



NORWOOD YOUNG AMERICA ECONOMIC DEVELOPMENT COMMISSION

Wednesday, January 13, 2021

6:00pm - <https://us02web.zoom.us/j/83725814399?pwd=aTRrUURaVS9VLzQ0ejE2QXowMUhudz09>

City Hall Council Chambers, 310 Elm Street West

AGENDA

1. Call to Order

A. Pledge of Allegiance

2. Oath of Office – New Commissioner Greg Kummer, Renew of Commissioner Jason Winter

3. Appointment of Officers

4. Adoption of Agenda

5. Approve Minutes

A. December 9, 2020 EDC meeting

6. Introductions, Presentations, and Public Comment

(Citizens may address the Economic Development Commission about any non-agenda item of concern. Speakers must state their name, address, and limit their remarks to three minutes. The Economic Development Commission will take no official action on these items but may refer the matter to staff for a future report or direct that the matter be scheduled for a future meeting.)

7. New Business

8. Old Business (Updates)

Develop opportunities for new businesses and expansions for current businesses.

8.1 Review Commercial Market Study - Presentation by Keith Wicks

8.2 Review progress of NYA Market Enrichment Grant Program

Increase outreach and enhance relations with current businesses.

8.3 Discuss Carver County CDA – Emergency Business Support Program

Continue to assess, accomplish and add goals to the adopted Downtown Redevelopment Implementation Plan.

8.4 Review Downtown Redevelopment Plan

Market Norwood Young America to current and new residents and businesses.

8.5 Review Highway 212 Updates - Virtual Tour Video

Enhance partnerships with Carver County and local schools.

8.6 Review Carver County CDA - Small Cities Development Program Grant

Continue and investigate the enhancement of relationships and partnerships with local organized groups.

8.7 Review updates from Chamber of Commerce

9. Upcoming Meetings

A. Next EDC meeting ~ 6:00 p.m., February 10, 2021

10. Adjournment



TO: Economic Development Commission

FROM: Karen Hallquist, Economic Development Marketing Director

DATE: January 13, 2021

SUBJECT: Appointment of Officers

Background

At the first meeting of each year, the Economic Development Commission elect officers for the Commission.

In 2020:

- Tonya Noeldner served as EDC Chair
- Connor Smith served as EDC Vice Chair
- Staff was designated as Secretary, similar to previous years

Action

Elect officers for 2021.

Commercial Market Study



Prepared for

City of Norwood Young America
Norwood Young America, Minnesota

January 9, 2021

By Keith Wicks & Associates

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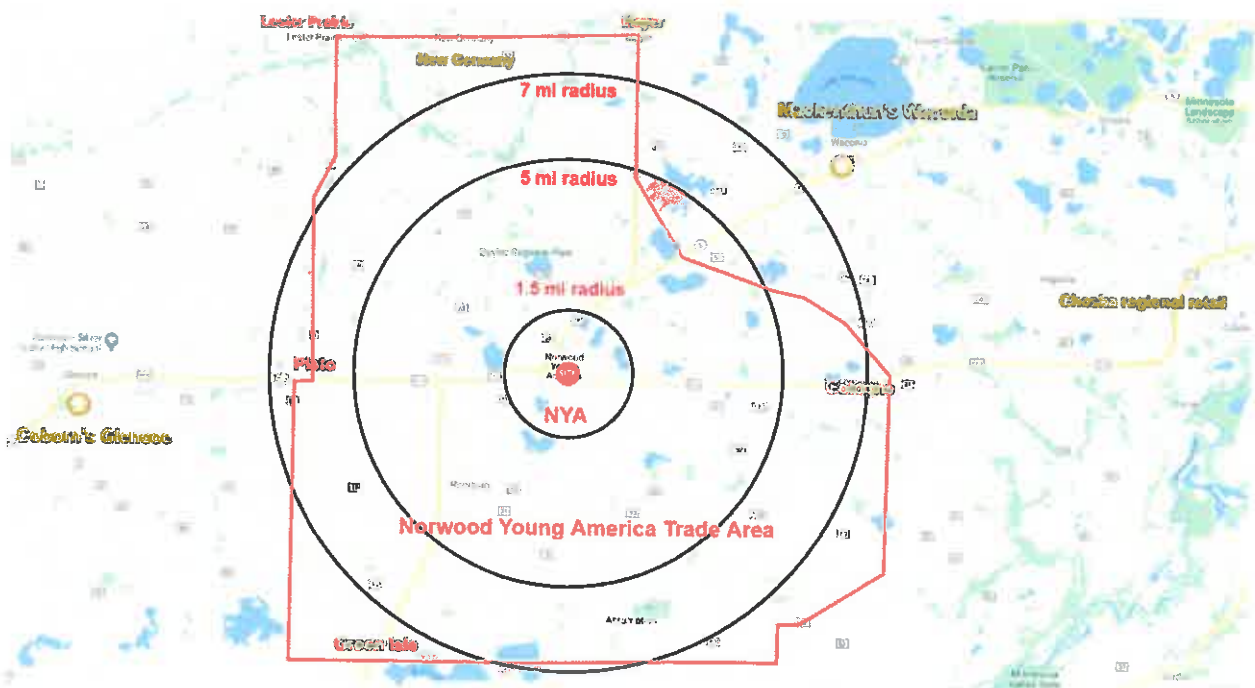
Introduction

City of Norwood Young America commissioned Keith Wicks & Associates (KWA) to update the Commercial Market Study, dated March 22, 2016.

The study objective is to update the assessed market and the recommended NYA commercial development strategy. The study purpose is for improving the community's competitiveness as a rural and bedroom community of the Twin Cities Metro and to strengthen NYA's commercial business and share of market potential.

Norwood Young America is a growing community rooted in small town values where you can raise your family, where businesses thrive, and you live each day to the fullest. A place where a high quality of life still exists, relationships are formed, and opportunities are found.

Welcome to Norwood Young America.
More than a place, it's home.



The map illustrates in red outline the delineated NYA commercial trade area along with the radii reach from the heart of NYA, used in reviewing market demand and demographics.

Introduction (continued)

Market assessment and business forecasts are made with:

- A. **Updating the NYA Commercial Categories model** of today's consumer demographics, expenditures, and business gap analysis. See page 26.
- B. **NYA Commercial Development model** - updated recommendations and forecasts by business category. See Commercial Development model, page 24.
- C. **Grocery store strategy** – expanded analysis, forecasts, and recommendations for re-developing a local, full-service grocer.
- D. **Consideration of market changes** having occurred since the 2016 study, that affect NYA's commercial situation and outlook.
 1. EDC's accomplishments in strengthening the community's marketability and commercial competitiveness.
 2. Benefits from the Highway 212 upgrade plan of access to City of Cologne, and improvements to the intersections of Faxon Road and Route 33, and the addition of a save access, pedestrian underpass of the highway, at Route 33.
 3. Changed, consumer shopping habits and lifestyle in pandemic times. Trends, including increased food-at-home dining, due to less restaurant demand.
- E. **Community plan** - EDC's 2020 Goals, NYA 2019 Annual Report, 2019 Downtown Redevelopment Plan, and insight from Karen Hallquist, NYA Economic Planning Director are considered for this report's community development strategy.

Two, report sections for EDC's use in commercial development planning:

- Section 1** NYA Grocery Store feasibility – expanded analysis, forecasts, and recommendations for redeveloping that local service. This is a key forecast and assumption for NYA's growth objectives, because:
- Full-service grocery is judged a critical community service for current residents and the interest of potential new residents.
 - It is also a key anchor business to the benefit of other community businesses, generating consistent and substantial consumer traffic.
- Section 2** NYA Commercial Development Strategy – updated analysis of measurable commercial categories and NYA's commercial business structure, and refreshed, recommended development strategy.
- Market Commercial Market Model - market demand, NYA market shares, business gap analysis.
 - NYA Commercial Development Model - suggested strategy to improve, local commercial services and competitiveness. Provides market insight of the situation and opportunity for existing business districts and businesses, and for prospective businesses.

Introduction (continued)

What has changed in the community and having been accomplished relative to identity and effects on the competitiveness of NYA's commercial business:



1. **New community brand** – the new logo and “home” slogan is an effective, overall impression made on the current community and growth potential.

Next step marketing strategy is to bridge the new brand to actual attractions, specialties, and the “home” experience.

Forward strategy identifies and highlights why NYA is “more than a place”, to strengthen the attractions, for market awareness and community growth.

2. **Highway 212 upgrade** – the in-process project will be completed in the short-term, for several benefits to the community.

It strengthens market access to Cologne, and the commute to and from the Twin Cities. Highway traffic is projected to increase 30+% to over 16,000 ADT, over the next ten years, due to this project and resulting community growth in population and commercial competitiveness.

