Excerpted Summary

Stow Lower Village Business District Assessment and Market Analysis

To Inform Future Zoning, Infrastructure Improvements & Other Potential Actions

Completed by FinePoint Associates, Peg Barringer, Project Director
Sponsored by Massachusetts DHCD
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Purpose: To conduct a business district assessment and market analysis in order to inform decision making regarding future zoning, infrastructure (e.g., public water supply) and other potential actions to maintain vibrancy in Lower Village.

Scope: Assess business and real estate conditions, conduct a market analysis including obtaining and analyzing market demographics and sales leakage data, obtain input from business owners, residents and other key stakeholders, and summarize findings.

Study Area: Stow is located in Middlesex County, approximately 21 miles west of Boston. It is situated along Route 117 between the towns of Maynard and Bolton and between the major highways Rt. 95 and Rt. 495. (see Figure 1). The Lower Village commercial district runs along Great Road (Rt. 117) approximately from Red Acre Road to Elm Ridge Road (see Figure 2-a). Lower Village serves as Stow's commercial center while the Town Center, located approximately 1 mile to the west contains civic uses including the Randall Library, Town Buildings and churches.

Figure 1. Regional Context

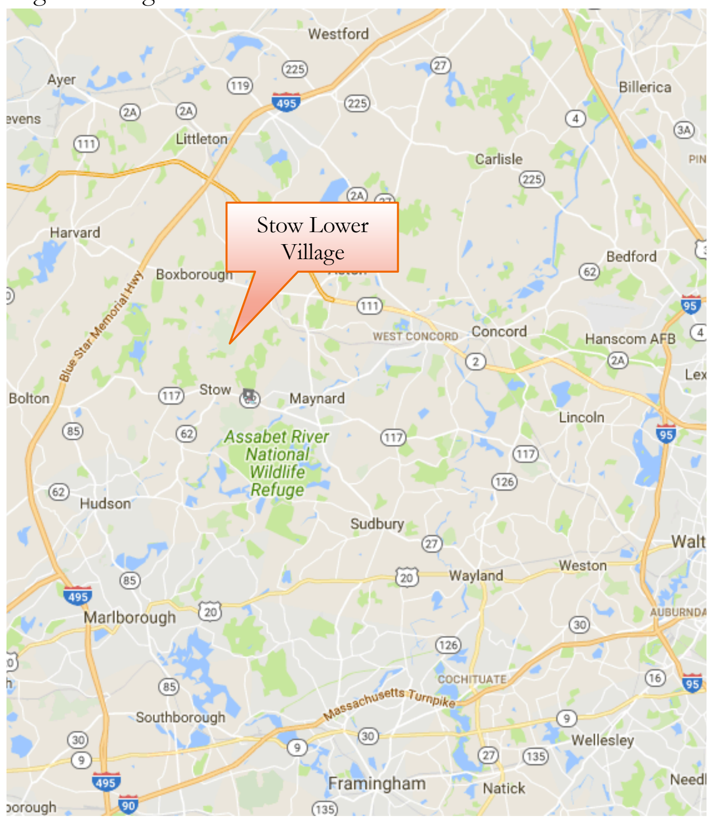
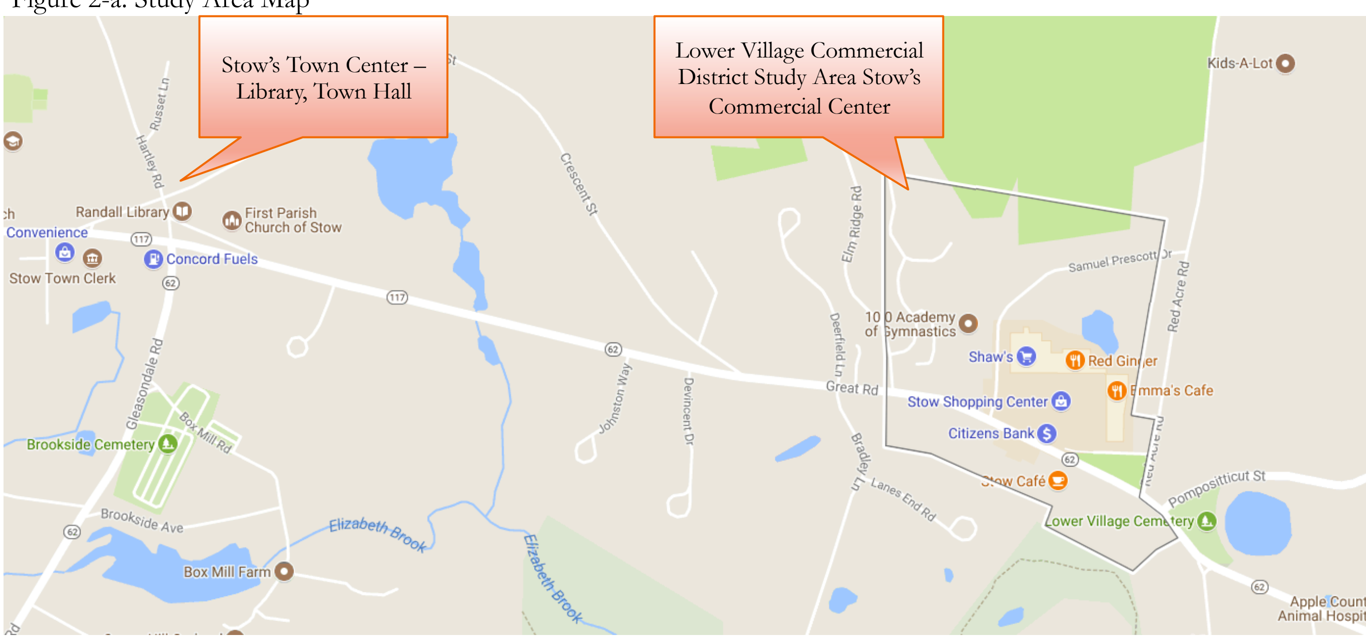


