

MEQUON TOWN CENTER MARKET FEASIBILITY STUDY

MELANIPHY & ASSOCIATES, INC.

MARCH 2006

OBJECTIVES

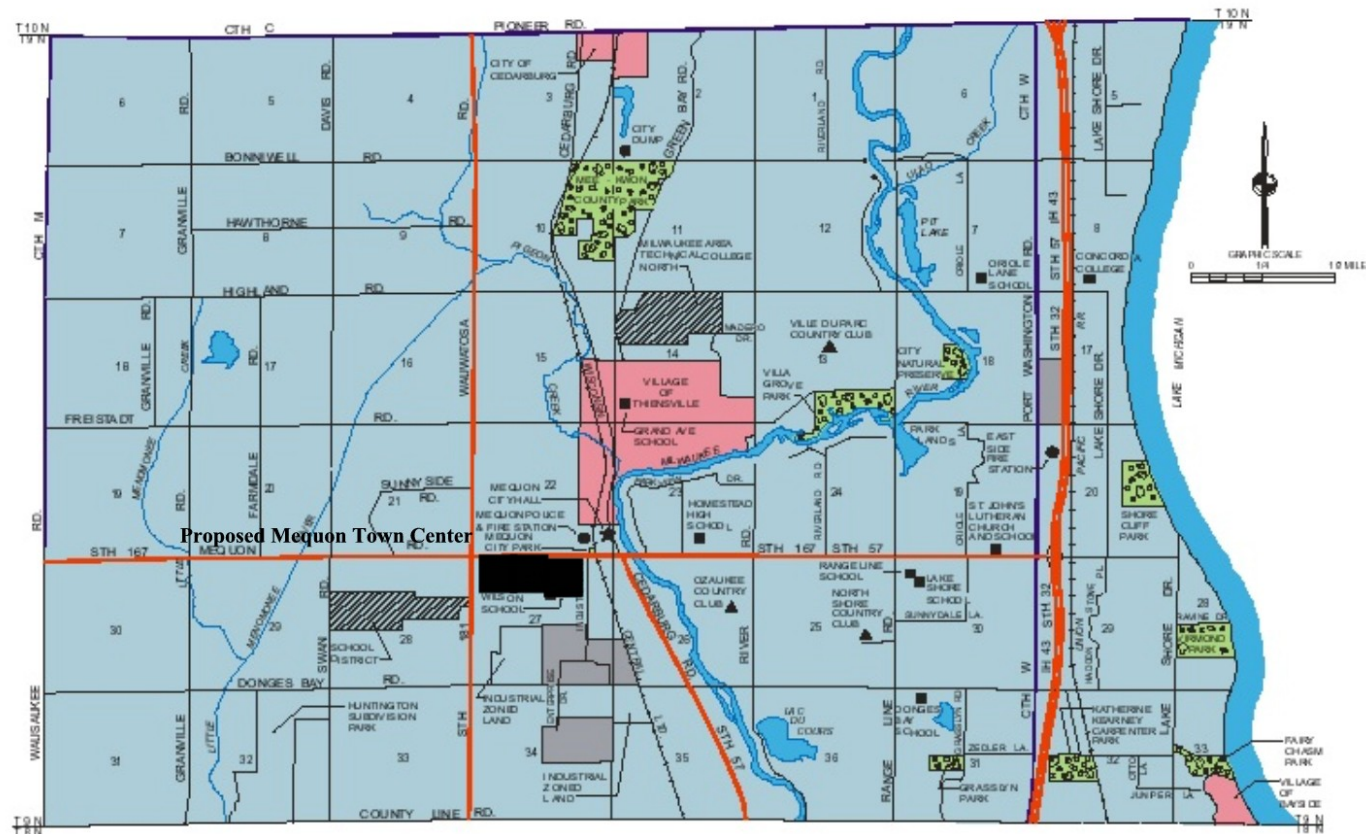
- ◆ Determine if there is a market for a town center
- ◆ Square footages & estimated sales
- ◆ Timing of any recommended development
- ◆ Types of stores and suggested names
- ◆ The need for public assistance

