

Downtown Nashville Retail Strategy

Retail Strategy and Merchandise Mix Plan



ERA | downtown
works

January 2008



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Project Report

Nashville Downtown Retail Strategy

Prepared for

**Nashville Downtown Partnership
Nashville, TN**

Submitted by

Economics Research Associates

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ERA Project No. 17302

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Report Overview

The Downtown Nashville Executive Summary is summarized here through text and PowerPoint slides with images, graphs, and tables. An Appendix follows with more detail. ERA|Downtown Works (ERA|DW) was hired to outline a Retail Strategy for Downtown Nashville, which includes a Merchandise Mix Plan and a comprehensive Implementation Strategy. ERA|DW defined and assessed the relevant customer markets and their spending patterns. Additionally, ERA|DW performed a Qualitative Assessment of all ground level retailers on the primary retail streets in the Downtown Core. ERA|DW found that the downtown Core is wholly underserved by numerous retail categories, the Gulch has the potential for neighborhood and some destination retail in the long term, and SoBro retail will thrive primarily east of 4th Avenue. Retail recruitment is a long term process and should commence with a focus on the Downtown Core, specifically 4th and 5th Avenue between Church and Union as well as 2nd Avenue. Broadway is in need of storefront and merchandising improvements, as well as a fine tuning of the merchandise mix. Action to enhance design guidelines with regards to storefronts and signage for infill development and renovations, as well as to create programs that facilitate façade improvements will ensure better retail environments in the future. The Executive Summary focuses first on the downtown overview and market assessment and then the merchandising direction for the Gulch, SoBro, and the Downtown Core.

Retail Strategy & Implementation Program

- The Nashville Downtown Partnership retained ERA|DW to evaluate retail conditions in downtown Nashville and create a Retail Strategy and Implementation Program
- The scope includes:
 - Definition and description of important customer markets
 - Development of Merchandise Mix Plan, including appropriate mix of retailers and phasing
 - Commencement of Implementation Program

Project Timeline

- Months July – Sept: Data gathering, interviews, strategic assessment
- Months Oct – Dec: Executive Summary, merchandise mix plan, retail recruiter, marketing material
- Months Jan – June: Implementation

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Customer Overview

Understanding the various customer markets is important to developing a merchandise mix plan. ERA|DW defined three critical markets, visitors, employees, and residents and assessed their characteristics.

Employees

There are approximately 47,617 employees working in downtown Nashville in approximately 1,402 businesses, organizations, and governmental agencies. Most downtown employees are between 25 and 44 years old (49 percent) and 38 percent are in their peak earning years between 45 and 64. The top employers in 2007 were:

- 1) State of Tennessee
- 2) Metropolitan Government of Nashville & Davidson County
- 3) US Federal Government
- 4) Lifeway Christian Resources
- 5) AT & T
- 6) Nissan North America
- 7) Nashville Electric Service
- 8) The Tennessean
- 9) US Smokeless Tobacco
- 10) Waller Landsen Dortch & Davis

In 2007, downtown employers and businesses, ranked the need for “retail variety” as one of the top five requested improvements for downtown Nashville. While office workers in the categories above are generally not extravagant spenders, they will contribute significantly to downtown retail expenditures. ERA|DW assessed national employee spending trends through surveys conducted by the International Council of Shopping Centers (ICSC) in 1987 and 2003. This is the most recent survey. On a whole, downtown employees are spending more money and time on after-work dinner and drinks, but are buying less of their lunches out and taking less time to travel to lunch. This trend supports focusing on full service restaurants that serve lunch and dinner as opposed to quick service spots only serving lunch. The ICSC survey found that downtown employees spend approximately \$3,100 per year on retail (\$1,400) and restaurants (\$1,700).

Visitors

Nashville is the number one tourist destination in Tennessee; however this includes all destinations in Nashville, such as Gaylord Opryland Hotel, which attracts a significant amount of tourism and conventioners. The Nashville Convention and Visitors Bureau (CVB) does not track downtown specific visitation, but does track Davidson County visitation at 10.5 million annually. On average visitor trips are 4.7 days and annual per person per trip expenditures are \$330. According to the CVB, one third of all visitors are leisure, business, and convention visitors. In downtown there are 2,700 hotel rooms and between 600 and 800 are in the pipe line. The 2007 occupancy rate for downtown Nashville hotels was 75 percent (unchanged from 2006). As a very rough estimate, if the occupancy rate is applied to the number of hotel rooms available per year, the result is approximately 739,000 room nights occupied per year in downtown.

Leisure visitors are the most likely to spend money on retail because they have both the time and [potentially] intention of spending money. In Nashville, most of the leisure visitors visit Broadway and 2nd Avenue, as well as specific destinations, such as the Country Music Hall of Fame. Business visitors primarily spend money on meals out, hotel rooms, transportation, and occasionally retail items. Throughout stakeholder interviews, ERA|DW discovered that business visitors frequent the art galleries on 5th Avenue|Arcade as a destination. Convention visitors also spend money on the same categories, but will likely spend less money than non-convention business visitors on meals out. There are two reasons for this: 1) Business visitors tend to have more flexible expense accounts than convention-goers, 2) Convention centers, generally, seek to retain conventioners' food expenditures in the center through catering services.

Residents

In Nashville, downtown residential development has experienced extraordinary gains over the past few years. Despite the strongly growing downtown population, the close-in residential market is limited. Current and future retailers must rely on residents in the surrounding trade areas. ERA|DW defined primary, secondary, and tertiary residential trade areas based on 10, 20, and 30 minute drive times. Drive times take into consideration auto access to downtown. This total market area (inclusive 30 minute drive time market) includes approximately 850,000 people. Average household income increases as the distance from downtown increases. ERA|DW utilized ESRI Business Analyst Tapestry information to understand the psychographic characteristics of the residential markets. Psychographics describe the characteristics and lifestyle choices of various demographic segments, such as living preferences, buying trends, preferred activities (i.e. sports, entertainment), eating habits, and more. This information helps determine what types of stores are likely successes and appropriate for the Merchandise Mix Plans. The following psychographic profiles are based on national trends; however, the profiles are attributed to the project area based on census data from the census block groups within each trade area. Overarching categories are referred to as Life Mode groups; Segmentation groups further refine Life Mode groups. Market details are described in the following slides.

Customer Overview

Types of Customers

- Each type of customer is important and contributes to total retail dollars spent in downtown
 - Visitors
 - Employees
 - Residents

Visitors

- 10.5 million annually to Davidson Country
 - 1/3 each for leisure, business, and convention
 - \$3.5 billion total spending (\$330 per person)
- No specific count for downtown, significant number of Nashville-MSA tourists are visiting Opryland
- 2,700 hotel rooms in downtown
- Visitors support souvenir and gift shops
- Stay, on average 4.7 days

Employee Market

- 47,617 (2007) grew from 46,867 (2005) and 45,301 (2004)
- 1,402 downtown businesses, organizations and governmental agencies
- Retail Variety, ranked, by employers, in Top 5 elements needing improvement

Residential Markets

- Determined residential market areas
- Utilized drive-times for markets outside of core
 - Takes into account real accessibility
 - 10, 20, and 30 minute drive-times
- Assessed downtown sub-districts

Employees Characteristics Relevant to Retail Spending

Employment Industries

- 47,617 employees (2007)
- Top 5 employment categories are:
 - 28% Public Administration (state, city, & US)
 - 15% Information, Publishing, Broadcasting (LifeWay Christian Resource, Tennessean, BellSouth, United Methodist Publishing House)
 - 13% Accommodation and Food Services (Renaissance)
 - 8% Legal Services
 - 7% Finance and Insurance

Other

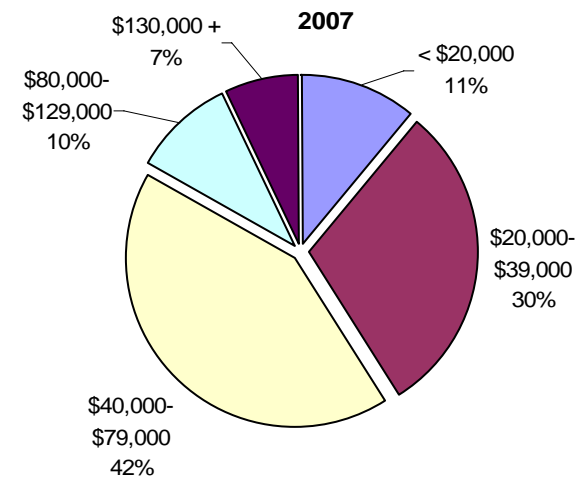
- 4% reported living downtown (app. 1,900 people)
- Nationally:
 - **Increase** - Employees not buying lunch
 - 4% in 1987 and 17% in 2003
 - **Increase** - Lunches purchased at delis/carry-out/grocery businesses (double)
 - **Decrease** - Office workers travel time to lunch (avg 6 min)
 - Less than 5 min: 25% in 1987 and 40% in 2003
 - **Increase** - Employees stopping for after work dinner/ drinks close to office
 - 12% in 1987 and 25% in 2003

