

**MARKET STUDY UPDATE
AND
BUSINESS DEVELOPMENT RECOMMENDATIONS
EXECUTIVE SUMMARY**

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In December 2015, Greenberg Development Services (GDS) was hired to prepare a report summarizing changes that have occurred within the trade area since the completion of a 2008 Downtown Market Study (also prepared by GDS) and to provide new recommendations for strengthening the City's on-going effort to attract new businesses and investment to the area. The report is divided into two parts: Section I. Commercial Assessment & Market Update summarizes changes that have occurred within the marketplace in terms of demographic, employment and retail sale trends and provides a brief assessment of existing businesses, recent investment activity, and district strengths and weaknesses that impact commercial revitalization efforts. Section I. also includes a summary of market demand and opportunities for new business activity within the River District. Section II. Business Development Recommendations includes a summary of proposed development strategies and tenant mix recommendations based on findings from Section I. as well as recommendations for attracting new businesses and strengthening existing businesses.

Executive Summary

Section 1. Commercial Assessment and Market Update

A. Study Area

Within the study area are the following three distinct commercial districts: the Tobacco Warehouse District (TWD), the Central Business District (CBD) and the North Main Street commercial corridor.

- The TWD was once the center of economic activity for Danville. On the National Register for Historic Places, the district contains a variety of industrial buildings many connected to the production of tobacco. While several buildings remain vacant, the area is fast becoming a destination for employment and urban living as buildings are renovated and repurposed.
- While no longer the center of retail activity, the Central Business District is now home to a growing eclectic mix of professional, service, restaurant and specialty uses. While the district has struggled to overcome years of disinvestment and business relocations, recent public improvements along with the acquisition several key properties has helped reverse this trend and attract new businesses to the area.
- The Historic North Main Street business corridor is a small commercial area north of the Dan River. While many businesses still serve adjacent minority neighborhoods, the recent opening of new restaurants along with the Historic North Theater is helping to attract a younger, more affluent customer base to the area.

B. Commercial Activity

Reinvestment within the River District has increased dramatically since the 2008 Downtown Market Study with new residential and office space underway or in the planning stages throughout the district. Danville's proactive development strategy is at the forefront of a new approach to economic development that recognizes that highly educated employees want to locate in mixed-use settings where they can walk to restaurants and have options for living nearby.

- Over the past eight years, the City of Danville along with the Danville Regional Foundation and private investors have made significant investments in buildings and in infrastructure that together is helping to transform the area into a lively live-work center of commerce. Based on a plan prepared by Allison Platt and Associates, the City has begun a massive streetscape project that includes new parking garage, wider sidewalks, new brick pavers, enhanced pedestrian crossings, storm drains, upgraded utilities and new lighting, trees and benches.
- In addition to a significant increase in public investment, the River District also has benefitted from stronger partnerships with community foundations and non-profit organizations that are providing additional funding and professional expertise. Organizations that are working with the City to transform the district include the City's Industrial Development Authority (IDA), the Danville Regional Foundation (DRF), the River District Association (RDA), Averett University and the Danville-Pittsylvania County Chamber of Commerce. For example, the IDA has purchased several large vacant buildings that will be being stabilized and sold to private investors to complete. The Danville Regional Foundation has provided funding to demolish a derelict motel on Main Street as well as helped fund the construction of a new YMCA. The Foundation recently entered into a partnership with a North Carolina

TABLE 1. PUBLIC INVESTMENT SINCE 2007		
MAP #	PROJECT	INVESTMENT
8	Parking Lot	\$1.5
12	Averett University's Riverview Campus (Nursing Programs); Danville Regional Foundation's Headquarters	\$2.7M (IDA); \$2.5M (AU)
14	Development of a parking garage	\$2M
15	Downtowner Motor Inn - Demolition	\$1.4M (DRF Grant)
25	New Fire Department and Emergency Services headquarters	\$9.3M
26	New digital dome - large format theatre	\$2M
29	Extension of Riverwalk Trail across MLK Bridge	\$1.4M
19, 23 & 32	Streetscape Improvements - Phase III	\$6.40

Source: City of Danville EDC

real estate firm to purchase several vacant buildings that will be redeveloped and held as long-term investments for the foundation.

