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Legal Implications JDS
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Dept. Approval PCG

STAFF REPORT

January 11, 2006

To: Chairman and Agency Board Members
Thru: Charles McNeely, City Manager
From: Peter Gillon, Redevelopment Agency Administrator
Re: The Downtown Retail Study, Identifying Opportunities for Retail In-Fill Development in Downtown Reno
Date: December 22, 2005

Summary: Attached for your review is the Downtown Retail Study, which identifies opportunities for retail in-fill development in Downtown Reno and was prepared jointly by Redevelopment staff and members of the Department of Economics at the University of Nevada, Reno. The Redevelopment Agency Board is being asked to accept the Downtown Retail Study, Identifying Opportunities for Retail In-Fill Development in Downtown Reno and to direct staff to consider the findings and recommendations as the Redevelopment Agency updates its strategic plan for Downtown Redevelopment Project Area No. 1. The Study is intended as a resource for developers interested in downtown retail and mixed-use development. The Agency Board is being asked to accept the Downtown Retail Study and to direct staff to consider its findings and recommendations as the Redevelopment Agency updates its strategic plan for Downtown Redevelopment Project Area No. 1.

Previous Agency Board/Council Action:

June, 2000 – the Redevelopment Agency Board adopted and approved the Entertainment Core Revitalization Master Plan.

Background: In 2004 Redevelopment Agency staff began work on a comprehensive examination of the potential of new retail in-fill development throughout the downtown redevelopment project area at the request of the Redevelopment Citizens Advisory Committee. The Citizens Advisory Committee requested specific information regarding the overall capacity of new in-fill retail throughout the downtown as a means of evaluating new in-fill, mixed-use projects.

In order to provide a comprehensive, cost-effective, and independently vetted report on potential downtown retail in-fill development, the Agency partnered with the University of Nevada, Reno's Department of Economics. Dr. Shunfeng Song, professor of economics at the University, offered his services and the services of his Urban Economics fall semester 2004 class as a means of doing independent research. The work done by these students was compiled into a single report, the "Downtown Retail Study, Identifying Opportunities for Retail In-Fill Development in Downtown Reno" and is now being presented to the Redevelopment Agency Board.

In crafting suggestions for future retail in-fill within the City's downtown redevelopment project area, Agency staff and students from the University's Urban Economics class engaged a variety of different downtown stakeholders including the 10 major downtown hotel and casino properties, St. Mary's Regional Medical Center, Washoe Medical Center, the University of Nevada, Reno, the City of Reno, Washoe County, developers and others to collect data on a variety of retail related topics. Over the course of one year, Agency staff and students collected data on a variety of topics ranging from, but not limited to, patient admission counts at the two immediately adjacent medical centers, total number of employees, total number of new housing units under development, visitor counts, gross gaming receipt wins, available parking and student admission counts.

To better provide direction during the course of the study's development, Agency staff convened a panel of retail experts to provide technical assistance. Daryl Drake of Daryl Drake Commercial Real Estate Services, Kelly Bland and Gary Johnson of Alliance Commercial Real Estate and Richard Bartholet and Brian Bonenfant from the Nevada Bureau of Business and Economic Research were part of this panel. The "Retail Panel" met once during the research phase of the study's development and a second time after receiving a preliminary draft of the report to provide further direction to Agency staff in final preparation of the report.

Discussion: The Downtown Retail Study consists of four principal components: (1) Trends of the Current Downtown Retail Market, (2) Identifying different opportunities, (3) Identifying barriers to future in-fill development and (4) Policy Recommendations.

The Study identifies significant opportunities for retail development downtown, particularly on Virginia Street between Interstate 80 and the Truckee River, West Street between St. Mary's Regional Medical Center and the Truckee River and 4th Street between Vine Street and Valley Road.

The executive summary identifies five principal conclusions:

1. Existing conditions throughout the City's urban-core, the City of Reno, Washoe County and much of Northern Nevada and Northern California strongly support the implementation, development and completion of a mixed-use destination retail, commercial and entertainment multi-block complex for much of the Virginia Street corridor north of the Truckee River as prescribed by the Entertainment Core Master Plan, adopted by the Redevelopment Agency Board/City Council in 2000.

A multi-block mixed-use commercial and entertainment complex along Virginia Street between Interstate 80 and the Truckee River could be developed in a way that complements such projects as the National Bowling Stadium, the Reno Events Center, the planned Ballroom Facility and the existing downtown hotel and casino properties. Such a project along Virginia Street could also enhance other major retail, commercial and entertainment developments proposed and/or underway throughout the Reno-Sparks area like the Cabela's proposed development for the Boomtown-Verdi area, the Summit Sierra project well underway in South Reno, the Bass Pro store recently announced as part of the new hotel and casino development in South Reno as well as the RED Development retail, commercial and entertainment project proposed for the Sparks' Marina District.

2. 4th Street represents one continuous corridor running throughout the downtown redevelopment project area. Both West 4th Street and East 4th Street offer unique opportunities for specific retail, commercial and mixed-use in-fill.

The Downtown Retail Study suggests that East 4th Street be developed in such a way that complements the existing facilities like the National Bowling Stadium, the Reno Events Center, the planned Ballroom Facility as well as the planned RTC Multi-Model Center. Trend and specialty retail, including boutiques, restaurants, cafes and other retailers along East 4th Street could support these existing and planned projects while linking the Downtown with the remaining 4th Street corridor which extends into Redevelopment Project Area No. 2.

The Downtown Retail Study suggests that West 4th Street has great potential for increased residential development with supporting retail, acting as a “western gateway” for the Downtown Redevelopment Project Area No. 1. Examples of suggested retail in-fill development along West 4th Street includes grocery stores, hairdressers, drug stores, bookstores, postal and office services, florists, drycleaners and other retailers that are oriented towards supporting a residential base. However, certain areas could be set-aside for specialty and trend retail principally around existing hotel and casino properties already located along West 4th Street.

3. Although ultimate build out of West Street (between St. Mary’s Regional Medical Center and the Truckee River) will occur in the coming years, the Downtown Retail Study identified the growing importance of West Street as a potential neighborhood-business district.

In addition to being a central link between the St. Mary’s Regional Medical Center area and the Truckee River, West Street is becoming central to the majority of new condominium projects throughout Downtown Redevelopment Project Area No. 1. The Downtown Retail Study estimates that approximately 1,000 people will eventually live along West Street post-completion of the publicly announced and underway condominium projects. These new residents, with significant disposable income levels, will begin to support specialty retailers like high-end specialty grocery stores and home furnishing stores similar to retailers like the Downtown Market and Cavanaugh’s Furniture located in the Parking Gallery on the corner of 1st and Sierra streets.

4. The Downtown Retail Study identified a growing trend in the residential and workforce populations both in and immediately adjacent to Downtown Redevelopment Project Area No. 1. A growing residential and workforce population will further drive an increased demand for both service-oriented and specialty retailers.

Further strategic retail in-fill within the City’s urban-core should include some consideration of the recent expansions of the surrounding regional centers; principally the University of Nevada, Reno, Washoe Medical Center and St. Mary’s Regional Medical Center.

5. The Downtown Retail Study specifically called-out the importance of restaurant and dining retail development along each of the three identified retail corridors; Virginia

Street, West Street and 4th Street. Although the Retail Study does not specifically recommend that restaurants and other dining establishments be a part of every retail in-fill project throughout City's urban-core, the Retail Study does emphasize the importance of restaurant and dining opportunities as a critical step towards creating a "24-hour" environment throughout the Downtown.

Recommendation: Staff recommends that the Redevelopment Agency Board accept the Downtown Retail Study and direct staff to consider the findings and recommendations as the Redevelopment Agency updates its strategic plan for Downtown Redevelopment Project Area No. 1.

Proposed Motion: I move to approve the staff recommendation.

Attachment(s): The Downtown Retail Study

Downtown Retail Study

**Identifying Opportunities for Retail In-Fill
Development in Downtown Reno**

Prepared For:

Reno City Council, and the

Redevelopment Agency Board

October, 2005

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Executive Summary

The Downtown Retail Study was undertaken by the Reno Redevelopment Agency as a means of identifying future retail in-fill projects within the City's downtown redevelopment project area. It is intended primarily to assist retail developers and others interested in the retail potential of downtown. The Downtown Retail Study satisfies three principal goals:

1. Examine existing downtown retail conditions.
2. Determine what types of retail and potential in-fill projects have the most promise.
3. Suggest specific actions and strategies that may be taken by the Redevelopment Agency to enhance retail development throughout the City's urban-core.

In early 2005, the Reno Redevelopment Agency partnered with the University of Nevada, Reno, Department of Economics to conduct a comprehensive examination of downtown retail market trends, provide direction regarding future development and provide the Agency with future policy guidance regarding potential retail in-fill development projects.

The following study provides detailed economic analysis of relevant changing demographics including population, per capita median incomes and visitor trends.

The Downtown Retail Study found that residential population and per capita income levels have steadily increased over the past five years and are likely to increase over the next ten years. Considering current population growth in the City's urban-core, throughout the City of Reno, the City of Sparks, Washoe County and the adjacent Northern Nevada and Northern California counties, the combined residential population could grow to between 1.6 million to 1.7 million potential retail consumers within the next ten years. Per capita median incomes for this pool of potential retail consumers could exceed \$25,000. Within the City's urban-

core, new and planned residential, mixed-use projects could create between 2,000 and 3,000 new residential units, housing between 4,000 and 6,000 new residents with median incomes ranging between \$100,000 and \$110,000.

Regional centers adjacent to the City's downtown redevelopment district, including the University of Nevada, Reno, Washoe Medical Center and St. Mary's Regional Center have an estimated one-year retail impact of approximately \$1.6 billion. The City's current downtown redevelopment district does not have a retail sector significant enough to capture the retail sales opportunities these three regional centers offer to the City's downtown shopping experience.

After examining existing trends in the City's downtown retail market, as well as the possible opportunities to capture the net retail impact of existing and adjacent regional centers, the Downtown Retail Study was able to provide several different policy recommendations designed to enhance the City's urban retail market. Recommended future retail developments suggested in this study is designed to compliment and enhance existing developments throughout the downtown redevelopment district including the downtown hotel and casino properties, the Reno Event Center, the planned Ballroom Facility (due 2007) and National Bowling Stadium, announced downtown condominium housing projects as well as other recreational developments along the Truckee River.

Five important conclusions of the Downtown Retail Study are:

1. Significant potential exists along Virginia Street running from Interstate 80 to the North to the Truckee River to the South for a downtown retail, commercial and entertainment multi-block complex. Any such complex should be tailored to take advantage of the existing commercial, tourism, gaming and entertainment infrastructure already in place downtown.

The Entertainment Core Master Plan, adopted by the Redevelopment Agency Board/Reno City Council in 2000, called for a mixed-use destination retail, commercial and entertainment multi-block complex for much of the Virginia Street corridor north of the Truckee River. The Downtown Retail Study concluded that existing conditions throughout the City's urban-core, the City of Reno, Washoe County and much of Northern Nevada and Northern California strongly support the implementation, development and completion of just such a project.

