

Market Study for: **Montpelier's Downtown**



Prepared for: Montpelier Downtown Community Association

Prepared by: DOUGLAS J. KENNEDY & ASSOCIATES
A Sno.engineering, Inc. Company

March, 2000

Table of Contents

Introduction - 2

Background Research – 4

The Markets – 4

Downtown Residents – 4

Downtown Workers – 5

Regional Residents – 6

Tourism and Travel Markets – 8

The Economy – 9

Economic Indicators – 9

The Downtown Economy – 12

Economic Projections – 14

Summary – 15

Travel and Tourism Activity – 16

Study Research – 18

Study Interviews – 18

The Office Market and the Professional Sector – 21

Retailing in Downtown – 24

Regional Market Characteristics – 24

Retail Performance in Downtown – 26

Comments – 28

Findings and Recommendations – 29

Database – 29

Housing – 29

Retailing – 30

Downtown Marketing – 31

Downtown Organization – 31

Business Development and Recruiting – 32

Public Infrastructure – 33

Travel/Tourism - 34

Introduction

The following report summarizes the major findings and recommendations resulting from an economic and market study of downtown Montpelier, Vermont. The study and findings were undertaken by DOUGLAS J. KENNEDY AND ASSOCIATES working with the Montpelier Downtown Community Association. In addition, the City of Montpelier's Planning and Development Department was closely involved with the study effort.

The Montpelier Downtown Community Association has a four-point approach to downtown revitalization, including: strengthening the downtown economic base; promoting an marketing the downtown; planning design changes to enhance the downtown's built environment and; recommending a structure for a stable and self-supporting downtown organization. The Economic Restructuring Committee is one of four subcommittees established to fulfill these missions. In order to improve understanding of the downtown's economy and shape the strategic action plan for economic growth, the Committee decided to undertake a Market Analysis. The Request for Proposals for the study listed a number of critical issues, focusing on understanding the downtown and identifying steps that will ensure the downtown's continued economic success.

The study and recommendations cover a number of related issues, including:

- *Defining the Markets* – who uses the downtown?
- *The Downtown Economy* – how is it doing?
- *Downtown Retailing* – what uses are doing well and what new uses will complement the downtown?
- *Professional Sector* – what is the role of this sector in the downtown and what are its prospects for growth?
- *Downtown Utilization* – there are a significant number of employees working just outside of the downtown core. How can they be induced to use the downtown on a more regular basis?

The major sections of the report are:

- The Markets
- The Economy
- Travel and Tourism Activity
- Study Interviews
- The Office Market and the Professional Sector
- Retailing in Downtown
- Findings and Recommendations

The study findings and recommendations are based on a methodology that included:

- *Interviews* – a cross-section of persons familiar with the downtown were interviewed either in person or by phone. Typically, interview subjects either work in the downtown, own businesses in the downtown, or are otherwise involved in downtown activities.

- *Meetings* – several meetings with the Economic Restructuring Committee and Montpelier’s Planning and Development Director helped to shape study direction and served as a soundboard for draft reports.
- *Research* – a variety of sources were tapped to collect background data for the study. These include traditional research sources such as the U.S. Bureau of the Census, a variety of Vermont State Departments and Agencies and the City of Montpelier as well as private demographic forecasting companies, data from a report completed by Lendco, Ltd., the ‘Downtown Database’ initially supplied by Dun & Bradstreet and formatted for study use by Brenda Hausauer and tourism research completed by the University of Vermont.
- *Analysis* – study research and interviews were synthesized by the analyst to develop findings and recommendations.

Background Research

The Markets

Downtown Montpelier draws upon several distinct – and sometimes overlapping – markets. These include; Downtown Residents, Downtown Workers – and those who work nearby, Regional Residents and Travelers/Tourists. Each of these markets has its own profile and market needs. Most significantly, a successful downtown must often employ varying strategies to keep each of these markets happy. Summaries are provided below:

Downtown Residents

The defined downtown study area has a relatively small population. A recent estimate indicated that there were approximately 400 housing units within the defined area. Since downtown households tend to be relatively small (average of 2.0 persons per household¹), it is estimated that the current population of the downtown is 800 persons.

While the population of the defined area is small, population density increases immediately outside of the downtown area. It is estimated that there is a population of approximately 3,050 persons living within ½ mile of the intersection of State and Main and approximately 4,700 persons living within one mile of the intersection of State and Main. The population living within ½ mile of State and Main is particularly important as many of these residents regularly use downtown services and make a significant contribution to the overall level of activity in the downtown.

It appears unlikely that the population of the defined downtown will grow during the next five years and, given current trends, is likely to decrease. The conversion of residential space to office use is currently decreasing the downtown housing stock.

- The evidence indicates that the downtown population has lower income levels than the area average; (1) the inventory of housing units indicated that 108 of the 400 total (27 percent) housing units were subsidized and; (2) available household income data indicates that households living within one mile of State and Main have household incomes that are roughly 15 percent lower than those for all Montpelier residents. However, since downtown households are typically smaller than average, the income gap is not as marked on a per capita basis.
- Demographic data also indicates that downtown residents tend to be older than residents of surrounding areas; 16.7 percent of the persons living in or near the downtown are aged 65 years or more. This is true of only 12.9 percent of those living in the region.
- The spending potential of the 3,050 persons living within ½ mile of State and Main is important to downtown businesses. The following table shows their total, annual spending poten-

¹ Figure estimated based on an assumed reduction of the documented average household size for the entire region.

tial in several major retail categories. It is important to note that the figures show *total* expenditures. A substantial portion of these expenditures occurs outside of the downtown.²

**Retail Spending Potential in Selected Categories:
Downtown Market Population (1999)**

	Total, Annual Expenditures (in \$000s)	<i>Per Household</i>
Groceries	\$4,791	\$3,142
Dining Out	\$1,843	\$1,209
Apparel	\$1,875	\$1,230
Drugs	\$741	\$486
Leisure & Entertainment	\$2,412	\$1,582
Home Furnishings	\$3,386	\$2,220

Source: CACI data interpreted by DOUGLAS J. KENNEDY & ASSOCIATES.

Contacts feel that the downtown serves the resident population relatively well. Day to day shopping needs (Groceries, Drugs) can be found in the downtown, as well as several other convenience oriented retail businesses.³ The downtown has limited specialty shopping for the usual household needs (Apparel). However, these stores can be found nearby. Further, the downtown offers a range of employment and cultural opportunities. It will be important for Montpelier to maintain its convenience retail base.

Downtown Workers

The downtown database indicates that there are 2,200 workers in the defined downtown area. However, the database includes only private sector establishments. In addition to the significant presence of Federal, State and Local government operations in the downtown, there are a substantial number of social service and other public sector offices. A 1994 survey indicated that there were 2,367 state workers in the downtown area. After accounting for these public sector workers, it is estimated that there are a total of 4,700 to 4,800 workers in the defined downtown area. The area immediately surrounding the defined area also includes a substantial number of workers – including major employers such as National Life.

The downtown employee market is likely to grow. Even without new building development, there is ongoing conversion of residential and vacant space to office space. The State of Vermont has indicated that it may need as much as 140,000 square feet of new office space dur-

² Based on data provided by CACI (private demographics forecasting vendor) and interpreted by DOUGLAS J. KENNEDY & ASSOCIATES.

³ The downtown database provided by the Economic Structuring Committee based on data acquired from Dun & Bradstreet. Raw figures were manipulated and formatted by Brenda Hausauer of the Economic Re-structuring Committee.

ing the next 15 years. Further, the potential for additional development of commercial building space along the riverfront holds potential for increasing employment in the downtown area.

- Overall, the average wage of downtown workers is just slightly higher than that for all workers in the area. There are a significant number of well-paid workers in the downtown; but these workers are balanced out by lower paid workers in Retail and several Services sectors. While downtown wages do not exceed area averages, survey work completed in 1993 indicated that many downtown workers lived in dual-earner households, resulting in average *household* incomes that exceeded the area median.