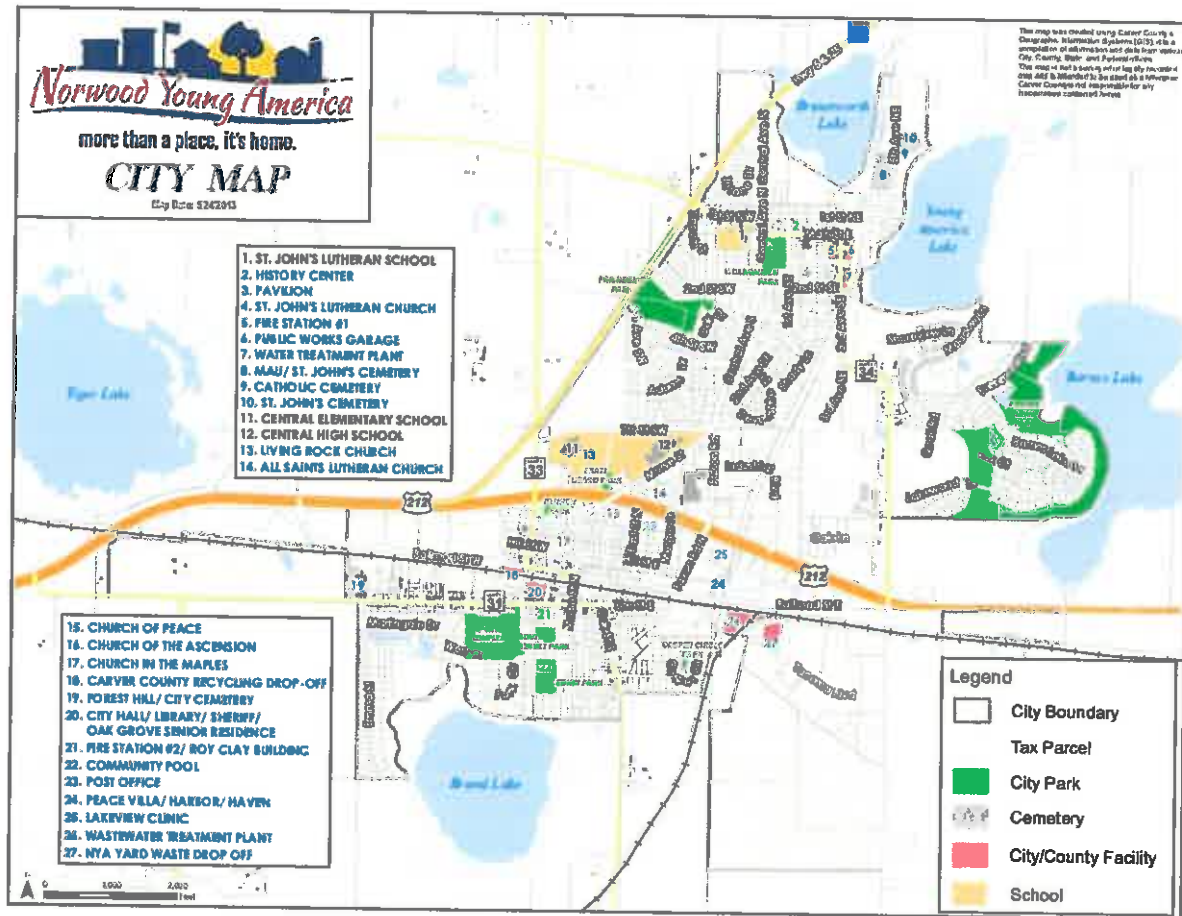
The project improves traffic gravitation at NYA's primary, commercial intersections at Faxon and Reform roads. Additionally, an intersection upgrade of Tacoma Ave. to improve access to Tacoma Industrial Park.

NYA's west side gains a roundabout at 5/25, and a pedestrian highway underpass at Reform Street, for safe passage to both sides of the highway, including the commercial and school districts.

3. **Community marketing strategy** - EDC is developing new marketing strategy and is driving consumer awareness via community websites and social media. A process of identity and communications of what's “more” in NYA.
4. **Accessible full-service grocery and fresh foods.** NYA lost its local grocery store. First step with this study is to explore the options and potential for redeveloping that anchor, convenience commercial service. A grocery store can be considered a critical, local service for community lifestyle, especially in the pandemic times. Consumer trends are with less in-restaurant demand and increased dining at home; the independent grocery sector reports sales increased about +12% YTD.

NYA Chamber of Commerce has organized a farmer's market, which along with the proposed grocery store are recommended with NYA's next phase of commercial development.

City Map



Section 1 - NYA Grocery Store Feasibility

Issue: NYA's only full-service grocer, Econofoods, closed in November 2019. Equipment is removed. The lease was ended by owner-operator SpartanNash, Grand Rapids, MI, a national grocery wholesaler and corporate store retailer.



Closed store detail:

- Approximately 25,000 total square feet.
- Econofoods weekly performance over the last decade is estimated at \$110,000-125,000, weekly sales, or about \$6,000,000 annually. The store was oversized for the market and business model, consequently operating at weak, retail productivity of under \$5.00/sf. The goal for a successful NYA first year store is about \$8/sf.
- At its best, Econofoods captured 20% market share against a competitive network 15-30 minutes from NYA. Its judged that Econofoods business was predominantly convenience driven. This study's proposed grocery store captures close to Econofoods market share and achieves reasonable first year retail productivity.

General location strategy:

1. Downsize from what Econofoods operated, to about 13,000 sf.
2. A retail supportive site, ideally with physical sight line for brand impressions made to community traffic. Comfortable site access, parking and receiving.
3. Choose the most favorable location for a grocery store to benefit other businesses, community businesses and for a special attraction. Econofoods closing weakened NYA's commercial competitiveness and is a loss of consistent business exposure for other NYA businesses. Today's missing grocery service tempers the point of "Its more than a place".

Section 1 - NYA Grocery Store Feasibility (continued)

A. Grocery Retailer Candidates

1. **Chain grocers do not have a small market retail model**, aside from the Save A Lot franchise full-service grocery but an extremely limited variety format and business character. SAL is a possibility but generates about half of a conventional grocer's potential. SAL would be a below average option for EDC's objectives.
2. **An independent grocer is a fitting candidate** but a shrinking group of grocery operators due to the traditional format, e.g., IGA, struggling for profitability against today's competitive structure and operating expense.

The solution for a NYA independent scenario is to strengthen the conventional format with *fresh market* strategy (higher sales potential and profitability), which further narrows the retailer candidates to those able and willing to develop that model in a small market. One possibility: Roger Teal family, Teal's Markets (<https://www.tealsmarket.com>), a ten-store regional business. There are experienced grocery managers for first store opportunity but little to no equity investment, so that relies on creative financing.

Another solution: food co-ops are trending for small and underserved U.S. markets, and the Twin Cities has more co-ops per capita than other U.S. markets. E.g., The Wedge, Valley Food Co-op, Lakewinds, and small market examples of Just Food Co-op (Northfield), St. Peter Food Co-op.



St. Peter Food Co-op



Teals, Paynesville

Traditionally, food co-ops are natural & organic formats. Member owned and open to all consumers. The food co-op program is expanding to include conventional formats to serve small markets and underserved communities.

Natural & organic models offer higher profitability at lower sales volume. Conventional formats appeal to the broader market, capturing higher sales volume for profitability. And food co-op culture is fitting for NYA's objective, including contribution to the "More than a place, its home" theme.

Forecasts are for a conventional grocery store with fresh market strategy, whether independent or cooperative.

Section 1 - NYA Grocery Store Feasibility (continued)

