J.C. WILLIAMS GROUP

Appendix B

Downtown Oakville Economic Study

Executive Summary

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Executive Summary

J.C. Williams Group was retained by the Town of Oakville to conduct a retail oriented economic study of Downtown Oakville. The study is part of the process that feeds into the overall Downtown Plan including the Downtown Cultural Hub (DCH) study and the Downtown Transportation Study (DTS). It is noted that this is not a full service retail study for the Downtown but is intended to lay the foundation for how and why Downtown Oakville retail functions the way it does. There are three aims of the study:

1. To understand the consumer, retailer, and retail real estate trends affecting Downtown Oakville retailers.
2. To understand the current economic conditions of Downtown Oakville from a demand and supply perspective, and how they are changing.
3. To use the previous two assessments to gauge the future impact on Downtown from proposed scenarios and changes envisioned in the DCH and DTS.

Methodology

The process began in April 2014 with the study due in July 2014. The team engaged a wide variety of approaches with a range of stakeholders to understand the current and future demand and supply conditions. These approaches included the following:

- Attendance at key presentations
- Key person interviews with retailers and property owners
- Other stakeholder interviews
- Intercept and telephone consumer surveys
- An audit of existing retailers
- A survey of retailer rents and sales productivity factors
- Socio-economic changes
- An assessment of the retailer type changes from 1999 to 2014
- Retail trends

Note that information from retailers and landlords is presented in aggregate as confidentiality was ensured.

Current Economic Health of Downtown Oakville

Consumer, Retailer and Retail Real Estate Trends

- The sum of the trends point to increased pressure for Downtown Oakville retailers. A few years ago, there was significantly less competition, especially in the mid to high end price point categories. The changes in retail have begun to eliminate the middle players. Only luxury and value/discount categories are left vying for consumers' share of wallet.

Sales Productivity, Pedestrian Traffic, and Parking

Sales Productivity

- For those retailers that shared sales growth/decline information, half of them stated sales had declined in the past two years.
- The inclement winter weather from December 2013 to March 2014 affected all retailers and, in particular, main street retailers. However, mall and power centre retailers were also affected as few people left their homes for additional trips.
- A handful of retailers indicated their sales were down significantly over the past two years.
- Most retailers were down -10% to -20% compared to two years ago.
- Fourteen per cent of the retailers said their sales were flat over the past two years.
- One-quarter indicated their sales were good or positive over the past two years.
- All retailers indicated pedestrian traffic was down significantly on the street.
- Half of the retailers said their conversion rates (percentage of sales for every visitor that comes in the store) were down, 25% said they had increased, and 25% said they were about the same.
- One-third said their average transaction size was higher, a further one-third said it had stayed constant, and the remaining third indicated that it had fallen.

Pedestrian Traffic

- From 2008 to 2012, pedestrian traffic had increased as measured at Thomas/Lakeshore and Dunn/Lakeshore.
- Assessing the parking metre revenue (adjusted for rate increases – constant index) for on-street parking space on Lakeshore and the north and side streets (excludes Water Street) shows that the opening of Lululemon in 2006 and the very good overall economic conditions led to a spike in parking metre revenue consistent with an increase in pedestrian traffic on the street. By 2013, revenue had declined slightly.
- Most retailers indicated that 2006 to 2008 were some of the highest sales volume years in Downtown Oakville.

- The recession in 2008/2009 and changes at Sherway Gardens caused a decrease in traffic. However, consistent with the interviewees, Downtown Oakville retailers were able to rebuild their sales levels. The redevelopment of Mapleview Mall including the opening of Lululemon in August 2013, and the opening of Toronto Premium Outlets in the same month, caused traffic to decrease.
- With the decline in sales came retail employment layoffs. Part of the pedestrian traffic decline is due to the fact that there are fewer workers in Downtown. Most interviewees indicated they had laid off 25% to 30% of their workers. This could easily account for over 1,000 fewer people in Downtown Oakville on a daily basis.