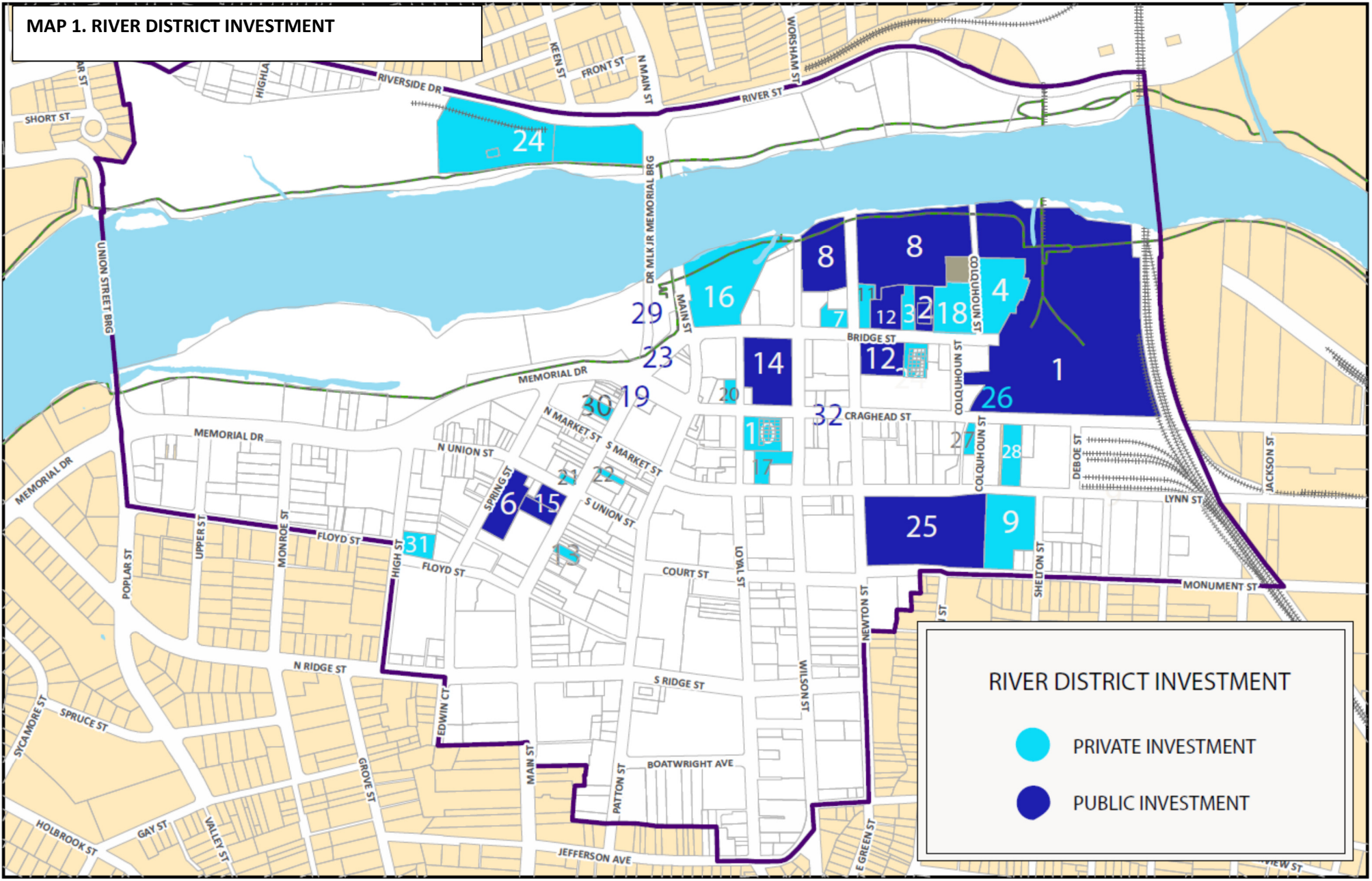
- The massive investment in public infrastructure, along with stronger partnerships and new funding sources has helped to attract a growing number of new businesses and investment to the area; translating into new jobs and a growing tax base. In 2008, there were seven major project pending or underway representing over \$20 million in new investment. Between 2008 and December 2015, sixteen projects were completed representing over \$80 million in new investment (projects were \$400,000 or greater). These new projects include a mixture of residential and office developments as well as a new YMCA that is located on the site of a former textile mill. The facility is the first building to be built facing the river in over 100 years.