Despite yearly declines in downtown gross gaming receipts among the 10 largest downtown hotel and casino properties between 2001 and 2004, as well as declining visitor counts throughout the City's urban-core, it appears that these declines are beginning to stabilize. A multi-

block retail, commercial and entertainment complex along Virginia Street between Interstate 80 and the Truckee River could be developed to complement such projects as the National Bowling Stadium, the Reno Events Center, the planned Ballroom Facility and the existing downtown hotel and casino properties. Such a project could significantly enhance other major retail, commercial and entertainment developments proposed and/or underway throughout the Reno-Sparks area like the Cabela's project proposed for the Boomtown-Verdi area, the Summit Sierra project well underway in South Reno, the Bass Pro store recently announced as part of a new hotel and casino development in South Reno as well as the RED Development retail, commercial and entertainment project proposed for the Sparks' Marina District.

2. 4th Street, running the entire length of the City's downtown redevelopment project area from east to west is the second recommended area of interest for strategic retail and mixed-use in-fill opportunities. Divided by Virginia Street in the center, 4th Street is an essential corridor connecting the western edge of the downtown redevelopment project area with the eastern edge and beyond to the City's recently established Redevelopment Project Area No. 2.

Although 4th Street is one continuous corridor running throughout the downtown redevelopment project area, each side, West 4th Street and East 4th Street are unique in regards to different opportunities for potential retail, commercial and mixed-use in-fill.

The Downtown Retail Study concludes that East 4th Street should be developed with trend and specialty retail as a primary focus as a means of supporting and capitalizing on existing and planned projects like the Reno Events Center, National Bowling Stadium and the planned Ballroom and RTC Multi-Modal Center. Boutiques, restaurants, cafes and other retailers along the East 4th Street corridor should be designed to enhance these existing facilities while providing an important pedestrian oriented link between the downtown and the historical Lincoln Highway running between the downtowns of both the City of Reno and the City of Sparks.

The Downtown Retail Study also concludes that West 4th Street should be developed with retail oriented towards existing residential populations as well as pursuing higher density residential development. Examples of such retail in-fill would include grocery stores, hairdressers, drug stores, bookstores, postal and office services, florists, drycleaners and other retailers that orient themselves towards servicing the needs of a largely residential area. Examples of such residential in-fill would include market-rate rental properties, San Francisco style-row homes, and mixed-income projects to provide more housing for a growing workforce needed throughout the

downtown. Although much of this retail mixed-use in-fill could be service in nature, certain areas along West 4th Street should also offer retail opportunities for tourists visiting hotel and casino properties located along West 4th Street.

In either case, both West 4th Street and East 4th Street offer a unique opportunity to blend service oriented retail with specialty and trend oriented retail as a means of connecting the City's centralized entertainment core with the outward residential neighborhoods.

3. The Downtown Retail Study concludes that West Street, running from St. Mary's to the North to the Truckee River to the South is a third corridor of growing potential for retail and commercial in-fill mixed-use development. Although ultimate build out of West Street will occur in coming years, its importance as a potential neighborhood-business district should be recognized in advance.

West Street provides a distinct link between St. Mary's Regional Medical Center, which has recently completed a significant expansion of its medical campus, and the Truckee River corridor which continues to develop new mixed-use retail, commercial, entertainment and residential opportunities. Already, the area between West 2nd Street and the Truckee River has seen an influx of new retailers and restaurants.

Condominium projects like the Residents at the Riverwalk (Comstock), the Montage (Golden Phoenix), a possible condominium project at the former Kings Inn and the Belvedere Tower (Sundowner) are creating a residential neighborhood along West Street, introducing new residents with levels of disposable income well above City, County or regional levels. Even condominium conversion projects already underway at both the Colonial Inn and Olympic Motel will help enhance the retail opportunities for West Street. As these condominium projects are completed, the new residents with significant disposable income will begin to support specialty retailers along West Street like high-end specialty grocery stores and home furnishing stores similar to retailers like the Downtown Market and Cavanaugh's located at the Parking Gallery on the corner of 1st and Sierra streets.

Despite a perceived underutilization of much of West Street, existing and planned developments are already beginning to offer potential retailers with new opportunities for much of West Street.

4. The Downtown Retail Study identified a growing trend in the residential and workforce populations both in and immediately adjacent to the downtown redevelopment project area. A growing

residential and workforce population will further drive an increased demand for both service-oriented, and specialty retailers.

Throughout the downtown redevelopment project area, the residential population is expected to grow by 4,000 to 6,000 new residents within the next four to five years with median per capita incomes of \$100,000 to \$110,000. The exceptional growth of the three surrounding regional centers (the University of Nevada, Reno, Washoe Medical Center and St. Mary's Regional Medical Center) will add to these figures, introducing new residents, workers and visitors to the downtown with above-area average disposable incomes. These new populations will help drive service and specialty retailers throughout the downtown redevelopment project area. Jewelry shops, leather good stores, fashion boutiques, electronic stores, tailors, specialty grocer and drug stores and upscale home furnishings stores are only a few examples of the many specialty retailers that are now beginning to show potential throughout the City's urban-core.

In developing a comprehensive downtown retail strategy, the Redevelopment Agency should be careful to consider making locally owned specialty retailer attraction and retention a priority. Although national chain stores like Sears, Pottery Barn, Barnes and Nobles, Crate and Barrel, Starbucks and P.F. Chang act as anchors for visitors and tourists, local merchants have a much greater economic impact on the local economy. Saturation of larger national chain retailers tend to "crowd-out" local merchants. Although national chain retailers have an undisputed and large role to play in the development of a downtown destination, retail, commercial and entertainment complex within the City's urban-core, a larger percentage of a locally owned merchant's profits remain in the local economy helping support local suppliers while also offering new visitors to the area a taste of Reno's unique flare. Art galleries, novelty boutiques, specialty grocery and home furnishing stores are just a few examples of the different types of locally owned retail stores that can help personalize and identify the City's urban-core while satisfying the needs of a growing downtown residential and workforce population.

5. Although referenced throughout the Downtown Retail Study, it is important to specifically call-out the importance of restaurant and dining retail development along each of the three identified retail corridors; Virginia Street, West Street and 4th Street. Restaurant development is a critical component of successfully creating a "24-hour" environment "night-life" in any urban environment.

When professional and government offices close in the early evening, when students finish class during the day and when doctors, nurses, lab technicians, physician assistants and hospital administrators end their shift, specialty restaurants, either locally owned or national

chains, will draw these individuals into the City's urban-core. Although a wide selection of dining choices help service this growing workforce population, these restaurants help keep these very same workers in the downtown after the workday is over.

Beyond helping attract the immediate residential and workforce population to the City's urban-core, these restaurants become an attraction in their own right helping attract visitors from throughout the region. Proposed dining opportunities at projects like Palladio, Chambolle and 10 N Virginia (the City's recently opened public plaza and skating rink) are exactly the type of restaurant development that not only serves a growing downtown urban residential population, but will draw new visitors from throughout the City, County and region back to the City's urban-core. In turn, as new visitors come back to the downtown due to a growing opportunity for consumer dining choice within a relatively small and dense geographic area, demand for further specialty-trend retail will follow. Research in this area emphatically confirms that visitors to a downtown who come for dining, stay to shop for a variety of different retail needs ranging from electronics, gifts, clothes and books.

Focusing efforts along Virginia Street, West Street and West and East 4th Street will help connect not only different parts of the redevelopment district, but help connect the City's urban-core with the three large and growing regional centers immediately adjacent to the redevelopment district. Focusing on these three identified "economic engines" will also enable the Redevelopment Agency to maximize the use of its strategic resources.

A multi-block , phased strategy should be employed. Although current population, per capita income and other market trends supports the development of new retail space within the City's urban-core, the Agency should guard against over supply and continue to monitor future development of the City's urban-core.

The Redevelopment Agency, given existing market conditions, has a unique opportunity to enhance the position of the City's downtown redevelopment district as the region's commercial, retail and entertainment center. Enhanced retail and commercial opportunities, created through careful planning and execution, can significantly improve the downtown redevelopment district and offer visitors and residents alike with new and exciting retail, commercial and entertainment opportunities. A renewed emphasis on tourism-generated retail revenue will enhance the level of economic activity present within the City's urban-core as tourism-generated retail revenue is more valuable than locally-generated retail revenue because tourists generally spend more dollars on related expenditure opportunities than local visitors to the City's urban-core would. Effective downtown retail development would prevent sales

leakage to neighboring jurisdictions, such as Roseville, Sacramento and the rest of the Bay Area. Retaining these taxable retail sales within the local market, and attracting new tourist dollars, increases wealth in the community.

As residential and workforce populations continue to grow throughout and immediately adjacent to the City's downtown redevelopment district, the demand for service, specialty and trend oriented retailers will help not only support these growing populations but also enhance visitor counts within the City's urban-core. The local downtown population and regional population will support the kind of retail that will also be attractive to tourists.

Although the Downtown Retail Study focusing specifically along Virginia Street, West Street and 4th Street, north of the Truckee River, these trends are also good news for the City's existing Redevelopment Project Area No. 1, as well as the recently adopted Redevelopment Project Area No. 2. An enhanced downtown retail presence will help revitalize the office core by attracting new professional offices like advertising and public relation firms, financial consultants, design firms and high tech companies. Many professional offices, with above regional average median incomes, typically locate in areas that have a strong commercial base to support not only their workforce but visiting clients.

In conclusion, the Downtown Retail Study concludes that more retail of all types is needed downtown, and there is sufficient and growing demand for it. Retail development should be a focus for the Reno Redevelopment Agency, and as more people live, work, play and *shop* downtown, a more diverse downtown economy will benefit the entire region.

1 – Summary Findings

Current Downtown Reno Retail Trends

Since the inception of the City's existing downtown redevelopment district in FY 1982-83, much of the new retail development has been secondary to other primary redevelopment goals and objectives. The rehabilitation of the City's downtown entertainment core has historically been centered on the development of special event venues like the National Bowling Stadium and the recently completed Reno Events Center. The proposed Reno Ballroom and the plaza at "10 North Virginia Street" are further developments of the City's downtown special events venues.

To complement the development of new special events venues within the City's entertainment core, private developers have focused on expanding the downtown hotel and casino entertainment venues. The completion of the Silver Legacy, Harrah's East Tower and the further build-out of the Eldorado Hotel and Casino sought to maximize the hotel and casino space present within the City's urban-core. Despite new large scale private and public investments, these public and private investments within the City's entertainment core have not significantly increased the retail venues outside the major downtown hotel and casino properties.

Further development of the City's downtown Truckee River corridor has significantly improved the number and overall diversity of retailers present within the City's downtown redevelopment district. Agency sponsored capital improvement projects, like the Parking Gallery and Century Riverside Theater, has helped attract new retailers, both locally owned and operated (Silver Peak and the Downtown Marketplace) as well as national chain retailers (Century Theaters), to the downtown area. New projects currently underway triggered initially by Redevelopment Agency investments like Palladio, Chambolle and the recently completed River's Edge retail facility will bring additional retailers to the downtown

redevelopment district. River's Edge (located on the south-west corner of 1st and Sierra streets) will bring three new national chain retailers (Figaro's Pizza, Cold Stone Creamery and Tacos Del Mare) to the downtown.

In recent years, total taxable retail sales within the City's downtown redevelopment district have declined by 0.45% per year. In comparison, total taxable retail sales throughout the entire City of Reno have increased by 5.58% per year.