Figure 2-a. Study Area Map



Summary of Real Estate and Business Conditions, Consumer Research and Market Analysis

1. Real Estate Conditions and Business Overview

- The commercial district is comprised of clusters of retail and service establishments, primarily situated in commercial plazas with onsite parking in front. The district is more vehicle-oriented than pedestrian-oriented without a strong sense of place as a village center, entry demarcation or unifying elements. Most storefront designs are simple and utilitarian.
- In total, Lower Village contains 80 commercial units and over 194,000 s.f. of commercial space. At the time of the inventory (July, 2018), there were 24 vacancies (approximately 11% of commercial space).
- The district has a few underdeveloped parcels and key vacancies including a vacant gas station, the previous Beef & Ale restaurant and 3 units at Stow Shopping Center.
- The lack of public water supply servicing Lower Village significantly restricts development on most properties except for the major shopping center.
- Lower Village is home to approximately 56 establishments including retail, restaurants, recreation, services, and other entities. Most of the establishments (67%) are independently-owned single-location businesses, 26% are chains and franchises, and 7% are non-profit or public entities.

2. Business Mix

- More than one-half of the establishments (52%) in the commercial district are services, 20% are retailers, 14% are restaurants and 14% other.
- The restaurant selection is very limited. All of the restaurants offer very casual dining – a pizza place, Asian restaurant, 2 small cafes and a coffee & donut shop. Only 3 restaurants serve dinner and one of these only serves on Wednesday through Friday. Only one, Red Ginger, serves alcohol. There is no outdoor dining available in Lower Village.
- Examples of uses often found in small downtowns/commercial districts that are not present include:
  - ✓ Wider variety of restaurants (e.g., sports bar, Mexican, Italian, sports bar), restaurants with entertainment
  - ✓ Outdoor dining
  - ✓ Additional recreation facilities/fitness centers (e.g., women's fitness, small gym, yoga)
  - ✓ Gift shop
  - ✓ Pet services (e.g., grooming, day care)
  - ✓ Consignment/vintage shop
  - ✓ Educational service businesses, especially for young people (e.g., martial arts, dance, tutoring, afterschool programs)
  - ✓ Additional professional offices/small companies (e.g., web design, engineering, photography, etc.)

