

# SOUTH SUBURBAN Retail Investment Study

Village of Matteson | Village of Olympia Fields | Village of Park Forest | Village of Richton Park



May 2012

## PREPARED BY:

Teska Associates, Inc. | UIC Nathalie P. Voorhees Center | Business Districts, Inc. | Clark Hill PLC

## Acknowledgements & Disclaimer

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May 17, 2012

On behalf of the Villages of Matteson, Olympia Fields, Park Forest and Richton Park, we wish to endorse this Study and support continued efforts to work cooperatively to provide the shopping and dining opportunities desired by our residents. The study highlights the uniqueness of our market, both within the region and nationally. Our high incomes results in strong consumer buying power. Our distinct demographic diversity offers exceptional opportunities to target a wide variety of consumers. And our pro-active, cooperative approach to economic development has lead all of our communities to consider appropriate incentives to encourage desirable retail development and to enhance the appearance of existing centers.

We wish to personally thank Congressman Jackson and the SBA for their funding assistance, and look forward to a continued partnership to implement plan recommendations. We also want to thank Senator Durbin’s Office for continually showing interest in the study and its results. We collectively look forward to working together to implement the studies suggestions and enhancing the provision of goods and services to our residents while augmenting our non-residential and sales tax base.

Sincerely,

**André B. Ashmore**  
President  
Village of Matteson

**Debbie Meyers-Martin**  
President  
Village of Olympia Fields

**John A. Ostenburg**  
President  
Village of Park Forest

**Rick Reinbold**  
President  
Village of Richton Park



# Forward



The South Suburban Coalition is comprised of four Villages' located within the South Suburban Region of Chicago which includes the Villages of Matteson, Olympia Fields, Park Forest and Richton Park. The Coalition is represented by Smith Dawson & Andrews, a public affairs company, who is contracted annually to develop a list of Federal priorities, projects, infrastructure requirements and program objectives designed for the long-term sustainability of the four Villages. The Village of Olympia Fields exercised a leadership role in the concept of the project, the authorship of the grant request, the study design and scope; as well as, serving as project manager for both awards.

The purpose of the study was two-fold:

- ❑ To investigate whether retailers and restaurateurs have failed to serve the Villages of Matteson, Park Forest, Olympia Fields and Richton Park, based on their ethnic-minority composition, rather than on economic criteria.
- ❑ To develop the data, tools, strategies and relationships that will recruit and retain quality commercial investment in these four south suburban communities.

Anecdotal evidence suggests that a dysfunctional social phenomenon referred to as "Retail Redlining" is operative in the upwardly mobile diverse communities within the Chicago Southland. This process can impact a community's economic base by preventing or inhibiting it from reaching its true economic potential. This condition characteristically exhibits itself through a process of unconscious racism. Subconsciously; national retailers, retail brokers and those who are making retail locational decisions stereotype a community based on the demographic of race. For example, despite a community's wealth, spending power, average household income, median housing value, college attainment, or other socio-demographics characteristics which provide a distinction along "class" lines; a community with a percentage of African American population typically over thirty percent, can be viewed superficially or falsely as an undesirable location for new retail investment. This appears to occur due to stereotyping of the community relative to race. In other words, a community with the majority of African Americans representing its population may be perceived as poor, under educated, having high crime which would lead to a high potential for "retail shrinkage" and thus lower profits. However, the perception of these communities could be viewed as a poor investment

decision for new “Class A” retail. This assumption may be contrary to the true demographics of the community.

The communities representing the Southland Coalition wanted to move from anecdotal evidence to empirical evidence based on sound academic research. It is for this reason that a component of this analysis included academic research conducted by University of Illinois at Chicago. The intent was not to belabor the problem or criticize a national retailer of racial bias; rather, its intent was to understand the true reasons behind why the retail economy of the wealthy diverse communities within our region are weaker economically than its homogeneous Caucasian neighboring communities.

Convincing evidence has been found in this study that retail redlining is operative at the margins. This factor may represent a tipping point in the retail locational decision making process by pushing a retailer to a less diverse community, despite the actual spending potential of a comparable majority African-American community. In a recessionary economy, the margins are accentuated and the subconscious bias of race can play a major role in siting retail locations in less diverse areas. We, therefore, directed the focus of this report to provide a “tool box” of marketing solutions to assist diverse communities in showcasing their economic potential. Our hope is to replace stereotyping or false perceptions of a local economy with the community’s true economic demographic profile. Additional academic research is also needed to determine the ultimate level of impact from this social dysfunction.

This study represents a “crack in the glass ceiling” that needs to be shattered if upward mobile diverse communities are expected to achieve economic equity. Retail investments are not simply about convenience to shopping; rather, it represents the foundation to a community’s resource base providing necessary funding for its schools, parks, public infrastructure, community safety and its very quality of life.

President Obama has encouraged our Nation to have an open and honest dialogue on race. This study embraces that challenge. It should be seen as a national demonstration project to assist other diverse communities across the United States to reach their true economic potential and achieve social equity. On behalf of the citizens of the four communities that represent the Chicago Southland Coalition and future generations of Americans, we offer a sincere “thank you” to Congressman Jesse Jackson Jr. for having the vision, foresight and courage to push for the two Congressional Earmarks which financed this precedent setting endeavor.

Sincerely,

David A. Mekarski, AICP  
VILLAGE OF OLYMPIA FIELDS, VILLAGE ADMINISTRATOR  
SOUTH SUBURBAN RETAIL INVESTMENT STUDY, PROJECT MANAGER

May 17, 2012

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# Executive Summary



Matteson, Olympia Fields, Park Forest, and Richton Park comprise a market estimated to spend nearly \$780 million on retail goods and services. Yet residents express dissatisfaction with the quality and quantity of the stores and restaurants serving this market. Traveling the high traffic corridors that contain shopping centers, Vollmer Road, Lincoln Highway, and Sauk Trail, and connect the area to the Chicago Metro region via Interstate 57 reveals many aging, deteriorating commercial properties that contain vacancies. The South Suburban Retail Investment Study sought to understand why investment in these communities seems to lag the Chicago region and find solutions that will improve the quantity and quality of study area shopping and dining options.

## Key Findings

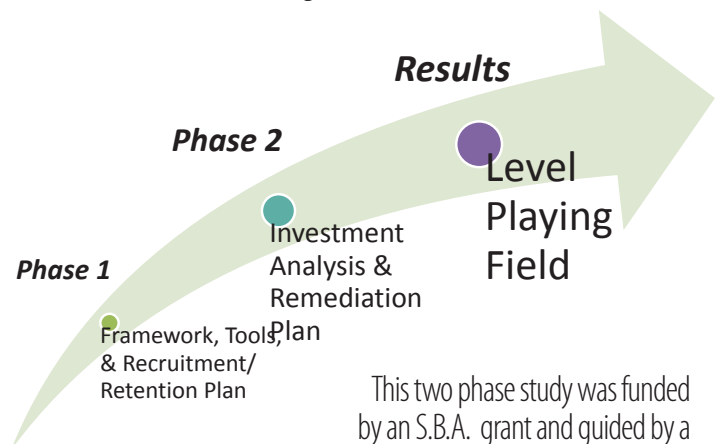
- ❑ The combination of high income and majority African American population makes many of this area's census tracts unique within the Chicago Metropolitan area and possibly within the United States.
- ❑ Property tax rates associated with study area commercial development are higher than nearby communities making the cost of doing business higher and sometimes tipping the location decision away from this area.
- ❑ There are fewer employees in the study area than in other Chicago areas with higher concentrations of stores and particularly restaurants.
- ❑ The development community apparently fails to differentiate the study area from other less affluent south suburban communities.

- ❑ As currently tenanted, the Lincoln Mall does not create the type of regional draw that would be expected to attract a cluster of stores and restaurants seeking to co-tenant.
- ❑ Drive-time data associated with the study area exits off Interstate 57 compare favorably to the data associated with Bolingbrook, Orland Park, Vernon Hills, and other Chicago regional shopping clusters.

## Retail Redlining

The combination of a predominately African American population and obvious lack of investment lead funding entities to ask that the study determine whether race was the driver of the low study area investment, a practice known as redlining. Chapter 4 takes a detailed look at the forms retail redlining might take in these communities

## Project Overview



This two phase study was funded by an S.B.A. grant and guided by a Steering Committee comprised of municipal officials, retailers, developers, and shopping center owners.

# Executive Summary

and concluded that the location decision is so complicated that the data is inconclusive. However, findings do suggest that race may be a driver or mitigating factor in some retail decisions (see Chapter 4 – Research). This analysis pointed to the important issue: What can communities do to address any market failures or limitations that are contributing to retailer opinions of the study area? The issue boils down to how the diversity of the community gets presented. The successful image in racially diverse middle and upper income communities is of a solid, healthy community that welcomes business and retail.

## Solutions

- ❑ Communicate the market’s unique quality to retail site location decision makers.
- ❑ Use a “carrot and stick” approach to aggressively improve the study area’s aging commercial properties.
- ❑ Use local educational resources and government programs to improve the profitability of local businesses.
- ❑ Become the region where every community’s staff uses economic development best practices.
- ❑ Seek solutions to Cook County’s property tax inequities.
- ❑ Promote public private partnerships that result in significant development.



A web-based portal for developers and businesses to seek information on potential locations to establish or redevelop retail sites was created as a part of this study. Each retail site (as shown in the map below) is provided with a marketing sheet that outlines key site and demographic characteristics that enable informed decision-making and ultimately create opportunities to revitalize the retail landscape in Matteson, Olympia Fields, Park Forest, and Richton Park.

## Revitalizing Retail in the South Suburbs

To view the website, visit:

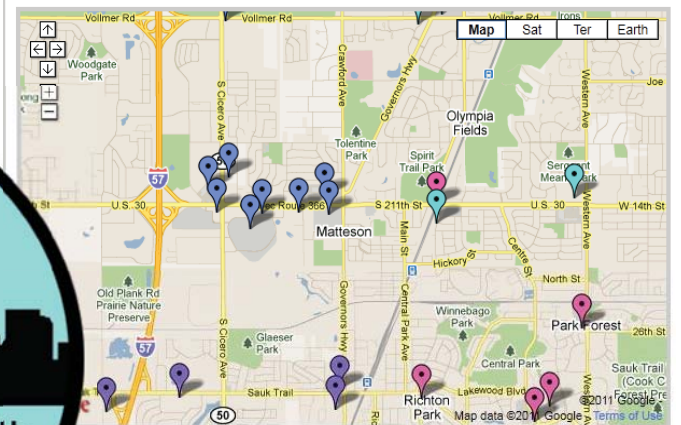
[www.teskaassociates.com/SouthSuburbs/](http://www.teskaassociates.com/SouthSuburbs/)



### Olympia Fields | Matteson | Park Forest | Richton Park

**Sites Available - Locate here today!** The communities of Olympia Fields, Matteson, Richton Park and Park Forest are prosperous suburbs with ideal retail destinations. Their close proximity to I-57, Lincoln Highway, Governors Highway and the Metra Electric Line makes access and drive-times convenient. Considering site selection? Use these assets to your advantage! Locate in Chicago's South Suburbs today.

[\\*Click here to view project documents & presentations](#)



Chicago's South Suburbs - Available Sites in a larger map





## Purpose & Background

The purpose of this study was two-fold:

- (1) To investigate whether retailers and restaurateurs are not serving the Villages of Matteson, Park Forest, Olympia Fields and Richton Park, based on their ethnic-minority composition, rather than on economic criteria.
- (2) To develop the data, tools, strategies and relationships that will recruit and retain quality commercial investment in these four south suburban communities

This effort was funded through two SBA Grants that were championed by U.S. Representative Jackson. Work began in late 2009 after a competitive consultant selection process. The team of Teska Associates, Inc., Business Districts, Inc., Clark Hill PLC and the UIC Nathalie P. Voorhees Center was selected to work with the four communities in this important economic development effort. The study and its findings may be of assistance to other racially diverse, upwardly mobile communities who are experiencing, or who will be experiencing, the same negative effects associated with stereotyping the community on race rather than understanding the true economic potential.

The consultant team and four communities worked closely with a Steering Committee comprised of local government officials and business leaders familiar with retail in the south suburbs. Quarterly meetings were held to gain input and update the communities on project progress. These meetings rotated between the four communities, and provided valuable insight into market specific issues and concerns regarding the availability of local retail and restaurant offerings, historical efforts to attract such uses, and goals to enhance provision of these services in the future.

There are four inter-related aspects to this project:

- (1) Measuring and analyzing the factors that impact commercial investment in the area,
- (2) Measuring, documenting and advertising the real potential for new investment,
- (3) Identifying, recruiting and retaining investors and firms who should be successful in this marketplace, and
- (4) Attracting shoppers and customers to this market.



Meetings with the Steering Committee provided valuable input and insight.

# 1 | Introduction

The project was divided into two phases. The first phase focused on developing tools to assist the four communities in pursuit of retail business retention and recruitment in a pragmatic and focused manner, applying the unique attributes of this marketplace. This phase also built a data framework for Phase II. Many of the Phase I products are included in the Appendices, including: Appendix A (Shopping Center Marketing Sheets), Appendix B (Consumer Survey Results), and Appendix E (Retail Site Issues & Opportunities). Phase II was focused on the documentation of retail development investment patterns and further enhancement of marketing efforts to enhance local retail and restaurant offerings.

## Project Objectives

- (1) Coordinate efforts to increase the number, diversity, and sales volume of retail businesses in the Villages of Matteson, Olympia Fields, Park Forest and Richton Park.
- (2) Create a dynamic and user-friendly database to help each community to better understand commercial investment patterns and support research in Phase II.

## Project Strategies

- (1) Document commercial development in existing and proposed shopping centers over 20,000 square feet.
- (2) Recognize model shopping center development including both physical design and tenant composition.



Local officials and business leaders comprised the Steering Committee.

- (3) Identify regionally underrepresented tenants and their market entry requirements.
- (4) Develop physical plans that will allow existing centers to accommodate the identified tenants in configurations that follow model development.
- (5) Create web based and desk top published material targeted to recruit desired businesses and attract consumers.
- (6) Host an investor workshop.
- (7) Seek federal, state, and private partnership funds to undertake Phase II.
- (8) Raise the visibility of retail opportunities in the Villages of Matteson, Olympia Fields, Park Forest and Richton Park by involving various media in the project.



SEE FIGURE 1-2 FOR A LOCALIZED CONTEXT MAP

FIGURE 1-1  
**Location Map | REGIONAL CONTEXT**



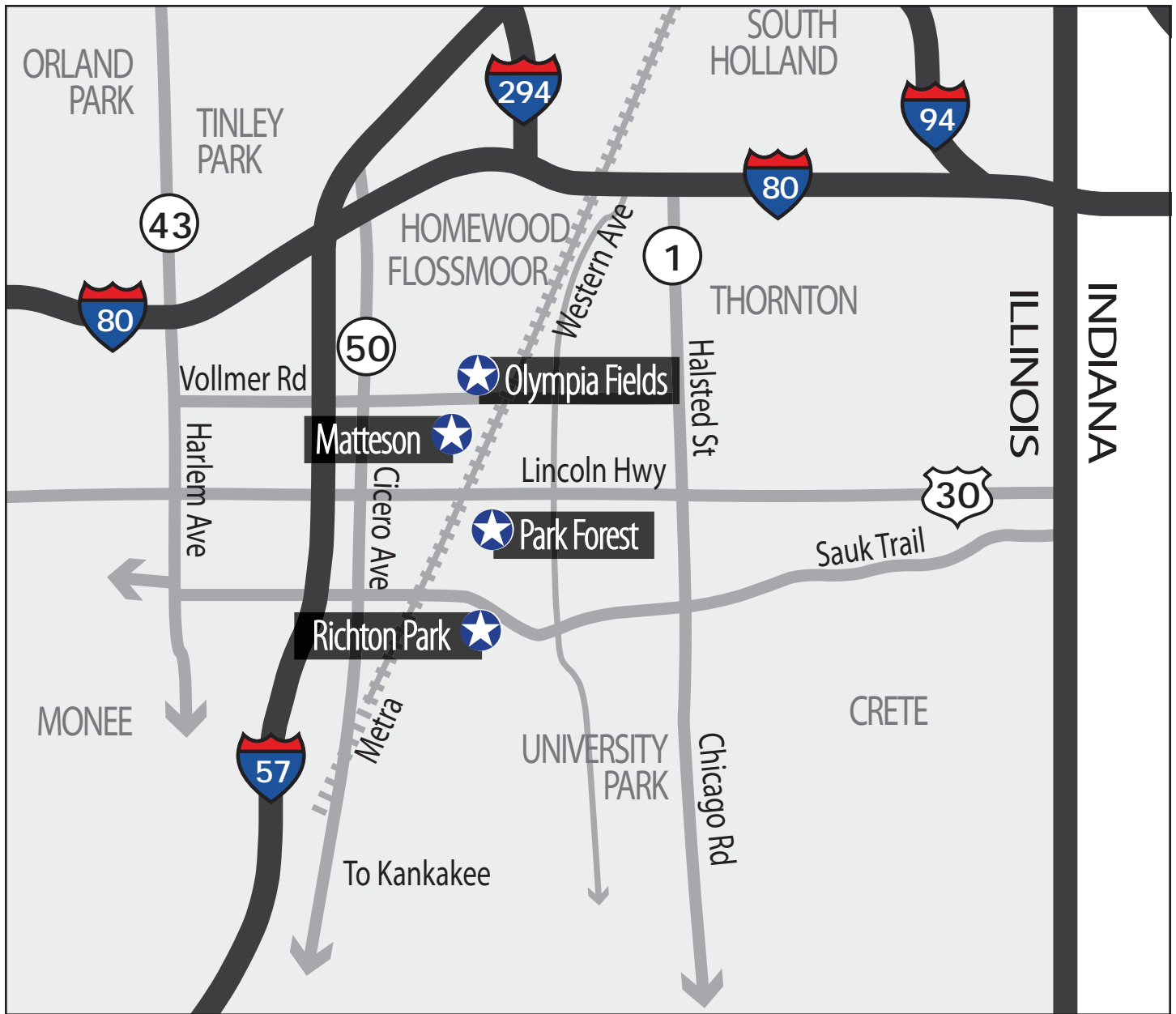


FIGURE 1-2  
Location Map | LOCAL CONTEXT

## SECTION 2 | Market



This section of the Retail Investment Study is comprised of findings from a SWOT Analysis and a Market Share Analysis, as well as an overview of business opportunity profiles for the South Suburban communities.

### SWOT Analysis

The framework for The South Suburban Retail Recruitment Strategy is a developer-focused assessment of the combined area's strengths, weaknesses, opportunities, and threats (SWOT).