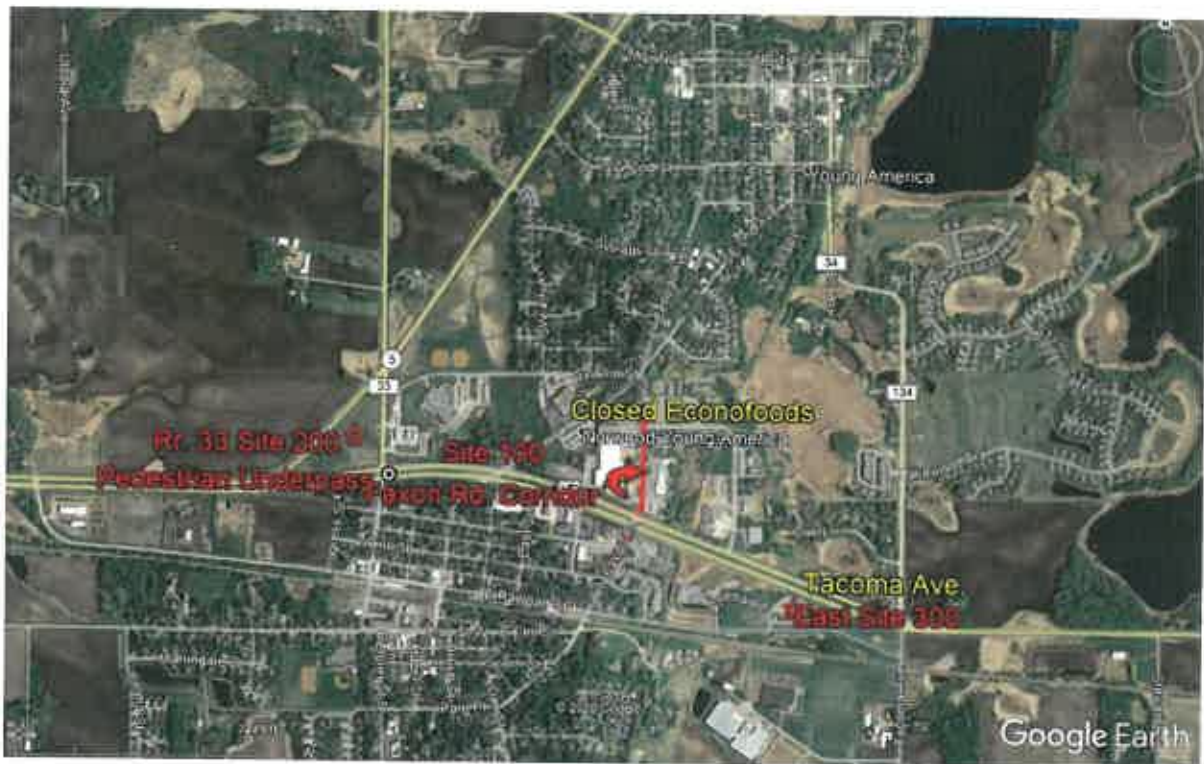
This study's proposed grocery store at 13,000 sf would be 52% of the size of the Econofoods facility. Smaller size is countered with a stronger retail format and operation, thereby capturing similar sales level to that of Econofoods.

The goal for the proposed NYA grocery store is upwards of 20% market share by first yearend. Nearly half of that business would come from city residents and the remainder from neighboring small towns and rural sectors out to about 7-miles radius of NYA.

Projected store size, 13,000 total square feet, is a small store yet offering full-service variety and room for the featured, fresh attractions. Recommended size is determined from results of the sales forecasting process per \$/sf retail productivity.

The business will rely on a retail supportive site for parking, receiving, storefront presentation and sight lines to traffic (or at least a highway pylon sign).

A. Three, Grocery Store Sites



Section 1 - NYA Grocery Store Feasibility

A. Three, Grocery Store Sites (continued)

1. **Faxon Road Site 100** – this is the established, community grocery store location, at the north end of the commercial corridor from Highway 212.

The forecast isn't site-specific, instead made with the general assumption the store would have supportive sight lines for making business impressions to area traffic. Ideally, direct sight line from the storefront, but at least with a significant roadside sign for interior location like the Econofoods site.

The Faxon Road corridor is NYA's most diverse mix of commercial activity, with Klein and Citizen's banks, Family Dollar, Marsden Pharmacy, Good Time Liquors, the bowling alley, McDonald's and more. In other words, NYA's strongest commercial district.

The business setting and traffic gravitation is improving with the in-process upgrade of the highway and Faxon Road intersection.

Site suggestions: the Econofoods facility, divided for the grocery store and other use, or with redeveloping the Sinclair property.

Faxon Road Site 100



Section 1 - NYA Grocery Store Feasibility (continued)

A. Three Grocery Store Sites (continued)

2. **Route 33/Reform Street Site 200** – northwest corner of the intersection with Highway 212, i.e., the “triangle” property.

This is an emerging commercial district with the relatively new Kwik Trip and small strip center with Snap Fitness and Eye Care. It has proximity to NYA schools and will have upgrade highway intersection and new, pedestrian highway underpass.

The location is projected with slightly less competitiveness than a store at Faxon Road, citing the emerging commercial district and ahead of details for the site location. However, either Site 100 or 200 can be a competitive and supportive location for the proposed store but depending on details of each site plan.

This location has better convenience to the west side of NYA's trade area, and comfortable access to all city sectors.



Section 1 - NYA Grocery Store Feasibility (continued)

B. Three Grocery Store Sites (continued)

3. **East Side Site 300** – this location is most convenient to the east side of the trade area, i.e., to Cologne, but is less desirable than Site 100 or 200 for business potential and NYA commercial development strategy.

The site is less competitive due to building configuration, no significant adjacent business, and the setback from the highway intersection with Tacoma Avenue.

General assumption: 13,000 sf of the approximate 30,000 sf strip center could be effectively fitted for the proposed grocery store.



Section 1 – Conclusion, NYA Grocery Store Feasibility

The objective with this section is to prepare the City Council with explanations of the market situation and options for redeveloping local, full-service grocery, for purpose of approaching prospective retailers with interest in the NYA opportunity.

The information is basis for discussions toward identifying the best available site for all involved.

The projected 13,000 sf store is an approximate size to fit the retail food market with over 11,000 consumers with \$550,000 in weekly retail food potential. Market feasibility for the proposed store is a goal of capturing 17.5% market share. Store size might be increased per details of a site and retailer. The store can be downsized, but that can significantly affect variety and service.

Concluding points of the study:

- ✦ **Faxon Road commercial corridor might be the grocery store's best location** to service consumers and for commercial competitiveness. However, the feasibility of that scenario relies on an available property, business sight lines, and cost of development.
- ✦ **Site 200 has similar potential to Site 100.** The subject "triangle property" seems retail supportive and has good, market access to neighborhoods and rural sectors, and good proximity to NYA's commercial and downtown districts. It is most convenient for the school district and the new pedestrian, highway underpass.

The question is whether EDC prefers developing the grocery store as an anchor business of the established Faxon Road district or at the emerging Reform Street district.

- ✦ **Site 300 is not a recommended grocery location** due to retail support issues.

The market model and suggested retail model on the following pages are the market feasibility estimates and projections for consideration by retailer candidates.

The NYA Market model on page 17 assesses current market population, consumer profile and 1st-year forecasts for each site. The recommended business model is *fresh market*, with fair price, traditional grocery products, and emphasized fresh foods. That model's full potential relies on developing strong business character with exterior and interior presentation, and consumer comforts in the local source for quality service and community social affair.

The NYA Grocery Retail Model on page 18 identifies how each service of fresh market strategy would achieve the performance and profitability goals.

Forecasts can be updated for new details and assumptions, through new store planning process.

NYA's commercial market potential is a positive outlook. Population is projected to grow +1.4% annually which could be underestimate of the impact Highway 212 upgrade and NYA's new marketing campaign as a bedroom community of Twin Cities Metro. Grocery store potential in pandemic times has increased *double digits*, since Econofoods departed, due to more at-home dining and less in-restaurant dining. NYA has a favorable, market conditions.

Section 1 – Conclusion, NYA Grocery Store Feasibility

Section 1 provides initial assessment of the project's market feasibility, for all interested parties. The most fitting scenario for EDC's commercial development objective would seem to be for a community owned, full-service food co-op. A well-organized effort and community backing can lead to more than replacing NYA's lost, grocery service. It can be a difference-maker in quality of service, and with contributing to community identity and a hometown theme. Food co-ops are becoming the small market, new era independent grocer.

1. **Timeline to store opening** – an established independent might be prepared to take occupancy in 18-months, given property readiness for construction. A food co-op takes longer, with organizing and funding, so upward of 3-years with a well-organized process.
2. **Starting a food co-op** – organize and develop community awareness and membership.

Food Co-op Initiative (FCI) – federal, corporate, and privately funded services to assist startup food co-ops. Executive Program director, **Stuart Reid**, stuart@fci.coop, <https://www.fci.coop>, is aware of Norwood Young America and the grocery service matter, and glad to meet with EDC for introductions. KWA is glad to help arrange the meeting.

Another food co-op consulting source is Columinate, a group of specialists in assisting in food co-op development, including proforma financial feasibility.

- A. **Food co-op membership** – when the membership drive reaches 300-400 member-owners, the project has reasonable basis for committing to retail planning and further feasibility analysis. Forecasts are updated with an identified site and planning details.

Updated forecasts lead to proforma financial analysis, to establish the financial model which is used for scenario updates through the business planning process, to the point of a financially viable scenario and basis for the project business plan.

3. **Store design** – when the cooperative reaches about 800 member-owners, it is considered at a comfortable business level to engage store design by an experienced grocery designer.



St. Peter, MN Food Co-op

4. **Project cost** – *ballpark estimates* for small stores can reach \$300+/sf to convert leased space to the traditional natural & organic food co-op. NYA's store would be less because it is above the average N & O store size, and is a conventional food format, thereby estimating \$300/sf or about \$4m (construction, grocery *buildout*).