PROPOSED MEQUON TOWN CENTER

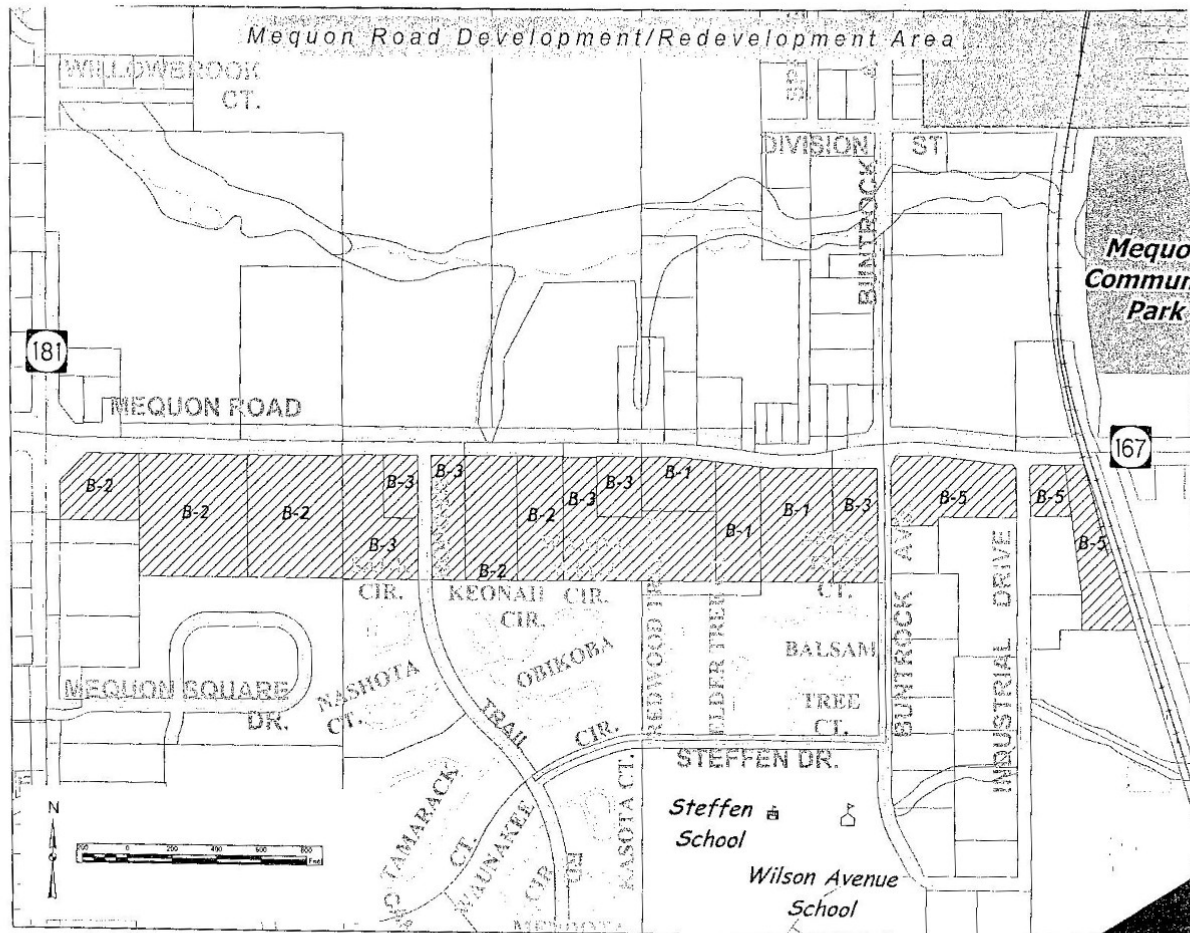
- ◆ On Mequon Road west of Cedarburg Road
- ◆ Create a Downtown Area linking Civic & Business
- ◆ 3 Miles from Port Washington Road Retail Concentration
- ◆ Mequon' Growth Will Require Additional Retail Facilities

City of Mequon, Wisconsin

City of Mequon



MEQUON TOWN CENTER LOCATION



RESEARCH ACTIVITIES

- ◆ Inspected the Town Center Site
- ◆ Analyzed Mequon & Thiensville's retail facilities
- ◆ Visited Competitive facilities
- ◆ Conducted a Driving Time study
- ◆ Evaluated accessibility to the Town Center
- ◆ Evaluated and prepared Demographics forecasts
- ◆ Reviewed Traffic patterns and counts
- ◆ Studied Retail sales trends – 1997 to 2002
- ◆ Delineated a Town Center Trade Area

RESEARCH ACTIVITIES (CONTINUED)

- ◆ Computed Personal Consumption Expenditures
- ◆ Computed Mequon & Thiensville Market Penetration
- ◆ Simulated various alternatives
- ◆ Estimated potential Town Center sales
- ◆ Determined viability of a Town Center
- ◆ Prepared recommendations on location, phases, sizes, and forecasted sales
- ◆ Addressed the need for public funding
- ◆ Prepared a list of suggested retailers

MEQUON'S COMPETITIVE RETAIL SITES

- ◆ Two sites on Port Washington Road
- ◆ Site approximately 7 acres
- ◆ Site approximately 8 acres

MEQUON'S POPULATION CHANGE 2000 TO 2004

Geographic area	Population Estimates					Census 2000
	July 1, 2004	July 1, 2003	July 1, 2002	July 1, 2001	July 1, 2000	April 1, 2000
Mequon city, Ozaukee County	23,793	23,482	23,280	22,738	22,683	21,823

Source: U.S. Department of Commerce; Bureau of the Census; Census of Population, American Fact Finder Survey, 2005

1997 and 2002 RETAIL SALES MEQUON, THIENSVILE & COMBINED

Retail and Foodservice Categories	Mequon			Thiensville			Combined		
	1997 \$1,000	2002 \$1,000	Change \$1,000	1997 \$1,000	2002 \$1,000	Change \$1,000	1997 \$1,000	2002 \$1,000	Change \$1,000
Total Retail and Foodservice Sales	\$221,181	\$254,766	\$33,585	\$79,090	\$81,241	\$2,151	\$300,271	\$336,007	\$35,736
Total Retail Sales	\$194,652	\$217,888	\$23,236	\$73,311	\$72,985	-\$326	\$267,963	\$290,873	\$22,910
Building Materials & Hardware	\$14,367	\$15,599	\$1,232	D	D		D	D	D
Food Stores	D	\$40,355	D	\$3,451	D		D	D	D
General Merchandise	D		D	D	D		D	D	D
Clothing	\$14,447	\$10,951	-\$3,496	D	D		D	D	D
Furniture & Household Furnishings	\$35,383	\$13,334	-\$22,049	D	D		D	D	D
Electronics & Appliances	\$3,595	\$3,628	\$33	D	D		D	D	D
Jewelry, Luggage & Leather Goods	\$2,914	\$3,009	\$95	D	D		D	D	D
Miscellaneous Retail Stores	\$2,695	D	D	D	D		D	D	D
Foodservice	\$26,529	\$36,878	\$10,349	\$5,779	\$8,256	\$2,477	\$32,308	\$45,134	\$12,826
Health & Personal Care	\$6,466	\$21,789	\$15,323	D	D		D	D	D
Miscellaneous Retail Stores	D	D	D	D	D		D	D	D

Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2005

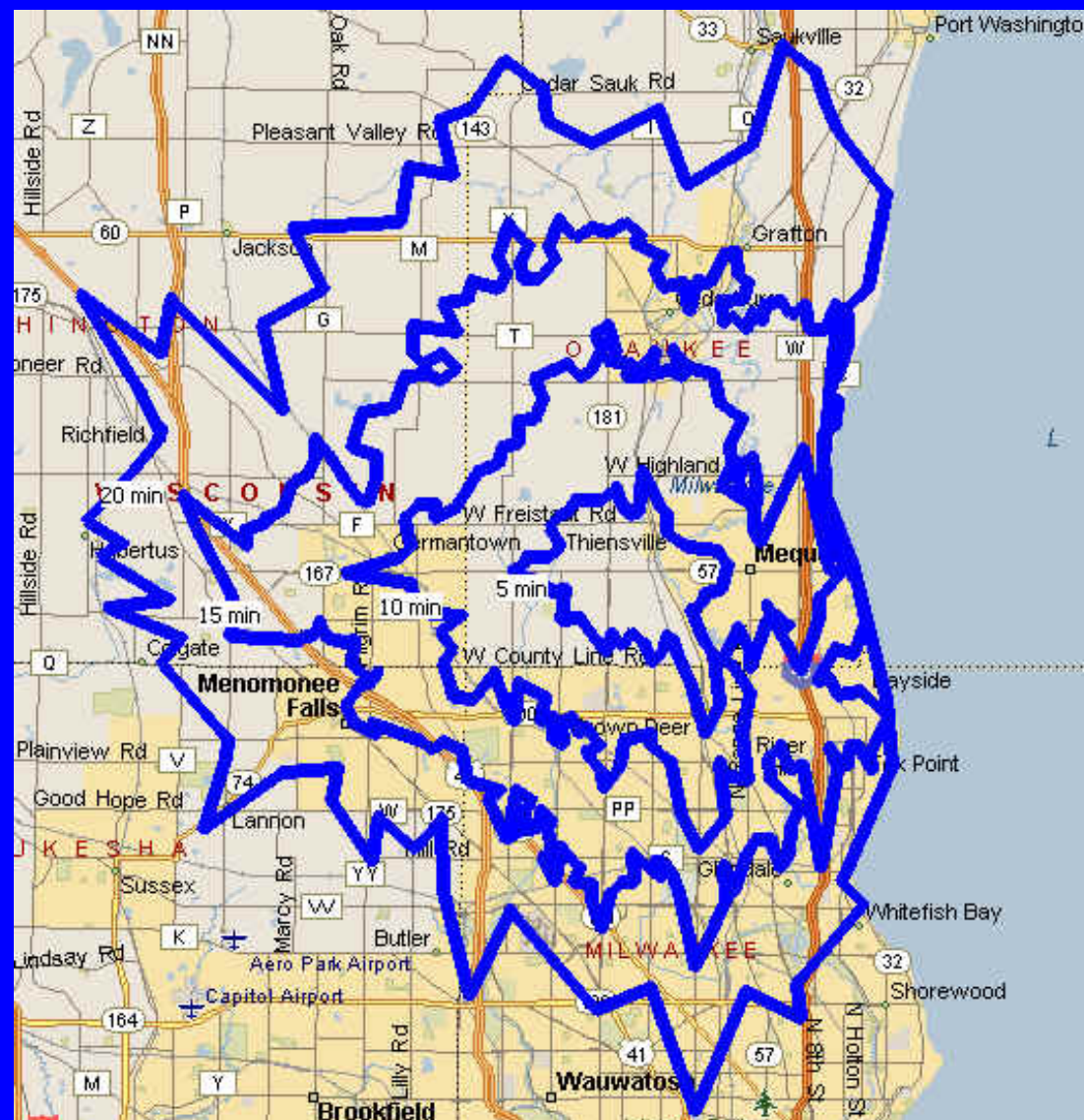
MEQUON'S 2002 MARKET PENETRATION

	Mequon's 2002 Sales & Market Potential			
Retail and Foodservice Categories	2002	Mequon's	Difference	Mequon's
	Sales	Residents	(Leakage)	Market
		Expenditures		Penetration
Total Retail and Foodservice Sales	\$254,766,000	\$297,226,360	\$42,460,360	85.71%
Total Retail Sales	\$217,888,000	\$244,567,000	\$26,679,000	89.09%
Building Materials & Hardware	\$15,599,000	\$23,373,120	\$7,774,120	66.74%
Food Stores	\$40,355,000	\$76,189,091	\$35,834,091	52.97%
General Merchandise	D	\$82,961,455	D	D
Clothing	\$10,951,000	\$27,959,280	\$17,008,280	39.17%
Furniture & Household Furnishings	\$13,334,000	\$45,000,240	\$31,666,240	29.63%
Electronics & Appliances	\$3,628,000	\$27,959,280	\$24,331,280	12.98%
Jewelry, Luggage & Leather Goods	\$3,009,000	\$7,542,720	\$4,533,720	39.89%
Miscellaneous Retail Stores	D	D	D	D
Foodservice	\$36,878,000	\$52,659,360	\$15,781,360	70.03%
Health & Personal Care	\$21,789,000	\$25,817,520	\$4,028,520	84.40%

Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2005

Melaniphy & Associates, Inc.

