

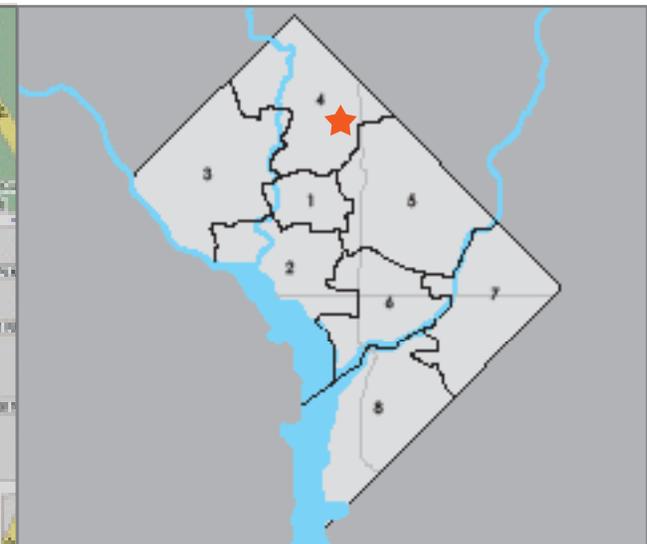
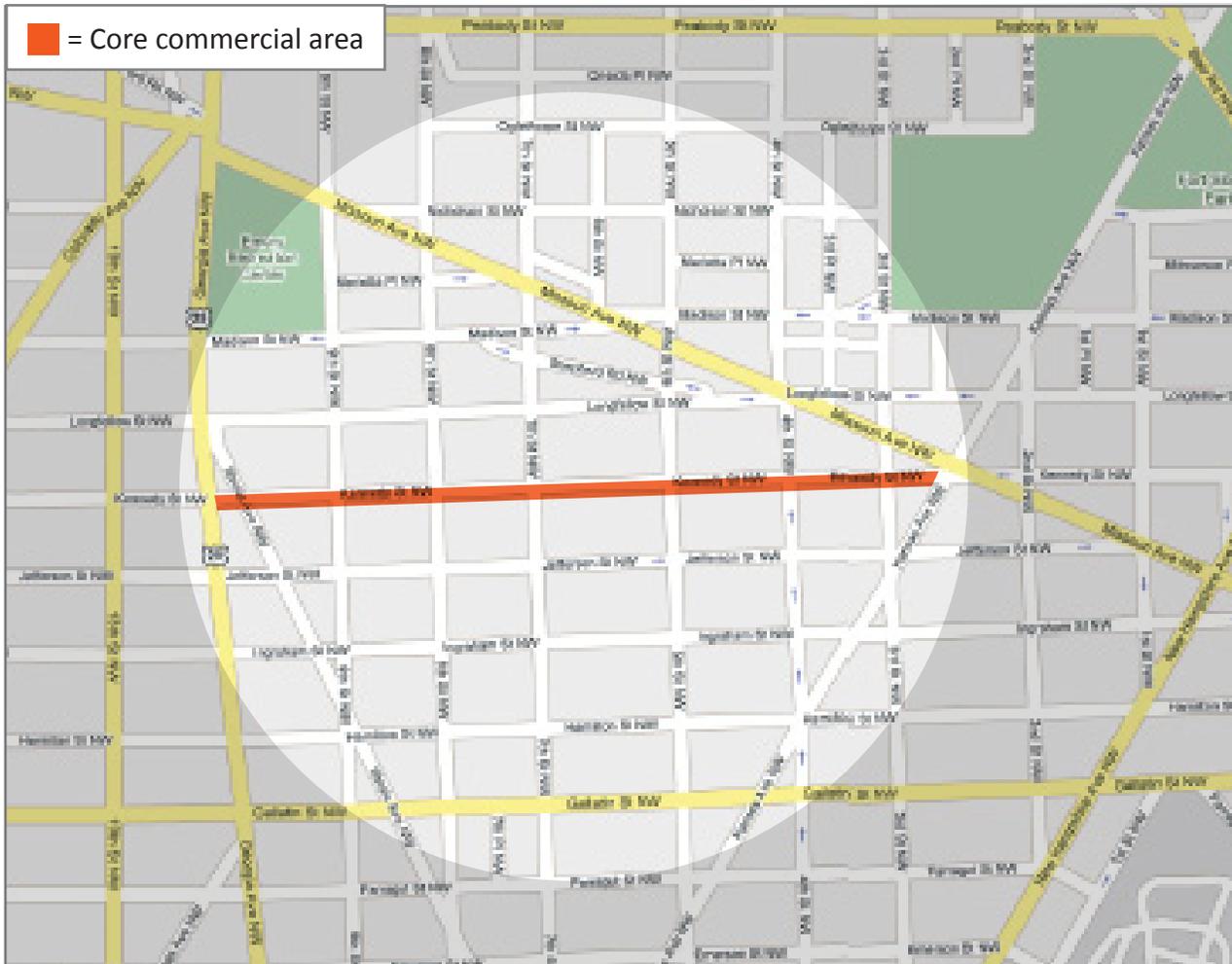
# Kennedy Street NW

SWOT Analysis, Retail Demand Analysis, Strategy and Preliminary Planning Diagrams



# Kennedy Street NW SWOT Analysis





## Boundaries

Kennedy Street from Georgia Avenue east to Missouri and Kansas Streets, NW

## Zoning

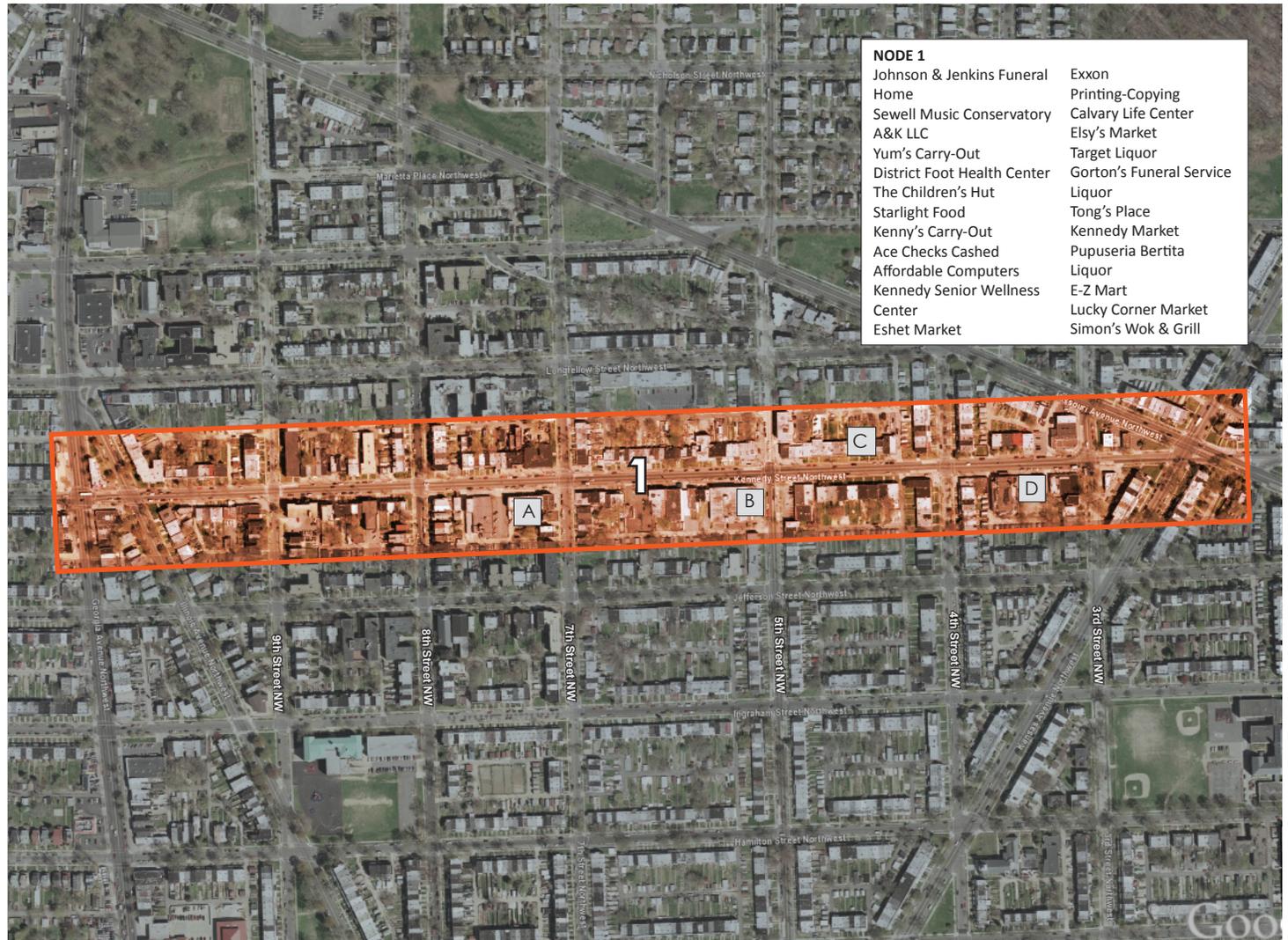
Kennedy Street is zoned entirely as commercial from its intersection with Georgia Avenue to its intersection with New Hampshire Avenue (east of the Retail Action Strategy submarket's border). The surrounding area is overwhelmingly residential, except for a ribbon of government-owned property from Rock Creek Park, west of the submarket, to Fort Slocum Park, northeast of the submarket.

## Overview

This 8-block corridor along Kennedy Street is a mix of rowhouses and local-serving shops. It is surrounded by middle-class neighborhoods; however, retail has not kept up with its changing demographics. The most iconic building is the recently renovated Kennedy Theater, which now serves as a Senior Wellness Center; almost all of its other buildings are single-story shops or 2-story residences. As a connection between major district-wide thoroughfares, Kennedy Street is perpendicular to Georgia Avenue and located in between two dominant submarkets, Georgia Gateway and Georgia Avenue-Petworth. It does not have access to a nearby Metro station.

