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ERA

NOMAR INTERNATIONAL PUBLIC MARKET FEASIBILITY STUDY

September 27, 2007

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NOMAR INTERNATIONAL PUBLIC MARKET EXECUTIVE SUMMARY

I. Executive Summary



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Introduction

The Nomar International Public Market will be an indoor-outdoor market facility located at the heart of the Nomar District at West 21st Street and Market Street. The goals of the Nomar International Public Market are:

- To create a unique dining, shopping, and entertainment venue in Wichita while respecting the traditions, history, and cultures of the area.
- To revitalize the Nomar District and surrounding neighborhoods by attracting regional residents and visitors to the area.
- To provide new economic development opportunities for Hispanic/Latino, Asian, and other entrepreneurs.

Earlier in 2007, the Greteman Group finalized a marketing and branding study for the Nomar International District, which is characterized by historical buildings such as the Nomar Theater, as well as cultural and ethnic diversity. In addition, the City of Wichita has developed a Master Plan for the area, which includes plans for streetscape improvements on West 21st Street and

an improved intersection at West 21st Street and Broadway, which will require realignment of Broadway.

The block on the northeast corner of West 21st Street and Market Street, containing a City-owned parking lot, is one potential location for the Nomar International Market. A second potential location is the existing Disabled American Veterans building, which would require renovation.

In this report, ERA evaluated the project's ability to be economically self-sustaining. This feasibility study examines consumer demand for the facility, and projects operating costs and revenues for the market under three scenarios, using the concept designs developed by Law/Kingdon for each site. The results of this study will help guide the West 21st Street CDC and the City of Wichita in the development, operations, and management of the proposed Nomar International Public Market.

Project Description

The Nomar International Public Market will contain three main components: 1) an indoor market hall building featuring local vendors selling fine art, handicrafts,

baked goods, prepared foods, ethnic specialty items, and other products; 2) an outdoor regional farmers market emphasizing locally grown, specialty, and organic products; and 3) performing artists and festivals utilizing the public plaza spaces around the market.

The market will draw from primarily four customer segments: Latino residents in the Wichita area; Asian residents in the Wichita area; regional customers looking for a unique shopping and dining experience; and visitors to the region. The following are some of the key operating characteristics of the Nomar International Public Market:

- The market will include an indoor market hall as well as some outdoor plazas to accommodate stalls for a farmers market.
- Indoor/outdoor plazas providing opportunity for performances and events
- The market hall facility will be open all year-round, six days a week. The farmers market will operate twice a week but will be closed during winter months.
- The CDC, a tax-exempt non-profit organization, will be in charge of management and operations once the building is completed.

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- The market will give preference to vendors that provide unique products not offered elsewhere in Wichita.
- The City will retain ownership of the land and the building, but will lease the facility to the CDC at a nominal rate.
- The majority of vendors at the market will be “start-up” businesses with little capital of their own.
- Indoor tenants in the market hall building will be generally on multi-year leases. Outdoor farmers market tenants will rent stalls by the day.

Summary of Market Analysis

Introduction and Methodology

In order to understand the potential for the Nomar International Market, ERA estimated potential consumer demand for new retail development in the Nomar District. ERA collected demographic data for the relevant market areas, and also analyzed the tourism and visitor trends to Wichita. ERA also analyzed taxable retail sales trends and per capita spending patterns. Based on these factors, ERA calculated total demand generated by each of the major source

markets, and calculated the amount of new supportable retail development currently and over the next five year period.

It is important to note that the demand estimate includes the entire Nomar District area, and is not exclusive to the Nomar International Market. The Nomar International Market may have the potential to capture a significant share of the future retail demand, depending on the site and location, vendor demand, design, access, and other factors.

The Nomar District has historically attracted a diverse mix of residents and businesses. In recent years, it has developed into a center for the Hispanic community, serving first-generation immigrants as well as more well-established Hispanic residents throughout the Wichita metropolitan area. The businesses in the core of the Nomar District largely reflect this, with a proliferation of stores selling apparel, music, food, groceries, and services targeting the Hispanic market. In addition, an increasing amount of Asian businesses have begun to locate in the area, including restaurants and grocery stores. Because of the importance and the fast growth of the Asian and Hispanic market segments in the Nomar District, as well as the international concept for the market, ERA has considered them as the primary source

markets for new retail development in the area.

One of the objectives of the Nomar District plan is to attract Wichita residents to the area. The surveys conducted by the Greteman Group indicated interest on the part of city residents to visit the district for food or shopping, if the right retail experience were provided. Therefore, ERA also evaluated market demand from all non-Hispanic and non-Asian residents within a 15-mile radius of the Nomar District.

With the idea that the Nomar District may eventually develop into a visitor attraction, ERA also considered demand generated by visitors to the Wichita region, including business/convention visitors and leisure travelers.

ERA estimated current retail spending and forecast future retail spending for all of the market segments: the Hispanic market, the Asian market, the secondary market, and the tourist market. Current demand estimates were based on 2006 population estimates and per-capita spending. Forecasts of incremental demand from 2006 to 2013 were based on population estimates and per-capita spending rates by retail sector, adjusting

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or income growth. ERA then calculated total current supportable space in the Nomar District based on projected retail sales capture for current and future demand, and the estimated sales volume per square foot per year by retail sector.

Estimate of Retail Demand

According to our analysis, the current demand for retail space in the Nomar District generated by the market segments analyzed above totals 158,000 square feet. From 2007 to 2013, ERA estimates that the Nomar District could support an additional 56,000 square feet of retail from demand growth in these segments for a total of 214,000 square feet.

The majority of the current and future retail demand is for the following store categories:

- Food services and drinking places (32 percent of total retail space)
- Food and beverage stores (17 percent of total retail space)
- Clothing and accessories (14 percent)

A substantial amount of the retail space,

about 42 percent, would be geared towards the Hispanic market in the Wichita metropolitan area. Asian residents account for 16 percent of the demand. The secondary market will compose about 29 percent of the retail demand. Finally the visitor market is the smallest source of demand, accounting for 13 percent of the space.

The market demand for retail in the Nomar District would support the development of over 200,000 square feet in the next five years. The amount of this demand that is captured within the International Market facility depends on a variety of factors including: the site characteristics such as size, location, and access; vendor demand for stall space; the amount of parking that can be accommodated; the surrounding land uses and densities; and other factors.

It is ERA's opinion that in order to have a catalyzing effect, the new retail additions in the Nomar District should be sized at a scale large enough to have a significant impact on the community and draw from the larger resident and visitor markets. It is unclear whether the Nomar International Market alone will be large enough to revitalize the area. There may be a need to incentivize other types of private retail

development near and around the market in order to have enough of a "critical mass."

Recommended Tenanting Strategy

Nomar International Market's share of the future retail demand depends on various factors, including:

- Site characteristics
- Design, visibility and access
- Vendor demand
- Merchandise mix
- Availability of parking on-site

Based on ERA's experience with other similar public markets, we recommend that the Nomar International Market be sized at approximately 25,000 to 30,000 square feet (in gross leasable area) in order to be at a scale large enough to attract some portion of the regional market demand rather than serving simply as a neighborhood/convenience retail center. ERA has found that in many cases, smaller markets have trouble generating sufficient revenues to cover fixed operating costs (such as personnel and utilities) and have limited potential to attract customers from outside the immediate area.

