rengers of the *Wichita Eagle*.

which comprises a large percentage of trade area households, while at the same time not deterring other extant cohorts.

Crossover Shopping
Concepts: Comparison goods concepts that appeal across ethnic, cultural and socioeconomic lines
Submarkets: Inner City, Hipsters, Students
Sub-districts: At or near the intersection of S. Pearl Street and Madison Avenue

Perhaps the most promising opportunity in this regard is the bargain-priced thrift store, popular among lower-income households but also able to draw hipsters, some students as well as other assorted treasure hunters. The closure of the Salvation Army on Clinton Avenue has left a vacuum in this sub-category, one that might be filled, with greater likelihood of success, by an operator in a different, more broadly accessible location with better street presence (see caption below).

The **Salvation Army** on Clinton Avenue closed in 2012, citing slumping sales as the primary reason. Its struggles, however, might have had something to do with its lack of street presence. Salvation Army buildings do not always include retail, and this one, housed in a warehouse behind an iron railing and a row of bushes, did not "look" like a store. Furthermore, while hipsters tend not to be easily deterred by setting, some might have found the location on the edge of Arbor Hill just a bit too menacing, thus limiting its crossover appeal and draw.

One such possibility is **Savers**, a Bellevue, WA-based chain that purchases and resells used merchandise from the local chapters of non-profit partners like United Cerebral Palsy, the Epilepsy Foundation of America and Big Brothers Big Sisters. Calling itself a "second-hand department store", its large stores, ranging in size from 20,000 to 30,000 square feet, offer men's, women's and children's clothing, home goods, household items and various other product lines.

Far from the cluttered and dingy appearance of the stereotypical charity-based thrift store, Savers' cleaner, brighter and more spacious interiors (see image on the next page) feel like those of a mainstream off-price retailer like T.J. Maxx. And while the chain's for-profit status has created some tensions within the used-clothing industry, it also means that Savers pays more in local taxes. The typical unit grosses an estimated $3.5 to $5.25 million in annual sales, depending on size.

A typical **Savers** store interior

Strangely, despite operating stores in the Springfield, Rochester and Buffalo metros, Savers does not yet have a presence in the Capital Region. However, given the chain's ongoing plans for aggressive growth, it will likely be scouting possible sites soon (if it is not already). Furthermore, if markets like Springfield (with a MSA population of roughly 700,000) are any indication, Savers will probably look to open more than one location.

Savers would require a parcel capable of accommodating its larger floor-plate as well as adjacent parking. Generally speaking, the chain prefers to open in already established shopping areas, which could be a deal-breaker in Downtown Albany's case. But even if not, it would likely insist upon a site with superior visibility and access from I-787, major arterials and bus routes, like, say, one in the vicinity of the intersection of Lower Broadway and Madison Avenue.

- **Grocery**. When trying to grow the residential population in a Downtown setting, the supermarket is viewed as *the* most important amenity to have, not because residents would otherwise lack access to such a store – indeed, most would still own cars and be able to drive to one in the suburbs, as they always have – but rather, because it is seen as symbolic of the very different sort of lifestyle that one might lead in a truly urban environment.

The aforementioned "retail float" analysis indicates existing leakage of $43 million in this category, representing 36% of the overall grocery expenditure of trade area residents.[38] The average supermarket can be expected to lose just 30% of the total to competitors further afield (see caption on the next page), with the percentage further reduced in this case, to 27.5%, given that 30% of the households do not have cars and are therefore more likely to shop locally. This difference, between 36% and 27.5%, translates to $10.1 million in sales, or 24,000 square feet[39], that could potentially be "recaptured".[40]

[38] Source: MJB Consulting, Nielsen-Claritas

[39] As based on the industry average of $435 per square foot provided by the *Food Marketing Institute*, 2010-2011.

As convenience goods, groceries are typically purchased in stores closest and most conveniently located to where consumers live. However, certain trade area residents will drive past the nearby Price Chopper for a specialty format like a Trader Joe's or an Honest Weight Food Co-Op, or include this errand as part of a "one-stop" shopping trip to a larger retailing destination, thus accounting for the **sales leakage**.