#### Strengths: Internal Advantages

- **Demographics that meet or exceed markets associated with successful regional shopping destinations** are illustrated by this comparison of a national demographics provider's report on 15-minute drive time markets from Lincoln Mall and other Chicago Metro region regional shopping centers (see Figure 2-1).



|                                     | Lincoln Mall    | Macy's<br>Orland Square | Macy's<br>Louis Joliet Mall | Macy's<br>Southlake | Macy's<br>Bolingbrook Promenade |
|-------------------------------------|-----------------|-------------------------|-----------------------------|---------------------|---------------------------------|
| Total Population                    | 245,854         | 200,283                 | 227,808                     | 176,408             | 239,535                         |
| Population Density (per sq mi)      | 1,931.10        | 2,020.60                | 3,717.00                    | 1,151.90            | 2,354.90                        |
| Median Age                          | 34.4            | 34.6                    | 36.0                        | 37.4                | 36.3                            |
| Black                               | 47.7%           | 2.3%                    | 42.8%                       | 32.0%               | 9.5%                            |
| White                               | 43.2%           | 90.8%                   | 44.3%                       | 60.8%               | 73.6%                           |
| Hispanic Identity                   | 12.3%           | 7.4%                    | 23.2%                       | 11.4%               | 14.4%                           |
| Not of Hispanic Identity            | 87.7%           | 92.6%                   | 76.9%                       | 88.6%               | 85.6%                           |
| Average Household Income            | \$73,149        | \$97,338                | \$57,303                    | \$62,266            | \$97,979                        |
| Median Household Income             | \$60,633        | \$81,008                | \$47,843                    | \$52,036            | \$77,202                        |
| Per Capita Income                   | \$26,635        | \$36,830                | \$21,266                    | \$23,801            | \$36,083                        |
| Number of Employees                 | 94,665          | 83,929                  | 84,711                      | 73,757              | 114,198                         |
| Department Store Spending           | \$323,090,978   | \$238,228,235           | \$202,870,340               | \$377,983,542       | \$303,897,185                   |
| Total Aggregate Annual Retail Sales | \$3,347,955,218 | \$2,544,096,993         | \$2,159,856,535             | \$3,905,156,280     | \$3,198,820,122                 |

FIGURE 2-1  
**Key Demographics & Spending Power for 15-Minute Drive Time Surrounding Lincoln Mall & Four Closest Macy's Stores**

Source: Applied Geographic Solutions, Inc., 2012.

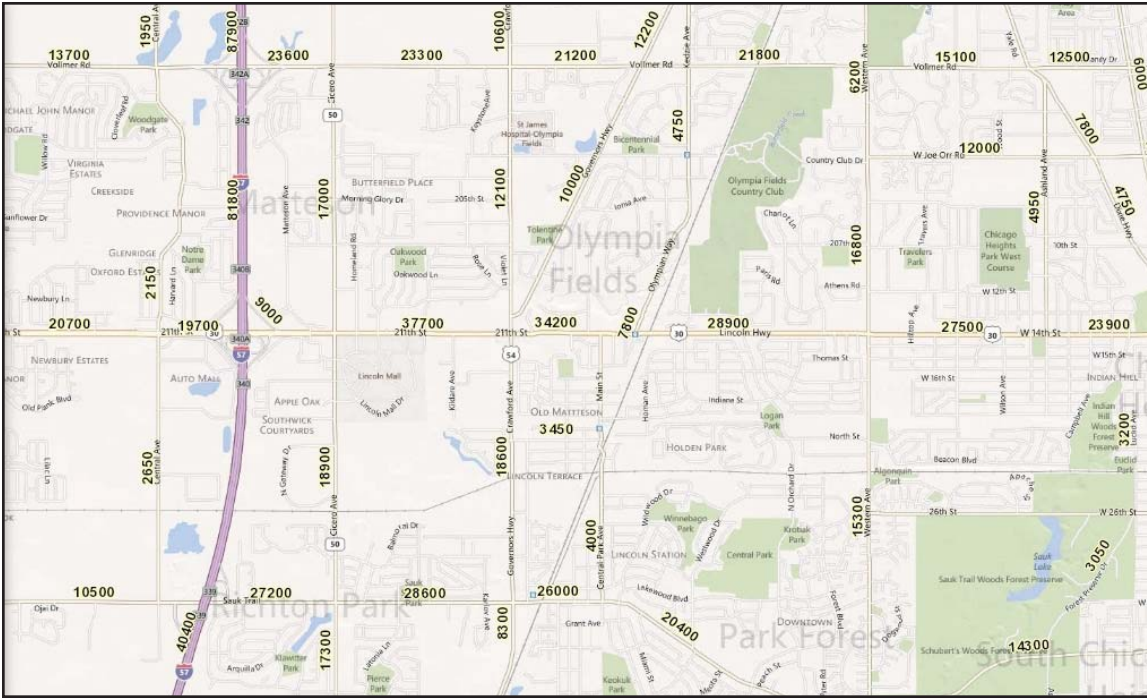


FIGURE 2-2  
Average Daily  
Traffic Counts

Source: IDOT, 2010.

- ❑ **Educational attainment for the south suburban communities meets or exceeds the State and Chicago area averages.** In particular, the percentage of residents with an associate’s degree or higher is 49% in Matteson, 53% in Olympia Fields, 36% in Park Forest, and 43% in Richton Park, which compare to 38% for all of Illinois and 41% for the Chicago metro area.
- ❑ **In all communities, there are roadways with average daily traffic counts exceeding the 20,000 vehicles** necessary to support auto oriented retail development (see Figure 2–2).
- ❑ Study area south suburban communities are all experienced in the use of development incentives and have Tax Increment Financing Districts (TIF) in place.
- ❑ Previous study area development has resulted in parcels sized for all types of retail businesses.
- ❑ Rental rates vary and have the lowest net rents of any Chicago suburban sub-district (CBRE Market View Report; 2011).
- ❑ The Metra Electric line and connecting Pace service offers transit access throughout the study area.
- ❑ New anchor tenants, including JC Penney, have invested in the Lincoln Mall area.
- ❑ Community residents welcome commercial development.
- ❑ Government land and property ownership makes partnering for development easier and quicker than when land assembly is required.

- ❑ Key arterial improvements to accommodate industrial development, such as connecting I-57 to I-294, are underway.
- ❑ Private equity and grant funding are being strongly considered for investment in the south suburban region.

**Weaknesses: Internal Disadvantages**

- ❑ Higher property taxes than other Chicago suburban sub regions make the full cost of renting space higher in the study area than in other areas despite the lower net operating income to study area property owners.
- ❑ New construction to modernize aging, obsolete shopping centers costs more than developing raw land.
- ❑ Aging centers with weak or missing anchors cannot recruit specialty tenants that prefer to co-locate with strong anchors.
- ❑ IDOT road ownership reduces community flexibility in offering access desired by tenants.
- ❑ Poor pedestrian and bicycle connection to shopping centers forces local residents into their cars and once driving they easily leave this area for other locations.
- ❑ Shopping center owners bought their properties at prices far below replacement cost and therefore can achieve market rate returns from low rents. Those low rents in combination with weak or non-existent anchors attract marginal tenants.



Low prices also mean that owners are unlikely to recover the cost of renovation and redevelopment expenses.

- ❑ Seeking to improve aging shopping centers, Villages have, over time, invested significant funds that improved appearance but failed to attract tenants. These previous investments, “sunk costs,” make Villages hesitant to demolish properties that will only attract desirable tenant if redeveloped.

### Opportunities: External Advantages

- ❑ The recovering economy is gradually bringing retail business expansion but the rate is much lower than pre 2005 expansions.
- ❑ New, often educational, government, recreational, or medical uses are filling vacant big box spaces in shopping centers throughout the United States and thereby creating vibrant mixed-use environments.
- ❑ Research suggests that changing national racial attitudes are lessening the differences in lifestyles.
- ❑ Multi-channel retailers like Sports Authority that offer delivery of internet purchases brings more activity to brick and mortar retail locations.
- ❑ New communication tools like Groupon, Facebook and Twitter make contacting retail customers personal.

### Threats: External Disadvantages

- ❑ Nationally the supply of retail space exceeds the demand and has resulted in vacancies exceeding 11%.
- ❑ Developers interviewed for this study categorized the four study area communities with a larger south suburban region where other communities have lower incomes and development resources.
- ❑ Shopping centers are abandoning the shared environment of enclosed malls to offer pad sites and exterior entrances to meet the space and visibility requirements of the newest, retail and restaurant concepts.
- ❑ High vacancies have reduced the value of shopping centers and thereby reduced the owner’s equity. That shrinkage of capital makes it less likely that investors will buy or develop shopping centers.
- ❑ Financial trend watchers are predicting increasing commercial foreclosures as lower values and vacancies make it impossible to fund loan payments.

This SWOT analysis provides a framework for creating a strategy to increase investment in South Suburban shopping centers. In combination with the Market Share Analysis that follows it identifies businesses that are recruitment opportunities.

## Market Share Analysis

Calculating Market Share, the portion of the total available sales won by an individual business or a group of similar businesses, reveals how much potential there is to grow the business(es) by capturing more of the available sales. Understanding market share by category reveals the relative competitiveness of a community or region’s offering in a business category and allows comparison of offerings in different business categories.

### Methodology

Market share is a straight forward calculation. If a community’s children’s apparel sales are \$860,000 and the community’s residents spend a total of \$2,000,000 on children’s apparel, then the market share is  $\$860,000/\$2,000,000$  or 43%. Correctly determining community and store sales and category spending power are key to creating an accurate understanding of a location’s regional drawing power.

For Chicago area communities, the Illinois Department of Revenue provides community-wide sales data when it collects sales taxes and returns 1% of those taxes to the community. The four study area



Noemi's Bridal is one of the options for apparel in Park Forest.

|    |                            | Matteson              | Olympia Fields      | Park Forest         | Richton Park        | Combined              |
|----|----------------------------|-----------------------|---------------------|---------------------|---------------------|-----------------------|
| 1  | General Merchandise        | \$1,593,505.40        | -                   | -                   | -                   | \$1,593,505.40        |
| 2  | Food                       | \$270,425.35          | \$190,882.65        | \$38,035.49         | \$31,315.60         | \$530,659.09          |
| 3  | Drinking & Eating Places   | \$428,615.68          | \$50,892.40         | \$24,367.04         | \$91,900.07         | \$595,775.19          |
| 4  | Apparel                    | \$358,299.64          | \$3,752.51          | -                   | \$2,795.10          | \$364,847.25          |
| 5  | Furniture & HH & Radio     | \$206,958.18          | \$11,125.76         | -                   | -                   | \$218,083.94          |
| 6  | Lumber, Building, Hardware | \$443,987.68          | -                   | -                   | -                   | \$443,987.68          |
| 7  | Automotive & Gas Stations  | \$2,267,830.89        | \$163,324.36        | \$68,292.47         | \$19,813.15         | \$2,519,260.87        |
| 8  | Drugs & Misc Retail        | \$460,697.12          | \$276,309.62        | \$133,505.62        | \$151,292.86        | \$1,021,805.22        |
| 9  | Agriculture & All Others   | \$102,666.54          | \$8,428.60          | \$8,980.55          | \$36,187.47         | \$156,263.16          |
| 10 | Manufacturers              | \$12,740.60           | \$486.37            | \$1,820.86          | \$570.25            | \$15,618.08           |
|    | <b>Totals</b>              | <b>\$6,145,727.08</b> | <b>\$706,446.95</b> | <b>\$293,826.13</b> | <b>\$333,920.42</b> | <b>\$7,479,920.58</b> |
|    | Confidentiality Restricted | \$0.00                | \$1,244.68          | \$18,824.10         | \$45.92             | \$20,114.70           |

FIGURE 2-3  
**Community-Wide Sales Tax by Ten Major Categories**

Source: Illinois Department of Revenue, 2010.

communities' 2010 total retail sales were \$747,992,058. (100 X Village Annual Sales Tax Revenue of \$7,479,920.58). The state reports sales taxes by the ten categories summarized in Figure 2-3.

Illinois recognizes that sales data is proprietary, confidential information so it does not report totals for categories containing less than four businesses. That explains the missing entries for Olympia Fields, Park Forest, and Richton Park; there were not enough stores to allow a category revenue report. The additional sales of \$2,011,470 were made by businesses classified into these categories that could not be reported due to confidentiality. Those sales are not included in the analysis that follows.

The sales available to any business are limited by the category purchasing power of residents living in its logical market plus additional purchasing power associated with unusual circumstances like nearby attractions or a concentration of employment. The National data service, Alteryx projects resident spending by anonymously consolidating information on the purchases made by residents of the area and areas with similar demographic characteristics to estimate a population's purchasing power. Those purchases are made in many communities as residents choose where to buy the goods and services that they need based on their satisfaction with the goods and services offered by different stores. Appendix 3 reports study area spending potential for over 70 types of stores, restaurants and services.

The tables that follow examine the overall market share capture rate and then evaluate categories of consumer sales. BDI consolidated more detailed data from Alteryx into the Illinois Department of Revenue categories to create comparable data.

### Community-Wide Market Share Analysis

The performance of study area retail stores not only delivers service to community residents, it supports the village revenue base through municipal sales tax. At a minimum, communities seek to collect at least as much sales tax as their residents pay, a 100% market share capture rate. The table in Figure 2-4, using Illinois Department of Revenue sales tax data, reveals that the combined communities exceed

|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$614,730,551 | \$224,347,049  | 274.0%       |
| Olympia Fields | \$70,672,663  | \$89,399,710   | 79.1%        |
| Park Forest    | \$30,207,992  | \$249,720,095  | 12.1%        |
| Richton Park   | \$36,004,697  | \$169,068,031  | 21.3%        |
| Combined       | \$751,615,903 | \$732,534,885  | 102.6%       |

FIGURE 2-4  
**Community Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

|             | Sales           | Resident Spending Power | Capture Rate |
|-------------|-----------------|-------------------------|--------------|
| Study Area  | \$751,615,903   | \$732,534,885           | 102.6%       |
| Bolingbrook | \$1,078,730,142 | \$912,844,643           | 118.2%       |
| Orland Park | \$1,723,893,812 | \$877,938,469           | 196.4%       |
| Schaumburg  | \$2,675,251,904 | \$1,319,381,977         | 202.8%       |

FIGURE 2-5

### Resident Spending Power & Sales Capture Rate

EXCLUDES MANUFACTURING, AGRICULTURE & AUTO SALES

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

that goal but that Olympia Fields, Richton Park, and Park Forest were exporting resident retail spending and therefore sales tax revenue.

Although logically it may seem that a capture rate over 100% suggests a saturated market, retail clusters, whether enclosed malls like Orland Square, Woodfield Shopping Center, and Lincoln Mall or open air shopping like Bolingbrook's Promenade, attract the largest share of all shopping. Because comparison is a key shopping behavior, stores need to be near their competition to facilitate comparison and thereby win higher sales. That is why Wal-Mart locates near Target. This clustering means shopping is not spread evenly and consequently communities that are regional shopping destinations expect to attract much more sales tax revenue than their residents pay.

Consequently, although the capture rate slightly above 100% seems to contradict the study premise that the market is underserved, further analysis suggests potential validity in a perception that the Lincoln Mall's retail cluster collects a lower market share than the share expected for a regional cluster. The table in Figure 2-5 then compares the study area with communities containing regional malls.

*The table in Figure 2-5 reveals that even Bolingbrook, a relative newcomer to regional shopping when it opened the Promenade in 2007 has a stronger drawing power than Lincoln Mall.* Figure 2-5 compares the whole study area to the other regional mall communities because the State of Illinois provides data on sales by community and the populations of the other regional mall communities are more similar to the study area's population than to Matteson's population. The table in Figure 2-6 illustrates that population comparison and income differences.

|             | Population | Median Income | Average Income |
|-------------|------------|---------------|----------------|
| Study Area  | 55,988     | \$61,490      | \$78,512       |
| Bolingbrook | 70,848     | \$81,723      | \$93,130       |
| Orland Park | 53,128     | \$81,879      | \$99,861       |
| Schaumburg  | 75,204     | \$73,341      | \$89,091       |

FIGURE 2-6

### Median & Average Income

Source: Applied Geographic Solutions, Inc., 2011.

The subcategory analysis that follows shows the variation among study area communities and between the study area and other regional shopping locations. To further examine the market share capture rate, each category analysis compares the sales in the four communities to a drive time market that is centered on Lincoln Mall and appropriate to typical shopping behavior for that category.

## Restaurants

Throughout the study, anecdotal comments at the steering committee meetings and focus groups have identified *restaurants as a market opportunity*. The capture rate of the 10-minute drive time from Lincoln Mall appears to validate that perception. The comparison to



Park Forest has a mix of local and national chain restaurants.

|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$42,861,568  | \$14,510,080   | 295.4%       |
| Olympia Fields | \$5,089,240   | \$6,504,216    | 78.2%        |
| Park Forest    | \$2,436,704   | \$18,206,512   | 13.4%        |
| Richton Park   | \$9,190,007   | \$10,911,340   | 84.2%        |
| 10-Minutes     | \$59,577,519  | \$82,414,976   | 72.3%        |
| Combined       | \$59,577,519  | \$50,132,148   | 118.8%       |
| Bolingbrook    | \$119,737,603 | \$58,424,774   | 204.9%       |
| Orland Park    | \$158,366,146 | \$56,546,261   | 280.1%       |
| Schaumburg     | \$317,355,888 | \$84,869,366   | 373.9%       |

FIGURE 2-7  
**Restaurant Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

other regional clusters provides additional support for the opportunity to add restaurants, as shown in Figure 2-7.

In using restaurant data, it is important to recognize two limitations:

- ❑ The spending power tracks only resident spending and can be significantly impacted in a positive way by the lunchtime expenditures of nearby employees.
- ❑ Illinois Department of Revenue does not differentiate fast food from full service dining, and it is the perception of study area residents that fast food options are numerous but full service selection is far short of other regional clusters. The comparison to other clusters appears to verify that perception.

### Furniture, Computers & Appliances

Both anecdotal and the objective measures used in these tables, as shown in Figure 2-8, verify that the State of Illinois category grouping **furniture, computers, and appliances is especially weak in the study area**. This category is under national pressure as Internet purchasing of personal electronics grows and a weak housing market depresses appliance and furniture sales. IKEA's choice of Bolingbrook was a catalyst to that town's regional shopping cluster development, and the impact of that "game changing" decision is apparent in the comparative strength of Bolingbrook's sales. The recent closure of

|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$20,695,818  | \$22,365,469   | 92.5%        |
| Olympia Fields | \$1,112,576   | \$10,342,256   | 10.8%        |
| Park Forest    | \$0           | \$27,014,372   | 0.0%         |
| Richton Park   | \$0           | \$16,554,512   | 0.0%         |
| 15-Minutes     | \$21,808,394  | \$348,015,759  | 6.3%         |
| Combined       | \$21,808,394  | \$76,276,608   | 28.6%        |
| Bolingbrook    | \$132,983,954 | \$88,277,321   | 150.6%       |
| Orland Park    | \$194,752,466 | \$84,491,090   | 230.5%       |
| Schaumburg     | \$275,999,944 | \$125,287,280  | 220.3%       |

FIGURE 2-8  
**Furniture, Computer & Appliance Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

the Matteson Best Buy will only further reduce local offerings in this category.