## 1 Kennedy Street

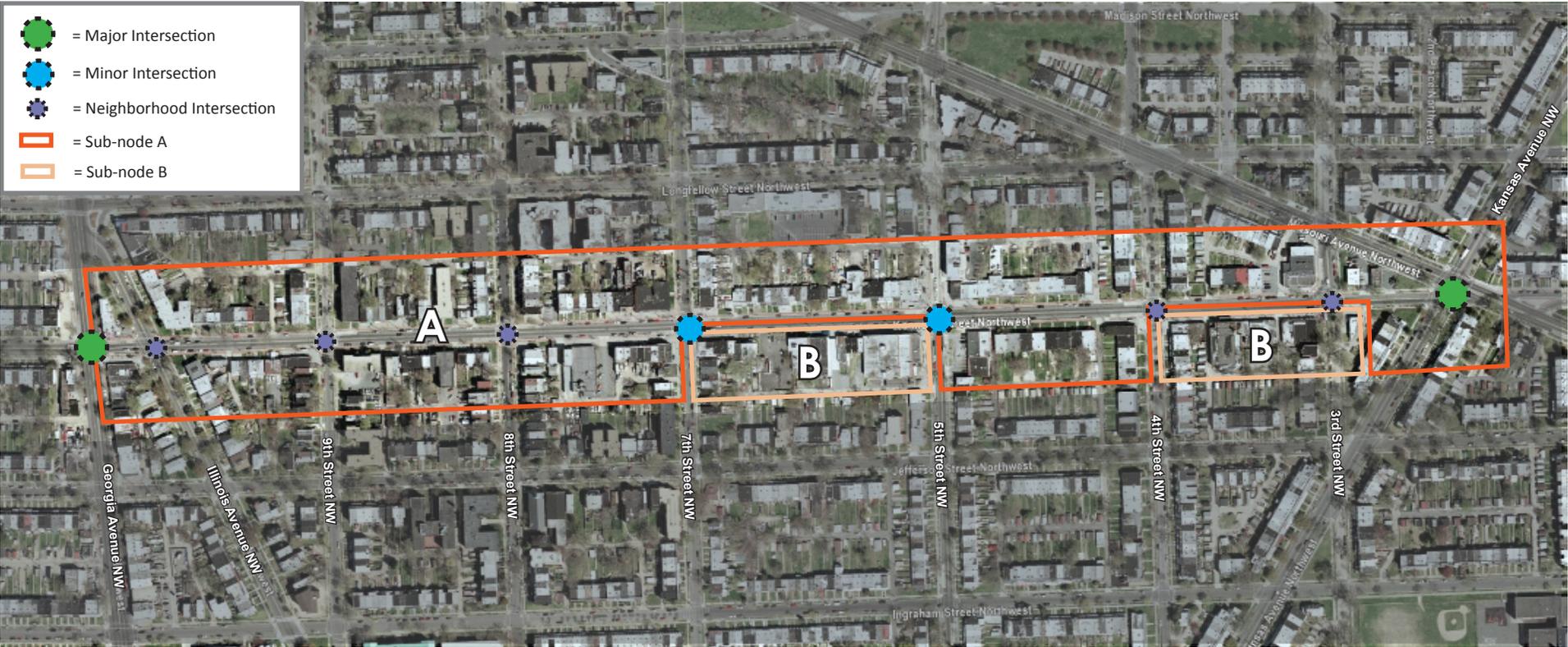
This predominantly mixed-use commercial corridor is peppered with retail in the ground-floor of buildings and on corner lots. This retail consists mainly of smaller, locally owned goods and services establishments and restaurants—the tenant mix here includes several carry-out restaurants, liquor stores, funeral homes, and corner markets. Despite these commercial uses, the submarket retains a residential feel because of its building stock (rowhouses and grassy yards), which makes it most suited to being a community-oriented retail offering. This neighborhood focus also suits the narrow width of Kennedy Street itself, as it has only 1 lane of through traffic in each direction. By redeveloping select blocks to form a neighborhood core, Kennedy Street can find own small-scale retail niche instead of trying to compete against the more substantial retail density on nearby Georgia Avenue.



Note: Tenant list does not include all businesses located in the submarket.



# Retail Node 1: Kennedy Street



*Kennedy Street can be divided into 2 sub-nodes: Residences and Commercial Buildings.*



**A - Residences** in this quiet submarket are primarily rowhouses. Although some have been fitted with retail, their building type is very residential: they are set back from the street with a grassy front yard or perched upon a hill with a covered porch. Housing is dense around the perimeter of each block, but large backyards and a wide, central alley create open space in the center. This space could support service and loading for denser retail; however, it would have to complement the existing residential character.



**B - Commercial Buildings** make up a minority of Kennedy Street’s buildings, although many rowhouses have small ground-floor goods and services establishments. Most corner lots are 1-story commercial buildings with marginal retail. The most notable retail strip (and liveliest area of the submarket) is between 7th and 5th Streets on the south side of Kennedy Street. There are also pockets of retail elsewhere (e.g. between 4th and 3rd Streets near the intersection with Kansas and Missouri Avenues).

## Retail Infrastructure

### Streets & Blocks

Kennedy Street is this submarket's spine, but it is not a major thoroughfare. Compared to the streets that flank it (Georgia Avenue to the west and Kansas and Missouri Avenues to the east), it is a secondary street. There is only one lane of thru-traffic in each direction and one parking lane, making this feel more like a residential road. This quality is enhanced by the grassy yards, residential side streets, and adjacent housing visible from Kennedy Street. Unlike similarly sized residential streets in the area, Kennedy Street is distinguished by its brick sidewalks. However, this brick paving becomes less noticeable where residences with ground-floor retail have paved-over front yards. Because concrete predominates in these sections, it makes the streetscape very stark.



### Intersections

The main intersections occur on both ends of the submarket—at Georgia Avenue to the west and at Kansas and Missouri Avenues to the east. At both of these intersections, Kennedy Street is a minor road that is overwhelmed by the other streets. Besides these peripheral intersections, more centrally located 5th Street is a major transit route servicing the area residents. Fifth Street's intersection with Kennedy Street marks one end of a unique retail strip in the submarket, with the other end marked by a lively intersection at 7th Street. Another intersection with retail potential is 3rd Street, which is proximate to the street's major intersection with Missouri and Kansas Avenues. Kennedy Street itself is small, as are its residential side streets—most other intersections do not appear significant.



### Buildings

Buildings along Kennedy Street are primarily 2-story rowhouses in decent condition. Most are set back from the street and have grassy yards. East of 7th Street, Kennedy Street slopes down to its eastern boundary; residences here sit high above the street and have front porches overlooking their hilly yards. Some residences have been fitted with retail and have paved-over front yards (see image below). There are also 1-story corner shops at nearly every intersection, as well as a strip of 2-story commercial buildings. The submarket's most iconic building is the historic Kennedy Theatre, which has been recently restored as a Senior Wellness Center. There are a few other large buildings, including apartments and The Children's Hut daycare center between 7th and 5th Streets.



### Alleys & Service

Because most of Kennedy Street is residential, there is not a lot of designated space for service and loading. Many corner retail shops that abut residences use their less prominent side for these services. At the same time, most of the submarket's blocks contain a central road-like alley that allows residents to access their rear driveways (see image below). This service road, as well as narrow but deep back yards, creates open space in the middle of each block that could potentially support service infrastructure for retail.



## Strengths

- The submarket has a built-in capture from its solidly middle-income residential base
- The submarket has an authentic, integrated urban fabric that has evolved over time
- Existing infrastructure is manageable for pedestrians, and buildings surrounding Kennedy Street are scale-appropriate
- Although existing lots are narrow, their depth has potential to support expanded retail; the empty core areas of Kennedy Street's blocks also can provide space for service/loading
- The liveliest block in the submarket (between 7th and 5th Street) is centrally located and already has commercial buildings

## Weaknesses

- Kennedy Street is not a major road and lacks visibility to Georgia Avenue commuters
- There is no Metro station within close proximity; however, 5th Street serves as a north-south transit hub for residents
- The spine of Kennedy Street acts like an alley access corridor
- Many buildings have residential character and are set far back from the street, making them less-suited for larger retail; however, this is consistent with an authentic and scale-appropriate live/work situation in which people live above the shops they own/operate
- The streetscape is stark, especially where front yards are paved over with a wide expanse of concrete
- Properties are in poor condition, especially the few existing commercial buildings
- There are no areas with a two-sided, synergistic retail experience; while the lively block between 7th and 5th Street has commercial buildings on its south side, dense rowhouses on lots with significant grade change are across the street (even though it is zoned as commercial)
- C2A zoning on Kennedy Street is highly irregular, limiting retail expansion/development here

## Opportunities

- Establish 7th, 5th, and (to a lesser extent) 3rd Streets as community-serving nodes located in heart of the submarket; 5th Street is an important north-south corridor for the community that is also centrally located within the submarket
- Outside of the commercial heart, preserve the authentic live/work nature of Kennedy Street's rowhouse retail while making cosmetic improvements to its buildings
- Signal Kennedy Street's presence to a larger market by improving the aesthetic character of buildings at its intersection with Georgia Avenue
- Implement design guidelines for commercial buildings to promote a more pleasant pedestrian experience
- Make the streetscape more inviting, especially where front yards have been paved over (rowhouse retail and corner lots), through regular plantings and retail that activates the area directly outside a building (such as a cafe)
- Develop a cohesive merchandising strategy to reduce the redundancy of retail (e.g., there are 2 funeral homes within 500 feet of each other)
- Plan for the evolving market and changing demographics