- Between 1998 and 1999, total retail sales in the City's urban-core fell by 3.68%. In the same one-year period, total retail sales for the entire City increased by 6.32%.
- Between 1999 and 2000, total retail sales in the City's urban-core rose by 6.33%. In the same one-year period, total retail sales for the entire City increased by 7.76%, more than one full percent above the growth in retail sales in the downtown redevelopment district.
- Between 2000 and 2001, total retail sales in the City's urban-core fell by 3.45%. In the same one-year period, total retail sales for the entire City increased by 3.24%.
- Between 2001 and 2002, total retail sales in the City's urban-core fell by 1.38%. In the same one-year period, total retail sales for the entire City increased by 4.36%.
- Between 2002 and 2003, total retail sales in the City's urban-core fell by 0.08%. In the same one-year period, total retail sales for the entire City increased by 6.21%.

Over this six-year period, the growth in total taxable retail sales within the City's urban-core has not kept pace with the growth in total taxable retail sales evident in the overall Reno retail market. Growth in the number of actual retailers in the downtown has also not kept pace with growth in number of actual retailers present throughout the entire City of Reno. Growth in the number of actual retailers present throughout the City's downtown redevelopment district has remained relatively flat according to a 2002 to 2003 survey of retailers present within the City's urban-core.

- Between 2002 and 2003, the total number of retailers in the downtown redevelopment project area increased by 2.70%, increasing from 149 total retailers in 2002 to 153 total retailers in 2003.
- Between 2002 and 2003, the level of total taxable retail sales in the downtown redevelopment project area decreased by 0.08%, falling from approximately \$233.3 million in 2002 to \$233.1 million in 2003.

Although the level of total taxable retail sales in the entire downtown redevelopment project area declined between 2002 and 2003, total taxable retail sales increased between 2002 and 2003 along the Truckee River corridor.

- Between 2002 and 2003, the total number of retailers along the City's downtown Truckee River corridor remained unchanged at 27 total retailers.
- Between 2002 and 2003, the level of total taxable retail sales along the City's downtown Truckee River corridor increased by 5.3%, increasing from approximately \$12.5 million in 2002 to \$13.2 million in 2003.

The explosive population growth throughout the Reno-Sparks area suggests that additional retail development, specifically located within the City's downtown redevelopment district could be supported. Current trends in the level of net and gross absorption, as well as overall, anchor space and line shop vacancy rates, indicates that current supply levels of retail and commercial space has not kept pace with growing levels of demand for new retail space.

- Between 2001 and 2004, the gross absorption rate of available retail square footage grew at an annual average rate of 4.82%, averaging 737,772 square feet per year.
- Projecting forward, the gross absorption rate of available retail square footage will continue to grow at an annual average rate of 4.60% between 2005 and 2008, rising to an average gross absorption of 984,517 square feet per year.
- Between 2001 and 2004, the net absorption rate of available retail square footage grew at an annual average rate of 17.79%, averaging 308,866 square feet per year.
- Projecting forward, the net absorption rate of available retail square footage will continue to grow at an annual average rate of 15.10% between 2005 and 2008, rising to an average net absorption of 650,864 square feet per year.

Existing and anticipated residential population levels and median income levels are important variables to consider when developing a comprehensive retail strategy for the City's downtown redevelopment district.

The residential population that comprises the City's existing and possible retail market consists of three separate general categories.

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1. Those residents living in and immediately adjacent to the City's downtown redevelopment district.
 2. Those residents living in the Reno-Sparks area as well as Washoe County.
 3. Those residents living in neighboring counties in both Northern Nevada and Northern California.

In each of three categories listed above, residential population levels and median income levels have been growing and are expected to grow between now and 2015. Increased residential population levels and increased median income levels in each of the three market segments listed above indicates a growing opportunity to expand the City's downtown retail market above service-oriented retail development. A combination of service-oriented retail and "trend" destination retail is needed to meet the growing demands of an increasingly sophisticated and enlarged consumer base.

Census Tract data, provided by the 2000 United States Census, was used to measure and estimate existing and future residential population levels and per capita income levels. To estimate future residential population levels, a 3.00% annual growth rate was applied to 2000 population levels. To estimate future per capita income levels, a 1.00% annual growth rate was applied to 2000 per capita income levels.

- The residential population level of the City's immediate urban-core is estimated to grow from an estimated 5,563 individuals in 2000 to an estimated 8,667 individual by 2015.
- The per capita income level of the City's immediate urban-core is estimated to grow from an estimated \$16,729 in 2000 to an estimated \$19,421 by 2015.
- In addition to normal rates of residential population and per capita income growth, several recently announced downtown housing projects will likely enhance the downtown's potential retail consumer base. Palladio, Chambolle, Residence at the Riverwalk (Comstock), Belvedere Tower (Sundowner) and the Monument Tower (Bundox site) will likely increase the City's downtown population by approximately 2,400 people with an estimated per capita income of approximately \$110,000.

By 2015, assuming 3.00% growth in residential population levels and considering the recently announced downtown housing and condominium projects, between 10,000 to 12,000 people could potentially be living in and around the City's immediate downtown urban-core.

Considering a larger geographic region, the potential customer base for the City's downtown redevelopment district is also expected to grow. The City of Reno, the City of Sparks, Washoe County and adjacent counties in both Northern Nevada and Northern California have all experienced significant growth over the last several years in both the level of residents and per capita incomes.

Similar to the analysis performed for the City's downtown residential population and per capita income levels, it is possible to estimate what future population and per capita income levels may be by 2015, assuming a 3.00% growth in residential population levels and a 1.00% growth in per capita income levels in each of the adjacent and relevant jurisdictions.

- For the City of Reno, the total residential population level is anticipated to grow from an estimated 180,480 individuals in 2000 to an estimated 281,182 individuals by 2015. The per capita income level for the City of Reno is also anticipated to grow from an estimated \$22,520 in 2000 to an estimated \$26,145 by 2015.
- For the City of Sparks, the total residential population level is anticipated to grow from an estimated 66,346 individuals in 2000 to an estimated 103,365 individuals by 2015. The per capita income level for the City of Sparks is also anticipated to grow from an estimated \$21,112 in 2000 to an estimated \$24,510 by 2015.
- For Washoe County, the total residential population level is anticipated to grow from an estimated 339,486 individuals in 2000 to an estimated 528,908 individuals by 2015. The per capita income level for Washoe County is also anticipated to grow from an estimated \$24,277 in 2000 to an estimated \$28,185 by 2015.

Continued growth in Washoe County represents a growing opportunity for regionally-oriented destination "trend" retail within the City's downtown redevelopment district. This growing opportunity for regionally-oriented destination "trend" retail within the City's downtown redevelopment district is furthered by the growth in residential population levels and per capita income levels in the surrounding Northern Nevada and Northern California counties.

- For the adjacent Northern Nevada counties (Humboldt, Pershing, Churchill, Lander, Mineral, Lyon, Douglas and Storey), the total residential population level is anticipated to grow from 136,805 individuals in 2000 to an estimated 213,138 individuals by 2015. The per capita income level for the adjacent Northern Nevada counties is also anticipated to grow from an estimated \$19,852 in 2000 to an estimated \$23,047 by 2015.

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- For the adjacent Northern California counties (Modoc, Lassen, Plumas, Sierra, Nevada, Placer, El Dorado, Alpine and Mono), the total residential population level is anticipated to grow from 578,488 individuals in 2000 to an estimated 901,203 individuals by 2015. The per capita income level for the adjacent Northern California counties is also anticipated to grow from an estimated \$21,736 in 2000 to an estimated \$25,235 by 2015.

By 2015, the estimated *regional* residential population level could range between 1.6 million and 1.7 million individuals given a 3.00% annual rate of growth in current residential population levels for Washoe County, Northern Nevada counties and Northern California counties.

Recent visitor and tourism trends within the City's downtown redevelopment district are the final pieces in identifying current downtown retail trends. Between 1999 and 2004, approximately 30 million people visited the Reno-Sparks area and stayed at Reno-Sparks area hotel and casino properties. Despite three consecutive years of decline in Reno-Sparks visitor counts (2000 to 2001, 2001 to 2002 and 2002 to 2003), visitor counts for the Reno-Sparks area between 1999 and 2004 declined by only 0.44%, falling from approximately 5.1 million visitors in 2000 to approximately 5.0 million visitors in 2004.

With the Reno-Sparks tourism market on a potential rebound, there exists additional opportunities for destination "trend" retail development within the City's downtown redevelopment district. The large concentration of the area's hotel and casino properties within the City's urban-core, coupled with recent developments like the National Bowling Stadium and the Reno Events Center, may make the City's downtown redevelopment district ideal for new transformative and catalytic retail in-fill development projects that service a larger client base beyond existing residential population levels.

Identifying Opportunities

In addition to growth in residential population and per capita income levels of the immediate and adjacent areas to the City's downtown redevelopment district, unique opportunities for new transformative and catalytic in-fill retail projects are centered on the City's adjacent regional centers as well as different employment centers within the City's downtown redevelopment district.

The University of Nevada, Reno, Washoe Medical Center and St. Mary's Regional Medical Center have all experienced tremendous growth over the past several years. Each of these three regional centers have either announced, undertaken and/or completed major expansion projects that

will increase the impact each will have on the City's potential downtown retail market.

In the 2004-05 academic school year, the University of Nevada, Reno's student body swelled to 15,469 enrolled students, a 23.51% increase in enrolled students since the 1995-96 academic school year. Using student retail multipliers developed by the National Retail Federation, the estimated one-year retail spending impact of the 15,469 enrolled students at the University of Nevada, Reno is estimated at approximately \$21.4 million in the 2004-05 academic school year.

Washoe Medical Center has also recently experienced an increase in the number of visitors and patients visiting or admitted to Washoe Medical Center's main campus located to the south, south-east of the City's downtown redevelopment district. Washoe Medical Center's recent wave of growth has resulted in the hospital's expansion and creation of a new patient care tower which will increase the total number of visitors and patients at Washoe Medical Center as well as the total number of employees employed at Washoe Medical Center. Post completion of Washoe Medical Center's recent expansion, the one-year retail spending impact of visitors, patients and employees at Washoe Medical Center, using retail multipliers developed by the Iowa Hospital Association, is estimated at approximately \$875.5 million. Post completion of its recently started expansion, Washoe Medical Center estimates that approximately 29,000 individuals will visit, be admitted or work at the hospital annually.

St. Mary's Regional Medical Center has recently completed an expansion of its primary downtown campus located to the north, north-west of the City's downtown redevelopment district. St. Mary's Regional Medical Center's own recent wave of growth has resulted in the hospital's expansion and creation of a new care facility tower with additional treatment centers and physician offices. The total number of visitors and patients at St. Mary's Regional Medical Center as well as the total number employees at St. Mary's is likely to grow as result of this expansion phase. Post completion of St. Mary's recent expansion, the one-year retail spending impact of visitors, patients and employees at St. Mary's Regional Medical Center, using multipliers developed by the Iowa Hospital Association, is estimated at approximately \$696.0 million. Post completion of its recent expansion, St. Mary's estimates that approximately 22,000 individuals will visit, be admitted or work at the hospital annually.

In 2003, the City's downtown redevelopment district employed an estimated 10.68% of Washoe County's total work force according to the 2004 Business Activity Report compiled by the Nevada Small Business Development Center. In 2003, an estimated 19,621 individuals worked specifically within the City's downtown redevelopment district. This high concentration of Washoe County's total workforce presents existing and

future retailers an additional opportunity to capture additional revenues from downtown employees.

