

Erie Street Market Redevelopment Study

Final Report



Prepared for:

City of Toledo
Department of Economic and
Community Development

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Erie Street Market Redevelopment Study: Final Report

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Introduction

Erie Street Market is in crisis. Seven years after the food market in Bay 4 opened to the public in 1997, few tenants remain and those that still operate report low sales. In Bay 3 (Frog Towne Square), the number of vendors has decreased to the point where the synergy of a market is lost. In Bay 2, the Antique Mall pays rent far below the carrying cost of the space. In fact, throughout the project, rents are far below break-even levels, forcing the City of Toledo to provide significant allocations to subsidize the Market each year. Recent efforts to recruit new tenants and build-out vendor stalls have not fundamentally altered the downward spiral. In general, customers' needs are not being met. The Market is failing.

Despite this situation, some bright spots exist. From May to October, the outdoor farmers' market is strong on Saturdays, providing throngs of customers with high quality locally grown foods at reasonable prices. The Libbey Glass Factory Outlet, which occupies Bay 1, serves as the anchor for the Market and is generally satisfied with its sales and facility. Around the Market, the Warehouse District is adding new housing and retail, and the Mud Hens baseball stadium has proven to be a success.

In August 2003, the City of Toledo retained Market Ventures, Inc. to create a redevelopment plan for Erie Street Market. The goal of this plan is to create a viable strategy for achieving the goals originally enunciated for the Market in the 1993 plan, namely:

1. Strengthening the existing farmers' market activity by providing an adjacent profit-oriented urban fresh food market that will increase the draw and frequency of shoppers to the area.
2. Promoting small food and agricultural businesses in Ohio.
3. Creating an outlet for local entrepreneurial activity and encouraging job development.
4. Revitalizing the Toledo Warehouse District by creating a strong anchor that will increase the desirability of living downtown.
5. Creating a public space for social interaction and celebration of regional, multiethnic food and agricultural traditions.

The Market Ventures, Inc. team included Ted Spitzer, President, and Elizabeth Finegan, VP/Marketing, as well as Hugh Boyd, FAIA, of Hugh A. Boyd Architects and Senior Associate of Market Ventures.

The scope of work included creating a redevelopment strategy, developing a merchandise mix plan, preparing a design plan, creating a site plan for exterior improvements (including potential improvements to the outdoor farmers' market), and developing an operations plan (including financial projections for the redeveloped Market). This report and the attached drawings address each of these points.

During the course of the project, the team visited Toledo four times to observe the operation of Erie Street Market (including the outdoor farmers' market); meet with current Market vendors, management, downtown officials, and former Market managers; tour Toledo and its environs and review food retailing in the region; visit other nearby public markets, including the West Side Market in Cleveland, the North Market in Columbus, and the Ann Arbor Farmers'

Market; and make presentations to the client. From previous work experience, the project team is also very familiar with Findlay Market in Cincinnati and Eastern Market in Detroit.

Background

The four bays that are now called Erie Street Market were originally built as Toledo's principal food distribution center in 1908. Labeled in old drawings as City Market, Bays 1 through 3 were designed to accommodate farmers' trucks using a classic food market layout. In 1929, the city added the auditorium for exhibitions and public meetings; this space is now known as Bay 4. Since the 1940s, the outdoor farmers' market has been in operation at this site.

The city eliminated the indoor wholesale produce market in 1966. By the late 1980s, the City of Toledo was using the buildings as warehouse storage for its Department of Natural Resources. The site was chosen for a new mixed-used development project that included a multi-vendor food market, similar in concept to historic public markets in Cleveland, Columbus, and Cincinnati. A Libbey Glass Factory Outlet became a major tenant for the project.

Unfortunately, the decision was made to locate the food market in the auditorium space, Bay 4. Unlike all three other bays, Bay 4 does not have the physical characteristics that would make a good market hall: it is too big, the stage blocks access from the rear parking lot, the ceiling configuration makes it difficult to access for ventilation and exhaust hoods, and the space has no retail "presence" on the outside. Perhaps most distressing, Bay 4 is farthest away from the outdoor farmers' market sheds, which would have provided strong synergy between the two food concepts, particularly since a goal of the project is to enhance the outdoor farmers' market.

When the Market opened in 1997, it was not ready. Political considerations drove the decision to open the Market when it did, but there were not enough vendors in place to meet the needs of customers or to fulfill the promises of the marketing campaign. The result was disappointed customers, who were promised a certain shopping experience which the Market failed to deliver. In the highly competitive arena of food retailing, there are plenty of other stores where customers can meet their needs and, overall, the fresh food vendors at Erie Street Market did not meet the challenge.

In addition to not being ready, the vendors' stalls were not designed or outfitted in a way that would allow them to succeed. For example, the stalls were generally too small, they had the wrong equipment, lighting was inadequate and of the wrong type to best highlight the products, signage was poor, and the space looked amateurish, such as the use of painted cement blocks rather than tile on the walls. Aisles ended in blank walls. The demonstration kitchen was poorly located and designed, so it could not have proper ventilation or provide a comfortable seating area for participants. In general, the food market was not designed or developed to succeed.

Another problem has been Market management. Successful public markets typically have strong and consistent management which has the vision, skills, and resources to guide the institution. In Toledo, the Erie Street Market has gone through seven managers in five years, reflecting the Market's struggle with leadership and the political turmoil surrounding the project, and causing some of the problems the Market now faces. Until this year, the outdoor farmers' market has had separate management from the rest of the complex, stifling opportunities to enhance both elements. In addition to individual managers, the sponsorship of the Market has bounced between organizations.

Even when tenants could be found to rent the stalls, the city moved too slowly in getting the businesses opened when it came to installing plumbing, exhaust hoods, electrical hook-ups, etc. Small retail food businesses need to be nimble and efficient to compete with major supermarkets. Unfortunately, neither the physical space, the development process, nor the mix of tenants provided the environment where businesses could thrive.

Parking has been identified as a problem at the Market, particularly by the farmers who sell at the outdoor farmers' market. On Saturdays in season, the rear parking lot becomes congested and it can be difficult to find a parking spot.

In spite of all these problems, at certain times the Market did attract fairly large numbers of customers and a few vendors have maintained businesses in the Market for many years. As mentioned above, the outdoor farmers' market is strong and the district is improving, particularly with the addition of the Mud Hens baseball stadium and new housing. A core group of downtown leaders is committed to the project and the city has shown its support for the project through both annual operating subsidies and the sponsorship of this redevelopment plan.

Potential

The fundamental potential to create a successful public market in Toledo remains. On the demand side, the city is large enough to sustain a public market of reasonable size and the willingness of customers to visit the Market is proven by the success of the outdoor farmers' market and Libbey Glass. As mentioned above, at times the Market did attract substantial numbers of customers. The demand analysis section of the feasibility study done in 1997 appears to be reasonably sound and there is little reason to expect that the conclusions would be much different seven years later (the latest census data on the Toledo MSA shows a population of 609,000 people, which is nearly three times as large as the Portland, Maine MSA, where the Portland Public Market is located). If anything, the growth of housing in the Warehouse District provides more potential demand for food at the Erie Street Market. Like all successful downtown public markets, Erie Street Market needs to capture only a small percentage of the dollars spent on food from a fairly wide geographic area in order to have vendors achieve adequate sales that can lead to profitability and the ability to pay adequate rents. The success of public markets in Cleveland, Columbus, and Cincinnati, among other cities, suggests that Toledo has the inherent capacity to sustain a public market, assuming it is built, tenanted, and operated correctly. The key will be to create a development that appeals to consumers from throughout the area. This will need to be substantially better than what they have perceived the Erie Street Market to be so far.

On the supply side, the availability of quality food merchants to be vendors in the Market is somewhat less clear. Within Toledo, there are some independent food businesses that might make appropriate tenants. Realistically, the vendor recruitment process will require looking for tenants in a wide geographic area, from Columbus and Cleveland to Detroit and Ann Arbor. Limited initial conversations with merchants in public markets in those cities showed interest in a public market in Toledo. Given the history of vendor failure in the past seven years, the development team will need to make a strong, convincing argument about why the Market will succeed this time around and it will need to significantly lower the risk of a new tenant entering the Market. This includes not only building a better Market to begin with, but also offsetting the typical costs of start-up that a new business would face and keeping rents reasonably low. It also means creating a redevelopment plan and design that makes sense (which this report addresses), raising sufficient capital to implement the plan and have access to operating reserves if rents do not cover expenses, having a stable sponsoring organization that is committed to the project and has the leadership capacity to guide its success, and having a skilled team to execute the redevelopment plan and then operate the Market in the future.

At the same time, competition has increased since the Market was first developed. New supermarkets have opened in the area, including a new Churchill's Market in Briarfield which provides a very high-end shopping experience along with prepared food on premises in the store's own café. Improvements to the Warehouse District, including better signage to the Market, must continue to be made to overcome area residents' concern about the area. There will need to be a visible security presence in the area.

Redevelopment Concept

The goals for the Market, enunciated in the 1993 study and listed above, still make sense for the project and should be reaffirmed.

In keeping with the original vision and the experience of successful public markets, the redeveloped Erie Street Market will house small, independent food retailers, primarily owner-operators, who sell a variety of fresh foods along with some food to eat on premises. The emphasis will be on foods that come from local farmers and food producers. If implemented properly, the Market will be able to compete successfully with supermarkets and specialty food stores because of the unique product offerings, the customer service provided by business owners, and the special shopping experience offered within the market hall and the adjacent outdoor farmers' market.

To be successful, Erie Street Market must make a radical break from the present. The problems described above must be solved in one fell swoop, not incrementally, and customers must be convinced that the old Market is gone and that the new operation will meet their needs and not disappoint them again.