DRIVING TIME ANALYSIS



MEQUON VISIONING SURVEY – SEPTEMBER 2005

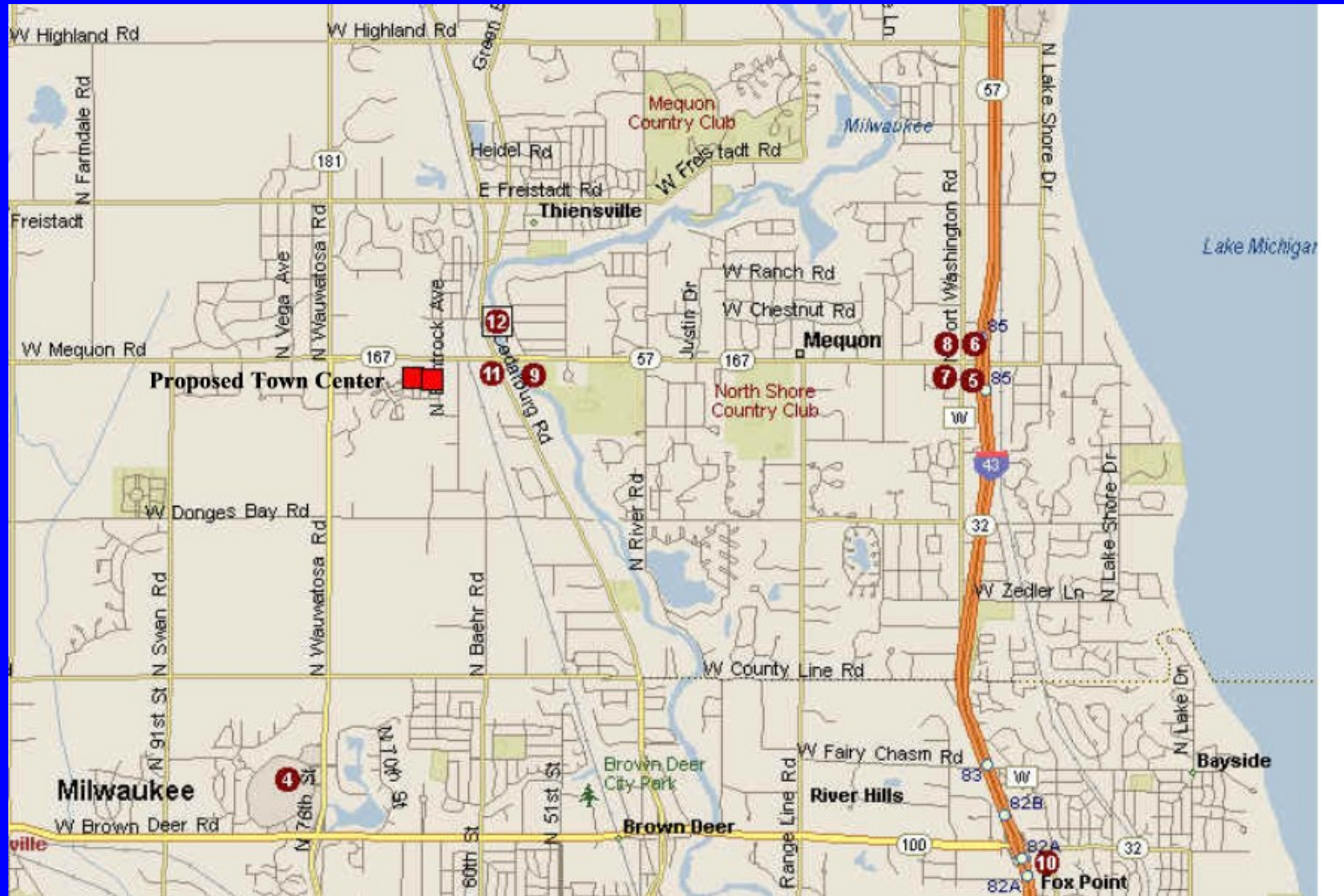
Surveyed: 8,018 Residents & 773 Businesses

- ◆ 65% have no children in the household
- ◆ 71% felt Mequon should have more housing for the retired and empty-nester
- ◆ 68% want more fine dining restaurants
- ◆ 67% want more family restaurants
- ◆ 55% want more small specialty shops
- ◆ 42% want more entertainment venues
- ◆ 39% want more specialty grocery stores