Combined, the three adjacent regional centers and the downtown's already significant workforce, presents the Reno Redevelopment Agency with a unique opportunity to strategically develop catalytic and transformative retail in-fill projects designed to draw potential retail consumers back to the City's urban-core.

Barriers to In-Fill Development

In order to better determine the likelihood of actually beginning and completing any catalytic and transformative retail in-fill development project, the Reno Redevelopment Agency should consider the unique barriers to in-fill development within the City's urban-core as well as the unique tools the Agency has to overcome these barriers.

Seven individual barriers to new in-fill development within the City's current downtown redevelopment project area act as physical barriers to a private developers ability to develop and complete new projects. The physical manifestation of these barriers artificially drive the cost of development up without offering any financial remedies, making most projects, especially multi-block, multi-phase developments, so costly that a possible developer is unable to realize a significant profit level. The barriers identified in this report include:

1. Blight
2. Existing Passive Land Owners
3. Existing and Future Tenants
4. Parking
5. Information
6. Uniqueness of Reno
7. Northern Nevada's Housing Price Bubble

The high cost of overcoming numerous blighting conditions, existing passive land owners, existing and future tenants and a perceived parking shortage within the downtown are physical barriers that any developer will have to overcome before any project is undertaken.

A relatively disorganized pool of relevant market information, the very unique history of Reno and its downtown and the possible existence of a housing price bubble in the City of Reno and throughout Northern Nevada, represent intangible, non-physical barriers to in-fill development within the City's downtown redevelopment district. Although these barriers are not as tangible or visible as blight, land owners, existing and future tenants and a perceived parking shortage, these barriers still

represent a high cost possible future developers will have to overcome before any catalytic and transformative project is undertaken.

The Reno Redevelopment Agency has in its arsenal several strategic tools it can employ to reduce the high cost of in-fill development within the City's downtown redevelopment district. Five specific remedies designed to overcome the barriers to in-fill development are:

1. Land Assembly
2. Catalytic Projects
3. STAR Bonds
4. Permit Acceleration
5. Leveraging of State and Federal Housing Funds

Individually, any one of these five strategic tools is insufficient to deal with the problems and barriers many private developers will face when developing new catalytic and transformative projects within the City's downtown redevelopment district. Neither one of the five listed strategic tools is capable of generating enough cost-savings to entice a developer into risking his/her capital on a new project that would help revitalize the City's urban-core.

Combined however, and used strategically in conjunction with one another, these five tools can significantly reduce the costs developers will encounter when developing new retail and mixed-use in-fill projects within the City's urban-core. Together, each of these five tools can help the Redevelopment Agency move forward on new catalytic and transformative retail and mixed-use in-fill projects designed to enhance the City's urban retail market.

2 – Identifying Key Retail Trends

Introduction

To provide the Agency with sound policy direction regarding future retail development in the City's downtown Redevelopment Project Area No. 1, an overview of current downtown retail trends is presented.

Downtown retail trends consist of more than just the total number of retailers present and the overall level of retail activity in the downtown redevelopment district. A comprehensive examination of the downtown retail market includes a detailed examination of current residential and visitor trends to determine whether or not current conditions could support expanded retail activity.

Future retail development is dependent on the regional retail market. Additional effort was made examining residential and visitor trends in the expanded downtown redevelopment area, outside the actual redevelopment district. This methodology was expanded to cover more than just the district itself or the surrounding neighborhoods. Considerable effort was undertaken understanding residential and visitor trends for the City of Reno, the extended Reno-Sparks area, Washoe County and the surrounding counties in both Northern Nevada and Northern California.

Although new hotel rooms are planned for areas outside the downtown redevelopment district, the existing high density of hotel rooms located in the City's downtown redevelopment district makes destination retail ideal within the urban-core. In addition to generating additional hotel-room and gaming tax revenue for the City and other jurisdictions, destination retail could significantly enhance the overall amount of sales tax revenue allocated to the City of Reno, City of Sparks, Washoe County, Washoe County School District and the State of Nevada.

The Immediate Downtown Retail Market

This analysis provides a basic inventory of current retailers present in the downtown redevelopment district as well as an understanding of the general level of economic and retail activity present within the City's downtown Redevelopment Project Area No. 1.

Current Trends in Total Taxable Retail Sales

Despite historical levels of success in introducing new private investment into the downtown redevelopment district, retail sales in the City's urban-core have recently lagged behind the level of total taxable retail sales for the City of Reno as a whole.

**Table 1 – Total Taxable Retail Sales
Redevelopment Project Area No. 1 vs. City of Reno
Calendar Year 1998 – Calendar Year 2003**

Year	Redevelopment Area	Annual Growth Rate	City of Reno	Annual Growth Rate
1998	237,616,055		3,282,661,178	
1999	229,173,724	-3.68%	3,504,180,028	6.32%
2000	244,668,223	6.33%	3,799,137,840	7.76%
2001	236,518,039	-3.45%	3,926,297,583	3.24%
2002	233,303,494	-1.38%	4,105,476,480	4.36%
2003	233,127,106	-0.08%	4,377,329,395	6.21%
Total/Average	1,414,406,641	-0.45%	22,995,082,504	5.58%

**Source: Nevada Small Business Development Center*

- Between 1998 and 2003, total taxable retail sales for the City of Reno grew by approximately 5.58% annually, growing from approximately \$3.3 billion in 1998 to approximately \$4.4 billion in 2003.
- Between 1998 and 2003, total taxable retail sales in the City's downtown redevelopment area declined by approximately 0.45% annually, falling from approximately \$237.6 million in 1998 to approximately \$233.1 million in 2003.

Despite long-term stable growth in total taxable retail sales over a six year period throughout the City of Reno, total taxable retail sales in the City's downtown redevelopment district remained relatively stagnant over the same six year period. Only in one year, 2000, did total taxable retail sales in the City's urban core grow. Growth in total taxable retail sales in the City's urban-core have not kept pace with the strong growth in taxable retail sales throughout the City.

Although the City's urban-core is home to the largest concentration of hotel-casino properties, visitors and residents of the area have tended to do the bulk of their retail shopping in other parts of the City.

Parklane Mall and Meadowood Mall are two of the largest retail centers in the area and can attract significantly higher retail and commercial traffic than the retail currently present in the downtown redevelopment district. The completion of Summit Sierra, a new "life-style" center at the north-west corner of Mount Rose Highway and S. Virginia Street in south Reno will add additional market pressures on the City's developing downtown retail market.

Retailers Present in the Downtown – by Retail Industry

For the purposes of examining current trends in the type of retailer present in the downtown Redevelopment Project Area No. 1, this study relied on a "retail inventory" conducted by the Nevada Small Business Development Center for the 2004 Reno-Sparks Business Activity Report.

For the purposes of their study, the Nevada Small Business Development Center developed eight individual retail industry categories. Those categories are:

1. Home Improvement & Department Stores
2. Food – At Home
3. Food – Away from Home
4. Motorized Equipment
5. Apparel
6. Home Furnishings
7. Household & Personal Goods
8. Miscellaneous Retail

Each retail industry category has several individual sub-categories examined in this section.

Home Improvement & Department Stores

Without a strong residential population within a confined geographic space, Home Improvement & Department Store retailers will leave or avoid a particular area in favor of neighborhoods with higher population density levels.

The Home Improvement & Department Stores retail industry category has five individual sub-categories.

1. Home Improvement & Building Materials

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2. Paint, Glass & Hardware
 3. Nurseries, Lawn & Garden Supplies
 4. Major Department Stores
 5. Variety & General Merchandise.

The Home Improvement & Department Store category is one of the most underserved retail industry categories in the City's downtown redevelopment district.

- Between 2002 and 2003, the number of Home Improvement & Building Materials retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Home Improvement & Building Materials retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Paint, Glass & Hardware retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Paint, Glass & Hardware retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Nurseries, Lawn & Garden Supply retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Nurseries, Lawn & Garden Supply retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Major Department Store retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Major Department Store retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Variety & General Merchandise retailers increased from zero retailers in 2002 to two retailers in 2003. Total retail sales from Variety & General Merchandise retailers increased from \$0 in 2002 to approximately \$73,225 in 2003.

Low residential populations in the City's urban-core combined with the continued sprawl of the City's suburban areas have contributed to the overall low number of home improvement and department store retailers.

Food – At Home

The Food – At Home retail industry category is also heavily dependent on population density levels. Retailers in the Food – At Home industry will only open a retail outlet, like a grocery store or supermarket in areas with

high population density levels. Typically, Food – At Home retailers have small profit margins and are only profitable with high traffic counts and customer volumes.

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Food – At Home retail industry category has six separate sub-categories.

1. Supermarkets
2. Convenience Stores & Gas Stations
3. Small Food Markets
4. Candy, Bakeries & Miscellaneous Food Stores
5. Liquor Stores
6. Drug Stores & Pharmacies

Despite a growing residential population in and around the current downtown redevelopment district, the Food – At Home retail industry remains largely underserved.

- Between 2002 and 2003, the number of Supermarket retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Supermarket retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Convenience Stores & Gas Station retailers in the City's downtown declined from two retailers in 2002 to only one retailer in 2003. Total retail sales generated from Convenience Stores & Gas Station retailers fell from approximately \$830,000 in 2002 to approximately \$175,000 in 2003.
- Between 2002 and 2003, the number of Small Food Market retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Small Food Market retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Candy, Bakeries & Miscellaneous Food Store retailers in the City's downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Candy, Bakeries & Miscellaneous Food Store retailers in the City's urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Liquor Store retailers in the City's downtown increased from 23 stores in 2002 to 24 stores in 2003. Despite the total number of Liquor Store retailers increasing by one outlet, total retail sales generated from Liquor Store retailers declined, falling from approximately \$16.2 million in 2002 to \$14.8 million in 2003.

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- Between 2002 and 2003, the number of Drug Stores & Pharmacy retailers remained unchanged at 1 store. Approximately \$7.5 million in total retail sales was generated by downtown Drug Store & Pharmacy retailers in 2002 and approximately \$7.5 million in total retail sales was generated by downtown Drug Store & Pharmacy retailers in 2003.

A stronger residential population level with higher disposable incomes living within the downtown redevelopment district will significantly help attract additional retailers in the Food – At Home retail industry category back to the City’s urban-core.

Food – Away from Home

Current redevelopment efforts in the downtown, specifically along the Truckee River corridor, has stabilized the number of restaurants, coffee shops and other retailers in the Food – Away from Home retail industry category.

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Food – Away from Home retail industry category has five separate sub-categories.

1. Restaurants
2. Fast Food Restaurants & Delis
3. Coffee, Snacks & Ice Cream
4. Drinking Establishments
5. Casino Retail Sales

A growing residential and visitor population along the Truckee River in the City’s urban-core, enhanced by an increased focus on new special and merchant-sponsored events has helped stabilize the total number and total retail sales of Food – Away from Home retailers.

- Between 2002 and 2003, the number of Restaurant retailers in the City’s downtown decreased from 19 stores in 2002 to 18 stores in 2003. Despite the total number of Restaurant retailers decreasing by one outlet, total retail sales generated from Restaurant retailers increased, rising slightly from approximately \$14.60 million in 2002 to \$14.63 million in 2003.
- Between 2002 and 2003, the number of Fast Food Restaurant & Deli retailers in the downtown decreased from six units in 2002 to five units in 2003. Total retail sales generated from downtown Fast Food Restaurant & Deli retailers decreased from approximately \$2.6 million in 2002 to \$2.5 million in 2003.