Regional Residents

Traditionally, downtowns in the northeast have enjoyed well defined trade areas – the geographic areas from which they regularly drew their customer bases. In a traditional setting, a central city or commercial base drew not only on its own residents, but also on the residents of surrounding, rural communities. The limits of any community’s trade area depended on the extent of its commercial offerings and the distance to other competing centers. Downtowns still have trade areas, but current market realities have changed the traditional trade balance. Shopping centers, malls and big box stores have, in most instances, superseded downtowns as *the* central shopping locations.

While Montpelier’s hold on its traditional trade area has diminished, contacts with downtown business operators make it clear that most businesses still draw customers from well outside of the community. This geographic area can vary considerably from business to business – while a small grocery store is unlikely to draw customers from outside of its immediate neighborhood, a ‘destination’ restaurant or cultural attraction may draw customers from a multi-county area. Overall, it appears that the downtown’s trade area extends throughout Washington County and to several towns in Orange and Lamoille Counties. This is an area extending out approximately 16 miles from the downtown.

Recent and projected changes in the demographics of the regional market area are shown in the table below.

Demographic Trends: Regional Market

	1990	1999	2004
Population	60,845	62,976	63,640
Absolute Change		2,131	664
Annual % Change		0.4%	0.3%
Households	23,208	25,165	26,049
Absolute Change		1,957	884
Average HH Size	2.5	2.4	2.4
Median HH Income	\$29,900	\$38,541	\$44,016
Median Age	34.4	38.3	39.7

Source: CACI

At 0.38 percent annual growth, the regional population's growth rate has been relatively slow in recent years. By comparison, the statewide annual growth rate was 0.65 percent between 1990 and 1997. The projected annual growth rate for the next five years is 0.26 percent. The average household size has stabilized, while the population as a whole continues to age. The median household income is projected to grow at 2.7 percent annually during the next five years. This is a rate consistent with prevailing inflation, indicating that there will be no *real* change in household income levels.

- The spending potential of the regional population is important to downtown businesses. The following table shows their total, annual spending potential in several major retail categories. It is important to note that the figures show *total* expenditures. Most of these expenditures occur outside of the downtown.⁴

Retail Spending in Selected Categories:

Regional Market Population (1999)

	Total, Annual Expenditures (in \$000s)	Per Household
Groceries	\$78,853	\$3,138
Dining Out	\$29,327	\$1,167
Apparel	\$29,679	\$1,181
Drugs	\$12,116	\$482
Leisure & Entertainment	\$39,347	\$1,566
Home Furnishings	\$54,963	\$2,187

Source: CACI data interpreted by DOUGLAS J. KENNEDY & ASSOCIATES.

⁴ Based on data provided by CACI and interpreted by DOUGLAS J. KENNEDY & ASSOCIATES.

Tourism and Travel Markets

Tourism and travel are broadly acknowledged to be growing at a rapid rate and offer significant opportunities for economic development. However, it is important to note that travel activity does not benefit all regions and that the northeast has generally lost market share in recent years.

- The *Pathways for the 21st Century* document estimates that Montpelier attracts approximately 150,000 visitors on an annual basis. In 1997, Vermont tourism was estimated at 4.62 million persons, giving Montpelier only a 3.2 percent statewide market share. Regional visitors range broadly in terms of age, income, household type and other demographic factors. However, persons who have the time and financial means to travel are typically of above average income.

Vermont tourism research makes it clear that the typical Vermont traveler is of above average age. Vermont's major attractions – scenery, culture, history – are more attractive to an older traveler. While it is clear that Vermont's recreational assets – skiing, biking, etc. – are an essential component of the overall mix, the core traveler is more interested in passive pursuits. Significantly, these travelers tend not to have children as part of their travel party.

- Several trends are important in the travel market:
 - *Trip Duration* – increasingly, travelers are replacing the traditional one or two week vacation with a number of short trips over the course of a year. This tends to keep travelers closer to home and is helpful to attractions throughout New England that are closer to the Northeast's major metropolitan markets.
 - *Eco-Tourism* – an increasing segment of the travel market is interested in discovering more about the environment in the places they travel. At the extreme, travelers spend their entire vacation studying/observing a particular ecology. However, for most travelers, eco-tourism might mean spending a few hours finding out about wildlife or plant species. While Montpelier is an 'urban' area, the city's two rivers offer some opportunities for eco-oriented exploration.
 - *Cultural Tourism* – travelers are increasingly interested in the customs, ethnicity, industries and other unique elements of the places they travel. This is particularly true of the aging baby boomer travel group. Montpelier's unique history and institutions are a real attraction to these persons. As the state capital, Montpelier has a 'built-in' travel attraction. Additional cultural travel can build off the attraction of the statehouse.
 - *Bus Tours* – the bus tour business has shown steady growth in recent years. Most observers attribute this to an aging population. Experience has shown that any attraction or community that can convince bus tour operators that tour travelers will find interesting sights, programs or shopping opportunities can assure themselves of a steady flow of bus business during the tourist seasons.

The Economy

While the regional economy is not booming, there has been an extended, slow growth period with no disruptions. This extended period of stability has begun to give area businesses confidence that they can invest and possibly expand. Assuming there is no serious economic disruption in the near future, it is expected that the market for downtown real estate will improve and that there could be pressure for some new commercial development.

Economic Indicators

The following table compares employment changes in Montpelier (entire City), Washington County and Vermont, for the period 1990 through 1998.⁵

Employment Trends: Montpelier, Washington County, Vermont

	<i>Montpelier</i>		<i>Washington Cty.</i>		<i>Vermont</i>	
	<i>Employment</i>	<i>% Change</i>	<i>Employment</i>	<i>% Change</i>	<i>Employment</i>	<i>% Change</i>
<i>1990</i>	8,532		28,050		289,200	
<i>1991</i>	8,199	-3.9%	27,800	-0.9%	284,200	-1.7%
<i>1992</i>	8,147	-0.6%	27,600	-0.7%	289,500	1.9%
<i>1993</i>	8,344	2.4%	28,900	4.7%	298,750	3.2%
<i>1994</i>	8,486	1.7%	29,100	0.7%	300,050	0.4%
<i>1995</i>	8,509	0.3%	29,250	0.5%	305,300	1.7%
<i>1996</i>	8,541	0.4%	29,250	0.0%	308,900	1.2%
<i>1997</i>	8,527	-0.2%	29,650	1.4%	314,050	1.7%
<i>1998</i>	8,597	0.8%	29,500	-0.5%	319,150	1.6%
<i>Change</i>						
<i>1990-'98</i>	0.8%		5.2%		10.4%	
<i>Change</i>						
<i>1993-'98</i>	3.0%		2.1%		6.8%	

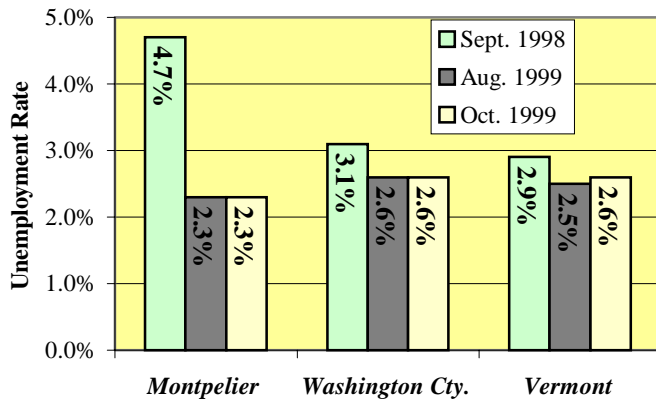
Source: Vermont Department of Employment & Training

Overall, Montpelier and the Washington County area have not shown strong employment growth since 1990, or during the post-recession (1993- '98) period.

Local employment has not shown significant growth. However, the evidence indicates that the employment market is strong. The following graphic compares unemployment rates in Montpelier (entire City), Washington County and Vermont for September 1998, August 1999 and October 1999.