### Groceries

Unlike shopping goods, grocery purchasing is a relatively uncomplicated decision based on convenience. Two successful grocery stores located in Chicago Heights just outside study area boundaries are convenient to many study area residents. Those stores operate with a strong value orientation rather than focusing on healthy eating and high quality, specialty ingredients. It is interesting that other shop-



Bizios Fresh Market provides specialty groceries in Olympia Fields.



|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$27,042,535  | \$40,974,969   | 66.0%        |
| Olympia Fields | \$19,088,265  | \$18,085,448   | 105.5%       |
| Park Forest    | \$3,803,549   | \$52,302,242   | 7.3%         |
| Richton Park   | \$10,696,203  | \$31,094,156   | 34.4%        |
| 5-Minutes      | \$60,630,552  | \$53,481,585   | 113.4%       |
| Study Area     | \$60,630,552  | \$142,456,813  | 42.6%        |
| Bolingbrook    | \$81,592,444  | \$164,084,921  | 49.7%        |
| Orland Park    | \$128,327,731 | \$158,508,356  | 81.0%        |
| Schaumburg     | \$153,693,911 | \$238,453,306  | 64.5%        |

FIGURE 2-9  
**Grocery Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

ping destination communities also fail to capture the grocery spending of residents. With grocery stores typically paying lower rents than specialty stores, this outcome could reflect higher rent tenants securing locations based on their higher profits for property owners. Figure 2-9 provides a summary.

### Apparel

The key shopping good supporting regional malls is specialty apparel, a category that includes shoes. The shopping location choice is driven by confidence that a place offers enough selection of the de-



|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$35,829,964  | \$7,326,210    | 489.1%       |
| Olympia Fields | \$375,251     | \$3,263,540    | 11.5%        |
| Park Forest    | \$0           | \$9,250,583    | 0.0%         |
| Richton Park   | \$279,510     | \$5,534,100    | 5.1%         |
| 15-Minutes     | \$36,484,725  | \$115,625,890  | 31.6%        |
| Study Area     | \$34,031,409  | \$24,763,427   | 137.4%       |
| Bolingbrook    | \$31,772,899  | \$29,511,650   | 107.7%       |
| Orland Park    | \$165,616,382 | \$28,441,562   | 582.3%       |
| Schaumburg     | \$313,292,818 | \$42,796,525   | 732.1%       |

FIGURE 2-10  
**Apparel Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

sired item. Apparel stores cluster in one location to be the place to go for selection and that is reflected in the strength of both Orland Park's and Schaumburg's capture rates. As a hybrid center with primarily large format, cross category stores, Bolingbrook has not developed a specialty apparel focus. Figure 2-10 provides a summary.

### Mass Merchandisers, Department Stores & Warehouse Stores

The study area performs comparatively well in this category that mixes value oriented mass merchandisers, for example Wal-Mart, with department stores, like Macy's and Carson's, because the study



|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$159,350,540 | \$29,798,691   | 534.8%       |
| Olympia Fields | \$0           | \$13,661,252   | 0.0%         |
| Park Forest    | \$0           | \$37,125,376   | 0.0%         |
| Richton Park   | \$0           | \$22,276,691   | 0.0%         |
| 15-Minutes     | \$159,350,540 | \$468,786,916  | 34.0%        |
| Study Area     | \$155,105,231 | \$102,650,014  | 151.1%       |
| Bolingbrook    | \$114,415,801 | \$120,190,466  | 95.2%        |
| Orland Park    | \$227,933,361 | \$117,089,712  | 194.7%       |
| Schaumburg     | \$317,667,149 | \$174,394,555  | 182.2%       |

FIGURE 2-11  
**Mass Merchandiser, Department Store & Warehouse Store  
 Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

area is well served by the value oriented businesses and that masks the absence of department stores. Comparable to groceries, the value oriented business model requires lower rents that may not be available in locations with strong specialty shopping draws. Figure 2-11 provides a summary.

### Home

This category, actually titled by the Illinois Department of Revenue “Lumber Building Material & Hardware,” includes Home Centers like Matteson’s Home Depot and Menards as well as local hardware



The Home Depot is one of the major home centers located in Matteson.

|                | Sales         | Spending Power | Capture Rate |
|----------------|---------------|----------------|--------------|
| Matteson       | \$44,398,768  | \$9,906,990    | 448.2%       |
| Olympia Fields | \$0           | \$4,536,872    | 0.0%         |
| Park Forest    | \$0           | \$12,205,879   | 0.0%         |
| Richton Park   | \$0           | \$7,403,529    | 0.0%         |
| 15-Minutes     | \$44,398,768  | \$115,625,890  | 38.4%        |
| Study Area     | \$43,518,656  | \$30,577,110   | 142.3%       |
| Bolingbrook    | \$132,983,954 | \$36,265,420   | 366.7%       |
| Orland Park    | \$55,683,924  | \$35,182,638   | 158.3%       |
| Schaumburg     | \$53,797,283  | \$52,392,686   | 102.7%       |

FIGURE 2-12  
**Home Spending Power & Sales Capture Rate**

Source: Illinois Department of Revenue, 2011, by Applied Geographic Solutions, Inc.; BDI.

stores and regional lumber yards collecting sales taxes on deliveries to home builders. The overall study area capture rate for this category is similar to the regional shopping communities in keeping with the pattern for high volume, low margin businesses requiring low rents. Figure 2-12 provides a summary.

### Summary

***The study area’s capture rate for regional shopping goods like apparel and electronics is significantly below the capture rates for recognized Chicago metropolitan area regional shopping destinations.*** This finding suggests that the study area is not competing at the level of a regional shopping destination, which must attract from at least a 15-minute drive time.

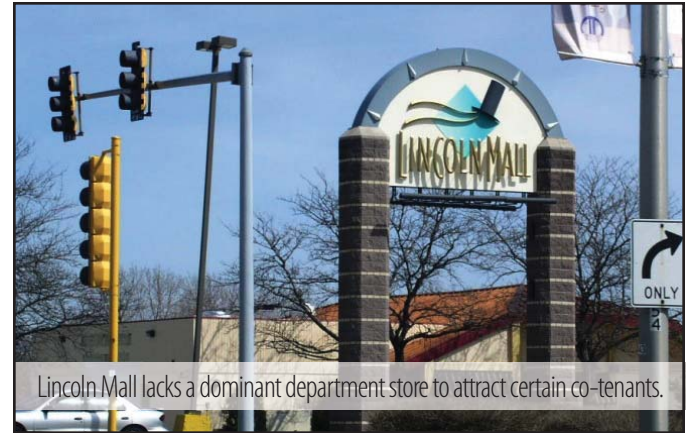
These low capture rates can be interpreted in a positive light for future marketing efforts, i.e., “as a lost opportunity to generate retail profit.” In other words, national retailers are leaving money on the table. The study area has limited competition for like businesses across all categories, especially for casual sit down restaurants. Based on interviews and focus groups, large sectors of our population are leaving their judicial boundaries and traveling in excess of twenty minutes to access “Class A” retail and dining opportunities.

## Business Opportunity Profiles

Throughout the two years of this study, retail businesses have opened, closed, and relocated within the four communities. That process will continue and, as the retail decision model suggests, change is often unrelated to the market because national priorities dictate how multi-site chains and local businesses react to individual priorities. These business opportunity profiles look beyond day-to-day tenant management to examine opportunities that would impact the retail character of the study area.

### Lincoln Mall

As the market share analysis explains, Lincoln Mall is not a regional draw that brings a strong cluster of co-tenants into its proximity. One reason for that weakness is that many co-tenants follow the dominant local department store, Macy's. If Lincoln Mall were to attract a Macy's, other tenants would follow. Figure 2-13 illustrates a 15-min-



Lincoln Mall lacks a dominant department store to attract certain co-tenants.

ute drive time surrounding Lincoln Mall and the four closest Macy's stores.

Other than a slight overlap of the eastern edge of Orland Square's market and the western edge of Lincoln Mall's market, the geographies are discreet. This development pattern occurred because

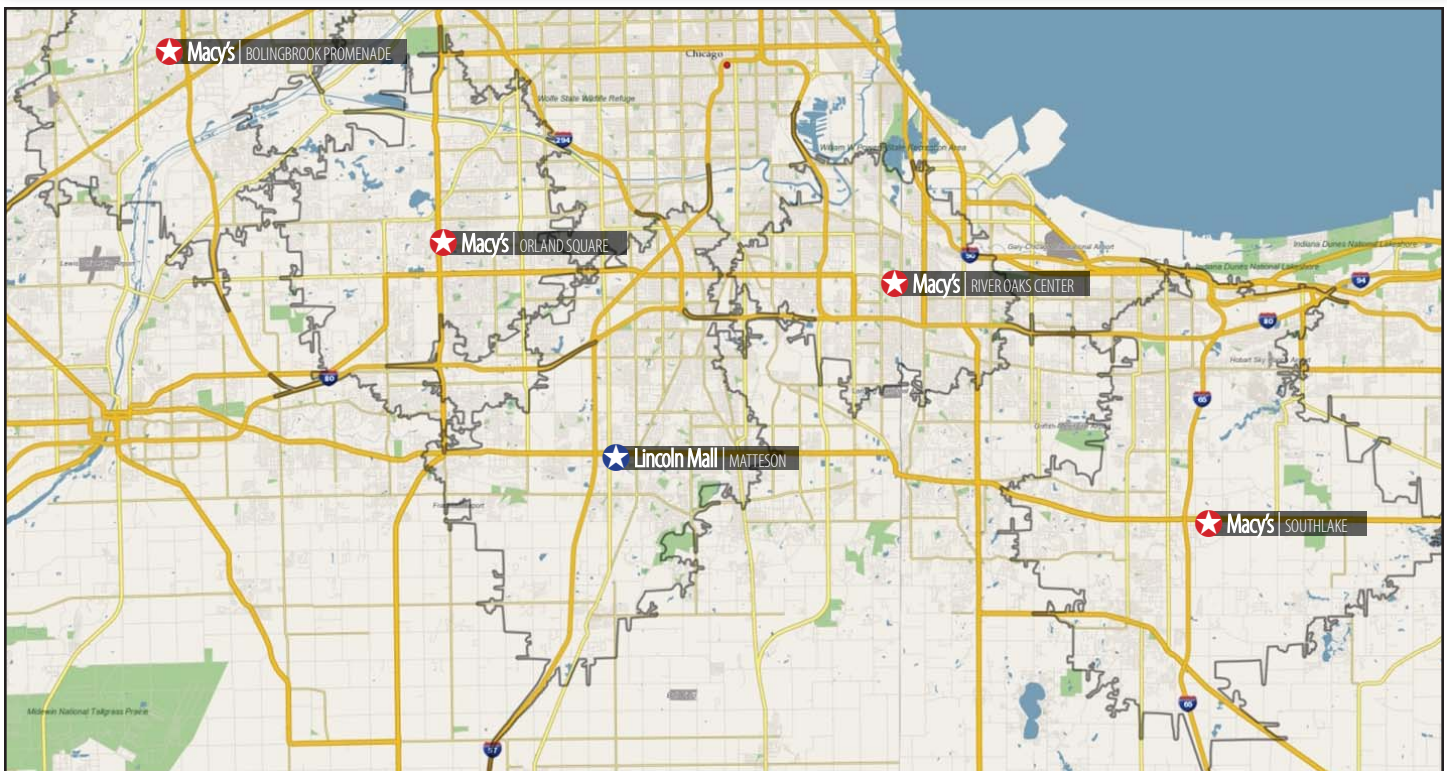


FIGURE 2-13  
15-Minute Drive Time Surrounding Lincoln Mall & Four Closest Macy's Stores

Source: Applied Geographic Solutions, Inc., 2012.



Marshall Fields, a Macy's acquisition, was located in Park Forest at the time of River Oaks and Orland Park's development. Lincoln Mall was not a Marshall Fields site during its initial development because it would have cannibalized the Park Forest Marshall Fields location. As reported by the table in Figure 2-14, indicating key demographics and spending power associated with the current Macy's 15-minute drive-time, an unduplicated market similar to the other Macy's surrounds Lincoln Mall. Although Macy's has not announced Chicago expansion plans, this is a rare opportunity that could be a "game changer" for the study area.

If Macy's were to open in Lincoln Mall, it would bring numerous co-tenants to fill specialty store spaces and consequently transform the whole study area. Although Macy's sales, depending on store size, could range from \$20 million to \$50 million, the development negotiations would include significant financial partnership incentives that would greatly reduce Village sales tax revenue. As is customary with anchors, the owners of Lincoln Mall would receive minimal or no rent from Macy's. Given the comparatively high property taxes, it is likely that Macy's could only justify paying taxes, insurance, and maintenance costs.

Without a major anchor addition, Lincoln Mall faces the prospect of following other aging malls into the mixed use model where institutional uses add vitality and daytime traffic that supports a modest retail and restaurant environment.



|                                     | Lincoln Mall    | Macy's Orland Square | Macy's Louis Joliet Mall | Macy's Southlake | Macy's Bolingbrook Promenade |
|-------------------------------------|-----------------|----------------------|--------------------------|------------------|------------------------------|
| Total Population                    | 245,854         | 200,283              | 227,808                  | 176,408          | 239,535                      |
| Population Density (per sq mi)      | 1,931.10        | 2,020.60             | 3,717.00                 | 1,151.90         | 2,354.90                     |
| Median Age                          | 34.4            | 34.6                 | 36.0                     | 37.4             | 36.3                         |
| Black                               | 47.7%           | 2.3%                 | 42.8%                    | 32.0%            | 9.5%                         |
| White                               | 43.2%           | 90.8%                | 44.3%                    | 60.8%            | 73.6%                        |
| Hispanic Identity                   | 12.3%           | 7.4%                 | 23.2%                    | 11.4%            | 14.4%                        |
| Not of Hispanic Identity            | 87.7%           | 92.6%                | 76.9%                    | 88.6%            | 85.6%                        |
| Average Household Income            | \$73,149        | \$97,338             | \$57,303                 | \$62,266         | \$97,979                     |
| Median Household Income             | \$60,633        | \$81,008             | \$47,843                 | \$52,036         | \$77,202                     |
| Per Capita Income                   | \$26,635        | \$36,830             | \$21,266                 | \$23,801         | \$36,083                     |
| Number of Employees                 | 94,665          | 83,929               | 84,711                   | 73,757           | 114,198                      |
| Department Store Spending           | \$323,090,978   | \$238,228,235        | \$202,870,340            | \$377,983,542    | \$303,897,185                |
| Total Aggregate Annual Retail Sales | \$3,347,955,218 | \$2,544,096,993      | \$2,159,856,535          | \$3,905,156,280  | \$3,198,820,122              |

FIGURE 2-14  
**Key Demographics & Spending Power for 15-Minute Drive Time Surrounding Lincoln Mall & Four Closest Macy's Stores**

Source: Applied Geographic Solutions, Inc., 2012.



### Restaurants

Although the recent, tough economic times have been challenging for restaurants, the extremely busy lives families lead continue to suggest future opportunities for restaurants. The project's surveys and focus groups identified adding restaurants as local residents' top priority. Their interest focused on supplementing the many fast food options with family style and fine dining. The examples that follow examine the local market's potential for two growing Chicago area restaurants that fit those categories, Buffalo Wild Wings and Cooper's Hawk Winery and Restaurant.

As the map in Figure 2-15 citing seven-minute drive times illustrates, a Buffalo Wild Wings added at Cicero and Lincoln would serve a discreet market from the nearest competing locations.

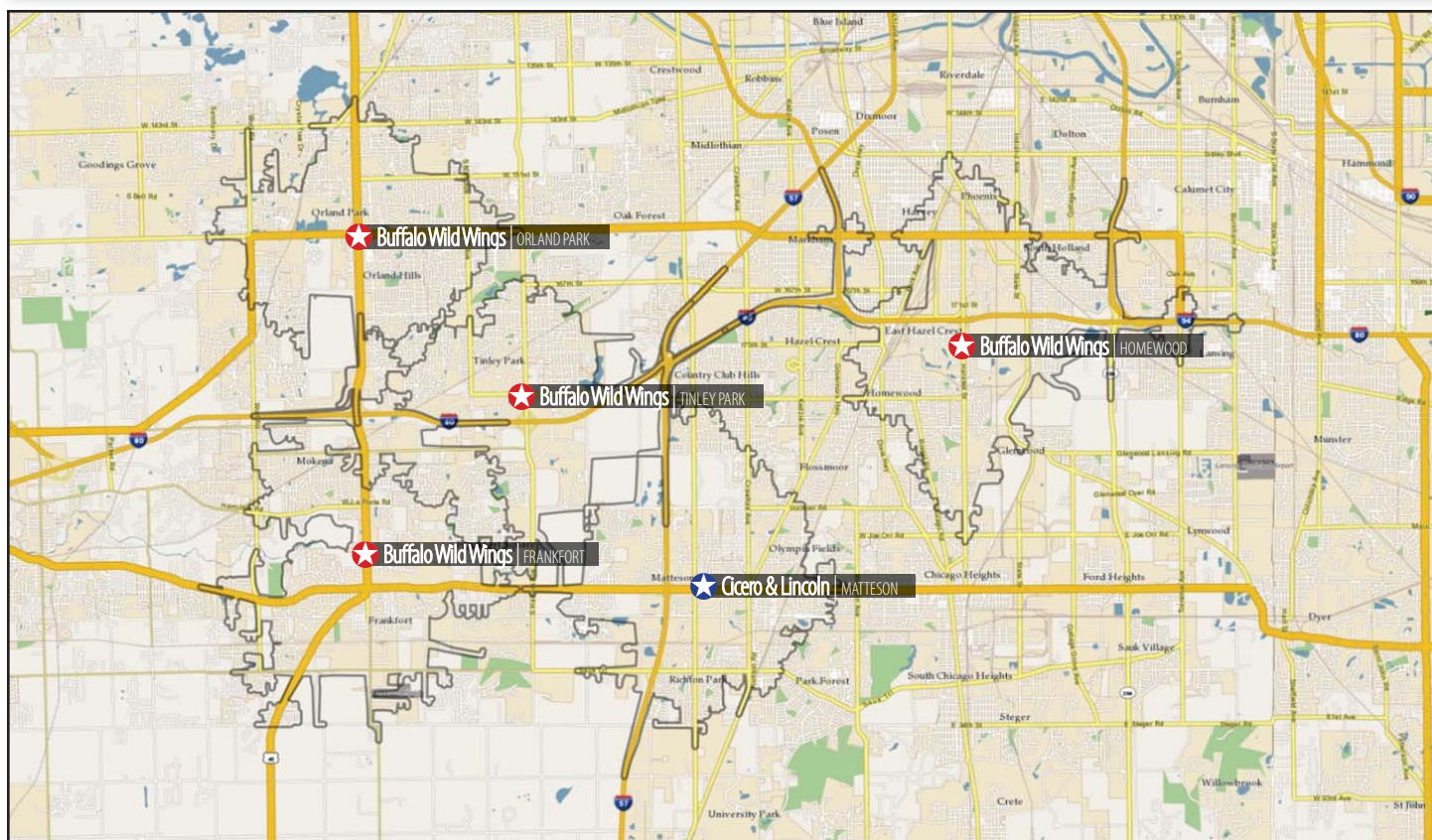


FIGURE 2-15  
7-Minute Drive Time Surrounding Cicero/Lincoln in Matteson & Four Closest Buffalo Wild Wings Restaurants

Source: Applied Geographic Solutions, Inc., 2012.