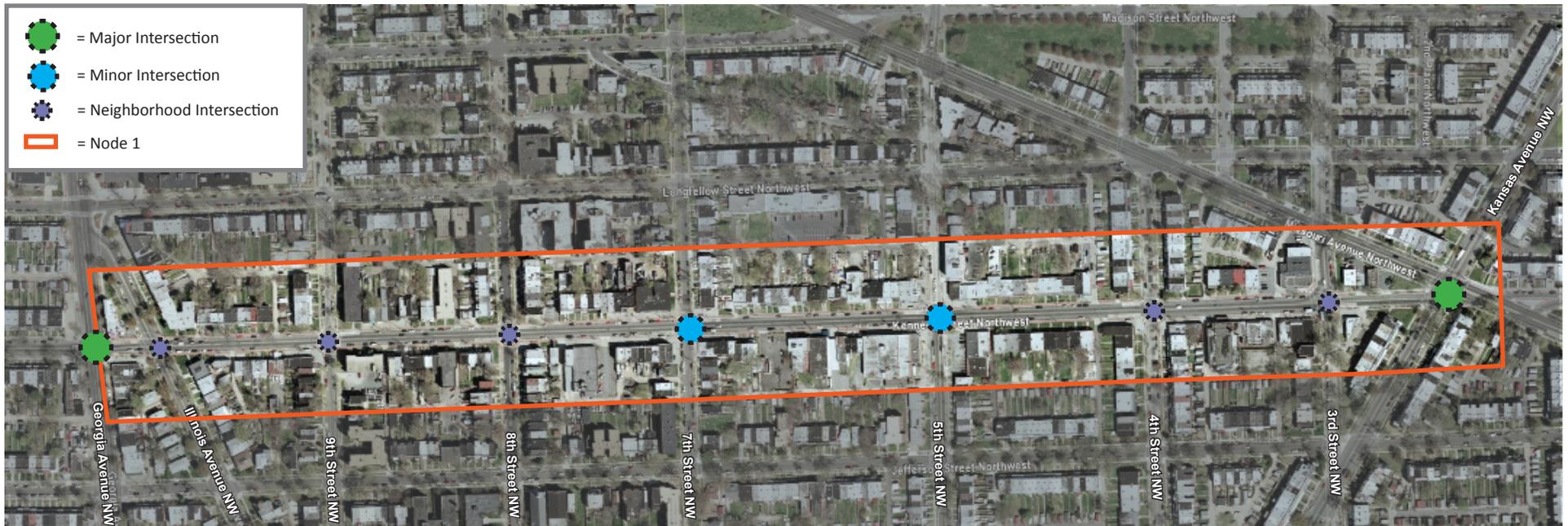
## Threats

- Georgia Avenue is a major artery and more viable location for national retail tenants (existing tenants include CVS, Rite-Aid, and AutoZone)
- Nearby submarkets such as Georgia Avenue Gateway and Georgia Avenue-Petworth (and possibly the U.S. Soldiers' and Airmen's Home) are more viable for retail redevelopment because of high visibility and public transportation; redevelopment efforts in these areas are already underway

# Kennedy Street NW Preliminary Planning Diagrams



# Planning Analysis Node 1: Kennedy Street



## General Observations about Existing Area:

- 1) Retail has taken a back seat to residential uses along Kennedy Street. Frequent curb cuts for residential alley entrances result in inconsistent building massing and an uninviting sidewalk experience. With disconnected building facades, Kennedy Street lacks a continuous, active edge to the street. These factors have made the organic development of a dynamic retail offering along Kennedy Street challenging.
- 2) As a result of challenges with the urban form as well as the amount and proximity of surrounding residential uses, footprint, service/loading, and parking demands required by large format retail tenants (e.g., a grocer) cannot be met anywhere in this submarket. Major consolidation efforts would be required to secure enough land for an anchor tenant along the Kennedy Street corridor.

## Retail Planning Principles:

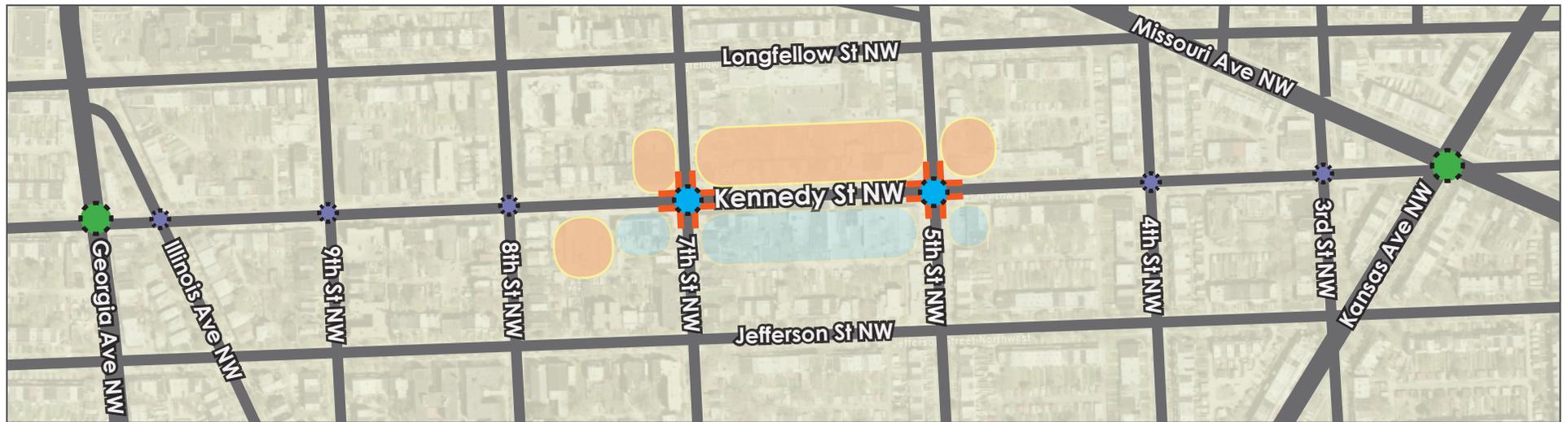
- 1) Invest in the existing building stock.
- 2) Embrace and cultivate the neighborhood identity.
- 3) Focus reinvestment on upgrading existing retail storefronts and reorienting properties to face Kennedy Street (where retail development is appropriate) when possible.

# Planning Concepts Node 1: Kennedy Street

-  = Prime Corner
-  = Mixed-Use Opportunity
-  = Reinvestment Opportunity
-  = Major Intersection
-  = Minor Intersection
-  = Neighborhood Intersection

*The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a case-by-case basis.*

## Redevelopment Option 1



### HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

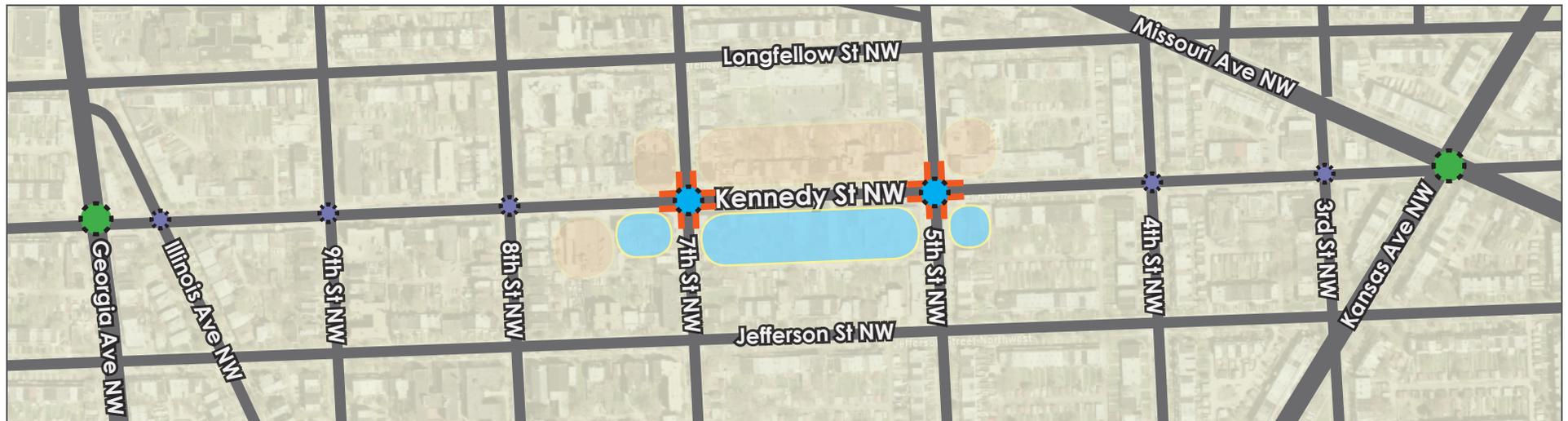
Ideally, new scale-appropriate mixed-use development with ground floor retail would be positioned on the north side of Kennedy Street between 7th and 5th Streets in order to create a vibrant two-sided main street experience; however, existing residential uses here make this unlikely. As such, attention should be focused upon improving the intersections of 7th and 5th Streets with Kennedy Street in order to create dynamic, four-sided retail experiences. Mixed-use infill development is recommended where lot dimensions are favorable, but more emphasis should be placed upon improving existing retail stock in the neighborhood.

# Planning Concepts Node 1: Kennedy Street

-  = Prime Corner
-  = Mixed-Use Opportunity
-  = Reinvestment Opportunity
-  = Major Intersection
-  = Minor Intersection
-  = Neighborhood Intersection

*The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a case-by-case basis.*

## Redevelopment Option 1



### REINVESTMENT/REPOSITIONING OPPORTUNITIES

Consolidating retail efforts within a the two-block node highlighted on the graphic above will establish a stronger neighborhood retail destination for the Kennedy Street submarket. Currently, the south side of Kennedy Street between 7th and 5th Streets is home to the bulk of the retail square footage along the corridor. This existing retail could be strengthened through facade improvements and major re-merchandising and branding efforts.

Where Kennedy Street intersects Kansas and Georgia Avenues, branding and wayfinding strategies are recommended to signify the beginning of a distinct neighborhood zone and to reinforce the character of the community. Additional retail is not advised in either of these areas in order to maintain a consolidated offering between 7th and 5th Streets.