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- Between 2002 and 2003, the number of Coffee, Snacks & Ice Cream retailers in the downtown increased from three stores in 2002 to four stores in 2003. Despite an increase in the number of Coffee, Snacks & Ice Cream retailers in the downtown, total retail sales fell between 2002 and 2003, falling from approximately \$3.7 million in 2002 to \$2.7 million in 2003.
 - Between 2002 and 2003, the number of Drinking Establishment retailers in the downtown remained unchanged at 23 units between 2002 and 2003. Despite no change in the number of Drinking Establishment retailers, total retail sales fell from approximately \$9.2 million in 2002 to \$8.0 million in 2003.
 - Between 2002 and 2003, the number of Casino Retail Sales retailers in the downtown remained unchanged at 12 units. Despite no change in the number of Casino retail Sales retailers, total retail sales increased from approximately \$145.1 million in 2002 to approximately \$147.4 million in 2003.

Although the total number of downtown Food – Away from Home retailers has remained steady, future efforts should focus on increasing additional residential and visitor populations within the downtown redevelopment district.

Enhanced residential and visitor populations will help to “shore-up” recent declines in the level of total taxable retail sales generated from the downtown’s Food – Away from Home retail industry as well as attract new retailers in this category to the downtown.

Motorized Equipment

Not surprisingly, the Motorized Equipment retail industry category is also largely underserved within the downtown redevelopment district.

Although some Motorized Equipment retailers are present in the downtown, large-scale automobile dealerships, which require large surface parking lots, typically avoid urban-cores. Large surface lots, desired by the “typical” automobile dealership, are largely considered a poor use of land in a limited and confined urban space like the City’s downtown.

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Motorized Equipment retail industry category has four separate sub-categories.

1. New & Used Auto Dealers
2. Used Auto Dealers
3. Auto Supply Stores
4. Boat, Motorcycle, RV & Misc. Dealers

Despite the need for large-scale surface lots, the downtown was once the North American headquarters of a well known auto dealer, Porsche, which once occupied the existing office tower, located on the south-west corner of Liberty and Sierra streets. A growing residential population with higher disposable income levels may once again attract “trend” automobile and motorcycle dealerships, like Porsche and Harley-Davidson, back to the City’s urban-core.

- Between 2002 and 2003, the number of New & Used Auto Dealer retailers in the City’s downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from New & Used Auto Dealer retailers in the City’s urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Used Auto Dealer retailers in the City’s downtown remained unchanged at zero stores. A total of \$0 was generated in total retail sales from Used Auto Dealer retailers in the City’s urban-core in both 2002 and 2003.
- Between 2002 and 2003, the number of Auto Supply Store retailers remained unchanged at four stores. A total of approximately \$3.4 million in total retail sales was generated by the four Auto Supply Store retailers in 2002, falling to approximately \$2.8 million in total retail sales in 2003.
- Between 2002 and 2003, the number of Boat, Motorcycle, RV & Misc. Dealer retailers in the City’s downtown remained unchanged at one store. A total of approximately \$175,000 was generated in total retail sales from the one Boat, Motorcycle, RV & Misc. Dealer retailer present in the City’s urban-core for both 2002 and 2003.

Many “trend” automobile and motorcycle dealerships do have urban models that utilize smaller retail outlets as showrooms, using lots elsewhere in the surrounding area, outside the urban-core, to warehouse their vehicles. The growing residential population in the City’s urban-core, combined with a re-energized tourism market, could make the City’s downtown redevelopment district an ideal location for a “trend” style auto dealership catering to tourists and new residents with high disposable incomes than is currently the case.

Apparel

The Apparel retail industry category is one of the largest “impulse-buy” retail industries for tourists on vacation and residents alike. Apparel is an important hallmark of a successful retail and commercial redevelopment effort because the Apparel retail industry category is equally used by

tourists and residents. Trend Apparel retailers have a strong likelihood of attracting new visitors and residents to an urban environment because of the “mystique”, an intangible attraction, many Apparel retailers have.

Despite a growing residential population in the City’s urban-core, many trend Apparel retailers still remain outside the City’s redevelopment district, seeking higher profits in the City’s suburbs and outer rings of development. In the City of Reno, trend Apparel retailers have consistently migrated farther and farther away from the City’s urban-core, moving away from the downtown to Parklane Mall first, then Meadowood Mall and now further away from the City’s urban-core to the new retail center at Summit Sierra.

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Apparel retail industry category has four separate sub-categories.

1. Women’s Apparel & Accessory retailers
2. Men’s, Children & Family Apparel
3. Miscellaneous Apparel & Accessories
4. Shoe Stores.

Unlike other retail industry categories present in the City’s urban-core, the downtown’s Apparel retail industry experienced some of the strongest growth in total retail sales of all retail industry categories between 2002 and 2003.

- Between 2002 and 2003, the number of Women’s Apparel & Accessory retailers in the City’s downtown remained unchanged at two stores. Approximately \$179,000 was generated in total retail sales from Women’s Apparel & Accessory retailers in the City’s urban-core in 2002. Total retail sales from Women’s Apparel & Accessory retailers grew the following year, increasing to approximately \$217,000 in total retail sales in 2003.
- Between 2002 and 2003, the number of Men’s, Children & Family Apparel retailers in the City’s downtown remained unchanged at one store. Approximately \$375,000 was generated in total retail sales from Men’s Children & Family Apparel retailers in both 2002 and 2003.
- Between 2002 and 2003, the number of Miscellaneous Apparel & Accessory retailers decreased from two stores in 2002 to zero stores in 2003. Approximately \$89,000 was generated in total taxable retail sales from Miscellaneous Apparel & Accessory retailers in 2002, falling to \$0 in total retail sales in 2003.
- Between 2002 and 2003, the number of Shoe Store retailers in the City’s downtown remained unchanged at one store. Total taxable

retail sales generated from the one Shoe Store retailer increased from approximately \$63,000 in 2002 to approximately \$175,000 in 2003.

Apparel retailers generally serve the residential population (service retailers) while specialty “trend” apparel retailers can draw tourists and customers from the region. As residential populations in the City’s urban-core continue to grow, new service and “trend” Apparel retailers will find it increasingly profitable to open new stores in the downtown redevelopment district.

Home Furnishings

Like Home Improvement & Department Store, Food – At Home and Apparel retailers, Home Furnishing retailers are primarily service in nature. Home Furnishing retailers tend to gravitate towards large and growing residential populations.

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Home Furnishings retail industry category has four separate sub-categories.

1. Furniture Stores
2. Floors, Drapery & Upholstery
3. Household Appliances & Electronics
4. Miscellaneous Home Furnishings

Despite no significant change in the number of total Home Furnishing retailers in the urban-core, total taxable retail sales for the Home Furnishing retail industry significantly declined between 2002 and 2003.

- Between 2002 and 2003, the number of Furniture Store retailers in the City’s downtown remained unchanged at two stores. Total taxable retail sales generated from the two Furniture Store retailers decreased significantly, falling from approximately \$8.1 million in 2002 to approximately \$3.8 million in 2003.
- Between 2002 and 2003, the number of Floors, Drapery & Upholstery retailers in the City’s downtown remained unchanged at one store. Total taxable retail sales remained unchanged, totaling approximately \$375,000 in both 2002 and 2003.
- Between 2002 and 2003, the number of Household Appliances & Electronics retailers in the City’s downtown increased from one store in 2002 to two stores in 2003. Total taxable retail sales increased slightly from approximately \$175,000 in 2002 to approximately \$222,000 in 2003.

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- Between 2002 and 2003, the number of Miscellaneous Home Furnishing retailers in the City's downtown increased from two stores in 2002 to three stores in 2003. Total taxable retail sales increased slightly from approximately \$323,000 in 2002 to approximately \$450,000.

As residential population levels in the City's downtown redevelopment district increase, the number of Home Furnishing retailers should correspondingly increase to meet the growing needs of a growing residential population.

Household & Personal Goods

Using the 2004 Reno-Sparks Business Activity Report as a guide, the Household & Personal Goods retail industry category has 11 separate sub-categories.

1. Computers & Software
2. Videos, Music & Musical Instruments
3. Book Stores
4. Used Merchandise & Pawnshops
5. Jewelry Stores
6. Sporting Goods
7. Hobbies, Toys & Crafts
8. Office Supply Stores
9. Gifts, Novelty & Souvenirs
10. Florists
11. Tobacco Stores

The Household & Personal Goods retail industry is by far the best measure of disposable income levels present in the downtown's current retail market. Many of the sub-categories listed above like Jewelry Stores, Sporting Goods and Hobbies, Toys & Crafts are not service oriented. These retailers thrive only if a large and diverse group of shoppers with reasonable levels of disposable income shop at their stores.

Although the total number of retailers in the Household & Personal Goods retail industry operating within the current downtown redevelopment district remained relatively unchanged between 2002 and 2003, total taxable retail sales generated from each sub-category of this retail industry did increase slightly between 2002 and 2003, indicating that a stronger "buyer" with higher levels of disposable income maybe returning to the City's downtown retail market.

- Between 2002 and 2003, the number of Computer & Software retailers in the City's downtown remained unchanged at one store. Total taxable retail sales generated from Computer & Software

retailers in the downtown also remained unchanged at approximately \$625,000 for both 2002 and 2003.

- Between 2002 and 2003, the number of Videos, Music & Musical Instrument retailers in the City's downtown remained unchanged at zero stores. Total taxable retail sales also remained unchanged at \$0 for both 2002 and 2003.
- Between 2002 and 2003, the number of Book Store retailers in the City's downtown remained unchanged at zero stores. Total taxable retail sales also remained unchanged at \$0 for both 2002 and 2003.
- Between 2002 and 2003, the number of Used Merchandise & Pawnshops in the City's downtown increased from nine stores in 2002 to ten stores in 2003. Total taxable retail sales generated from Used Merchandise & Pawnshops increased slightly from approximately \$6.6 million in 2002 to approximately \$7.3 million in 2003.
- Between 2002 and 2003, the number of Jewelry Store retailers in the City's downtown remained unchanged at five stores. Total taxable retail sales increased slightly from approximately \$2.1 million in 2002 to approximately \$2.3 million in 2003.
- Between 2002 and 2003, the number of Sporting Good retailers in the City's downtown remained unchanged at zero stores. Total taxable retail sales for this sub-category also remained unchanged at \$0 for both 2002 and 2003.
- Between 2002 and 2003, the number of Hobbies, Toys & Craft retailers in the City's downtown remained unchanged at four stores. Total taxable retail sales increased slightly from approximately \$3.6 million in 2002 to approximately \$4.2 million in 2003.
- Between 2002 and 2003, the number of Office Supply Store retailers in the City's downtown remained unchanged at one store. Total taxable retail sales remained unchanged at approximately \$3 million for both 2002 and 2003.
- Between 2002 and 2003, the number of Gifts, Novelty & Souvenir retailers in the City's downtown increased from 14 stores in 2002 to 15 stores in 2003. Total taxable retail sales increased from approximately \$4.2 million in 2002 to approximately \$6.2 million in 2003.
- Between 2002 and 2003, the number of Florist retailers in the City's downtown remained unchanged at two stores. Total taxable

retail sales decreased significantly, falling from approximately \$594,000 in 2002 to approximately \$273,000 in 2003.