⁵ Employment data published by the Vermont Department of Employment and Training do not include self-employed person and workers that are not covered by unemployment insurance.

Unemployment Comparison: Montpelier, Washington County, Vermont



Source: Vermont Department of Employment & Training

The unemployment rate in Montpelier was lower than that for the state or county in October of 1999.

Average wages in Montpelier are higher than those in Washington County or Vermont. Further, recent increases have more than kept pace with county and statewide increases. This is shown in the following table.

Average Wage Trends: Montpelier, Washington County, Vermont

	<i>Montpelier</i>		<i>Washington Cty.</i>		<i>Vermont</i>	
	<i>Annual Avg. Wage</i>	<i>% Change</i>	<i>Annual Avg. Wage</i>	<i>% Change</i>	<i>Annual Avg. Wage</i>	<i>% Change</i>
<i>1990</i>	\$22,517		\$20,067		\$20,531	
<i>1991</i>	\$22,675	0.7%	\$20,617	2.7%	\$21,355	4.0%
<i>1992</i>	\$24,111	6.3%	\$21,813	5.8%	\$22,364	4.7%
<i>1993</i>	\$24,240	0.5%	\$22,218	1.9%	\$22,702	1.5%
<i>1994</i>	\$25,107	3.6%	\$22,696	2.2%	\$22,963	1.1%
<i>1995</i>	\$26,031	3.7%	\$23,424	3.2%	\$23,582	2.7%
<i>1996</i>	\$26,858	3.2%	\$23,787	1.5%	\$24,479	3.8%
<i>1997</i>	\$27,942	4.0%	\$24,807	4.3%	\$25,506	4.2%
<i>1998</i>	\$28,549	2.2%	\$25,565	3.1%	\$26,624	4.4%
<i>Change 1990-'98</i>	26.8%		27.4%		29.7%	
<i>Change 1993-'98</i>	17.8%		15.1%		17.3%	

Source: Vermont Department of Employment & Training

Montpelier's total employment level has not changed considerably during the past 15 years. However, the distribution of employment by major industry group has undergone a substantial transformation. This is shown in the following table.

Employment by Major Industry Trend: Montpelier

	<i>1985</i>		<i>1990</i>		<i>1998</i>		<i>1985-'98</i>	
	<i>Employ- ment</i>	<i>% of Total</i>	<i>Employ- ment</i>	<i>% of Total</i>	<i>Employ- ment</i>	<i>% of Total</i>	<i>Absolute Change</i>	<i>% Change</i>
Agric/For/Fish/Mining	10	0%	41	0%	83	1%	73	730%
Construction	97	1%	175	2%	88	1%	(9)	-9%
Manufacturing	198	2%	270	3%	211	2%	13	7%
Trans/PubUtility	254	3%	170	2%	326	4%	72	28%
Wholesale	262	3%	210	2%	116	1%	(146)	-56%
Retail	901	10%	1,087	13%	1,206	14%	305	34%
FIRE	1,606	19%	1,804	21%	1,371	16%	(235)	-15%
Services	1,385	16%	1,844	22%	2,199	26%	814	59%
Government	3,939	46%	2,931	34%	2,997	35%	(942)	-24%
Totals	8,652		8,532		8,597		(55)	-1%

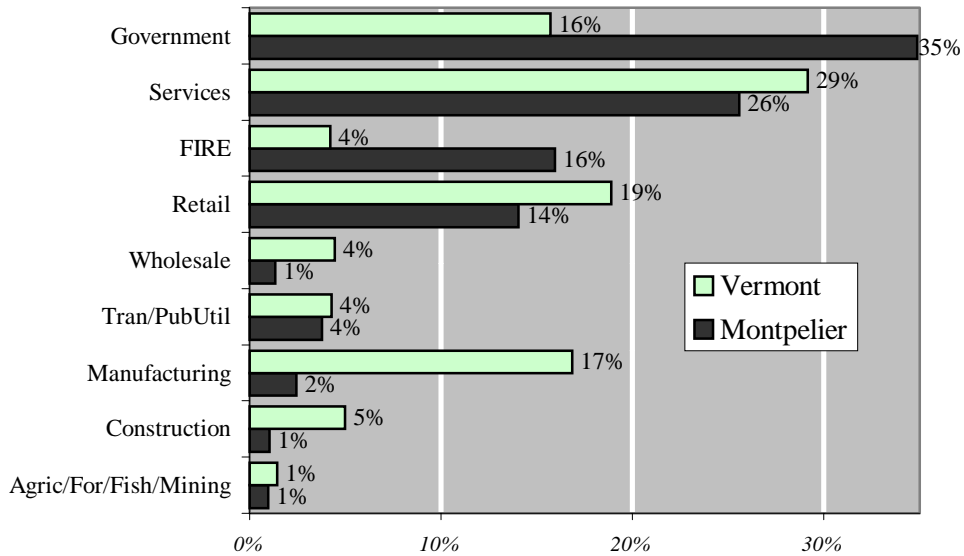
Note: FIRE = Finance, Insurance and Real Estate

Source: Vermont Department of Employment & Training

The significant reduction in Government employment in the city between 1985 and 1990 has been more than made up for by increases in Retail and Services employment. Retail, FIRE, Services and Government employment account for 91 percent of all jobs in the City.

Statewide, Retail, FIRE, Services and Government employment account for 68 percent of total employment. Montpelier's unique combination of insurance and government activity gives it a substantially different employment mix. A comparison of the distribution of employment in Montpelier with that for Vermont is shown in the following graphic.

**Employment Distribution by Major Industry Comparison:
Montpelier and Vermont (1998)**



Source: Vermont Department of Employment & Training

The Downtown Economy

The downtown database provides a good snapshot of the downtown economy.⁶ However, it is essential to keep in mind that the database does not include public sector ‘businesses.’ As such, it ignores Federal, State and Local Government employment as well as many of the social service offices located in downtown.

The following table shows the breakdown of the downtown private sector in terms of: Total Employment by Industry, Number of Establishments by Industry, Percentage of Total Employment by Industry and Average Number of Employees Per Establishment.

⁶ The downtown database provided by the Economic Structuring Committee based on data acquired from Dun & Bradstreet.

Downtown Employment Distribution (1999)

	Employment	Number of Establishments	% of Total Employment	Average Employees Per Establishment
Agric/For/Fish	4	1	0%	4.0
Construction	21	5	1%	4.2
Manufacturing	145	12	7%	12.1
Comm/Transp/Util	58	11	3%	5.3
Wholesale/Retail	591	57	27%	10.4
FIRE	412	31	19%	13.3
Services	959	159	44%	6.0
Totals	2,190	276		7.9

Note: Private sector employment only.

Source: Downtown Employment Database.

Services employment accounts for a substantial segment of the downtown economy, both in terms of total employment and number of establishments – a result of the many smaller professional offices located in the downtown area. In total, Wholesale/Retail, FIRE and Services account for 90 percent of downtown’s private sector employment.

The following table contains a breakdown of Retail employment in the downtown, again in terms of; Employment by Retail Type, Number of Establishments, Percentage of Total Employment by Type and Average Number of Employees Per Establishment.

Downtown Retail Employment Distribution (1999)

	Employment	Number of Establishments	% of Total Employment	Average Employees Per Establishment
Lumber/Bldg Supply	20	4	4%	5.0
General Merchandise	17	2	3%	8.5
Food/Grocery/Convenience	262	11	47%	23.8
Auto Sales/Service Sta	4	1	1%	4.0
Apparel & Access	35	9	6%	3.9
Home Furnishings	9	3	2%	3.0
Eating & Drinking	167	9	30%	18.6
Miscellaneous Retail	63	15	11%	4.2
Totals	557	50		11.1

Food retailing is a major source of downtown employment – with Grand Union being a major factor. In addition, note that Eating & Drinking establishments account for 30 percent of downtown’s retail employment.

The following table contains a breakdown of Services employment in the downtown, again in terms of; Employment by Type, Number of Establishments, Percentage of Total Employment by Type and Average Number of Employees Per Establishment.