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Nomar Market Sizing and Tenant Mix				
Tenant Category	Share	Sq Ft	Stall Size	Vendors
Restaurants (sit-down, anchor restaurants)	25%	7,500	1,500-3,500	3
Prepared and Specialty Foods (cafes, ethnic foods, bakeries, etc.)	22%	6,600	300-500	17
Produce, Meats, Cheese, Seafood, etc.	18%	5,400	400-700	9
Apparel and Accessories	7%	2,100	400-700	4
Specialty (Arts, Jewelry, Gifts, Flowers)	15%	4,500	400-700	9
Day vendors - farmers market	<u>13%</u>	<u>3,900</u>	100-200	<u>26</u>
Total	100%	30,000		68

Source: Economics Research Associates

Based on ERA's market research, as well as case studies of comparable market facilities, the tenant mix indicated in the table on this page is recommended for a market with 30,000 square feet of leasable space.

Although this would be the ideal size for a public market in the Nomar District, due to constraints on site availability and development funds, the preferred concept plans only contain 17,300 square feet of leasable space.

Interviews with Stakeholders and Vendors

In order to better understand the competitive climate for retail in the Nomar District, and to identify vendor interest in locating in the International Market, ERA conducted interviews with existing

business and property owners. ERA's attempts to identify and contact potential vendors outside of the Nomar District were unsuccessful. The interviews revealed a number of opportunities and challenges for the Nomar International Market, outlined below.

Opportunities

Overall, most business owners were optimistic about the future of the Nomar District. A summary of the strengths discussed in our interviews is as follows:

- The Nomar District is located a short distance from Downtown and Uptown Wichita, which allows it to attract some of those employees during the lunch hour especially.
- The District is well-established as the

center of the region's Hispanic population, with destination stores that draw Hispanics from various parts of the city and neighboring communities. In fact, although there may be similar stores in their own neighborhoods, Hispanic residents prefer to shop in the Nomar District. The Hispanic population could be an important customer segment for the Market.

- Existing historic buildings such as the Nomar Theater are a valuable asset and add character to the neighborhood.
- Nomar has several restaurants that are very popular and draw both Hispanics and non-Hispanics to the area.
- Many of the area property owners are waiting for the Market to be developed in order to begin investing in their own properties. If successfully built, the Market could have an important catalyzing effect on nearby parcels and encourage more private investment throughout the District.

Challenges

For existing business owners, there were a number of concerns about the viability of their own businesses if the market is developed, and fears about the future of the District overall. Some of the established businesses in the Nomar District see the Market as competition and feel threatened by the development. The central issues discussed in our interviews are described below:

- Currently, rents in the Nomar District for retail space are very low at \$5 per square foot per year or less annually. There is concern from many of the businesses that the rents at the Market facility will be too high for them to be able to afford it.
- None of the business owners that we interviewed can be considered “anchors” for the Market facility. Although there is much interest from existing business owners and entrepreneurs in locating in the Market facility, many of these entrepreneurs have limited experience running a business. There are various business training programs that may help to prepare business owners,

but they are not directly linked to the Market project.

- Business and property owners are concerned that the newly formed West 21st Street CDC has limited capacity to manage and operate the facility once it is built.
- Business owners reported that crimes and gang activities in the area, combined with disinvestment by some area property owners over the years, has created a perception among many Wichita area residents that the neighborhood is unsafe.
- The frequency of train traffic on the railroad tracks just east of Broadway and 21st Street can limit and/or delay access to the neighborhood, and to the proposed sites for the Market.

PREFERRED DESIGN CONCEPT 1B-2

The goal of the Nomar International Public Market is to develop a public market venue that will be the catalyst for the redevelopment of the Nomar Market District. With that in mind the facility design is intended to establish the character and identity for the district and provide the market synergy needed to strengthen the vitality of the whole district.

When applying the principals of retail development to the Nomar Market District the properties along 21st Street and Broadway Avenue offer the greatest potential for success of the public market. The visibility, volume of traffic, access, historic structures, existing retail uses and their histories as retail corridors are key criteria for siting a new retail establishment. Furthermore, with the pending improvements to the 21st and Broadway intersection and the subsequent right-of-way acquisition by the City of Wichita, the area along the north side of 21st Street between Market Street and Broadway Avenue provide an opportunity for partnership between the CDC and the City that would greatly benefit the public market. Finally, the

existence of multiple contiguous storefront retail structures along both sides of 21st Street, Market Street and Broadway Avenues provide ready made low cost retail properties for use by new and established ethnic businesses. This potential offers the value individual business growth due to the synergy of ethnic businesses while strengthen the district brand and identity.

With this perspective it is recommended that the CDC partner with the City of Wichita to develop the property at the NW corner of 21st Street and Broadway Avenue. This property will provide for the development of a 26,000 square foot public market building and a couple of public plaza spaces. Additionally, the preferred design concept will require the realignment of Market Street north of 21st Street to maximize the developable land opportunity for the market. The design concept also requires the purchase of additional adjacent property for use as on-site parking and the development of a shared parking agreement with adjacent parking lot owners.

The design concept for the public market building takes cues from other successful public markets throughout the United

States as well as the historic architecture of Nomar Market District itself. As a result the building will be comprised of an open steel frame structure with a prominent metal roof and monumental signage. The exterior walls will primarily be roll up glass clad doors which will define each tenant space. This configuration offers the opportunity to open the market building to the environment during mild seasonal periods and allows the tenant to expand his sales area to the wide sidewalk along 21st Street. With the doors up, the vendor's sidewalk space defined by the large roof overhangs coupled with the temporary tent structure tenant spaces immediately adjacent to 21st Street the patron will have the experience of walking through a European street market. During in climate weather the doors will be closed providing a controlled interior climate for year round shopping. Since the doors will be clad in glass they will offer storefront display opportunities and provide for an alternate window shopping experience for the visitor to the Nomar Market District. The other exterior wall material will be a stucco finish to match the color and character of the nearby historic Nomar Theater.

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There will be three primary building entries defined by prominent building features that reflect the character of the Spanish revival architecture of the nearby historic Nomar Theater and other adjacent commercial structures. They will compliment and reinforcing the visual brand of the district.

While the prominent metal roof and monumental signage is reminiscent of other popular public markets around the country, the clerestory roof structure with operable glazing will provide a unique twist to that traditional design. When the weather warrants, the clerestory windows can be opened to enhance the natural cross ventilation created by the open storefronts. The added convection action created by the operable clerestory and large ceiling mounted area fans will contribute to the open, airy feeling of the interior space. Furthermore, there will be no air conditioning systems employed in the building, only gas fired ceiling mounted unit heaters for use during the winter months of operation.

The use of simple materials, a pre-manufactured metal building structure, mini

mal finishes, furnishings and building systems all contribute to a cost conscientious building design that offers maximum flexibility and usability as a public market.

Of significance, this design concept exemplifies many of the same sustainable design principals outlined by the United States Green Building Council (USGBC), the national agency tasked with promoting and monitoring green building design in America. The design criteria outlined in the USGBCs Leadership in Energy and Environmental Design (LEED) certification process is reflected in the building elements listed previously as well as the siting of the building on an existing urban site and the significant use of daylighting concepts (clerestory, deep overhangs, south facing glazing, open market environment (no walls). In its' built design, this facility could become a model for sustainable design of public structures in the City of Wichita.