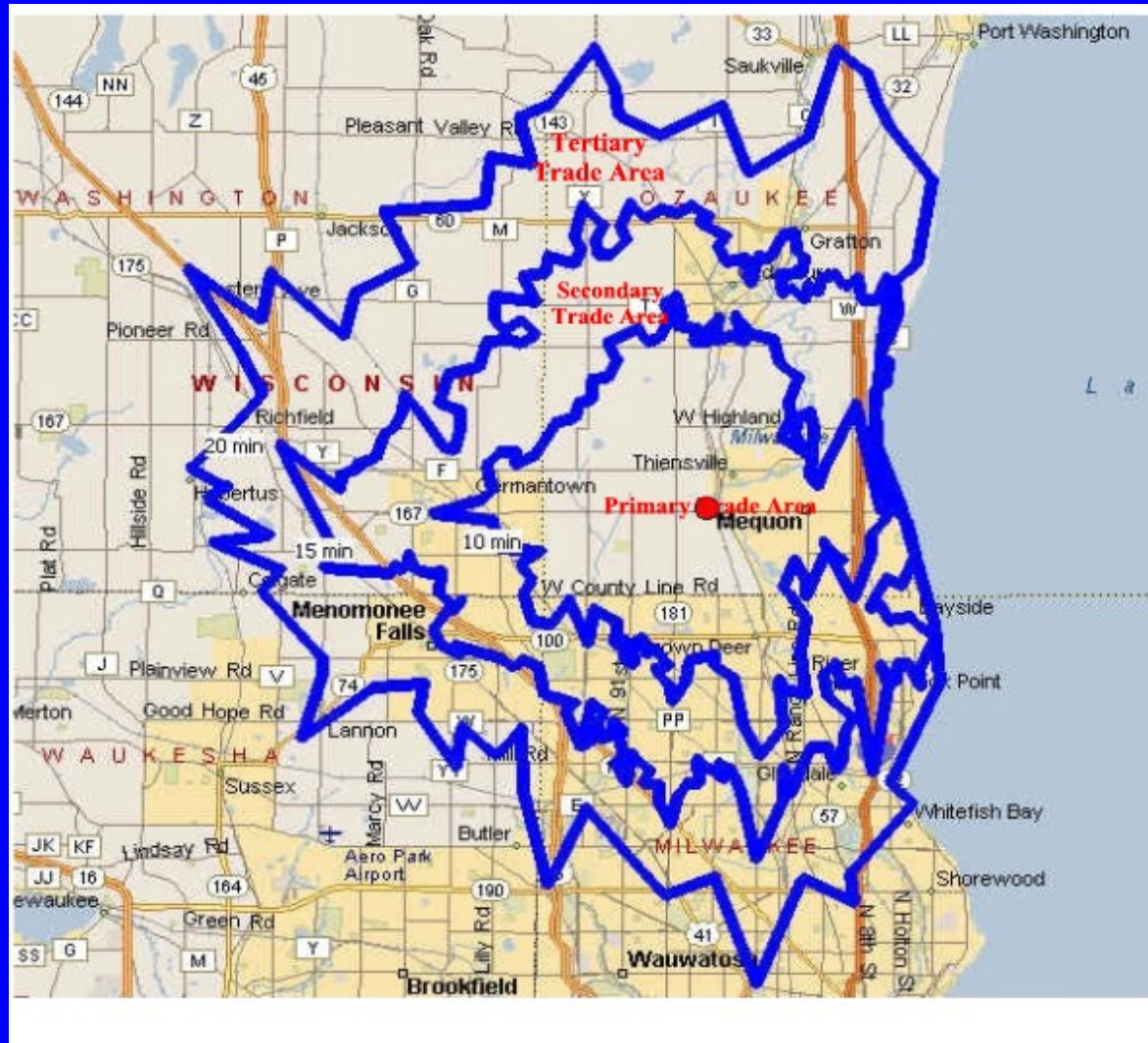
COMPETITION

- ◆ Port Washington Road – 3 Miles
- ◆ Thiensville
- ◆ River Point Shopping Center
- ◆ Grafton – Big Boxes – Costco coming soon
- ◆ Bay Shore Mall
- ◆ Mayfair Mall

IMMEDIATE COMPETITION



MEQUON'S TRADE AREA



MARKET SUPPORT

Population Change	Primary Trade Area 10 minutes		Secondary Trade Area - 15 minutes		Tertiary Trade Area 20 minutes		Total
	Number	Percent Change	Number	Percent Change	Number	Percent Change	Trade Area
1980 Census	23,708		44,794		88,811		157,313
1990 Census	24,885	5.00%	46,939	4.79%	93,371	5.13%	165,195
2000 Census	27,492	10.90%	49,268	4.96%	97,146	4.04%	173,906
2005 Projection	27,967	1.70%	49,984	1.45%	97,162	0.02%	175,113
2010 Projection	28,427	1.60%	50,664	1.36%	97,225	0.06%	176,316
2015 Projection	29,802	1.50%	51,373	1.40%	97,111	-0.12%	178,286
Households							
1980 Census	8,341		15,823		30,860		55,024
1990 Census	9,683	16.10%	18,408	16.34%	34,007	10.20%	62,098
2000 Census	11,220	15.90%	19,818	7.66%	36,248	6.59%	67,286
2005 Projection	11,547	2.90%	20,151	1.68%	36,398	0.41%	68,096
2010 Projection	11,865	2.80%	20,481	1.64%	36,564	0.46%	68,910
2015 Projection	12,297	3.64%	20,968	2.38%	37,105	1.48%	70,370
Ethnic Characteristics							
White	23,545	84.20%	36,082	76.50%	62,872	70.00%	122,499
Black	2,704	9.70%	10,361	16.80%	26,705	22.70%	39,770
Asian	786	2.80%	1,162	2.50%	2,656	2.60%	4,604
Native American	47	0.20%	146	0.20%	300	0.30%	493
Hawaiian / Pacific Islander	3	0.00%	4	0.00%	8	0.00%	15
Two or More	660	2.40%	1,496	2.80%	3,238	3.10%	5,394
Other Race	222	0.80%	734	1.20%	1,382	1.30%	2,338
Total	27,967	100.00%	49,985	100.00%	97,161	100.00%	
Hispanic	580	2.10%	1,312	2.40%	2,745	2.60%	4,637
Not Hispanic	27,387	97.90%	48,673	97.60%	94,416	97.40%	170,476
Households by Tenure (2005)							
Owner Occupied	8,372	68.30%	13,695	65.10%	24,665	64.40%	46,732
Renter Occupied	3,175	25.90%	6,456	28.40%	11,733	29.40%	21,364
Vacant	717	5.80%	1,460	6.40%	2,273	6.10%	4,450
Total	12,264	100.00%	21,611	100.00%	38,671	100.00%	72,546