- Between 2002 and 2003, the number of Tobacco Store retailers in the City's downtown remained unchanged at three stores. Total taxable retail sales increased slightly, increasing from approximately \$212,000 in 2002 to approximately \$248,000 in 2003.

A stronger residential population with higher levels of disposable income, combined with new retailers that could lure new visitors to the downtown with higher levels of disposable income, would significantly improve the level of total taxable retail sales generated by retailers in the Household & Personal Good retail industry category.

Overall, the current downtown retail market for the City of Reno experienced some moderate growth in the total number of retailers present, regardless of retail industry type. Between 2002 and 2003, the total number of all retailers present in the City's downtown increased by four stores, growing from 149 total retailers in 2002 to 153 total retailers in 2003. This represents a 2.70% growth in the total number of retailers present in the City's urban-core.

Although the total number of retailers present in the City's current downtown retail market grew slightly between 2002 and 2003, total taxable retail sales between 2002 and 2003 remained relatively unchanged, falling by only 0.10%. Total taxable retail sales fell from approximately \$233.3 million in 2002 to approximately \$233.1 million in 2003.

Currently, the downtown retail market has not shown any significant growth, in either the total number of retailers present or in the level of total taxable retail sales generated. For the downtown retail market to grow significantly, both the residential population and visitor population will have to grow in-terms of both density and spending power.

The Reno-Sparks Retail Market

A comprehensive understanding of the current Reno-Sparks retail market is crucial to understanding whether or not the City's downtown redevelopment district could help support an expanded service and "trend" retail market.

In order to better understand the current condition of the overall Reno-Sparks retail market, two key indicators of retail health and growth is the absorption rate (both net and gross) of new retail space available to potential retailers as well as three different vacancy rates: 1) overall vacancy; 2) anchor vacancy; and 3) line shop vacancy.

Net and Gross Absorption Rates

The Northern Nevada chapter of CCIM produces an annual year end review tracking key indicators in the industrial, multifamily, office and retail real-estate markets. CCIM's 13th annual year end review was used to determine the overall strength of the larger Reno-Sparks retail market and project future trends in each primary indicator.

**Table 2 – Actual Net and Gross Absorption Rates, Reno-Sparks
Calendar Year 2001 – Calendar Year 2004**

Year	Net Absorption Sq. Ft.	Annual Growth Rate	Gross Absorption Sq. Ft.	Annual Growth Rate
2001	214,852		731,044	
2002	315,430	31.89%	646,000	-13.16%
2003	280,102	-12.61%	700,044	7.72%
2004	425,079	34.11%	874,000	19.90%
Average	308,866	17.79%	737,772	4.82%

* Source: 13th Annual CCIM Year-End Review, 2004

Between 2001 and 2004, the average net absorption of available retail space in square feet was approximately 309,000, increasing at an average annual rate of 17.79%.

- Between 2001 and 2002, the net absorption rate in the Reno-Sparks market increased by 31.89%, increasing from 214,852 sq. ft. in 2001 to 315,430 sq. ft. in 2002.
- Between 2002 and 2003, the net absorption rate in the Reno-Sparks market decreased by 12.61%, falling from 315,430 sq. ft. in 2002 to 280,102 sq. ft. in 2003.
- Between 2003 and 2004, the net absorption rate in the Reno-Sparks market increased by 34.11%, increasing from 280,102 sq. ft. in 2003 to 425,079 sq. ft. in 2004.

Between 2001 and 2004, the gross absorption rate in square feet was approximately 737,772, increasing at an average annual rate of 4.82%.

- Between 2001 and 2002, the gross absorption rate in the Reno-Sparks market decreased by 13.16%, falling from 731,044 sq. ft. in 2001 to 646,000 sq. ft. in 2002.
- Between 2002 and 2003, the gross absorption rate in the Reno-Sparks market increased by 7.72%, increasing from 646,000 sq. ft. in 2002 to 700,044 sq. ft. in 2003.

- Between 2003 and 2004, the gross absorption rate in the Reno-Sparks market increased by 19.90%, increasing from 700,044 sq. ft. in 2003 to 874,000 sq. ft. in 2004.

Despite one year of decline in both the net and gross absorption rates, both indicators show that the Reno-Sparks retail market has been able to absorb a substantial portion of new retail space each year of the four-year 2001 to 2004 period. The particularly high annual average growth rate in the net absorption rate of retail square footage indicates that the market may be able to absorb more retail square footage than is currently being provided by developers.

Many developers in the Reno-Sparks area have opted to build more residential units than commercial, office or retail units due to the high return on investment currently enjoyed by residential development. In today's Reno-Sparks market, a developer can make a significantly quicker and higher return on investment by building single-family detached or condominium residential units compared to waiting over several years to recoup their investment from rental or lease space.

The powerful market incentives for developers to build residential units in lieu of commercial, office or retail units for lease or rent explains why both the net and gross absorption rates reported in the 2004 CCIM annual year end review were unusually high for an area with relatively low population densities.

If this trend continues, both net and gross absorption rates will continue to increase over the next five years as population levels increase without a corollary increase in available retail square footage.

**Table 3 – Projected Net and Gross Absorption Rates, Reno-Sparks
Calendar Year 2005 – Calendar Year 2008**

Year	Net Absorption Sq. Ft.	Annual Growth Rate	Gross Absorption Sq. Ft.	Annual Growth Rate
2005	500,701		916,127	
2006	589,775	15.10%	960,284	4.60%
2007	694,696	15.10%	1,006,570	4.60%
2008	818,283	15.10%	1,055,086	4.60%
Average	650,864	15.10%	984,517	4.60%

Using the average annual growth rates calculated for net and gross absorption rates for the 2001 to 2004 period, both indicators of retail square footage capacity in the Reno-Sparks area are expected to increase substantially between 2004 and 2008. The estimated level of net absorption in square feet in 2008 is approximately 818,000 and the

estimated level of gross absorption in square feet in 2008 is approximately 985,000. Both indicate that the Reno-Sparks retail market, as a whole, can support a significant increases in the total level of available retail space.

Overall, Anchor Space and Line Shop Vacancy Rates

Typically, vacancy rates in retail units that are increasing is an indication that the market can no longer support new retail space while vacancy rates in retail units that are decreasing typically indicates that the market can support new retail space.

**Table 4 – Actual Overall, Anchor and Line Shop Vacancy Rates
Reno-Sparks
Calendar Year 2001 – Calendar Year 2004**

Year	Overall Vacancy	Annual Growth Rate	Anchor Space Vacancy	Annual Growth Rate	Line Shop Vacancy	Annual Growth Rate
2001	6.75%		6.04%		7.64%	
2002	7.90%	14.56%	7.98%	24.31%	7.82%	2.30%
2003	5.90%	-33.90%	5.75%	-36.78%	7.81%	-0.13%
2004	5.60%	-5.36%	5.00%	-15.00%	6.30%	-23.97%
Average	6.54%	-8.23%	6.19%	-9.82%	7.35%	-7.26%

* Source: 13th Annual CCIM Year-End Review, 2004

Overall vacancy rates, the vacancy rate for all retail units present in the Reno-Sparks retail market regardless of type, decreased at annual average rate of 8.23%, falling from an overall vacancy rate of 6.75% in 2001 to 5.60% in 2004. The average annual overall vacancy rate for the entire 2001 to 2004 period was approximately 6.54%.

- Between 2001 and 2002, the overall vacancy rate for the Reno-Sparks market increased by 14.56%, rising from 6.75% in 2001 to 7.90% in 2002.
- Between 2002 and 2003, the overall vacancy rate for the Reno-Sparks market decreased by 33.90%, falling from 7.90% in 2002 to 5.90% in 2003.
- Between 2003 and 2004, the overall vacancy rate for the Reno-Sparks market decreased by 5.36%, falling from 5.90% in 2003 to 5.60% in 2004.

Anchor space vacancy rates, the vacancy rate for large “anchor” retail units like a Safeway, Longs or Mervyns in a retail structure like a strip mall or a Sears or Macy’s in a traditional mall like Meadowood Mall, decreased at an average annual rate of 9.82%, falling from an anchor space vacancy rate of 6.04% in 2001 to 5.00% in 2004. The average annual

anchor vacancy rate for the entire 2001 to 2004 period was approximately 6.19%.

- Between 2001 and 2002, the anchor space vacancy rate for the Reno-Sparks market increased by 24.31%, rising from 6.04% in 2001 to 7.98% in 2002.
- Between 2002 and 2003, the anchor space vacancy rate for the Reno-Sparks market decreased by 38.78%, falling from 7.98% in 2002 to 5.75% in 2003.
- Between 2003 and 2004, the anchor space vacancy rate for the Reno-Sparks market decreased by 15.00%, falling from 5.75% in 2003 to 5.00% in 2004.

Line shop vacancy rates, the vacancy rate for smaller retail units like a small business, restaurant or more “trend” oriented retailer, decreased at an average annual rate of 7.26%, falling from a line shop vacancy rate of 7.64% in 2001 to 6.30% in 2004. The average annual line shop vacancy rate for the entire 2001 to 2004 period was approximately 7.39%.

- Between 2001 and 2002, the line shop vacancy rate for the Reno-Sparks market increased by 2.30%, rising from 7.68% in 2001 to 7.82% in 2002.
- Between 2002 and 2003, the line shop vacancy rate for the Reno-Sparks market decreased by 0.13%, falling from 7.82% in 2002 to 7.81% in 2003.
- Between 2003 and 2004, the line shop vacancy rate for the Reno-Sparks market decreased by 23.97%, falling from 7.81% in 2003 to 6.30% in 2004.

Between 2001 and 2004, the overall, anchor space and line shop vacancy rates all decreased significantly. Using the average annual growth rates for each retail vacancy category, it is possible to anticipate future movements in the overall, anchor space and line shop vacancy rates for the Reno-Sparks retail market.

Of course, it is unrealistic to ever expect vacancy rates to be at or near 0.00%. In any reasonably sized retail market, like the Reno-Sparks retail market, some level of vacancy will always be expected as new retailers come in and others leave or as existing retailers leave one location for larger units with a stronger profit potential.

Although it is unreasonable to expect vacancy rates to equal 0.00%, the total availability of retail square footage has not kept pace with the growing residential population of the Reno-Sparks area. Real-estate

developers in the Reno-Sparks area have a stronger incentive to build residential versus commercial, office or retail space as the return on investment is higher for residential than it is for commercial, office or retail space. Combined with a strong tourism based economy, existing and new retailers find it difficult to lease or rent the desired square footage. This trend indicates that retail vacancy rates for the Reno-Sparks area could continue along a decreasing trend for at least the next four to five years.

**Table 5 – Projected Overall, Anchor and Line Shop Vacancy Rates
Reno-Sparks
Calendar Year 2005 – Calendar Year 2008**

Year	Overall Vacancy	Annual Growth Rate	Anchor Space Vacancy	Annual Growth Rate	Line Shop Vacancy	Annual Growth Rate
2005	5.14%		4.51%		5.84%	
2006	4.72%	-8.97%	4.07%	-10.89%	5.42%	-7.83%
2007	4.33%	-8.97%	3.67%	-10.89%	5.03%	-7.83%
2008	3.97%	-8.97%	3.31%	-10.89%	4.66%	-7.83%
Average	4.54%	-8.97%	3.89%	-10.89%	5.24%	-7.83%

Between 2005 and 2008, using the average annual growth rate in overall vacancy rates for 2001 to 2004, the overall vacancy rate for the Reno-Sparks area is expected to decrease by 8.97% per year over the next four years as residential populations and visitor populations increase and new retail units are slow to be developed. The annual average overall vacancy rate for 2005 to 2008 is estimated to be approximately 4.54%, two full percentage points below the 2001 to 2004 average annual overall vacancy rate.