Parking

- Many interviewees indicated there were both parking problems and a low pedestrian traffic problem. These two issues are inconsistent. Further probing revealed that the main issue is a lack of pedestrian traffic. Visitors still perceive Downtown Oakville to have a problem with parking but it is less of a concern for those who visit.
- There was consistency related to parking issues including the following:
  - Perceived aggressive enforcement and higher ticket fines (note that the Town has recently adjusted the enforcement and there appears to be fewer complaints). Enforcement should be used primarily to encourage turnover of vehicles. Long-term visitors need to be encouraged to park on lots and at garages.
  - The price of parking is a concern for visitors doing errands and quick pickups. It is less of a concern for visitors from further away and those purchasing big ticket items.
  - The availability of parking is always an issue in Downtowns where it appears the on-street parking is occupied.

Target Markets

J.C. Williams Group assessed each target market for its size, the type of potential Downtown visitor they are or could be, their expenditure, and their capture rate for Downtown Oakville. This includes the following:

Downtown, West Downtown, and S.E. Oakville Residents: It was noted that there is little growth except for West Downtown. This geographic area adjacent to Downtown has been extremely influential on Downtown Oakville's retail sales. The shift to higher price points and a focus on the 40+ woman has served Downtown Oakville well. However, the aging baby boomer population is moving into retirement spending. Retailers are having to adjust to appeal to the new socio-economic realities including the young adults who live west of Downtown, the moms/daughters segment, and men.

Regional Visitors and Big Ticket Items: Regional visitors come to Downtown Oakville, but on an infrequent basis. Downtown Oakville is a top rated visited shopping location. Regional visitors tend to spend a high amount when they do shop. The regional visitation accounts for the largest volume of sales activity in Downtown Oakville.

Downtown Daytime Workers: This includes office workers but also retail employment and others.

- Workers spend a signficant amount while at work on eating and drinking, but the range of choices offered in Downtown Oakville is not suited to their wants/needs.
- The loss of both retail employment and other workers has impacted the existing restaurants who have noted decreased sales and a desire for increased office employment in Downtown.
- Additonally, workers are spending on food, pharmacy, apparel, and gift items, primarily on their commute home. Downtown Oakville retailers can merchandise to capture these sales but it also requires retailers to extend their hours and market to this target market more effectively.

Performing Arts Visitors: The theatre is well attended and drives sales for restaurants in close vicinity. Visitors tend to want a full Downtown Oakville experience when they visit for a performance and restaurants are a major component of that. Eighty per cent stated they go for something to eat either before or after a performance, which is high.

Downtown Central Library: The library attracts a high number of visitors. They tend to spend a small amount but the cumulative total of all visitors adds to retail sales potential for food services. However, the current configuration with the entrance on the lower level decreases the synergy with Downtown Oakville retailers. In addition, the demographics of the typical library visitor is not matched with the mid to higher income retailers in Downtown Oakville.

Harbour: The well-used harbour attracts families, friends, and visitors during the summer months. It is part of the complete Downtown Oakville experience. The 423 slips add traffic for Downtown retailers and restaurants.

Festival and Events: Although only a small percentage of the trade area population attend, many come multiple times. Similar to the library, there is often a disconnect in the alignment between event attendees and the types of goods and services offered in Downtown.

Museum and Art Galleries: Visitors attend the O2 Galleries, as well as other museums, and the art supply galleries that represent various artists. Those who come to buy or from further distances tend to spend higher amounts and will stop for something to eat and shop.

Downtown Oakville Retail Supply

- As pedestrian traffic has decreased, many businesses are surviving by catering to their core customers. The result is that many are becoming more destination-only businesses. The cross shopping and synergy that existed before is being eroded. This has several implications, some of which are negative:
  - The stronger retailers will continue to get stronger and the weaker ones will suffer. This is in part driving some of the calls for free parking.
  - The movement to more fashion retailers in Downtown is significant. This has been at the cost of fewer home furnishings, leisure retailers, specialty food retailers, restaurants, etc. The focus on "shopping only" has diminished the experiential aspects of what makes downtowns and main streets so special, and especially Downtown Oakville. It is becoming much more mall oriented rather than complete experience oriented. As the shift to an efficient "mall" type shopping environment continues, there is increased pressure to be competitive with other malls. This is why there are continued calls for more parking and free parking, among other changes, in order to compete with malls.
  - There is disagreement amongst the retailers and the consumers on whether more brand name stores are the answer or more independents.
- The shift to shopping over experience also means that many retailers and restaurants that are struggling have shifted product lines and prices so that they are converging. Typically, Downtown retailers perform better and there is more cross shopping when they are merchandised "narrow and deep." Now retailers in Downtown Oakville are selling products and goods that other retailers carry and for many, converging on prices so that there is very little differentiation.
- Overwhelmingly the interviewees want Downtown Oakville to have a full, rich diversity of experiences that include shopping, residential, office, art, culture, sporting, harbour, library, events, etc. and not to be solely shopping oriented. The compatibility of these different uses has implications including the following:
  - Restaurants that want to offer live music and patios with live music are confronted with local residents and noise issues.
  - Employee parking requirements mean that retail customers will have difficulty finding parking.
  - Performing arts including outdoor amphitheatres may be confronted with nearby residential noise issues.