TABLE 2. PRIVATE INVESTMENT SINCE 2007		
MAP #	PROJECTS	INVESTMENT
9	Lynn Street Lofts - 37 apartments	\$6.2M
10	Lindsay Lofts (now Gentry Lofts) - 22 residential units (market rate); 5 commercial spaces	\$5M
11	Corporate Headquarters	\$1.65M
13	Ferrell Historic Lofts - 13 residential units (market rate); 2 commercial spaces	\$2M
16	River District Towers - Danville Orthopedic Clinic, Danville Regional Medical Center, and commercial space	\$15M
17	Smith Seeds Apartments - 20 residential units (market rate); 2 commercial spaces	\$1.2M
18	Pemberton Lofts - 112 residential units (market rate); 3 commercial spaces	\$13M
20	Golden Leaf Bistro	\$0.65M
21	River District Association offices; 6 residential units (market rate)	\$0.4M
22	Meredith Gravely School of Dance; A La Carte	\$0.4M
24	New YMCA	\$13.5M (Large grant from DRF)
27	Corporate headquarters; Class A office space	\$2.53M
28	The Continental - 40 residential units (market rate); 1 commercial space	\$7.5 M
30	Pace on Main - 14 residential units (market rate); 3 commercial spaces	\$1.8M
31	23 residential units	\$2.4M

Source: City EDC 2016

- According to the City's Office of Economic Development, over 65 new businesses have opened or expanded in the district since the 2008 Market Study. The Service Sector saw the greatest increase in new business activity. Business activity in the Restaurant and Drinking Sector also increased, with eleven new businesses opening in the district.

MAP 1. RIVER DISTRICT INVESTMENT



RIVER DISTRICT INVESTMENT

- PRIVATE INVESTMENT
- PUBLIC INVESTMENT

C. District Issues

While there has been a steady increase in office and residential activity, retail activity has not kept pace. Below is a brief list of some of the key Issues that need to be considered when developing a business recruitment program by geographic area.

- **Central Business District**

- Existing retailers are scattered and pedestrian traffic is disrupted by the presence of vacant and non-retail uses that weaken sales performance.
- There are very few blocks on Main Street that still have opportunities for retail activity on both sides of the street.
- As vacant storefronts are renovated, it will be important to ensure that rents are in line with what tenants can afford. Typically, retailers should pay no more than 7% of their sales or 25% of gross margins in rent. If the cost to renovate is too high, it may be necessary to develop new financial tools to help defray the cost to provide “move-in ready” rental space.
- Other issues that impact retailers include on-street parking by employees, topography and distance to parking lots and the possible retirement of several long-time business owners

- **Tobacco Warehouse District**

- While the area is undergoing rapid change, redevelopment projects are complex and often take years to complete. The scale and size of the buildings make it difficult for smaller developers to secure financing and there are few opportunities for small businesses to own their space.
- While the growing residential population is creating demand for residential amenities such as a grocery, pharmacy, more restaurants and service uses, market support may not be strong enough to support these uses without local government support.
- The sale of property to the City and other institutional investors may be inflating sales prices.

- **North Main Street Corridor**

- There is a disconnect between long-time businesses that target minority households and new business owners that are targeting a more affluent regional customer.
- While the district’s image is changing, there are both a real and perceived perception of crime that continues to undermine reinvestment activity.
- Several business owners said that they felt left out of River District events and activities.
- While the City has made significant improvements in the area, more public improvements are needed to support on-going private investments.