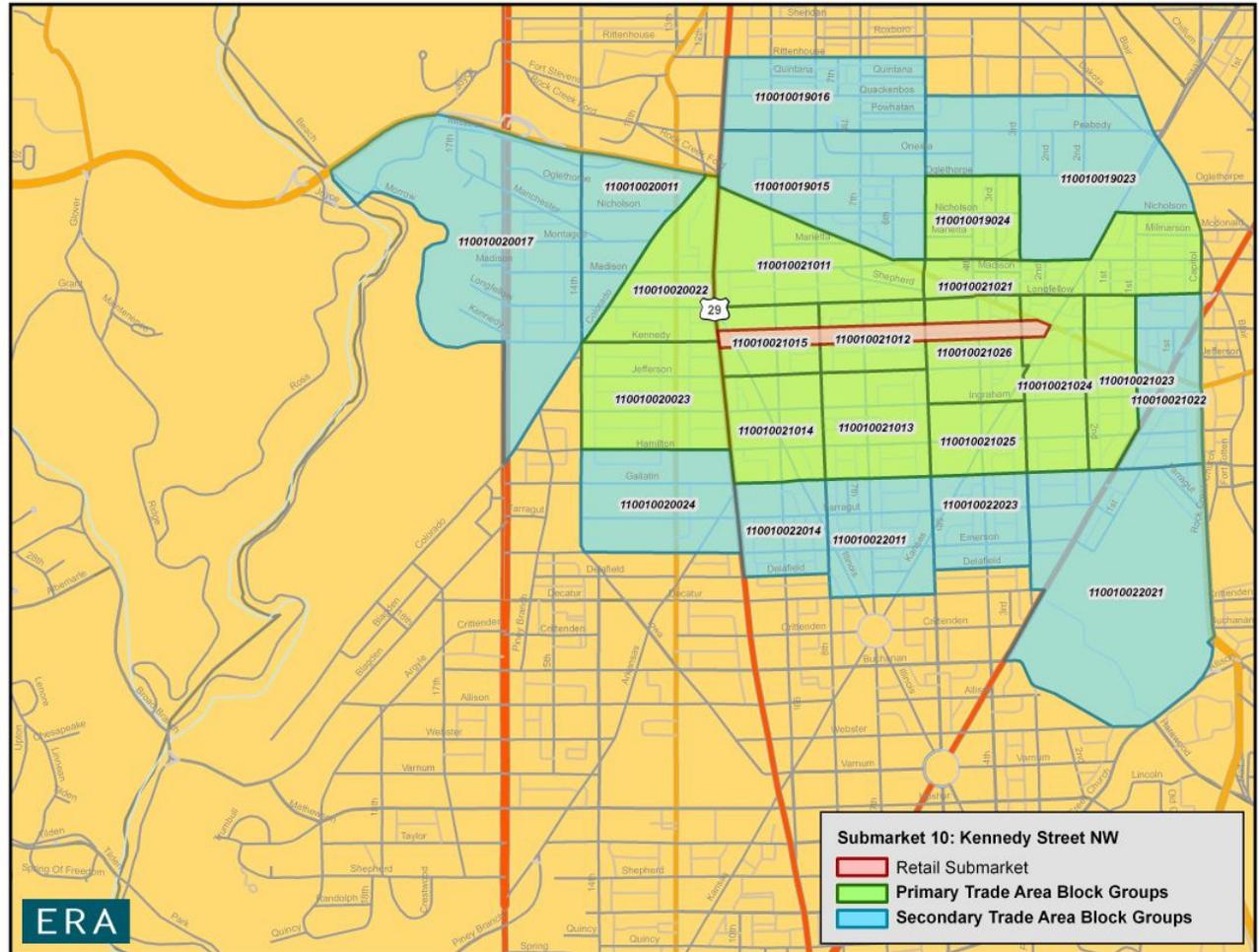
# Kennedy Street NW Retail Demand Analysis



The retail submarket is located along Kennedy Street from Georgia Avenue east to Missouri and Kansas Streets NW

### Key Elements

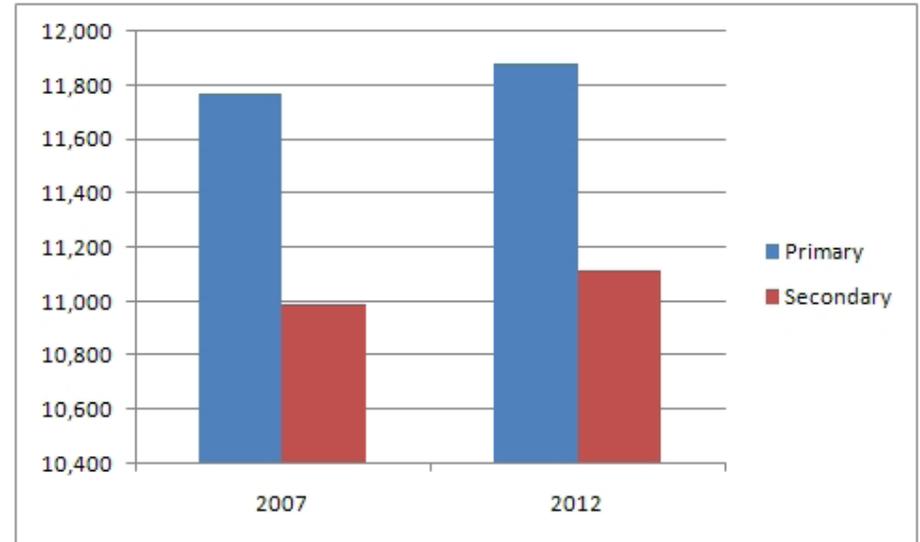
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances for pedestrian shopping)
- Primary trade area residents are expected to be frequent customers, with a focus on those living closest to the site; secondary trade area residents are expected to be consistent, but not frequent customers
- Potential customers who are not primary or secondary trade area residents are accounted for by an “inflow” factor; this is a percentage applied to potential expenditures at the site



The Kennedy Street NW trade area is expected to have minimal increases in population and housing units over the next five years

- The population in the primary Kennedy Street NW trade area is projected to increase by 289 people over the next five years – from 11,768 in 2007 to 12,057 by 2012
- Population in the secondary trade area will increase by 152 residents
- The total trade area is expected to add 207 households over the next five years

Trade Area Population Growth, 2007 and 2012



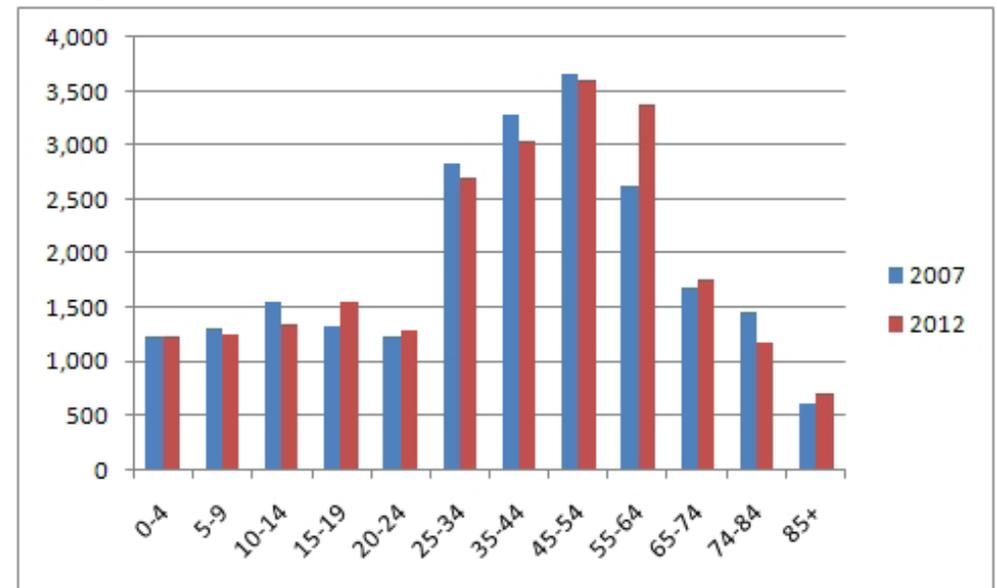
Trade Area Household Growth, 2007 and 2012

	Estimated 2007	Projected 2012
Primary	4,519	4,643
Secondary	4,465	4,548
Total	8,984	9,191

## The Kennedy Street NW trade area has a high percentage of young and mature adults

- Age cohorts 25 through 44 are expected to see a decline in population over the next five years, a negative indicator for residential and retail demand
- Growth in the 55 to 64 age cohort will increase demand for goods and services associated w/ "Empty Nesters" and those heading towards retirement
- Growth among the 15 to 19 and 20 to 24 age cohorts indicates continued demand for family-oriented goods and services and young adult household formation-oriented items such as inexpensive furniture, quick service restaurants, bars, and pre-prepared foods at supermarkets