The table in Figure 2-16 compares a Matteson location to operating Buffalo Wild Wings in nearby communities and confirms that the Matteson location's population and employees counts are both slightly lower than the other locations and have consequently lower restaurant spending results.

The demographics associated with a potential Matteson location do not fall so short of the markets currently served by a Buffalo Wild Wings to influence a future decision to invest in an area location. Rather the marginal nature of this site delays investment until other less risky investment opportunities are filled. With the economy still recovering, investors are only funding optimal new sites.

Cooper's Hawk Winery offers a fine dining experience, including a wine club that builds a relationship with patrons who return frequently to learn about wine as well as enjoy the dining experience. It features a retail store selling wine and gifts associated with enjoying fine living. Since Cooper's Hawk opened in 2005, it has grown to six Chicago area locations, an Indianapolis location, and a suburban



|                                     | Lincoln Mall  | Buffalo Wild Wings Orland Square | Buffalo Wild Wings Louis Joliet Mall | Buffalo Wild Wings Southlake | Buffalo Wild Wings Bolingbrook Promenade |
|-------------------------------------|---------------|----------------------------------|--------------------------------------|------------------------------|--|
| Total Population                    | 41,163        | 48,868                           | 45,790                               | 40,933                       | 43,323                                   |
| Population Density (per sq mi)      | 2,192         | 3,175                            | 2,433                                | 1,928                        | 2,138                                    |
| Median Age                          | 34.3          | 34.7                             | 34.4                                 | 33.9                         | 35.1                                     |
| Black                               | 76.7%         | 2.6%                             | 50.3%                                | 2.5%                         | 6.7%                                     |
| White                               | 18.1%         | 88.9%                            | 39.2%                                | 92.1%                        | 86.1%                                    |
| Hispanic Identity                   | 4.9%          | 8.7%                             | 13.7%                                | 5.6%                         | 7.3%                                     |
| Not of Hispanic Identity            | 95.1%         | 91.3%                            | 86.3%                                | 94.4%                        | 92.7%                                    |
| Average Household Income            | \$74,473      | \$92,951                         | \$64,792                             | \$108,035                    | \$87,882                                 |
| Median Household Income             | \$67,278      | \$78,826                         | \$56,745                             | \$97,283                     | \$78,368                                 |
| Per Capita Income                   | \$27,739      | \$34,982                         | \$24,139                             | \$37,100                     | \$32,748                                 |
| Number of Employees                 | 17,274        | 24,812                           | 29,115                               | 20,104                       | 17,859                                   |
| Full Service Restaurant Spend.      | \$17,023,816  | \$24,225,292                     | \$17,091,508                         | \$21,023,871                 | \$21,151,139                             |
| Drinking Places Spending            | \$1,570,897   | \$2,279,849                      | \$1,566,440                          | \$2,006,029                  | \$1,974,461                              |
| \$15/week Employee Spending         | \$12,955,500  | \$18,609,000                     | \$21,836,250                         | \$15,078,000                 | \$13,394,250                             |
| Combined Restaurant Spending        | \$31,550,213  | \$45,114,141                     | \$40,494,198                         | \$38,107,900                 | \$36,519,850                             |
| Total Aggregate Annual Retail Sales | \$551,111,530 | \$782,744,074                    | \$554,292,546                        | \$677,814,272                | \$684,338,261                            |

FIGURE 2-16  
**Key Demographics & Spending Power for 7-Minute Drive Time Surrounding Cicero/Lincoln in Matteson & Four Closest Buffalo Wild Wings**

Source: Applied Geographic Solutions, Inc., 2012; BDI.



Milwaukee location. Cooper's Hawk has announced plans to open in Merrillville, Indiana, this summer. As the map in Figure 2-17 illustrates, the 15-minute drive time surrounding a location at Lincoln Mall significantly overlaps the Orland Park location. The inset map reveals how a move to Lincoln and Western Avenues in Olympia Fields separates the markets.

Unfortunately, as the table in Figure 2-18 reports, the Lincoln and Western site offers significantly fewer residents and employees. Consequently, that move does not improve the market.

|                     | Lincoln Mall | Lincoln & Western |
|---------------------|--------------|-------------------|
| Total Population    | 245,854      | 189,946           |
| Number of Employees | 94,665       | 71,514            |

FIGURE 2-18  
**Market Comparison of Lincoln Mall & Lincoln/Western**

Source: Applied Geographic Solutions, Inc., 2012.

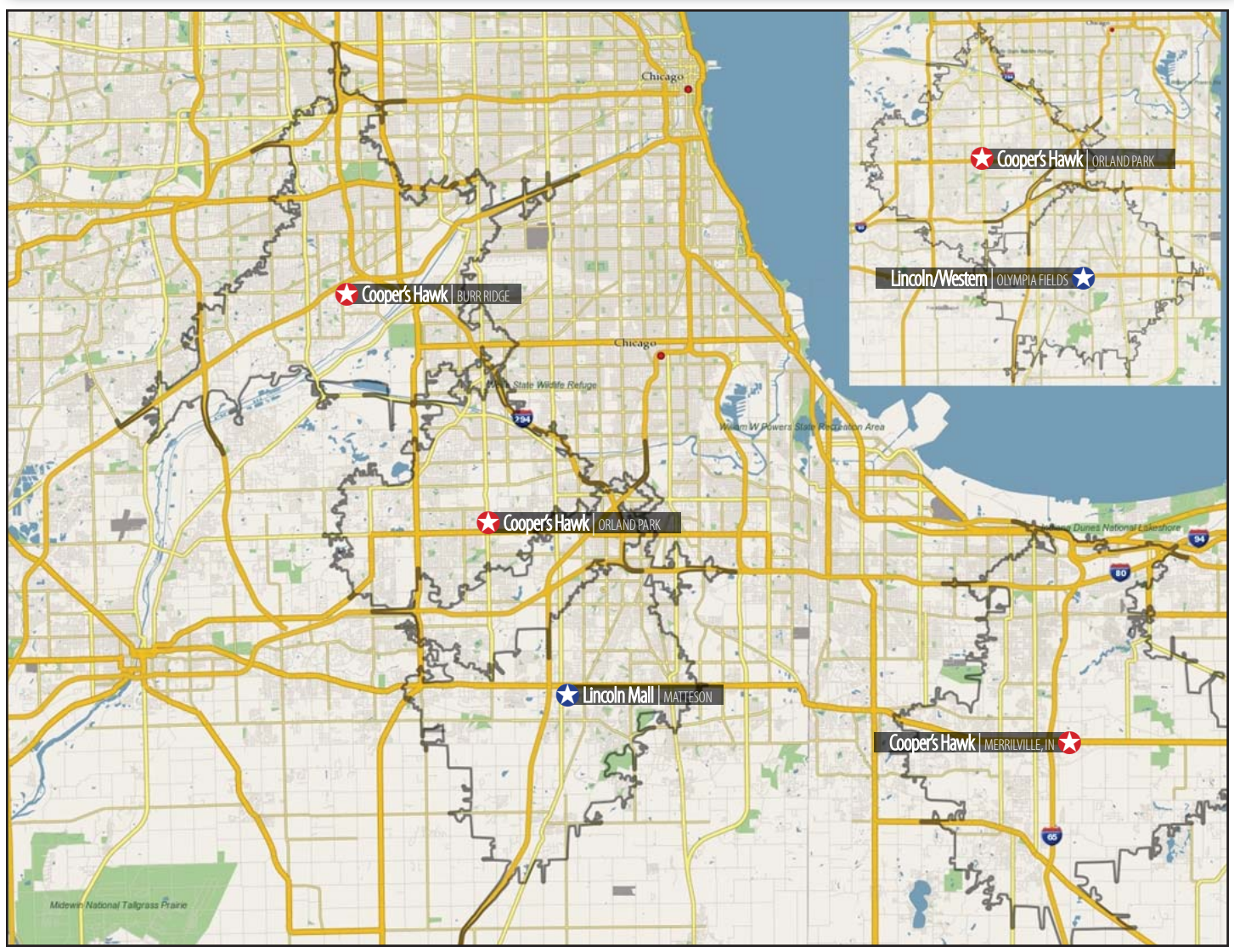


FIGURE 2-17  
**15-Minute Drive Time Surrounding Lincoln Mall & Cooper's Hawk Winery Locations in the Region**

Source: Applied Geographic Solutions, Inc., 2012.

Although this market overlap probably limits the Cooper’s Hawk interest in a Lincoln Mall location, competitive operators would be quite interested in how this area compares to the locations that Cooper’s Hawk has chosen.

As the table in Figure 2-19 reveals, a Lincoln Mall area location compares favorably to Merrillville and is just slightly less desirable than the Cooper’s Hawk Orland Park location. Both Burr Ridge and Arlington Heights are superior locations, especially in their employee spending potential.



Each Cooper’s Hawk Winery and Restaurant has a working winery on site.

|                                     | Lincoln Mall    | Merrillville    | Orland Park     | Burr Ridge      | Arlington Heights |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Total Population                    | 245,854         | 176,408         | 250,963         | 277,805         | 333,156           |
| Population Density (per sq mi)      | 1,931.10        | 1,151.90        | 2,555.40        | 2,437.50        | 3,157.40          |
| Median Age                          | 34.4            | 37.4            | 34.6            | 35.4            | 35.0              |
| Black                               | 47.7%           | 32.0%           | 11.0%           | 6.4%            | 2.6%              |
| White                               | 43.2%           | 60.8%           | 80.6%           | 80.4%           | 77.6%             |
| Hispanic Identity                   | 12.3%           | 11.4%           | 10.0%           | 15.1%           | 15.4%             |
| Not of Hispanic Identity            | 87.7%           | 88.6%           | 90.0%           | 84.9%           | 84.6%             |
| Average Household Income            | \$73,149        | \$62,266        | \$84,380        | \$107,811       | \$88,102          |
| Median Household Income             | \$60,633        | \$52,036        | \$71,355        | \$69,794        | \$68,311          |
| Per Capita Income                   | \$26,635        | \$23,801        | \$32,100        | \$41,356        | \$35,534          |
| Number of Employees                 | 94,665          | 73,757          | 103,376         | 189,908         | 326,833           |
| Full Service Restaurant Spend.      | \$98,736,297    | \$66,582,196    | \$116,906,472   | \$154,455,587   | \$169,828,123     |
| Drinking Places Spending            | \$9,154,205     | \$6,082,785     | \$10,912,605    | \$14,923,417    | \$16,004,093      |
| Total Aggregate Annual Retail Sales | \$3,198,820,122 | \$2,159,856,535 | \$3,781,886,811 | \$4,969,027,147 | \$5,482,679,135   |

FIGURE 2-19  
**Key Demographics & Spending Power for 15-Minute Drive Time Surrounding Lincoln Mall & Cooper’s Hawk Winery Locations in the Region**

Source: Applied Geographic Solutions, Inc., 2012.



## Electronics & Appliances

The 15-store entry of HHGregg into the Chicago market presents a business opportunity for the study area. As the market share analysis reports, the Electronics and Appliances sales tax category that also contains furniture captures less than 30% of the study area spending. The map in Figure 2-20 plots the 15-minute drive time geographies of Lincoln Mall and the four closest, newly opened HHGregg stores.

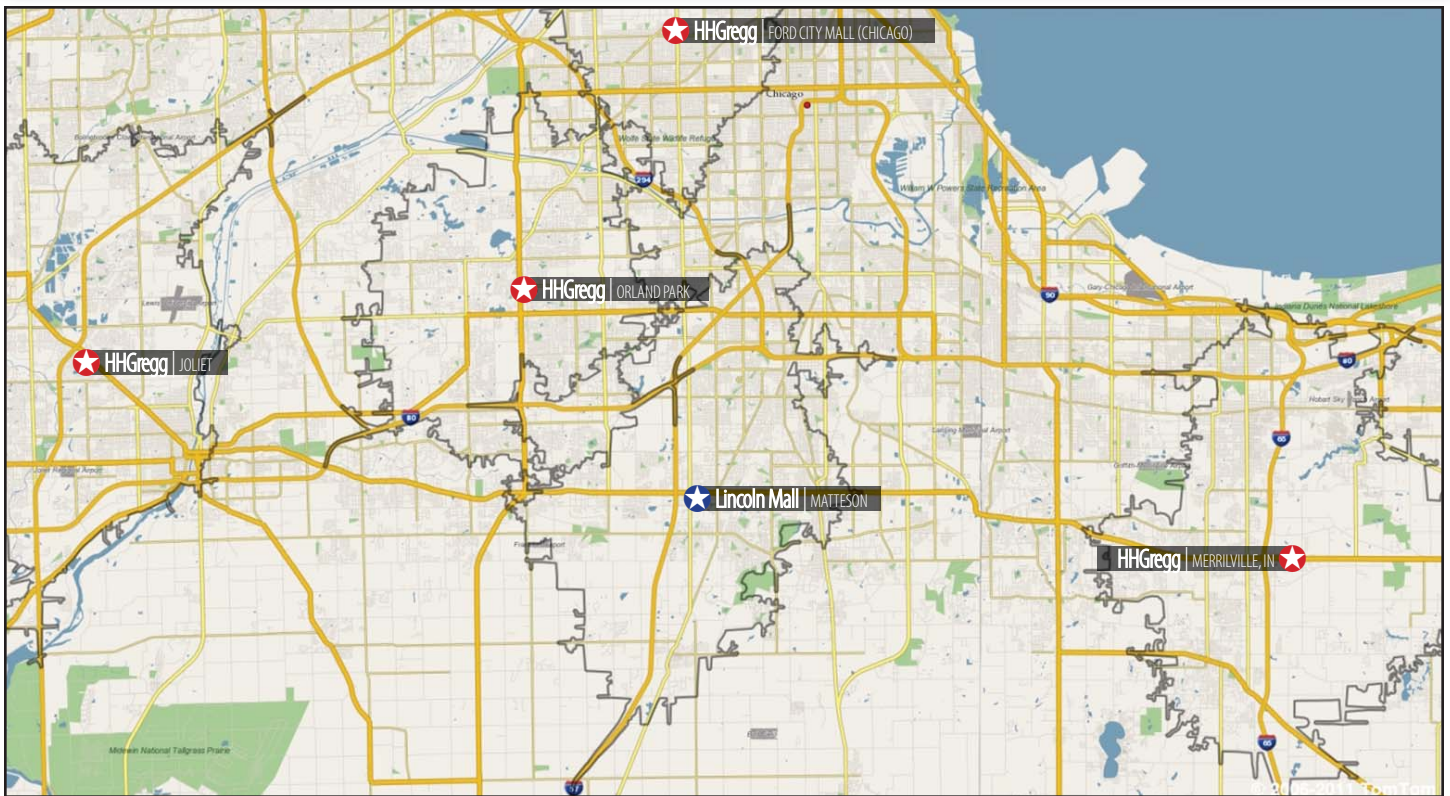


FIGURE 2-20  
15-Minute Drive Time Surrounding Lincoln Mall & Four Closest HHGregg Stores

Source: Applied Geographic Solutions, Inc., 2012.

Although the Orland Park store slightly overlaps both Ford City and Lincoln Mall geographies, there is significant spending to make an additional store possible. The table in Figure 2-21 illustrates the demographics and purchasing power associated with these stores and the Lincoln Mall opportunity.

As is common with the other business opportunities, the Lincoln Mall possibility offers good opportunity that falls just short of the demographics associated with chosen sites.

**Summary**

***Demographics and spending power in the study area offers good business opportunities that often have marginally weaker demographics than the nearby alternatives.*** If all other factors were equal, those marginal differences should occasionally lead to study area development. However, other factors such as property taxes are not equal.

When all costs are considered, the business opportunities in the study area fall slightly short of other Chicago metro areas. This report's Retail Action Plan recommends strategies to improve the study area business opportunities.



|                                | Lincoln Mall    | HHGregg Orland Park | HHGregg Merrillville | HHGregg Louis Joliet | HHGregg Ford City |
|--------------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|
| Total Population               | 245,854         | 210,441             | 173,171              | 297,451              | 455,911           |
| Population Density (per sq mi) | 1,931.10        | 2,007.80            | 1,161.10             | 2,129.10             | 7,332.00          |
| Median Age                     | 34.4            | 37.4                | 34.6                 | 35.4                 | 35.0              |
| Black                          | 47.7%           | 2.6%                | 31.6%                | 11.8%                | 16.2%             |
| White                          | 43.2%           | 90.5%               | 61.1%                | 72.5%                | 59.2%             |
| Hispanic Identity              | 12.3%           | 7.3%                | 11.4%                | 21.3%                | 45.4%             |
| Not of Hispanic Identity       | 87.7%           | 92.7%               | 88.6%                | 78.7%                | 54.6%             |
| Average Household Income       | \$73,149        | \$97,012            | \$62,312             | \$82,581             | \$61,308          |
| Median Household Income        | \$60,633        | \$80,921            | \$52,158             | \$73,687             | \$51,970          |
| Per Capita Income              | \$26,635        | \$36,675            | \$23,814             | \$28,268             | \$19,881          |
| Number of Employees            | 94,665          | 87,173              | 72,282               | 100,931              | 143,696           |
| Appliances & Computer Spend.   | \$249,071,938   | \$281,595,239       | \$161,707,171        | \$312,009,308        | \$355,757,653     |
| Total Annual Retail Spending   | \$3,198,820,122 | \$3,515,225,388     | \$2,120,925,733      | \$3,921,065,318      | \$4,648,436,218   |

FIGURE 2-21  
**Key Demographics & Spending Power for 15-Minute Drive Time Surrounding Lincoln Mall & HHGregg Locations in the Region**

Source: Applied Geographic Solutions, Inc., 2012.