	Primary Trade Area 10 minutes		Secondary Trade Area 15 minutes		Tertiary Trade Area 20 minutes		Total
	Number	Percent Change	Number	Percent Change	Number	Percent Change	Trade Area
Age Distribution							
Age 0-4	1,390	4.97%	3,388	6.10%	7,872	7.10%	12,350
Age 5-9	1,579	5.65%	3,486	6.50%	8,003	7.50%	13,068
Age 10-14	1,947	6.96%	3,684	7.20%	7,950	7.80%	13,581
Age 15-19	1,873	6.70%	3,296	6.60%	6,913	6.90%	12,052
Age 20-24	1,367	4.89%	2,353	4.80%	5,433	5.20%	9,153
Age 25-29	1,317	4.71%	2,467	4.90%	5,484	5.30%	9,268
Age 30-34	1,198	4.28%	2,707	5.00%	5,892	5.60%	9,797
Age 35-39	1,552	5.55%	3,136	6.00%	6,679	6.50%	11,366
Age 40-44	2,175	7.78%	3,732	7.60%	7,526	7.70%	13,433
Age 45-49	2,623	9.38%	4,096	8.60%	7,734	8.30%	14,453
Age 50-54	2,551	9.12%	3,861	8.20%	6,991	7.70%	13,403
Age 55-59	2,215	7.92%	3,249	7.00%	5,725	6.40%	11,189
Age 60-64	1,621	5.80%	2,425	5.20%	4,164	4.70%	8,210
Age 65-69	1,173	4.19%	2,014	4.10%	3,097	3.60%	6,284
Age 70-74	1,084	3.88%	1,769	3.70%	2,499	3.10%	5,352
Age 75-79	876	3.13%	1,528	3.10%	2,163	2.60%	4,967
Age 80-84	730	2.61%	1,345	2.70%	1,893	2.10%	3,668
Age 85+	698	2.50%	1,481	2.80%	1,739	2.20%	3,918
Total	27,969	100.00%	49,986	100.00%	97,157	100.00%	
Median Age	44		41.8		38.8		38
Income							
Less Than \$ 10,000	588	4.80%	1,213	5.60%	2,401	6.10%	4,172
\$ 10,000-\$ 14,999	343	3.00%	724	3.40%	1,652	4.00%	2,719
\$ 15,000-\$ 19,999	389	3.40%	892	4.00%	1,841	4.60%	3,122
\$ 20,000-\$ 24,999	445	3.90%	966	4.50%	1,930	4.90%	3,370
\$ 25,000-\$ 29,999	481	4.20%	975	4.60%	2,001	5.10%	3,457
\$ 30,000-\$ 34,999	539	4.70%	1,009	4.90%	2,093	5.30%	3,641
\$ 35,000-\$ 39,999	537	4.70%	1,039	5.00%	2,045	5.30%	3,621
\$ 40,000-\$ 49,999	938	8.10%	1,986	9.20%	3,772	9.80%	6,696
\$ 50,000-\$ 59,999	821	7.10%	1,755	8.10%	3,173	8.40%	5,749
\$ 60,000-\$ 74,999	1,160	10.00%	2,115	10.30%	4,122	10.90%	7,397
\$ 75,000-\$ 99,999	1,609	13.90%	2,616	13.30%	4,838	13.30%	9,063
\$ 100,000-\$ 124,999	1,182	10.20%	1,708	9.10%	2,676	8.20%	5,866
\$ 125,000-\$ 149,999	700	6.10%	937	5.20%	1,365	4.40%	3,002
\$ 150,000-\$ 199,999	720	6.20%	892	5.10%	1,088	4.00%	2,700
\$ 200,000-\$ 249,999	301	2.60%	351	2.10%	392	1.50%	1,044
\$ 250,000-\$ 499,999	431	3.70%	487	2.90%	492	2.10%	1,410
\$ 500,000+	393	3.40%	496	2.70%	516	2.00%	1,365
Total	11,547	100.00%	20,150	100.00%	36,397	100.00%	68,094

INCOME ESTIMATES

	Primary Trade Area (10 minutes)		Secondary Trade Area (15 minutes)		Tertiary Trade Area (20 minutes)	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
Population Change						
Household Income						
Median Household Income		\$69,348		\$60,960		\$55,653
Average Household Income		\$98,473		\$87,627		\$77,667
Average Family Income		\$120,794		\$107,098		\$92,396