Another significant feature of the building include the indoor food court and events space that includes a performance stage and tables and chairs that can accommodate a variety of functions. It is envisioned that at lunch time, market patrons will purchase their food from market vendors,

sit in the indoor food court and listen to musicians and other entertainers. During festivals or special events the food court can become an open dance floor or concert venue that further enhances the market experience. Additionally, this space can be opened up to the adjacent outdoor market plaza where there is another stage that reflects the indoor stage. The ability to accommodate events inside and outside, adds to the flexibility and marketability of the public market and its brand as a community events venue.

The key component of the market building is the central vendor area. Generally, the building is envisioned as an open market venue with a variety of tenant configuration options. The floor plan currently identifies a number of 240 square foot tenant modules. These modules can be leased individually or in combinations to suite a tenant's specific needs providing maximum flexibility in leasing options. Each vendor will be responsible for the built out of their own tenant space following a set of guidelines identified in a tenant manual. Generous ten foot aisles and expansive views offer shoppers comfortable access to each vendor and an

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ability to visually navigate the whole array of vendor offerings. It is expected that a variety of vendor types will result in a similar variety of space configurations. Vendor spaces may be a varying combination of counter tops, display cases and shelving, while others may maximize floor space, or utilize custom fixturing and cabinetry. An overhead tenant grid may be employed to accommodate vendor signage, accent lighting and generally define the tenant space. All tenant spaces will offer basic power options and general overhead lighting. Some tenant spaces will offer specialty power options, data and communications connections as well as limited plumbing options. It is expected that vendor product storage will be accommodated within each tenant space. The facility will also include a vendor receiving area and some minimal cold storage to accommodate delivers and storage of perishable goods. It is expected that some vendors will provide cold storage within their own tenant space. The CDC will need to establish specific deliver and storage practices to assure that there is no interruption of vendor activity during business hours.

Finally, the site and positioning of the building maximize the visual presence of the market along two major traffic corridors following the primary criteria of retail design.... location, location, location. Access to the site will be adequate given the markets prominence position on the intersection of Broadway Avenue and North 21st Street. However, parking will be a challenge given the desire to not overburden the district and nearby neighborhood with a sea of parking and a limited ability to acquire significant contiguous property. It is recommended that the CDC negotiate a shared parking agreement with adjacent commercial property owners in the district to enhance its parking capacity.

The site will also offer opportunity for the development of two separate public plaza spaces. One, the gateway plaza at the intersection of Broadway Avenue and North 21st Street, will provide for a signature landmark feature to define the entry to the Nomar District. It will also serve as a gathering and events space and serve as a unique outdoor vendor option for market tenants positioned around it. The second, the market plaza at the intersection of Market Street and North 21st Street, will

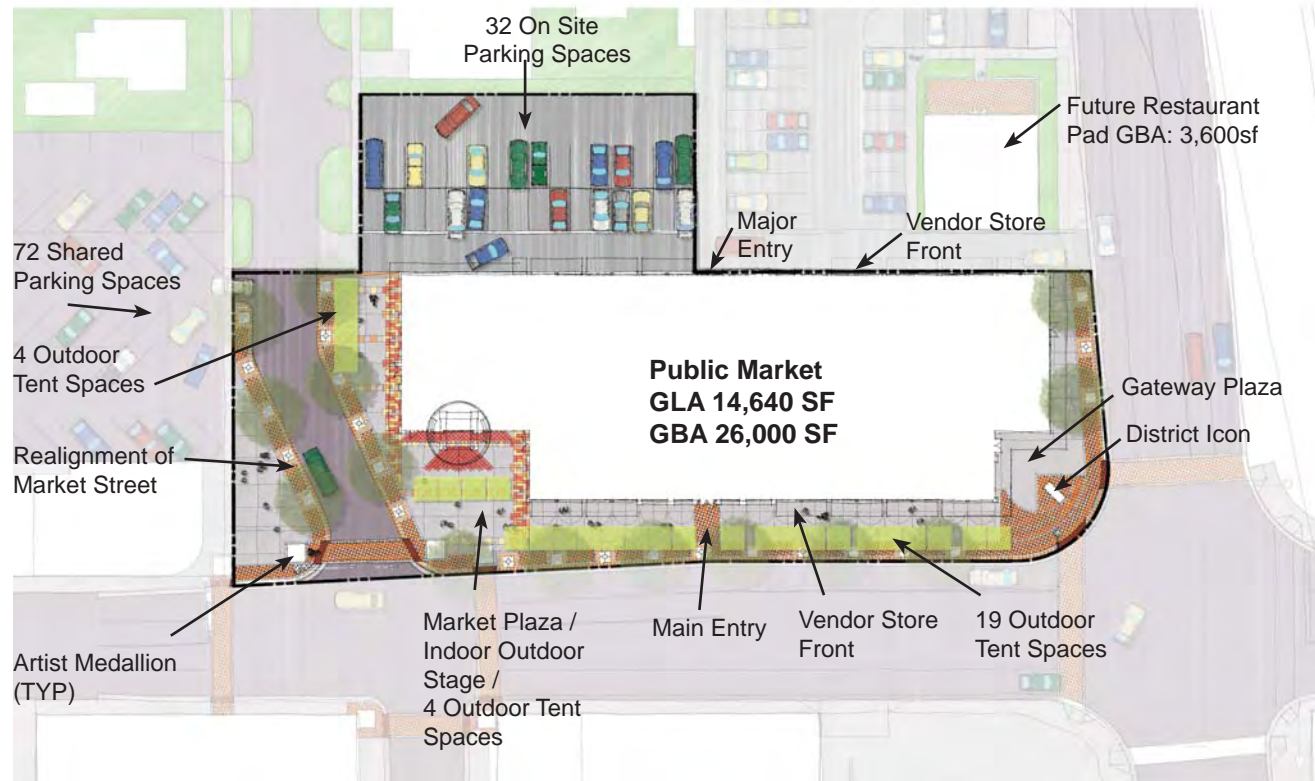
provide a outdoor entertainment venue while serving as a visual landmark on Axis with Market Street. The Nomar International Public Market will be located on North Market Street at the Market Street Plaza, thus reinforcing the district brand and establishing its presence in the greater Wichita community.

The sidewalk area around the market will include significant streetscape (paving, lighting, furniture and furnishings) and landscape features to enhance the visual appeal of the market building. These features will also serve to strengthen the presence of the street vendors positioned in the tenant tent structures, creating a unique and lively outdoor shopping experience that compliments the offerings inside the market building.

The following images provide a glimpse of the design of the Nomar International Public Market building.