Trade Area Population by Age, 2007 and 2012

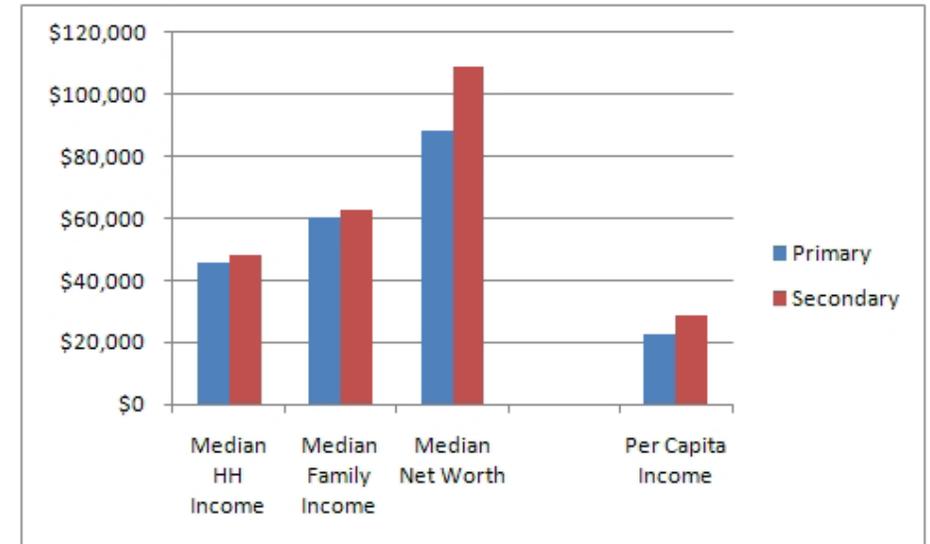


## Kennedy Street NW Key Demographics: Trade Area Household Profile

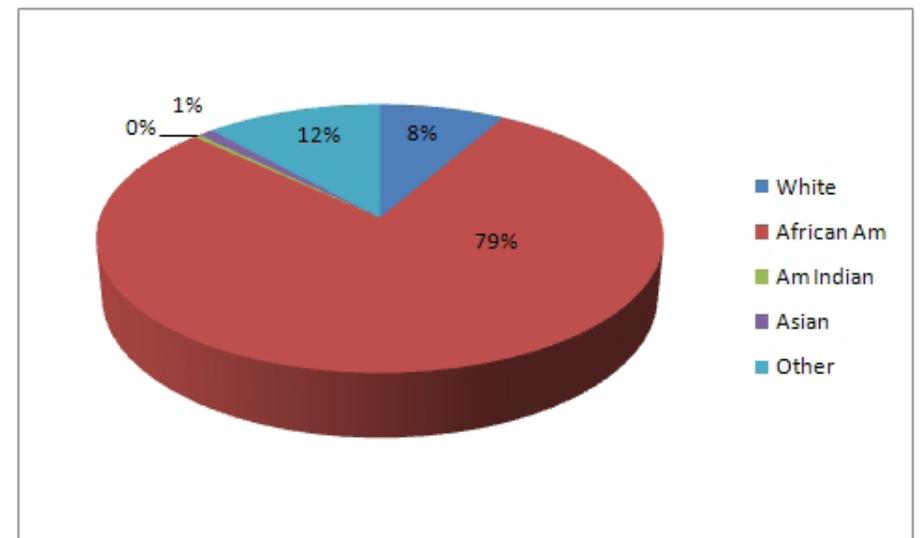
- The Kennedy Street NW trade area has a solidly middle-income base
- The median household income in the primary trade area is \$45,939 and is \$48,335 in the secondary trade area
- The median net worth of the households reflect some greater home values for owners and additional assets, again a result of the mix of upper-middle, middle, and lower-middle income households
- Racially and ethnically, the trade area is fairly homogeneous. African-Americans make up 79% of households, followed by Other at 12%, and White at 8%\*

\*"Other" includes mixed racial populations or self-identified as such. The group may include Latinos or Hispanics who do not identify with another race. Latino and Hispanic are ethnic groups, not racial, but may include people of several racial groups

Income Statistics, 2007



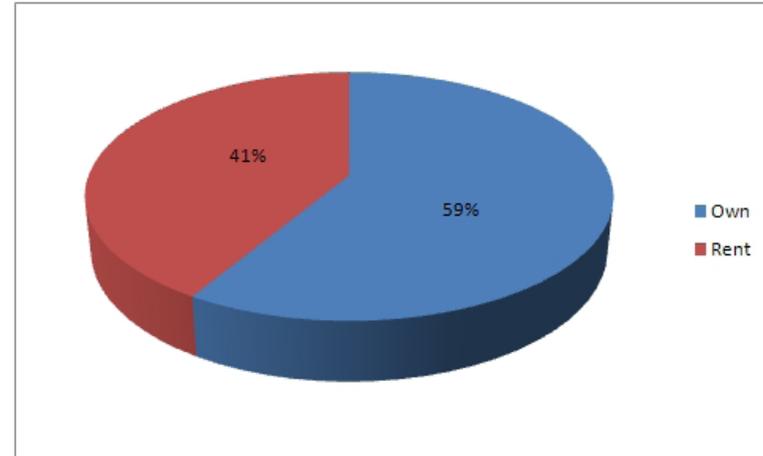
Racial and Ethnic Groups, 2007



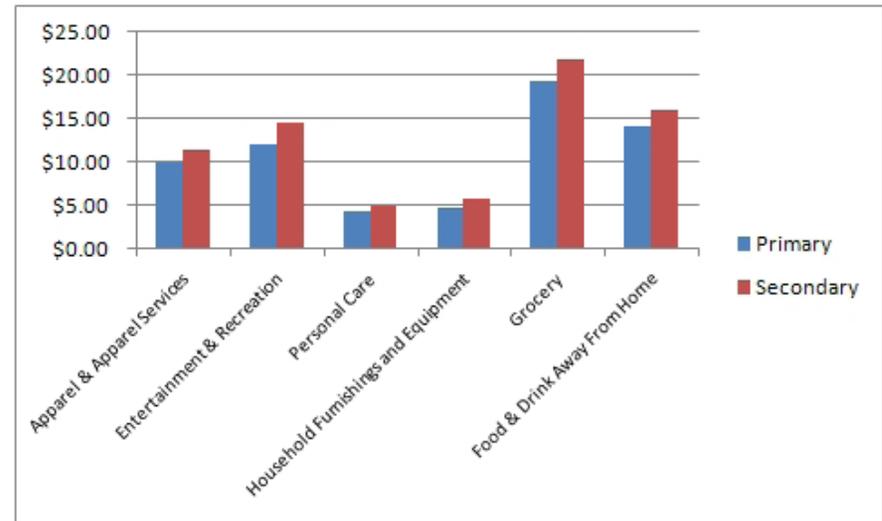
## Kennedy Street NW Key Demographics: Trade Area Household Profile

- Homeownership patterns in the trade area are about evenly split, with 59% of households owning their homes and 41% of households renting their residences. A significant number of homeowners is generally considered a positive indicator of neighborhood stability. Home ownership rates also impact the median household net worth
- In 2007 trade area residents spent a total of \$139.6 million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Household expenditures in the trade area show lower amounts being spent for personal care and household furnishings. The stronger performing categories are grocery, entertainment and food & drink away from home. As previously noted, projected age cohort changes will continue to support entertainment and foodservice businesses, but personal care may increase as the area includes more “empty nest” households

Home Ownership, 2007



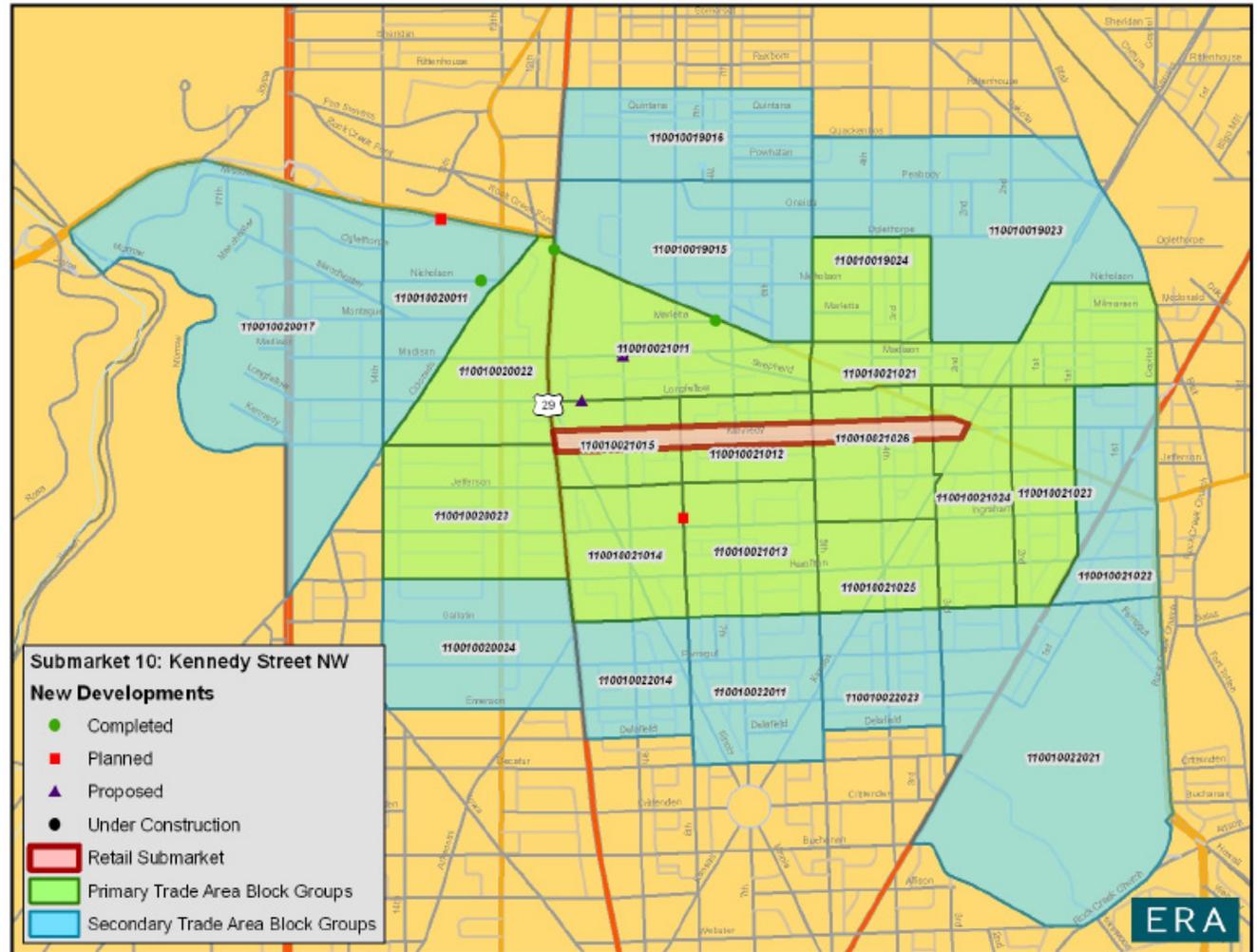
Household Expenditures (In Millions) by Category, 2007



# Development Pipeline

## Pipeline Projects

- There are five new residential developments in the Kennedy Street NW trade area that will deliver additional housing units and retail space
- There is one new residential project planned in the submarket- 1330 Missouri Avenue- with 12 units
- There are four residential projects under renovation that total 122 units



## Overview of Market Demand Analysis

The purpose of the market analysis is to provide quantitative data that, combined with qualitative analysis in the Strengths-Weaknesses-Opportunities-Threats (SWOT) section, inform the retail development strategy for the submarket and provide a tool to DC government, private developers, retailers, and community organizations for developing retail business opportunities.