Source: Tacticon, Inc. and Melaniphy & Associates, Inc. 2005

Table 2.5

Trade Area Total Retail Expenditure Potential And Estimated Market Shares By Trade Area Segment 2005, 2010, and 2015									
Store Category	Total Potential			Estimated Market Shares			Sales Volume (\$000)		
	Current	2010	2015	Current	2010	2015	Phase I	Phase II	Phase III
General Merchandise									
Primary	\$80,796,663	\$97,766,793	\$112,431,812	0.0%	2.0%	4.0%	\$0	\$1,955,336	\$4,497,272
Secondary	\$65,305,896	\$73,142,604	\$114,456,836	0.0%	1.0%	2.0%	\$0	\$731,426	\$2,289,137
Tertiary	\$114,456,836	\$131,710,708	\$147,515,992	0.0%	0.0%	0.0%	\$0	\$0	\$0
Total	\$260,559,395	\$302,620,104	\$374,404,641	0.0%	0.9%	1.8%	\$0	\$2,686,762	\$6,786,409
Home Improvement / Hardware									
Primary	\$20,919,316	\$25,313,105	\$29,110,071	0.0%	0.0%	4.0%	\$0	\$0	\$1,164,403
Secondary	\$36,984,720	\$41,422,886	\$70,442,450	0.0%	0.0%	2.0%	\$0	\$0	\$1,408,849
Tertiary	\$70,442,450	\$81,061,344	\$90,788,705	0.0%	0.0%	2.0%	\$0	\$0	\$1,815,774
Total	\$128,346,486	\$147,797,336	\$190,341,226	0.0%	0.0%	1.4%	\$0	\$0	\$2,573,252
Food Stores									
Primary	\$65,498,714	\$79,255,739	\$91,144,100	0.0%	15.0%	20.0%	\$0	\$11,888,361	\$18,228,820
Secondary	\$69,814,992	\$78,192,791	\$127,379,382	0.0%	10.0%	10.0%	\$0	\$7,819,279	\$12,737,938
Tertiary	\$127,379,382	\$146,581,271	\$164,171,024	0.0%	2.0%	2.0%	\$0	\$2,931,625	\$3,283,420
Total	\$262,693,088	\$304,029,801	\$382,694,506	0.0%	7.4%	8.9%	\$0	\$22,639,265	\$34,250,179
Drug Stores									
Primary	\$31,015,403	\$37,529,724	\$43,159,183	13.0%	15.0%	15.0%	\$4,032,002	\$5,629,459	\$6,473,877
Secondary	\$33,184,920	\$37,167,110	\$63,446,786	2.0%	2.0%	2.0%	\$663,698	\$743,342	\$1,268,936
Tertiary	\$63,446,786	\$73,011,114	\$81,772,447	0.5%	1.0%	1.0%	\$317,234	\$730,111	\$817,724
Total	\$127,647,109	\$147,707,949	\$188,378,417	0.0%	4.8%	4.9%	\$5,012,935	\$7,102,912	\$8,560,538
Furniture & Home Furnishings									
Primary	\$28,162,769	\$34,077,937	\$39,189,628	0.0%	15.0%	16.0%	\$0	\$5,111,691	\$6,270,340
Secondary	\$15,249,864	\$17,079,848	\$28,857,114	0.0%	10.0%	10.0%	\$0	\$1,707,985	\$2,885,711
Tertiary	\$28,857,114	\$33,207,199	\$37,192,603	0.0%	5.0%	5.0%	\$0	\$1,660,360	\$1,859,603
Total	\$72,269,747	\$84,364,984	\$105,238,805	0.0%	10.1%	10.5%	\$0	\$8,480,035	\$11,015,655
Electronics & Appliances									
Primary	\$31,518,809	\$38,138,863	\$43,859,693	0.0%	5.0%	6.0%	\$0	\$1,906,943	\$2,631,582
Secondary	\$15,908,496	\$17,817,516	\$29,634,410	0.0%	3.0%	4.0%	\$0	\$534,525	\$1,185,376
Tertiary	\$29,634,410	\$34,101,669	\$38,193,869	0.0%	1.0%	1.0%	\$0	\$341,017	\$381,939
Total	\$77,061,715	\$90,058,048	\$111,687,972	0.0%	3.1%	3.8%	\$0	\$2,782,485	\$4,198,897
Apparel & Accessories									
Primary	\$74,448,154	\$90,084,875	\$103,597,606	0.0%	5.0%	5.0%	\$0	\$4,504,244	\$5,179,880
Secondary	\$22,393,488	\$25,080,707	\$42,459,794	0.0%	3.0%	3.0%	\$0	\$752,421	\$1,273,794
Tertiary	\$42,459,794	\$48,860,424	\$54,723,675	0.0%	1.0%	1.0%	\$0	\$488,604	\$547,237
Total	\$139,301,436	\$164,026,005	\$200,781,075	0.0%	3.5%	3.5%	\$0	\$5,745,269	\$7,000,911
Automobile Aftermarket									
Primary	\$6,740,047	\$8,155,693	\$9,379,047	0.0%	15.0%	15.0%	\$0	\$1,223,354	\$1,406,857
Secondary	\$7,042,296	\$7,887,372	\$13,311,194	0.0%	10.0%	10.0%	\$0	\$788,737	\$1,331,119
Tertiary	\$13,311,194	\$15,317,799	\$17,155,935	0.0%	5.0%	5.0%	\$0	\$765,890	\$857,797
Total	\$27,093,537	\$31,360,863	\$39,846,176	0.0%	8.9%	9.0%	\$0	\$2,777,981	\$3,595,773
Eating Places									
Primary	\$64,380,034	\$77,902,097	\$89,587,412	6.5%	7.0%	8.0%	\$4,184,702	\$5,453,147	\$7,166,993
Secondary	\$54,514,464	\$61,056,200	\$96,773,352	3.0%	4.0%	5.0%	\$1,635,434	\$2,442,248	\$4,838,668
Tertiary	\$96,773,352	\$111,361,515	\$124,724,897	1.0%	2.0%	2.0%	\$967,734	\$2,227,230	\$2,494,498
Total	\$215,667,850	\$250,319,812	\$311,085,660	3.1%	4.0%	4.7%	\$6,787,870	\$10,122,625	\$14,500,158
Miscellaneous Retail									
Primary	\$51,710,983	\$60,395,681	\$69,455,033	3.0%	7.0%	13.0%	\$1,551,329	\$4,227,698	\$9,029,154
Secondary	\$42,405,768	\$47,494,460	\$80,061,488	1.0%	4.0%	7.0%	\$424,058	\$1,899,778	\$5,604,304
Tertiary	\$80,061,488	\$92,130,410	\$103,186,059	0.0%	1.0%	3.0%	\$0	\$921,304	\$3,095,582
Total	\$174,178,239	\$200,020,551	\$252,702,580	1.1%	3.5%	7.0%	\$1,975,387	\$7,048,780	\$17,729,040
Neighborhood Services									
Primary	\$26,428,815	\$30,867,452	\$35,497,569	5.0%	5.0%	5.0%	\$1,321,441	\$1,543,373	\$1,774,878
Secondary	\$46,560,216	\$52,147,442	\$87,737,286	1.0%	3.0%	3.0%	\$465,602	\$1,564,423	\$2,632,119
Tertiary	\$87,737,286	\$100,963,301	\$113,078,897	1.0%	1.0%	1.0%	\$877,373	\$1,009,633	\$1,130,789
Total	\$160,726,317	\$183,978,195	\$236,313,753	1.7%	2.2%	2.3%	\$2,664,416	\$4,117,429	\$5,537,786
TOTAL	\$1,645,544,919	\$1,906,283,647	\$2,393,474,809	1.0%	3.9%	4.8%	\$16,440,607	\$73,503,544	\$115,748,598