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Concept 1B-2 Site Plan



Total Site Area: 56,019sf (1.28ac)
(Boundary shown on plan – Market Street included)

Building Area: 26,000sf
Gross Leasable Area: 14,640sf

CDC Hardscape Improvement Area: 9,324sf
(Area includes 5' from south and east facades and plaza at west end of the market)

City of Wichita Streetscape Improvement Area: 8,382sf
(Area extends along 21st Street and Broadway from 16" behind curb to approximately 5' from building façade)

Outdoor Tenant Spaces
Tents: 27 Vendor Spaces

Required Parking: 104 Stalls
(4 stalls/1,000sf)

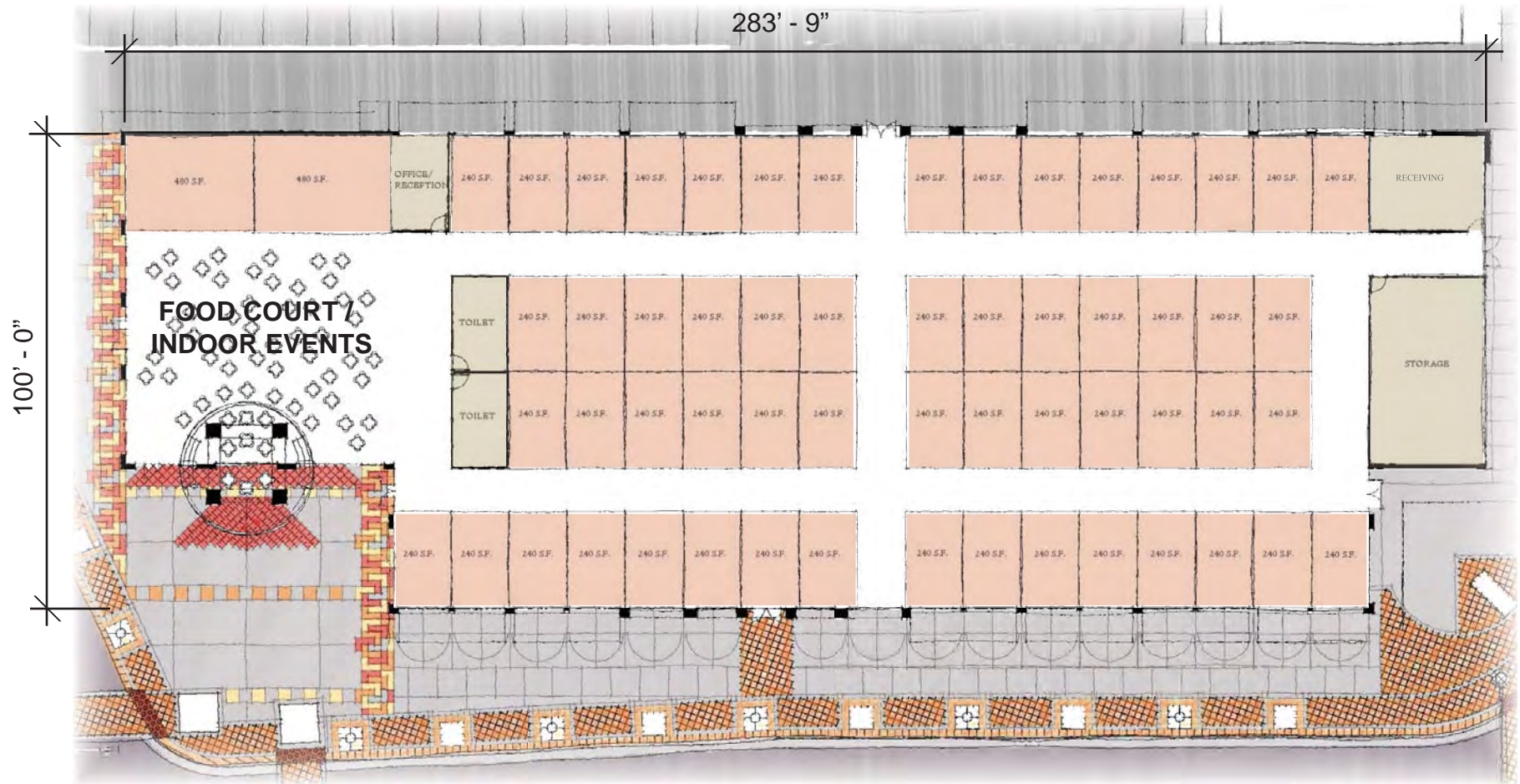
Provided On-site Parking: 32 Stalls

Off-Site Shared Parking: 72 Stalls

Future 100 seat Restaurant Area: 3,600sf

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Concept 1B-2 Floor Plan



- Tenant Space
- Service Space

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Concept 1B-2 Elevations



South



West



East

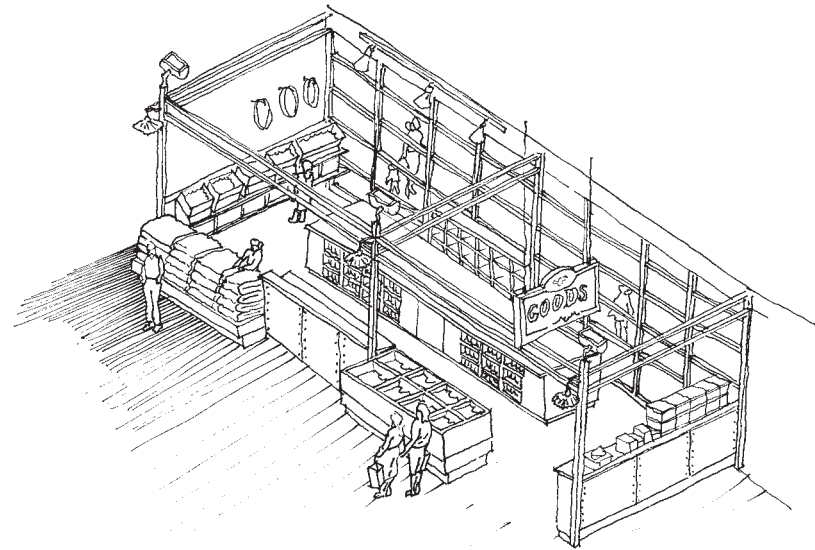
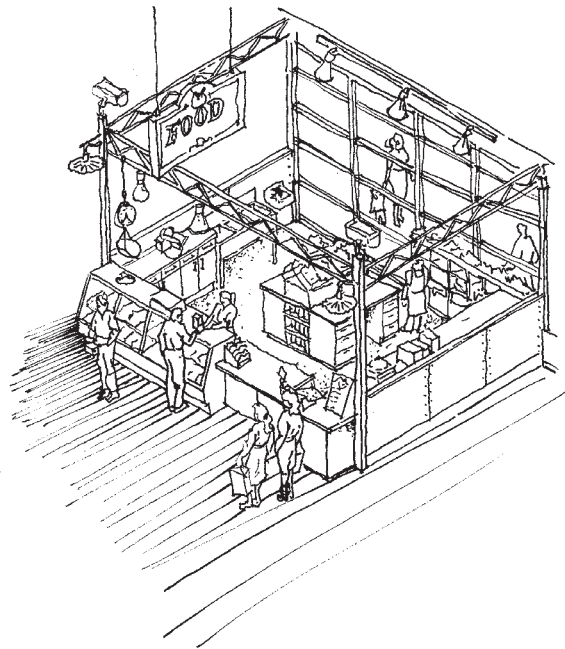
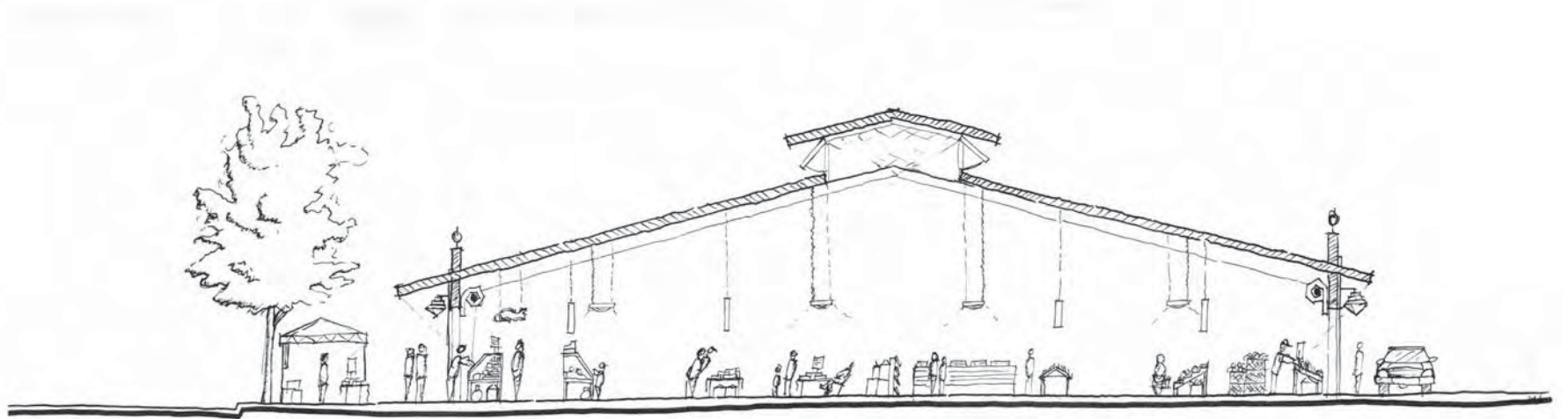