D. Residential Market Profile

Demographic data can be used to clarify sales activity and identify underserved market niches. Below are some highlights from the 2015 Market Update. To facilitate comparisons, GDS used the same trade area boundaries as the 2008 Market Study: a 5-mile Primary Trade Area (PTA), a 12-mile Secondary Trade Area (STA) and a 30-mile Tertiary Trade Area (TTA).

- While all trade areas lost both population and household, the rate of decline is slowing. The PTA is expected to have the smallest decline in terms of population for the next five years and a slight increase in households.
- While household incomes among the three trade areas are similar, the STA continues to have the highest median and per capita income. Median income for the three trade areas is below Virginia's or the U.S.
- Trade area residents are growing older and the population is becoming more diverse.
 - The STA is getting older, with the median age increasing from 37 to 43 years between 2000 and 2010.
 - The PTA had a slightly greater percentage of persons under 18, 20-24 and over 65.
 - The PTA saw the greatest change in terms of race and ethnicity over the last eight years.
- Although the City lost population due to changes within key industries, it has made significant strides in diversifying its employment base and attracting a more educated workforce.
 - Among the three trade areas, the PTA has the greatest concentration of White-Collar and Service employment.
 - Trade area educational attainment levels increased between 2000 and 2010, with the PTA having the greatest percentage of persons with higher level education.
- Danville's trade areas are fairly homogenous in terms of lifestyle categories, with 90% of households found in 12 lifestyle categories (defined by ESRI Business Solutions) compared to 20% for the US as a whole.
 - The majority of households within the three trade areas are found in five lifestyle categories: Southern Satellites, Small Town Simplicity, Modest Income Homes, Heartland Community and Midlife Constant lifestyle groups. (See Part I. for detailed descriptions of lifestyle segments). These lifestyle categories generally describe moderate-income households that prefer outdoor and family activities. Typical lifestyle purchases include pet, garden, lawn, fishing, health and personal care products.
 - The PTA has the greatest diversity in terms of lifestyles with 9% of the population classified as InStyle; households that prefer an urban sophisticated lifestyle.
- In addition to the above lifestyle categories, businesses also capture sales from students, downtown residents, employees and visitors. These groups tend to spend a disproportionate share of their income on food and beverages, specialty and convenience goods.
 - Danville Community College serves over 5,000 students, while Averett University has 1,900 students (900 undergraduates and 1,000 adult learners). The University recently opened a School of Nursing and Graduate and Professional Studies Program in the Tobacco Warehouse District.
 - Visitor expenditures within Danville increased 51% since 2007 with an estimated 850 persons employed in visitor-related businesses with a payroll of over \$15 million.

- The City is attracting a growing number of visitors to its extensive greenway trails system, parks and area sporting events.
- Danville’s concentration of overnight lodging and restaurants make it an attractive destination for business travelers.

E. Retail Sales Demand

Despite a loss of population, Danville remains a destination for retail activity. With 40% of the MSA’s population, the City captures over 80% of estimated retail sales. Other key findings from the Market Update include:

- Retail trade is an important component of the City’s labor force, employing approximately 14% of City residents and 12% of the County’s in 2010.
- There has been considerable contraction within the commercial real estate sector since 2007, with several smaller shopping centers in the region either closing or losing one or more of their anchor tenants.
- Although Danville’s mall was negatively impacted by the recession, it has recruited a new anchor and completed a major renovation that will enable it to capture additional sales from households living in smaller communities within the region.
- ESRI sales leakage reports show strong sales surpluses (actual sales exceed estimated potential sales) in all trade area for 2015 ranging from 3 to 34%. However, it is important to note that this surplus is due to surpluses in the Automotive and General Merchandise categories that mask sales leakage occurring in other categories.
 - While the PTA had the greatest total sales surplus, it had a sales leakage in the categories of Home Furnishings, Electronics and Appliances, Grocery, Specialty Food, Health and Personal Care and other Miscellaneous Retail.
 - The STA had sales leakage within the categories of categories of Home Furnishings, Electronics and Appliances, Groceries and Health and Personal Care.
 - The TTA had sales leakage within the categories of categories of Groceries, Health and Personal Care, Apparel, Office Supplies and Gifts and Full-service Restaurants.
- Based on sales leakage and estimated capture rates, GDS estimates that there is market support for \$18 million in new sales activity in the district, with demand primarily coming from residents living in the Secondary and Tertiary Trade Areas. Categories with the greatest opportunity to recapture sales are in the categories of food, home furnishings, electronics and appliances, health and personal care, sporting goods, restaurants, miscellaneous and clothing stores.
- In addition to sales support from trade area residents, the district captures sales from visitors and students whose place of residence is outside the region. These smaller sub

markets generate approximately \$1 million in new sales annually. This estimate would increase with the opening of new hotel, meeting space or cultural attractions in the district.

SECTION II. BUSINESS DEVELOPMENT RECOMMENDATIONS

A. Business Niche Opportunities

Based on identified market demand, and findings from the commercial assessment, we recommend that Danville focus recruitment efforts in the following four areas:

- Destination for Dining and Beverages. While the restaurant sector has increased significantly since 2008, more dining and beverage uses are needed to fully establish the district as a destination for dining and drinking.
 - Care should be taken that new businesses do not overlap in terms of product or theme.
 - New uses should be capable of capturing sales from residents living in the region as well as sales from district residents and employees.
 - The City should also work with partner organizations to recruit anchor uses that would complement Food and Beverage businesses.
 - Businesses should be supported with new events and promotions that increase foot traffic or extend the time employees and residents spend in the district either after work or on weekends.

- Destination for Residential Living and Office Employment. The City of Danville can facilitate the expansion of residential and employment uses in the district by working with developers to overcome barriers that discourage reinvestment and by attracting uses that will complement these growing sectors and by working with the River District Association (RDA) to build a stronger sense of community among new district residents and employees.
 - Recruitment should focus on expanding personal service, convenience and lifestyle business niches that serve residents and employees.
 - The City could attract new residents and employers to the district by developing a wider array of housing products in the district in terms of pricing, size and ownership structure and by encouraging developers to expand available office space products.
 - The City should work with the RDA to develop events and promotions that build stronger connections between district residents, employees and businesses.

- Destination for Recreation and Wellness. GDS recommends that the City work with the RDA to attract new medical and wellness providers to the River District through a combination of promotions and events, improved connections to surrounding recreational attractions and through a recruitment program that focuses on attracting complementary health and wellness businesses and suppliers.
 - The recent relocation of the Danville Orthopedic Clinic to the former Dan River Mills Research Building and the YMCA’s partnership with Danville Regional Medical Center are new anchor tenants that can be used to attract other medical and wellness employers

such as back-room laboratories, suppliers, medical support and other wellness related uses.

- The City should focus recruitment efforts on attracting businesses that can build upon the district’s proximity to the Dan River and greenway.
- Destination for Lifestyle Retail in the Cultural Arts, Gift and Design categories. The City should focus recruitment efforts on attracting businesses that would establish the district as a destination for lifestyle businesses in the gift, design and cultural arts categories.
 - New business will need to be located near existing complementary uses to maximize pedestrian traffic supported by new promotions and special events that increase customer traffic from key market segments.
 - New businesses should be supported through promotions and events that strengthen the district’s image as a destination for design and gifts and specialty retail.

B. Business Recruitment Strategy

GDS recommends that the City develop a comprehensive leasing program that clearly communicates niche opportunities, desired businesses and assists developers, property owners and realtors to find, qualify and contact potential prospects. Below is a summary of recommended activities.