  - Design issues related to encouraging flow of different target markets through Downtown and not keeping them isolated within one building structure.
  - Visitors to Downtown Oakville that just want to walk around, enjoy the sights and sounds, visit the waterfront, and not shop may annoy retailers who want dedicated shoppers to come into their businesses.
- The current trajectory that is more shopping oriented has very serious negative long-term consequences, as vacancies will continue to rise.

Future Outlook for Downtown

Downtown Oakville should:

- Focus and appeal to consumers and target markets to develop solutions suited to their needs. For retailers this includes their merchandise mix, assortment, marketing, online sales opportunities, etc. For the Town and BIA this also includes retention and recruitment programs that include retail mix, marketing, parking solutions, etc.
- Encourage connectivity that assesses the complete experience of visiting Downtown from the gateway/entrance, how they find parking that is suited to their trip needs, easy movement along the street, places to rest, signage and sandwich boards that draw consumers in, and easy to locate parked car and exiting strategies.
- Develop design-oriented solutions that encourage flow into and through Downtown by creating a diverse Downtown Oakville experience that includes shopper and restaurant patrons but also residential, office, harbour, Oakville Club, performing arts, library visitors, museum and art gallery attendees, waterfront and parks visitors, visitors searching out recreation and fitness, tourism, etc.
- Build on and enhance the overall Oakville brand.
- Create leasable retail commercial spaces and provide a range of sizes and rents throughout Lakeshore and the side streets that allow for shopping, hospitality, and neighbourhood goods and services.
- Commit time and resources to the long-term vision and strategy in addition to the short-term issues that need to be addressed such as road and sidewalk work. The Downtown and Town must know what it is that they want to be post construction; otherwise, it will fall further behind.

Downtown Transportation and Cultural Hub Considerations

J.C. Williams Group addresses the recommendations from a consumer and retail perspective. The following presents the assessment on the Downtown Transportation Study and the Downtown Cultural Hub Study from that lens.

Downtown Transportation Study

Focus on the Target Customers

As stated, Downtown Oakville should decide what type of consumer they are pursuing. This will affect the transportation and streetscape strategy.

The primary focus should be on women including families (moms and daughters), family members shopping together, and women shopping together. The traditional focus on older women (40 to 50+) is still a valuable market for Downtown Oakville retailers, but it is a shrinking market.

Stakeholder Input

- In terms of what visitors are most interested in to draw them to shop, the two most important factors were being able to walk around and overall appearance. These two factors impact the need to keep Downtown Oakville fresh, clean, vibrant, and fun, and the streetscape plan is one part of this.
- Throughout the surveys, respondents noted the need for more seating, benches, tables, and patios. They wanted to preserve the small town character and that included a strong emphasis on the parks, trails, waterfront access, harbour, and downtown connections. A high proportion of people come to Downtown Oakville for that specific purpose of being part of the natural elements in a Downtown setting. Connections and flow of pedestrians from different activity centres become critical to success including the waterfront, library, performing arts centre, galleries, retailers, restaurants, towne square, and parking.
- The retailers are supportive of expanded sidewalks so that they can do additional merchandising and/or patios. Approximately 50% of respondents currently use the sidewalk for merchandising and would continue to do so if the sidewalks were expanded. Of the other 50% that don't currently use the sidewalks for merchandising, they stated they would consider using the sidewalks if they were wider (i.e., 75% would use the sidewalks for patios or merchandising or planters).

J.C. Williams Group is supportive of:

- Widening sidewalks on Lakeshore (as well as other side streets as appropriate),
- Curbless streets,

- Eliminating major portions of the centre lane.