Another approach to assessing demand in this category is to assume two square feet of grocery store space per capita. The 74,000 trade area residents, then, should be able to support 148,000 square feet in the category, yet the existing operators – two modestly sized Price Chopper units, a Save-A-Lot and an Aldi's – aggregate to roughly 81,000 square feet. A 72.5% capture rate (of 148,000 square feet) translates to 108,000 square feet, suggesting the potential for as much as 27,000 additional square feet.

The above calculations are somewhat deceptive, however. Today's grocery shoppers are spreading their purchases across multiple retail formats, including drug, variety/dollar and convenience stores. In other words, much of this supposedly "unmet" demand is actually absorbed *within* the trade area, for example, at the Rite Aid on N. Pearl Street, the Sunoco on Broadway as well as other alternatives throughout the neighborhoods.

The more promising opportunity lies with the trade area's aforementioned subset of highly educated, upper income consumers, who yearn for a more elevated alternative to the current offerings. Indeed, they (among others) refer to the Price Chopper store on Delaware Avenue as the "Ghetto Chopper", patronize the other one on Madison Avenue only by default and understand the Save-A-Lot as a deep-discount, decidedly low-end concept.

In other words, one can assume that the trade area is presently leaking a very high percentage of this sub-market's grocery expenditures, and furthermore, that such float is one of the reasons why specialty formats like Honest Weight Co-Op and Whole Foods Market have been successful and/or are expanding locally. However, it also suggests the possibility that a more overtly up-market and conveniently located concept could quickly secure a loyal following.

But even if a suitably sized parcel were available in Downtown Albany, this is unlikely to be a 40,000 square foot, full-service supermarket. While not insignificant, the number of highly educated, upper income consumers living in the trade area – estimated at roughly 15,000 – still falls well short of the minimum threshold typically needed by these specialty grocers to justify another location (in addition to their existing ones to the west).

While **Whole Foods Market** has already announced its intention to open multiple locations in the Capital Region[41], it probably feels that its core customer within the Downtown Albany trade area is already "covered" by the Colonie Center store.

Rather, a new offering within the trade area would be relatively modest in size, from 2,500 to 5,000 square feet, and designed for "fill-in" trips between the weekly visit to the full-service supermarket or supercenter. Skewed somewhat towards more discriminating palates, it would offer a selection of higher-margin specialty foods, including craft beers, wines and liqueurs.

This sort of small-scale grocery would also supplement demand – and mitigate risk -- by drawing on other day-parts and submarkets, like, for example, peddling "Third Wave" coffee, cold-pressed juices and sandwiches/salads to daytime workers, providing catering services for meetings and events, selling take-home fare to suburban commuters, acting as a "Third Place" for the growing residential population, etc.

As recently as May 2014, ShopRite was considering a scaled-down, roughly 4,000 square foot concept in **Empire State Plaza**'s underground concourse. However, like other tenants there, it would probably close on the weekends, and would also lack direct visibility and access from street level. In other words, it would likely fall short of the true Downtown food market that many wish to see.

Ideally, such a store would be located at the convergence of N. Pearl Street, Orange Street and Broadway. Situated along the "drive-home" side en route to I-787 northbound, and with clearly visible (and free) off-street parking, it would offer convenience to commuters as well as automobile-bound trade area residents. And at the same time, it would sit proximate to an underserved contingent of daytime workers

41 As reported in Tim O'Brien's June 5, 2014 piece in the *Times Union* entitled "Whole Foods plans multiple stores in Capital Region".

along Broadway, as well as the growing number of yup-ster consumers living to the immediate west or north.

Small-Scale Grocer
Concept: 2,500 to 5,000 sq ft store (with parking), serving multiple day-parts and sub-markets
Submarkets: Yup-sters, Suits, Middle
Sub-districts: Convergence of N. Pearl Street, Orange Street and Broadway