- Revise Financial Incentives. While the City has an impressive array of financial tools to help leverage private investment ranging from low interest loans to tax abatement or credits, there are some revisions or additions that could be made to strengthen the City’s financial toolkit.
 - Ground-floor renovation loans that would help property owners renovate and lease ground-floor space to new tenants.
 - Catalyst tenant grants that would provide funding for key catalyst tenants or projects.
 - Entrepreneurial loan program that would target smaller service and professional uses.
- Build Stakeholder Support. It is important for the City to continue to build broad support for district revitalization among stakeholders and to secure buy-in from district property owners regarding tenant mix and funding priorities.
 - Establish advisory groups that could meet to discuss issues and formulate ideas for projects.
 - Develop agreements with property owners regarding the type of assistance needed and actions the owner or realtor will take to sell or lease the property.
 - Keep property owners and developers informed about on-going projects, leasing and planned improvements that impact their investments.
- Develop Strong Referral Networks. The City should work with realtors and property owners to develop a stronger referral network that will ensure that potential leads are followed up.
 - Meet with realtors and brokers to discuss how to strengthen the existing system for referring leads and the role that volunteers could play in identifying prospects.

- Meet with business owners, sales representatives, major employers and residents to discuss how they could help identify and refer leads to staff.
- Develop a Marketing Campaign. The City could help property owners and their realtors market available sites through a coordinated marketing campaign that includes:
 - Identifying sites that are “ready to rent” by working with property owners to develop an action plan that identifies issues that need to be resolved before a site can be leased or sold.
 - Utilize websites to market available sites adding information on rental space, market data and virtual tours of available property.
 - Highlight available space through the use of colorful, creative signage or window displays.
 - Develop a brochure to highlight market opportunities and district strengths.
 - Coordinate regular outreach efforts that includes realtor tours, presentations to civic and business organizations and strategic media coverage in state publications.
- Develop a Targeted Outreach Effort. The City could assist property owners and their realtors attract specific tenants through a coordinated outreach effort that includes the use of volunteers to help with the following activities:
 - Identify local, regional, start-up or chain stores that fit market profile and available space.
 - Qualify leads in terms of interest, quality of operation and compatibility with existing businesses
 - Contact prospects using brochures, fact sheets or power point presentations to highlight reasons for locating in the district.
 - Provide follow-up information including information on available financial assistance to help close the deal.
 - Arrange for site visit to meet property owner.

C. Business Assistance Recommendations

Once buildings have been renovated and made available to prospective retailers, landlords will need to address the challenge that comes with leasing storefronts to primarily independent merchants and start-up entrepreneurs. Given the number of new business owners locating the River District, it is important that Danville’s Business Development Program provide businesses with the information and technical support they need to help them succeed.

While Danville has several organizations that provide a range of services that support small business activity, we believe that River District businesses would benefit from a stronger program of work that included activities in the areas of data analysis and benchmarking, small business assistance and new promotions and special events. Below are recommendations for implementing activities in each of these areas.

- Data Analysis and Benchmarks. The City should establish a taskforce to conduct in-store interviews with local businesses and administer surveys that can be used to identify business assistance needs or clarify issues. In addition to providing valuable information, the

surveys can be used to develop benchmarks to evaluate program success over time. Possible surveys include residential, employee, and customer intercept.

- **Small Business Assistance.** While there are many organizations in Danville that offer small business training or educational workshops, GDS believes that River District businesses would benefit from more customized small business assistance in the areas of finance, entrepreneurial support, workshops and counseling, district management and improved communication.
 - The City could work with lenders and area business support agencies to better market existing financial products like SBA’s 504 program that can be used to refinance a mortgage or purchase a building or the 10% tax credit that is available for non-historic buildings built before 1936 or the City’s abatement programs available for businesses that add new jobs.
 - Work with the Community College to develop an entrepreneurial training program.
 - Hold a new business plan competition (see Marion, VA) to identify strong business prospects.
 - Increasing the supply of small affordable rental space either in an incubator project or through a “pop-up” program that provides inexpensive temporary space to new businesses.
 - Establish a mentor program that would pair a new business with similar business that is already well established.
 - The City and the RDA could work together to support district businesses by helping district businesses resolve issues relating to parking, crime, grime and litter, fees and regulations and group purchases. Funding for these projects could come from a special service district.