3. Business Conditions

- 40% of the businesses reported sales have increased in the last 3 years, 60% said sales stayed about the same.
- 3 businesses are considering renovation/expansion and 6 are considering adding staff. 3 businesses are considering moving citing leasing/rent cost issues as the reason.
- Customer counts vary widely; 45% of the business respondents have less than 100 customers per week while some businesses report over 1,000 customers (Stow Shopping Center businesses have the highest counts).

4. Locational Challenges for Businesses and Desired Improvements

Locational Advantages
Most Cited by Lower Village Businesses

1. Parking
2. Proximity to complimentary businesses

Locational Disadvantages
Most Cited by Lower Village Businesses

1. Lack of access to public water supply
2. Town regulations
3. High rent cost
4. Aesthetics, physical appearance

Most Important Improvements - Cited by Lower Village Businesses

1. Access to public water supply
2. Additional business signage
3. Directional signage to lower village
4. Additional streetscape/landscaping

Most Desired New Business - Cited by Lower Village Businesses

1. Casual Restaurants with Wait Staff

5. New Planned Commercial Development

- Maynard Crossing is a new mixed use development underway, located one mile south of Maynard Center. Committed tenants include: Planet Fitness gym, 110 Grill, a Mexican restaurant, a day spa and an urgent care center.

- This development will draw customers from Stow and might impact existing businesses in Lower Village and the ability to attract new tenants, particularly if current conditions in Lower Village remain constant. The new restaurants are the type most desired by Stow residents and the new fitness center and planned supermarket may draw market share from current Lower Village businesses.

6. Consumer Patterns and Preference Research

- Patronage appears to be holding constant or increasing among most residents. However, 23% said their visit frequency has declined in the last few years.
- The communities outside of Stow most frequented by residents for shopping and dining are: Hudson (89%), Acton (75%) and Maynard (56%).

Most Important Improvements - Cited by Stow Residents

1. Improved town center design
2. Public water supply

Customer Satisfaction Concerns – Stow Residents

<u>Very Dissatisfied</u>

1. Selection of restaurants

<u>Dissatisfied</u>

1. Recreation and entertainment options
2. Public spaces/seating areas
3. Appearance/aesthetic appeal
4. Selection of stores amount of public art

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6. Consumer Patterns and Preference Research (cont'd)

Business Most Desired in Lower Village – Cited by Stow Residents (>50%)

1. Casual restaurants with wait staff
2. Food and beverage
3. Outdoor dining
4. Restaurants offering entertainment

Restaurant Usage and Potential - Stow Residents

- Stow residents reported eating out out an average of 4.3 times per week. Even if we only look at dinner purchases, this adds up to a significant amount of meal purchases. Based on the consumer patterns research, we can estimate that Stow residents purchase over 13,000 dinners out per week (and there are only 3 restaurants in Lower Village that serve dinner).

- Stow residents report doing over 90% of their annual restaurant spending outside of Stow. This unmet demand points to a potential market opportunity.

- The Top 5 Restaurants outside of Stow most frequented by Stow residents are: 1) Rail Trail, 2) 110 Grill, 2) Horseshoe Pub, 3) Not Your Average Joe's, and 4) Slater's.

7. Market Conditions

Trade Area Resident Market Segment

The major potential customer base for businesses located in Lower Village is the adjacent residential population. There are approximately 68,460 people living within a 15-minute drive from Lower Village (the primary Trade Area - TA1). This population is growing faster than the statewide average and is predominantly very well-educated and affluent. The median household income is $138,373 (64% higher than the statewide median). There are approximately 21,560 people living within just the immediate area, a 10-minute drive (TA2). The median household income in this immediate area is $133,668.

Residents of the primary trade area (TA1) spend over $1.13 billion per year at stores and restaurants (not including gas and auto sales). The sales leakage analysis shows that TA1 residents are spending more than $621 million outside of the 15-minute trade area. Residents of the immediate area (TA2) spend $356 million per year at stores and restaurants and are spending at least $212 million outside the area.

A detailed analysis by category shows an opportunity gap (sales leakage) in most categories along with a surplus in a few. Selected categories with over $30 million of sales leakage are listed below.