Age and Gender

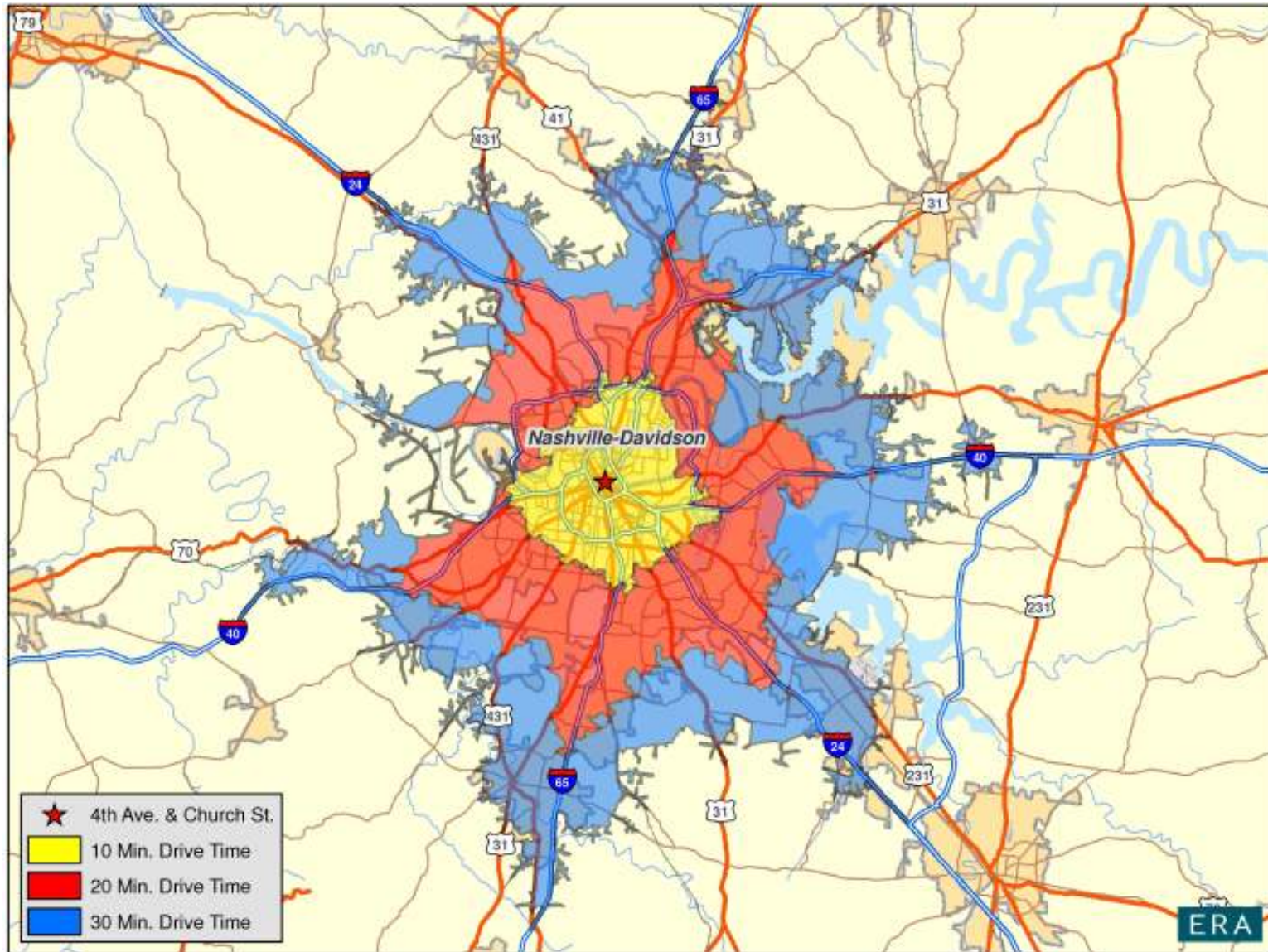
- 49% 25-44 yrs old
- 38% are 45-64, peak earning years, higher disposable income
- 50% male / 50% female

Income

- Majority have moderate disposable income
- 41% make less than \$39,000



Residential Drive-Time Markets



Residential Markets

Downtown

- Considered Partnership Boundaries
- US Census estimates and projections
 - Estimated residents on previous growth trends
 - 4,300 (2007) and 4,600 (2012)
- Current NDP projections (2007)
 - Estimated residents by unit growth
 - 3,219 (2007) and 6,024 (2009)
- Median age 36
- Avg HH Income
 - Average \$52,000 (2007) and \$64,000 (2012)

Primary Market (10 min. drive)

- 221,500 residents (2007) and 224,000 projected (2012)
- Median age 34
- Average HH Income
 - \$57,000 (2007) and \$70,000 (2012)

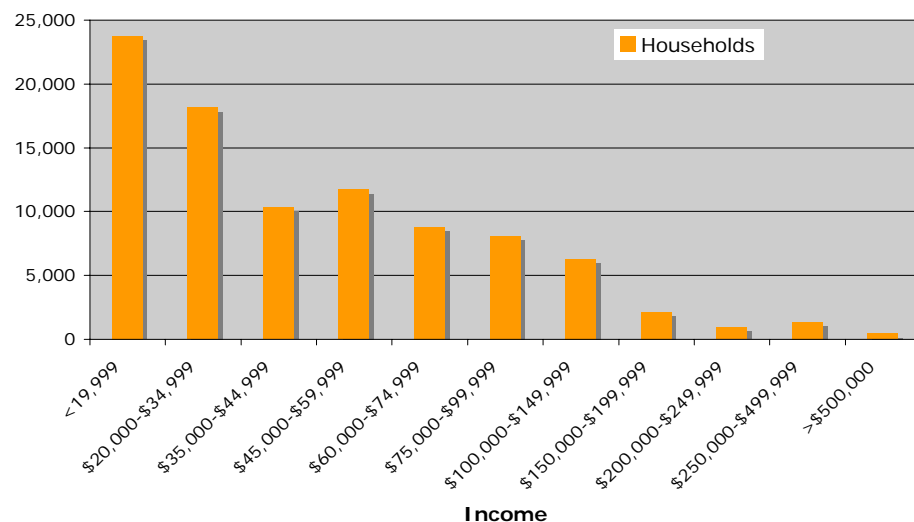
Secondary Market (20 min. drive)

- 324,400 residents (2007) and 338,400 projected (2012)
- Median age 37
- Average HH Income
 - \$79,500(2007) and \$97,000 (2012)

Tertiary Market (30 min. drive)

- 297,600 residents (2007) and 343,000 (2012)
- Median age 37
- Average HH Income
 - \$97,300 (2007) and \$121,800 (2012)

Primary Market HH Income Distrubution, 2007

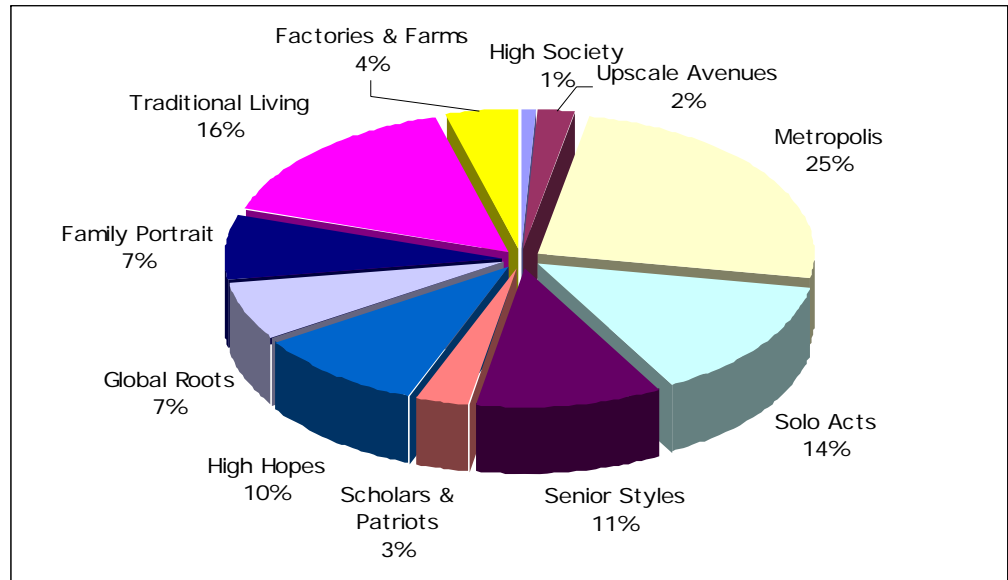


Residential Tapestry Data

Primary Market (10 min. drive)