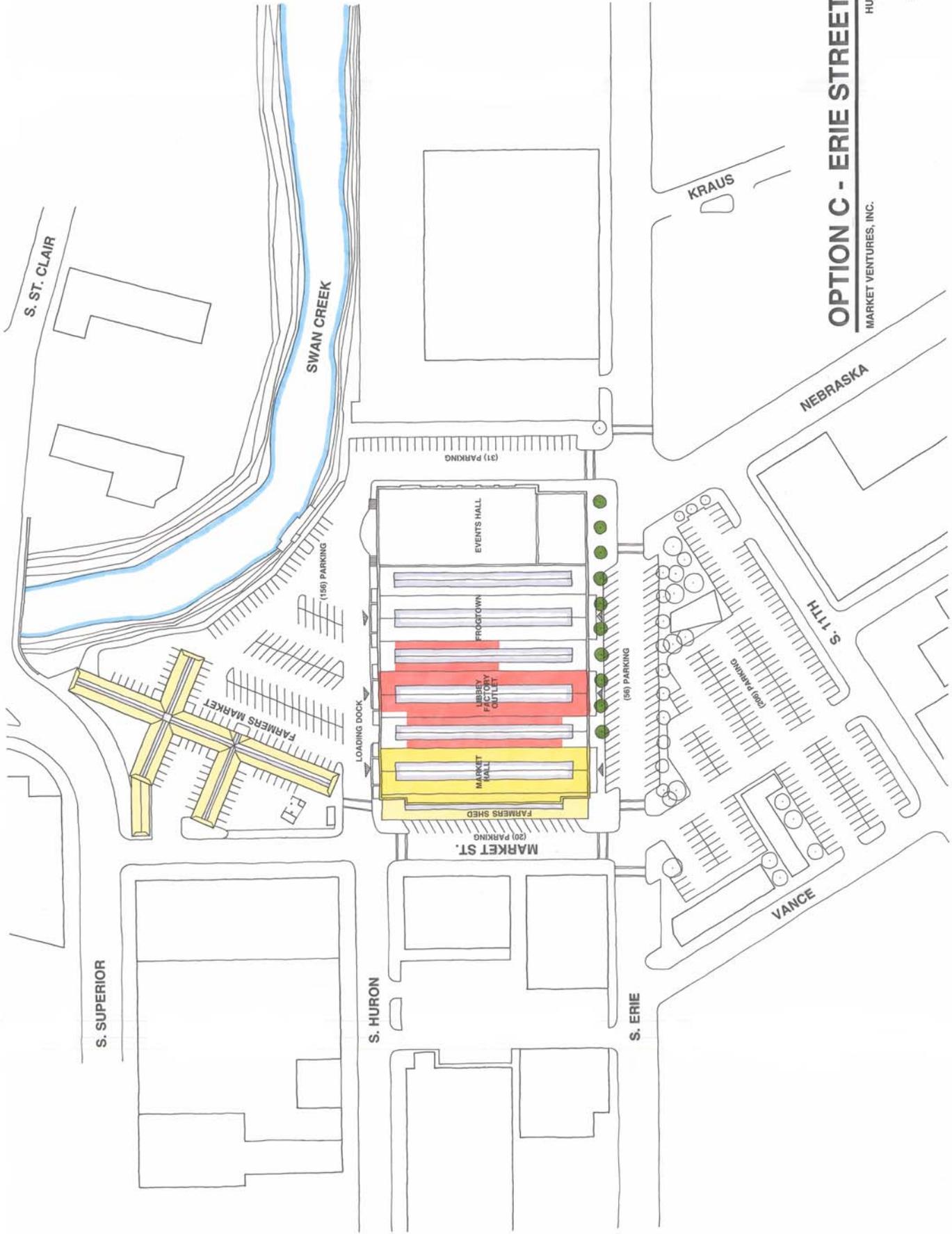
The project team explored various design and development solutions that might turn the food hall around in its present location but determined that nothing could overcome the inherent flaws of Bay 4. The food market must be relocated to another bay. In addition to a better location, the layout, stall design, fixturing, and tenant mix must all be different for the Market to succeed. Furthermore, the history of political intervention and the management turmoil must not be repeated. An added benefit of moving the food hall from Bay 4 is that existing merchants who will lease space in the new space can continue to operate while the new Market hall is readied.

In brief, the proposed redevelopment concept is as follows. The Antique Mall, which currently operates on a month-to-month lease in Bay 2, is removed from the Market. Efforts should be made to relocate this business elsewhere in the Warehouse District. Libbey Glass then relocates from Bay 1 to Bay 2, which should cause minimal disruption because the footprint of the two bays is the same and Libbey can reuse its fixtures, lights, etc. The food market can then move from Bay 4 to Bay 1, which will require some physical changes, described below. Among a variety of positive attributes, Bay 1 is the proper size for the food market, the addition of glass storefronts can create an external retail presence on three sides, it is adjacent to the outdoor farmers' market, and it is nearer to parking. A crafts market stays in Bay 3. For Bays 1 through 3, it is recommended that the currently underutilized front hallway be eliminated and that retailing be brought up to the building edge on South Erie Street, to create the sense that this is a retail environment. Bay 4 reverts back to its original function as an events space.

Site plan

The proposed site plan for the Market is attached and labeled "Site Plan."

A principal objective of the site plan is to increase the amount of parking available to customers at the Market, particularly for the outdoor farmers' market, since a number of farmers have identified parking as their biggest problem. At present, customers prefer to park in the rear



OPTION C - ERIE STREET MARKET

HUGH A. BOYD, ARCHITECTS
 MARCH 26, 2004



MARKET VENTURES, INC.

Site Plan

lot adjacent to the outdoor sheds, which has 155 spaces. The parking lot in front of the building, which has 205 spaces, is less used because it is perceived as far away and because traffic driving down S. Erie Street creates a psychological barrier between the parking lot and the Market. Since there are no good opportunities for adding a new parking lot anywhere near the outdoor farmers' market, the solution is to add new parking around the building, where possible, and to better utilize the existing parking lots.

Market Street offers a critical opportunity to solve several problems. Market Street, which runs along the northern edge of the building adjacent to Bay 1, currently feels like an alleyway and it offers no customer parking. To improve this street and enhance the Market, the site plan shows the removal of a twenty foot wide section of the building that is basically an adjunct to Bay 1. This section runs the length of Market Street but is not an integral part of the building. The easterly half of this space (toward the rear parking lot) is currently used by the Libbey Glass Outlet for storage, while the westerly half is used by the city's Traffic Department for maintenance workshops and a traffic signal room. Libbey's storage can be accommodated elsewhere in the building. The Traffic Department's workshops, which appear to consist of wooden tables and small tools for repairs, should find a home in a different city building. The traffic signal room is more complicated because it is a central node for all the city's traffic lights. From visual inspection, the feeds appear to be low voltage telephone wires which enter the Market at the corner of Market Street and Erie Street from an underground conduit. Since the wires are coming from this place already, the traffic signal computer room should be relocated to a slightly enlarged and waterproofed room in the basement right where the wires enter the building. This should minimize the cost of relocation while freeing up this important corner for the Market.

With this 20' wide section gone, Market Street becomes wide enough to accommodate angled parking. A large awning is proposed for the side of the building as an expansion of the outdoor farmers' market. This area can accommodate larger farmers who have trouble bringing their larger trucks into the current farmers' market configuration. When the farmers are not there, Market Street will gain 20 angled parking spaces for customer parking. Removing the addition also creates the opportunity for making an entrance into the food market at mid-block with a glass retail storefront and to add glass at the building corners. Since the awning is so wide, a skylight is proposed within the awnings at mid-block, over the new building entrance.

The site plan shows wide sidewalks (or "bump outs") at both corners of the Market, which serve to narrow the length of the crosswalks to the front parking lot and the outdoor farmers' market. With these changes and some landscaping, Market Street will be transformed from an alley into a vibrant market street. On farmers' market days, when farmers are selling in this zone, the front parking lot will be perceived as close to the farmers' market sheds and therefore used by customers, vastly reducing the parking problem at the outdoor farmers' market.

The site plan also shows new angled parking on both sides of S. Erie Street, which replaces the existing wide but underutilized sidewalks. This step will require relocating the bus stop from the front of the building, preferably to the next block so the Market will still be convenient to bus riders. The angled parking provides two functions: it increases the number of parking spaces to 56 and it helps narrow S. Erie Street so it is more pedestrian friendly. The slowing down of traffic on this street will make the large parking lot across the street from the Market much more usable by customers.

With all of these improvements, the number of parking spaces in and around Erie Street Market will increase to 469 spaces.

A rendering of the building exterior provides an initial view of how these improvements will look (see attached drawing labeled “Erie Street Market Redevelopment Plan – Exterior View”). The rendering shows the wide metal awning extending off the Market Street side of the building, with farmers selling beneath the awnings and on the sidewalk next to the building. The rendering also shows the new awnings at the entrances to Bay 2 and Bay 3 and the substantial amount of glass storefront that has been added to this side of the building, turning these buildings into active retail areas rather than enclosed, fortress-like warehouses. The synergy between the market hall and the outdoor farmers’ market becomes apparent and the outdoor seating areas next to the Market entrance become great places to people-watch.

The design of the new awnings mimic the historic awnings of the produce warehouses across the street and the roofs of the farmers’ market sheds, creating a sense that this is an integrated marketplace. The underside of the large awning on Market Street can be heated so farmers can sell later into the fall. The awning also creates covered parking spaces for customers on non-farmers’ market days, allowing customers to dash into the Market at the end of the day while being protected from inclement weather.

Bay 1: Market Hall

The food market in Bay 1 must be tenanted with a full complement of passionate, knowledgeable and skilled food merchants who are good salespeople and who offer a broad range of fresh foods that meet the needs of local consumers. The merchandise sold in the market must be focused on locally grown or produced foods, with direct links to local farmers.

In general, vendors who produce their own products or who have exclusive relationships with area farmers or food producers make the best public market tenants. In part, this is because these types of vendors are very knowledgeable about their products and share their enthusiasm with customers. From an economic perspective, vendors who offer unique products or services are not confined to the market price for their goods. This is critical because public market vendors generally cannot compete with supermarkets on price: supermarkets are more efficient operations (and therefore can be profitable with lower gross margins) and can purchase on a wholesale level more cheaply because of their large scale. The answer for public market vendors is to sell what supermarkets do not and to constantly innovate and excel in customer service. Since supermarkets are getting better at sourcing foods locally, it is no longer enough just to have local foods. The one item supermarkets cannot buy, guaranteed, is the one that is made by the public market vendor. The shopping experience is enhanced when the products are made on-premises, in view of the customer.

Similarly, market vendors must provide innovative services that supermarkets or other competitors do not offer, thereby differentiating themselves on service as well as product. Over time, market vendors must be continual innovators, keeping ahead of their competitors on both product offerings and service. By being innovators in products and service, vendors in a public market must therefore be entrepreneurs, not simply shopkeepers.



Erie Street Market Redevelopment Plan - Exterior View

Market Ventures, Inc.