North

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Concept 1B-2 Building Sections and Vignettes



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Concept 1B-2
Birds Eye View



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Concept 1B-2
Renderings



Market Plaza

Market Plaza



NOMAR INTERNATIONAL PUBLIC MARKET EXECUTIVE SUMMARY

Concept 1B-2 Renderings



Gateway Plaza

Market Plaza



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Financial Analysis for Concept IB-2

Description and Drawings

The preferred scheme, which assumes a realignment of Market Street, opening up more of the site to development, includes a building with about 14,640 square feet of leasable space in addition to some open areas and plazas where 27 outdoor vendors could be accommodated in tents. There is a proposed adjacent restaurant pad north of the market building, which the concept plan shows as being built out separately from the Nomar International Market.

Because the restaurant is not included as part of the development costs for this project, the proposed tenant mix includes a larger percentage of prepared and specialty food stands, produce/meats/cheese/seafood vendors, and specialty vendors. The outdoor spaces are estimated to accommodate about 27 farmers market vendors. In total, Scheme 1B-2 provides space for a total of 88 tenant modules.

Development Costs

Based on Law/Kingdon's estimates, the development costs of the market

will be in the range of \$1,845,000 to \$2,165,000 for site acquisition, demolition, and construction. The City of Wichita has committed \$1.3 million to the project for development costs, with some matching contribution from the West 21st Street CDC. The remaining gap of \$545,000 to \$865,000 must be raised separately.

Concept IB-2

Building Area Data

Leasable Area	14,640 s.f.
Common Areas	11,360 s.f.
Total gross building area	26,000 s.f.

Leasable Area Data

61 interior tenant modules @ 240 s.f. each	14,640 s.f.
27 exterior stalls (tents) @ 100 s.f. each	2,700 s.f.
Market gross leasable area	17,340 s.f.

Parking Data

Required	104 stalls
Provided on-site	32 stalls
Shared off-site	72 stalls
On-street	0 stalls
Total Provided	104 stalls

Estimated Project Costs

Property Acquisition (bait shop only)	\$ 65,000
Demolition (bait shop only)	\$ 10,000
Site Development (1.28 Acres, parking, & market plaza street, pad prep)	\$ 515,000 – \$ 598,000
Building Development	\$1,092,000 – \$1,300,000
Contingency (3% of 1,617,000 – 1,908,000)	\$ 49,000 – \$ 58,000
Soft Costs (Architectural/Engineering, Survey, Other Fees, etc.)	\$ 114,000 – \$ 134,000
Total	\$1,845,000 – \$2,165,000

Future Off-site Restaurant

Restaurant gross building area:	(100 seat) 3,600 s.f.
Required on-site parking	34 stalls
Provided on-site parking	34 stalls
Property Acquisition (body shop only)	\$60-\$75,000
Demolition (body shop only)	\$10,000
Site Development (on-site parking and pad prep)	\$79-\$98,000
Building Development	\$630-\$720,000
Total	\$ 779-\$ 903,000

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Financing the additional development cost of \$865,000 under fairly good terms would require an annual payment of approximately \$95,000. However, the operating budget, discussed in more detail below, will not generate enough income to cover this debt service. Therefore, it will not be possible for the project to acquire conventional financing for the development costs. Other financing sources for the development costs will need to be pursued, such as grant programs and New Markets Tax Credits. These are discussed later in this section.

Financial Pro-Forma for 1B-2

ERA created an operating financial profile of the proposed market facility for the concept plan as developed by Law/Kingdon. The financial analysis includes projections of operating revenues and expenses.

Key Operating Assumptions

ERA's financial analysis was based on the following assumptions:

- The market will include an indoor market hall with 14,600 square feet of leasable space and 27 stalls for a farmers market in the outdoor plaza spaces.

- The market hall facility will be open all year-round, six days a week. The farmers market will operate twice a week but will be closed during winter months.
- The CDC, a tax-exempt non-profit organization, will be in charge of management and operations once the building is completed.
- The City will retain ownership of the land and the building, but will lease the facility to the CDC at a nominal rate. Therefore, there are no assumed land costs in the financial analysis. However, this is a land acquisition cost identified in the capital costs for the project.
- The majority of vendors at the market will be "start-up" businesses with little capital of their own. This implies that the rents and other charges have to be sufficiently low to be affordable to the businesses.
- Indoor tenants in the market hall building will be generally on multi-year leases. Outdoor farmers market tenants will rent stalls by the day.

- The analysis includes the real costs of providing municipal services such as garbage collection. There is no implicit subsidy in the pro-forma.
- The model incorporates an inflation factor of three percent annually.
- The model also estimates annual rent increases of two percent annually over inflation.

Project Revenues

The following are the major sources of revenue:

- Vendor rents – For most markets, the single most important source of revenues consists of rents collected from vendors. ERA has assumed that the market will collect fixed rents from indoor tenants calculated on an annual square-foot basis. Outdoor vendors will also be charged rents for the use of the stalls by the day.

The rent structure for indoor market vendors is based on the type of goods or merchandise sold and the estimated sales achieved per square foot for that

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category. For example, vendors of food and beverage generally have higher sales per square foot than vendors of produce and meats, and therefore are charged a slightly higher rent per square foot. The suggested vendor rents by category are presented in the following table, and were used to calculate annual project revenues for each scenario.