- Analyzed Life Mode Tapestry groups, which cluster similar lifestyles and life stages
- Each Life Mode group has several more specific segmentation categories (65 in whole system)
- 1st and 3rd largest groups (**Metropolis** and **Solo Acts**), are potential downtown customers
- **Metropolis**: 2 diverse groups
 - **Metropolitans** 10% of total
 - Favor city living, have active urbane lifestyle
 - 75% of those over 25 have college degree or higher
 - Median income \$61,000
 - **Metro City Edge** 9% of total
 - Half work in service related jobs, 9% over 25 have college degree or higher, median income \$31,000
 - Primary concern is welfare of children and spend wisely
 - Tend to shop at department stores
- **Traditional Living**, generally less urban desire
 - Largest sub-group is **Rustbelt Traditions** - 10% of total
 - Median income of app. \$50,000
 - 50/50 white collar and manufacturing
 - Financially conservative
 - Do not follow fads, stick with products/services they know
- **Solo Acts (Very likely urban retail customer)**
 - Most are **Metro Renters** 7% of total
 - Young well-educated singles starting professional careers
 - Largely single and renters, spend \$ on themselves (clothes, wine and beer, other merchandise)
 - Exercise, read, socialize, travel frequently

- **High Society** is relevant to retail - smallest group
 - Contains 7 most affluent segments, high disposable income
 - Category grows significantly as market extends (9% and 35% of secondary and tertiary markets)



Categories in orange indicate likely customers for urban retail.

Residential Tapestry Data

Secondary Market (20 min. drive)

➤ Solo Acts

- **Young and Restless** dominant sub group - 17% of total
- Young professionals pursuing careers, busy lifestyles
- Read magazines to stay current on lifestyle, entertainment, and fashion trends
- Technologically savvy
- Not yet saving for retirement or investing
- Frequent movies, clubs, bars

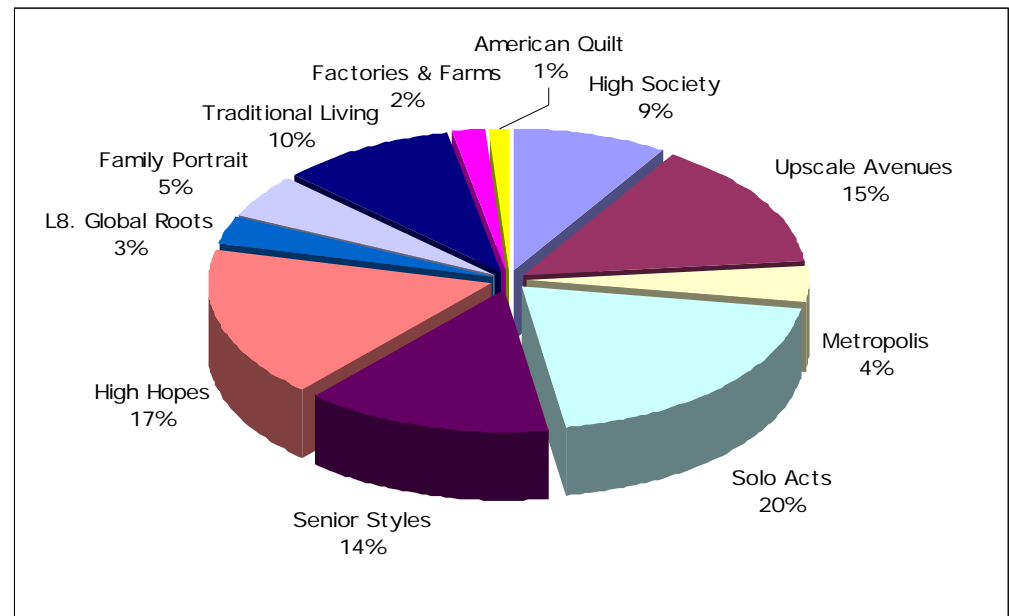
- Severally equally dominant tapestry groups
- The largest three groups are potential downtown customers

➤ High Hopes

- **Most are Aspiring Young Families** 15% of total
- Starter homes, found in growing southern metropolitan areas
- 60% = professional, managerial, sales or office support jobs
- Much of \$ spent on children
- Eat out at mid-price restaurants or fast-food

➤ Upscale Avenues - 3 major subgroups

- **Enterprising Professionals** are 6% of total; **In Style** and **Cozy and Comfortable** represent 5% of total
- **Enterprising Professionals**
 - Young, 43% are singles living alone or with roommates
 - Mobile with growing consumer clout (income)
 - Own laptops, MP3 players, latest technology
 - Physically and socially active, enjoy travel
- **In Style**
 - Live in suburbs, but prefer city lifestyle
 - Spend some time and money investing in future
 - Health conscious with food choices and activities
 - 40% 25 yr and older have college or higher degree
- **Cozy and Comfortable**
 - Middle-aged, married, in older neighborhoods
 - Home improvement and remodeling are priorities
 - Enjoy sports games and eating at family-style restaurants

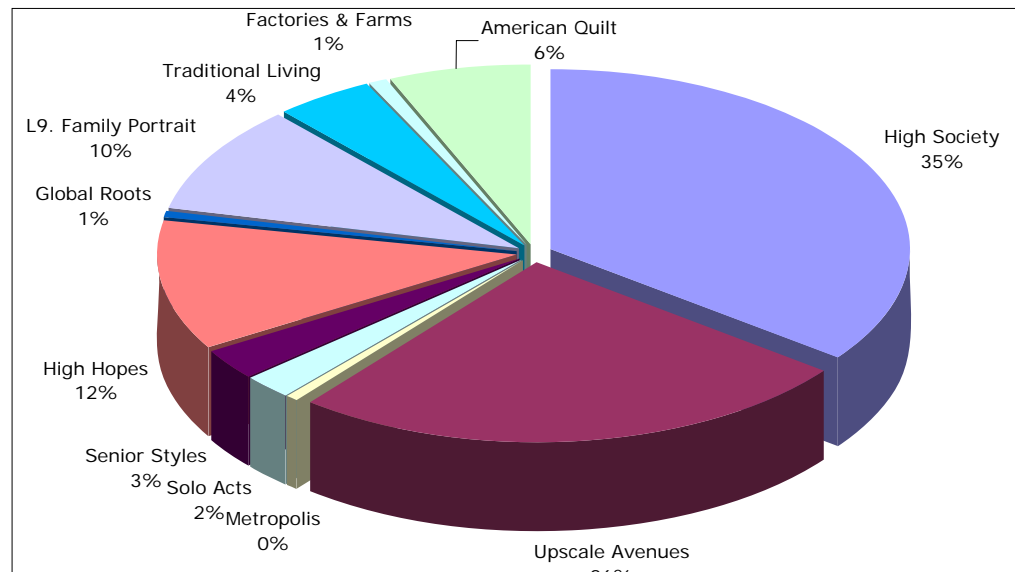


Categories in orange indicate likely customers for urban retail.

Residential Tapestry Data

Tertiary Market (30 min. drive)

- **High Society**
 - **Boomburbs** is most dominant sub group - 15% of total
 - Young, upscale, affluent families living in the suburbs
 - Top market for recent purchases on everything including home furnishings, apparel, cars, landscaping, TVs
 - Contract for home maintenance, remodeling, landscaping
 - High concentration of dual income households
- **Upscale Avenues**
 - **In Style** is most dominant subgroup - 12% of total
 - **Enterprising Young Professional** small subgroup 6.3% of total
 - Other sub groups **Green Acres**, and **Cozy and Comfortable**
- **High Hopes**
 - **Aspiring Young Families**, most of group - 11% of total
- Distance from downtown limits likelihood of frequent shopping trips to downtown
- Over 60% are households with affluence who enjoy spending
- Must create great retail mix (destination) to attract households in the tertiary market



Categories in orange indicate likely customers for urban retail.



Stakeholder Interviews and Strengths and Challenges

Stakeholder interviews are an important part of the Retail Strategy for two reasons: 1) Gain a first hand understanding of the retail market dynamics and factors impacting its successes or failures 2) Share the Retail Strategy and implementation approach to build consensus for its efforts. In the first six months of the process ERA|DW interviewed approximately 25 stakeholders one-on-one. Several common themes emerged and are listed on the following slides. A merchandise mix cannot be implemented, alone, by recruiting retailers. Implementation will succeed if property owners, real estate representatives, city officials, etc. buy-in to the plan and are willing to contribute to its efforts. Stakeholder interviews continue throughout ERA|DW's year long process. After the Retail Recruiter begins working, stakeholder interviews will help introduce the Recruiter to people he/she will be interacting with on a daily basis. He/she will continue meeting with key stakeholders.