### Developing Estimates of Supportable Square Footage

A key component of the quantitative analysis is the determination of the quantity of retail space supportable in each submarket. To calculate this, retail demand or spending within the trade area along with an estimate of the spending that the submarket could capture are measured. Various factors are taken into account in developing submarket capture rates, such as the quality of existing retail offerings and trade area competition. Retail spending potential for each major retail category (Convenience Retail, Specialty Retail and Food & Beverage/Restaurants other Food Service) is divided by the retail industry standard for sales-per-square foot (sometimes called retail sales productivity) to arrive at an estimate of retail square footage that the submarket can support. Submarket demand is compared to supply by subtracting the existing retail inventory to determine the net supportable square feet for retail space.

For potential future development in 2012, pipeline residential and commercial projects, and associated increases in trade area expenditures, are factored into future demand. On the supply side, the pipeline of "under construction" and "planned" retail projects is subtracted from the estimate of supportable retail space, as it is assumed that the new space will absorb an equivalent amount of space at the threshold productivity levels.

Generally speaking, retail market demand analysis should not be considered conclusive, as it combines "typical" and "industry average" performance measures with professional judgment based on local conditions and knowledge of the market and retail industry. There are several factors that will determine the success or failure of any individual retail business; that is why the industry is constantly changing. This analysis is intended to guide the Retail Action Strategy to opportunities to recruit potential successful retail categories based on estimated demand potential.

\*Estimated retail spending potential is based on household spending patterns, household income and household composition as reported by the Consumer Expenditure Survey prepared by the US Census for the US Bureau of Labor Statistics. For retail sales productivity rates, ERA used a range of retail industry-based sales per square foot estimates based on the company's experience in urban commercial districts similar to each individual submarket, as shopping center industry standards do not always reflect comparable performance in either market orientation or financial structure by locally-owned businesses or by smaller/older commercial buildings.

## Retail Demand: Primary Trade Area Supportable Retail Space

Retailers measure business success by comparing their sales per square foot or productivity against their costs and revenue objectives as well as reported retail industry standards for comparable types of stores. The amount retailers can afford to spend for rent is also determined by annual sales (both the total amount and sales per square foot per year). Retail rents usually range between 8 percent and 12 percent of total annual sales. This industry standard is a benchmark by which retail performance can be determined.

Local retailers whose sales fall below these industry standards may be considered to be underperforming; the reasons for underperformance may be a result of the size of the market, stronger competitors with better merchandise, merchandising, and/or better pricing, or undercapitalization. Underperforming retailers may cause the analysis of supportable square footage to be underestimated. The higher performing operators can capture market share from existing retailers as well as new customers not currently patronizing a commercial district. When considering a commercial location or district such as the submarkets included in this analysis, retailers often review the levels of rent achieved by property owners as an indication of the level of sales that other retailers are generating.

Lower average rent levels also influence the amount that property owners can afford to invest in property improvements to retain existing tenants or recruit new ones. If property owners are unable to offer tenant improvements because rents are too low, the retailers are then required to increase the amount they must spend to prepare a building to become a store, café, or consumer service business. The greater the amount the retailer is required to invest in space improvements, the greater the financial risk, resulting in additional financial pressures during the early years while the retailer is becoming established and building a customer base. Districts presenting a higher risk of failure have difficulty attracting well managed, well capitalized businesses.

This relationship establishes the connection between the total sales that retailers can achieve, the amount they can afford to pay in rent, and whether the property owners will be willing (or able) to invest in major needed building upgrades (electrical systems, HVAC, or tenant improvements) to attract or retain retail tenants.

## Trade Area Resident Spending

- Retail opportunities are measured using trade area retail expenditures, which describe consumer spending patterns

- Expenditures typically cover resident spending, but have been adjusted to include worker, visitor, and other spending, as appropriate

- Key categories include:

- Apparel and Apparel Services

- Entertainment and Recreation

- Personal Care

- Household Furnishing and Equipment

- Grocery

- Food and Drink Away from Home

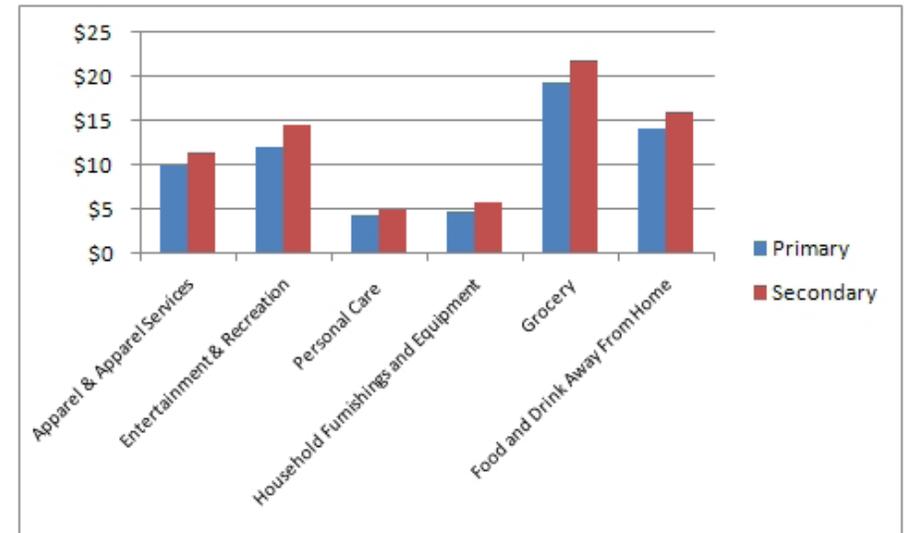
- Entertainment and Recreation includes expenditures such as fees and admissions, TV/video/sound equipment, pets, toys, recreational vehicles, sports equipment, photo accessories, and reading

- Personal Care includes stores such as, drugstores (excluding prescription drugs) cosmetic stores, and services (nail salons, hair salons, shoe repair, etc.)

- Grocery (food and drink for consumption at home) absorbs the most expenditures for the households in the trade area

Trade Area Expenditures By Category (In Millions), 2007

\$140 Million Total



## Capture rates are applied to total trade area expenditures in order to estimate potential expenditures within the retail submarket

A capture rate is calculated as a percentage of sales expected from households or inflow shoppers in the entire trade area.

The rate is developed by examining the trade area's existing retail offerings, quality of retailers, the potential for increased sales with improved retail operations, size of the trade area and a professional judgment considering nearby competition and other available retail purchasing opportunities for customers.

The analysis utilizes capture rates specific to the trade area to calculate likely on-site spending within the retail submarket. For example:

- A 10% capture rate = \$10 of every \$100 spent will occur in the retail submarket
- Note that 100% capture rate is not possible, as the rate reflects all retail purchasing opportunities available to the shoppers in the trade area
- The capture rate is generally a major determinate of a retail submarket's viability

Kennedy Street NW Submarket Capture Rates By Category

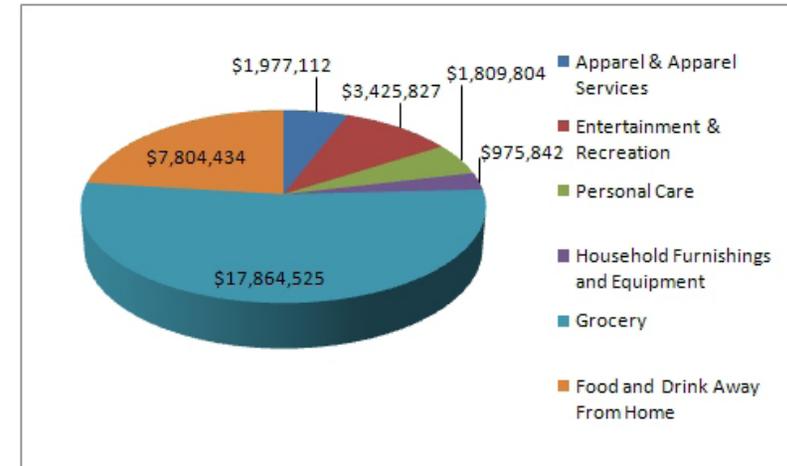
	Primary	Secondary	Inflow
Apparel & Apparel Services	10%	8%	3%
Entertainment & Recreation	15%	10%	5%
Personal Care	20%	15%	10%
Household Furnishings and Equipment	10%	8%	3%
Grocery	50%	30%	10%
Food and Drink Away From Home	30%	20%	5%