Downtown Service Employment Distribution (1999)

	Employment	Number of Establishments	% of Total Employment	Average Employees Per Establishment
Hotel/Lodging	65	2	7%	32.5
Personal Services	56	15	6%	3.7
Business Services	135	14	14%	9.6
Repair Services/Amuse	79	9	8%	8.8
Health Services	116	24	12%	4.8
Legal Services	128	27	13%	4.7
Professional Services	191	28	20%	6.8
Educational Services	53	4	6%	13.3
Membership Organizations	136	36	14%	3.8
Totals	959	157		6.1

No single sector dominates Services employment. However, it is apparent that Health, Legal and Professional Services are important components of the downtown economy. Overall, Services establishments tend to be relatively small in terms of average number of employees per establishment.

Employment Projections

The Vermont Department of Employment and Training maintains a listing of the industries expected to experience the fastest absolute growth in Vermont employment during the next decade. Fifteen of these top 25 growth categories are already established in the downtown and thus have potential to contribute to downtown economic growth. These growth industries include, in descending order:

- Retail – Eating and Drinking Places
- Services – Hotels and Motels
- Health Services – Office/Clinics
- Retail – Grocery Stores
- Business Services – Personnel Supply

- Health Services – Miscellaneous Health/Allied Services
- Educational Services – Colleges and Universities
- Business Services – Computer/Data Processing
- Professional Services – Engineering and Architectural
- Business Services – Miscellaneous Services
- Government – Local Excluding Education
- Recreation Services – Amusement/Recreation
- Retail – Miscellaneous Shopping Goods
- Business Services – Buildings
- Executive, Legislative

Summary

- Steady economic growth in Montpelier and the surrounding region has put the downtown in a good position to consider some measured growth. While speculative excesses are unlikely to occur, it appears reasonable to consider the expansion of the downtown's commercial base, both in terms of number of businesses/employment and commercial real estate space.
- Montpelier's economy is clearly driven by government and insurance, but strong retail and service sectors contribute greatly to an active downtown activity level.

Travel and Tourism Activity

Travel activity is generally regarded as a plus for any local economy. Because they come from the 'outside,' tourist dollars represent a net export for the local economy, bringing in economic activity that would not otherwise occur. While there is evidence that Montpelier's travel and tourism activity has increased in recent years, Vermont's overall performance has been poor – particularly when the amount of growth that has occurred nationally is taken into consideration.

The following table compares growth in total domestic travel expenditures in Vermont and the U.S. In addition, it shows Vermont expenditures as a percentage of the U.S. total.⁷

Domestic Travel Expenditure Comparison: Vermont and U.S.

	<i>Domestic Travel Expenditures (in \$000,000s)</i>										1987-'96
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	
Vermont	\$881	\$934	\$889	\$919	\$920	\$969	\$1,030	\$1,041	\$1,136	\$1,167	
% Change		6.0%	-4.8%	3.4%	0.1%	5.4%	6.2%	1.1%	9.1%	2.7%	32%
% of US	0.38%	0.36%	0.33%	0.32%	0.31%	0.32%	0.32%	0.31%	0.32%	0.30%	
U.S.	\$234,904	\$257,961	\$272,027	\$290,446	\$296,162	\$305,278	\$323,272	\$340,028	\$360,314	\$386,125	
% Change		9.8%	5.5%	6.8%	2.0%	3.1%	5.9%	5.2%	6.0%	7.2%	64%

Vermont travel expenditures have increased, but at a rate significantly lower than the growth rate for the entire U.S. As such, Vermont's share of the national market has declined. The annual rate of growth during the years shown in the table – 3.2 percent – has barely exceeded the rate of inflation. This trend points to a statewide lack of focus on travel activity in the face of strong national competition.

Vermont's statewide travel collection system is poor at best. As such, local and regional travel data is essentially unavailable. Given these constraints, localized travel activity must be based on analyses of other factors.

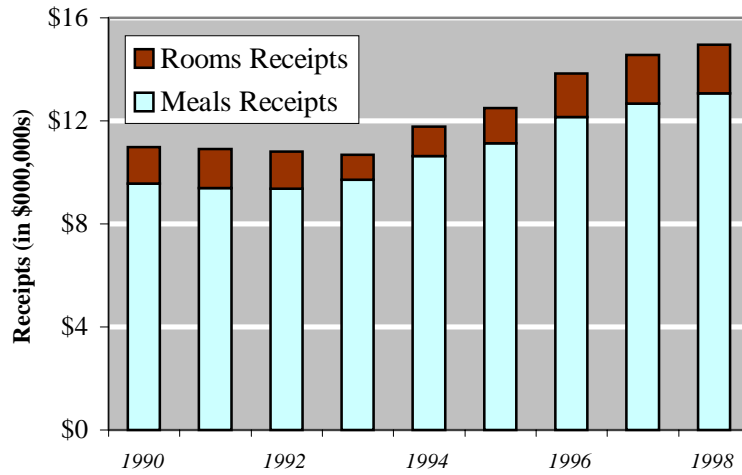
Montpelier's major industries (Insurance, Government) do not depend on travel activity. As such, travel is relatively unimportant to the city's economy. Travel activity accounts for only three percent of the city's economy but accounts for 15 percent of Vermont's economy. However, travel is a more significant factor for downtown retail (14 percent of total activity), amusement and recreation businesses (35 percent) and restaurant businesses (42 percent).⁸

⁷ Source: US Travel Data Center's *Travel Economic Impact Model*.

⁸ Source: *Tourism Study Report*, completed by Nancy Wood, Graduate Student, Community Development & Applied Economics, University of Vermont, June 24, 1999.

Travel is not currently an important component of Montpelier’s total economy. However, it does account for a substantial segment of total receipts in the restaurant and lodging sectors. The following graphic shows changes in Montpelier meals and rooms receipts for the period FY1990 through FY1998.⁹

Rooms and Meals Receipts Trends: Montpelier



Source: Vermont Department of Taxes

Montpelier meals and rooms receipts reflect solid growth during the 1990s. Between 1990 and 1998, total receipts grew by 36 percent. Between 1993 and 1998, total growth was 40 percent. Corresponding figures for Vermont were 28 percent and 20 percent, respectively. Montpelier’s capture rate – particularly in the restaurant sector – has improved.

⁹ Note: Data for entire city. FY1999 data not reliable due to changes in collection methods.

Study Research

Study Interviews

Background statistics and studies are critical to understanding downtown trends, but often do not provide the analyst with a solid understanding of the inner workings of a downtown economy. This understanding can only be accomplished by talking to the people who make the economy work on a day to day basis. Interviews with contacts familiar with the inner workings of the downtown were one of the most important components of the downtown study.

In total, approximately 25 persons were interviewed in the course of the study. While interviews topics varied, there were typically oriented toward discussion of issues like: definition of markets, business trends, downtown assets/deficits, identification of downtown opportunities, social and economic problems in the downtown. Interview subjects included a broad range of persons, including: Real Estate Developers, Property Managers, Landlords, Professional Service Business Owners, Building Owners, Residential Realtors, Commercial Realtors, Retailers, Economic Development/Promotion Professionals. While many of the interview subjects were clearly downtown supporters, a special effort was made to interview several contacts who had a bad experience in the downtown, or who made a business decision to locate outside of the downtown because of problems they perceive with the workings of the downtown area. The interviews were conducted throughout the course of the study.

The results of the interviews are reflected in large part in the findings and recommendations section of this report. However, a number of themes emerged from the interviews, including the following:

- Virtually every interview subject noted that one of the most significant strengths of the downtown is in the restaurant and arts sectors. They note that these sectors have shown real growth in recent years and that there is still more potential for the restaurant sector to grow by increasing the variety of downtown offerings.
- Retail rents in the downtown are typically in the \$12 to \$14 per square foot range, although there are exceptions for first class locations. Office rents show more variability, with a range anywhere from \$8 to \$15 per square foot.