Section 1 – Conclusion, NYA Grocery Store Feasibility

A. Organizing -

- 1) **A food co-op, development steering committee** conducts site search, real estate developer search and membership drives. When needed, it develops the retail planning. All with assistance of grocery and food co-op consultants.
- 2) **Excerpt from FCI: When should we incorporate?** Incorporation provides some protection to the organizers (the so-called “corporate shield”) and assurance to potential members and supporters that the organizers will be accountable. In most states, incorporation is relatively simple and inexpensive. We recommend that you consider filing with your state office as soon as you have a group of committed organizers, evidence of strong community support and a preliminary, informal assessment that your co-op concept can be viable. While Articles of Incorporation are pretty standardized, we still recommend that an attorney familiar with cooperative laws in your state review your application.


Once incorporated, the steering committee transitions to a board of directors to continue planning, with help of grocery and food co-op consultants.

- 3) **General manager** – the board hires a qualified g.m. 6-months to 1-year ahead of store opening, to tailor the retail plan and begin developing the operation.
 - 4) **Store opening** - the board oversees project development and ultimately business performance, on behalf of the owners and investors. Additionally, the board assists the g.m. with developing cooperative business culture for community relations, store events and membership growth.
5. **Funding** – there are a variety of funding sources. In the case of NYA, the general qualification is for a small and growing, rural city with rural farming sectors. Source examples:
- A. FCI for a project seed grant.
 - B. SBA is an option for the primary bank loan source.
 - C. USDA offers funding assistance: small community economic development, low interest loans, and business development grants, including brick & mortar investment and supporting initial operations.
 - D. New Market Tax Credits.
 - E. LISC small community grants.

The funding process investigates local, regional, state, federal and private sources to finance about 80% of project cost. Project owner/operator is responsible for about 20% equity investment, e.g., 1,200 member-owners = about \$250,000 equity of estimated \$800,000 equity goal for a \$4m project. The \$550,000 gap is made up by grants and member loans.

Grocery Store Forecast, Version 1.1, Sept. 17, 2020														
Norwood Young America														
	NYA Site 100, Highway 212 & Faxon Road				NYA Site 200, Highway 212 & N. Reform Street				NYA Site 300, Highway 212 & Tacoma Avenue					
	1.5-Mile	5-Mile	7-Mile	Trade Area	1.5-Mile	5-Mile	7-Mile	Trade Area	1.5-Mile	5-Mile	7-Mile	Trade Area		
Population	2020 Population	4,050	6,003	11,896	11,352	Same, Market Demographics as Site 100				Same, Market Demographics as Site 100				
	Proj. 2025 Pop.	4,382	6,510	12,176	12,133									
	Difference	332	507	280	781									
	Annual % Difference	1.6%	1.7%	0.5%	1.4%									
	Daytime Workers	1,299	1,912	3,196	3,004									
	Businesses	143	205	359	360									
Households	Persons Per HHD	2.5	2.5	2.7	2.6									
	Housing Units	1,624	2,364	4,452	4,571									
	Rental Housing	28.1%	23.0%	16.8%	17.1%									
	Occupied Housing	97.2%	97.1%	97.4%	92.9%									
	Aver. HHD Income	\$ 86,920	\$ 96,604	\$ 102,408	\$ 96,501									
	Med. HHD Income	\$ 74,611	\$ 78,757	\$ 87,974	\$ 83,526									
Residents	HH Income <\$35k	18.4%	16.5%	14.1%	14.7%									
	Family Households	67.6%	70.0%	73.2%	72.8%									
	% White	83.6%	84.2%	84.0%	84.3%									
	% Black	0.8%	0.8%	1.4%	1.3%									
	% Asian	1.1%	1.0%	1.1%	1.1%									
	% Other	2.8%	2.4%	1.8%	1.8%									
	% Hispanic*	4.9%	4.3%	3.8%	3.6%									
	% Seniors; > 65 Y.O.	20.8%	19.8%	16.4%	17.3%									
	% Children; < 18 Y.O.	22.6%	23.2%	26.3%	27.8%									
	4+ Yr College Degree	24.2%	23.6%	30.3%	25.3%									
Site Traffic	Median Age (yrs)	42.7	42.2	39.2	40.3									
	Primary Route ADT*	10,900	Hwy. 212, in between Site 100 & Site 200.			10,900	Hwy. 212, in between Site 100 & Site 200.			12,700	Hwy. 212, east of site and in between Salem Ave. & Route 51.			
			No other noteworthy counts.			13,100	West of Site 200, at Route. 5.				No other, noteworthy counts.			
	Cross Street ADT	No count	Faxon Road.			2,650	Rt. 33 (N. Reform St.)			1,450	Tacoma Ave., Route 34.			
	Market Traffic Comments	MNDOT projects Hwy. 212 traffic to increase over 16,000 ADT by 2030, or +3.2% annual growth. All three sites have convenient cross routes into Norwood and Young America neighborhoods. There is no NYA public transportation assumed with each site's situation (e.g. bus, community shuttle).												
	Site Comments	Established NYA retail and grocery location. Central market position. The projected store is assumed to have a retail supportive site and business profile, i.e. sight lines to area traffic.				"Triangle" property at the emerging, west district. Comfortable access to NYA's consumer sectors. Conservative forecast for slightly less competitiveness than developing at the Site 100 district. Potential for both locations is dependent on development detail.				East side location at Tacoma Ave. Positioned for best convenience to Colone and Hwy 212 commuter traffic. Aggressive forecast that assumes the existing strip center can be effectively converted for the proposed store...size and business layout.				
Forecasts	Primary Competitors	0	0	0	0	0	0	0	0	0	0	0	0	
	Primary Area Weekly, Potential	\$ 202,500	\$ 300,150	\$ 594,800	\$ 567,600	\$ 202,500	\$ 300,150	\$ 594,800	\$ 567,600	\$ 202,500	\$ 300,150	\$ 594,800	\$ 567,600	
	Projected Grocery Store Size (sq ft)				13,000				13,000				13,000	
	Projected Market Share	25.6%	25.6%	17.6%	17.5%	25.1%	24.9%	17.1%	17.1%	23.2%	15.8%	15.8%	15.8%	
	Sales Forecasts	\$ 52,245	\$ 76,838	\$ 104,685	\$ 99,330	\$ 50,782	\$ 74,687	\$ 101,754	\$ 96,847	\$ 47,021	\$ 47,544	\$ 94,216	\$ 89,397	
	Draw (Footnote 1)	46.3%	68.1%	92.7%	88.0%	46.1%	67.9%	92.5%	88.0%	47.3%	47.8%	94.9%	90.0%	
	1st Yearend Weekly Sales				\$ 112,875				\$ 110,053				\$ 99,330	
	\$/SF Retail Productivity				\$ 8.68				\$ 8.47				\$ 7.64	
	1st Year Aver. Weekly Sales				\$ 104,409				\$ 101,799				\$ 91,880	
	\$/SF Retail Productivity				\$ 8.03				\$ 7.83				\$ 7.07	
	NYA Grocery Store Annual Sales				\$ 5,429,288				\$ 5,293,555				\$ 4,777,773	
	Proposed store's weekly customer traffic				5,593	The store's weekly customer traffic and business exposure for other NYA businesses. Estimated per transaction averages of \$30 and 1.5 per. . Exposure for adjacent businesses.								
1. Draw: % of total store sales projected from each radius reach, and ultimately from the defined primary trade area. Remaining sales forecast is from residents beyond the trade area (including visitors) and captured consumer expenditures for restaurant demand. 2. Baseline grocery store forecast is sales developed by first year ending (4th quarter average), for use in detailing the retail model and primary services, and for operations goals and budgeting. 3. Sales forecasts also include first year, average weekly sales for use in proforma analysis for funding.														

This is the suggested retail model for a NYA fresh food grocery store whether independent or cooperative owned and operated. Forecasts are updated to a chosen site and with retail planning.

	NYA Grocery Store, Suggested Fresh Market Model					
	Projected Weekly Sales	Distribution (% to total)	\$/SF	Gross Margin %	Gross Margin \$	Annual Sales
Fresh Meat & Seafood	\$ 15,661	15.00%		30.00%	\$ 4,698	\$ 244,318
Fresh Produce	\$ 15,661	15.00%		32.00%	\$ 5,012	\$ 260,606
Fresh Deli-Bakery	\$ 8,353	8.00%		55.00%	\$ 4,594	\$ 238,889
Grocery (conventional product)	\$ 38,631	37.00%		24.00%	\$ 9,272	\$ 482,121
Bulk Food	\$ 4,176	4.00%		30.00%	\$ 1,253	\$ 65,151
Health, Wellness & Personal	\$ 5,220	5.00%		30.00%	\$ 1,566	\$ 81,439
Dairy	\$ 11,485	11.00%		26.00%	\$ 2,986	\$ 155,278
Frozen Food	\$ 5,220	5.00%		28.00%	\$ 1,462	\$ 76,010
1st Year Average Sales	\$ 104,409	100.0%		29.54%	\$30,843	\$5,429,288
4th Qtr. Average (year ending)	\$ 112,875			29.54%	\$30,843	\$5,869,500
Market Share (trade area)	17.30%					\$451.50/SF
Total Store Size and \$/SF	13,000	100%	\$ 8.03	29.54%	\$ 1,603,812	
Retail Area	8,840	68.0%	\$ 11.81			
Total Backroom Area	4,160	32.0%				
Est. Aver. Transaction/Total	\$ 28.00	3,729	Conservative transaction per market profile.			
Business Traffic		4,661	Weekly consumer traffic (aver. 1.3 persons per transaction.			
1. This forecast is for Site 100, but can also be considered for Site 200, with initial discussions and marketing for a prospective retailer.						
2. Operations productivity, or Sales Per Labor Hour (SPLH) is a goal of \$155. The store would have 30-40 employees of which about 10 would be skilled positions.						
3. Projected gross margins are the goal for a competitive business and successful connection with the community.						
4. Proforma analysis uses the project assumptions with this table, for 1st-Year Average Sales, 1st yearend gross margin, and will need labor estimates from continued retail planning.						