Source: ESRI Business Analyst; Economics Research Associates, 2007

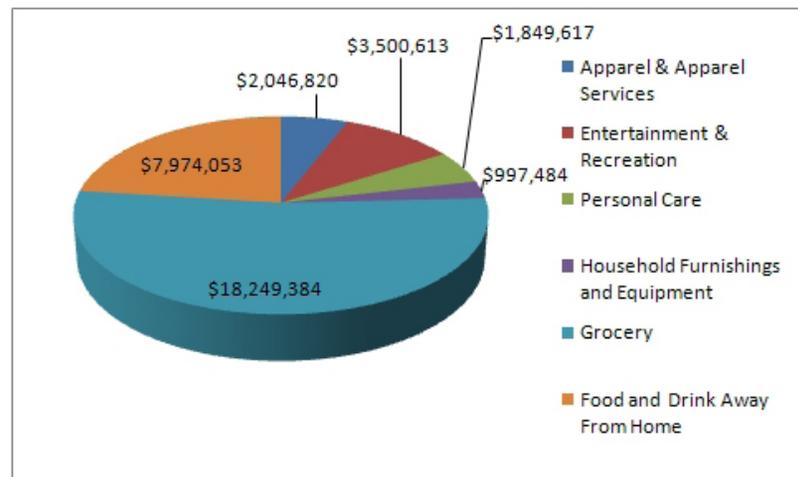
## Estimated Captured Spending within the Retail Market

- Captured spending in the trade area was estimated to be \$33.9 million in 2007 compared to total trade area spending of \$140 million in the same year
- Captured spending in the trade area is expected to be \$34.9 million in 2012 compared to total trade area spending of \$144 million in the same year
- ERA estimates that in 2012, Grocery spending will account for more than \$18 million annually and Food and Drink (away from home) will account for more than \$8.0 million annually
- Captured spending in the retail trade area is expected to increase by \$1.1 million between 2007 and 2012, due mostly to changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007  
\$32.4 Million



Estimated Captured Retail Trade Area Spending, 2012  
\$34.9 Million



## Productivity and Typical Store Size

- A calculation of store productivity is typically based on optimal performance of quality retailers, not actual operators
- However the lower quality of the retail space available in this retail submarket requires that a lower than “optimal” productivity rate must be used to adjust the supportable square footage calculation
- The square footage of retail type does not indicate number of stores since stores sizes vary

“Typical” stores sizes might be:

- Apparel 3,500 SF
- Accessories 2,000 – 10,000 SF
- Personal Care 2,000 – 10,000 SF
- Household Furnishings 3,500 – 10,000 SF
- Grocery Stores- 30,000 to 65,000
- Restaurants 3,000 – 6,000+ SF
- Quick Service food 1,200 – 3,500 SF

Source: ESRI Business Analyst; ERA 2007

## Kennedy Street NW Submarket Comparable Productivity

- The best way to estimate a site’s productivity is to assess annual sales per square foot for comparable projects
- The type of retail often impacts the sales per square foot (i.e. jewelry versus furniture)

Category	Sales per Square Foot	
	Low	High
Apparel & Apparel Services	\$ 250	\$ 350
Entertainment & Recreation	\$ 250	\$ 450
Personal Care	\$ 250	\$ 450
Household Furnishings and Equipment	\$ 300	\$ 450
Grocery	\$ 400	\$ 550
Food and Drink Away From Home	\$ 350	\$ 450

1/ International Council of Shopping Centers, Dollars & Cents of Shopping Centers 2006, adjusted for geography  
Source: Economics Research Associates, 2007

While the productivity rates used for this submarket were based on national averages as reported by the International Council of Shopping Centers (ICSC), ERA used the lower national rates to reflect space limitations and likely performance in the submarket. The rate still reflects the minimum productivity that would be needed for a quality retail operation return on investment.

## 2007 Net Supportable Square Feet

- Based on the current and projected level of households spending in the market area, the Kennedy Street NW submarket can support between 89,200 and 118,900 square feet of retail in 2007
- The existing retail inventory totals 21,186 square feet within the retail submarket. In order to take into account the lower quality space it was discounted to 12,202 square feet (see detailed explanation on page 17)
- The retail submarket has a net supportable square foot range between 76,998 and 106,698 in 2007
- Based on typical store size and spending patterns, the site can easily support a smaller grocery store, one to two restaurants, and one or more small entertainment/recreation stores such as a gym or bookstore

### Estimated Net Supportable Square Feet 2007

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	7,100	7,900	9,500
Entertainment & Recreation	12,300	13,700	16,400
Personal Care	6,500	7,200	8,600
Household Furnishings and Equipment	3,000	3,300	4,000
Grocery	40,200	44,700	53,600
Food and Drink Away From Home	20,100	22,300	26,800
<b>Subtotal 2007 Supportable</b>	<b>89,200</b>	<b>99,100</b>	<b>118,900</b>
Less Adjusted Existing Inventory 1/	(12,202)	(12,202)	(12,202)
<b>Total 2007 Net Supportable</b>	<b>76,998</b>	<b>86,898</b>	<b>106,698</b>

1/ Inventory adjusted for condition

Source: ESRI Business Analyst; Economics Research Associates, 2007

## 2012 Net Supportable Square Feet

- Based on estimated trade area expenditures and capture rates, the Kennedy Street NW submarket can support between 92,300 and 122,900 square feet of retail in 2012
- There is approximately 3,000 square feet of new retail planned in the trade area
- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012
- Due to the amount of retail in the pipeline, the retail submarket can support between 77,098 and 107,698 square feet of retail in 2012

### Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	7,500	8,300	10,000
Entertainment & Recreation	12,700	14,100	16,900
Personal Care	6,800	7,500	9,000
Household Furnishings and Equipment	3,100	3,400	4,100
Grocery	41,500	46,100	55,300
Food and Drink Away From Home	20,700	23,000	27,600
<b>Subtotal 2012 Supportable</b>	<b>92,300</b>	<b>102,400</b>	<b>122,900</b>
Less Existing Retail 1/	(12,202)	(12,202)	(12,202)
Less Planned/Under Construction 2/	(3,000)	(3,000)	(3,000)
<b>Total 2012 Net Supportable</b>	<b>77,098</b>	<b>87,198</b>	<b>107,698</b>

1/ Includes adjusted inventory

2/ Includes retail at Lofts at Brightwood

Source: ESRI Business Analyst; Economics Research Associates, 2007

## Commentary on the Current Retail Inventory

According to CoStar Group Real Estate Information Services, there is 22,186 square feet of retail space in the Kennedy Street NW retail submarket. To determine net supportable square feet, the existing retail space is subtracted from the gross supportable square feet. One major determinant of opportunity relies on the quality of the existing space – how competitive is the space relative to the rest of the trade area and other competitive districts?

ERA analyzed the existing retail along the Kennedy Street NW retail submarket and concluded that 45% of the retail inventory in the trade area was Grade “C”, or inadequate, for contemporary retailing needs. In order to calculate supportable square footage, the existing space was discounted by removing the Grade “C” inventory from the equation

### **Inventory Adjustment**

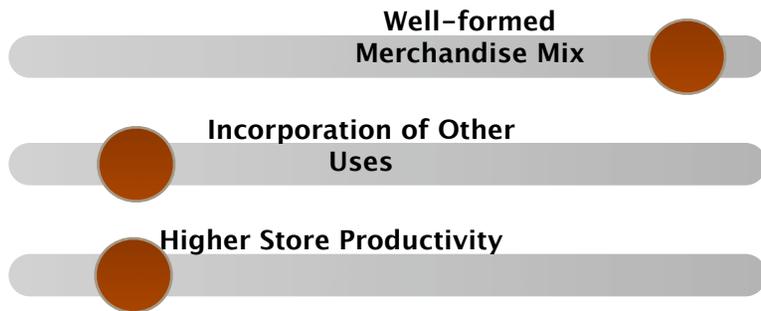
Existing Retail Inventory in Submarket	22,186
Less Discounted Space ("C" Grade)	9,984
Adjusted Existing Inventory	12,202

Source: CoStar; Economics Research Associates, 2008

Multiple factors will ultimately affect the supportable square feet and success of the retail sub-market's offerings over the long-term

Factors Affecting Store Supportable Square Feet, 2007

76,998 SF ← 86,898 SF → 106,698 SF



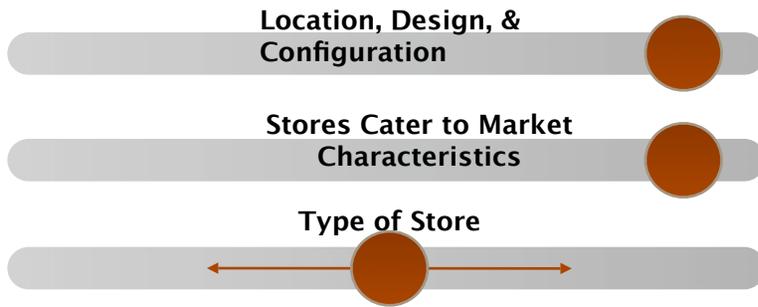
The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

Incorporating other uses and programs may limit retail space, but complement overall project

The trade areas are capable of spending a certain amount. If more \$\$ are spent in one store less \$\$ will be spent elsewhere

Factors Affecting Store Productivity

Low Sales / SF ← High Sales / SF



A store's size, placement within the district, interior and storefront design are part of total appeal for customers

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the customers

Merchandise quality/price positioning/merchandising/mark-up relative to cost of goods, as well as store size and other operating factors, influence a retailers' profitability (Sales / SF)