The development community feels that rents are just beginning to reach a range that could make new development possible. However, this is still not a sure thing. Nevertheless, two contacts were in the process of planning substantial multi-use projects.

- Tenants seeking office space are typically small professional businesses (Psychologists, Attorneys, Professional Services, etc.) as well as some existing businesses that are in an expansion mode. There are independent retailers seeking first floor commercial space in the downtown. However, realtors report that business service companies most commonly seek these spaces (Copy Shops, etc.). Business services are one of the fastest growing areas of employment nationwide.

Downtown tenants (both existing and prospective) seek downtown locations for several reasons, including: convenience (access to restaurants, services, etc.), location in an active, social setting, commitment to the downtown.

- While the regional economy is not booming, there has been an extended, slow growth period with no disruptions. This extended period of stability has begun to give area businesses confidence that they can invest and possibly expand. Assuming there is no serious economic disruption in the near future, it is expected that the market for downtown real estate will improve and that there could be pressure for some new commercial development.

Several contacts were also concerned about the lack of expansion potential in the downtown area. Essentially, these contacts felt that the downtown core has virtually no available developable land – thereby stifling new business potential. These contacts tended to have a restrictive geographic view of the downtown – with a focus on the area in the immediate vicinity of State and Main Streets.

- For a number of contacts, downtown’s mix of retail businesses is regarded as ‘leaning toward elitist.’ However, these contacts felt that this direction is well established and that it is too late to change. Further, they point out that there are a number of downtown businesses that serve everyday needs (hardware, drug, and convenience stores). While the ‘elitist’ issue was mentioned by a number of contacts, it is significant to note that a number of other contacts felt that downtown businesses tended to be in the moderate range.
- Contacts point to several factors that they expect to play a role in the downtown’s future: (1) Travel and Tourism – this has shown real growth in recent years and is expected to play an expanded role in downtown business; (2) Government – the state will affect the downtown real estate market by demanding new office space and continuing to be a major employer; (3) Education – non-traditional education (adult education, evening education, non-degree programs, etc.) will play a more significant role in the downtown. These trends point to some of downtown’s likely directions over the next decade and are reflected in report findings and recommendations
- A majority of the study contacts mentioned parking as a downtown issue needing resolution. The contacts *do not* feel that there is a shortage of parking spaces in downtown. However, they do feel that there is a perception of a parking problem and that the system could be better managed. In particular, they note two issues that need to be addressed: (1) meter timing should be better attuned to the needs of people parking in the immediate area – short time periods for quick turnover, etc. and; (2) pay more attention to, and penalize meter feeders.
- Several contacts indicated that there are too many organizations dealing with downtown issues. According to the contacts, this results in a duplication of efforts and some degree of mistrust between organizations. From a downtown marketing perspective, it is also apparent that this can lead to mixed messages being sent out to businesses interested in locating in the downtown or travelers considering a visit to the downtown.

- A number of contacts are concerned about the ‘kid/teenager problem’ in the downtown. Comments usually focussed on teenagers and young adults ‘hanging out’ in the area of the City Center building. For the most part, contacts did not feel that this is a ‘bad group of people.’ However, they do feel that their presence can be intimidating to some downtown users – particularly the elderly. Typically, these contacts stressed that the downtown needs to seek out solutions to this issue and ‘find things for teenagers to do.’
- Overall, the tone of area businesspersons was positive regarding the downtown. However, two contacts that chose to locate outside of the downtown indicated that the business recruitment and assistance program has problems. This issue is discussed under recommendations.

The Office Market and the Professional Sector

It is apparent that the major commercial market force in the downtown is currently the professional sector and its demand for office space. Interview subjects, study research and empirical data make it clear that the market for office space is strong and likely to experience some growth during the next few years. Downtown employment data and comments from knowledgeable real estate professionals make it clear that the demand is generated by professionals in small businesses - attorneys, psychologists, professional services, etc. Just as significantly, a number of existing downtown office businesses are in a growth mode and are in the midst of, or considering expansion.

Several basic factors serve as underpinnings to the strength of this market.

- Montpelier's economy is dominated by government and the insurance industries. While these industries typically provide for their own office needs (in downtown and near-downtown locations) they both create spin-off demand in the professional sector.
- The economy has experienced a steady period of slow, sustained growth. This creates a positive climate for business start-up and expansion.
- Downtown tenants (both existing and prospective) seek downtown locations for several positive reasons, including: convenience (access to restaurants, services, etc.), location in an active, social setting and often, a personal commitment to the downtown.

The following table shows current data on the downtown commercial/office space market showing, by section of downtown: the number of commercial/office spaces, vacant spaces, vacancy rate by number of spaces, total square footage, vacant square footage, vacancy rate by square footage.¹⁰

Current Inventory and Vacancy: Downtown Montpelier Commercial/Office Space (1999)

	<i>Number Offices/Commercial Spaces</i>			<i>Square Footage Office/Commercial Space</i>		
	<i>Spaces</i>	<i>Vacant Spaces</i>	<i>Vacancy Rate</i>	<i>Square Footage</i>	<i>Vacant Space</i>	<i>Vacancy Rate</i>
Main: Memorial-School	55	6	11%	177,180	23,600	13%
Main: School-Spring	25	2	8%	52,931	1,450	3%
State: Main-Taylor	70	7	10%	165,387	5,500	3%
Langdon	4	0	0%	7,800	-	0%
Elm	6	1	17%	13,687	2,500	18%
School	4	0	0%	23,505	-	0%
Totals	164	16	10%	440,490	33,050	8%

¹⁰ Data from *Occupancy and Rental Rate Study for Downtown Montpelier*, Prepared by Lendco Ltd. for the Economic Restructuring Committee, November 15, 1999.

Overall, there are 164 office/commercial spaces in the downtown, occupying a total of just over 440,000 square feet of building space. The downtown's vacancy rate – at 8 percent – is surprisingly low – particularly since the vacancy figure includes poorly accessed spaces that are unlikely to find a user in even the strongest of markets.

Downtown commercial rentals range anywhere from \$7 to \$20 per square foot. Not surprisingly, first floor space typically commands a premium over upper floor space. Given the variability of space quality in the downtown (and a number of policies regarding the inclusion of electricity, hot water, parking and heat) there is no single 'market rent' in the downtown. However, it is clear that in the overall commercial rents have increased.¹¹

Given the low occupancy rate and concurrent demand for space, it appears likely that new office space will be created during the next few years. This new space may be created in several ways:

- Conversion of residential apartments to office space. It is clear that a number of conversions have taken place in recent years and that these conversions will continue as long as there is demand and property owners see the commercial market as more profitable/less management intensive than residential property management.
- Rehabilitation work to bring unusable spaces up to current standards. There are code limitations to this work as much of this space is on upper levels.
- The State of Vermont is projecting a need for substantial new office space over the next 15 years (by up to 140,000 square feet of office space). While some of this space will merely replace spaces now leased in private buildings, there will be a significant net increase in the downtown's office inventory.
- Several developers report that the positive economy and the slow upward movement of commercial rents are creating a situation in which new office development is possible. However, this is most likely to occur in a situation where a significant tenant is already in place. It is unlikely that any office space will be constructed on a purely speculative basis. These are most likely to occur in the Stone Cutters Way area.

From a downtown business perspective, the strength of the commercial/office market is clearly a positive. Strong office demand increases building value and encourages landlords to maintain and/or make investments in downtown buildings. Further, office space that is fully occupied by a professional working group puts more people in the downtown on a day to day basis – these workers patronize shops, services, the arts and restaurants. This is a major, positive force on the downtown.

On the negative side, it is also clear that the demand for office space and preference for commercial tenants among landlords is having the effect of decreasing the housing stock in the downtown core area. While office use increases daytime activity, a lack of downtown housing

¹¹ Source: *Occupancy and Rental Rate Study for Downtown Montpelier*, November 15, 1999.

can negatively affect the evening activity level. Further, downtown living – and its easy access to services – is important for households who choose not to own or who cannot afford vehicular transportation.