Erie Street Market ♦ Toledo, Ohio

Hugh A. Boyd, Architects

The proposed mix of tenants for the food hall includes the following types of businesses, with their square footage in the proposed plan and a brief description of the items they can sell in the Market:

Category	SF	Description and Limitations
Bakery / Café	1,140	Artisan breads baked on premises. Products could include breads, rolls, bagels, biscuits, and muffins, as well as baked dessert items such as brownies, cookies, cakes, sweet rolls, coffee cakes, doughnuts, pies, tarts, or turnovers. Light meals and sandwiches.
Bakery – pastry	584	Bakery with a focus on pastry item. Could also sell locally produced breads, perhaps with a focus on whole grain, sandwich style loafs, rather than sourdough based breads
Cheese / Appetizers	388	Cheese vendor should offer a wide variety of fresh and aged cheeses, perhaps focusing on a particular region or type of cheese. May sell crackers but no bread. Appetizers such as olives, smoked fish, and marinated vegetables.
Deli and Dairy	795	Deli can sell cold cuts, patés, charcuterie, sliced cheeses, fresh salads, condiments, and prepared sandwiches, but no bread except what is used for sandwiches. Dairy products provided by a local dairy, such as glass bottled milk, organic yogurt, butter, and other products not commonly available, such as goat's milk. This vendor would also be permitted to sell ice cream for on-premises consumption, with locally made ice cream preferred.
Delicatessen	590	Deli can sell cold cuts, patés, charcuterie, sliced cheeses, fresh salads, condiments, and prepared sandwiches, but no bread except what is used for sandwiches.
Specialty – Asian	298	Asian groceries and prepared foods, including fresh noodles.
Specialty – Italian	1,366	Italian groceries and prepared foods, including wine/beer. Fresh pasta and sauces made on premises.
Specialty – Middle East	569	Middle Eastern groceries and prepared foods.

Category	SF	Description and Limitations
Flowers	444	Cut flowers, flower arrangements, and potted plants.
Meat	570	Beef, pork, and lamb (preferably no poultry, although could be specialty concept such as all natural meat and poultry). Only uncooked, semi-prepared or smoked products. No cold cuts or food for on-premises eating. Butchering and other activities, such as preparing sausages, should be done on premises.
Meat - Smoked	504	Smoked meats and sausages.
Poultry / Eggs	814	Vendor should sell both whole and cut up fresh poultry. Specialty poultry is desirable, such as free-range or game birds, or a stall that specializes in lines such as turkey products. A portion of their display may be fresh eggs and rotisserie.
Produce	1,467	Tenants should offer a wide range of fresh fruits and vegetables, including organics, with few prepackaged products and emphasis on locally grown produce. Salad bar permitted.
Produce	1,153	Tenants should offer a wide range of fresh fruits and vegetables, including organics, with few prepackaged products and emphasis on locally grown produce. Juice bar permitted.
Seafood	910	Fresh and smoked seafood.
Specialty – Coffee / Tea	388	Fresh roasted coffee, preferably roasted on premises in a micro roaster, including espresso drinks and frozen coffee drinks. Bulk and packaged tea, including tea paraphernalia. Limited display of scones or pastries to accompany coffee.
Specialty – Pantry	800	Locally made and international specialty foods and gift baskets, chocolate.
Specialty – Spices / Bulk	280	Bottled to order fresh spices, bulk dried fruit, international selection of specialty foods.

Category	SF	Description and Limitations
Total	12,871	

The drawing labeled “Interior Layout” shows a schematic design of the proposed interior. While Bays 1 to 3 keep their basic configuration, the wide interior corridor on the Erie Street side of the building is eliminated and all three bays extend to the building edge. The large arced entrances which are now solid walls are replaced with glazing so the building creates a retail presence on the street. In this plan, the bathrooms are able to remain as currently situated. Bay 4, including the front corridor and the restaurant space, is not altered.

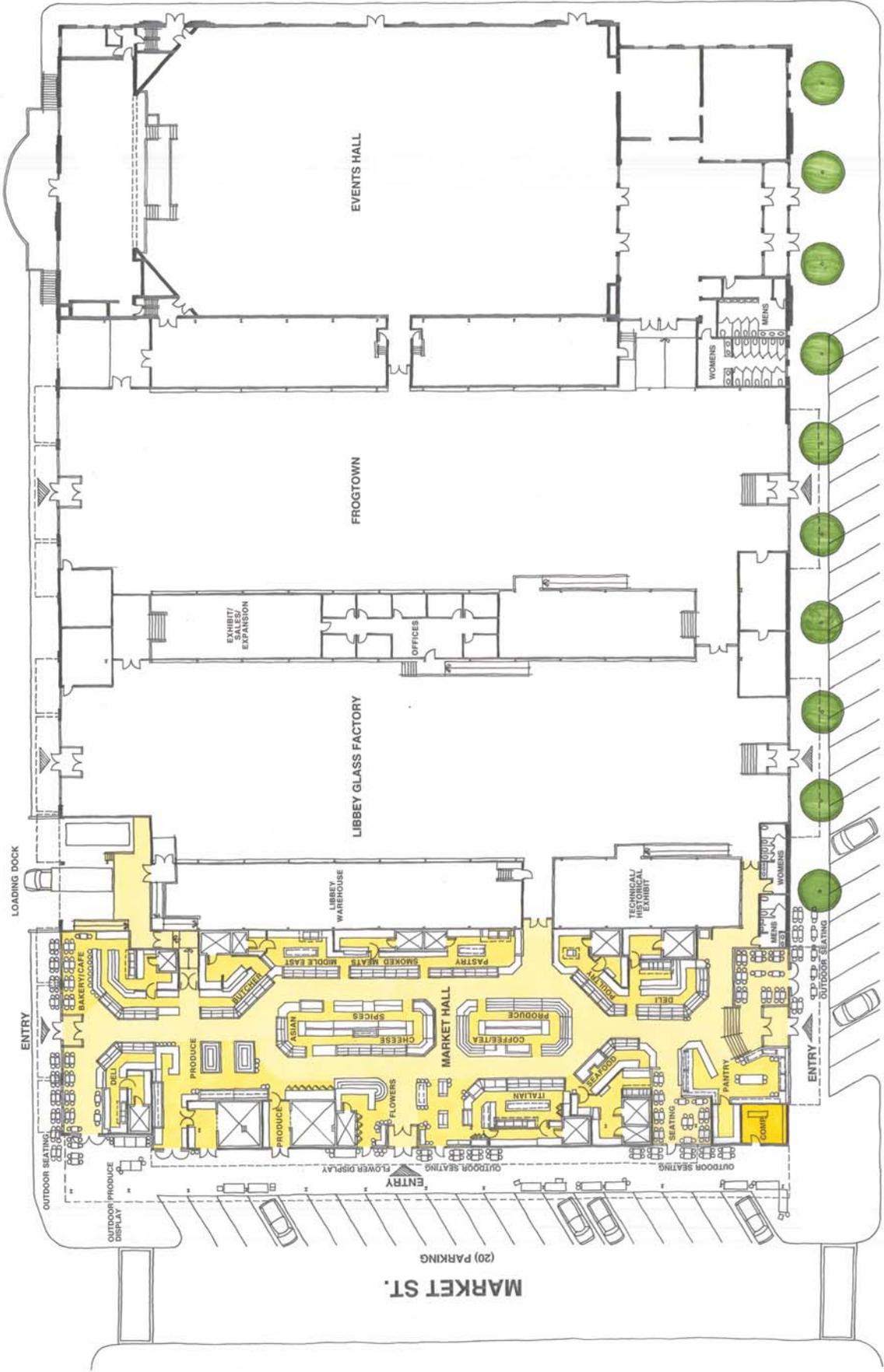
A larger view of Bay 1 is also attached and labeled “Interior Layout – Bay 1 Detail.” Major entrances are found on Erie Street, Market Street, and the rear parking area. Another entrance is placed at the center of the building between Bay 1 and Libbey Glass in Bay 2. With its focus on tabletop items and some cookware, Libbey Glass is an appropriate supportive business for a food market; this configuration allows Libbey Glass and the food market to reinforce each other in a very direct way for the first time. Minor entrances on Market Street permit the flow of customers around the seating areas while service doors allow direct loading from Market Street for the two produce businesses and the florist. The computer room for the traffic signals is shown on the first floor, at the corner of S. Erie and Market Streets. As mentioned previously, this room should be located in the basement so this important corner is freed for retailing.

While the emphasis in the Market should be on fresh food, vendors should be permitted to sell food for on-premises consumption, as they do now. It is recommended that no diners or businesses that exclusively sell food for on-premises consumption be allowed in the food hall. Even vendors who expect a large percentage of their sales to come from food to eat on-premises should have their stalls designed so that fresh foods or groceries create the principal visual theme. No fast food counters should be permitted.

Seating zones are scattered throughout the space. All told, the plan shows 225 seats. This is a substantial number, but unlike the current configuration, the seating areas are small and scattered so a customer will not feel conspicuous if she is the only person in a seating area.

Vendors selling similar products are spread out around the Market, which encourages customers to walk throughout the Market to comparison shop. The placement of vendors is carefully considered to maximize the visual impact on customers and to meet the particular needs of each tenant, particularly in terms of storage, cooking, and prep space. During the leasing process, flexibility is required to match the right use with the right space. Adjustments might be necessary to meet tenants’ operating needs, although care should be taken not to radically alter the design layout or the circulation flow.

An emphasis on efficiency is critical. This is true for the design of each vendor’s space as well as the Market as a whole. Bay 1 should be less expensive to operate than Bay 4 because it has better natural lighting and it has less volume which should reduce the cost of HVAC. At the same time, the design must catapult the Market to the forefront of food retailing in the area and create an environment where customers will enjoy visiting. Bay 1 is already a dramatic space with a great “market feel,” so the needed changes are minimal.



MARKET ST.