Sales Leakage in Selected Categories (millions)	15-Minute Drive Time (TA1)	10-Minute Drive Time (TA2)
Clothing Stores-4481	$60.50	$20.63
Limited-Service Eating Places, Snack, Buffets-722513-15	$60.00	$15.79
Supermarkets, Groc. (Ex Conv)-44511	$55.17	$24.11
Full-Service Restaurants-722511	$49.79	$11.83
Department Stores -4521	$37.12	$13.05
Pharmacies and Drug Stores-44611	$33.33	$13.38

Categories that show no opportunity gap include: electronics, liquor stores, specialty food and convenience stores.

7. Market Conditions (cont'd)

The sales leakage analysis points to potential market opportunity for restaurants. Currently, residents of TA1 spend $208 million per year at eating places and they make at least 53% of those expenditures ($109.8 million) outside of the trade area (beyond the 15-minute drive time boundary). This finding coincides with our consumer patterns research that showed more than half of the restaurants most frequented by Stow residents are located beyond the 15-minute trade area boundary. Residents of the immediate area alone (TA2) spend $65.7 million per year at eating places and spend over $27.6 million outside of the immediate area (beyond the 10-minute drive time boundary).

Restaurant sales leakage is spread over two categories – in TA1, there is approximately $60 million of sales leakage in the limited-service category and $49.8 million in the full-service category (restaurants with wait staff). Definitions for these categories are not always consistently applied, so it is useful to look at the total for both categories as well as the individual categories.

While it is expected that residents will always do some portion of their restaurant spending outside of the trade area (e.g., near where they work, at destination dining locations, on vacation, etc.), it is reasonable to assume that there is a potential to capture more of the current restaurant expenditures if the appropriate offerings were available in Lower Village. Two restaurants have committed to the Maynard Crossing development but there is substantial sales leakage and residents are currently travelling significant distances for dining experiences.

There is substantial leakage in the clothing store category, however, this may present less of an opportunity for Lower Village because clothing stores usually do best when they are clustered with other clothing and accessory stores. This category is also very vulnerable to increased competition from online sales. There is also currently substantial leakage in the supermarket category – and a new grocery store is planned for the Maynard Crossing development underway.

Non-Resident Market Segments

In addition to the residential customer base, there may be some additional market opportunity presented by other segments such as visitors and employees that do not live in the area. Expenditures from these segments are not calculated in the sales leakage analysis and therefore represent additional potential market opportunity. Food service businesses are often the most likely enterprises to benefit from visitors. The segments include:

- **Recreational tourists** taking advantage of the several golf courses, wildlife areas, and trails including the American Heritage Museum, Assabet River National Wildlife Refuge, Assabet Rail Trail (that currently terminates at the end of White Pond Road, which connects to Lower Village).

- **Agritourists** visiting one of several farm stands/orchards in Stow for apple picking, pumpkins, farm product sales, cider, donuts, etc.

- **Employees of area businesses** who represent a market opportunity for meal/snack purchases as well as other convenience goods and services before during and after work hours.

Retail Trends Impacting All Downtowns and Observations about Lower Village

Overview of Retail Trends Impacting All Downtowns

Excerpted from "Considering the Future of Downtowns", © 2017, 2018 Peg Barringer, FinePoint Associates

1. Business Conditions and Real Estate Trends

- ☑ Large number of store closings in last couple of years
- ☑ Many retail businesses are right-sizing and re-visiting strategy
- ☑ More demand for experiences and services
- ☑ Significant restaurant growth - many new food concepts
- ☑ Real estate development trend toward "Lifestyle Centers" and other mixed-use with retail, leisure & residential and many communities encouraging residential units in and near downtowns.