Section 1 – Conclusion, NYA Grocery Store Feasibility

Trade Area Demographic Overview

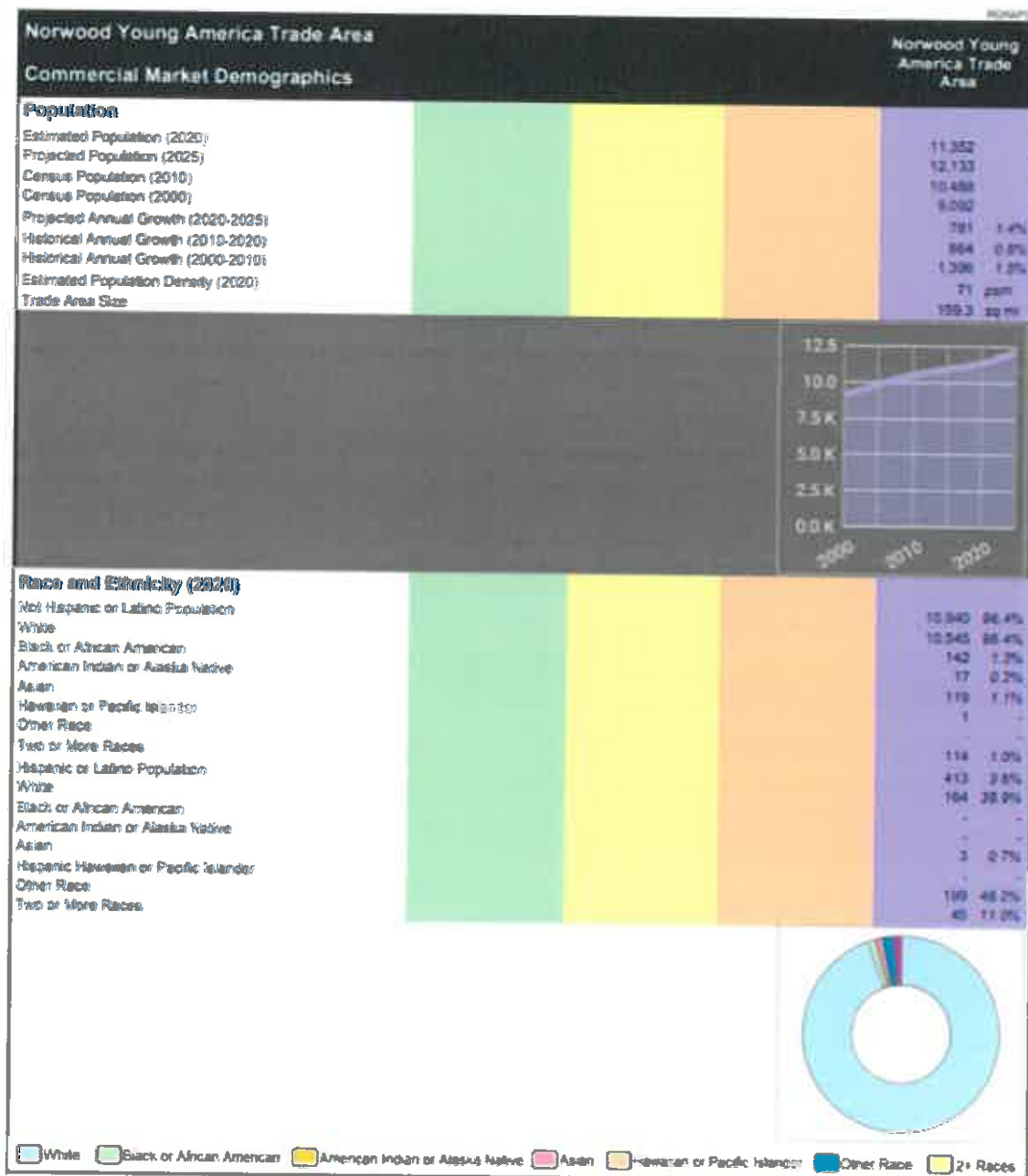
2000-2010 Census, 2020 Estimates with 2025 Projections

Calculated using Weighted Block Centroid from Block Groups

City of Norwood Young America

Keith Wicks & Associates

Lat/Lon: 44.7794/-93.9092



GRAPHIC PROFILE

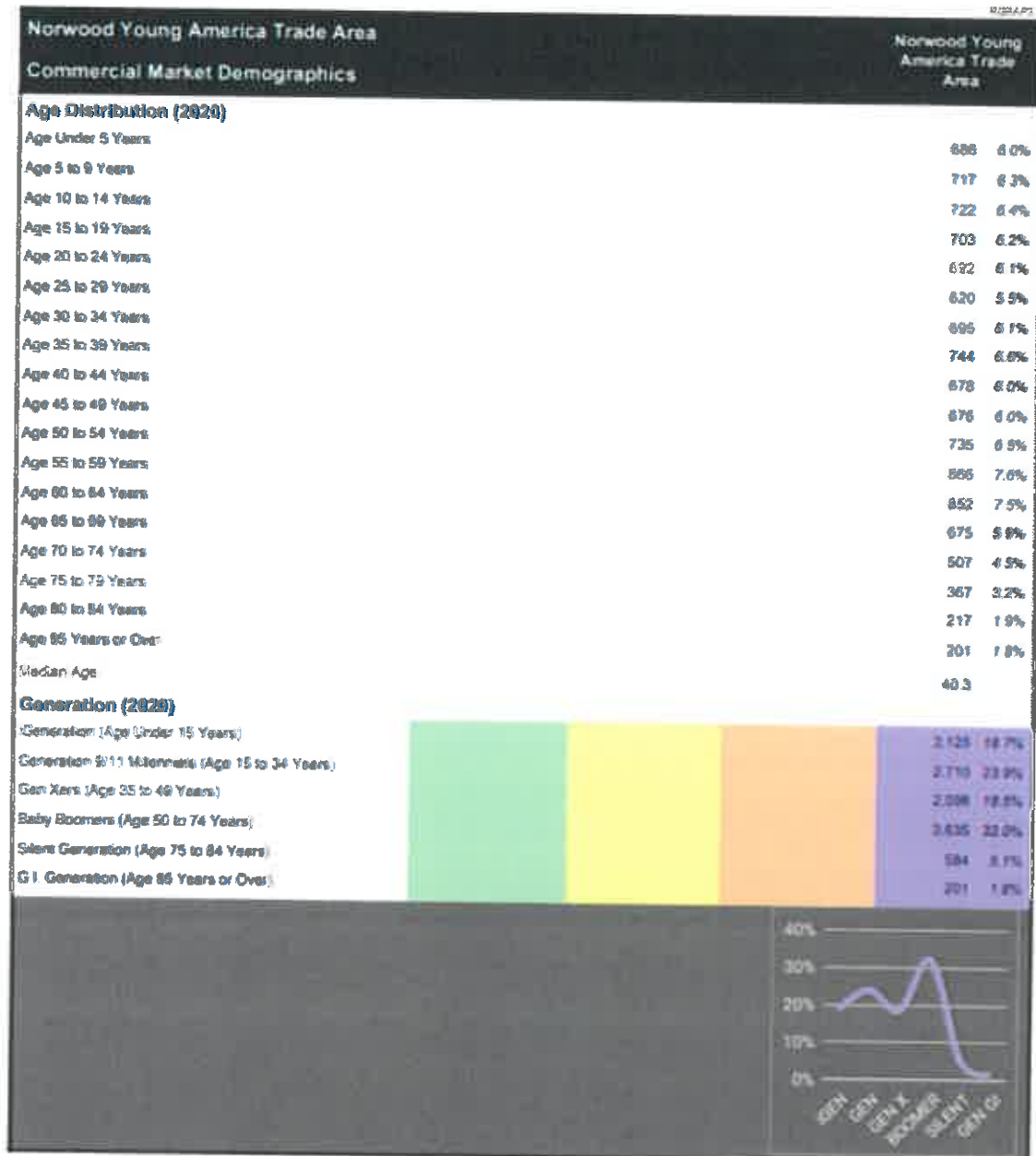
2000-2010 Census, 2020 Estimates with 2025 Projections

Calculated using Weighted Block Centroid from Block Groups

City of Norwood Young America

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Lat/Lon: 44.7794/-93.9892



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SECTION 2 – COMMERCIAL DEVELOPMENT STUDY

The purpose is to update KWA's 2016 NYA Commercial Market Study and the recommended Commercial Development Strategy.