(20) PARKING

S. ERIE

(26) PARKING

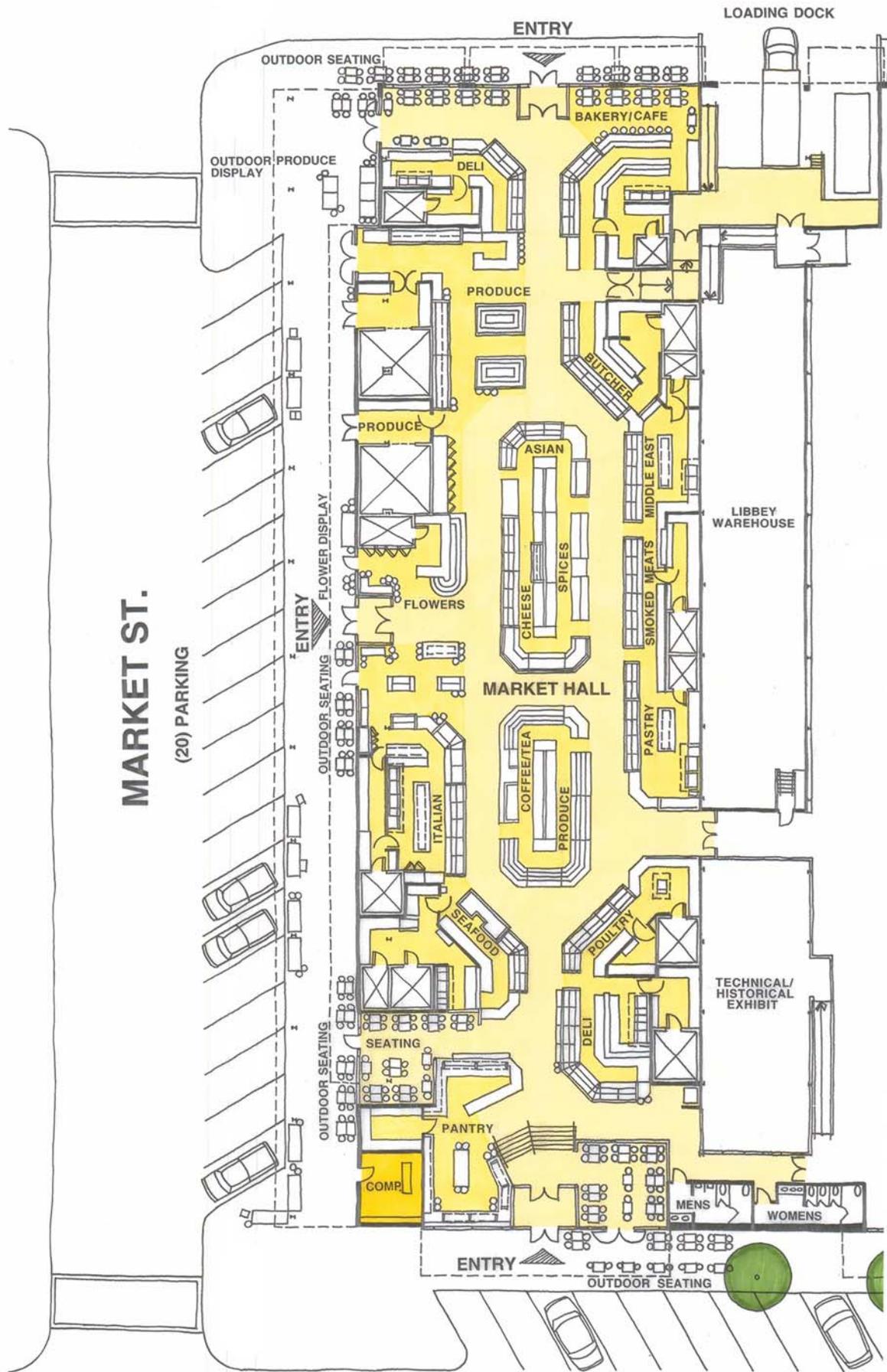
ERIE STREET MARKET

HUGH A. BOYD, ARCHITECTS

MARKET VENTURES, INC.



Interior Layout



Interior Layout - Bay 1 Detail

An image of the interior of Bay 1 is found in the rendering entitled “Erie Street Market – Interior View.” As much as possible, the food should be the show. This can be accomplished with proper lighting, fixtures, and layout, designed by an experienced public market architect who helps each tenant create a highly functional space and ensures that the Market meets the desired standard of quality. While their unique qualities should be highlighted, the vendors’ stalls should follow a common design vocabulary for lighting, signage, and display. The lease should include a design criteria that spells out the rules for each of these issues, as well as for acceptable building materials and counter heights.

At minimum, the Market should provide each tenant with stubbed in hot and cold water and drains, as well as metered electricity. Some spaces should have access to gas. Certain stalls will require grease traps and hooded exhaust. Individual storage space is provided to accommodate walk-in refrigerators or freezers, as needed (these are noted by the boxes with X’s in them in the Interior Layout Plan). The redevelopment will require a significant budget for tenant fit-out allowances to help lower the initial investment for tenants. The recommended budget is discussed in the Development section of this report. Again, it is critical that each space be designed by an experience public market architect with a proven track record of success.

The average size of the 18 businesses is 715 square feet, with a total leasable area of 12,871 sf. Storage is generally within each space or, for the businesses on the central islands, in nearby rear corridors. The gross area of Bay 1 is 20,944 sf (including the shared loading dock), compared with 29,422 sf where the Market is currently located in Bay 4 (including the Market hall, lobby, restaurant, storage, and loading dock). The efficiency of the layout is 61%, which is comparable to other well designed public markets.

A loading dock is located at the rear of the building and will be shared by the food tenants and Libbey Glass.

As mentioned above, the leasing effort will need to cover a fairly wide geographic area, aggressively searching for merchants throughout the northern half of Ohio and into nearby neighboring states, particularly around the cities of Ann Arbor and Detroit. It is imperative that existing merchants not be automatically accepted into the new market; no one should be “grandfathered” in. Every interested tenant should be asked to make application to the Market and evaluated against other potential tenants in their product category. To succeed, the Market must have the “best of the best.” In some cases, this might be current tenants in the Market but it should not be assumed.

Bay 2: Libbey Glass Factory Outlet

In initial conversations, management of Libbey Glass has indicated a willingness to relocate to another bay if it will significantly improve the entire complex. An estimate for the cost of relocation has been included in the development budget. Bay 2 has the same basic footprint as Bay 1, so the move for Libbey Glass should be straightforward. It appears that they can reuse their existing lighting fixtures and their display modules. At present, the skylights are painted over in Bay 2 so either the paint should be removed or the glass replaced. The move provides an opportunity to make improvements to space configuration, lighting, or other physical elements of the Bay, building on the business’ experience after being in the Market for seven years.



Erie Street Market Redevelopment Plan - Interior View

Erie Street Market ♦ Toledo, Ohio

Hugh A. Boyd, Architects

Market Ventures, Inc.

Bay 3: Frog Towne Square

The basic concept of Bay 3 as a place for locally made crafts does not change in this redevelopment plan. However, Frog Towne Square is generally under performing and it needs significant improvements. Ideally, the concept should focus on local craftspeople who make what they sell. Over time, the successful vendors in Frog Towne have generally been the ones who meet this criteria. Unlike the food hall, the necessary redesign is simpler because a crafts market does not need the plumbing and electrical infrastructure that food vendors require, nor the major investment in refrigerated display cases.

Bay 3 requires a retail street presence on both S. Erie Street and on the rear parking area. As mentioned previously, the interior hallway in the front of the building should be removed and the retail activity be brought right up to the edge of the building. New large glass storefronts are proposed for both sides of Bay 3, with glazing within the historic arches at the front of the building.

The leasing effort for the craft market should mirror the leasing for the food hall, reaching out to craftspeople throughout northern and central Ohio. Alternatively, if craft vendors are not interested in having their own premises in the Market, management should consider developing a craft gallery or cooperative that features Ohio craftspeople. In any event, the emphasis should be on high quality, locally made items.

Bay 4: Event Space

Bay 4 is a dramatic space that was originally designed for events and concerts. It is proposed that Bay 4 return to this function, utilizing the auditorium's attractive physical space, the existing stage, and the vestibule on the front of the building. An initial review of events space in Toledo reveals an apparent demand for new venues, particularly with the closing of the Lucas County Recreation Center. With minimal investment, the Bay can be reconverted to a beautiful special events space for weddings, concerts, meetings, holiday fairs, etc.

Outdoor Farmers' Market

Minor physical improvements are needed to the outdoor farmers' market. In the section near Swan Creek, a large concrete step is a hazard to customers and vendors and should be removed.

The best farmers' markets maintain a strong emphasis on locally grown food and, while they might permit some non-food uses, keep them to a minimum. To maintain the strength of the farmers' market, the Market should adopt a policy that limits non-food uses to a maximum percentage of vendors, no more than 20%.

In 2003, the farmers' market was advertised as being open seven days per week but only a few vendors use the facility on any day besides Saturday. This is confusing to consumers. The farmers' market should only be advertised and promoted on days when it can provide a good shopping experience for customers.

In 2004, the farmers' market is scheduled to be open two days per week, on Saturdays and Wednesdays. This is an appropriate expansion from 2003. It is critical that there be adequate funds available for advertising the expansion to customers so the farmers will experience a profitable market day.

Financial Analysis

Vendor pro forma

One year operating statements were prepared for each proposed vendor in the food hall. This analysis was performed to determine potential rent levels and debt loads, and to analyze profitability. Relying on the consultants' experience operating public market businesses and studying operations at public markets around the country, the pro forma included average weekly sales estimates for each business under a "realistic" sales scenario (that is, neither unduly optimistic or pessimistic), estimated cost of goods, and expenses that a public market business would be expected to incur. A sample pro forma – for the bakery/café – is found in the table labeled "Vendor pro forma (sample)." This sample shows that the average weekly estimate for sales for the bakery/café will be \$12,000, or \$624,000 per year. Cost of goods for this business is estimated at 30%. Rent is \$20 per sf, plus a percentage rent of 5% of gross sales of the amount over the base rent, which equals \$8,400 in this example. Total expenses are \$339,571, leading to a Net Operating Income (NOI) of \$97,229. This includes the owner's salary, assuming the owner is a full time worker in the businesses. Similarly detailed pro forma for each of the 18 businesses can be found in Appendix A.

Occupancy costs include base rent, percentage rent, and a Common Area and Maintenance (CAM) charge. CAM is consistent for each vendor at \$4.00 per square foot. Base rents and percentage rents vary depending on the type of business and the leasable area. The occupancy costs are summarized underneath the Net Operating Income line and show rent per month, occupancy costs per square foot, and occupancy costs as a percentage of gross sales. Assumptions about labor costs including expected hours per week of labor and the rate per hour are included, as well. Start-up costs, which are assumed to be capitalized, are shown as depreciation in the pro forma with the assumption of a seven year amortization and a cost of capital at 6.0%. Based on the assumptions within, each of the proposed businesses can operate profitably and the potential for profits should be attractive to food entrepreneurs.

The table entitled "Vendor pro formas: Summary" aggregates salient information from the 18 pro forma into a single table. Total annual sales among the 18 merchants comes to \$7.93 million, which equates to \$616 in sales per square foot. This is below the typical rate of \$700 per square foot seen in other public markets (although it must be recognized that there is wide variation in sales per square foot among vendors within individual public markets and, in aggregate, between different public markets). The average net operating income is about \$65,000.