Retail is a dynamic industry that is influenced by many variables. Retail in downtown Nashville is impacted by several strengths and challenges that are outlined below. One of the biggest strengths is Nashville's strong brand identify and in addition, there is a great buzz about downtown due to all the recent growth. Downtown is underserved by retail so there are great retail opportunities if implemented appropriately. Downtown is fortunate to have organizations that are committed to downtown revitalization, including the Nashville Downtown Partnership, the Metropolitan Development Housing Agency (MDHA), and the Metro Planning Department, as well as the development community. As Nashville continues to grow it is important that these entities work together to ensure that new development does not inhibit retail and that storefronts are configured and located appropriately.

Stakeholder Interviews

- Current office tenants not big enough to drive large towers
- Need
 - More attractive (full-service) lunch and dinner establishments
 - Theater, bookstore, men's apparel, and upscale contemporary boutiques
 - Brand names
 - Convenience goods should not go away
- West End to Midtown is increasingly popular residential location for empty nesters downsizing – mid-way from suburbs to downtown core (half step to downtown)
- Panhandling MUST stop, major deterrent
- 2nd Ave after-hours and 18 and older clubs, creating problems
- Broadway is almost all out-of-towners, no real place for locals to go in Core
- Some concerns about current depth of housing market
- Specific developer design guidelines are imperative

Strengths and Challenges for Retail in Downtown Nashville

Strengths

- Growing downtown residential population
- Fledgling arts district
- All three markets are well-represented
 - Residents
 - Visitors
 - Employees
- Downtown momentum
- Significant historic assets
 - Ryman Auditorium (an icon)
 - Arcade
 - Printers Alley
- Music City brand is very well-known and recognized
 - Country Music Hall of Fame
 - Broadway live music
- State Capitol

Challenges

- Monolithic office architecture - tower designs extend to pedestrian scale
- Office design characteristics do not work for retail
 - Setbacks
 - Limited transparency
 - Interior access
- Lack of storefront maintenance
- Deep ground level retail spaces (approximately 200 ft deep on 2nd Avenue)
- Too many gaps, creating passive spaces
- Condition of some historic assets (Printers Alley and Arcade)
- Arena and Hall of Fame create inactive walls/space on street
- Adapting the Convention Center to residential and neighborhood characteristics of SoBro

Development Guidelines and Policies

MDHA & Metro Planning Department

- Great resource for downtown development
- Review and approve designs for new development in downtown
- *Recommendation:* Office and residential buildings should be designed so the viability of retail is maximized
 - Entryways not on primary retail street, but on secondary
 - No curb cuts, loading docks, etc. on primary retail street

- *Recommendation:* Not all buildings MUST have retail in the ground floor; however those on primary retail streets should
- *Recommendation:* Assure that, where retail is concerned, ground level and storefront designs are appropriate
 - Create specific mandatory design parameters for developers that guide how retail storefronts address the street
 - Designed by professional retail architects
 - Storefronts distinguished from each other with design – no storefront systems
 - Monolithic design of tower not carried to pedestrian scale



Good



Bad





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- VI. Implementation



Strategic Assessments and Merchandise Mix Plans

The Gulch

The Gulch has evolved into a residential and restaurant hot spot. Its successes are great for downtown and Nashville. According to stakeholder interviews, the restaurants are successful and the residential product is selling well. ERA|DW sees the retail mix following two tracks. One is the continued growth of destination restaurants. It is important to note, that most of the restaurants' customers are local. It is a good sign that Nashvillians are, increasingly, considering downtown as an option. Often in urban areas, clusters of restaurants function as anchors and catalysts for additional growth, such as retail. The second track is the establishment of neighborhood serving retail and select destination boutiques in the longer term. This retail growth will follow the new residential growth and restaurant anchors. While new urban residents in the Gulch are a captive audience for retail, these immediate residents, alone, will not, support restaurants and retail right now. The population is too small. Hence the creation of destination restaurant clusters and small-scale neighborhood retail is the first step.

SoBro

SoBro will be a unique district in the Nashville scene because it has two simultaneous emerging identities with 1) entertainment and tourist destination and 2) office and residential neighborhood developments. While mixtures of uses are one of the most appealing characteristics of urban areas, retail cannot bridge these two emerging identities. Furthermore, retail functions best when contiguous and double - sided (on both sides of street). It is challenging to create a retail environment amidst hotels, convention centers, office buildings, parking lots, and large-scale entertainment buildings (i.e. Sommet Center, Country Music Hall of Fame, and the Scherhorn). These uses are great for Nashville and will attract potential retail customers to downtown, but their structures are not conducive to retail. Retail will not reach its potential if located directly across from or beside the blank wall of the Country Music Hall of Fame or parking lot for the Sommet Center. In such locations, a cluster of retail can not create the continuity or synergy it needs. For this reason, ERA|DW suggests focusing retail efforts between Broadway and Molloy and 2nd and 3rd Avenues. Additional residential and office developments are slated for this part of SoBro, which will bring more density and customers. Since SoBro is poised for significant infill development (i.e. office and residential, convention center, hotels, etc.), enhanced developer storefront and signage design guidelines will have a worthwhile impact.

The Gulch Merchandising Direction



The Gulch will eventually have a critical mass of retail, approximately the size of a small lifestyle center (@150,000 SF)