- **Special Events and Promotions.** The RDA should work with business and property owners to develop and coordinate special events or promotions that change attitudes and target specific customer groups. Activities that could be carried out by volunteers include:
 - Develop a signature event for the District near the river.
 - Develop events or promotions that target key market segments (i.e. women, retirees, residents, visitors, families or office employees).
 - Develop promotions or events that promote existing business clusters (i.e. restaurant and beverage sector, gift or collectible cluster, wellness providers, service uses.)
 - Work with businesses to increase customer traffic through in-store activities, cross-promotions or better marketing.

MAP 2. TRADE AREAS

- Primary 0-5 miles
- Secondary 0-12 miles
- Tertiary 0-30 miles

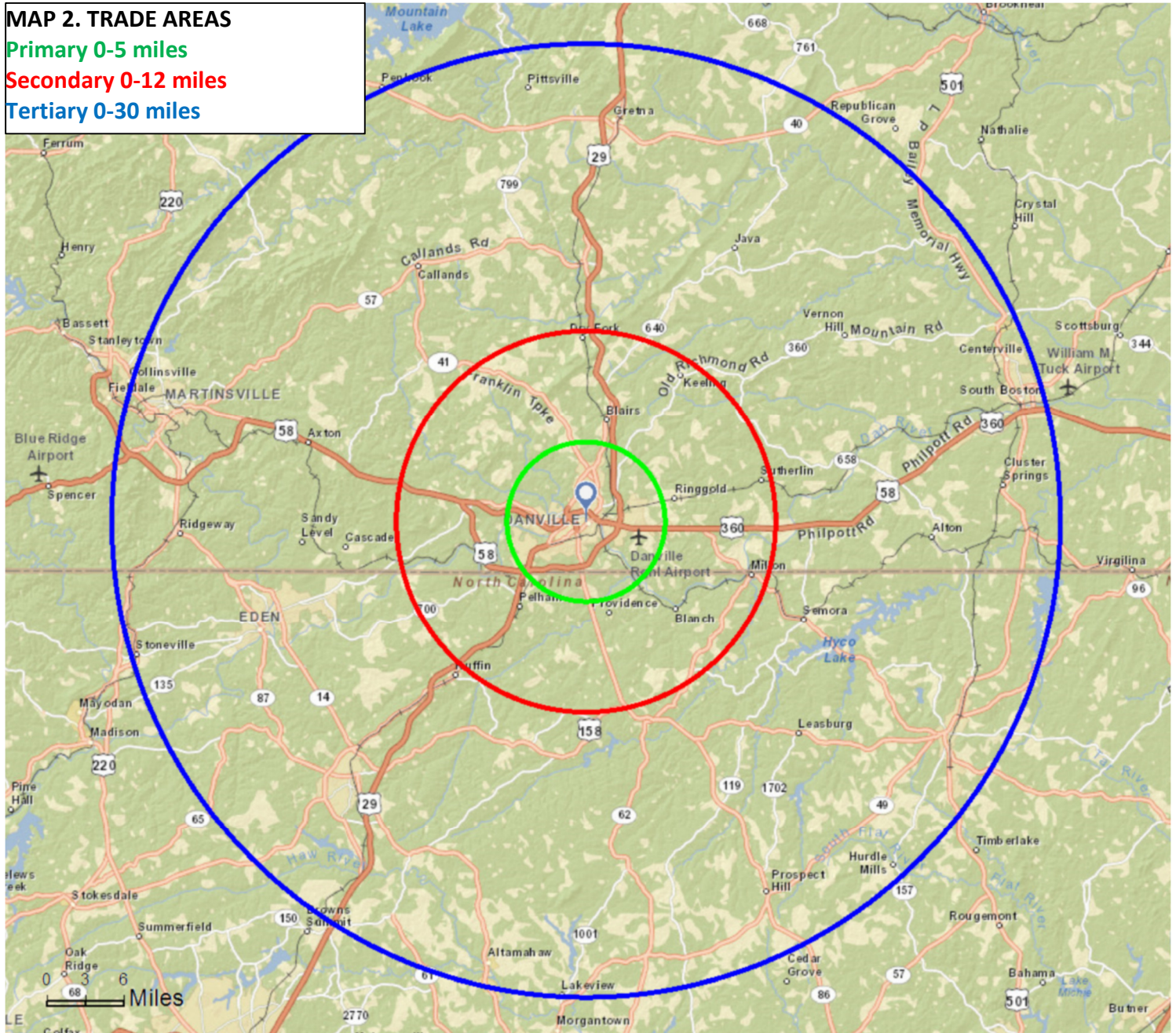


TABLE 3. 2015 RETAIL SALES LEAKAGE DANVILLE TRADE AREAS		
Category	STA	TTA
Furniture & Home Furnishings Stores		\$6,141,653
Home Furnishings Stores	\$3,617,863	\$15,655,400
Electronics & Appliance Stores	\$9,646,802	\$30,877,930
Food & Beverage Stores	\$37,642,124	\$34,916,328
Grocery Stores	\$36,070,706	\$28,193,612
Specialty Food Stores	\$1,258,435	\$3,452,127
Beer, Wine & Liquor Stores	\$312,983	\$3,270,589
Health & Personal Care Stores	\$35,328,954	\$78,263,245
Office Supplies, Stationery & Gift Stores	\$3,291,073	\$11,279,699
Clothing & Clothing Accessories Stores	\$0	\$51,803,015
Clothing Stores	\$0	\$39,214,820
Shoe Stores	\$0	\$7,785,446
Jewelry, Luggage & Leather Goods Stores	\$0	\$4,802,750
Sporting Goods/Hobby/Musical Instr Stores	\$0	\$16,000,000
Book, Periodical & Music Stores	\$0	\$2,859,304