One of the most important costs facing public market vendors is labor. In each instance, the operating statements assume that the owner is present to manage the business and this person's compensation is reflected in NOI, not wages. Total payroll expenditures, including taxes and benefits, are estimated at nearly \$1.6 million. The analysis shows that the food hall will employ 81 FTEs, which added to the 18 business owners means the food hall provides 99 jobs (excluding Market management).

With an average rent of about \$31 per square foot, the rental rates appear high compared to current rates for retail space in the downtown or the rents that Erie Street Market has achieved to date. At present, rents in the food hall have dropped to \$17.00 per square foot and sales are so

Vendor pro forma (sample)

	Bakery - Café	
Square footage - 1st floor		\$1,140
Square footage - storage		
Total sf		\$1,140
Sales/s.f.		\$547
Income		sales/wk
Annual sales	\$624,000	\$12,000
Cost of Goods	\$187,200	30%
Gross Profit	<u>\$436,800</u>	

Expenses		
Advertising	\$5,000	
Contributions	\$500	
Credit card	\$9,360	1.50%
Depreciation (note 2)	\$14,331	\$80,000
Dues, subscriptions, publications	\$1,200	
Insurance	\$2,500	
Miscellaneous	\$4,000	
Office expenses	\$2,500	
Parking	\$0	\$0.00
Payroll (note 1)	\$197,600	
Payroll taxes	\$19,760	10%
Payroll benefits	\$9,880	5%
Professional fees	\$6,000	
Rent - 1st floor	\$22,800	\$20.00
Rent - storage	\$0	\$10.00
Percentage rent (minus base rent)	\$8,400	5.0%
CAM	\$4,560	\$4.00
Repairs & Maintenance	\$4,000	
Supplies	\$12,480	2.0%
Telephone	\$1,200	
Uniforms and laundry	\$3,500	
Utilities	\$5,000	
Vehicle	\$5,000	
Subtotal	<u>\$339,571</u>	
Net Operating Income	\$97,229	

Cost of occupancy (CAM, rent, % rent)	\$35,760.00
Occupancy per month	\$2,980.00
Occupancy per sq ft	\$31.37
Occupancy as percentage of gross sales	5.7%

Notes

1. Payroll	Hrs/wk	Rate/hr	Total/wk
Rate 1 - retail clerk	200	\$7.00	\$1,400
Rate 2 - manager/skilled	160	\$15.00	\$2,400
	<u>360</u>		<u>\$3,800</u>
FTE	10		

Break even sales = fixed costs / (1 - variable costs as percent)	
Break even sales	\$485,101
Break even sales/sf	\$426

2. Cost of capital	6.00%
Amortization (years)	7

Vendor pro formas: Summary

Totals (all businesses)

Businesses	18
Square footage - 1st floor	12,871
Square footage - storage	0
Total leasable square footage	12,871
Average sales/sf	\$616.11

Annual sales	\$7,930,000
Cost of goods	\$3,998,800
Gross profit	\$3,931,200

Total Expenses	\$2,758,449
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NOI	\$1,172,751
Average NOI	\$65,153

Expenses (select)

Base rent	\$275,641
% Rent	\$75,739
CAM	\$51,484
<i>Subtotal - rents</i>	<u>\$402,864</u>

<i>Rents/CAM as % of sales</i>	5.1%
<i>Rents/CAM per square foot - average</i>	\$31.30

Utilities	\$65,200
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Tenant investments	\$565,000	
<i>Average tenant investment</i>		\$31,389
Tenant allowance	\$630,000	
Total fit-out	<u>\$1,195,000</u>	
Fit-out/sf	\$92.84	

Payroll	\$1,371,760
Payroll taxes	\$137,176
Payroll benefits	\$68,588
Total: Payroll	<u>\$1,577,524</u>

Full time employment (FTE)	81
Business owners	18
Total jobs (FTE)	<u>99</u>

Average sale	\$22.00
Average group size	1.6
Visitors/year	576,727
Visitors/week	11,091

low that vendors have not been able to support rents even of this level. On a square foot basis, successful public markets are typically two to three times more expensive than nearby store rents. In part, this is because public markets provide nearly all the costs associated with marketing, security, restrooms, and waste removal, as well as common area utilities. Tenants only pay rent for their actual stalls and not for customer circulation areas, which they would have to absorb in a storefront. In addition, tenants need much smaller spaces to generate similar or higher sales volumes. As a result, the rents per square foot are higher, but the absolute cost of occupancy is not. These benefits will have to be stressed to potential tenants in the face of the seemingly high rates per square foot. According to the Urban Land Institute's annual survey of shopping centers, food stores such as bakeries, delicatessens and butcher shops typically pay between 7% and 17% of their gross sales in total real estate occupancy costs, with an average of 12.5%. By contrast, total occupancy costs for vendors in this plan averages only 5.1% of gross sales. The key, of course, is achieving the sales levels assumed within.

Each vendor is assigned a minimum base rent and a percentage rent. It is recommended that the market adopt a percentage rent scheme in order to keep base rents low and thereby reduce the cost (and the risk) of participating in the market. Once the vendor's gross sales pass the crossover point where percentage rent is higher than base rent, market management begins collecting percentage rent on a monthly basis. This provides market management with an incentive to increase each vendor's sales and allows the sponsor to share in the market's potential up-side. It also means that the market shares the risk with the vendors, so rental income will decline somewhat in slow months. Numerous public markets around the country have a percentage rent system, as do most malls, so this structure can be considered an industry norm although it might be unfamiliar to many independent retailers and farmers. As the project moves into implementation, the rent scheme should be made somewhat more sophisticated, so the percentage rent gets smaller or is eliminated at higher sales levels, effectively capping the cost of occupancy for tenants.

While numerous public markets have percentage rents, most rely on vendors' self-reporting their sales. This system encourages vendors to under report their sales. Ideally, the food hall should require every vendor to use a management-authorized computerized cash register in their own stall that provides sales data to the manager. This system, which we implemented at the Portland Public Market, provides precise information for the manager to work with each tenant on improving his or her business and to improve the overall marketing effort. During the leasing effort, potential tenants must be convinced that this information will be used to help them achieve higher sales and greater profitability. The information should be shared with the tenants in aggregate form to help them better understand the sales patterns in the Market and their performance relative to other vendors.

Total vendor start-up costs are estimated to be \$1.2 million. Slightly more than half of this amount, \$630,000, has been allocated to tenant allowances in the development budget. In aggregate, the 18 vendors are expected to contribute \$565,000 of their own funds, which equates to about \$31,000 per vendor.

Based on the projects team's research at other public markets, it can be estimated that the average customer expenditure will be \$22.00 per visit and the average customer group size will be 1.6 people. Using the estimated annual sales of \$7.9 million, the number of visitors per year can therefore be estimated at 577,000, or approximately 11,000 customers per week.

Operations pro forma

A three year operations pro forma has been prepared for the project (see “Operating Projection.”) On the income side, rent is shown separately for each of the four bays, plus rent from the outdoor farmers’ restaurant. Bay 1 rent is derived from the vendor pro forma, with a schedule of uncollected rent and vacancy on the second page under “Notes.” Rent for Libbey Glass is the same as now, as is the budgeted income for Frog Towne from the 2001 budget (actual income is currently less). The assumptions underlying the income in Bay 4 is also shown in the notes section. In the first year, it is assumed that the Market can attract 30 event-days at the rate of \$2,500 per day, for a total income of \$75,000. The number of event-days grows to 40 in year two and 50 in year three, and the daily rate increases to \$3,000 in year three.

On the expense side, most of the line items reflect actual cost of operating the complex. The marketing budget, at \$250,000, is significantly higher than is currently spent. This should be considered the minimum necessary to promote the Market each year. The development budget has additional funds for marketing the grand reopening.

Utilities are budgeted at the current level. It is strongly recommended that the Market install an energy management system as part of the redevelopment. It should be possible to drive down the cost of utilities, particularly if Bay 4 can be zoned separately from the rest of the building and minimal HVAC used when the bay is not in use. Furthermore, it might be possible to utilize solar panels on the Market roof, which could result in a significant savings.

The management personnel line assumes a full time director, marketing director, and office manager/bookkeeper (see Notes). At present, the bookkeeping is outsourced. It is recommended that this function be brought in-house when the redevelopment plan is implemented because this person can play an important function in the Market’s day-to-day management. The personnel line also includes janitorial and night cleaning staff, which can be either out-sourced or kept in-house.

Based on the assumptions therein, the Market should show a small cash surplus by year three. First year income is estimated at \$834,500 and first year expenses are \$902,000, resulting in a net loss of \$67,500. By the third year, revenues are projected to climb to \$972,500 million while expenses are \$957,000 million, resulting in net income of \$15,600. This is a dramatic improvement from the Market’s current operating loss of approximately \$400,000 per year. As will be shown below, the investment to redevelop Erie Street Market can be justified on the elimination of the current subsidy. That is, if the Market will break even operationally, then the cost of capital to fund the redevelopment is less than the current annual subsidy. Since the income stream relies, in part, on percentage rent and it is impossible to ensure sales, the project will require an adequate cash reserve as a hedge against either lower income receipts or higher than expected expenses.