Source: Melaniphy & Associates, Inc., 2008

MEQUON TOWN CENTER - PHASING

Table 2.6

PROPOSED MEQUON TOWN CENTER MEQUON ROAD MEQUON, WISCONSIN PHASES I, II, AND III						
STORE CATEGORY	PHASE I		PHASE II		PHASE III	
	GENERAL SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹
Supermarket			40,000	\$22,600,000	40,000	\$34,000,000
Electronics stores			5,000	\$2,700,000	5,000	\$4,200,000
Drug Store	14,000	\$5,000,000	14,000	\$7,000,000	14,000	\$8,500,000
Apparel and Accessories			20,000	\$5,700,000	25,000	\$7,000,000
Furniture and Home Furnishings			25,000	\$8,400,000	25,000	\$11,000,000
Book Store			20,000	\$6,000,000	20,000	\$7,000,000
Office Supplies					20,000	\$4,100,000
Restaurants	7,500	\$5,000,000	12,000	\$7,500,000	16,000	\$10,000,000
Quick Service Food Facilities	2,500	\$1,500,000	6,000	\$3,000,000	9,000	\$6,100,000
Miscellaneous Retail Stores	6,000	\$1,800,000	30,000	\$7,600,000	50,000	\$13,000,000
Services	10,000	\$2,600,000	14,000	\$4,000,000	17,000	\$5,500,000
Total	40,000	\$15,900,000	186,000	\$74,500,000	241,000	\$110,400,000

¹ All sales figures have been rounded to the nearest \$100,000.

The sales estimates are subject to the assumptions stated in Section I.

Store sizes are approximate and will be adjusted to suit individual retailers.

Source: Melampy & Associates, Inc., 2006

ALTERNATIVE SCENARIOS

- ◆ Develop a Town Center as the market indicates
- ◆ Town Center for Mequon Residents only
- ◆ Do nothing

DEVELOP A TOWN CENTER

- ◆ Creates a Downtown Area
- ◆ Brings Civic and Business facilities together
- ◆ Meets an increasing need
- ◆ Establishes a defined Gateway to the center of Mequon
- ◆ Its a contribution to the future of Mequon
- ◆ Should provide a clear set of guidelines for development

TOWN CENTER – RESIDENTS ONLY

- ◆ Consumers are both entering and leaving the market
- ◆ Cannot control what the consumer does – walls do not work
- ◆ Might adversely affect the housing market – new home owners want convenient shopping - within one and one-half miles

DO NOTHING A STAGNANT STRATEGY

- ◆ Ignores growing need
- ◆ May miss an opportunity to create a cohesive Downtown with a “sense of place, identity, and continuity.”
- ◆ Will result in a “mixed-bag: development
- ◆ If not here, it will be needed elsewhere in western Mequon

RECOMMENDATIONS

- ◆ Develop a Town Center
- ◆ Some level of public assistance will be necessary to complement private investment
- ◆ Some level of public assistance may be necessary to encourage the development of Phase I
- ◆ TIF, a Special Service Area, a Taxing District, or some other public/private vehicle will be needed
- ◆ Recoverable over the life of the entity

STEPS TO TOWN CENTER DEVELOPMENT

- ◆ Decide whether you want a Town Center
- ◆ The market exists and will grow in the future
- ◆ City's role: Facilitate
- ◆ Meet with property owners
- ◆ Determine the need for a developer
- ◆ Assist in bringing everyone together
- ◆ Determine the level of assistance necessary and its timing

IN THE REPORT

- ◆ A list of suggested tenants
- ◆ A discussion of major retail categories