# SECTION 3 | Retail Location Decision



The basic retail location decision is a transaction between a property owner and a business that results in a legally binding lease (see Figure 3-1):

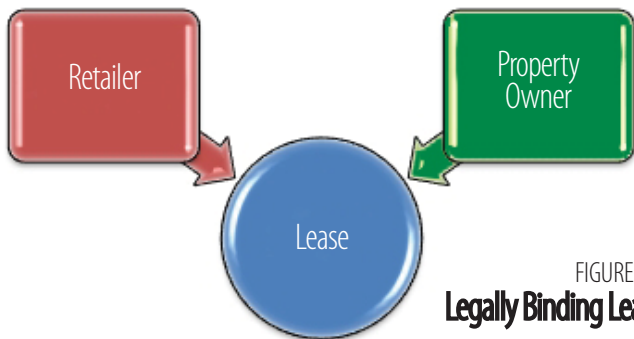


FIGURE 3-1  
Legally Binding Lease

The retailer chooses a site because it believes that its sales less expenses at that site will result in sufficient profit to provide a satisfactory return on investment. A key component of the retailer's expenses is rent charged by the property owner. Typically, retailers expect to spend 8% to 10% of sales on gross rent, which includes taxes, insurance, common area maintenance (CAM), and the owner's net rent. In the basic transaction, the owner, like the retailer, expects sales, the base rent, less expenses such as administration, property improvements, and interest on any mortgage, to provide a satisfactory return on its equity investment. In times of increasing real estate values, property owners also accrue a return on their investment from rising property values that are realized when the property is sold or refinanced.

However, most retail leases are not that simple. This is particularly true for national chains, which expect to generate high sales volumes and therefore high sales tax revenue. Those lease negotiations involve a third partner, the government (see Figure 3-2):

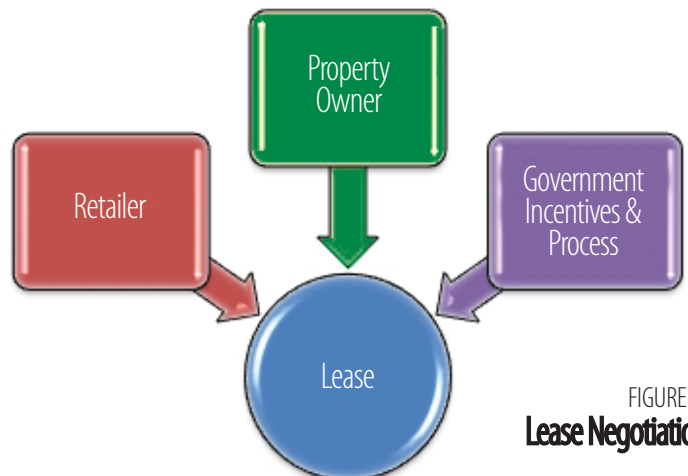
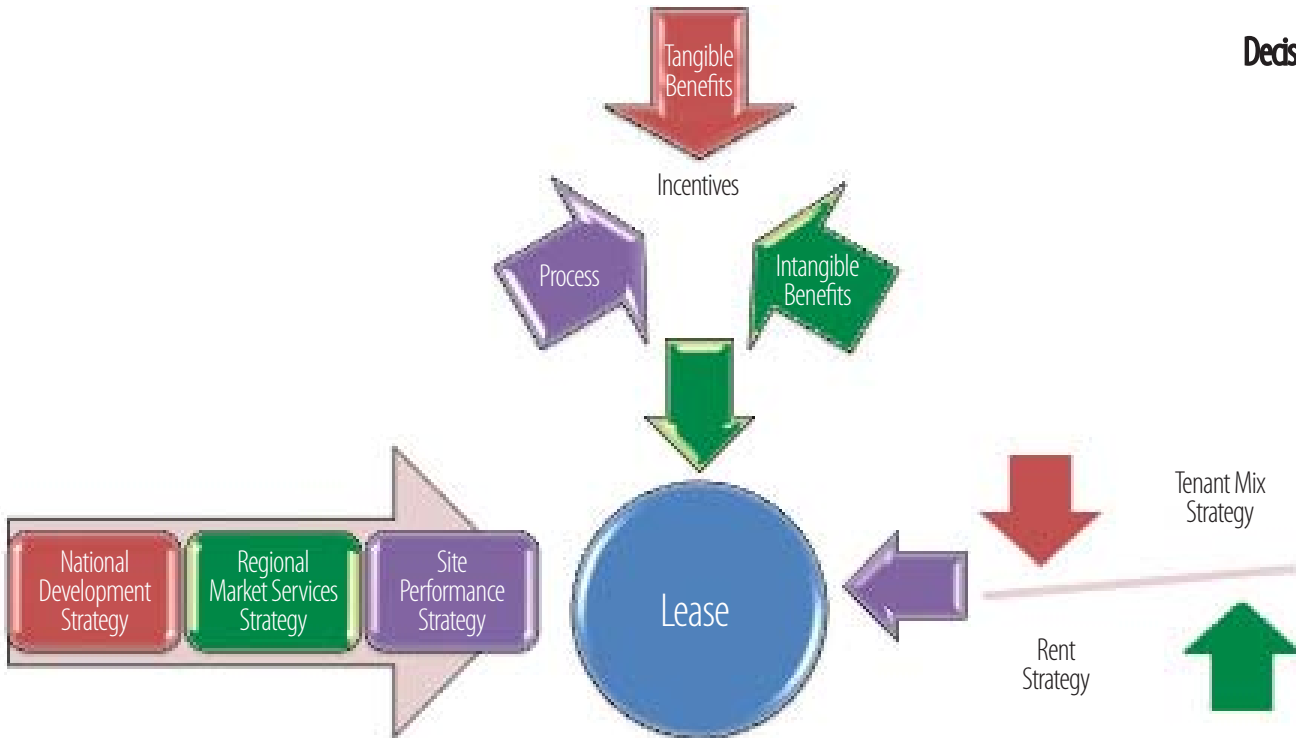


FIGURE 3-2  
Lease Negotiations

FIGURE 3-3  
Decision Model



Government involvement helps retailers increase sales by improving site characteristics like access, signage, and construction materials, or by decreasing expenses through rebating taxes or undertaking routine expenses like public parking lot maintenance or plowing. That assistance increases the retailer’s return and makes leasing a property more likely to meet profit objectives. Similarly, incentives and process support can reduce property owner expenses, allowing owners to lower rents while still meeting profit expectations.

The diagram in Figure 3-3 expands the decision elements to model the location decision process.

Each element of this leasing decision model must be examined in more detail to determine if retailers and restaurateurs are serving

the Villages of Matteson, Park Forest, Olympia Fields, and Richton Park, based on their ethnic-minority composition, rather than on economic criteria, retail redlining. If economic factors do not explain why retailers elect to pass over locations in these communities, it can be concluded that redlining is occurring.

### Factors that Determine Retailer Location Choices

Generally the larger the store and higher the sales volume of a retailer, the greater the investment and the more complicated the location decision. The most complicated location decision processes are undertaken by national retailers, which have locations in multiple states. The process diagrammed below in Figure 3-4 illustrates decision screens that a location must pass through before a lease is executed.



FIGURE 3-4  
Decision Screens  
Process Diagram



The national chains undertake the full process, while regional chains and independent businesses often have a shorter decision process that collapses features into fewer steps. At each, screen-specific information determines whether a site continues to be considered.

## National Development Strategy Elements

This screen is where decisions about how quickly a business expands are made. Elements of that decision include:

- ❑ National economic conditions: Strong economies prior to 2005 led many retailers and restaurateurs to undertake very aggressive expansion plans. Today's weaker economic conditions have caused greatly scaled back expansion plans. Whenever there are fewer openings planned, there is greater site selectivity.
- ❑ Financial framework: A strong stock market with rising share values and banks providing the funds necessary to invest in new stores and restaurants. In an economy where consumer spending is increasing, adding sites is perceived to be less risky and thus more investors are willing to loan the funds necessary to build.
- ❑ National market penetration priorities: Based on factors like shipping and media costs, businesses will seek efficiencies of scale by adding new stores and restaurants in existing markets before they enter new markets. When selecting new markets, businesses will use information like catalogue order amounts and weather similarity to choose those markets. A new market may also be chosen to preempt a competitor or to compete for market share in a market previously developed by a competitor.
- ❑ Customer profiles: Retailers and restaurateurs constantly monitor the demographics and lifestyles of their customers to identify common characteristics of those most likely to purchase their products. Using that information, businesses set criteria for desirable locations.
- ❑ Store prototypes: By standardizing sizes and configurations multi-site businesses can accomplish efficiencies in display and merchandizing that lead to higher sales. Whether the prototype fits an available site is critical to attracting a tenant.

- ❑ Preferred co-tenants identification: Businesses often share customers and, in choosing locations, retailers capitalize on that tendency by following specific businesses. For example McDonalds was well known for its extensive real estate research so other quick service restaurants just opened in the same area rather than paying to do their own research. Shoe stores want to be near dress stores and banks want to be near grocery stores. This site choice pattern is known as preferred co-tenancy.

- ❑ Multi-store deals with preferred developers: There are costs associated with lease negotiation that can be reduced when a master lease governs a number of locations.

Typically, national retailers make and apply expansion policies at annual or semiannual meetings that coincide with spring and fall decisions on new locations. If a location passes this very general screen, the more specific regional characteristics are evaluated.

## Regional Market Service Strategy Elements

As the regional decision screen is applied, the analysis becomes more site specific. Elements of this level include:

- ❑ Overall competitive position: Businesses with the largest category market share protect their dominance by taking sites that preempt competitors. New market entrants sometimes must take less desirable locations because that dominant player has the "good" sites locked up. Experience in other markets guides decisions on distance from the competition.
- ❑ Store spacing minimizing cannibalization: Once a market presence is established, location decisions are based on spacing businesses to avoid adding a store or restaurant that significantly diverts customers from an existing location.
- ❑ Supervision/staffing availability: The higher the service level associated with a store or restaurant concept, the more critical supervisory and staffing capacity is. Once regional supervisory staff is in place, the annual cost of adding locations declines.
- ❑ Advertising/market expense economies: Especially in major media market like Chicago where advertizing is expensive, adding locations spreads those costs over more sales. This is

## 3 | Retail Location Decision

especially important for new market entrants, who need to set up those additional stores before the advertising necessary to meet sales expectations can be justified.

- ❑ Delivery capacity economies: Following investments in regional warehousing and the economies associated with full truck deliveries prompt businesses to increase their locations in one market.

It is only after a region passes this second screen that a company's location specialists begin thoroughly examining specific locations.

### Site Performance Strategy Elements

Although site performance is the last screen, it is the most telling because its characteristics are "pass/fail," and any failure removes a site from consideration.

- ❑ Preferred co-tenants presence: As mentioned previously, a quick service restaurant may qualify a site because McDonalds is across the street. Shopping goods like apparel and furniture often need to be sufficiently close to competitors for consumers to visit enough stores to be certain they are making a smart purchase. These co-tenancy requirements are so important that leases are often voided if a preferred co-tenant leaves.
- ❑ Demographic match to ideal customer profile: In addition to obvious criteria like the number of residents living within the expected market area and average family income, companies closely guard information on less common factors that identify preferred locations. Although their exact criteria are rarely revealed, examining markets surrounding existing locations can estimate a business's criteria.
- ❑ Sufficient traffic: Convenience retailers and quick service restaurants in urban markets like Chicago generally want average daily traffic (ADT) passing their sites to be up to 20,000 vehicles.
- ❑ Good visibility and easy access: It also must be easy for traffic to see the location and to enter the site.

- ❑ Building and operating cost containment: Community design standards requiring expensive building materials, extended approval processes, and extensive safety upgrades raise costs and therefore businesses must have higher sales to make the same profit as businesses make at locations with lower costs. Taxes are another important variable that raise costs and therefore must be covered by higher sales.
- ❑ Property management proficiency: Because businesses can only control the cleanliness and updating of their stores, they visit potential sites to learn whether management meets their cleanliness and maintenance standards for a center's public space.
- ❑ Developer/land owner relationship: Multi-site property owners have a portfolio composed of properties of various interest levels to stores and restaurants. Often a multi-site owner can package a highly desirable location with a marginal location and leverage the top performing property by requiring the the business to open at both locations.

Once sites are fully screened, they qualify as places of interest but the lease still must be negotiated. National tenants may have plans to open 100 stores but know 200 sites that meet all location criteria. The success of lease negotiations depends on meeting landlord objectives.

### Factors that Determine Property Owner Leasing Decisions and Set Rents

Property owners set rents to meet a return on investment goal as they retain tenants with reasonable reinvestment, administration, and interest costs. This is a balancing act where higher rents decrease the pool of interested tenants but allow owners to reinvest in the property while still making an acceptable return. Vacancy is the control on rising rents. Within this risk analysis framework, property owners make a balancing decision in offering leases (see Figure 3-5):

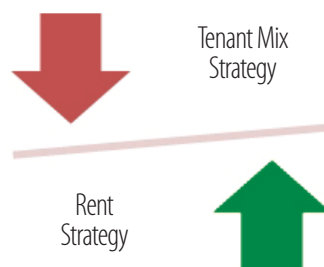


FIGURE 3-5  
Balancing Decision  
in Offering Leases

Center owners balance the need for maximum rent with the need to maintain low vacancies and a mutually beneficial tenant mix.

Purchasing a commercial property is a decision made with the idea that owning development is a better balance of risk and income than alternative investments such as the stock market or a savings account. The income is a combination of property appreciation and annual rents net of all charges, including interest. Investment risk is created by unpredictable property appreciation, a measure of market quality, as well as whether tenants are likely to continue paying rent. Depending on whether the investment decision involves a portfolio owned by a Real Estate Investment Trust (REIT), corporations like General Growth or Simon, or an individual, there can be various analyses involved in the investment decision, but the lease decision is a market confidence call by both the property and business owner.

Today's weak economy has complicated calculating both return and risk. Property values have fallen, and uncertainty about that trend continues, while regulators' tightened bank lending policies have added further uncertainty about loan renewal. Like the retailer and restaurateur decision screen, various elements determine whether specific businesses are offered locations at rental rates that lead to a leasing decision.

## Tenant Mix Strategy Elements

Although high vacancy rates argue for relaxed tenant selection standards, under ideal conditions these elements are considered when tenants are recruited.

- ❑ Co-tenancy Mix: Because effective co-tenancies start with an anchor, businesses such as grocery stores, value department stores, or mass merchandisers set the center's value platform and determine the attractive co-tenants.
- ❑ Bankable lease: When tenants with credit ratings that are so strong are able to obtain a loan from a financial institution because it is certain, that income from that tenant will be designated as a "bankable lease" and continue through the loan term. Service tenants like medical offices, insurance agents, and banks themselves as well as national chain stores and restaurants are the most common bankable leases. The more bankable leases in a center, the lower vacancy associated with tenant turnover.

- ❑ Government relationship: Shopping centers are very important to local government because they provide sales tax revenue and their high profile locations often set the community image. Mix strategies that enhance a center's value to local government lead to greater investment in infrastructure and other improvements.
- ❑ Build-out costs: If kitchens or extensive interior build-outs are necessary, some tenants expect property owners to make these improvements and then increase the rent to cover the related costs over time. Owners without access to enough capital to finance these improvements will not be able to attract those tenants.
- ❑ Multi-site tenant relationships: Multi-site property owners often negotiate master leases governing several properties. By pairing a very desirable location with a struggling one, the multi-site owner attracts a tenant that leads to desirable co-tenants.

Examining these strategic elements is a balancing act where a bankable tenant may be more acceptable with higher build-out costs than a non-bankable tenant, and a tenant desirable to government can bring investments benefiting the whole center.

## Rent Strategy Elements

Once the initial fit between a tenant and a location occurs, the rent negotiation commences. These elements influence the offered rent and whether the tenant ultimately chooses that location.

- ❑ Return on Investment (ROI): Rent after expenses referred to as the net operating income (NOI) by financial analysts, provides the basic shopping center property ROI. After interest on mortgages is deducted, the result is a property's return on equity investment. The property owner sets rent by considering the overall property ROI. Factors like whether attracting one large relatively low rent tenant will cause smaller, higher paying tenants to choose the center are important to achieving ROI goals. The overall center financial performance improves both when relatively low rent is spread over a large space and when there is high rent per square foot paid for a small space causing the center to generate more NOI.

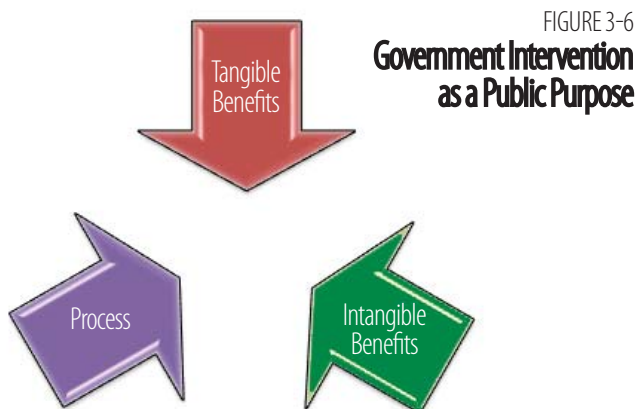
### 3 | Retail Location Decision

- ❑ **Gross rent:** Although the potential net rent is of greatest importance to property owners, tenants consider the owner's gross rent, which also includes charges for taxes, insurance, and common area maintenance (CAM). Although it is detrimental to a center's future, owners can lower gross rent and thereby attract some tenants by deferring maintenance that should be included in CAM.
- ❑ **Competitive environment:** Typically, tenants will begin negotiations with more than one property and expect to choose the location that provides the best value. This is especially true in today's relatively high vacancy environment. Landlords create value through leases with clauses that capture future value by escalating the rent as desirable co-tenants are added or over time.
- ❑ **Property taxes:** Because each site's property taxes are set by a variety of different government bodies, the taxes associated with each property vary. Since a tenant can often merely cross the street and reduce gross costs due to lower property taxes, owners can compete only if they reduce net rents to compensate for property tax variation.

Because property owners are negotiating in an environment where those seeking leases have multiple options, it often is difficult to identify one factor that accounts for a successful lease execution.

### Government Incentives Strategy

Although many leases are executed without any government intervention, desirable tenants in stalled negotiations increasingly lead property owners or tenants to seek government intervention. That intervention has been verified as a public purpose with these elements (see Figure 3-6):



The decision to offer incentives is a negotiation that requires analyzing the value of various, often competing elements. While there is great pressure to complete a business attraction process, a community must meet its fiduciary responsibilities by fully documenting the tangible and intangible benefits before determining the appropriate public investment.

Tangible benefits resulting from attracting specific tenants can be measured, and their public benefit can be documented. Those benefits include:

- ❑ Sales Tax Revenue.
- ❑ Property Tax Revenue.
- ❑ Jobs that bring daytime spending and potentially income for residents.
- ❑ Infrastructure Improvements like road enhancement and water runoff management associated with development.
- ❑ Shorter drives reducing the environmental impact of autos.