Operating Projection

Gross sales \$7,930,000
 Scenario: Realistic 100%

	Year 1	Year 2	Year 3
INCOME			
Food Hall - Bay 1	\$402,864	\$402,864	\$414,950
<i>Vacancy lost</i>	(\$60,430)	(\$40,286)	(\$20,747)
Libbey Glass - Bay 2	\$132,000	\$132,000	\$132,000
Craft Hall - Bay 3	\$150,000	\$150,000	\$154,500
Auditorium - Bay 4	\$75,000	\$100,000	\$150,000
Restaurant	\$36,000	\$36,000	\$37,080
Farmers' Market	\$7,500	\$7,500	\$7,725
Merchant utilities			
Food Hall	\$65,200	\$67,156	\$69,171
Libbey Glass	\$18,000	\$18,540	\$19,096
Craft Hall	\$3,000	\$3,090	\$3,183
ATM/Pay telephone	\$5,400	\$5,400	\$5,562
TOTAL	\$834,534	\$882,264	\$972,519
EXPENSES			
Personnel	\$192,000	\$197,760	\$203,693
Supplies	\$30,000	\$30,900	\$31,827
Utilities	\$280,000	\$288,400	\$297,052
Security	\$50,000	\$51,500	\$53,045
Building & equipment maintenance	\$50,000	\$51,500	\$53,045
Marketing	\$250,000	\$257,500	\$265,225
Other G&A	\$50,000	\$51,500	\$53,045
TOTAL	\$902,000	\$929,060	\$956,932
Net Operating Income	(\$67,466)	(\$46,796)	\$15,587

Notes

	Year 1	Year 2	Year 3
Base rent increase		0%	3%
% rent increase		2%	2%
CAM increase		0%	3%
Vacancy	15%	10%	5%
	15.0%	10%	5%

Concessions

Pay telephone	\$3,000
ATM	\$2,400
Total	\$5,400

Personnel

Director	\$72,000	\$74,160	\$76,385
Marketing Director	\$48,000	\$49,440	\$50,923
Office Manager/Bookkeeper	\$30,000	\$30,900	\$31,827
Fringe benefits	\$30,000	\$30,900	\$31,827
Payroll tax	\$12,000	\$12,360	\$12,731
Total	\$192,000	\$197,760	\$203,693

Annual raise	3.0%
Fringe benefits	20%
Payroll taxes	8%

Expense inflator	3.0%
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Bay 4 Events	Number/year	Rate	Total
Year 1	30	\$2,500	\$75,000
Year 2	40	\$2,500	\$100,000
Year 3	50	\$3,000	\$150,000

Development Plan

Development costs

Based on the experience of developing similar projects in other cities, the project team estimated the costs of developing the proposed redevelopment plan. It must be stressed that this cost estimate is preliminary in nature and might vary significantly from the actual construction cost once working drawings are created and the project is bid for construction. However, this should give a reasonable idea of the cost of the project, as envisioned.

A schedule of construction costs is attached and labeled “Construction Estimate – Bay 1.” The construction estimate is for the base building costs, not the fit-out cost of each vendor. Each tenant’s space will have stubbed in plumbing and electricity, with the vendor’s store design dictating final fit-ups. The most significant costs of construction are for electrical, plumbing, and HVAC/kitchen exhaust, which is typical of a public market because of the large number of sinks, drains, and electrical fixtures. Some of the Market’s existing sinks, grease traps, and other fixtures might be reusable. These will need to be inventoried and evaluated during the next phase of cost estimating. All told, the hard costs for construction are estimated at \$2.58 million.

It is strongly recommended that Erie Street Market retain an experienced public market architect to design not only the overall space, but each tenant stall as well. This will provide design integrity to the entire project and also give each merchant the greatest chance at success with a well designed store. The architect should participate in the leasing phase of the project, with the architect meeting with prospective merchants and helping to determine their stall location and configuration. This process worked very effectively during the development of the Portland Public Market. A budget for tenant stall design is included in the development budget.

An estimate for development costs is presented in the schedule labeled “Development Budget.” This spreadsheet starts with the \$2.58 million Bay 1 construction estimate and adds \$356,000 for façade improvements in Bays 2 and 3. To these numbers are added a variety of soft costs, including a fee for construction management, a 10% contingency, architecture and engineering, and tenant stall design, totaling \$678,538.

An average of \$35,000 fit-out allowance per stall has been provided for each of the 18 merchants, which adds \$630,000 to the budget. A \$300,000 allowance has been provided to cover the costs of moving Libbey from Bay 1 to Bay 2 and \$50,000 has been added to clean and paint Bay 4. Finally, the development estimate includes \$75,000 for leasing, \$200,000 for an opening promotion, \$85,000 for professional fees, and \$15,000 for construction insurance. In sum, the expected development cost is \$4.97 million. The cost of relocating the traffic signal room has not been included in this development budget.

Assuming an annual interest rate of 5.0% and a pay back period of 20 years, the cost of this \$4.97 million can be annualized at approximately \$400,000 per year. This is the approximate amount of subsidy that the city injects into Erie Street Market per year. Seen from this perspective, it makes financial sense to fund the redevelopment of Erie Street Market in order to end the subsidy as well as to create a viable public market that will serve the community.

Construction Estimate - Bay 1

28-Apr-04

Gross square feet - Bay 1 20,944
 Leasable square feet 12,871

	Schedule of values	Cost s.f.
Building permit	\$6,000	\$0.29
Site work	\$70,000	\$3.34
Demolition	\$80,000	\$3.82
Concrete	\$139,000	\$6.64
Masonry	\$39,000	\$1.86
Dampproofing	\$12,000	\$0.57
Structural steel	\$160,000	\$7.64
Miscellaneous metals	\$90,000	\$4.30
Rough Carpentry	\$105,000	\$5.01
EIFS	\$62,000	\$2.96
Caulking	\$3,500	\$0.17
Roofing	\$201,000	\$9.60
Doors/Frames/Hardware	\$38,000	\$1.81
Entrances/Glass & Glazing	\$120,000	\$5.73
Ceramic tile	\$62,000	\$2.96
Drywall	\$116,000	\$5.54
FRP	\$15,000	\$0.72
Loading dock equipment/doors	\$42,000	\$2.01
Accoustical ceilings	\$6,000	\$0.29
Resinous floors	\$70,875	\$3.38
Painting	\$35,000	\$1.67
Fire protection	\$33,500	\$1.60
Specialities	\$8,500	\$0.41
Plumbing	\$280,000	\$13.37
HVAC/Kitchen exhaust	\$240,500	\$11.48
Electrical	\$325,000	\$15.52
General conditions	\$191,190	\$9.13
Signage	\$30,000	\$1.43
Total	\$2,581,065	\$123.24

Development Budget

28-Apr-04

	Number or amount	Rate	Subtotal	Total
Construction				
Bay 1				\$2,581,065
Bay 2 & 3 - facade improvements				\$356,000
construction management	\$2,937,065	4.0%	\$117,483	
contingency	\$3,054,548	10.0%	\$305,455	
architecture & engineering	\$3,360,002	6.0%	\$201,600	
tenant design fee	18	\$3,000	\$54,000	
<i>Subtotal: CM, contingency, design</i>				\$678,538
Stall fit out & tenant allowance				
Vendors	18	\$35,000	\$630,000	
Bay 4 painting/cleaning			\$50,000	
Bay 2 Prep for Libbey (electrical, painting)			\$300,000	
<i>Subtotal: Allowances</i>				\$980,000
Other				
leasing			\$75,000	
legal/professional fees			\$85,000	
insurance			\$15,000	
opening promotion			\$200,000	
<i>Subtotal: Other</i>				\$375,000
Total				\$4,970,603
Period (years)	20			
Interest	5.0%			
Annual payment	(\$398,854)			

Development timeline

Without unanticipated setbacks, the project will require about 13 months for redevelopment (see the attached schedule, “Development Timeline.”) This includes two months of design development, eight months of construction, and six weeks of tenant fit-out and training. Tenant recruitment must commence early in the process in order to influence stall placement and design, when the cost of making changes is low. However, there needs to be a realistic opening date before prospective tenants can be recruited.

This timeline commences when adequate fundraising has provided the capital to move forward. Ideally, the market should reopen in the spring, coinciding with the heightened availability of locally grown foods. The chart labeled “Development Timeline” is attached, showing each phase of the project. For lack of a certain start date, the timeline commences on June 1, 2004 and ends on July 4, 2005. It is not expected that funds will be in place by June 1, so the timeline will need to be adjusted when a more realistic start date is known.

Management and Operations

The redevelopment of Erie Street Market provides the opportunity to integrate the learning from the Market's past seven years' of operation and improve the rules and management practices. The Market's lease, rules and regulations, and operating procedures should all be reviewed and updated, as necessary.

Sponsorship

The sponsorship of Erie Street Market has bounced around since the Market first opened in 1997. Some of the changes appear to have been made because of personality disagreements and not because of structural flaws or conflicts. At present, the Market is under the sponsorship of Citifest, which has a subcommittee devoted to the Market.

The most successful management structure for a public market is typically a nonprofit corporation, which by its very nature has to blend financial discipline and prudence with the concern for achieving the organization's public purpose. The nonprofit idea of a "dual bottom line" –operating in the black and achieving social goals – is very much in keeping with the purpose and ethos of a public market.

The most appropriate organization to sponsor the redeveloped market is a financially stable, entrepreneurial, downtown-focused group that shares similar or overlapping goals with the market. It is expected that the City of Toledo will maintain its ownership of the property. It is critical that political considerations not influence either the development or operations of the Market. Tenants must be selected on merit, not political connections, and vendors must not be able to circumvent lines of responsibility by going to city officials for relief. Future maintenance and small capital improvements should be performed by responsive contractors.

The recent effort to integrate the indoor market's management with the outdoor farmers' market should be continued. In the future, the outdoor farmers' market should become part of the entire complex, not a separate organization, although the farmers should maintain a strong voice in policy setting and planning.

Management

A strong management team is often identified as the most critical determinant of a public market's long-term success. Public markets are management-intensive operations; market managers need to understand how each business inside the market operates, understand the market's customers, and take the steps that lead to profitability for both merchants and the market as a whole. The management team must pursue the market's public goals, which include financial objectives that require a firm, business-like approach.

Among the myriad tasks that management undertakes, some of the most important include recruiting vendors and farmers; developing and monitoring leases; keeping the site clean and in good operating condition; providing information and assistance to merchants, including statistical analysis from the point-of-sale (cash register) data; marketing and public relations;

security; and customer relations. The management team must also perform accurate budgeting and bookkeeping and provide timely reports to the market's sponsoring entity.

A creative management team can work with organizations throughout northwestern Ohio to encourage farmers to utilize the Market and develop new channels for bringing local food products to consumers. Important efforts are underway with greenhouse development and other season-extending technologies, which will benefit from local sources of demand and a place to test market local products with consumers. The management team needs the vision – and the board encouragement – to continually innovate and reach out to new constituencies, keeping the Market on the cutting edge of the local foods movement.

As described under the financial analysis section above, the on-site management team for the Market is recommended to be three people: a general manager, marketing director, and office manager/bookkeeper, plus janitorial assistance.

Since the success of the entire endeavor will rest in large part on the managers' skills, the director needs to be a fairly high paying position. Furthermore, all of the employees' compensation should include financial incentives when the market's social and economic goals are achieved. This further reinforces the market's entrepreneurial spirit and further aligns the tenants' interests with the landlord's.

Operating schedule

Operating hours within Erie Street Market have lacked uniformity. In some cases, vendors have an operating schedule that extends beyond the Market's stated hours of operation. In other cases, vendors have not been open during the Market's set hours. Both problems need to be resolved. The recommended hours of operation are Monday through Saturday, 9 am until 7 pm, Sunday from 10 am until 5 pm. All vendors should be required to be open during these hours, with break-down not commencing until the closing time. Customers must know that they can enter the Market at any point during its scheduled hours of operation and have every product available to them.