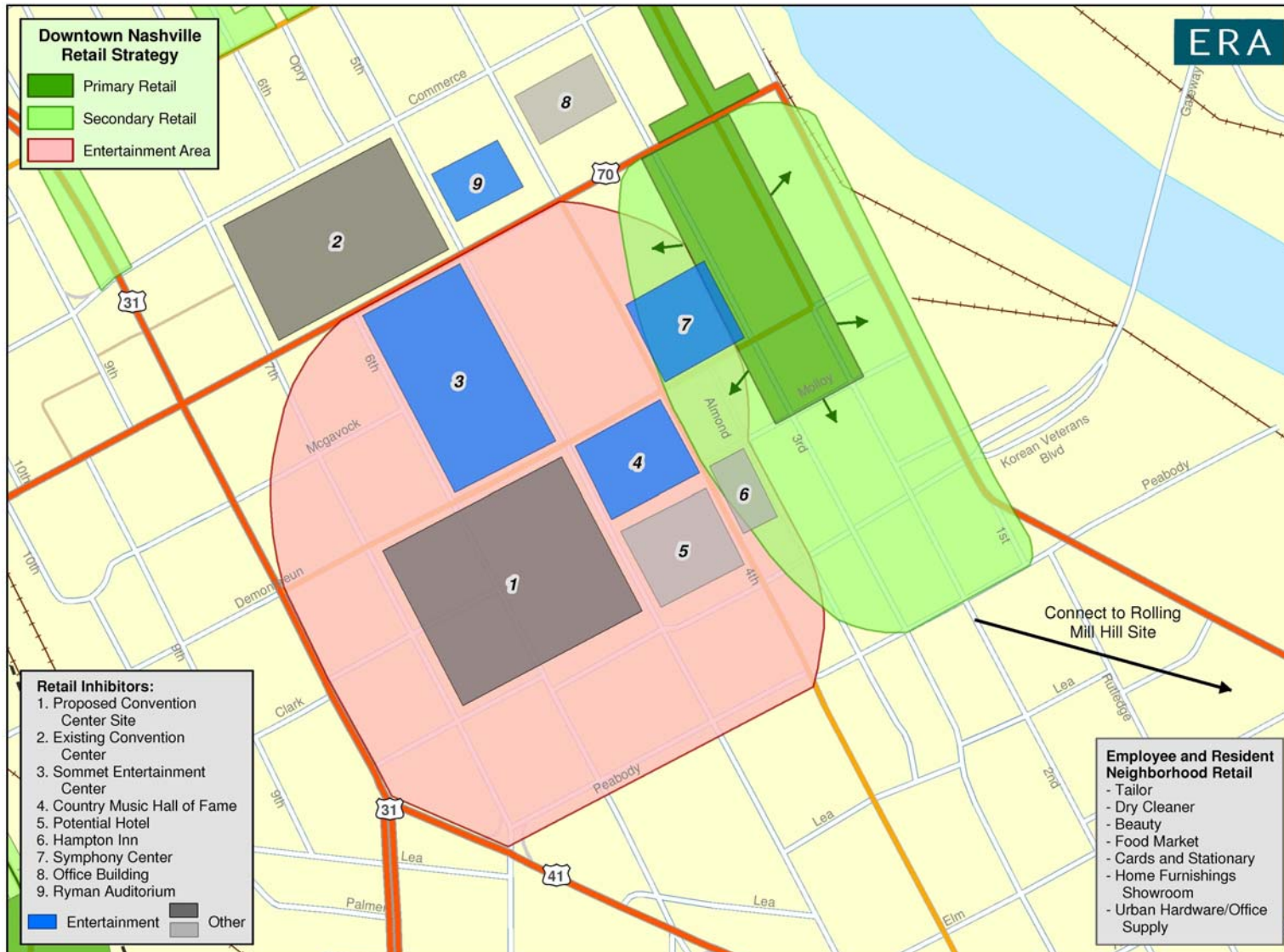
Strategic Assessment

- Variety of developers building a variety of housing
 - Young professional to empty nester
 - High-end - Icon and Terrazzo
 - Moderate - Velocity with 70% of units below \$250k, of which 40% are below \$200k - units several hundred SF smaller than other buildings
 - Rental – Griffin Plaza with 150 units, to be completed in 2009, preservation and renovation of historic structures
- Approximately 1,600 units existing or under construction – *alone not large enough market by retail standards*
- Developers working to create contiguous retail along 11th and 12th Avenues – Emerging synergy with existing uses
- Successful destination restaurants (i.e. Watermark, Sambuca, etc.)
- Customers are 75-85% Nashvillians
- Walk-ability (distance and pedestrian experience) between downtown and Gulch hinders access to certain markets
 - Tourists to CBD
 - Downtown employees (specifically lunch)
- Division and 12th Street contiguous concentration of retail, but difficult to connect to 11th and 12th Avenue retail
- Retail viability directly linked to occupancy of residential developments, currently planned:
 - Icon – 25,000 SF
 - Terrazzo – 20,000 SF
 - Velocity – 21,000 SF
- Ample parking
- City invested \$7 million in infrastructure
- Restaurants are successful

Merchandising Direction

- Customers are:
 - Residents living in the new urban dwellings (young professionals and empty nesters)
 - Trade area residents attracted to an urban and eclectic atmosphere
 - Small amount of visitors (most likely business) and downtown employees
- Neighborhood serving retail at base of buildings
- Short-term opportunity - Restaurant destination, continue to grow
- Long-term opportunity – Small scale retail destination
 - As more development comes on line the critical mass of retail will increase
- Retail - will work as cluster
 - Small unique fashion boutiques that function as destination
 - Home furnishings, (furniture, tabletop, art, paint, etc),
 - Home furnishing showrooms (i.e. fixtures, such as artistic tile work to high-end appliances, such as Viking)
 - Gifts
 - Spa
 - Salons
 - Art galleries
- Food related uses
 - Specialty food (i.e. prepared foods)
 - Wine-shop
 - Restaurants
 - Coffee Shops

SoBro Merchandising Direction



Blue and gray retail inhibitors are large land-users in downtown whose structures are not conducive to retail. They are indicated on the map to convey why retail efforts should be focused in the green Primary and Secondary Retail Area.

SoBro is a multi-faceted downtown district with existing or planned entertainment, hospitality, office, residential and retail uses

Strategic Assessment

- Access to employment and visitor base in downtown
- Employment base is expanding into SoBro with Pinnacle and any other future office developments
- Emerging with two identities
 - Entertainment/tourist – West of 4th Ave
 - Residential/office neighborhood – East of 4th Ave
- Opportunity to grow mixed-use neighborhood (residents and office) away from big users (i.e. convention and hospitality uses)
- SoBro impacted by **location** and **design** of new convention center
- New convention center is important to Nashville, greatest impact on hospitality and food and beverage

- **Recommendation:** Activate Convention Center edges with glass and circulation routes – other active uses
 - Consider clear (non-reflective/tinted) glass
 - Have not found successful retail model in US Convention Centers
 - Convention Centers strive to keep people and revenue inside
 - When considering designs and case studies, be sure to assess first hand the success (i.e. sales of retail in convention centers)

Washington DC – Convention Center (2003) retail is unsuccessful

- It took years to lease – still vacancies
- Current tenants are low quality
- Goals to re-invigorate retail across the street still not met



Merchandising Direction

- Opportunity to grow mixed-use neighborhood (residents and office) East of 4th Ave
- Retail focus area between:
 - Broadway and Molloy and 2nd and 3rd
 - Can expand as density and population increases
- 4th Avenue would be a logical retail connection BUT:
 - Too many uses that create in-active space for retail
 - These are **great** uses, but are not advantages for contiguous, double sided retail
- Retail uses
 - Tailor
 - Dry Cleaner
 - Beauty (Hair & Nail Salon, Spa)
 - Optical
 - Cards & Stationary
 - Home furnishings & showrooms
 - Urban hardware/office supply
- Restaurants
- Specialty food markets with prepared food



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The Downtown Core Merchandising Mix Plan should be the first recruitment priority because it has:

- 1) the most potential
- 2) existing critical mass of buildings
- 3) emerging retail
- 4) will set the stage for the remainder of downtown retail



Downtown Core

Qualitative Assessment and Merchandise Mix Plan

ERA|DW conducted a Qualitative Assessment (QA) of all street-oriented retailers in the Downtown Core on Broadway, 2nd Avenue between Broadway and Union, and 4th and 5th Avenues between Church and Union. The QA is a storefront and use evaluation that ranks façade, signage, display, maintenance, and interior merchandising. Each category receives a rank between one (poor condition) and four (excellent condition) The document includes commentary and photos as well. The QA informs the Merchandise Mix Plan and is a valuable tool for the Retail Recruiter as the Nashville Downtown Partnership proceeds with implementation. Overall, Broadway was found to have a healthy mix of uses considering it is a tourist destination, but facades need improvement. Second Avenue is the only street that has buildings (two) with the lowest score possible; they were 18 and over nightclubs. Too many of the uses on 2nd Avenue are nighttime clubs. On 4th and 5th Avenues there are opportunities for recruitment. Throughout downtown historic building stock remains; however some buildings are poorly maintained. Detailed tables documenting various uses are included in the Appendix. Most retail categories from men’s apparel to art supplies are underserved in downtown. The following slides display the Merchandise Mix Plan phases and focus as well as describe in further detail specific recruitment targets. The primary focus area for recruitment will be 4th and 5th Avenues between Church and Union Streets and Broadway. Recruitment can expand to wrap corners along Church and Union; however contiguous retail on Church and Union is nearly impossible due to building configuration and design. The potential home furnishings cluster on 8th Avenue is positive, but a connection to 4th and 5th Avenues is challenging. The riverfront along 1st Avenue is an important asset in downtown Nashville and should be recognized, especially as investment occurs elsewhere along the river. While most types of retail are not successful along water, restaurants and cafés can capitalize on views and are excellent target uses. Residential development (town homes) may be another opportunity. ERA|DW recommends exploring the option of dividing buildings between 1st and 2nd Avenues so there are “fronts” on both streets.

Implementation Strategy

The most important driver of a successful retail district is retaining and recruiting a mix of retailers that accurately complements existing conditions and customer market preferences. The Retail Recruiter, Nashville Downtown Partnership, and ERA|DW will work together to implement the Merchandise Mix Plans. Retail recruitment takes time and expectations should be realistic. It may be one year before the first deal is made. Part of this process includes meeting with property owners and coordinating a recruitment and retention marketing piece. Successful implementation will require not only retail recruitment, but also strategic policy and infrastructure changes.

Qualitative Assessment - 2nd and Broadway

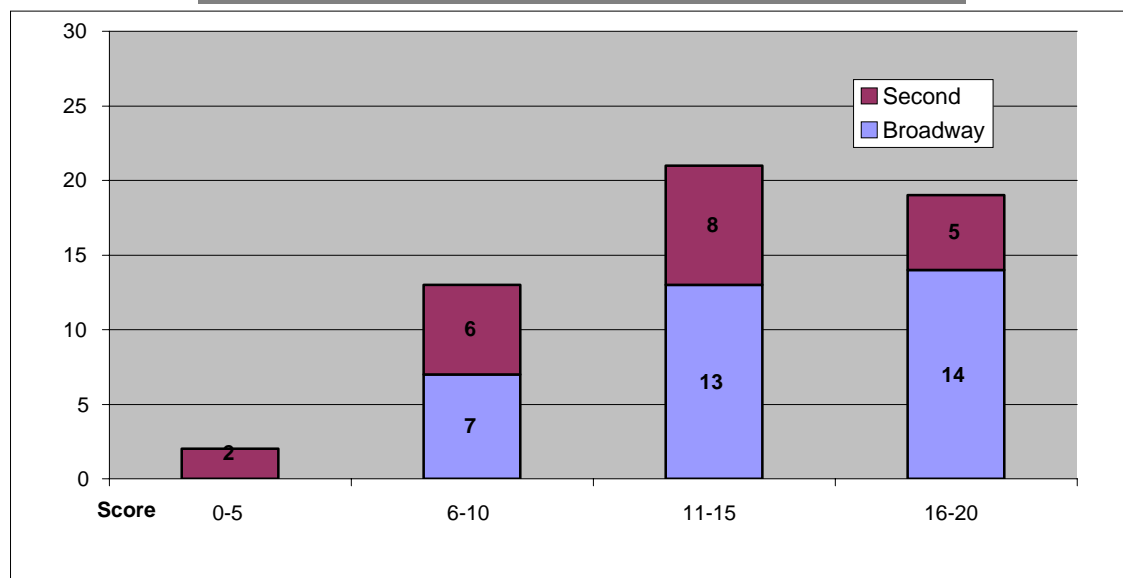
Broadway

- Storefront structural elements in good condition
- Biggest physical challenge is upkeep of facades
- Retail represents 22% of street, of which 89% are souvenir shops
- Restaurant and entertainment uses represent 59% of street
 - 9 restaurants, 6 entertainment venues with food service, and 9 entertainment venues with bare minimum food service (required by TN State)
- Restaurant types are very limited
- Of entertainment venues 10 have live music (47%)
- Only 1 office and 2 retail service uses (good ratio)
- Vacancy rate 12%