Intangible Benefits also result from attracting specific tenants but are more difficult to document. They can contribute to tangible economic benefits by improving resident lifestyles and thereby leading to a general increase in property values; however, those benefits are difficult to isolate and calculate for a specific property. Intangible results of government lease intervention include:

- ❑ Desirable businesses are an amenity that makes residents more satisfied with their choice to live in the community.
- ❑ Attractive, fully tenanted commercial development enhances community image, leading to both more investor and resident interest.
- ❑ Winning a tenant competition creates a reputation for being favorable to business that leads to additional investor interest.

The approval process can be very quick for allowed uses that require no build-out. However, in situations where a use requires special permits, process time and permit costs can be critical elements in a lease negotiation. Process incentives both accelerate entitlement and reduce permitting costs. Common process incentives include:

- ❑ Quick approvals for development that follows guidelines from an approved community plan.

- ❑ Grants or loan guaranties from local, regional or national programs.
- ❑ Marketing support from public, private partnership organizations.

The role of government incentives is increasingly important to leasing decisions because it is the element that closes the gap between property owner and store and restaurant investment requirements. Careful use of incentives increases community sales and property tax, and the return on public investment.

## Summary

With this general model of the process that locates a specific store or restaurant described, it is possible to begin examining location decisions in Matteson, Olympia Fields, Park Forest, and Richton Park to determine whether retailer decisions to pass on locations in these communities were redlining or can be explained by common business practices.

## Demographic Comparisons

|                           | Chicago Ridge | Orland Square | River Oaks | Spring Hill | Stratford Square | Randhurst | Lincoln Mall |
|---------------------------|---------------|---------------|------------|-------------|------------------|-----------|--------------|
| Population                | 31,233        | 18,960        | 19,528     | 17,365      | 20,628           | 30,671    | 21,139       |
| Average Household Income  | \$61,405      | \$87,571      | \$59,469   | \$94,268    | \$92,012         | \$92,816  | \$85,263     |
| Median Household Income   | \$52,548      | \$76,006      | \$48,544   | \$76,495    | \$72,509         | \$76,890  | \$69,975     |
| % Black Population        | 10.3%         | 10.1%         | 48.4%      | 1.7%        | 5.3%             | 9.9%      | 48.4%        |
| % White Population        | 72.4%         | 74.7%         | 37.5%      | 87.8%       | 72.0%            | 72.4%     | 38.6%        |
| % Other Race Population   | 17.1%         | 15.0%         | 14.0%      | 10.3%       | 22.3%            | 17.6%     | 12.9%        |
| % Hispanic Population     | 11.7%         | 10.0%         | 11.7%      | 15.2%       | 10.9%            | 11.6%     | 8.8%         |
| % Not Hispanic Population | 88.3%         | 90.0%         | 88.3%      | 84.8%       | 89.1%            | 88.4%     | 91.2%        |
| Total Employees           | 16,886        | 16,453        | 11,196     | 11,781      | 19,380           | 16,234    | 10,903       |

FIGURE 3-7  
**5-Minute Drive Times Surrounding Various Chicago Area Shopping Centers**

Source: Experian/Applied Geographic Solutions, Inc., 2010.

|                           | Chicago Ridge | Orland Square | River Oaks | Spring Hill | Stratford Square | Randhurst | Lincoln Mall |
|---------------------------|---------------|---------------|------------|-------------|------------------|-----------|--------------|
| Population                | 317,009       | 224,633       | 295,850    | 216,642     | 236,079          | 324,612   | 271,200      |
| Average Household Income  | \$72,739      | \$94,200      | \$59,588   | \$88,613    | \$91,849         | \$87,536  | \$77,264     |
| Median Household Income   | \$57,324      | \$78,212      | \$46,522   | \$72,184    | \$72,628         | \$66,607  | \$61,367     |
| % Black Population        | 12.55%        | 9.27%         | 38.30%     | 5.10%       | 5.73%            | 9.74%     | 34.93%       |
| % White Population        | 70.20%        | 77.60%        | 46.62%     | 74.72%      | 74.05%           | 66.45%    | 50.86%       |
| % Other Race Population   | 17.13%        | 13.02%        | 14.91%     | 19.86%      | 19.89%           | 23.64%    | 14.05%       |
| % Hispanic Population     | 13.94%        | 9.08%         | 14.60%     | 28.96%      | 15.36%           | 16.20%    | 11.71%       |
| % Not Hispanic Population | 86.06%        | 90.92%        | 85.40%     | 71.04%      | 84.64%           | 83.80%    | 88.29%       |
| Total Employees           | 158,487       | 89,636        | 118,042    | 96,385      | 111,176          | 244,655   | 111,374      |
| Shopping Center Sq Ft     | 5,164,923     | 2,732,090     | 2,039,569  | 1,937,000   | 948,543          | 2,900,405 | 3,047,248    |
| Sq Ft per Capita          | 16.3          | 12.2          | 6.9        | 8.9         | 4.0              | 8.9       | 11.2         |

FIGURE 3-8  
**15-Minute Drive Times Surrounding Various Chicago Area Shopping Centers**

Source: Experian/Applied Geographic Solutions, Inc., 2010.



Potential Tenant Existing Sites Comparison

|                           | Lincoln Mall | Mokena   | Bolingbrook | Hoffman Estates | Arlington Heights | Niles    | Vernon Hills |
|---------------------------|--------------|----------|-------------|-----------------|-------------------|----------|--------------|
| Population                | 90,052       | 99,899   | 108,107     | 112,014         | 132,424           | 145,309  | 99,374       |
| Average Household Income  | \$81,285     | \$95,070 | \$87,770    | \$83,927        | \$91,848          | \$91,972 | \$141,563    |
| Median Household Income   | \$72,925     | \$92,097 | \$82,761    | \$75,525        | \$82,817          | \$71,479 | \$105,969    |
| % Black Population        | 41.7%        | 7.7%     | 11.9%       | 8.1%            | 7.6%              | 7.9%     | 3.4%         |
| % White Population        | 47.0%        | 83.1%    | 69.8%       | 68.2%           | 76.1%             | 67.4%    | 72.2%        |
| % Other Race Population   | 11.2%        | 9.2%     | 18.2%       | 23.6%           | 16.2%             | 24.7%    | 24.1%        |
| % Not Hispanic Population | 91.3%        | 90.6%    | 86.0%       | 86.0%           | 88.9%             | 88.9%    | 83.7%        |
| % Hispanic Population     | 8.7%         | 9.4%     | 14.0%       | 14.0%           | 11.1%             | 11.1%    | 16.3%        |
| Total Employees           | 36,002       | 39,456   | 44,179      | 143,422         | 77,321            | 108,804  | 128,944      |



FIGURE 3-9  
Ashley Furniture Site Statistics

Source: Experian/Applied Geographic Solutions, Inc., 2009.

|                           | Lincoln Mall | Orland Park | Schererville, Indiana | Southlake Mall | Bolingbrook | Plainfield |
|---------------------------|--------------|-------------|-----------------------|----------------|-------------|------------|
| Population                | 90,052       | 105,713     | 84,758                | 65,398         | 100,394     | 96,715     |
| Average Household Income  | \$81,285     | \$96,164    | \$78,723              | \$62,723       | \$97,310    | \$109,700  |
| Median Household Income   | \$72,925     | \$89,171    | \$75,569              | \$60,563       | \$97,818    | \$112,174  |
| % Black Population        | 41.7%        | 7.6%        | 12.5%                 | 23.9%          | 13.6%       | 8.0%       |
| % White Population        | 47.0%        | 80.4%       | 74.5%                 | 62.1%          | 70.0%       | 79.3%      |
| % Other Race Population   | 11.2%        | 11.9%       | 12.6%                 | 13.5%          | 16.3%       | 12.7%      |
| % Not Hispanic Population | 91.3%        | 92.0%       | 92.0%                 | 89.3%          | 84.1%       | 87.0%      |
| % Hispanic Population     | 8.7%         | 8.0%        | 8.0%                  | 10.7%          | 15.9%       | 13.0%      |
| Total Employees           | 36,002       | 41,507      | 32,183                | 45,793         | 35,803      | 31,902     |



FIGURE 3-10  
Red Robin Site Statistics

Source: Experian/Applied Geographic Solutions, Inc., 2009.

|                           | Lincoln Mall | Orland Park Place | Lansing  | W. 95 <sup>th</sup> St, Chicago | 75 <sup>th</sup> & Stony Island |
|---------------------------|--------------|-------------------|----------|---------------------------------|---------------------------------|
| Population                | 90,052       | 104,222           | 151,375  | 150,333                         | 181,191                         |
| Average Household Income  | \$81,285     | \$98,003          | \$62,724 | \$70,812                        | \$48,913                        |
| Median Household Income   | \$72,925     | \$89,271          | \$57,350 | \$61,746                        | \$37,921                        |
| % Black Population        | 41.7%        | 7.7%              | 34.4%    | 48.2%                           | 72.5%                           |
| % White Population        | 47.0%        | 80.3%             | 52.2%    | 42.2%                           | 16.7%                           |
| % Other Race Population   | 11.2%        | 11.9%             | 13.2%    | 9.6%                            | 10.7%                           |
| % Not Hispanic Population | 91.3%        | 92.1%             | 87.9%    | 92.8%                           | 91.2%                           |
| % Hispanic Population     | 8.7%         | 7.9%              | 12.1%    | 7.2%                            | 8.8%                            |
| Total Employees           | 36,002       | 41,296            | 62,923   | 44,175                          | 36,749                          |



FIGURE 3-11  
K&G Fashion Site Statistics

Source: Experian/Applied Geographic Solutions, Inc., 2009.

## Potential Tenant Existing Sites Comparison

|                          | Lincoln Mall | 300 S. Charles<br>Baltimore MD | 7400 Wisconsin<br>Bethesda MD | Suburban<br>Atlanta GA |
|--------------------------|--------------|--------------------------------|-------------------------------|------------------------|
| Population               | 17,050       | 49,750                         | 24,832                        | 21,094                 |
| Average Household Income | \$92,974     | \$64,268                       | \$186,599                     | \$125,664              |
| Median Household Income  | \$72,843     | \$39,293                       | \$106,062                     | \$78,431               |
| % Black Population       | 43.48%       | 45.59%                         | 5.19%                         | 14.82%                 |
| % White Population       | 43.20%       | 47.80%                         | 81.20%                        | 66.56%                 |
| Total Employees          | 11,843       | 121,331                        | 42,192                        | 30,143                 |
| Full Service Restaurants | \$8,233,950  | \$19,841,095                   | \$26,869,352                  | \$18,839,393           |



FIGURE 3-12  
**Morton's (East Coast)  
Site Statistics**

Source: Experian/Applied Geographic Solutions, Inc., 2009.

|                          | Lincoln Mall | Naperville  | Northbrook   | Rosemont    | Schaumburg  |
|--------------------------|--------------|-------------|--------------|-------------|-------------|
| Population               | 17,050       | 13,046      | 12,837       | 13,251      | 10,460      |
| Average Household Income | \$92,974     | \$119,185   | \$204,902    | \$70,693    | \$91,324    |
| Median Household Income  | \$72,843     | \$90,673    | \$126,961    | \$53,260    | \$68,961    |
| % Black Population       | 43.48%       | 4.03%       | 8.88%        | 9.85%       | 12.41%      |
| % White Population       | 43.20%       | 74.42%      | 77.44%       | 69.98%      | 57.34%      |
| Total Employees          | 11,843       | 23,511      | 16,288       | 37,117      | 44,161      |
| Full Service Restaurants | \$8,233,950  | \$7,971,974 | \$12,000,871 | \$5,765,121 | \$6,330,692 |



FIGURE 3-12  
**Morton's (Chicago)  
Site Statistics**

Source: Experian/Applied Geographic Solutions, Inc., 2009.

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**“Retail redlining is a spatially discriminatory practice among retailers, of not serving certain areas, based on their ethnic-minority composition, rather than on economic criteria, such as the potential profitability of operating in those areas. ”**

– Denver D’Rozario and Jerome D. Williams, 2005

## Understanding Redlining

Redlining as a formal practice traces back to the early 20th century when the New Deal’s Home Owners’ Loan Corporation used racial criteria to develop color-coded maps of American cities to identify lending and insurance risks. Green lined areas were new, affluent, racially homogeneous and White while redlined ones were Black or poor White neighborhoods.<sup>1</sup> As the definition above suggests, retail redlining assumes a similar behavior among retailers in response to the racial and economic mix of an area, though perhaps not by literally drawing lines on a map.

While this type of behavior by lending institutions and others involved in the real estate market was later deemed discriminatory and therefore illegal with passage of the Fair Housing Act in 1968 and further prohibited by the Community Reinvestment Act of 1977, it has not necessarily ended. Instead, discrimination based on the race of individuals and of communities has become more subtle according to fair housing scholars.<sup>2</sup> Whether trying to circumvent the law or acting out of ignorance, there continues to be legal confirmation

Green lined areas were new, affluent, racially homogeneous and White while redlined ones were Black or poor White neighborhoods.<sup>1</sup> Retail redlining assumes a similar behavior among retailers in response to the racial and economic mix of an area.

of discrimination.<sup>3</sup> However, it is not usually the outright intent to discriminate but rather the outcome of the behavior that is typical in most cases. In other words, whether or not the intention was to discriminate against someone, if the result is such, then there may be a violation of the law. Either way some argue that given the continued patterns of racial segregation in our country, and especially in the Chicago region, we have evidence that individual and institutional prejudices continue to denigrate our racially mixed and non-white communities.<sup>4</sup>

<sup>1</sup> D Bradford Hunt (2004). “Redlining” Encyclopedia of Chicago <http://encyclopedia.chicagohistory.org/pages/1050.html>

<sup>2</sup> National Fair Housing Alliance <http://www.nationalfairhousing.org/>; Robyn Monaghan (2010). “Though illegal, housing discrimination continues against families with kids.” Chicago Parent, February 23, 2010 <http://www.chicagoparent.com/magazines/chicago-parent/2010-march/features/though-illegal,-housing-discrimination-continues-against-families-with-kids>

<sup>3</sup> See Fair Housing Trends 2011 report, National Fair Housing Alliance <http://www.nationalfairhousing.org/>

<sup>4</sup> See for example Krysan, Maria. 2008. “Racial Blind Spots: A Barrier to Integrated Communities in Chicago—A Critical Issues Paper.” University of Illinois: Institute of Government and Public Affairs.

Overtime, research on food retailers has produced less conclusive results [than previous research], which may suggest that race is less a factor or at least not the sole driver. Still, other researchers have found evidence that both race and income are likely shaping the retail landscape.

***Compared to redlining in housing markets, retail redlining has a shorter and less well-known history.***

Academic researchers began looking at the effects of disinvestment in minority communities in the 1970s, with the movement of Whites and capital out to suburbs. However, not until the 1990s when a few researchers began focusing on food access in the “inner city” were patterns found that suggested redlining also occurred in retail, and particularly affected Black communities. For example, early research in California by Bell and Burlin found evidence that: 1) chains were ignoring or closing stores in Black communities while opening stores in White suburbs; 2) price differentials were found in similar goods, with higher prices for food found in Black communities; and 3) the food sold in Black communities was often of lower quality.<sup>5</sup> An interesting finding was that the stores in lower-income communities may have been more profitable to operate when compared to stores in middle-income neighborhoods.

D’Rozario and Williams claim that in response to these findings, retailers would either deny that race was the basis for their behavior and/or claim that other business-related factors associated with the area (regardless of race) drove their decisions.<sup>6</sup> A key driver cited is the low income levels of consumers in Black urban communities. Challenging this claim is research by Hall, who found higher prices, lower quality, and less variety in communities, with high concentrations of Black and elderly people regardless of income after holding constant the factors affecting store costs.<sup>7</sup> Overtime, research on food retailers has produced less conclusive results, which may suggest that race is less a factor or at least not the sole driver (CITES). Still, other researchers have found evidence that both race and income are likely shaping the retail landscape. Looking at a different area of retail, Myers et al (2009) examined gasoline prices in three major cities and found that prices were higher in poor neighborhoods but did not vary greatly with the racial composition of the neighborhood, and that price differences were likely to be due to the lack of competition.<sup>8</sup>

Another factor cited is crime, which is typically associated with,

though not always found, to be higher in lower income communities. This was how two large pizza delivery chains, Dominos and Pizza Hut, justified “no-go” areas for delivery in the late 1990s. The courts found each to be in violation of the 1964 Civil Rights Act on the basis that the crime argument did not hold when looking at the statistics. For one plaintiff, it was a bittersweet victory asking: “In 1998 I have to go through all this to get an \$8.00 pizza?”<sup>9</sup>

The pizza delivery cases, along with many other discrimination cases filed under Civil Rights laws against chains and other retailers, raise an important point. While there is legal basis for claiming discrimination in such cases, there really is no other legal mechanism to find retailers “guilty of redlining” or any legislative means to stop retailers from making decisions that may be driven by race or ethnicity.

One direction that may complicate our interpretation of retail behavior and intent is the trend toward targeting to cater to consumer preferences. For example, Macy’s, the mega chain department store, tailors its merchandise to meet local demand preferences while also offering its national brands. This approach is aimed to up its competition with the rising number of specialty stores while expanding its presence by accumulating other department stores that were struggling (such as Marshall Fields). A particular target audience was the growing youth market that had moved away from department store shopping.<sup>10</sup>

<sup>5</sup> Julie Bell and Bonnie Maria Burlin (1993). “In urban areas: Many of the poor still pay more for food.” *Journal of Public Policy and Marketing*, 12(2): 268-275.

<sup>6</sup> Denver D’Rozario and Jerome D. Williams (2005). “Retail Redlining: Definition, Theory, Typology, and Measurement,” *Journal of Macromarketing*, 25(2): 175-186.

<sup>7</sup> Bruce Hall (1983). “Neighborhood differences in retail food stores: Income versus race and age of the population.” *Economic Geography*, 59(3): 282-295.

<sup>8</sup> Caitlin Knowles Myers Grace Close, Laurice Fox, John William Meyer, and Madeline Niemi (2009). “Retail Redlining: Are gasoline prices higher in poor and minority neighborhoods?” *Middlebury College Economics Paper*, August 18.

<sup>9</sup> Linda Alwitt and Thomas Donley (1997). “Retail stores in poor urban neighborhoods,” *Journal of Consumer Affairs*, 31(1):139-164.

<sup>10</sup> William M. Pride, Robert J. Hughes, Jack R. Kapoor (2011). *Foundations of Business*. Cengage Learning.