Section 2 is a reference for insight of the market and growth scenarios, for use by community planning and business interests. Analysis of:

1. **Market profile** – population, demographics, and commercial expenditures.
2. **NYA's current business structure** – market share captured by existing businesses, and the assessed competitiveness of the NYA commercial entity.
3. **Leakage** – the share of NYA's market potential lost to other markets.
4. **Growth strategy** – opportunity to increase NYA's commercial business and community attractions, for existing and new businesses.

The Commercial Market Study concludes with:

- ✚ NYA Commercial Market Model, page 26 - assessments and forecasts.
- ✚ NYA Commercial Development Strategy, page 27. Reasonably achievable, upside commercial tactics, to improve local service and competitiveness.

MARKET CHANGES SINCE THE 2016 STUDY:

- ✚ **NYA's only full-service grocery store closed.** The facility is vacant since 4th quarter 2019; equipment removed. Section 1 Grocery Market Survey is the detailed study for the feasibility for developing a NYA grocery store.
- ✚ **Highway 212 project** - road upgrades are complete. Landscape and a pedestrian underpass will be completed in spring 2021.
 - Resurfaced freeway from Cologne to NYA.
 - NYA's residents and businesses benefit from upgrade of all three, highway intersections, and a new freeway pedestrian underpass.
- ✚ **Pandemic times** – the retail industry is adapting to changes in consumer demand, lifestyle, and shopping trends. This provides upside opportunity for NYA existing businesses, and for new businesses. These times can be considered favorable for fresh, commercial strategy, especially regarding groceries and food service.



IDENTITY

NYA's commercial potential is affected by the supporting factors, including community identity. NYA has established a new brand (logo and slogan) and marketing strategy for external marketing with use of digital and social media marketing, and events.

NYA's community marketing strategy is revisited regarding support of the community commercial sector, developing new business interests for modern times.

Marketing programs for awareness and interests in visiting and doing business in NYA, can be further developed with telling more of why NYA is "more than a place":

- Special attributes, e.g., small-town culture, metro conveniences, farm & small-town cultures, schools, churches, community affairs, recreation through all seasons.
- Special attractions, e.g., Stiftungsfest, Bongards Creameries, event centers, special dining, outdoor activities.
- Outdoor experience, e.g., summer recreation fields, Downtown Young America's Willkommen Park & Pool, Stiftungsfest, hiking, Baylor Regional Park.
- Dining experience for residents, visitors, and destination trade. Competitiveness and profitability rely on tailoring menus, operations, and marketing, for modern times. NYA's full-service restaurants (Northside grill, Midtown Grill, Unhinged Pizza, Lazy Loon Event & Bowling Center. There are three, limited-service restaurants (McDonalds, Dairy Queen and Subway) and On-Point Nutrition (smoothies).

There is opportunity for a dominant, full-service restaurant, and culinary types and themes to consider, e.g., German heritage, on-trend micro brewery (see Brickfields, Granstsborg, WI), natural & organic, locally sourced.

Patios and rooftop venues are on trend. There may be opportunity to strengthen Downtown Young America's Northside Grill and patio, or to develop a location with a view (e.g., The Old Mill House).

- Entertainment – beyond outdoor and dining experience, identify NYA's other experiences, e.g., bowling, senior center, calendar of events, city hall and library,
- Farm experience – promote the locally sourced products from farms as well as small batch producers, and Bongards Creameries. Identify experiences via tours, craft making, horse riding, b & bs, hayrides, etc.
- Commercial services – the mix of retail services and special attractions for local needs, guests, and destination traffic, including full-service grocery.

There are existing attractions and others to be developed in commercial Strategy.



COMMERCIAL DISTRICTS

Location affects the options and potential of various opportunities for commercial growth.

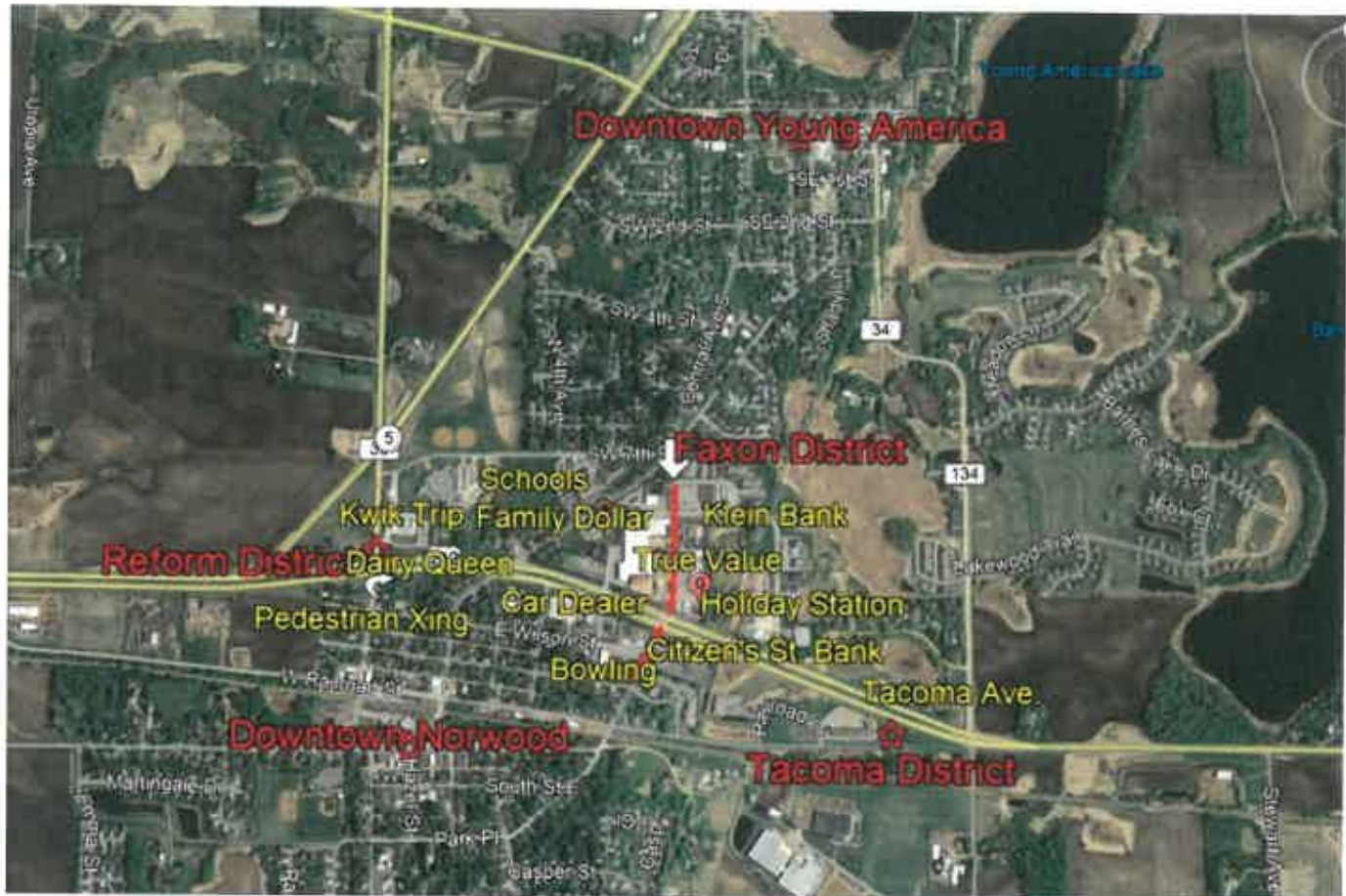
NYA has five commercial districts to consider with the development plan. Each district has its own character, strengths, and weaknesses for consideration with growth tactics.

1. Faxon Road – NYA's primary commercial district and mix of services. It lost an anchor business and NYA's only full-service grocer late in 2019 (Econofoods).
2. Reform Road – emerging commercial district anchored by an up-to-date Kwik Trip. Proximity to schools and will have a new pedestrian freeway crossing, spring 2020. Development opportunity focuses on the northwest corner of the intersection, the *Triangle Property*.
3. Tacoma Avenue – first intersection toward the metro. The small strip center struggles to support retail. The L-shaped complex seems better suited for other strategy, e.g., office complex, health care, an entrepreneurial model (shared expenses) for the arts, tech, and personal services...something with relation to NYA's industrial park at the south side of Tacoma Avenue.
4. Downtown Norwood – the corridor consists of City Hall and Library, Pour House bar, and The Quilting Grounds. It is a low profile, commercial district. Available commercial facilities will eventually be assumed by small businesses, as NYA grows. However, a *downtown* entity can add substantial strengths to community character and culture. The suggestion here is to determine feasibility of organizing for an effort to design a setting and theme of business for a commercial village-like mix of related, small business...that objective...identify properties and scenarios for commercial development, e.g., the arts, food service, craft, tech services, b & b lodging. Designing a marketable entity for local service, destination business, and e-commerce.
5. Downtown Young America – the 2016 survey identifies limited real estate options for developing new business yet recognizing the attraction of Willkommen Park, Northside Grill & patio, as well as Gasthouse and Last Call bars. There may be retail and other entertainment opportunity with The Old Mill facilities.