2nd Avenue

- Clubs have poorest physical conditions
- Primary use on street is office (33%)
- Restaurants comprise 24% of street - still limited diversity, primarily American cuisine
- Entertainment represent 22% (6 w/ food, 5 w/o food) - two "activity" uses (i.e laser tag, billiards)
- Significantly less live music, only 2 (BB Kings and Mulligans Pub), more clubs
- Vacancy rate 5%

Score Distribution



- Only Broadway has uses (2) that scored 20
- Broadway has higher scores than other streets
- Only 2nd Ave has uses that scored < 5 -- both are clubs

Qualitative Assessment – 4th and 5th Avenue

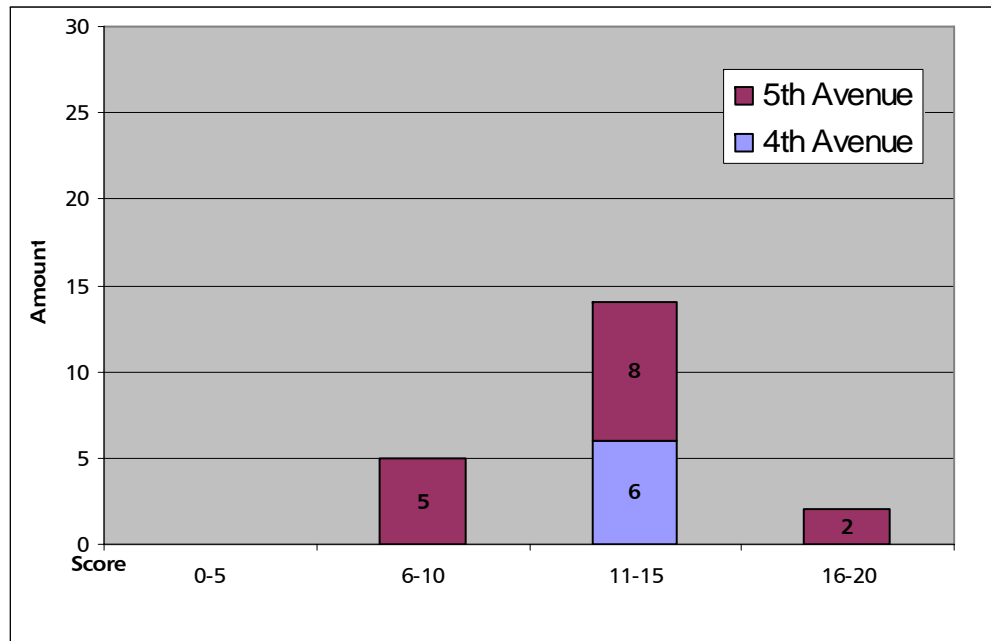
4th Avenue

- All retail uses scored between 11 and 13
- Mediocre facades and storefront maintenance with need of improvements
- Quick Service had highest score
- Most uses are currently offices (law, banks, travel agencies, etc.) 45%
- Restaurants are 25% of street, most are quick service
- For number of amount diverse selection, only two in same category (Mediterranean)

5th Avenue

- All but 2 retail uses scored between 8 and 12
- 2 art galleries scored 20, highest score
- Discount stores and convenience markets among low scores
- Facades have distinct potential as evident by high scoring storefronts
- Most of the uses are retail (50%) and restaurants (13%)

Score Distribution



Downtown Core Merchandise Mix Plan



4th Avenue and 5th Avenue between Church and Union exhibit the most potential for retail improvement and contiguous retail clusters.

4th Avenue - Fashion

- A central focus for 4th Avenue is fashion
- While fashion is a focus, it is not a limitation
- Fashion includes a wide range of categories
 - Men's apparel and shoes (prime recruitment target)
 - Women's apparel and shoes
 - Denim bars
 - Jewelry / watches
 - Accessories (handbags, shawls, etc.)
 - Watches
 - Optical
- Cosmetics (high-end, Blue Mercury/Sephora/Cosmetic Market rather than Sally's Beauty Supply)
- Gift/card/stationary and small office supplies



5th Avenue of the Arts

- Reinvigorate Avenue of the Arts
- One-of-a-kind opportunity in Nashville
- Currently operates as local resident, downtown employee, and business (primarily) visitor destination
- Focus recruitment on anything related to the arts
- Café's and coffee shops (in Arcade, too)
- Art Galleries (not limited to 2-d paintings)
 - Photography
 - Sculpture
 - Home décor (i.e. unique fabrics, stained glass, pillows, , etc.)
- Art and craft supplies
 - Paints, easels, canvas, brushes, etc
 - Small office supply
- Decorative Paper supply/gift



Several other areas adjacent to 4th and 5th Avenues impact on the retail strategy and should be recognized

Arcade

- The Arcade should not be lost as an asset to downtown
- It is part of downtown history and culture
- Types of uses are appropriate
- Condition is poor
- Needs structural, systems, and aesthetic renovation

Other

8th Ave. around Church and Commerce is emerging as destination retail; however connection to 4th and 5th Ave. is long term

Why not 7th? Need we say more?



Church Street

As retail on 4th Ave. and 5th Ave. becomes healthy, recruitment efforts should wrap corners on Church Street and Union Street (where possible) and expand to 6th Ave. and 3rd Ave.

On Church Street 1st floor architecture, setbacks, and inactive uses/spaces (i.e. bank buildings, parks, churches) are all “retail inhibitors.” Great and necessary uses in downtowns, but not on primary retail street



Potential retail services or uses for initial expansion beyond 4th and 5th Street include salons and spas, restaurants, and retails services, such as café/catering or bakeries (displays goods & activity in window), travel, florist, design, etc.

The retail improvement on **2nd Avenue** involves recruiting restaurant or retail uses as viable opportunities for spaces that currently have negative influence on the street and downtown Nashville's identity.

2nd Avenue

- Expansion of late-night (18+) clubs should be thwarted
 - Select handful are sore spots on the street
 - As residential grows in downtown side effects of late-night club will exacerbate and become more controversial
 - Do not cater to or attract the **target customer** from the defined trade area
- Focus on attracting more restaurants to 2nd as clubs are replaced
 - Lunch and dinner – Full service and sit-down
 - Cater to employee and resident population
 - Italian, French, California-cuisine, etc.
- Independent/art movie theaters/bowling alleys are ideal for deep space or arcade/hallway access
- Retail opportunities
 - Gift
 - Souvenir (closer to Broadway)
 - Electronics (i.e. music/entertainment related)
 - Shift some souvenir apparel to vintage boutique apparel that can cater to tourists and locals

- AT & T Switching Station
 - Major gap in retail along street, interrupts synergy
 - Explore ways to activate ground level
 - Likely require architectural/design services

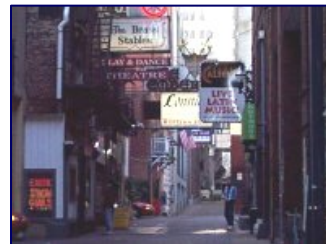


1st Avenue Opportunity

- Riverfront is a great amenity, but not a retail play
- Single deep buildings connect from 2nd Avenue to 1st Avenue
- Potential to divide buildings and create entrances on both streets
- 1st Avenue opportunities lie in restaurant or visitor uses that favor "views" (of the river)
- Retailers favor space for merchandise, co-tenancy, and streets with double-sided retail

Printer's Alley

- Historic street, but last printer left around 1975
- Now entertainment street gone awry
- Needs extensive and thorough cleaning
- Re-evaluation of uses
- Upgrade tenancy, but maintain entertainment flair (part of history)



The retail improvements on Broadway primarily involve improving storefront conditions and fine-tuning the merchandise mix mostly in the 100 through 300 blocks.