Rent Structure by Vendor Type	
Vendor type	Avg Rent
Restaurants (sit-down, anchor restaurants)	\$24/sq. ft.
Prepared and Specialty Foods (cafes, ethnic foods, bakeries, etc.)	\$22/sq. ft.
Produce, Meats, Cheese, Seafood, etc.	\$15/sq.ft.
Apparel and Accessories	\$18/sq.ft.
Specialty (Arts, Jewelry, Gifts, Flowers)	\$20/sq.ft.
Day vendors - farmers market	\$25/stall/day

- **Common area maintenance (CAM) charges** – In addition to the rents, vendors will also be charged a common area maintenance fee which helps to defray the costs of building maintenance.
- **Events, advertising and sponsorships** – Many public markets are increasingly looking to supplement their vendor-generated revenues with revenues from special events, sponsorships, and by providing space in plazas or in the market building for advertising.

- **Cold storage fees** – Vendors will be charged a flat fee of \$50 per month for use of cold storage units.
- **Parking** – Though this is a revenue generator for some public markets, ERA does not anticipate that the Nomar International Market will charge for public parking. For the most part, the market facility will rely on shared parking to be able to provide enough spaces for visitors.

Project Expenses

ERA has identified the following major cost items for the operation of the market facility:

- **Personnel** – Personnel costs are usually the biggest expense in the operations budget of a public market. To ensure the success of the market, it is important to recruit highly qualified and motivated staff. The staffing plan is different for each scenario, given budget constraints. The key management and operations staff positions include:
 - o **Market Director**- The market director provides leadership and acts as the chief liaison with the CDC Board

and City staff. The market director implements strategic decisions concerning the market, heads up fundraising efforts, manages the market’s budget, and serves as the spokesperson for the facility. The ideal candidate should be experienced in leadership and management positions, and should have an entrepreneurial background. The estimated salary for this position is \$64,000 full-time.

- o **Market Manager** – The Market Manager handles the day-to-day operations of the market, including leasing, managing vendor issues, planning of programs and events, administrative tasks, and any other issues that may arise on a daily basis. The ideal candidate has a strong background in retail and/or property management. The estimated salary for this position is \$40,000 full-time and \$30,000 part-time.
- o **Maintenance Staff** – The market building and grounds will require on-site maintenance staff to keep the facility functioning and clean. The wages for this position are estimated at \$16,000 per full-time employee.

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o Security – Because the City is not providing any police services to the market, some security staff will be needed. The wages for this position are estimated at \$24,000 per full-time employee.

• Marketing/Advertising/Events – The market’s success will largely be determined in the first few years of operation. In order to attract customers and vendors, the market will need to have an active marketing campaign, which may include ads in the newspaper, radio, and other media; posters and flyers distributed around town; and holding special events. In the first two to three years, the marketing budget will be larger than in the following years, once the facility has become better established.

• Utilities – The second largest cost to public markets is the cost of providing utilities. The market building will be heated but not cooled, and will require gas, electric, and water/sewer utilities. The cost of utilities is only partially offset by CAM charges.

• Garbage and Recycling – Because the City is not planning to subsidize any of its services to the market, ERA has estimated the annual cost of trash collection.

• Other costs – The market will incur additional operating costs such as insurance, legal/professional costs, and permits/fees.

• Contingency – The model has built in a contingency factor of ten percent of total expenses to account for certain capital replacement costs, tenant improvement allowances, and other factors that may come up during the course of the market’s operations.

Concept Tenanting Plan 1B-2

Based on the leasable space provided in this scheme, ERA developed two tenanting plans for the concept.

It assumes that a number of vendors will occupy multiple tenant modules to reflect a variety of tenant options

Based on this tenanting mix illustrated in table 1B-2, the project is estimated to generate annual average rents of \$18 per square foot overall, and nearly \$19 per square foot for tenants in the market building.

Table I-1 on the following page presents a detailed operating pro forma for Scheme 1B-2. Below are some of the key operating issues identified in this analysis:

• The staffing plan includes a full-time

Scheme 1B-2 Vendor Type	Share	Sq Ft	Vendors
Restaurants (sit-down, anchor restaurants)	0%		
Prepared and Specialty Foods (cafes, ethnic foods, bakeries, etc.)	32%	5,500	11
Produce, Meats, Cheese, Seafood, etc.	20%	3,400	7
Apparel and Accessories	12%	2,000	8
Specialty (Arts, Jewelry, Gifts, Flowers)	21%	3,700	15
Total Indoor Market		14,600	42
Day vendors - farmers market	15%	2,700	<u>27</u>
Total	100%	17,300	69

Market Director, a part-time Market Manager, two full-time maintenance and one security staff. Fringe benefits (health insurance and payroll taxes) are an additional 25 percent of wages. Personnel accounts for almost half of all operating expenses.

- The larger plaza spaces in this scheme would allow for up to three annual events at the market by Year 8. Events and sponsorships are estimated to bring in annual revenues in the range of \$15,000 to \$35,000 a year as the number of events, fund raising activities, and popularity of the market grow.
- The marketing and advertising budget accounts for eight to 12 percent of total revenues. Marketing expenses will be heavier in the first three years of the project.
- Because of the larger amount of leasable space, it will take slightly longer to lease up in this scheme. At opening in Year 1, the market is expected to have a vacancy rate of 15 percent, which will stabilize to five percent by Year 4.

- Utilities costs are estimated at about \$62,000 per year and garbage collection costs are estimated at about \$20,000.
- Office administration costs include a one-time expense of about \$12,000 in the first-year to equip the space with computers, printers, faxes, telecommunications, etc. After that, the cost of office management drops down to about \$5,000 annually.

The Net Operating Income in Scheme 1B-2 is negative up until Year 4 as the project leases up and rents begin to increase. The operating gap is due to the fact that the rents generated by the small amount of leasable space are insufficient to cover the costs of personnel, utilities, and other fixed overhead expenses. Over the first three years, the total operating shortfall is almost \$100,000 in this scenario.