More retailers, recognizing the growing racial and ethnic diversity in the US market place, are targeting consumers based on their race and ethnicity to have a competitive advantage with this growing consumer group. This of course is not without controversy.<sup>11</sup> Unlike racial profiling, which reinforces stereotypes about negative consumer behavior (e.g., shoplifting), targeting is not meant to offend the consumer.<sup>12</sup> However, being the target can prompt consumers to question the motive of retailers, which can lead to negative consequences.<sup>13</sup>

Complicating things further is the growing world of internet shopping. While some may argue that the internet is color-blind when it comes to consumers, others are paying more attention to the use of data attained from on-line shoppers. While it is used to target consumers, this same data is now being used to “de-emphasize” services to some while emphasizing the same services to others. The few court cases of weblining that have been filed have dealt with service delivery complaints similar to the pizza chain cases cited above (on-line orders instead of placed by phone) and an online home-search system that used a “community calculator” that steered people away from black housing districts based on racial classifications and stereotypes about “life-styles.”<sup>14</sup>

## Studying Redlining – what should we look for?

Absent some sort of “fair retail act” any claims of discrimination against a consumer or consumer class that is not housing related must be proven using Civil Rights instruments. With the exception of service delivery claims such as the two cited above, the cases of consumer discrimination tend to be about the group of people af-

There is no published academic research on mixed race higher income communities and what differences if any there are in retail options and access. In part, the dearth of research in these areas is likely due to the fact that there is also a dearth of higher income majority Black or mixed race communities period – whether a city or suburb – in the US

ected (e.g. African Americans) rather than where they live. And unlike “testing” that is done in housing markets to determine if there is discrimination occurring independent of any direct claim or proof, there is no formal tool that can be used that then has legal standing to make a retailer move into an area. While not binding, we can turn to academic research for guidance on methodology for studying retail redlining and testing hypotheses that can help us at least discern if there are spatial patterns that might suggest retail redlining.

While the previously cited studies can be of some use, a limiting feature of most research on retail differences in Black and White communities is that it focuses on “inner city” neighborhoods and/or larger cities. While comparisons have been made to suburbs to show different investment patterns than in the city, these communities are predominantly White as well as middle income. Moreover, there is no published academic research on mixed race higher income communities and what differences if any there are in retail options and access. In part, the dearth of research in these areas is likely due to the fact that there is also a dearth of higher income majority Black or mixed race communities period – whether a city or suburb – in the US (see appendix).

***A study of Atlanta suburbs is the only empirical research on higher income African American communities outside a city.*** Helling and Sawicki (2003) looked at the location or proximity of stores to majority White and Black census tracts in Atlanta suburbs with similar income levels. A key assumption was that if income and not race is the key driver for retailers, then we should find similar retail options available to both within their respective communities. The results showed Blacks’ generally had to travel farther to go to eat out at restaurants (non-fast food), shop for groceries and see movies than Whites with equivalent income levels.

<sup>11</sup> Jonna Holland and James W. Gentry (1999). “Ethnic Consumer Reaction to Targeted Marketing: A Theory of Intercultural Accommodation,” *Journal of Advertising* 28(1): 65–77. An example of controversy is the Taco Bell’s Chihuahua advertising campaign and RJ Reynolds Uptown Cigarettes targeted at “inner city” African Americans.

<sup>12</sup> George E. Schreer, Sandra Smith, Kirsten Thomas (2009). “Shopping While Black”: Examining Racial Discrimination in a Retail Setting,” *Journal of Applied Social Psychology* 39(6): 1432–1444.

<sup>13</sup> Holland and Gentry (1999).

<sup>14</sup> Encyclopedia of Ecommerce. Weblining (Internet Redlining) at <http://ecommerce.hostip.info/pages/1078/Weblining-Internet-Redlining.html>.

FIGURE 4-1  
**Mixed Race Suburbs in Cook County**  
 WITH MEDIAN FAMILY INCOME AT/ABOVE 4 COMMUNITIES  
 AND AT LEAST 10% AFRICAN AMERICAN, 2009

- Bellwood\*
- Broadview\*
- Country Club Hills\*
- Dolton\*
- Evanston
- Flossmoor
- Glenwood\*
- Hazel Crest\*
- Homewood
- Lansing
- Oak Park
- South Holland\*

\* At least 50% African American

When trying to determine why this was the case, the researchers concluded that there were a range of possible explanations, including “racially biased business decisions.” They looked at evidence of racial differences in consumer patterns, and while they found some, they concluded that the differences were more likely due to “inaccurate information on neighborhood characteristics and personal consumption patterns.” This included marketing data that classified census tracts based on demographic profiles that understated economic buying power and/or likely consumer preferences. Another complicating factor was that many of these communities recently experienced population increases which had likely not appeared in the most recent Census data.

Focusing on spatial distribution and access is a valid means to demonstrate non-income differences in a consumer population, and that practice may be influencing retailers’ decisions. However, it doesn’t

necessarily prove retailer bias or discrimination; instead, it can find patterns that cannot be ignored. As Helling and Sawicki conclude “policy prescriptions that assume no racial bias [by retailers] are naive and may be unsuccessful.” (p.97).

While Helling and Sawicki did not deal with mixed race communities, we investigated whether their approach could be translated and adapted for communities such as Matteson, Olympia Fields, Park Forest, and Richton Park. The challenge, however, is that in our region, there are few equivalent suburbs to study. Based on the 2005-09 American Community Survey data, there were only seven other suburbs in Cook County that had a median income that was at or above the median income levels in the target area, and a racial mix that was at least 50 percent African American (see Figure 4-1), and most are in the southern suburbs.

FIGURE 4-3  
**Distribution of Census Tracts by Income Level & Racial Mix**



Perhaps even more striking is the break down by census tract, which is the level of analysis employed by Helling and Sawicki to get a more precise measure of distance traveled.<sup>15</sup> In Cook County, there are 1,344 Census tracts with 874 in the City of Chicago (see Figure 4-2). Of 470 outside Chicago, only 76 are 50 percent or more African American, and only 18 have income at or above \$70,000. Half of these tracts are in the four target communities (see Figure 4-3). Whether we use census tracts or jurisdictions, the small number of similar communities restricts severely the ability to do a modeling exercise such as Atlanta and yield reliable results.<sup>16</sup> A key problem is that nearly all the suburbs and census tracts are spatially concentrated. This means there is not nearly the level of variation found in tracts with similar income levels but majority White. Furthermore, following the method employed by Helling and Sawicki, we would have to eliminate some tracts – including some in our communities – because they would yield low access scores purely based on location. As with our target communities, some tracts in the Atlanta

D’Rozario and Williams proposed an approach for assessing different potential forms of retail redlining based on retailer behavior. The authors assume that income differences are likely to explain retail behavior regardless of race; however, there are other dimensions that need to be taken into consideration including population size and density, change in population over time, retail space available and current retail mix when explaining retail options in a community.

region were in ex-urban areas with low density and rural land uses nearby.

However, even if we did apply their model to our region, the fundamental challenge is what is the comparison group? ***Our communities are the most racially mixed AND higher income in the region at nearly a 50-50 split.*** Comparing to predominantly White higher income communities aims to prove that the difference is attributed to race. But how do we know that access to retail is based on discrimination against Blacks or against Whites or against mixed neighborhoods? Without knowing what retailers’ decisions are based on, the findings are open too much to interpretation.

An alternative to modeling the distance traveled to retail options in order to find evidence of potential redlining, D’Rozario and Williams proposed an approach for assessing different potential forms of retail redlining based on retailer behavior. By design, this is a more direct approach than Helling and Sawicki. It also is grounded in case law – and in real cases such as the discrimination of national pizza chains cited above.

The authors assume that income differences are likely to explain retail behavior regardless of race; however, there are other dimensions that need to be taken into consideration including population size and density, change in population over time, retail space available and current retail mix when explaining retail options in a community. These are the independent variables in the model. As Figure 4-4 indicates, each dimension is presumed to indicate redlining if the value is either higher or lower than the value of the same variable in an all White community depending on the measure.

<sup>15</sup> They used a “hybrid” approach that combined gravity and opportunity accessibility models. The gravity model in transportation planning is used to estimate and predict traffic patterns based on land use in an area. The access model measures the number of opportunities within the area surrounding an originating zone using 5, 10 and 15 minute drive times.

<sup>16</sup> Census tracts compared in the 10 county Atlanta region used a 80% threshold for each race, so 80% White compared to 80% Black at the same income level. This yielded 13 predominantly black and 22 predominantly white census tracts. However 10 White tracts were eliminated because they were located on the edge of the study area and would yield low access scores based on location alone.



*The outcome — retail redlining — can be one of 8 potential types according to D’Rozario & Williams:*

- A. Higher fees charged to minority franchisees**
- B. Restricting minority franchisees to minority areas**
- C. Refusal of service to all customers in certain areas**
- D. Removal of a successful store from an area by a chain**
- E. Lack of a discount chain store’s presence in an area**
- F. Lack of an upscale chain store’s presence in an area**
- G. Lack of a sizable mall in a promising retail area**
- H. Denigration of the retail potential of a geographic area**

The type of retail redlining (dependent variable) includes discrimination against a retailer, discrimination by a retailer, and then differences in retail space allocated and available for chain and upscale retailers. While this approach is capable of producing measurable comparisons (e.g., franchise fees paid are significantly higher on average), the finding does not per se prove redlining. They do provide quantifiable evidence that may be of use, for example, in court when dealing with a civil rights case. The challenge with this approach is that it is not necessarily something we can “scale up” to a community level analysis. In other words, retail redlining of a community cannot be proven by simply adding all the chain store retail space in one community and comparing it to what is available in another. Besides needing to qualify each site in light of the above independent variables, we would need to be able to control for the interaction effects of retailer decisions, which may or may not be based on racial composition of the community.

These types of potential retail redlining require different types of evidence. The first two (A & B), which deal with franchising, can be tricky to investigate and therefore prove, because it requires

Retail redlining of a community cannot be proven by simply adding all the chain store retail space in one community and comparing it to what is available in another. [We] would need to be able to control for the interaction effects of retailer decisions, which may or may not be based on racial composition of the community.

getting a lot of information from both franchisers and franchisees. Both groups may be reluctant or unwilling to provide anything, and if they do, the quality of that information is unknown and therefore may not be reliable or credible. Refusal to service customers in certain areas would require some form of testing and or direct proof of this behavior. For example, while pizza delivery can be mapped out to show where people are getting service, we also have to hear from people who claim to have been refused service. The former data might be relatively easy to find (assuming the retailer would hand it over) but the latter does not exist in a database somewhere; instead people need to step forward and share their experience, which can then be used for further investigations and inquiries.

The potential types of retail redlining that are relatively easier to investigate with objective data are those that deal with the physical presence or

FIGURE 4-4  
**Evidence of Redlining**

When comparing the area in question with other areas, there may evidence of redlining if . . .

- Population size is found to be . . . **LARGER**
- Population growth rate is found to be . . . **HIGHER**
- Population distribution is . . . **MORE CONCENTRATED**
- Per capita income is found to be . . . **HIGHER**
- Aggregate spending power is found to be . . . **LARGER**
- Growth aggregate spending power is found to be . . . **HIGHER**
- The percentage of upscale consumers is . . . **HIGHER**
- The number of upscale consumers is . . . **HIGHER**
- The number of possible prime, retail location sites is found to be . . . **HIGHER**
- Retail space (sq ft) per capita is found to be . . . **LOWER**
- The number of upscale retailers is found to be . . . **LOWER**
- Potential franchisee familiarity with the assigned location is . . . **LOWER**
- The number of minority-owned stores/franchises recently opened is . . . **HIGHER**
- After store/franchise closure, product prices in the area were . . . **HIGHER**
- The percentage of consumers who were denied service is . . . **HIGHER**

Adapted from D’Rozario & Williams, 2005.

lack of a retail chain store (D-G). We can systematically assess a retail decision to see if it is based on economic criteria, such as the potential profitability of operating in an area, or possible redlining or potentially both. The next section lays out how we used this framework and set of hypotheses to investigate potential redlining in Matteson, Olympia Fields, Park Forest and Richton Park.

### Is there Evidence of Retail Redlining in Matteson, Olympia Fields, Park Forest, and Richton Park?

To answer this question, we chose to adapt D’Rozario and Williams criteria to compare retail options at the community and retailer level. First, we reviewed the data on consumer demand and purchasing power and local retail conditions to determine what other reasons besides race need to be taken into consideration in the four communities. Previous analysis of the retail consumption patterns confirmed that there was unmet demand based on estimated capture rates. Further, we determined that in comparisons with other communities that are majority White and with similar income levels, the target area is lacking some retailers that would be expected given the purchasing power (see Market Share Analysis).

However, we also found potential barriers and challenges that might partially explain the absence of retailers in general, though not specific ones, that will need to be taken into account in the analysis. This included:

- ❑ Property tax differences within Cook County
- ❑ Demographic data misrepresenting communities
- ❑ Co-tenancy mix
- ❑ Low daytime population
- ❑ Community capacity

#### Property Taxes

A site’s property taxes are set by a variety of different government bodies, which means the taxes associated with each property vary. Since a tenant can often merely cross the street and reduce gross costs due to lower property taxes, owners can only compete if they reduce net rents to compensate for property tax variation. In Cook County, we find this to be the case when we look at McDonalds, which is a relatively ubiquitous retail establishment; the cost is generally the same to build and operate anywhere, and owners will see the same return everywhere.

As Figure 4-5 shows, the tax rates and subsequent rents vary widely when looking at a sample of 12 comparable sites in Cook County controlling for land size. The average annual property taxes per square foot of land for the sample are \$1.99. In Matteson, the annual per square foot property taxes is \$2.85, which means that annual property tax due to variance from average is \$38,835. As a result, a franchise owner would need to make 109 more transactions per day that contribute \$1 or pay \$500,000 less for the property. Another way to equalize the value would be to have the landlord absorb the

| Address                            | Community             | 2009 Property Taxes | Land (sq ft)  | Taxes per sq ft |
|------------------------------------|-----------------------|---------------------|---------------|-----------------|
| 2707 Sauk Trail                    | Sauk Village          | \$36,276            | 38,263        | \$0.95          |
| 1032 N. Northwest Hwy              | Park Ridge            | \$60,913            | 48,542        | \$1.25          |
| 100 Sauk Trail Rd                  | South Chicago Hts     | \$45,609            | 30,000        | \$1.52          |
| 9110 W. 159 <sup>th</sup> St       | Orland Park           | \$67,647            | 43,244        | \$1.56          |
| 4830 Dempster St                   | Skokie                | \$68,921            | 35,643        | \$1.93          |
| 100 W. Rand Rd                     | Mount Prospect        | \$65,702            | 33,850        | \$1.94          |
| 5441 W. 159 <sup>th</sup> St       | Oak Forest            | \$75,956            | 38,401        | \$1.98          |
| <b>2400 W. Lincoln Hwy</b>         | <b>Olympia Fields</b> | <b>\$78,872</b>     | <b>35,915</b> | <b>\$2.20</b>   |
| 3132 W. 183 <sup>rd</sup> St       | Homewood              | \$101,669           | 44,640        | \$2.28          |
| <b>4855 W. Sauk Trail</b>          | <b>Richton Park</b>   | <b>\$87,744</b>     | <b>35,972</b> | <b>\$2.44</b>   |
| 15920 S. Harlem Ave                | Tinley Park           | \$119,745           | 44,113        | \$2.71          |
| <b>4010 W. 211<sup>th</sup> St</b> | <b>Matteson</b>       | <b>\$132,677</b>    | <b>46,625</b> | <b>\$2.85</b>   |

FIGURE 4-5  
**Estimated Differences in Property Taxes on 20 McDonald’s in Cook County**

Source: Cookcountytreasurer.com; Cookcountyassessor.com

tax differential. However, this approach can and will likely undermine investment in the property, which then has implications for the competitiveness of the retail site and its long-term viability.

**Demographic Data Misrepresenting Communities**

Retailers rely on different data sources for estimates of population within an area that either they are considering investing in or are already located. The US Census, while considered a reliable source, has historically been updated only every ten years, which means it is out of date for many years in between, especially in areas with

significant growth or change. As a result, retailers often rely on other sources of data, such as Claritas and Alteryx, for estimates before the next census, but also for other consumer information like spending power and consumer demand. Beginning in 2000, the Census introduced the American Community Survey (ACS). The ACS is an annual survey of a small (but statistically significant) sample of people that is replacing the census. Still, proprietary sources continue to produce data for retailers since their added value is the consumer spending. All this has assuredly created a lot of confusion when the 2010 census data was released.

| Spring 2010                    | 4 Communities Combined |            |          |            |        |
|--------------------------------|------------------------|------------|----------|------------|--------|
|                                | Alteryx                | Difference | Claritas | Difference | Census |
| Total Population               | 56,423                 | -5.7%      | 56,674   | -5.2%      | 59,618 |
| Total Households               | 20,726                 | -10.1%     | 22,455   | -1.7%      | 22,827 |
| Total Housing Units            | 22,724                 | -9.3%      | 23,852   | -4.2%      | 24,844 |
| Occupied Housing               | 20,726                 | -10.1%     | 22,455   | -1.7%      | 22,827 |
| Race:                          |                        |            |          |            |        |
| White                          | 43.5%                  |            | 35.8%    |            | 21.9%  |
| Black                          | 43.5%                  |            | 58.5%    |            | 73.1%  |
| American Indian, Eskimo, Aleut | 0.1%                   |            | 0.2%     |            | 0.2%   |
| Asian                          | 3.0%                   |            | 1.3%     |            | 1.0%   |
| Hawaiian or Pacific Islander   | 0.1%                   |            | 0.0%     |            | 0.0%   |
| Other                          | 3.8%                   |            | 1.7%     |            | 0.9%   |
| Multirace                      | 6.1%                   |            | 2.4%     |            | 2.5%   |
| Ethnicity:                     |                        |            |          |            |        |
| Hispanic                       | 9.1%                   |            | 5.3%     |            | 4.7%   |
| Non-Hispanic                   | 90.9%                  |            | 94.7%    |            | 95.3%  |
| Race:                          |                        |            |          |            |        |
| White                          | 24,545                 | 46.7%      | 20,283   | 35.6%      | 13,071 |
| Black                          | 24,530                 | -77.8%     | 33,180   | -31.4%     | 43,610 |
| American Indian, Eskimo, Aleut | 56                     | -79.1%     | 120      | 15.6%      | 101    |
| Asian                          | 1,674                  | 62.9%      | 730      | 15.0%      | 621    |
| Hawaiian or Pacific Islander   | 36                     | 25.8%      | 26       | -1.6%      | 27     |
| Other                          | 2,118                  | 74.5%      | 969      | 44.3%      | 540    |
| Multirace                      | 3,450                  | 57.0%      | 1,366    | -8.6%      | 1,483  |
| Ethnicity:                     |                        |            |          |            |        |
| Hispanic                       | 5,142                  | 45.1%      | 3,005    | 6.0%       | 2,824  |
| Non-Hispanic                   | 51,297                 | -10.7%     | 53,669   | -5.8%      | 56,794 |

FIGURE 4-6  
**Combined Demographic Data for Matteson, Olympia Fields, Park Forest & Richton Park**

Alteryx and Claritas are proprietary data sources commonly used by retailers.