Parking changes should take into consideration the desired shopping experiences of each target market, the desired parking experience, and determine what the implications are for Downtown Oakville.

Downtown Cultural Hub Study

Library

- J.C. Williams Group strongly believes that libraries are part of an overall Downtown experience and amenity offering. Libraries can add a significant volume of traffic to the street. The current visitation of 340,000 annual visitors creates activity to any downtown. Estimated expenditures of $2.50 to $3.00 per visitor translates into good sales opportunities for local cafes and coffee/tea places.
- Unfortunately, the current design of the Downtown Oakville library severely limits any pedestrian traffic. Most visitors enter from the lower level and do not use Navy Street at all.
- Many retailers stated that the present location of the library was not the best use of a prime spot in Downtown and the library should be located elsewhere.
- Consideration for the new space should include a focus on drawing daytime traffic including office workers and moms with children.
- Office workers (including those working from home) will drive food and beverage sales and could add new revenue to the facility.

Performing Arts Centre

- The Oakville Centre for Performing Arts has a significant impact on restaurants close to Navy Street (as far as George). Restaurants indicated that sales can double on a theatre night.
- The variety of events means that different restaurants benefit from casual concerts to more formal symphonies and galas.
- Clustering the two performance halls is the best situation for these restaurants and ensures a healthy restaurant activity throughout the year. While one venue is dark, the other can be hosting an event. Usually, most venues are only busy 25% to 30% of the year so it is conceivable that there could be an event at the PAC over 50% of the year. This helps during slower winter months. Clustering on the same site or within two blocks of one another is ideal.
- There is a need to extend beyond just the performing arts at the cultural hub to the greater Downtown cultural offerings that can include music in a restaurant, towne

square, art galleries (sales), and even beauty salons and shops that are required so that people look good when they attend a performance.

- As well, the creative technology office workers blend into the entire culture programming. Workers should be marketed better to encourage them to stay after work more often for events and activities.
- Many restaurants offer their own entertainment and this should be encouraged. Patios for music are key to this.
- There is always an issue with outdoor music and residents. Any program that combines residents with nearby restaurants or outdoor performing arts should take this into consideration.
- From both a noise standpoint and the fact that most restaurants want to increase their lunch business, adding office to the Cultural Hub site was a re-enforced message (office near the Cultural Hub ensures those restaurants have both a good daytime (worker lunch patrons) and a good night time (Cultural Hub attendees) to develop a good business plan for their restaurants.
- At present, many attendees park near Church Street, visit a restaurant and then go to the theatre. Changing the parking arrangement so that attendees park underground has the potential to disrupt food service opportunities in the Downtown. In the winter, attendees may come to the performing arts centre, park underground, and leave their winter coat in the car, as it may be bulky inside the theatre (they may have decided to buy dinner elsewhere on the way). The result is that they would not venture out of the centre for eating/drinking whereas previously if they parked on Church Street they may have been more inclined to eat Downtown.
- Similar to the library design comments – visitors must be encouraged to go to Downtown through the design of the parking garage, etc., so that they are not cocooned in the cultural hub (don’t leave).
- The restaurants should continue to be part of the Cultural Hub study.
- The restaurants would like right of first refusal on any RFP process if a restaurant were to be included in the Cultural Hub. However, this should be assessed further.

Waterfront Park

A clear driver of Downtown Oakville is the diversity of experiences and that includes the waterfront and parks. Just under 30% of trade area visitors go to the waterfront or park area in Downtown Oakville. This achieved the highest visitation level of all activities and it is clear that Downtown Oakville and the waterfront/harbour are interlinked. As it is one of the biggest drivers for visitation, investment in the waterfront park of the cultural hub is critical to the continued success of Downtown and maintaining its appeal.

In addition, J.C. Williams Group believes there should be a park on the east end of Downtown.

Towne Square

- Divided opinions. We asked people if they thought it should be more private sector patio or less. Most thought less, to keep it open for the public.
- Most retailers outside of Towne Square were not affected by it. Many thought it should not be a spending priority.
- The retailers want to maintain their patios. Several restaurants serve alcohol and need a patio area. Patio licensing is administered through Parks and Recreation, which is separate from other restaurants' patio licensing.
- The parking garage is not well used but it is one of the least expensive places to park.