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Table I-1 OPERATING BUDGET SCHEME 1B-2										
		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>
INCOME										
Vendor Rents	\$/sf/year	311,000	327,000	344,000	361,000	379,000	399,000	419,000	440,000	462,000
Common Area Charges		62,000	65,000	69,000	72,000	76,000	80,000	84,000	88,000	92,000
Cold Storage Rental	\$50/unit/mo..	6,000	6,000	6,000	7,000	7,000	7,000	7,000	7,000	8,000
Vacancy/Credit Loss		-49,000	-33,000	-24,000	-18,000	-19,000	-20,000	-21,000	-22,000	-23,000
Events/Advertising/Sponsorships		15,000	20,000	20,000	30,000	30,000	35,000	35,000	35,000	35,000
Total Income		345,000	385,000	415,000	452,000	473,000	501,000	524,000	548,000	574,000
EXPENSES										
Personnel										
Market Director	1 FTE @ \$64,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	79,000	81,000
Market Manager	1 FTE @ \$40,000	40,000	41,000	42,000	44,000	45,000	46,000	48,000	49,000	51,000
Maintenance/Janitorial	2 FTE @ \$16,000	33,000	34,000	35,000	36,000	37,000	38,000	39,000	41,000	42,000
Security	1 FTE @ \$24,000	24,000	25,000	25,000	26,000	27,000	28,000	29,000	30,000	30,000
Fringe Benefits	25% of wages	40,000	42,000	43,000	44,000	45,000	47,000	48,000	50,000	51,000
Marketing/Advertising		41,000	46,000	42,000	36,000	38,000	40,000	42,000	44,000	46,000
Office Costs		12,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Events		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Legal/Professional		10,000	10,000	11,000	11,000	11,000	12,000	12,000	12,000	13,000
Insurance		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fees/Permits		4,000	4,000	4,000	4,000	5,000	5,000	5,000	5,000	5,000
Maintenance Supplies/ Equipment		15,000	15,000	16,000	16,000	17,000	17,000	18,000	18,000	19,000
Utilities		62,000	64,000	66,000	68,000	70,000	72,000	74,000	76,000	79,000
Garbage and Recycling Collection		20,000	21,000	21,000	22,000	23,000	23,000	24,000	25,000	25,000
Contingency (% of expenses)	10%	37,000	38,000	38,000	39,000	40,000	41,000	43,000	44,000	45,000
Total Expenses		407,000	416,000	421,000	426,000	440,000	453,000	468,000	483,000	497,000
Net Operating Income		-62,000	-31,000	-6,000	26,000	33,000	48,000	56,000	65,000	77,000
KEY ASSUMPTIONS										
Gross Market Area		26,000								
Market Leasable Space		17,300								
Average Annual Rent/SF (NNN)		18.00								
Common Area Charges as % of Rent		20%								
Operating Months per year		12								
Operating days per month		25								
Events per Year		3	3	3	3	3	3	3	3	3
Fringe Benefits as % of Wages		25%								
Vacancy Rates		15%	10%	7%	5%	5%	5%	5%	5%	5%
Annual Inflation	3%	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27
Rent Growth over Inflation	2%	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17
Marketing as % of Revenues	8-12%	12%	12%	10%	8%	8%	8%	8%	8%	8%
Source: Economics Research Associates										

Implementation Steps

Fund Raising

Because the market has both a gap in its development costs as well as an operating shortfall, the first key step is to identify some sources of financing to help cover the costs of building and running the facility.

As mentioned above, because the market does not achieve a positive operating balance until Year 4, it will not be possible to acquire private debt for the remaining \$545,000 to \$865,000 in the development cost budget. Alternative sources of financing should be explored. Among these include the following:

- **New Markets Tax Credits** – The New Markets Tax Credit program can provide a commercial project in a low-income area with equity or debt financing from an eligible community development entity (CDE). Because the Nomar International Market would be located in a low-income census tract, it is potentially a qualified project. NMTC funds are usually used for site development and construction costs. Though the tax-credit

program has not been used in the state of Kansas, this project is an ideal candidate for this type of financing. Eligible national CDEs that have New Markets Tax Credit allocations which could be used in Kansas include Bank of America, Citibank, Consortium America, ESIC New Markets Partners, Local Initiatives Support Corporation, MBS Urban Initiatives, National City New Market Fund, NCB, Structured Products Group, Wachovia, and others.

- **Tax Increment Financing.** The City intends to create a tax-increment financing district in what has been defined as the Nomar Marketplace District, containing the Nomar International Market site. Because the TIF has not yet been created, there are no existing funds for the construction of the market. However, if the TIF district is created in the future, it could provide funding for construction of parking facilities and other public improvements as the market and surrounding areas become more successful.

There are a variety of grant programs to help with the operations of the proposed Nomar International Market. ERA has identified the following:

- **Project for Public Spaces Grants**– This grant program makes approximately \$400,000 available for 10 public market projects. The focus of the program is on farmers markets, and the funds can help with both labor and other operational costs that are difficult to finance in other ways.
- **USDA Farmers Market Promotion Program** - The USDA has \$1 million available (maximum of \$75,000 per project) for eligible uses such as training and information sharing for farmers and vendors, consumer education, and innovative market operations strategies.
- **The Department of Health & Human Services Administration for Children and Families** – This grant program funds operating costs to CDCs that are experienced in implementing economic development projects, targeting those that provide assistance to low-income communities.

In order to raise the funds for capital costs and the operating gaps, the CDC should begin its fundraising activities as soon as possible to identify potential sponsors and partners.

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Planning & Regulatory Issues

In addition to the fundraising activities, the CDC will also need to work with the city and area property and business owners to address some of the planning and regulatory issues that will affect the market's operations. Some of these tasks include:

- Working with City officials to make sure that the activities planned will be permitted/licensed (outdoor vending, open-air food service, public events, etc.)
- Making arrangements with neighboring property owners to provide shared parking. This is critical since the market will not provide any on-site parking for its customers or businesses.

Development Issues – Next Steps

The following is a synopsis of the issues that will need to be addressed for progression of the selected design concept.

- 1) Re-alignment of Market Street north of 21st Street
 - a. Coordination of the final re-alignment of Market Street with the

Engineering Department (specifically Traffic Engineering).

- b. Issues related to the re-alignment are:
 - i. Vacation of City right-of-way
 - ii. Final alignment geometrics
 - iii. Coordination of Market St. intersection with 21st Street street improvement plans
 - iv. Existing utility modifications
 - v. Signalization and crosswalk design
- c. Initiate any traffic studies required by the Engineering Department.

2) Market Parking

- a. Purchase of land north of the Market for on-site parking and possible truck vendor area.
- b. Establish shared parking agreements with owners of parking lot on the west side of Market. These will need to be submitted to the City of Wichita prior to building permitting.
- c. Consideration of additional land acquisition for more adjacent parking

3) Planning/Operational

- a. Obtain a certificate of exemption from the North Industrial Corridor under ground water contamination initiative. This exemption will assure that the CDC is not held liable for the costs as-

sociated with the current mitigation efforts.

- b. Pursue establishment of a Tax Increment Finance (TIF) district for the Normar Market District. These funds could be used to finance additional capital costs associated with the market building project as well as other physical improvements in the market district.
- c. Pursue a Special Operations permit for food service in a public market from the Sedgwick County Health Department.
- d. Pursue vacation of zoning building setbacks to a zero-lot line along all street frontages and along the alley.
- e. Verify the current zoning will allow for a public market and pursue a conditional use permit if necessary.
- f. Coordinate proposed construction within City right-of-way. Determine if improvements by the CDC in right-of-way will require a minor street privilege permit or if the City of Wichita will assume ownership of those improvements.

Marketing and Promotion

An aggressive marketing and promotion program should be launched in advance of

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the market's opening in order to ensure its success. This entails reaching out to prospective shoppers as well as vendors, the community, partners and funders. Elements of the marketing program include the following:

- Advertising – The Nomar International Market should advertise in radio and print, taking advantage of Spanish-speaking media as well as English-speaking media. As a non-profit the market may be able to obtain free publicity in the form of public service announcements, newspaper articles, calendar listings in community newspapers, flyers, etc.
- Public relations – The market will need a full public relations program in order to ensure a good relationship with local political and business leaders and community members. Collaboration with other non-profit and cultural institutions with similar objectives is one way of accomplishing this. The CDC may also need to work with existing Nomar District business owners to get their support on the market project.

- Special events – Many public markets rely on special events to promote the facility. These can range from food tastings to music festivals. Special events can be a good opportunity to draw in new customers or cultivate sponsorships.