Broadway

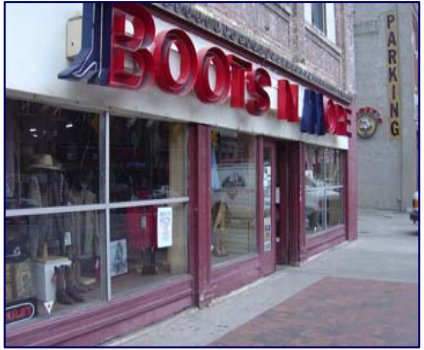
- Entertainment uses are excellent and thrive well on Broadway – encouraged
- Storefront conditions and interior merchandising need improvement
- Souvenir shops are fine, but can be repetitive encourage and foster . . .
 - Additional creative, music and artistic related retail that caters to the visitors and some locals
 - Hatch Print Show retail is great example
 - Guitar/instrument shops or rental
 - Country music stores
 - Bookstore (Nashville/music specialty section)
- Second floors need significant amount of work, encourage leasing to creative businesses or alternative uses
 - Graphic design firms
 - Photography studios
 - Music industry businesses
 - Music lessons
 - Ballet/dance studios



Dilapidated sign band – Posted paper signage – Broken sign



Dirty facade – Building also has dusty grimy windows and chipped siding



Exposed metal storefront system – low display space (8 feet) – original façade altered

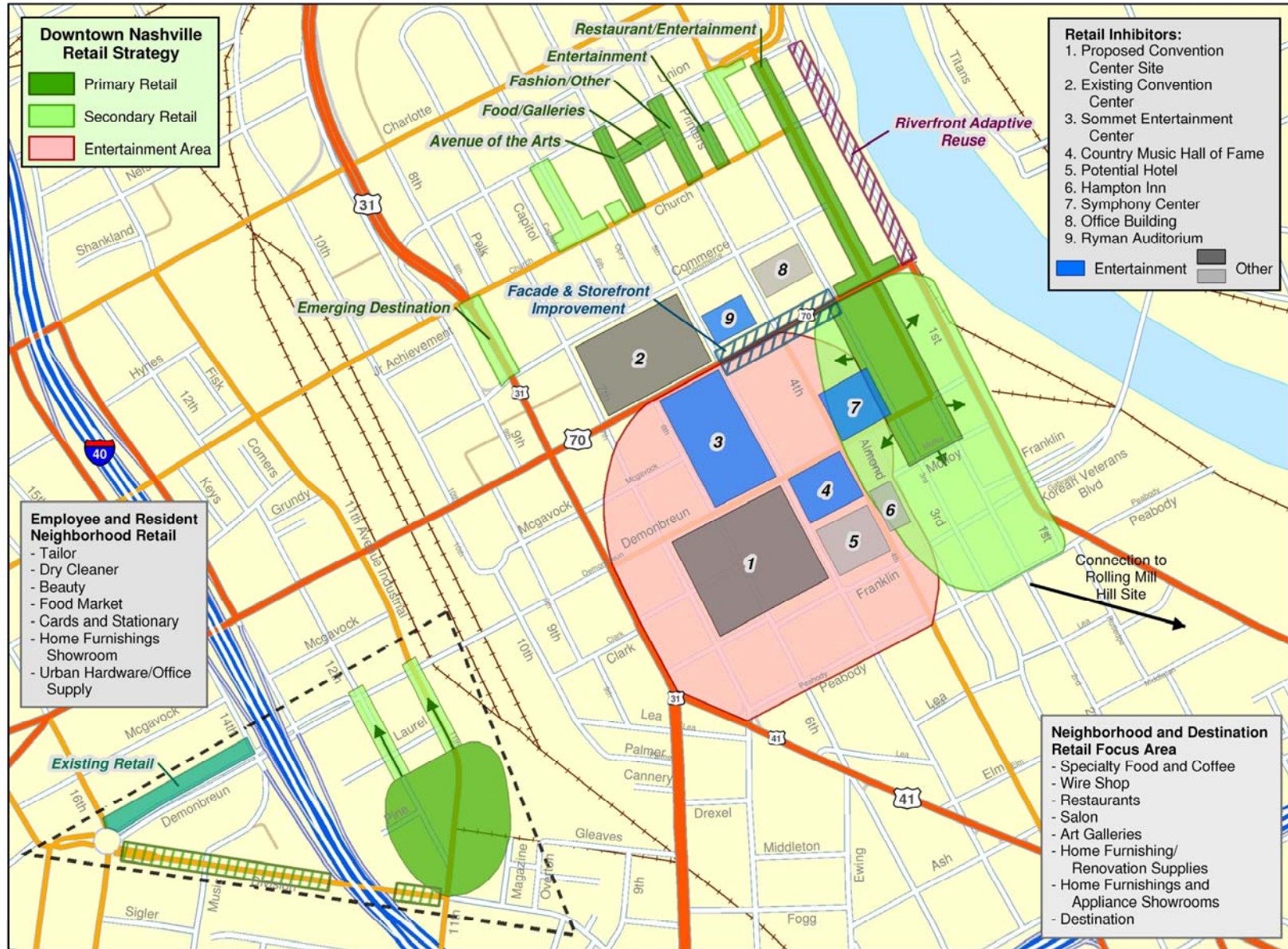


Slat wall siding and display boards – Fluorescent lighting – Low ceilings – Outdated carpet



Excessive signage – ATM machine – Setback entryway

Full Downtown Merchandise Mix Plan



Plans and strategies are important tools, but their effectiveness is minimal without a strong and sustained Implementation Program. January 2008 through June 2008 ERA|DW will jump-start and participate in the implementation of Merchandise Mix Plans

Retail Recruiter

- Central component of the Implementation Program
 - Completed comprehensive hiring process
 - Nashville Downtown Partnership employee
 - Crissy Cassetty – January 2008 start
- Non-commissioned based salary
- Brings viable prospects to landlords or their real estate representative – Match Maker
- Ensure that great prospects are not lost
- Work with MDHA/Metro Planning or any other relevant agencies to facilitate store opening

Downtown is underserved by most retail categories

Full-service restaurants should be welcomed in any location

Vacancies and short-term leases are priority opportunity sites for retail recruitment efforts

Phase I:

- Train the Recruiter (Retail 101)
- Introduce Recruiter to landlords, brokers, retailers
 - Commence property/tenant information database
- Guide development of marketing piece (ERA|DW and Recruiter)

Phase II:

- Train the Recruiter (on-the-job)
- Participate in training with other Recruiters
- Prospect in Nashville & evaluate targets (ERA|DW & Recruiter)
- Develop Salesforce database for recruitment targets

Phase III:

- Follow-up with prospects (visits, information, tours, etc.)
- Gradually expand prospecting base as appropriate (i.e. Franklin, Brentwood, Knoxville, Asheville, Lexington, Louisville, Birmingham)
 - Tackle challenging landlords

Beyond prospecting for retailers, other action items should be pursued as part of a holistic downtown retail strategy and implementation program.

Approach Arcade ownership with compelling case for improvements

Build consensus and commitment to the Retail Strategy among property owners and stakeholders

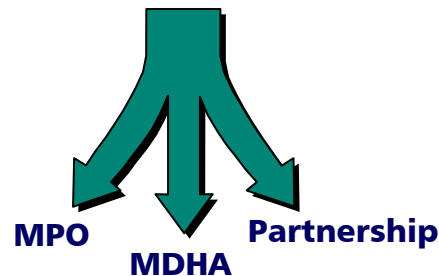
Explore (long term) reconfiguration of Church Street office buildings' ground floors

Institute incentives to facilitate retail revitalization (tenant build-out, façade improvements, building rehabilitation, etc.)

- Forgivable Loan programs: St. Louis. MO & Stamford, CT: First round - \$250,000 pool with \$10,000 - \$50,000 forgivable
- Loan forgiven over time, but tenant required to pay attention to quality of business operations
- Requires commitment from all downtown agencies and private sectors (i.e. banks for loans)
- Can dramatically jump-start retail efforts
- To have an impact, incentives MUST be strategically disbursed by location and to tenants that fulfill the Merchandise Mix Plan

Enhance Storefront and Signage Design Guidelines for new development and renovation

- Specific to appropriate retail design (i.e. display space, entryways, sign bands)
- Individual storefronts should be differentiated from storefronts on either side and from floors above
- Created by professional retail designer(s)
- Mandatory or heavily incentivized



Downtown Nashville is ready to build upon its downtown successes and add a new dynamic to downtown - retail!