## Detailed captured retail spending on site by category and market

### 2007 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
<b>Primary</b>		
Apparel & Apparel Services	\$ 1,010,177	5.6%
Entertainment & Recreation	\$ 1,811,202	10.0%
Personal Care	\$ 874,535	4.8%
Household Furnishings and Equipment	\$ 479,859	2.7%
Grocery	\$ 9,667,135	53.5%
Food and Drink Away From Home	\$ 4,226,271	23.4%
<b>Subtotal</b>	<b>\$ 18,069,179</b>	<b>100.0%</b>
<b>Secondary</b>		
Apparel & Apparel Services	\$ 909,349	6.8%
Entertainment & Recreation	\$ 1,451,491	10.8%
Personal Care	\$ 770,742	5.8%
Household Furnishings and Equipment	\$ 467,561	3.5%
Grocery	\$ 6,573,342	49.1%
Food and Drink Away From Home	\$ 3,206,523	24.0%
<b>Subtotal</b>	<b>\$ 13,379,007</b>	<b>100.0%</b>
<b>Inflow</b>		
Apparel & Apparel Services	\$ 57,586	2.4%
Entertainment & Recreation	\$ 163,135	6.8%
Personal Care	\$ 164,528	6.8%
Household Furnishings and Equipment	\$ 28,423	1.2%
Grocery	\$ 1,624,048	67.4%
Food and Drink Away From Home	\$ 371,640	15.4%
<b>Subtotal</b>	<b>\$ 2,409,358</b>	<b>100.0%</b>
<b>All Markets</b>		
Apparel & Apparel Services	\$ 1,977,112	5.8%
Entertainment & Recreation	\$ 3,425,827	10.1%
Personal Care	\$ 1,809,804	5.3%
Household Furnishings and Equipment	\$ 975,842	2.9%
Grocery	\$ 17,864,525	52.8%
Food and Drink Away From Home	\$ 7,804,434	23.1%
<b>Total</b>	<b>\$ 33,857,544</b>	<b>100.0%</b>

### 2012 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
<b>Primary</b>		
Apparel & Apparel Services	\$ 1,070,068	5.7%
Entertainment & Recreation	\$ 1,872,405	10.0%
Personal Care	\$ 904,087	4.8%
Household Furnishings and Equipment	\$ 496,074	2.7%
Grocery	\$ 9,993,805	53.4%
Food and Drink Away From Home	\$ 4,369,084	23.4%
<b>Subtotal</b>	<b>\$ 18,705,524</b>	<b>100.0%</b>
<b>Secondary</b>		
Apparel & Apparel Services	\$ 935,275	6.8%
Entertainment & Recreation	\$ 1,492,873	10.8%
Personal Care	\$ 792,716	5.8%
Household Furnishings and Equipment	\$ 480,891	3.5%
Grocery	\$ 6,760,749	49.1%
Food and Drink Away From Home	\$ 3,297,942	24.0%
<b>Subtotal</b>	<b>\$ 13,760,446</b>	<b>100.0%</b>
<b>Inflow</b>		
Apparel & Apparel Services	\$ 60,160	2.4%
Entertainment & Recreation	\$ 168,264	6.8%
Personal Care	\$ 169,680	6.8%
Household Furnishings and Equipment	\$ 29,309	1.2%
Grocery	\$ 1,675,455	67.4%
Food and Drink Away From Home	\$ 383,351	15.4%
<b>Subtotal</b>	<b>\$ 2,486,220</b>	<b>100.0%</b>
<b>All Markets</b>		
Apparel & Apparel Services	\$ 2,065,504	5.9%
Entertainment & Recreation	\$ 3,533,543	10.1%
Personal Care	\$ 1,866,483	5.3%
Household Furnishings and Equipment	\$ 1,006,274	2.9%
Grocery	\$ 18,430,009	52.7%
Food and Drink Away From Home	\$ 8,050,377	23.0%
<b>Total</b>	<b>\$ 34,952,190</b>	<b>100.0%</b>

# Kennedy Street NW Strategy



# Kennedy Street NE

## Introduction

The Kennedy Street NW submarket is a neighborhood commercial and residential corridor extending along Kennedy Street between Georgia Avenue NW and the intersection of Missouri and Kansas Avenues NW. Most retail operations are “corner store” locations and retail below residential buildings.

The Market Demand Analysis reveals that the combined primary and secondary market areas were estimated to have had a population of 8,984 in 2007, with limited growth projected by 2012 of 9,110 persons. The median household income in the primary market area is \$45,939. A stable trade area, the majority of residents own their homes.

The Kennedy Street submarket effectively serves the community-oriented retail needs of the surrounding neighborhood. It is located between two more dominant retail submarkets – Georgia Avenue Gateway and Georgia Avenue-Petworth – so it makes sense to focus on enhancing this small-scale retail niche rather than compete against the higher density retail offerings of the neighboring submarkets. The retail submarket positioning strategy should continue the current consumer services focus, but within an appropriate scale and with consideration of both the neighborhood’s residential character and the market potential.

Kennedy Street indicates strong market support related to available retail space in both 2007 and 2012 estimates. However, shallow lot depths, no service alleys and the presence of more residential than commercial space on Kennedy Street make it difficult to provide adequate retail space to address the potential market demand. While additional retail space of between 76,000 and 106,000 square feet is potentially supportable in the Kennedy Street study area, the overwhelmingly residential character of the neighborhood would have to be significantly modified (for example, through conversion as spaces become available) in order to create enough space to meet market demand. In this area, the concentration should be to infill existing development around the central area between 5th and 7th Streets NW with appropriately scaled retail uses, and to leave the eastern and western portions of the corridor as stable residential streets. The limited lot depths and linear context suggest that the best options are to upgrade existing Class C retail space and select infill construction to close gaps in the streetscape to allow the corridor to serve its residents without trying to become a major shopping destination. The market implication of this contrast is that limited redevelopment opportunities for retail may shift market support to larger concentrations in nearby areas such as Georgia Avenue Petworth and Georgia Avenue Gateway, near the District line.

## Merchandising Concepts

As most of the commercial area is similar from one end of the corridor to the other, the SWOT identified a single node for the Kennedy Street submarket. Although there is demand for 76,000 to 106,000 square feet of retail, the small parcels, lack of service areas, lack of available parking or nearby metro station limits the amount of development that can occur within the submarket area. The eight-block Kennedy Street corridor

is primarily comprised of residential buildings, with most structures at a one-story or two-story scale. Commercial structures are concentrated along the south side of the street, between 5th and 7th Streets, with some additional retail between 3rd and 4th Streets.

Small lot sizes and low-density development make the area best-suited to the type of retail currently operating along Kennedy Street – a mix of restaurants, small food markets and other small businesses. Focus should be on improving the quality, appearance and functionality of the existing retail, rather than attempt to attract new retail to the area. Such a plan could be best coordinated by a local merchants association, with the support from the Department of Small and Local Business Development (DSLBD). Possible retail uses include small, neighborhood oriented restaurants and food shops (such as smaller, non-branded corner groceries at about 1,800 to 2,500 square feet), as well as consumer service businesses (a locally owned/non-chain pharmacy for example) or neighborhood-friendly uses such as personal care (dry cleaners, and professional offices such as dentists, doctors or insurance/real estate offices) would improve resident offerings without negatively impacting the neighborhood scale. The presence of funeral homes in the corridor may also provide a market for flower shops (850 square feet to 1,500 square feet). A small hardware store (independent or affiliated with a buying group such as Tru-Value of 2,500-4,000 square feet) and a small eat-in café or diner at about 1,200 to 1,800 square feet (such as the Tryst coffee shop in Adams Morgan) may fit the spaces available.

#### Urban Design

The combination of older buildings, a residential neighborhood scale characterized by deep front yard setbacks, alley entrances and paved front yards creates a disjointed pedestrian experience, even in the concentrated retail area between 5<sup>th</sup> and 7<sup>th</sup> Streets. To enhance the appearance of the area and enliven the pedestrian experience, improvements to the buildings and the streetscape are both important.

The authentic feel of the area's commercial offerings should be embraced, and an effort made to maintain the existing building stock while making cosmetic improvements to the buildings. Design guidelines should be prepared and implemented as part of a façade improvement program. Improved signage and streetscaping will also contribute to a more clearly defined and attractive retail area at the center of this community (between 5<sup>th</sup> and 7<sup>th</sup> Streets).

A significant percentage of the existing retail building stock (as much as 45%) is in poor or under-performing condition. Storefront and façade design improvements have been implemented at the end of Kennedy Street near the intersections of Missouri and Kansas Avenues. The remaining properties could also be improved to present a more inviting retail environment. Although sidewalk space is limited and may not be able to accommodate extensive streetscaping, quality sidewalks, curbing and plantings where possible will improve the appearance of the area. As the strategy here is to provide a neighborhood convenience shopping area, pedestrian amenities and bicycle racks should be part of the overall design aesthetic.

#### Retail Support

Retailers should be encouraged to plan for the changing demographics of this evolving submarket. Technical assistance programs administered by

DSLBD, DHCD, or local development organizations should focus on complementing any façade improvements with appropriate changes in merchandising. Examples of this approach exist along P Street NW, as retailers (including a liquor store and restaurants) adapted to the opportunities presented by the development of Whole Foods and new residents in the surrounding blocks. Changes included, among other approaches, a revised mix of merchandise, new advertising and façade improvements.

#### Key Recommendations

1. Focus on maintaining current scale of retail, with a goal of continuing to serve local needs.
2. Implement branding and wayfinding signage and streetscaping program that:
  - a. Highlights the concentration of commercial activity along the south side of Kennedy Street between 5<sup>th</sup> and 7<sup>th</sup> Streets. (Do not attempt to attract additional retail to the endpoints of the corridor as this will detract from the commercial core.)
  - b. Improves the appearance and safety of the area.
3. Improve the intersections at 5<sup>th</sup> and 7<sup>th</sup> Streets, both in terms of the pedestrian experience and the creation of four-sided retail experiences.
4. Capitalize on the authentic scale and appearance of the retail by improving the quality of the existing commercial buildings by:
  - a. Implementing a façade improvement program that upgrades existing storefronts and reorients retail properties to face Kennedy Street rather than side streets.
  - b. Linking business and property owners to capital improvement financing programs. (Long-term, a local merchants association or community group could consider pursuing joint financing for the corridor via such techniques as new market tax credits or historic preservation tax credits.)
  - c. Linking business owners to energy efficiency analysis program.
  - d. Supporting live/work opportunities where retailers can live above their shops.
5. Support existing retailers by providing technical assistance related to adapting to their evolving market and the areas changing demographics, including:
  - a. Revising their merchandise mix.

b. Engaging in joint-advertising with other retailers in the corridor.

c. Programming their outdoor space

d. Adding selected infill retail locations in the central portion of the corridor, as space is available.

6.Support programming of outdoor space by community groups to encourage shopping.