Vendor Qualification and Operating Guidelines

Vendor recruitment and qualification will be an important task prior to leasing the facility. This will include some of the marketing/promotion elements described above. The CDC will have to mount a campaign to identify and recruit potential vendors from all over the city that have an interest in operating a stall either on a weekly basis in the outdoor farmers market, or on a permanent basis in the indoor market hall. In order to do this, the CDC should work with existing organizations that provide assistance to small business owners and entrepreneurs. The CDC may also organize public meetings in cultural and community institutions to recruit vendors. Once potential vendors are identified and have applied, they should be interviewed and screened to make sure that they are qualified and experienced.

The CDC will also need to set up solid policy and tenant guidelines for management and operations of market prior to opening. The tenant guidelines will establish hours of operation, products sold, prioritization of tenancing, regulations on loading and unloading, etc.

Vendor Business Education

Given that a number of potential vendors may have limited experience running a business, it is recommended that the CDC enlists the services of local business training organizations. While these services might be offered directly by the CDC, the number existing business training programs in the City of Wichita offer opportunity to prepare these new business owners for the rigors of business operations and expose the values of Nomar International Market as a business incubator to the larger business community.

With that goal in mind, the CDC could develop a vendor transition program that assists the growing tenants to relocate to existing retail space within the Nomar District. This opens up more opportunities for new businesses to form and start at the market.

MARKET EXPANSION OPPORTUNITIES

The CDC should plan for future expansion opportunities. Given the market analysis data and the limited scope of the current project it is likely that the market will need to grow to accommodate an increasing number of market vendors. The following master plan outlines a proposed series of phases to begin the planning for future growth of the public market. This planning effort is important in consideration of the immediate land acquisition efforts needed for the initial phase of the project. The adjacent property will never be as affordable as it is today before the market is built. Additionally, the master plan concept will offer insights, positive speculation and leverage in negotiation of shared parking and other agreements with adjacent district business and property owners.

Of note, phase II identifies development of the site planned for parking in phase I. The master plan for this area will include the creation of open air kiosks that become wholly independent tenant spaces. They are enclosed, weather-tight, fully functioning retail spaces in a kiosk configuration. They can be completely opened up or enclosed and

offer the advantage of full utility service and a bit of autonomy from the tenants positioned directly adjacent to one another. A concept image of the kiosk is located in the appendix section of this report. The other element of new development on this same site is the development of additional storefront retail space that similar in size and design to the perimeter tenant spaces in the main market building. These spaces would be slightly larger than the 240 tenant module and have the same roll up door system and look of those in the main market building. Of course additional property would need to be purchased nearby to accommodate the current and increased parking requirements for the market facilities.

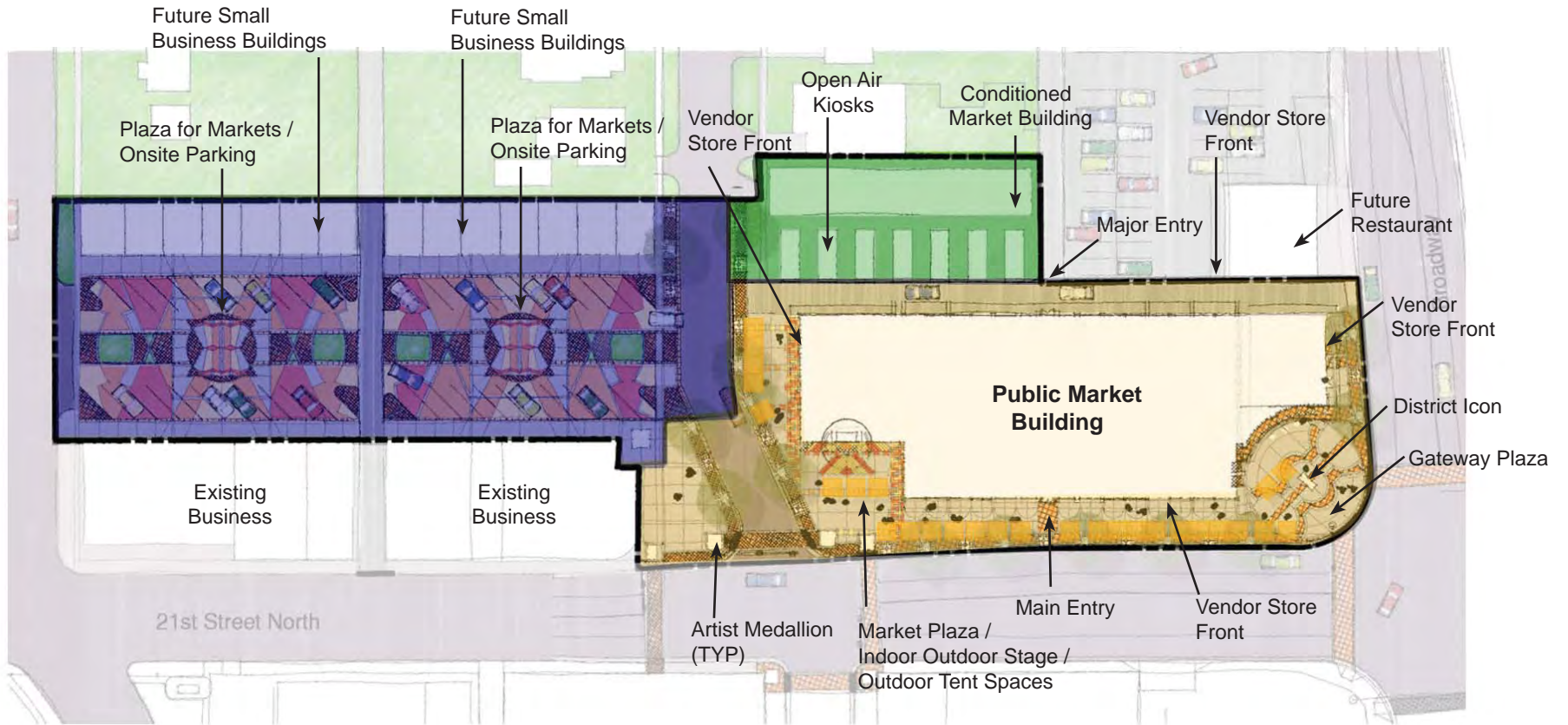
Phase III explores the development of a larger outdoor market plaza centered on a large central pedestrian plaza space that can serve as either event plaza, market parking, outdoor tenant (tent structures) configuration or any combination of the three. It is flanked by vehicular access drives which also serve to provide access to front door parking for new storefront retail space on the north side of the site and new storefront retail space carved out of the back of existing commercial buildings on the north side of 21st Street.

The master plan also serves to provide vision for the development of the market district as a whole. It is envisioned that the existing commercial properties along both sides of 21st Street North will benefit from the development of the market in the form of new tenants and increased interest in being associated with the successful public market facility. This new retail activity will migrate to a lesser degree to the existing commercial properties along Market street south of 21st Street. Additionally the existing commercial development along Broadway Avenue both north and south of 21st Street will evolve into a greater and denser mix of restaurant, retail, commercial and perhaps even residential offerings.

Serving as a catalyst for development in the Nomar District, the International Public Market will provide a positive and profound impact on the commercial activity and overall success of the district.

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Concept 1B Master Plan



- Phase I
- Phase II
- Phase III