

DATE: October 30, 2023
TO: David Snider, City of Sandy
FROM: Chris Blakney, ECOorthwest
SUBJECT: Proposed Scope of Work for a Retail market Analysis for the City of Sandy

The City of Sandy has a history of supporting commercial retail businesses, commissioning a Retail Market Analysis in 2009, updating it in 2015, and establishing an Economic Development Committee to advance economic development objectives. Prior to the COVID-19 Pandemic, the City of Sandy was interested in better understanding its commercial retail market in an effort to diversify the supply of commercial services in the City. In February 2020, ECOorthwest was selected by the City to provide fresh look at the commercial retail market. Just a month later, the world experienced an event that would change retail markets forever.

Sandy has come out of the Pandemic with a relatively healthy economy. Development interest is increasing, and new development opportunities are materializing. A shift in household growth pressure to tertiary cities coupled with strong spending growth on tourism and commercial services have shifted the balance of market opportunities.

In this proposal, we outline an approach similar to what we offered in 2020. We maintain a data-driven approach that is focused on describing current and anticipated consumer behavior, understanding the depth of the market, and assessing barriers to speculative commercial development.

Work Program

Chris Blakney will serve as Project Director; Nicole Underwood will serve as Project Manager. This leadership team will rely on ECO's bench of Associates and Research Analysts for project support. Our proposed work plan is as follows.

Task 1: Development Outcome Assessment

In this task we will review the previous market research reports and determine the extent to which actual development and growth has tracked with forecast estimates. This review will include an evaluation of developed space, population and household growth, and consumer spending.

Task 2: Evaluation of changes in Structural Market Conditions

Here, we will assess structural changes in consumer behavior and the local market area that may influence the trajectory of the future retail market. This assessment will pay particular attention to how businesses and consumers have reacted to the "new normal" post-pandemic. Factors may include:

- Shifts in space utilization
- Changes to the food service industry because of ready-made delivery services.

- Change in migration patterns
- Shifts in tourism and tertiary-area spending patterns.

Task 3: Sandy Market Area Consumer Profile

This task will begin with the delineation of a primary trade area (PTA). This area will reflect the geographic region from which the majority of Sandy's customers are expected to originate. The PTA will reflect access/travel time, demographic factors, physical/manmade barriers, and the location and character of competitive retail alternatives. We will then develop a comprehensive consumer profile for the PTA. This assessment will include factors that are typical components of a retail site selection process, including population, age, income, and educational attainment. However, income and demographic factors do not fully capture the lifestyle nuances that impact consumer behavior. To gain further insight into consumer behavior, we will employ both psychographic and market potential assessments of the PTA. Key questions that the profile can answer include: Do households in the PTA prefer discount or luxury goods? Are they bargain shoppers? What retail store types do they frequent more often than other consumers? Do they eat out in restaurants at an above average rate? This task will address these, among other questions.

Task 4: Forecast of Current and Future Market Potential

We will distill the information in Tasks 2 and 3 into an estimate of current and future retail market support. We will forecast demand by retail category with estimates of consumer spending and space demand by retail category. This assessment will consider varied scenarios of household growth resulting from net-migration pressures and local policy, including Sandy's current development moratorium. We will also explore the ratio of resident and non-resident retail support and the nuances in how the magnitude of each of those demand sources influence different retail typologies.

Task 5: Inventory of Current Land and Space Supply

This task will leverage the City's database of existing retail space and vacant commercial land supply. To the extent data are available, we will supplement information with information on the current commercial retail market, including vacancy rates, lease rates, absorption, and development activity.

Task 6: Retail Market Analysis, Competitive Assessment, and Recommendations Report

Our work will culminate in a final report that provides a summary of the findings from all of the previous tasks and a competitive assessment of Sandy's retail environment. This assessment will include:

- An evaluation of strengths, weaknesses, opportunities, and challenges in the local and regional market.

- An analysis of the suitability of existing land and retail stock to accommodate market potential.
- An assessment of retail leakage by retail category.
- A set of recommendations and action items for the City to consider to support the retail environment.

Task 7: Case Study Analysis (Optional)

In this task we would develop case study profiles of retail districts for up to three peer communities in the Portland region. Case study candidates would be drawn from communities with similar scale, tourism impacts, and proximity to larger employment and population centers. We would document the actions that those communities have taken to recruit and retail developers and businesses to their retail districts, and the outcomes that have occurred as a result of these efforts. Findings would be summarized into a technical appendix to the Retail Market Analysis.

Task 8: Prototype Development Feasibility

We would employ a return-on-cost (ROC) pro forma model to test the feasibility of a prototypical retail development on a selected site in City of Sandy. Findings from the market analysis would inform the size and scale of the development prototype we would model, as well as the rental revenue parameters. The outcome of this task would be a demonstration of the feasibility of speculative development in Sandy. If a project is found to be feasible, this work would serve as a marketing resource in the attraction of developer interest and capital. Conversely, if a project is found to be unfeasible, we would calculate the magnitude of the “feasibility gap.” Using this metric, the City could develop strategies to narrow the feasibility gaps and attract development.

Fee Proposal

The professional fee for this project would be variable based on the extent that the city would desire to add additional tasks. The table below includes our fee proposal for the core scope of work (Tasks 1 through 6) alongside a fee for each optional task.

Task	Fee
Core Market Analysis (Tasks 1-6)	\$22,500
Task 7: Case Studies	\$5,500
Task 8: Prototype Feasibility	TBD