Likewise, vendors should not be open during hours when the other vendors are closed. This creates an undesirable atmosphere within the Market and degrades the shopping experience.

Marketing

As mentioned above, Erie Street Market must make a radical break from the past and present for it to succeed in the future. This concept should be extended to the naming and "branding" of the project, as well as the physical space and tenancing. Currently, the Market is a confusing jumble of different names and, because of this, the exterior signage creates confusion rather than clarity. At times, the name "Erie Street Market" is used to refer to the entire complex, while at other times this name is only used for the food hall in Bay 4.

A name must be chosen that refers to the entire complex and used consistently. This is done successfully at the Pike Place Market in Seattle, which includes multiple properties and hundreds of different food and non-food businesses, farmers, crafters, restaurants, offices and social

service agencies. While the buildings and spaces at Pike Place have their own names, they are not branded separately.

The proposed new name is Toledo City Market, which is the historic name of the space and can be found on old drawings. For purposes of wayfinding, each of the five major spaces should have their own name, which are proposed to be:

1. Food Hall (Bay 1)
2. Libbey Factory Outlet (Bay 2)
3. Craft Hall (Bay 3)
4. Auditorium (Bay 4)
5. Toledo Farmers' Market (Outdoor sheds)

Historically, Erie Street Market has presented a number of special events each year and has tried various advertising media. Public markets typically use special events to attract customers and there are many good ideas of special events that can be successful. Recently, management has been hampered by small budgets and by a weak "product" to market. Too often, the Market has over-promised what the customer could expect to find within. It is critical that the Market live up to its promise and that the experience not be hyped.

City Market will require a major marketing push when it opens. The development budget has allocated \$200,000 for the grand opening and initial graphic design services. Specific marketing plans should be developed for both the grand opening and the annual marketing program once the project is underway, building of the successful elements of Erie Street Market and addressing the perceived shortcomings.

Next Steps

If the decision to proceed is made, an important first step is to communicate the redevelopment concept to the Market's various communities, including current tenants, customers, area residents, and the media. Input from each of these groups should be solicited and alterations made where it strengthens the plan. It is recommended that the City commit to a series of public meetings to address the plan and gather feedback.

The cost of construction should also be refined. This requires additional design work to increase the level of detail and then analysis by a local cost estimator or construction management firm. It is recommended that the services of an experienced public market architect continue to be employed throughout this process. The building should also be analyzed by engineers who specialize in HVAC systems with the goal of creating an energy management plan for the building that can lower utility costs and utilize innovative technologies such as solar panels.

Originally, funding for Erie Street Market came from two public sources: the City of Toledo and the federal government. Cleveland, Cincinnati, and Columbus have all made major investments into their public markets in recent years and they have created or enhanced important civic spaces for their citizens, also with predominately public funds. While the city and federal government will need to be the major funders again, the Market should embark on a fundraising campaign that seeks to share some of the cost of development with others. In other cities, funding has come from the state, local and national philanthropies, the corporate community, and the general public. There should be buy-in at the local level that demonstrates that the Market will be an important part of people's lives and they are willing to invest in the vision.

Before construction begins, the Market should go through a pre-leasing phase where the concept is presented to potential tenants and they are asked to sign letters of intent. Once a reasonable number of letters of intent are signed (particularly for the core market vendors such as meat, produce, bread, and seafood), then the project should move ahead into implementation. If appropriate vendors cannot be found, then other uses for the building should be explored that can be operated more efficiently, without management personnel on-site.

Conclusion

The proposed redevelopment plan offers a solution for turning Erie Street Market around and making it a vibrant, successful public market that will achieve the goals originally enunciated in 1993. The plan addresses the principal flaws from the initial planning and development, particularly the decision to locate the food market in the auditorium, far removed from the outdoor farmers' market and in a building that was too large and without retail "presence." The proposed plan adds parking, increases the amount of glazing around the building and hence make it more retail friendly, creates an efficient and dynamic layout of vendor stalls that will be properly designed, and eliminates the use in Bay 2 that is paying far below the carrying cost of the space. The outdoor farmers' market is expanded and can be heated for an extended selling season. The spaces around the Market will be come much more pedestrian friendly and therefore a major enhancement to the Warehouse District.

The financial analysis shows that the complex can break even operationally, a far cry from the current large subsidies. Of course, this analysis is predicated on finding appropriate and interested tenants for the space, negotiating leases that achieve the rent levels proposed, and achieving the estimated levels of sales, as well as having the resources to implement the plan as presented. If these assumptions prove to be correct, the cost of paying for the redevelopment is warranted by the ability to turn the current level of subsidy into a cash flow that can pay the cost of the \$4.97 million development.

The plan also makes recommendations for improving the sponsorship and management of the Market, including hours of operation. While management personnel has stabilized over the past year and a half, it is critical that there be consistency in sponsorship and management throughout the redevelopment process and once the Market reopens. The Market needs strong and consistent leadership, divorced from the political process, quite different from its experience over the past seven years.

To succeed, Erie Street Market needs to be reborn as a new entity, tied to its original goals but with a new physical layout and significant improvements. Once the redevelopment is complete, the proposed new name for the complex is Toledo City Market, which includes a food hall, crafts market, Libbey Glass Factory Outlet, auditorium/events space, and restaurant. The new Toledo City Market can be a great addition to the Warehouse District and downtown Toledo, but it will require a significant investment from the city, the federal government, and the community. If done properly, the benefits to the city and to the region's farmers and food producers will be significant, with food sales approaching \$8 million (not including the outdoor farmers' market) and thousands of customers visiting the Market each week.

Appendix A: Vendor pro forma

Vendor pro formas

Sales multiplier: 100%

Erie Street Market Bay 1 Redevelopment Concept

	1	2	3	4	5	6	7	Total	
	Bakery - Café	Bakery - Pastry	Cheese/Appetizers	Deli	Deli & Dairy	Ethnic - Asian	Ethnic - Italian		
Square footage - 1st floor	1,140	584	388	590	795	298	1,366	5,161	
Square footage - storage								0	
Total sf	1,140	584	388	590	795	298	1,366	5,161	
Sales/s.f.	\$547	\$490	\$871	\$661	\$523	\$1,047	\$495		
Income									
Annual sales	\$624,000	\$286,000	\$338,000	\$390,000	\$416,000	\$312,000	\$676,000	\$3,042,000	
Cost of Goods	\$187,200	\$85,800	\$169,000	\$156,000	\$208,000	\$156,000	\$338,000	\$1,300,000	
Gross Profit	\$436,800	\$200,200	\$169,000	\$234,000	\$208,000	\$156,000	\$338,000	\$1,742,000	
Expenses									
Advertising	\$5,000	\$800	\$800	\$800	\$1,000	\$800	\$1,000		
Contributions	\$500	\$400	\$400	\$400	\$400	\$400	\$400		
Credit card	\$9,360	\$4,290	\$5,070	\$5,850	\$6,240	\$4,680	\$10,140		
Depreciation (note 2)	\$14,331	\$5,374	\$3,583	\$7,165	\$7,165	\$4,478	\$7,165	\$49,262	
Dues, subscriptions, publications	\$1,200	\$1,200	\$800	\$800	\$800	\$800	\$800		
Insurance	\$2,500	\$2,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000		
Miscellaneous	\$4,000	\$4,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000		
Office expenses	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500		
Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Payroll (note 1)	\$197,600	\$60,320	\$61,880	\$72,880	\$54,600	\$47,320	\$124,800	\$619,320	
Payroll taxes	\$19,760	\$6,032	\$6,188	\$7,280	\$5,460	\$4,732	\$12,480	\$61,932	
Payroll benefits	\$9,880	\$3,016	\$3,094	\$3,640	\$2,730	\$2,366	\$6,240	\$30,966	
Professional fees	\$6,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000		
Rent - 1st floor	\$22,800	\$11,680	\$6,984	\$14,750	\$19,875	\$8,940	\$30,052	\$115,081	
Rent - storage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Percentage rent (minus base rent)	\$8,400	\$5,480	\$6,536	\$8,650	\$5,085	\$6,660	\$10,508	\$51,319	
CAM	\$4,560	\$2,336	\$1,552	\$2,360	\$3,180	\$1,192	\$5,464	\$20,644	
Repairs & Maintenance	\$4,000	\$2,500	\$1,500	\$1,500	\$2,500	\$1,500	\$1,500		
Supplies	\$12,480	\$5,720	\$6,760	\$7,800	\$8,320	\$6,240	\$13,520		
Telephone	\$1,200	\$900	\$900	\$900	\$900	\$900	\$900		
Uniforms and laundry	\$3,500	\$750	\$1,000	\$1,250	\$1,000	\$750	\$1,750		
Utilities	\$5,000	\$3,000	\$3,000	\$5,000	\$4,000	\$3,600	\$4,000	\$27,600	
Vehicle	\$5,000	\$2,000	\$2,000	\$4,000	\$3,000	\$2,000	\$3,000		
Subtotal	\$339,571	\$126,298	\$120,547	\$153,445	\$134,755	\$105,858	\$242,219	\$1,222,694	
Net Operating Income	\$97,229	\$73,902	\$48,453	\$80,555	\$73,245	\$50,142	\$95,781	\$519,306	
Percentage rent crossover	\$456,000	\$194,667	\$174,600	\$245,833	\$331,250	\$178,800	\$500,867		
Cost of occupancy (CAM, rent, % rent)	\$35,760	\$19,496	\$15,072	\$25,760	\$28,140	\$16,792	\$46,024		
Rent per month	\$2,980	\$1,625	\$1,256	\$2,147	\$2,345	\$1,399	\$3,835		
Notes									
1. Payroll	52								
Rate 1 - retail clerk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk
Rate 2 - manager/skilled	200	\$7.00	\$1,400	80	\$7.00	\$560	100	\$7.00	\$700
	160	\$15.00	\$2,400	40	\$15.00	\$600	35	\$14.00	\$490
	360		\$3,800	120		\$1,160	160		\$1,400
FTE	10.3			3.4			3.9		
35									
Break even sales = fixed costs / (1 - variable costs as percent)									
Break even sales		\$485,101	\$180,426	\$241,093	\$255,742	\$269,511	\$211,717	\$484,439	\$2,128,029
Break even sales/sf		\$426	\$309	\$621	\$433	\$339	\$710	\$355	
2. Cost of capital	6.0%								
Amortization (years)	7								