Each district has its own character and development opportunities for consideration in NYA's commercial growth strategy.

Example of location effects: Section 1 proposed grocery store can be developed at any of the three, highway districts. Tacoma district is least viable for retail. NYA's primary retail services are best suited to the Reform or Faxon districts. However, the best site choice is dependent on details of plans.

Five Commercial Districts



NYA COMMERCIAL MARKET MODEL

Gap analysis considers market potential and the level of leakage not captured by NYA's commercial sector. Analysis led to the recommended NYA Commercial Development Strategy (page 27).

The market model on the following page is an assessment, pre-pandemic. The assumption is NYA development scenarios would account for the market's new norms. Changes might increase operating costs with online demand, order pickup and delivery, even e-commerce. Community strategy might offer support of a central service for marketing and admin support...group cost savings.

The recommended strategy also considers that a full-service grocery store would be developed in the short-term, for advantages of the fundamental community service, increased traffic, and business profile.

NYA COMMERCIAL MARKET MODEL

Norwood Young America Commercial Market											
Housing & Population	2021 Market Demand			2021 NYA Supply				Opportunity/Gap Surplus			
	4,452 11,896 % of HHD Commercial Expenditures	Annual Market Potential	Weekly Potential	# of Stores	Annual Sales Captured	Weekly Sales Captured	Share of Category	% Gap to Total Category	Surplus Annual Sales	Surplus Weekly Sales	
Retail Categories	74.2%	\$273,497,806	\$5,259,573	35	\$67,370,210	\$1,295,581	24.63%	51.9%	\$141,877,421	\$2,728,412	
Groceries (post Econofoods)	11.7%	\$31,885,958	\$613,192	4	\$8,515,000	\$163,750	26.7%	73.3%	\$23,370,958	\$449,442	
Full Service	9.2%	\$25,025,049	\$481,251	0	\$0	\$0	0.0%	100.0%	\$25,025,049	\$481,251	
Conv-Stores/Dollar Store	2.5%	\$6,860,909	\$131,941	4	\$7,759,688	\$111,520	113.1%	-13.1%	-\$898,779	-\$17,284	
Beer, Wine & Liquor	1.0%	\$2,696,234	\$51,851	1	\$1,089,279	\$20,948	40.4%	59.6%	\$1,606,955	\$30,903	
Gasoline Stations	5.5%	\$15,137,571	\$291,107	4	\$24,916,123	\$479,156	164.6%	-64.6%	-\$9,778,552	-\$188,049	
Food Service & Drinks (pre-pandemic)	8.5%	\$23,307,550	\$448,222	11	\$6,238,983	\$119,980	26.77%	73.2%	\$17,068,567	\$328,242	
Full Service	3.7%	\$10,001,809	\$192,342	4	\$2,005,523	\$38,568	20.1%	79.9%	\$7,996,286	\$153,775	
Limited Service	3.2%	\$8,848,094	\$170,156	3	\$3,828,149	\$73,618	43.3%	56.7%	\$5,019,945	\$96,537	
Misc. Specialty, e.g., bakery	0.7%	\$1,902,068	\$36,578	0	\$0	\$0	0.0%	100.0%	\$1,902,068	\$36,578	
Beer, Wine & Liquor	0.9%	\$2,555,579	\$49,146	4	\$405,311	\$7,794	15.9%	84.1%	\$2,150,268	\$41,351	
Health & Personal Care	5.7%	\$15,514,855	\$298,363	5	\$2,616,382	\$50,315	16.9%	83.1%	\$12,898,473	\$248,048	
Pharmacies & Drug Stores	4.8%	\$13,211,915	\$254,075	1	\$2,045,005	\$39,327	15.5%	84.5%	\$11,166,910	\$214,748	
Optical Goods	0.2%	\$501,048	\$9,636	1	\$250,600	\$4,819	50.0%	50.0%	\$250,448	\$4,816	
Other Health Personal Care	0.3%	\$794,787	\$15,284	3	\$320,777	\$6,169	40.4%	59.64%	\$474,010	\$9,116	
Cosmetics, Beauty Supply	0.4%	\$1,007,105	\$1,048	Misc	\$0	\$0	0.0%	100.00%	\$1,007,105	\$19,367	
Bldg. Material & Supply	6.2%	\$16,903,432	\$325,066	1	\$11,314,062	\$217,578	66.9%	33.1%	\$5,589,370	\$107,488	
Home Centers	3.0%	\$8,179,901	\$157,306	0	\$0	\$0	0.0%	100.0%	\$8,179,901	\$157,306	
Hardware, Paint & Other	2.4%	\$6,554,758	\$126,053	1	\$3,045,485	\$58,567	46.5%	53.5%	\$3,509,273	\$67,486	
Lawn, Garden, Farm Equip & Supply	0.8%	\$2,168,773	\$41,707	n/a	\$8,268,577	\$159,011	381.3%	-36.1%	-\$6,099,804	-\$117,304	
Apparel	4.1%	\$11,320,009	\$217,692	0	\$0	\$0	0.00%	100.0%	\$11,320,009	\$217,692	
Furniture, Home Furnishing	2.2%	\$6,146,219	\$118,197	2	\$1,030,784	\$19,823	16.8%	83.2%	\$5,115,435	\$98,374	
Furniture	1.0%	\$2,835,786	\$54,534	0	\$368,207	\$7,081	13.0%	87.0%	\$2,467,579	\$47,453	
Home Furnishings	1.2%	\$3,310,433	\$63,662	2	\$662,577	\$12,742	20.0%	80.0%	\$2,647,856	\$50,920	
Electronics & Appliances	1.3%	\$3,595,370	\$69,142	1	\$0	\$0	0.0%	100.0%	\$3,595,370	\$69,142	
General Merchandise	8.5%	\$23,227,751	\$446,688	Misc	\$6,619,909	\$127,306	28.5%	71.5%	\$16,607,842	\$319,382	
Automotive	19.4%	\$53,149,100	\$1,022,098	5	\$16,558,348	\$318,430	31.2%	68.8%	\$36,590,752	\$703,668	
Dealers	16.2%	\$44,194,478	\$849,894	1	\$12,877,921	\$247,652	29.1%	58.92%	\$31,316,557	\$602,241	
Other Vehicle Dealers		\$4,666,744	\$89,745	Misc	\$1,587,358	\$30,526	34.0%	5.79%	\$3,079,386	\$59,219	
Aftermarket Parts & Tires	1.6%	\$4,287,879	\$82,459	4	\$2,093,069	\$40,251	48.8%	4%	\$2,194,810	\$42,208	
Banks	n/a	n/a	n/a	2	n/a	n/a	n/a	Study feasibility of service in the grocery store			
Lodging (hotel, motel, b & b)	n/a	n/a	n/a	0	n/a	n/a	n/a	Recommending a lodging feasibility study.			

Notes

1. "T.A." is NYA primary retail trade area. "Demand" is total market potential. "Supply" is estimated sales captured by competitors within the trade area; predominantly within City of NYA.
2. "Opportunity/Gap Analysis" is the estimated consumer expenditures not captured by NYA businesses.
3. Business assessments are pre-pandemic, so business fallout could affect NYA's existing businesses, the options and priorities for future growth.
4. NYA Supply might exceed a category's potential, indicating the aggregate group of local businesses are capturing destination and transient trade, i.e., consumers from other markets.
5. Convenience stores and fuel centers capture greater sales than the category demand, due to the closed local supermarket, and transient traffic, respectively.

NYA COMMERCIAL DEVELOPMENT STRATEGY

Strategy is based on first pass forecasts and general assumptions for a development scenario for existing and new businesses. Results are intended as enough insight of situations and potential for a party to understand and make decisions to proceed with further planning for commitment.

Market leakage indicates upsides for NYA's commercial sector. Recommended strategy captures more business from the community and primary trade area.

The timing seems favorable for NYA's commercial strategy, noting the upgraded highway, pandemic times appear to be coming into control, and consumer interests have trended to new ways of service. Favorable time for short- and longer-term development.