Miscellaneous Store Retailers	\$0	\$7,858,843
Food Services & Drinking Places	\$0	\$15,414,070
Full-Service Restaurants	\$0	\$30,713,385
Drinking Places - Alcoholic Beverages	\$0	\$5,854,599

Source: ESRI

TABLE 4.
MARKET SUPPORT BY TYPES OF BUSINESSES

CATEGORY	STORES/FT.	TYPES OF USES	COMMENTS
Restaurants	3-4 15,000 ft.	Full Service	Capture sales from region and District's residents. Priority: microbrewery, NASCAR theme
Bars	1 2,500 ft.		
Home Furnishing	3-4 7,000 ft.	home décor, showroom, hand-made craft and design, tile and fabric	Limited opportunity for traditional stores Priority: Design emporium
Personal care and health	2-4 6,000 ft.	Hair, Nails, Health, Fitness, Cosmetic, optical, Pharmacy, Nutrition stores, Medical products and other related uses.	Survey residents and employee's. Priority: Pharmacy drop off, Take-out food, Spin Class
Miscellaneous	6-7 19,000 ft.	Gift, Crafts, Pet, Lifestyle retailers, Antique or collectibles, Used Merchandise, Florist, Office supplies, Books & Periodicals, Sporting Equipment,	Must capture regional sales. Priority: hobbies and lifestyle stores and artisan cooperative with studio space.
Apparel	10 25,000 ft.	Clothing, accessories, jewelry.	Limited opportunity due to competition from discount and mall Priority: Specialty Clothing with internet following.
Electronics	4-5 15,000 ft.	Appliances, electronics, TV, stereo, Computer, Telephone	Limited opportunity to recruit due to site and competition. Priority: Cell phone, computer sales and software.
Convenience	2-5 small stores 7,000 ft.	Grocery, Pharmacy, Convenience, doughnut	Site constraints limit opportunity to recruit grocer. Priority: smaller food uses such as cooperative, health or indoor farmers market, specialty food.