Ultimately the Core will impact the identity and success of the remainder of downtown; while recruitment efforts address all sub-districts in downtown short-term efforts primarily focus on jump-starting the Core



Appendix

Detailed Tapestry Life Mode and Segmentation Tables

Primary Market (10 Min Drive Time)			Secondary Market (20 Min Drive Time)			Tertiary Market (30 Min Drive Time)		
Name	Households	% of Total	Name	Households	% of Total	Name	Households	% of Total
High Society	791	0.88%	High Society	12,391	9.84%	High Society	38,893	35.4%
01 Top Rung	302	0.34%	01 Top Rung	2,369	1.88%	02 Suburban Splendor	9,720	8.9%
03 Connoisseurs	489	0.55%	02 Suburban Splendor	1,759	1.40%	04 Boomburbs	16,187	14.7%
Upscale Avenues	1,946	2.17%	03 Connoisseurs	5,902	4.69%	06 Sophisticated Squires	6,373	5.8%
09 Urban Chic	870	0.97%	05 Wealthy Seaboard Suburbs	286	0.23%	07 Exurbanites	6,613	6.0%
18 Cozy and Comfortable	1,076	1.20%	06 Sophisticated Squires	239	0.19%	Upscale Avenues	28,449	25.9%
Metropolis	21,850	24.38%	07 Exurbanites	1,836	1.46%	13 In Style	13,032	11.9%
22 Metropolitans	9,381	10.47%	Upscale Avenues	20,305	16.12%	16 Enterprising Professionals	6,958	6.3%
51 Metro City Edge	8,456	9.44%	09 Urban Chic	401	0.32%	17 Green Acres	5,877	5.4%
62 Modest Income Homes	4,013	4.48%	13 In Style	5,756	4.57%	18 Cozy and Comfortable	2,582	2.4%
Solo Acts	12,608	14.07%	16 Enterprising Professionals	7,216	5.73%	Metropolis	468	0.4%
08 Laptops and Lattes	1,913	2.13%	17 Green Acres	837	0.66%	22 Metropolitans	468	0.4%
23 Trendsetters	286	0.32%	18 Cozy and Comfortable	6,095	4.84%	Solo Acts	2,596	2.4%
27 Metro Renters	6,491	7.24%	Metropolis	5,698	4.52%	39 Young and Restless	2,596	2.4%
36 Old and Newcomers	2,438	2.72%	22 Metropolitans	3,841	3.05%	Senior Styles	3,002	2.7%
39 Young and Restless	1,480	1.65%	51 Metro City Edge	1,857	1.47%	14 Prosperous Empty Nesters	1,862	1.7%
Senior Styles	9,515	10.62%	Solo Acts	27,955	22.19%	29 Rustbelt Retirees	391	0.4%
14 Prosperous Empty Nesters	186	0.21%	36 Old and Newcomers	6,704	5.32%	30 Retirement Communities	749	0.7%
29 Rustbelt Retirees	3,308	3.69%	39 Young and Restless	21,251	16.87%	High Hopes	12,783	11.6%
30 Retirement Communities	583	0.65%	Senior Styles	19,742	15.67%	28 Aspiring Young Families	12,529	11.4%
57 Simple Living	1,116	1.25%	14 Prosperous Empty Nesters	4,943	3.92%	48 Great Expectations	254	0.2%
65 Social Security Set	4,322	4.82%	29 Rustbelt Retirees	3,688	2.93%	Global Roots	671	0.6%
Scholars & Patriots	2,661	2.97%	30 Retirement Communities	6,287	4.99%	38 Industrious Urban Fringe	671	0.6%
55 College Towns	2,006	2.24%	50 Heartland Communities	329	0.26%	L9. Family Portrait	10,828	9.9%
63 Dorms to Diplomas	655	0.73%	57 Simple Living	3,779	3.00%	12 Up and Coming Families	7,755	7.1%
High Hopes	8,813	9.83%	65 Social Security Set	716	0.57%	19 Milk and Cookies	3,073	2.8%
28 Aspiring Young Families	1,382	1.54%	High Hopes	24,135	19.16%	Traditional Living	4,779	4.4%
48 Great Expectations	7,431	8.29%	28 Aspiring Young Families	18,316	14.54%	32 Rustbelt Traditions	1,041	0.9%
Global Roots	6,013	6.71%	48 Great Expectations	5,819	4.62%	33 Midlife Junction	3,738	3.4%
38 Industrious Urban Fringe	935	1.04%	L8. Global Roots	4,387	3.48%	Factories & Farms	970	0.9%
52 Inner City Tenants	4,335	4.84%	52 Inner City Tenants	4,387	3.48%	25 Salt of the Earth	970	0.9%
60 City Dimensions	743	0.83%	Family Portrait	6,987	5.55%	American Quilt	7,058	6.4%
Family Portrait	6,547	7.31%	12 Up and Coming Families	1,736	1.38%	26 Midland Crowd	5,884	5.4%
64 City Commons	6,547	7.31%	19 Milk and Cookies	5,251	4.17%	41 Crossroads	1,174	1.1%
Traditional Living	14,060	15.69%	Traditional Living	13,839	10.99%			
24 Main Street, USA	644	0.72%	24 Main Street, USA	725	0.58%			
32 Rustbelt Traditions	9,306	10.38%	32 Rustbelt Traditions	5,970	4.74%			
33 Midlife Junction	1,537	1.72%	33 Midlife Junction	6,175	4.90%			
34 Family Foundations	2,573	2.87%	34 Family Foundations	969	0.77%			
Factories & Farms	3,613	4.03%	Factories & Farms	2,715	2.16%			
53 Home Town	3,613	4.03%	25 Salt of the Earth	2,122	1.68%			
American Quilt	1,198	1.34%	53 Home Town	593	0.47%			
41 Crossroads	1,198	1.34%	American Quilt	1,659	1.32%			
			41 Crossroads	1,213	0.96%			
			46 Rooted Rural	446	0.35%			

Source: ESRI Business Analyst; Economics Research Associates; 2007

Top Life Mode groups and subsequent key Segmentation groups for each market area

Primary Market Tapestry Households

Category	Households	% of Total
Metropolis	21,850	24%
22 Metropolitans	9,381	10%
51 Metro City Edge	8,456	9%
Traditional Living	14,060	16%
32 Rustbelt Traditions	9,306	10%
Solo Acts	12,608	14%
27 Metro Renters	6,491	7%
High Society	791	1%

Source: ESRI Business Analyst; Economics Research Associates; 2007

Secondary Market Tapestry Housholds

Category	Households	% of Total
Solo Acts	27,955	22%
39 Young and Restless	21,251	5%
High Hopes	24,135	17%
28 Aspiring Young Families	18,316	16%
Upscale Avenues	20,305	4%
16 Enterprising Professionals	7,216	3%
13 In Style	5,756	5%
18 Cozy and Comfortable	6,095	5%

Source: ESRI Business Analyst; Economics Research Associates; 2007

Tertiary Market Tapestry Housholds

Category	Households	% of Total
High Society	38,893	35%
04 Boomburbs	16,187	15%
Upscale Avenues	28,449	26%
13 In Style	13,032	12%
16 Enterprising Professionals	6,958	6%
High Hopes	12,783	12%
28 Aspiring Young Families	12,529	11%

Source: ESRI Business Analyst; Economics Research Associates; 2007

Detailed Qualitative Assessment Tables

Broadway and 2nd Avenues Use Breakdown

Category	Sub Category	# of Stores	% of Total	% of Category
Retail		23	23%	
	Apparel (women)	1	1%	4.3%
	Apparel (unisex)	2	2%	8.7%
	Gift	3	3%	13.0%
	Music - Related	3	3%	13.0%
	Shoes	2	2%	8.7%
	Souvenirs	12	12%	52.2%
Restaurants		21	21%	
	American	9	9%	43%
	American (Southern)	1	1%	5%
	Asian	1	1%	5%
	Bakery/Ice Cream	1	1%	5%
	Italian	1	1%	5%
	Mexican	1	1%	5%
	Quick Service	7	7%	33%
Entertainment		14	14%	
	Bar/Pub	3	3%	21%
	Club	5	5%	36%
	Live Music	6	6%	43%
Entertainment w/Food		12	12%	
	Activity	2	2%	17%
	Bar	7	7%	58%
	Live Music	3	3%	25%
Retail Service		3	3%	
	Copies/Mail	1	1%	33%
	Salon	1	1%	33%
	Tattoo	1	1%	33%
Other		20	20%	
	Office	17	17%	85%
	Other	2	2%	10%
	Residential	1	1%	5%
Vacant		5	5%	100%
TOTAL		98	100%	

Source: Economics Research Associates, 2007

4th and 5th Avenues Use Breakdown

Category	Sub Category	# of Stores	% of Total	% of Category
Retail		8	31%	
	Apparel (men)	1	4%	13%
	Art Gallery	2	8%	25%
	Convenience	0	0%	0%
	Discount/Value	2	8%	25%
	Drugstore	1	4%	13%
	Gift	1	4%	13%
	Jewelry	1	4%	13%
Restaurants		7	27%	
	American (Southern)	0	0%	0%
	Asian	1	4%	14%
	Deli	1	4%	14%
	Mediterranean	2	8%	29%
	Mongolian	1	4%	14%
	Quick Service	0	0%	0%
Retail Service		1	4%	
	Dry Cleaner	1	4%	100%
Other		4	15%	
	Office	4	15%	100%
Vacant		5	19%	100%
TOTAL		26	100%	

Source: Economics Research Associates, 2007