NYA COMM+A1:L19ERCEAL DEVELOPMENT STRATEGY											
	Current Market Situation					Projected Development					Development Notes
	Est. Total SF	Est. Sales Annual	Est. Sales Wkly.	Market Share	\$/SF	Total SF	Projected Annual Sales	Projected Wkly. Sales	Net New Business	Wkly/TSF	
Phase I - short-term preparation of information for the targeted, development scenarios.											
1. NYA Grocery Store	-	-	Closed	17.3%	-	13,000	\$ 5,428,268	\$104,409	100.0%	\$8.03	Identify sites & details. Teal's Market is identified as a targeted indep. retailer. Arrange work sessions to explore food co-op scenario. Floral can be a lease tenant for a grocery store. Marden Rx might benefit from subleasing in a grocery store. In turn, Good Times Liquor could expand into the vacated Rx space. Strong location, established situation. Strategy leverages positive effects of NYA Commercial Plan. Group marketing, strengthened business setting, increased traffic.
Floral	Closed	n/a	n/a	-	-	300	\$ 271,463	\$5,220	100.0%	\$17.40	
Pharmacy	2,000	\$ 832,000	\$ 16,000	n/a	\$8.00	1,000	\$ 977,268	\$18,794	17.5%	\$18.79	
2. Home Solutions True Value, Appliance & Mattress	10,000	\$ 1,924,000	\$ 37,000	-	\$3.70	10,000	\$ 2,183,740	\$41,995	13.5%	\$4.20	
	Incl.	\$ 624,000	\$ 12,000	n/a	-	Incl.	-	-	-	-	
3. Food Service & Drinks											
New, Ontrend Restaurant						5,000	\$ 2,097,680	\$40,340	75.0%	\$8.07	Leakage indicates room to grow: 1) upgrade NYA Independents, 2) new on-trend dl, ning, drinking, & entertainment model, with patio, 3) coffeehouse (freestanding or in grocery store, 4) eventual feasibility for another fast food store.
Coffeehouse w/Drive-Thru						500	\$ 302,988	\$5,827	90.0%	\$11.65	
Eventual New, Fast Food	McDonalds, Dairy Queen, Subway					1000	\$ 520,000	\$10,000	100.0%	\$5.00	
5. Liquor	3,500	\$ 1,028,560	\$19,780	38.1%	\$5.65	3,500	1,213,701	\$23,340	18.0%	\$6.67	Good Times is the established liquor store. Tight site. See suggested co-strategy with Pharmacy category.
6. Small Businesses	Prepare work sessions to help small businesses understand the situation and opportunities for upside business.										
7. Key Sites for Development	Prepare a document of information on availability and details for 1) Faxon District Sinclair Site, 2) Reform Triangle Site, 3) Econofoods facility, 4) The Old Mill facility. Identify the most favorable scenarios for these commercial market positions.										
8. Lodging	A lodging specific survey assesses feasibility of a motel, likely requiring at least 60% occupancy, related to new construction costs. Feasibility with and without a pool. A study might also analyze a potential for a downtown bed & breakfast.										
9. Tacoma Strip Center	Upside with a themed complex and possibly a central services model for related businesses, e.g. Health & wellness, personal care, office,										
10. NYA Marketing Strategy	Continued development of the program, to further prepare for population growth and upgrading NYA's commercial services.										
Phase II planning decisions and marketing											
A. Decisions for use of key sites	Determine grocery store location and motel feasibility and location. Decision on the grocery owner/operator in order to progress with planning.										
B. Execute commercial growth marketing	Approaching existing businesses for information and work sessions. Marketing to prospective businesses.										
C. Downtown Norwood Planning	Identify a concept plan for the corridor. Market the properties and lease space, as is, or develop a plan a village plan of related/themed services, e.g., artisans, tech, health care. Possibly supported with tax credits and grants.										
Phase III											
D. Goal of opening the grocery store in 18-36 months.											
E. Develop concept plans into detailed plans, e.g. Downtown Norwood for funding phase and support for the development.											
F. Re assess the overall strategy in about 24-months, with actual developments and commitments, to help alter the plan and reprioritize the goals.											

Definitions

STUDY AREA/TRADE AREA: delineated, primary area of business for the subject market and store/site.

SECTORS: geographic and road network affected units of study area, i.e., neighborhoods.

DRAW: portion of a store's total sales derived from the study area (remainder from *beyond*).

FLOAT: that portion of trade area potential going to other competition than is identified with a study.

BARRIERS: physical or psychological obstacles that affect consumer gravitation (e.g., rivers, limited access freeways, commercial and industrial buffers).

Qualifier

This study is furnished pursuant to a request by the City of Norwood Young America, Minnesota. The request is to conduct a market study with collecting latest information on population changes, assessing competitive structure, creating a market model, and thereby providing first-pass forecasts for the commercial development study. The client acknowledges that while it believes the services to be performed hereunder by Keith Wicks & Associates will be a valuable tool in management decision making it also understands that an important part of said services involves subjective judgment, which is dependent upon the correctness of the information made available to Keith Wicks & Associates. Therefore, the client further acknowledges its understanding that Keith Wicks & Associates does not guarantee any result from the use of the analysis or other services performed hereunder, nor shall Keith Wicks & Associates be responsible for any loss incurred as a result of the use of said analysis or other services.

The projections are based on the conditions identified in the study. Any deviation from the study assumptions or changes in economic conditions could cause significant variation between these projections and actual sales. The possibility of this occurring increases with time.

Source Data

"Number of Inhabitants, Minnesota," 2010 Census of Population, U.S. Department of Commerce, Bureau of the Census.

"Block Statistics, Minnesota," 2010 Census of Housing, U.S. Department of Commerce, Bureau of the Census.

"2010 Census of Population and Housing" for Minnesota CPH-5-45, FL94-171 Data, STF1A and STF3A.

Per capita expenditure, LOCUS and U.S. Census demographic profile of the specific market and surrounding areas.

Carver County information sources.

Minnesota Department of Transportation.

ReGIS (SitesUSA) and Environics demographic and mapping services.

Internet resources

Field study and work session with City of NWA EDC.



TO: Economic Development Commission

FROM: Karen Hallquist, Economic Development Marketing Director

DATE: January 13, 2021

SUBJECT: Old Business (Updates)

8.1 Commercial Market & Retail Food Study

Keith Wicks will be presenting his final report at the January 13, 2021 meeting.

8.2 NYA Market Enrichment Grant Program

Seven out of seven awards have been dedicated for 2020. Six projects have been completed with the appropriate paperwork submitted and filed with Carver County. There are two grants of up to \$10,000 available for 2021. To date, there have been no applications submitted.

8.3 Carver Co CDA – Emergency Business Support Program

On Friday, January 1st the Carver County CDA launched the Emergency Business Support Program. Funding from this program – approximately \$4M - is from the State of MN and Carver County. There are different application time periods with first priority going to businesses effected by Executive Order 20-99 shutdown in November. Program guidelines, application priority, and the link to the online application can be found at: <https://www.carvercda.org/coming-soon-small-business-relief-2/>. Businesses are eligible to apply for up to \$20,000 in funding along with homebased businesses up to \$10,000. If any business has questions, they are encouraged to call Elise Durbin at Carver County CDA 952-556-2778 or email elised@carvercda.org

8.4 Downtown Redevelopment Plan

The Downtown Redevelopment Plan was developed in December 2018 through a collaboration of the NYA City Council, City of NYA Commissions, NYA Area Chamber of Commerce and Willkommen Heritage Center. The purpose of the plan was to establish goals – short and long term - for all parties involved to accomplish for the common goal of revitalizing the two historic downtowns.

EDC Commissioners are to review the Financial Incentives (pg 17) and Implementation Plan (pgs 21-22). The purpose is to identify the redevelopment goals that were not yet achieved and how they can fit in with our goals going forward. (Downtown Redevelopment Plan attached)

8.5 Highway 212 Update

Major construction of Hwy 212 and the Hwy 5/25 roundabout are completed. MnDOT has prepared a drone video tour of the construction project <https://www.youtube.com/watch?v=qKsEiPbZCRE&feature=youtu.be> There are a few final touches MnDOT is still working on and some projects that will be finished in spring:

- Turn lights at Reform and Faxon are being adjusted – yellow blinking lights not quite working yet
- Northbound turn to Kwik Trip off Hwy 212 will be widened
- Landscaping/seeding
- Trail lighting/security cameras in underpass

The City will be working with the schools on a seasonal art project/program for the underpass. MnDOT has shared that involving the community with a project in an area such as this (including security cameras) is a strong anti-graffiti effort plus creates pride and ownership in the underpass. An in-person Ribbon Cutting Celebration with all parties involved is planned for late spring/summer 2021.

8.6 Small Cities Development Grant Program

As of January 1, 2021, there is approximately \$61,000 of undedicated Small Cities funds available. Staff has had four inquiries from local property owners about the remaining funds. This program is a first come first serve basis. Staff has contacted MN DEED Small Cities Representative Michelle Vang to research the protocol for applying for a second Small Cities program.

8.7 NYA Area Chamber of Commerce Updates

No action necessary. Discussion only.