Between 2005 and 2008, using the average annual growth rate in anchor space vacancy rates for 2001 to 2004, the anchor space vacancy rate for the Reno-Sparks area is expected to decrease by 10.89% per year over the next four years as new residential populations and visitor populations with higher disposable incomes demand higher-end and higher-priced anchor store retailers. The annual average anchor store vacancy rate for 2005 to 2008 is estimated to be approximately 3.89%, almost two full percentage points below the 2001 to 2004 average annual anchor store vacancy rate.

Between 2005 and 2008, using the average annual growth rate in line shop vacancy rates for 2001 to 2004, the line shop vacancy rate for the Reno-Sparks area is expected to decrease by 7.83% per year over the next four years as “trend” retailers and smaller “boutique” stores become increasingly popular with new residents and visitors. The annual average line shop vacancy rate for 2005 to 2008 is estimated to be approximately

5.24%, more than two full percentage points below the 2001 to 2004 average annual line shop vacancy rate.

The overall increase in net and gross absorption rates, combined with the overall decrease in overall, anchor space and line shop vacancy rates, indicates the Reno-Sparks retail market as a whole can support future additional increases in the total amount of available retail space.

Within the City's redevelopment district, a comprehensive retail strategy that attracts new retailers to support an expanding "trend" retail market while servicing the needs of a growing residential population throughout the Reno-Sparks and urban core areas is needed in order to complement and support the continued growth in the wider Reno-Sparks retail market.

The changing economic characteristics of the City's current downtown redevelopment district makes new large scale service and "trend" retail development increasingly feasible when compared to the overall increase in the net and gross retail square footage absorption rates and the overall decrease in the overall, anchor store and line shop vacancy rates in the Reno-Sparks retail market. As the City's urban-core becomes increasingly residential, and as the City's downtown tourism market recovers from recent declines, existing and new potential retailers will find it increasingly profitable and feasible to open new stores in the City's downtown redevelopment district.

Without a catalytic retail development project within the City's urban-core, existing and new retailers in the outlying suburban Reno-Sparks area will find it increasingly difficult and costly to open new, expanded stores as absorption rates continue to increase and vacancy rates continue to decrease.

Economic Characteristics of the Downtown Retail Market

Several different economic indicators of the overall health of the current downtown retail market were studied in order to understand what retail could currently be supported as well as what retail might be supported through active recruitment and retention. Residential population levels and tourism levels are economic predictors of what retail could currently be supported by the downtown retail market as well as what could be supported by future growth of the downtown retail market.

Residential Population Trends

The residential population that comprises the City's current downtown retail market consists of three separate categories.

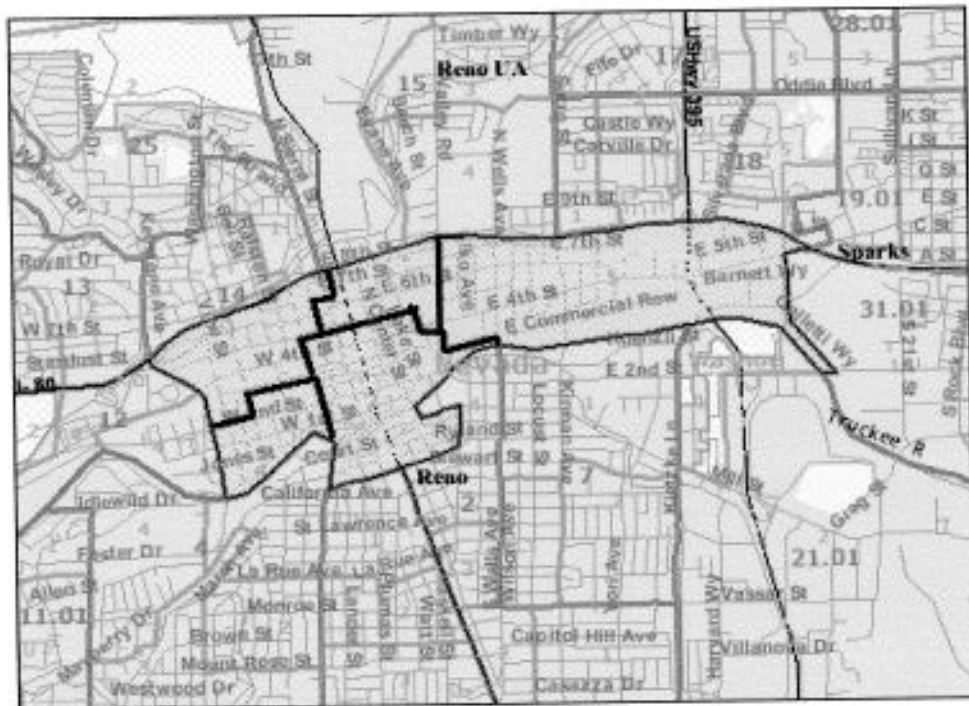
1. Those residents living in and immediately adjacent to the City's downtown redevelopment district.
2. Those residents living in the Reno-Sparks area as well as Washoe County.
3. Those residents living in neighboring counties in both Northern Nevada and Northern California.

By considering longer-term opportunities to service growing populations in the larger region, the City's urban-core could potentially become a regional retail destination area.

The Immediate Downtown Residential Population

In order to estimate the current residential population of the current downtown Redevelopment Project Area No. 1, data from the 2000 Census was used.

Exhibit 1
U.S. Census Tract No. 1



* Source: U.S. Census Bureau, American Fact Finder

Individual Census Tract and Census Block numbers were used in order to calculate an immediate residential population that serves as the primary retail customer market for the City's urban-core. Census Tract 1, which includes most of the downtown redevelopment district, was used for this purpose.

As Exhibit 1 above illustrates, Census Tract No.1 for the City of Reno includes the current boundary of the City's Redevelopment Project Area No. 1 as well as the immediate and adjacent areas to the north-west, east, south-east and south-west. Census Tract No. 1 is generally bounded by Interstate 80 to the north, the Reno-Sparks municipal borders to the east, the Truckee River to the south and Keystone Avenue to the west.

Within Census Tract No. 1, five individual Census Block areas exist. Data was collected from the United States Census Bureau for each Census Block within Census Tract No. 1. The individual Census Tract Block groups are the individual sub-areas within Census Tract No. 1.

- Census Block No. 1 – the northern sub-area in the center of the census tract.
- Census Block No. 2 – the southern sub-area in the center of the census tract.
- Census Block No. 3 – the sub-area in the north-west corner of the census tract.
- Census Block No. 4 – the sub-area in the south-west corner of the census tract.
- Census Block No. 5 – the sub-area extending to the east of the current downtown redevelopment district, bordered by Interstate 80 to the north, Evans Avenue to the west, the City of Sparks to the east and the Truckee River to the south.

These census tract and block numbers were chosen as the delineation of the downtown's current retail market for two reasons. First, these areas were chosen for ease in data collection and projection and, secondly, because of each census block's proximity to the City's urban-core.

**Table 6 – Total Population and Per Capita Income
U.S. Census Tract No. 1, Individual Census Block No. 1 through 5
Calendar Year 2000**

Census Tract, Block Group	Total Population 2000	Per Capita Income 2000	Est. Total Population 3% Growth, 2015	Est. Per Capita Income 1% Growth, 2015
Tract 1, Block 1	764	\$15,338	1,190	\$17,807
Tract 1, Block 2	1,603	\$26,263	2,497	\$30,491
Tract 1, Block 3	1,104	\$11,711	1,720	\$13,596
Tract 1, Block 4	745	\$17,089	1,161	\$19,840
Tract 1, Block 5	1,347	\$13,242	2,099	\$15,374
Total/Average	5,563	\$16,729	8,667	\$19,421

* Source: 2000 U.S. Census

In 2000, the United State Census reported that approximately 5,500 people called the immediate urban-core of the City of Reno home, with an average per capita income of approximately \$17,000.

Ignoring announced residential projects within the current downtown redevelopment district like Palladio, Chambolle, the Riverwalk-Comstock and Sundowner condominium conversion projects, the estimated total population, growing at an annual average rate of 3.00%, in 2015 is approximately 9,000 residents.

Although a 3.00% growth rate was used to estimate the residential population living within the City's immediate urban-core, a 1.00% growth rate was used to estimate the average per capita income for residents living within the City's immediate urban-core for 2015. By 2015, at a 1.00% annual rate of growth, the estimated per capita income by 2015 is approximately \$19,000. Even at these increased residential and per capita income levels by 2015, major retailers with higher total taxable retail sales will still likely be unwilling to commit to the City's urban-core.

A significantly higher residential population, with significantly higher levels of per capita income will be needed in order to attract major "trend" retailers that would make the City's urban-core a retail destination area. Additional growth in the City's urban-core in the residential population level as well as the level of per capita income will also be needed in order to attract additional service-oriented retailers back to the City's urban-core.

Several projects, initiated by both the Redevelopment Agency and private developers, will increase residential population and per capita income levels high enough to make new "trend" and new service-oriented retailers increasingly willing to open new outlets within the City's urban-core.

**Table 7 – Announced Residential Populations
Estimated Total Units, Residents and Per Capita Income
Downtown Redevelopment District**

Project	Estimated Total Units	Estimated Total Residents	Estimated Per Capita Income of Residents
Palladio	90	270	\$120,000
Chambolle	51	153	\$120,000
Riverwalk (Comstock)	120	360	\$80,000
Belvedere (Sundowner)	380	1140	\$80,000
Bundox	153	459	\$150,000
Total	794	2382	\$110,000

* Source: Redevelopment Agency Documents

After reviewing internal Redevelopment Agency documents, five individual residential-condominium projects were identified as key catalytic projects that will significantly enhance the immediate retail customer base of the City's urban-core.

When completed, these five projects will introduce approximately 800 new residential units to the City's downtown redevelopment district, located primarily within Census Tract No. 1, Census Block No. 2. An estimated 2,400 new residents will eventually occupy these units. A conservative multiplier of three was used to estimate the total number of new residents, as many of the residents in these new units will primarily be single or married young professionals without children, "empty-nesters" with no children or retirees with no children.

The estimated per capita income of the residents for each residential-condominium project listed in Table 7 was calculated using a multiplier developed specifically for this study. Using the anticipated selling price per square foot by project, and percentages of total income spent by buyers of residential properties provided by the United State Federal Reserve's, Federal Reserve Economic Data center at the Federal Reserve Bank of San Francisco, the individual and average per capita income levels of these residents by project can be calculated.

On average, the per capita income of the typical resident living in any one of the five residential-condominium projects listed in Table 7 is approximately \$110,000.

Combining the data presented in both Table 6 and Table 7, three important conclusions can be drawn at this time.

1. Residential populations within the City's immediate urban-core are increasing. Additional service-support retail is needed to meet the needs of a growing residential population.
2. Median per capita incomes of new residents within the City's immediate urban-core are increasing. In addition to new service-support retail, additional "trend" retail could be supported throughout the current downtown redevelopment district.
3. Despite a significant growth in population levels, population density levels may remain low as many of the new proposed residential-condominium projects will have only two to three residents per unit.

Additional residential development within the City's immediate urban-core should focus on high density residential development.