The incremental conversion of residential to office space will be difficult to stop as long as there is a strong economy. However, it will be important to ensure that residential neighborhoods adjacent to the downtown maintain their identity (and populations) and to encourage the inclusion of residential space in new downtown development initiatives. Typically, Vermont’s downtowns have not attracted moderate or upper income households. However, Montpelier’s unique demographic mix combined with the broad offerings of the downtown – shopping, employment, arts, convenience retail, etc. – make it a place where there is likely some demand for upper end rental or for-sale housing. In particular, a site along the river within easy walking distance of downtown services would fill this need. Several real estate professionals noted that this is a market ‘waiting to be tapped.’

Retailing in Downtown

Every downtown worries about its retail sector. Like many downtowns in the region, Montpelier has, and will continue to face a range of economic challenges in the coming years. While the regional economy has established a relatively steady growth course, the market strength of downtowns has been eroded by the proliferation of shopping centers and “big-box” retailing. Any downtown faces constant competition from regional shopping centers, shifting preferences of shoppers, and changes that threaten their business base. Just as significantly, downtown infrastructure and parking usually don’t measure up to shoppers’ expectations.

A summary of some of the factors affecting retailing in downtown Montpelier follows:

Regional Market Characteristics

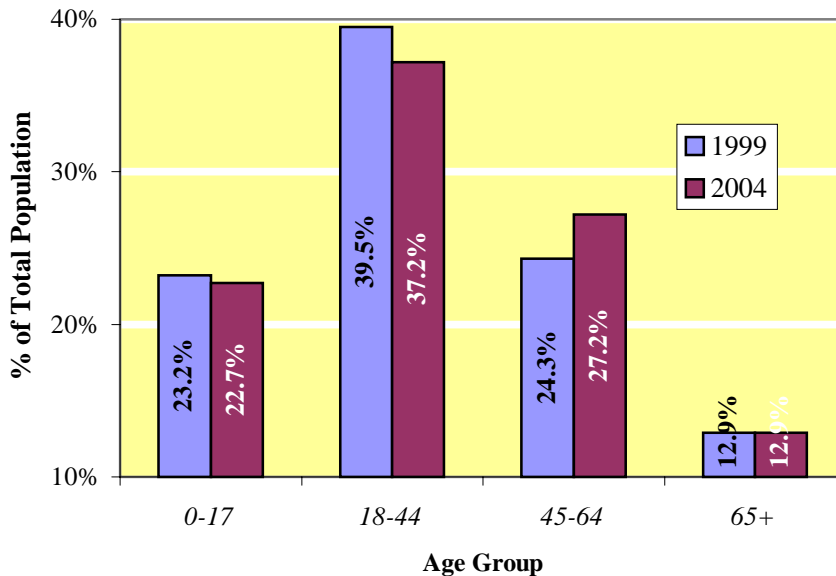
As noted in the ‘The Markets’ section of this report, the downtown draws upon several distinct markets. While it clear that the travel/tourism market will play a growing role in the downtown, the *regional market* is still the major factor influencing day to day business patterns.¹² As shown in ‘The Markets’ section, minimal population growth is expected in this market. As such, it is important to take a more detailed look at the population to assess what changes may affect retailing.

The following graphic shows the current (1999) and projected population age distribution of the regional population.¹³

¹² The regional market includes persons living within a 16 mile radius of the downtown.

¹³ Data source: CACI.

Regional Population: Current and Projected Age Distribution

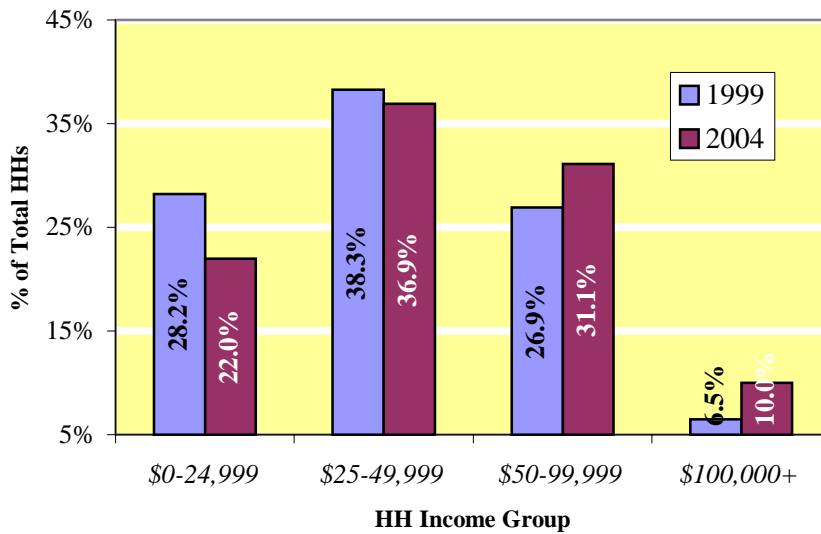


Like most northeastern markets, the aging of the baby boomer cohort will bring the most changes to Montpelier's market. As shown in the graphic, the number of persons aged 18 to 44 years will decrease during the next five years while the number of persons aged 45 to 64 years will increase. This is significant; persons in the 18 to 44 years group are typically in an 'acquisition mode' – accumulating possessions for new households, children and active lifestyles. In contrast, persons in the 45 to 64 years bracket are often phasing into an 'empty nest' lifestyle, and have already made most of their major acquisitions. This group is often more interested in services and experiences.

The following graphic shows the current (1999) and projected household income distribution of the regional population.¹⁴

¹⁴ Data source: CACI.

Regional Market: Current and Projected Household Income Distribution



Not surprisingly, the number of households in upper income brackets will increase, while the number of households in the lowest income bracket will decrease. However, since part of this shift can be attributed to inflation, no dramatic changes appear to be in the offing. During the five years shown in the graphic, the median household income is expected to increase from \$38,541 to \$44,016. As noted previously, a 2.7 percent annual increase is consistent with inflation and indicates no real increase in household income levels.

Retail Performance in Downtown

Interviews with retailers indicated that most felt they were holding their own, but that they had not experienced any real gains during the past few years. This is verified by available retail data.

The following table shows trends in total taxable receipts in Montpelier, for the period FY 1990 through 1998.¹⁵ Annual percentage change is also shown.

¹⁵ Source of Data: Vermont Department of Taxes. Data is for the entire City; not the downtown alone. Taxable receipts include virtually all non-food retail items. According to the Department of Taxes, the 1999 numbers may have some upward bias as they were completed at a later date than usual and there were more late filers.

Taxable Retail Receipts: Montpelier FY 1990 – 1999

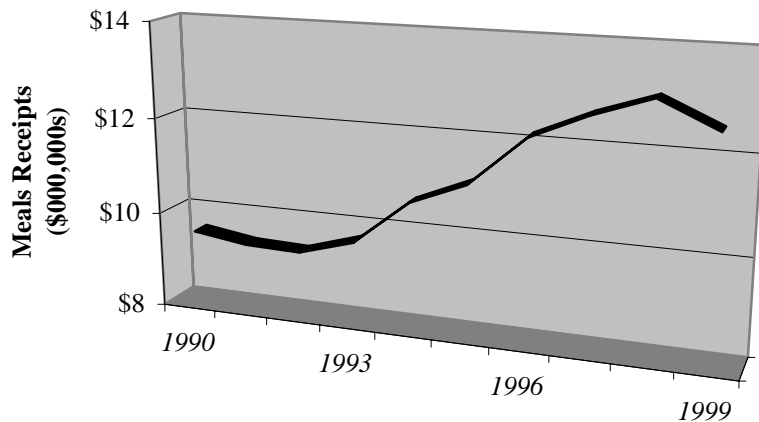
		<i>Taxable Receipts (in \$000,000s)</i>									
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999*
Taxable Receipts		\$55.0	\$50.7	\$50.8	\$53.6	\$53.0	\$55.9	\$56.5	\$55.4	\$57.6	\$59.3
% Change			-7.7%	0.2%	5.4%	-1.1%	5.5%	1.1%	-2.0%	3.9%	3.0%

Note: See footnote #16 below.