2. Changes in the Way Consumers Connect with Goods and Services

- ☑ E-commerce continues to grow, competition with offline retail stiffens
  - Most impacted: apparel & accessories, electronics/computers
- ☑ Businesses are responding with omni-channel retailing
  - Traditional retailers expanding online presences
  - Online stores opening bricks & mortar outlets to increase visibility
- ☑ Everything is getting quicker and easier
  - Online ordering & store pick-up, order ahead coffee/food

3. Trends in Consumer Characteristics and Tastes

- ☑ Desire for experiential shopping, socializing & recreating = good news for business districts
  - Business Districts are well positioned to be "Social Locations"
  - Millennials prioritize experiences over stuff!
  - Product spending is on the decline
  - Experience/service spending on the rise . . . Restaurants, Entertainment, Health, Fitness, Recreation
  - Making retail more of an experience . . . In-store events - demonstrations, tastings, trunk shows, classes, etc.
- ☑ Dining out on the rise, Americans spend as much eating out as on groceries
  - **Food is new anchor** in many downtowns & commercial districts!
- ☑ Fitness and wellness is expanding . . . many facets of fitness – new niches
- ☑ The "sharing economy" meets retail
  - More used merchandise stores; apparel & accessory rental

Related Observations - Lower Village

Restaurants can help to reinforce the identity of a commercial center and have become the new anchors in many downtowns, however, there is very limited restaurant selection in Lower Village.

A new mixed-use commercial center is being developed two miles away in Maynard.

Lower Village has very little mixed-use/higher density residential units nearby.

No Lower Village businesses supplement "through-the-door" sales with Internet sales.

No Lower Village businesses have online ordering except Dunkin Donuts offers order-ahead through the DD app.

Lower Village has very limited social gathering spaces and events (i.e., Lower Common)

Lower Village has a few recreation facilities (fitness center, gymnastics, Martial Arts), but no entertainment

Lower Village has a very limited restaurant selection. Residents are travelling > 15 minutes to restaurants.

Lower Village has no consignment shops.

Recommendations/Next Steps for Consideration

The following suggestions for potential actions/next steps to consider were developed in collaboration with Stow Planning Department staff.

1. Conduct feasibility and cost-benefit analyses pertaining to potential scenarios for the creation of public water supply service to Lower Village for the purpose of advancing preferred and underrepresented uses. (Casual restaurants with wait staff are highly desired by residents and lack of water supply was cited as a distinct location disadvantage by business owners.)

2. Explore strategies to create a more "village center" feel in Lower Village and enhance aesthetic appeal. (Residents rated improved design and village center appropriate architecture as a very important potential improvement.) Utilize the existing Lower Village Visual Preference Survey to create design guidelines and/or zoning regulations to incentivize aesthetic improvements and village oriented design. Build on the Lower Village traffic improvements by working with private property owners on landscape and streetscape improvements, including the planting of trees and other vegetation.

3. Update zoning regulations in Lower Village to promote desired uses and activities such as restaurants, outdoor dining and entertainment. Consider the use of Planned Unit Development and/or flexible zoning strategies that encourage creative site planning that makes the most efficient use of limited space. Specifically focus on restaurant, recreation and entertainment uses for addition to Lower Village to complement the existing recreational uses in Stow.

4. Consider promoting mixed use and increased residential development within Lower Village through zoning and regulatory changes as might be appropriate. Additional residents living nearby would provide increased market support for desired uses and add vitality to Lower Village.

5. Forge connections between Lower Village and the recreational and agritourism attractions in Stow. Continue to plan for bicycle and pedestrian improvements on White Pond Road for the purpose of enhancing access between the Assabet River Trail and the improved Lower Village pedestrian connections.

6. Activate and improve public spaces and other potential gathering spots, promote the hosting of events at Lower Common and encourage activities at Stow Shopping Center parking lot. Events help to create a relationship between the village center and residents as well as bring prospective customers in close proximity and increase awareness of local businesses. (The majority of residents expressed dissatisfaction with existing public spaces/ seating areas.)

7. Continue to create identity for Lower Village. This could include gateway treatments to signal entry into the district and unifying elements (e.g., landscaping, lighting, etc.) that communicate Lower Village is a place not just a pass-through. Utilize wayfinding signage to highlight the location of businesses in Lower Village and the connections between Lower Village with recreational attractions. (Several Lower Village businesses expressed desire for additional business signage and directional signage). Consider creating wayfinding kiosks at the connection with the Assabet River Rail Trail at White Pond and Track Road as well as other village wide signage programs. Review the Town's signage regulations for any needed updates.