Many service-support and “trend” retailers can accommodate larger families, with more than just one primary wage earner in the household. Families as a unit, with more than just one primary wage earner tend to have higher disposable incomes and more retail and commercial demands making family-oriented residential in-fill development ideal for “trend” retailers.

According to the 2000 U.S. Census, approximately 868 families called the City’s immediate downtown urban-core home. In 2000, the U.S. Census estimated that median family income averaged approximately \$30,000 and aggregate family income, the combined total incomes of all families living within Census Tract No. 1, totaled approximately \$32.7 million.

Despite the low level of families living within the City’s immediate downtown urban-core, the combined spending power of all families living within the City’s downtown was quite significant in 2000. Although these families had a strong combined aggregate income in 2000, service retailers have still been unwilling to open new service retail outlets within the City’s downtown redevelopment district.

**Table 8 - Total Number of Families and Family Median Income
U.S. Census Tract No. 1, Individual Census Block No. 1 through 5
Calendar Year 2000**

Census Tract, Block Group	Total Number of Families 2000	Median Family Income 2000	Aggregate Family Income 2000
Tract 1, Block 1	115	\$30,729	\$5,169,000
Tract 1, Block 2	264	\$33,571	\$11,322,500
Tract 1, Block 3	182	\$32,000	\$6,232,400
Tract 1, Block 4	101	\$29,219	\$3,988,500
Tract 1, Block 5	206	\$26,375	\$5,956,600
Total/Average	868	\$30,379	\$32,669,000

* Source: 2000 U.S. Census

Using the same multipliers used to calculate the total number of individuals living within the City’s immediate downtown urban-core and the per capita income for those individuals, the total number of families, median family income and aggregate family income will all increase between now and 2015.

Assuming a 3.00% growth in family population over the next 10 years, the estimated total number of families living within the City’s immediate downtown urban-core could potentially climb as high as 1,300 families between now and 2015.

The estimated median family income, assuming only a 1.00% growth over the next ten years, could potentially be \$35,000 and estimated aggregate family income, the combined sum of all family incomes living within the City's immediate downtown urban-core, assuming a 1.00% annual rate of growth, could potentially be approximately \$38 million by 2015.

With a stronger residential population, in-terms of both individual and family residential populations, with growing levels of median and aggregate incomes, service retailers will have a greater opportunity for survival in the City's downtown redevelopment district. Grocery stores, drug stores, laundries, apparel and shoe stores even now have a strong incentive to enter the downtown market.

After a successful introduction of new service retail, "trend" retailers will have a strong incentive to enter the downtown market as individual and family residential populations and median and aggregate incomes begin to grow.

The Wider Region – Reno, Sparks, Washoe County and Carson City

Although residential population density levels in the City's immediate urban-core have remained relatively low when compared to density levels in other parts of the City, the creation of a retail destination area within the City's current downtown redevelopment district will require future focus on population levels throughout the wider region.

The relatively low levels of "trend" retailers in the unincorporated parts of Washoe County as well neighboring rural counties in both Northern Nevada and Northern California counties, presents the Redevelopment Agency with a unique opportunity to become the region's sole retail destination area, eclipsing any single retail development project.

**Table 9 – Actual and Estimated Population and Per Capita Income
City of Reno, City of Sparks, Washoe County, Carson City and the
State of Nevada
Calendar Year 2000**

Jurisdiction	Total Population 2000	Per Capita Income 2000	Est. Total Population 3% Growth, 2015	Est. Per Capita Income 1% Growth, 2015
City of Reno	180,480	\$22,520	281,182	\$26,145
City of Sparks	68,346	\$21,112	103,365	\$24,510
Washoe County	339,486	\$24,277	528,908	\$28,185
Carson City	52,457	\$20,943	81,726	\$24,314
State of Nevada	1,998,257	\$21,989	3,113,219	\$25,529

* Source: 2000 U.S. Census

In 2000, the U.S. Census reported that approximately 2 million people called Nevada home, with approximately 180,000 people living in Reno, 66,000 living in Sparks, 339,000 living in all of Washoe County and approximately 52,000 living in Carson City.

The 2000 U.S. Census also reported that the average per capita income for the State of Nevada was approximately \$51,000. Compared to the State of Nevada as a whole, the average per capita incomes of individuals living in the City of Reno, City of Sparks, Washoe County and Carson City were considerably lower than the state's per capita income average.

- In 2000, the U.S. Census reported that the average per capita income of individuals living in the City of Reno was approximately \$23,000, slightly greater than the State per capita income.
- In 2000, the U.S. Census reported that the average per capita income of individuals living in the City of Sparks was approximately \$21,000, slightly less than the State's average per capita income and less than the per capita income average of the City of Reno.
- In 2000, the U.S. Census reported that the average per capita income of individuals living in all of Washoe County was approximately \$24,000, slightly greater than State's average per capita income and higher than either the City of Reno or the City of Sparks.

The high per capita income of people living in Incline Village and around Lake Tahoe but within Washoe County explains why the County's average per capita income is significantly higher than the per capita income of either the City of Reno or the City of Sparks.

- In 2000, the U.S. Census reported that the average per capita income of individuals living in Carson City was approximately \$21,000, slightly less than the State's average per capita income and less than the per capita income average of the City of Reno, City of Sparks or Washoe County.

Initially, it appears that, independent of other jurisdictions, neither the Reno-Sparks, Washoe County and/or Carson City areas have either the population density levels or the average per capita incomes to support large scale, "trend" retailers in the City's urban-core.

Using the same methodology presented above to estimate population and income levels above, it is possible to estimate future growth in both

population and per capita income levels for Reno, Sparks, Washoe County, Carson City and the State of Nevada.

Assuming an annual average population growth rate of 3.00% per year, the estimated total population for the State of Nevada is approximately 3.1 million individuals by 2015. In 2015, using the same annual average population growth rate of 3.00%, the estimated total population of the City of Reno could potentially be approximately 281,000, 103,000 for the City of Sparks, 529,000 for Washoe County and 82,000 individuals living in Carson City.

The estimated average per capita income of individuals living within the State of Nevada, assuming a 1.00% annual average rate of growth, could potentially be approximately \$25,500 by 2015.

- The estimated average per capita income by 2015 for the City of Reno, assuming 1.00% annual growth is approximately \$26,000.
- Although still below the State-wide estimated average per capita income, the estimated average per capita income by 2015 for the City of Sparks, assuming 1.00% annual growth is approximately \$24,500.
- The estimated average per capita income by 2015 for Washoe County, assuming 1.00% annual growth is approximately \$28,000.
- Although still below the State-wide estimated average per capita income, the estimated average per capita income by 2015 for Carson City, assuming 1.00% annual growth is approximately \$24,000.

If both assumptions for population growth and per capita income hold true, approximately 400,000 potential residents with an average per capita income of approximately \$25,500 will be within a relatively small geographic radius of the City's downtown redevelopment district.

These conditions indicate that some form of "trend" retail in a destination retail center within the City's downtown redevelopment district could be supported.

The Wider Region – Northern Nevada and Northern California

In addition to considering just Washoe County and neighboring Carson City, the neighboring counties in Northern Nevada and Northern California offer "trend" retailers, as part of a destination retail center within the City's downtown redevelopment district, an even greater customer base.

According to the 2000 U.S. Census, approximately 136,805 people, with an average per capita income of approximately \$20,000, live in the neighboring Northern Nevada counties of Humboldt, Pershing, Churchill, Lander, Mineral, Lyon, Douglas and Storey County.

**Table 10 – Actual and Estimated Population and Per Capita Income
Adjacent Northern Nevada Counties
Calendar Year 2000**

Jurisdiction	Total Population 2000	Per Capita Income 2000	Est. Total Population 3% Growth, 2015	Est. Per Capita Income 1% Growth, 2015
Humboldt County	16,106	\$19,539	25,093	\$22,684
Pershing County	6,693	\$16,589	10,427	\$19,259
Churchill County	23,982	\$19,264	37,363	\$22,365
Lander County	5,794	\$16,998	9,027	\$19,734
Mineral County	5,071	\$16,952	7,900	\$19,681
Lyon County	34,501	\$18,543	53,751	\$21,528
Douglas County	41,259	\$27,288	64,280	\$31,681
Storey County	3,399	\$23,642	5,295	\$27,448
Total/Average	136,805	\$19,852	213,138	\$23,047

* Source: 2000 U.S. Census

Using the same 3.00% annual rate of growth in population and 1.00% annual rate of growth in average per capita income as used above for estimating population and income levels by 2015, the total population of neighboring Northern Nevada counties could potentially reach approximately 213,000 by 2015, with average per capita incomes of approximately \$23,000.

In addition to the neighboring Northern Nevada counties, neighboring counties in Northern California also represent a larger regional retail market that could draw new visitors to the area by way of a destination retail development within the City's downtown redevelopment district.

According to the 2000 U.S. Census, approximately 578,000 people, with an average per capita income of approximately \$22,000, live in the neighboring Northern California counties of Modoc, Lassen, Plumas, Sierra, Nevada, Placer, El Dorado, Alpine and Mono County.

Using the same 3.00% annual rate of growth in population and 1.00% annual rate of growth in average per capita income as used above for estimating population and income levels by 2015, the total population of neighboring Northern California counties could potentially reach approximately 901,000 by 2015, with average per capita incomes of approximately \$25,000.

**Table 11 – Actual and Estimated Population and Per Capita Income
Adjacent Northern California Counties
Calendar Year 2000**

Jurisdiction	Total Population 2000	Per Capita Income 2000	Est. Total Population 3% Growth, 2015	Est. Per Capita Income 1% Growth, 2015
Modoc County	9,449	\$17,285	14,721	\$20,067
Lassen County	33,828	\$14,749	52,703	\$17,123
Plumas County	20,824	\$19,391	32,443	\$22,512
Sierra County	3,555	\$18,815	5,539	\$21,844
Nevada County	92,033	\$24,007	143,384	\$27,871
Placer County	248,389	\$27,963	386,998	\$32,454
El Dorado County	156,299	\$25,560	243,509	\$29,674
Alpine County	1,208	\$24,431	1,882	\$28,364
Mono County	12,853	\$23,422	20,025	\$27,192
Total/Average	578,448	\$21,736	901,203	\$25,235

* Source: 2000 U.S. Census

The potential “trend” retail market for a possible downtown destination retail center extends well beyond the City’s redevelopment district’s boarder. Potential destination retail customers living in California are ideal for several important reasons.

1. The financial resources brought to the City’s downtown redevelopment district from Northern California are out-of-state dollars. New sales tax revenue generated from Northern California shoppers is a tax on individuals from outside Nevada, introducing new dollars from outside the State into the Nevada economy.
2. Visitors from Northern California to a destination retail center development within the City’s downtown redevelopment district would trigger additional revenue for local merchants and taxing agencies like the City, County, School District and State. Many visitors from outside the immediate area would likely spend additional resources on gasoline, entertainment, hotel room accommodations and dining.

Using a multiplier developed by Dr. Tom Harris, professor of resource economics at the University of Nevada, Reno, it is estimated that for every tourist visiting the City of Reno, in addition to the visitor’s primary expenditure, an additional \$1.90 is generated in other expenditures for goods and services like gasoline, entertainment, hotel room accommodations and dining.

3. Visitors from Northern California expand the current downtown retail market, given a development of a destination retail center within the City’s downtown redevelopment district. Additional