Overall, Montpelier’s taxable receipts increased by only 4.8 percent between 1990 and 1998.¹⁶ Even when the post-recession 1992 to 1998 change is considered, the total increase was only 13.3 percent. This just barely exceeds the rate of inflation. By comparison statewide increases for the same two time periods were 19.3 percent and 23.6 percent respectively – showing substantial, real increases. As such, it appears that overall, Montpelier’s retail sector is just ‘holding its own.’

While Montpelier’s total retail performance has been disappointing, the restaurant sector has done well. Meals receipts for the period FY1990 through 1999 are shown in the graphic below.¹⁷

Meals Receipts: Montpelier FY 1990 – 1999



¹⁶ 1999* figure not regarded as reliable.

¹⁷ Source of Data: Vermont Department of Taxes. Data is for the entire City; not the downtown alone. According to the Department of Taxes, the 1999 numbers may have some upward bias as they were completed at a later date than usual and there were more late filers.

Meals receipts increased by 36 percent between 1990 and 1999 and 39 percent between 1992 and 1999. This data confirms the opinion of most contacts with knowledge of the downtown – the restaurant sector has done well in recent years. This strong increase in meals receipts has occurred as the downtown's restaurant offerings have increased, making it a destination point for people looking for a place to eat out.

Comments

- In contrast with most downtowns, Montpelier contacts could not readily list a number of new retail establishments that they think are needed in the downtown. For the most part, contacts feel that the range of goods available in downtown is broad and that it covers both day to day and specialty shopping needs. Further, they recognize that a small downtown cannot serve all shopping needs and concede that a substantial segment of the market's retail dollars are spent in strip centers and big box stores in the Barre-Berlin-Montpelier area and, to a lesser extent, in the greater Burlington area.
- The restaurant sector can continue to expand. The percentage of the total food dollar spent in restaurants will increase past the 50 percent point during the next decade. Further diversification of the restaurant base will draw increase the downtown's reputation as a destination eating spot. Restaurants and arts oriented facilities already report the broadest geographic markets of any of the downtown's businesses.

Expansions to the restaurant sector should be developed with the understanding that the population is aging. Diners in the 45 to 64 years age group will be attracted by: convenience (easy parking), easy to read menus, comfortable furnishings and an atmosphere that invites casual clothes.

Findings and Recommendations

The study research and analysis resulted in a number of findings and recommendations, as listed below:

Database

- The business database is an excellent tool, but is hampered by the lack of data for public sector businesses (Government, Social Services).
- Manipulation of the database for purposes of categorization must be well documented. If the process is not well documented, it will be difficult to make future time period comparisons.
- It is recommended that the business database effort be redone every three to four years to track changes in the downtown and to identify trends early.
- The business database should be coupled with a real estate database. Ideally, the database would show space use by businesses as well as available occupancies. Further, a real estate database should also track market rental rates and building sale pricing. A strong real estate database will be particularly helpful tool for business recruitment efforts. The *Occupancy and Rental Rate Study* contains much of the real estate data. Coupled with the business database, this would be a strong tool for downtown planning and business development efforts.

Housing

- The current trend toward conversion of housing units to office space will be difficult to halt, particularly where zoning and location dictate that the ‘highest and best use’ is commercial and professional office space use. It is apparent that there is a strong market for office space and that this market is gaining strength in the current economic climate.

The City may want to consider providing incentives to developers/converters who incorporate residential units into their redevelopment plans (Tax Relief, Density Bonus, etc.). There *is* a market for quality rental or ownership housing in the downtown.

- While it will be difficult to slow down conversions in commercial zones, the City should hold the line on residential neighborhoods that are immediately adjacent to the downtown. The residential population within an easy walking distance of the downtown generates a significant amount of downtown business and contributes to the liveliness of the commercial area. The downtown captures a significant portion of this population’s retail and service dollars. Conversion of these neighborhoods to commercial use would be a significant loss.

Further, it will be important to maintain a ‘seamless’ and attractive pedestrian connection between the downtown and the adjacent neighborhoods. Downtown sidewalk/streetscape projects and infrastructure maintenance programs tend to be under-emphasized on the edges

of the commercial area. As such, the walk to and from the commercial core can become less attractive. Infrastructure maintenance programs should emphasize these connections.

- With the exception of several apartments that are described as ‘nice’ and now rent toward the higher end of the market, there is virtually no ‘upscale’ housing in the defined downtown area. Several contacts noted that there is a small market for nicer rental or condominium units in the downtown. While the typical small Vermont downtown doesn’t have sufficient cultural resources to support this kind of housing, Montpelier’s combination of cultural facilities, restaurants, employment opportunities and walking access to basic commercial services suggest that this market does exist. In addition, there are a number of single or married households without children in the area who might choose this kind of housing option. Upper end housing should take advantage of the downtown’s natural features (riverfront) and should be located immediately adjacent to, rather than in the commercial core area.

Retailing

- Two retailing principles are important to keep in mind:
 - Wherever possible, new uses should complement existing businesses. Virtually any store manager in any downtown can list other businesses that, because of their presence, bring additional customers to their store. The relationship between downtown’s restaurants and arts facilities is obvious. When possible, seek new businesses that have a complementary relationship with the downtown market.
 - Successful downtowns seek to be successful in market niches, rather than attempting to be all things to all people. The traditional downtown, which served all of the shopping needs of the residents of its trade area, is no longer a reality. Downtown Montpelier currently has niches in; restaurants, arts and specialty shops oriented toward travel and tourist trade. Significantly, the downtown has also retained convenience (day to day) shopping (hardware, groceries).
- Projections indicate that consumer spending on food away from home will increase from the current 44 percent of total food dollars to 53 percent of the total food dollars by 2010. As such, the market for restaurants and other food service businesses will improve. As the population ages, customers will increasingly seek: convenience (easy parking), easy to read menus, comfortable furnishings and a casual atmosphere.

Research indicates that customers from all markets use the downtown’s restaurants – even if they do no other shopping in the downtown area. As recent experience in downtown has shown, the restaurant business thrives on clusters – a variety of eating choices within walking distance. There is market and potential for additional restaurants in the downtown, particularly if they offer diversity in menu and market appeal.

Downtown Marketing

- Recent downtown marketing in northern New England has tended to focus on community values and ‘supporting downtown.’ This message has come across to most people. Unfortunately, while these same people express support for downtown, most shoppers still spend their money elsewhere. There have to be good reasons to shop downtown.

Downtown must differentiate itself from shopping centers, malls and big box stores. As such, downtown Montpelier’s two major strengths – Service and Unique Products – should be emphasized. Several business operators report that they have won customers back from big box stores by offering personalized service and product knowledge. Downtown retail marketing should highlight ‘service stories’ – instances in which a downtown business operator has gone out of their way to; provide a service, locate a hard-to-find item, provide additional value by steering a customer toward the right product.

- E-commerce appears to offer a real opportunity for the downtown’s small business operators, if sufficient thought and investment goes into the creation and maintenance of web sites. During the past two years, the web has established itself as a good place to get information regarding products and services – this situation continues to improve as web sites offer more real content. During the past year, it has also become evident that people will buy *some* products direct from a web site.

Montpelier’s specialized retailers have an opportunity to build successful web sites – and increase sales – by focussing on a specialty area. Good web sites not only sell, they inform the browser and link that information to goods and services. There are already several examples of Montpelier retailers who have built strong web sites and increased overall revenues.

E-commerce will grow dramatically during the next five years and will have an impact on traditional retailing. However, the ‘touch and feel’ experience of shopping from store to store is not likely to be totally replaced, particularly for tourists and travelers who regard shopping as recreation.

- The downtown needs to offer a centralized arts & cultural calendar. Further, cross-promotional programs (Dinner and Theater) are highly successful and should be encouraged.