Vendor pro formas

Erie Street Market Bay 1 Redevelopment Concept

Sales multiplier: 100%

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	8		9		10		11		12		13		14	Total								
	Ethnic - Middle East		Flowers		Meat		Meats - Smoked		Poultry/eggs		Produce		Produce	7								
Square footage - 1st floor	569		444		570		504		625		1,467		1,153	5,332								
Square footage - storage														0								
Total sf	569		444		570		504		625		1,467		1,153	5,332								
Sales/s.f.	\$548		\$1,054		\$821		\$774		\$666		\$496		\$496									
Income		sales/wk		sales/wk		sales/wk		sales/wk		sales/wk		sales/wk		sales/wk								
Annual sales	\$312,000	\$6,000	\$468,000	\$9,000	\$468,000	\$9,000	\$390,000	\$7,500	\$416,000	\$8,000	\$728,000	\$14,000	\$572,000	\$11,000								
Cost of Goods	\$124,800	40%	\$280,800	60%	\$280,800	60%	\$214,500	55%	\$249,600	60%	\$436,800	60%	\$343,200	60%								
Gross Profit	\$187,200		\$187,200		\$187,200		\$175,500		\$166,400		\$291,200		\$228,800	\$1,423,500								
Expenses																						
Advertising	\$800		\$800		\$800		\$800		\$800		\$1,200		\$1,200									
Contributions	\$400		\$400		\$400		\$400		\$400		\$400		\$400									
Credit card	\$4,680	1.50%	\$7,020		\$7,020		\$5,850		\$6,240		\$10,920		\$8,580									
Depreciation (note 2)	\$3,583	\$20,000	\$2,687	\$15,000	\$7,165	\$40,000	\$3,583	\$20,000	\$3,583	\$20,000	\$7,165	\$40,000	\$5,374	\$30,000								
Dues, subscriptions, publications	\$800		\$800		\$800		\$800		\$800		\$800		\$800	\$33,140								
Insurance	\$1,000		\$600		\$1,000		\$1,000		\$1,000		\$1,000		\$1,000	\$185,000								
Miscellaneous	\$3,000		\$3,000		\$4,000		\$4,000		\$4,000		\$4,000		\$4,000									
Office expenses	\$2,500		\$2,500		\$2,500		\$2,500		\$2,500		\$2,500		\$2,500									
Parking	\$0	\$0.00	\$0		\$0		\$0		\$0		\$0		\$0									
Payroll (note 1)	\$60,320		\$69,160		\$56,420		\$56,420		\$56,420		\$108,420		\$85,540	\$492,700								
Payroll taxes	\$6,032	10%	\$6,916		\$5,642		\$5,642		\$5,642		\$10,842		\$8,554	\$49,270								
Payroll benefits	\$3,016	5%	\$3,458		\$2,821		\$2,821		\$2,821		\$5,421		\$4,277	\$24,635								
Professional fees	\$2,000		\$2,000		\$2,000		\$2,000		\$2,000		\$3,000		\$3,000									
Rent - 1st floor	\$11,380	\$20.00	\$8,880	\$20.00	\$11,400	\$20.00	\$10,080	\$20.00	\$12,500	\$20.00	\$26,406	\$18.00	\$20,754	\$18.00								
Rent - storage	\$0	\$10.00	\$0		\$0		\$0		\$0		\$0		\$0	\$101,400								
Percentage rent (minus base rent)	\$7,340	6.0%	\$5,160	3.0%	\$2,640	3.0%	\$1,620	3.0%	\$0	3.0%	\$0	3.0%	\$0	3.0%								
CAM	\$2,276	\$4.00	\$1,776		\$2,280		\$2,016		\$2,500		\$5,868		\$4,612	\$21,328								
Repairs & Maintenance	\$2,500		\$2,500		\$2,500		\$2,500		\$2,500		\$1,500		\$1,500									
Supplies	\$6,240	2.0%	\$9,360		\$9,360		\$7,800		\$8,320		\$14,560		\$11,440									
Telephone	\$900		\$900		\$900		\$900		\$900		\$900		\$900									
Uniforms and laundry	\$1,200		\$1,000		\$1,000		\$750		\$750		\$1,750		\$1,500									
Utilities	\$3,600		\$3,000		\$3,600		\$4,000		\$3,000		\$6,000		\$3,600	\$26,800								
Vehicle	\$2,000		\$2,000		\$2,000		\$2,000		\$2,000		\$5,000		\$2,000									
Subtotal	\$125,567		\$133,917		\$126,248		\$116,982		\$118,676		\$217,652		\$171,531	\$1,010,573								
Net Operating Income	\$61,633		\$53,283		\$60,952		\$58,518		\$47,724		\$73,548		\$57,269	\$412,927								
Percentage rent crossover		\$189,667		\$296,000		\$380,000		\$336,000		\$416,667		\$880,200		\$691,800								
Cost of occupancy (CAM, rent, % rent)		\$20,996	6.7%	\$15,816	3.4%	\$16,320	3.5%	\$13,716	3.5%	\$15,000	3.6%	\$32,274	4.4%	\$25,366	4.4%							
Rent per month		\$1,750		\$1,318		\$1,360		\$1,143		\$1,250		\$2,690		\$2,114								
Notes																						
52																						
1. Payroll		Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk
Rate 1 - retail clerk		80	\$7.00	\$560	120	\$7.00	\$840	80	\$7.00	\$560	80	\$7.00	\$560	180	\$7.00	\$1,260	160	\$7.00	\$1,120			
Rate 2 - manager/skilled		40	\$15.00	\$600	35	\$14.00	\$490	35	\$15.00	\$525	35	\$15.00	\$525	55	\$15.00	\$825	35	\$15.00	\$525			
		120		\$1,160	155		\$1,330	115		\$1,085	115		\$1,085	235		\$2,085	195		\$1,645			
FTE		3.4			4.4			3.3			3.3			6.7			5.6			30.0		
Break even sales = fixed costs / (1 - variable costs as percent)																						
Break even sales			\$209,278		\$334,793		\$315,621		\$259,959		\$296,689		\$544,131									
Break even sales/sf			\$368		\$754		\$554		\$516		\$475		\$371									
Cost of capital		6.0%																				
Loan term		7																				

Vendor pro formas

Sales multiplier: 100%

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Erie Street Market Bay 1 Redevelopment Concept

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	15		16		17		18		Total
	Seafood		Specialty - Coffee		Specialty - Pantry		Specialty - Spices/Bulk		4
Square footage - 1st floor	910		388		800		280		2,378
Square footage - storage									0
Total sf	910		388		800		280		2,378
Sales/s.f.	\$629		\$804		\$488		\$929		

Income		sales/wk		sales/wk		sales/wk		sales/wk	
Annual sales	\$572,000	\$11,000	\$312,000	\$6,000	\$390,000	\$7,500	\$260,000	\$5,000	\$1,534,000
Cost of Goods	\$343,200	60%	\$93,600	30%	\$214,500	55%	\$117,000	45%	\$768,300
Gross Profit	\$228,800		\$218,400		\$175,500		\$143,000		\$765,700

Expenses									
Advertising	\$800		\$800		\$800		\$800		
Contributions	\$400		\$400		\$400		\$400		
Credit card	\$8,580	1.50%	\$4,680		\$5,850		\$3,900		
Depreciation (note 2)	\$3,583	\$20,000	\$7,165	\$40,000	\$3,583	\$20,000	\$4,478	\$25,000	\$18,809
Dues, subscriptions, publications	\$800		\$800		\$800		\$800		\$105,000
Insurance	\$1,000		\$1,000		\$1,000		\$1,000		
Miscellaneous	\$3,000		\$3,000		\$3,000		\$3,000		
Office expenses	\$2,500		\$2,500		\$2,500		\$2,500		
Parking	\$0	\$0.00	\$0		\$0		\$0		
Payroll (note 1)	\$74,880		\$83,720		\$56,420		\$44,720		\$259,740
Payroll taxes	\$7,488	10.0%	\$8,372		\$5,642		\$4,472		\$25,974
Payroll benefits	\$3,744	5.0%	\$4,186		\$2,821		\$2,236		\$12,987
Professional fees	\$2,000		\$2,000		\$2,000		\$2,000		
Rent - 1st floor	\$18,200	\$20.00	\$15,520	\$40.00	\$17,600	\$22.00	\$7,840	\$28.00	\$59,160
Rent - storage	\$0	\$10.00	\$0		\$0		\$0		\$0
Percentage rent (minus base rent)	\$0	3.0%	\$3,200	6.0%	\$1,900	5.0%	\$2,560	4.0%	\$7,660
CAM	\$3,640	\$4.00	\$1,552		\$3,200		\$1,120		\$9,512
Repairs & Maintenance	\$2,500		\$2,500		\$1,500		\$1,500		
Supplies	\$11,440	2.0%	\$6,240		\$7,800		\$5,200		
Telephone	\$900		\$900		\$900		\$900		
Uniforms and laundry	\$1,250		\$1,500		\$750		\$750		
Utilities	\$4,000		\$3,000		\$1,800		\$2,000		\$10,800
Vehicle	\$3,000		\$2,000		\$2,000		\$2,000		
Subtotal	\$153,705		\$155,035		\$122,266		\$94,176		\$525,182

Net Operating Income	\$75,095		\$63,365		\$53,234		\$48,824		\$240,518
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Percentage rent crossover	\$606,667		\$258,667		\$352,000		\$196,000		
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Cost of occupancy (CAM, rent, % rent)	\$21,840	3.8%	\$20,272	6.5%	\$22,700	5.8%	\$11,520	4.4%	
Rent per month	\$1,820		\$1,689		\$1,892		\$960		

Notes

	52											
1. Payroll	Hrs/wk	Rate/hr	Total/wk									
Rate 1 - retail clerk	120	\$7.00	\$840	160	\$7.00	\$1,120	80	\$7.00	\$560	80	\$7.00	\$560
Rate 2 - manager/skilled	40	\$15.00	\$600	35	\$14.00	\$490	35	\$15.00	\$525	20	\$15.00	\$300
	160		\$1,440	195		\$1,610	115		\$1,085	100		\$860
FTE	4.6			5.6			3.3			2.9		

Break even sales = fixed costs / (1 - variable costs as percent)									
Break even sales		\$384,262		\$221,479		\$271,702		\$171,230	\$1,048,672
Break even sales/sf		\$422		\$571		\$340		\$612	

Cost of capital	6.0%
Loan term	7