Downtown Organization

- There are too many organizations dealing with downtown issues – these groups often deal with the same issues and sometimes have goals that conflict. Montpelier has embraced the National Main Street organizational model, but has yet to bring in all the players.
- Downtown commercial building and commercial landowners are critical players in an ongoing improvement program. Based on contacts made in the course of this analysis, it appears that many of these individuals/businesses are not tied into the downtown program. As such, it is difficult to track occupancy/vacancy, market rents and other indicators that can be used

to measure economic activity in the downtown area. Active landlords are essential components in successful business recruitment programs (see below), as they are aware of commercial space availability and quickly move to accommodate new businesses. More significantly, development and infrastructure improvement programs have limited chance for success unless this group is involved in the planning stages.

Business Development and Recruiting

- Montpelier lacks an ‘expediter’ to work with prospective new businesses seeking to locate in the downtown and/or developers seeking real estate opportunities in the downtown. In the past, businesses/developers have been frustrated by the city’s perceived lack of commitment to helping them locate in the downtown. This has been particularly frustrating for individuals who have perceived their project to be low priority.

Clearly, the City will not want to empower an individual with the ability to locate business or development projects without completing required reviews. However, the presence of an individual who can act as an advocate, making sure reviews are timely and that all available sources of assistance are tapped can make a significant difference to business people. A formal ‘expediter’ program can make the difference between attracting a good business or losing it to another community.

- Given current trends, any significant commercial/office additions to the downtown will occur along State Street in the state government area or in the Stone Cutters Way area. For most observers, the downtown is a tightly defined area in the immediate vicinity of State and Main. It will be essential to make that pedestrian connection to the area as seamless as possible, so that it becomes a part of the ‘walking downtown.’
- Montpelier needs to keep an active business recruitment program in place. A downtown recruitment program is similar to regional industrial development programs in some respects, but is far more attuned to the needs of a small retailer or service business.

- *Marketing Materials* - have materials ready to present to a potential downtown retailer or service business. These materials should provide: background on the community; background demographics and market information (elements of this report); background on improvement plans for the downtown, and; listing data on spaces which could be suited to the prospect.

The City’s web page (<http://www.montpelier-vt.org>) is an important component of this marketing program. The City has directed much of its marketing resources toward the development and maintenance of the web page, which is intended to serve a number of functions. The web page has been useful for business recruitment purposes – resulting in a number of inquiries. In addition to keeping the web page up to date and informative as possible, it will be important to ensure that persons using ‘search engines’ can easily find the page.

- *Project Team* - a multi-disciplinary team should be in place that is charged with identifying, contacting and following-up with prospects. This team will actively seek out prospects, meet with them and present appropriate materials, work locally to find a suitable location and accommodate individual needs and, follow-up with the prospect until they decide to locate in town. This team will work with the City's 'expediter.'
- Make sure that commercial real estate brokers are fully informed about the project team's activities. Brokers will play an important role here—both in terms of bringing potential retailers to Montpelier and for generating ideas regarding the use of buildings.
- *Target Prospects* - the project team will identify types of retailers/businesses that they will seek out for Montpelier. Once these priorities are set the team should complete field visits to other communities throughout the region to identify specific retailers who meet their needs and who can be targeted for the recruitment process. Experience shows that retailers who have already gone through the process of starting up a store and reacting to markets over time have the best prospects for success in a new venture. While any start-up effort should be encouraged, the best pay-off will come from working with experienced retailers.

Public Infrastructure

- Experience in downtowns throughout the northeast makes it clear that public investment in infrastructure is crucial to achieving higher levels of investment and development in downtowns. Communities that proactively provide required infrastructure and fully maintain that infrastructure effectively create a positive development environment and find that they can successfully leverage substantial private investment.
- A comfortable walking environment is one of the keys to a successful downtown. Spacious, well maintained sidewalks, benches, well maintained paving, lighting, public gathering spaces and landscaping all contribute to a commercial core in which pedestrians are comfortable and willing to spend more time patronizing downtown businesses.

There is concern regarding the City's maintenance of pedestrian systems. Specifically, a significant number of contacts mentioned sidewalks in poor condition and a non-existent litter pick-up program. Further, a number of contacts feel that the City is not committed to sidewalk and pedestrian system beautification. There is too little attention paid to plantings, banners and other aesthetic elements of the pedestrian system.

- Pedestrian/bicycle connections throughout the downtown – and to the areas immediately adjacent to the downtown – are critical. The City should seek ways in which to better connect adjacent areas, including Vermont College, the National Life office park and the developing area around the Hunger Mountain Coop.
- There does not appear to be a shortage of parking spaces in downtown. However, most observers feel that the parking system is not well managed with respect to: (1) fine-tuning so that meter time limits are consistent with the most likely usage pattern in the area; (2) crack-

ing down on ‘meter-feeders’ and (3) providing incentives for downtown workers to park in remote lots to open up more spaces for shoppers.

- An outdoor cultural event facility would be an excellent complement to downtown’s current offerings. Places for people to gather (formally or informally) clearly create additional ambience in a downtown.

Travel/Tourism

- Cultural heritage tourism is the fastest growing segment of the national market. The average traveler – and particularly the average Vermont traveler – is getting older.

Montpelier should not discourage family travel – but should recognize that its primary attractions (Government, Historic Buildings, Specialized Shopping, Restaurants, Culture) are of more specific interest to an older traveler, typically travel parties that do not include children. The City should emphasize these points in brochures, the web site and other marketing materials and should work with educational institutions to develop programs for older travelers.

- The evidence makes it clear that travel activity and thus the demand for lodging is increasing in Montpelier. Due to the introduction of new supply and increasing demand, Montpelier rooms revenues increased by 93 percent between 1993 and 1998.¹⁸ It is recommended that additional lodging capacity be sought, particularly within walking distance of the downtown. Bed & Breakfasts and Country Inns are particularly interesting for Vermont travelers and offer a good use for larger residential structures that no longer can be efficiently used as single family homes. Further, these kinds of properties have shown strong growth in recent years, easily outdistancing the performance of the lodging industry as a whole.¹⁹
- A strong link with Elder Hostel would be beneficial. Elder Hostel has become a major force in travel for older Americans at a surprising range of income levels by combining a comprehensive travel catalog with opportunities for education mixed with sight-seeing and cultural immersion. The Vermont College campus could offer an excellent opportunity to bring this highly successful program into the downtown.
- Higher education – in alternative forms – also appears to offer opportunities for the downtown. The success of programs like Elder Hostel make it clear that older Americans are extremely interested in learning and that this learning does not always need to take place in a formal degree-oriented setting. The aging of the baby boom combined with their affluence and increased leisure time, will result in strong growth for alternative educational programs. Montpelier’s existing educational institutions provide a strong base from which to take advantage of this market.

¹⁸ Source: Vermont Department of Taxes.

¹⁹ Source: PKF Consulting, *Beds, Breakfasts, and Bucks*, December 1999.

- Artisan/Crafts Artists Cluster – in recent years, a number of communities in the northeast have found success by encouraging clusters for artists, artisans or crafts people to move to their downtowns. In addition to creating uses for under-utilized buildings, these clusters create real interest from the travel industry – both for the items that they produce for sale and because travelers are interested in watching their creative and productive processes. Craftspersons, artisans, and artists are drawn to a cluster of buildings or large open space, where they set up working spaces and viewing areas. A centralized consignment shop adjacent to the working spaces offers a location for sale of finished products. Wherever possible, these persons should be encouraged to relate to the local market through classes and workshops.
- Cross-programming with regional recreational attractions (Stowe Mountain Resort, Sugarbush) offers a potential for the future. In the past, skiers have been focussed singularly on the recreational component of their trip. However, skiers are increasingly interested in spending time on other pursuits. Area resorts are working hard to increase the range of their programmatic offerings and are willing to consider the use of ‘off-site’ facilities. Day trips combining visits to the Capitol, shopping and eating could offer a good diversion for resort visitors – both during winter and summer. At this time, it appears that the Stowe Mountain Resort offers the better opportunity as the resort is engaged in an attempt to increase its year-round offerings.