Figure 4-6 presents a combined total of data for Matteson, Olympia Fields, Park Forest and Richton Park [data for each community in appendix]. What is striking is the wide variation in the racial mix, with Alteryx showing a nearly equal split of Black and White while the Census shows nearly a three-fourth to one-fourth ratio. There is also variation in the estimated total population, occupied housing units and ethnicity. Without knowledge of how proprietary sources calculate their estimates, we can only assume that the algorithm behind each needs to be adjusted.<sup>17</sup> While these sources make adjustments as new census data come out, these data are out there now being used. It raises questions about what retailers learn about these communities from these data, especially since it is often their first impression of an area when researching potential sites.

### **Co-tenancy Mix**

Businesses often share customers and, in choosing locations, retailers capitalize on that tendency by following specific businesses. This site choice pattern is known as preferred co-tenancy. For example, shoe stores want to be near dress stores and banks want to be near grocery stores. Shopping goods like apparel and furniture often need to be sufficiently close to competitors for consumers to visit enough stores to be certain they are making a smart purchase. The same is true of quick service restaurants. McDonalds, which is well known for its extensive real estate research, will attract other fast food restaurants to open in the same area. These co-tenancy requirements are so important that leases are often voided if a preferred co-tenant leaves. Also, because effective co-tenancies start with an anchor, grocery stores, value department stores, or mass merchandisers set the center's value platform and determine the attractive co-tenants.

A key concern for many of the shopping centers in the four communities is lack of strong anchor stores or in some cases there is no anchor. This becomes very apparent when looking outside the area toward the shopping malls and retail centers where residents also shop, like Orland Park and Oak Brook. A retailer that has a choice of locations and can find the right co-tenancy mix will likely take that over a location that does not and is therefore more risky. This problem can then be compounded by higher taxes and/or a lower quality of sites to select from.

<sup>17</sup> There was also some variation found in data on majority white communities but not so wide ranging.

### **Low Daytime Population**

Another complicating factor when looking at the presence or absence of retailers in an area, and especially one with purchasing capacity, is the consumer base at different times of the day and night, weekend and weekday. Communities that have diverse economies with industrial and/or office space, medical services, higher education facilities as well as retail, have higher daytime consumer bases. Retailers, especially different restaurant chains and franchises, as well as local entrepreneurs, are generally attracted to locations that have a good employment base as well as resident consumer base. While there is a solid employment base in the four communities, it is generally lower than other communities with similar numbers and sizes of retail shopping center.

### **Capacity of Community**

Successful retail attraction and retention relies on so many players and factors. In a good economic climate with low unemployment, a growing population and land or sites for retail development, many suburbs will still have their work cut out for them. Its one thing to attract retailers' attention, and another to get a lease signed or pad built out, especially when nearby suburbs are competing for the same retailer. Concurrently, constant effort needs to be expended on maintaining what is there already. This means watching for signs of stress among retailers and/or center owners, whether it is unfilled vacancies or lack of capital investment, or need for expansion. This requires really understanding the dynamics of each center, who the owners and operators are and the retailers themselves in terms of ownership and investment status.

An economic downturn, such as the recession just experienced, requires even more attention and diligence by development staff, partners and elected officials. Besides maintaining the status quo—and perhaps more importantly—all need to work at positioning the community for once the market picks up. This means anticipating trends, finding ways to be creative and forward thinking about existing sites that may likely need to be repositioned in these new market conditions. It's rare that small suburbs have this kind of capacity in house—even in good economic times. And the skills and attention needed may be even more critical when working in racially mixed communities. Given the relatively small number in the region and in the US, racially mixed higher income communities may benefit from doing their own "targeted marketing" to help retailers better understand the market especially if they are getting misinformation from their data.

## Approach

Keeping all these potential factors in mind, we developed a systematic three-step approach to investigate whether or not there are signs that retail redlining may be occurring in Matteson, Olympia Fields, Park Forest, and Richton Park. We have adapted D’Rozario and Williams’ set of hypotheses to perform a series of tests. We have collected and employed a wide range of data to ground the analysis (see box). Unlike the modeling exercise developed by Helling and Sawicki for Atlanta, our approach produces a set of in-depth case studies that can help better understand and interpret retail behavior. The intent is to provide research that is grounded in a variety of data, easy to interpret and, most importantly, easy to use in community discussions, meeting with retailers and in strategic planning.

### Data collected and used in analysis:

- Survey of 910 consumers on shopping behavior and preferences
- Consumer expenditures to triangulate and assess resident preferences and identify unmet demand
- Two focus groups to understand residents’ perceptions of retail options
- Meetings with developers to understand perceptions and experiences with development in these communities and southern suburbs
- US Census and other demographic data to produce profiles of different communities and consumer base in comparable shopping locations
- Field observations at different malls and shopping centers and retail sites to compare quality and variety of merchandise and mix of stores
- Product comparisons to determine what merchandise might be missing or added to stores and to look for any noticeable price differences

We start from the assumption that as D’Rozario and Williams state: if asked retailers will likely say that their decisions on where to locate are not based on race or racial mix of a community and instead point to market conditions that make a site less competitive. We too are starting from this position. We are following the same logic as investigations into housing discrimination, which start from the assumption that a Black person and White person with the same credentials and income seeking to buy a home or rent an apartment should be

treated the same. So too should racially mixed communities when compared to equivalent racially segregated communities.

Our approach works toward eliminating those conditions from the equation that would cause a retailer to eliminate a site regardless of racial mix, and also to better understand how market conditions and factors cited above might tip the scale if racial mix is a concern. The intent is to provide the four communities a grounded understanding of their own retail landscape through the lens of the retailer, and solid information that can be used to effectively change perceptions and the realities shaping development.

## Selecting Comparison Cases

While the strength of the D’Rozario and Williams’ model is its focus on retailer behavior at any income level, the authors do not necessarily provide us guidance on the racial component, or how to deal with mixed race communities such as in our study area. As with Helling and Sawicki, the assumption is that these are majority Black communities (though not specified).

For this study, we used the following criteria for our initial selection of comparison communities:

- Suburb
- Homogeneous (ideally, a mix of majority white and majority black)
- Population size
- Similar Income
- Density (of community and surrounding)
- Similar economic mix (employees)
- Transportation access

An additional criterion was the presence of a mall, and preferably one that was older and either had been recently updated or undergoing an update so as to make it more equivalent with Lincoln Mall. With input from staff in the four communities and the steering committee, we selected specific retailers of different types in these communities for our case studies. We focused on 1) stores that we would expect to be in the communities, 2) stores that have left the community, and 3) stores in the community to compare quality of merchandise and variety of merchandise (see Figure 4-7). These categories align with four of the hypothesized forms of redlining outlined by D’Rozario and Williams.

FIGURE 4-7  
Retailers Selected for Case Studies

- |  |  |   |
|--|--|---|
| <p><b>Retailers that left:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Jewel-Osco</li> <li><input type="checkbox"/> AJ Wright</li> <li><input type="checkbox"/> Burger King</li> </ul> | <p><b>Retailers we would expect:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> HH Gregg</li> <li><input type="checkbox"/> Portillo's</li> <li><input type="checkbox"/> Kohl's</li> <li><input type="checkbox"/> Outback</li> </ul> | <p><b>Retailer quality/product/price differences:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Carson Pirie Scott</li> <li><input type="checkbox"/> JCPenney</li> <li><input type="checkbox"/> Champs</li> </ul> |
|--|--|---|

For each retailer in the community (or that had been), there were at least two locations in our comparison areas, and for those that were not in the community but were expected, we examined at least two locations in comparison areas. Instead of census tracts, we used drive time data from the retail center to estimate potential consumer base — just as a retailer would — to make comparisons with other malls, shopping areas, and specific retailers in communities of similar income level but majority White.

### Retailers that Left the Target Area

During the course of the study, two retailers left the target area (Jewel and AJ Wright) and another left soon before we started. These provided real time cases with fresh data and background knowledge to investigate a retailer's decision to leave the community.

Jewel-Osco



AJ Wright



Burger King



### Jewel-Osco

Right before the 4th of July, 2011, SuperValu, the parent company of Jewel-Osco, announced that it was closing the store in Olympia Fields. According to the company, sales “were not meeting company goals.” The store, which had been there for 23 years, was in need of an update. Residents commented in focus groups and in written survey responses that they would sometimes shop at Jewel locations in other communities due to the poor conditions within the Olympia Fields store. SuperValu had been considering investing \$3million but also was seeking a reduced lease rate with the shopping center owner, which had just been bought as part of a portfolio of properties. In an effort to keep the store open, Olympia Fields officials offered incentives. Representative Jesse Jackson Jr. sought help from the State of Illinois. Village officials urged residents to submit letters to Jewel’s president, and the Village board president met with the Governor to see what he could offer. Despite these efforts, Jewel closed.<sup>18</sup>

Earlier in the year, Supervalu announced that for the same reason it was closing the Jewel in Chicago Lawn, a racially and ethnically mixed community on the Chicago’s southwest side. At the same time, it announced the opening of five new Sav-A-Lot stores on the south side. These are smaller stores (about one-third the space) that offer discounted prices along the lines of the Aldi chain.<sup>19</sup> SuperValu is trying to get into markets that larger discount stores Walmart and



<sup>18</sup> <http://southtownstar.suntimes.com/neighborhoodstar/matteson/6358203-521/jewel-osco-in-olympia-fields-to-close.htm>

<sup>19</sup> <http://www.suntimes.com/business/3491459-420/stores-jewel-osco-save-chicago.html>



Target are not necessarily able to enter, though Walmart might now have more opportunity with its new smaller concept stores that it is pre-miering in Chicago.

Many factors also likely contributed to this decision. The selling of the shopping center coupled with the fact that SuperValu did not own the store made it easier to walk from the lease and the store itself. These issues also made it easier to let the store decline. The center owner also had not invested, giving the company even more reason to invest in stores elsewhere. With four Jewel stores within five miles, as shown in Figure 4-8, the closest being less than three miles, there were other options for consumers and SuperValu. Interestingly, our survey results, as shown in Figure 4-9, indicate respondents frequented this Jewel more than the others. While not a scientific sample, it suggests that consumer preference was not a concern when making this decision.

20. In the past year, how many times have you purchased groceries at these stores?

|                             | Never       | A few times | About monthly | More often than monthly | Response Count |
|-----------------------------|-------------|-------------|---------------|-------------------------|----------------|
| Bizio's Fresh Market        | 37.1% (104) | 33.6% (94)  | 13.2% (37)    | 16.1% (45)              | 280            |
| Dominick's Matteson         | 22.3% (176) | 37.0% (292) | 16.3% (129)   | 24.4% (193)             | 790            |
| Dominick's Palos Heights    | 96.9% (750) | 2.5% (19)   | 0.4% (3)      | 0.3% (2)                | 774            |
| Jewel Olympia Corners       | 34.0% (267) | 31.7% (249) | 12.7% (100)   | 21.5% (169)             | 785            |
| Jewel Halsted               | 72.7% (567) | 20.9% (163) | 3.5% (27)     | 2.9% (23)               | 780            |
| Jewel 183rd                 | 60.4% (471) | 29.9% (233) | 4.4% (34)     | 5.4% (42)               | 780            |
| Jewel Tinley Park           | 81.0% (617) | 15.7% (120) | 1.3% (10)     | 2.0% (15)               | 762            |
| Ultra Foods Lincoln Highway | 39.0% (305) | 27.0% (211) | 12.8% (100)   | 21.2% (166)             | 782            |
| Food 4 Less 159th Street    | 87.2% (682) | 9.5% (74)   | 1.7% (13)     | 1.7% (13)               | 782            |
| Whole Foods                 | 77.0% (588) | 15.1% (115) | 4.3% (33)     | 3.7% (28)               | 764            |
| Trader Joe's Orland Park    | 53.3% (417) | 32.0% (250) | 11.0% (86)    | 3.7% (29)               | 782            |
| Walt's Homewood             | 57.7% (453) | 24.8% (195) | 7.1% (56)     | 10.3% (81)              | 785            |
| Walt's Tinley Park          | 85.3% (664) | 11.8% (92)  | 1.9% (15)     | 0.9% (7)                | 778            |

FIGURE 4-9  
Survey Results: Grocery Store Purchases

Source: Consumer Survey, October 2010.

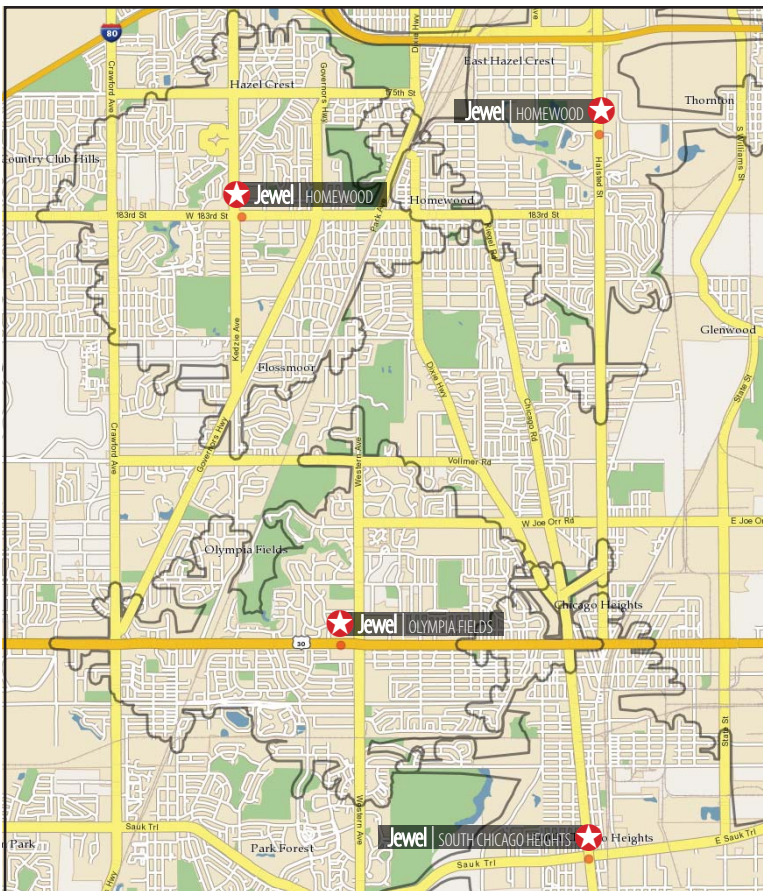


FIGURE 4-8  
Jewel Stores within 5-Miles of SuperValu South Side Location

Source: Applied Geographic Solutions, Inc., 2012.

And since the drive time to the nearest Jewel is relatively short, it could capture market share at that location.

As shown in Figure 4-10, consumer spending data indicates people do spend money on groceries in the area where Jewel is located. However, that does not mean all spending was all at Jewel. While not necessarily comparable, there is an Ultra Foods within 1,000 feet. Among our survey respondents, there was a similar distribution for Ultra Foods as there was for the Jewel. Since the survey was completed and prior to Jewel closing, a Food 4 Less opened within 500 feet of the Jewel. Combined, these stores may have been viewed as too much competition for Jewel to justify renewing a lease in a mall that was in need of upgrading. Given SuperValu’s focus on expanding its discount chain in the Chicago area, it may be looking at other ways to be present in this market.

|                          | Olympia Fields | Tinley Park  | Homewood (Halsted) | Frankfort    | Homewood (183 <sup>rd</sup> ) | Chicago Heights |
|--------------------------|----------------|--------------|--------------------|--------------|-------------------------------|-----------------|
| Total Population         | 24,187         | 21,238       | 16,767             | 15,075       | 27,049                        | 24,964          |
| Employees                | 9,210          | 9,174        | 14,548             | 8,976        | 10,830                        | 9,361           |
| Median Household Income  | \$56,745       | \$67,654     | \$57,264           | \$98,188     | \$71,810                      | \$39,191        |
| Per Capita Income        | \$27,989       | \$28,867     | \$26,748           | \$36,783     | \$32,700                      | \$18,874        |
| Average Household Income | \$77,551       | \$75,507     | \$70,125           | \$113,973    | \$90,718                      | \$51,520        |
| White                    | 54.2%          | 90.0%        | 68.4%              | 84.7%        | 49.0%                         | 65.5%           |
| Black                    | 36.7%          | 4.3%         | 23.2%              | 5.6%         | 44.5%                         | 17.7%           |
| Grocery Stores           | \$55,476,118   | \$52,422,490 | \$40,054,044       | \$41,867,074 | \$74,223,536                  | \$45,349,134    |

FIGURE 4-10  
**Consumer Spending at Nearby Jewel Sites, 5-Minute Drive Time, 2011**

Source: Applied Geographic Solutions, Inc., 2011.





To put the decision in perspective, we did a side-by-side comparison with a similar store in Villa Park, a predominantly White suburb in eastern DuPage County (see Figure 4-11). The Villa Park store has lower average daily traffic than the Olympia Fields store. As the data below indicates, this store has five other Jewel stores within five miles. However, the nearest competition is not nearly as close as in Olympia Fields. This is reflected in the capture rate (see Figure 4-12), which changes dramatically when comparing a three mile to a five minute drive time! Furthermore, there is a significant difference in the taxes. Villa Park is in DuPage County, which has a much lower tax rate. Absent incentives from a local municipality, lower taxes can motivate investment such as the \$1.2 million Jewel put into the Villa Park store — especially when the company owns the property.

|                        | Olympia Fields  | Villa Park  |
|------------------------|---|---|
| Company Owned?         | No  | Yes   |
| Average Daily Traffic  | 44,000+   | 26,400  |
| Nearest Competitor     | Food 4 Less: 500 ft<br>Ultra Foods: 1,000 ft<br>Matteson Dominick's | Dominick's: 1.4 miles<br>Value Grocer: 4+ miles<br>Wal-Mart closeby<br>Target closeby |
| Nearest Jewel          | 4 within 5 miles;<br>nearest 2.7 miles                              | 5 within 5 miles;<br>nearest 2.3 miles  |
| Property Tax Rate      | 9.9940  | 5.3948  |
| Investment in Property | Building permits<br>for repairs                                     | \$1.2 million remodel<br>in 2002  |

FIGURE 4-11  
**Comparison of Two Jewel Stores in Olympia Fields & Villa Park**

|                          | 3-Mile Radius  |               | 5-Minute Drive Time |              |
|--------------------------|----------------|---------------|---------------------|--------------|
|                          | Olympia Fields | Villa Park    | Olympia Fields      | Villa Park   |
| Total Population         | 85,528         | 117,477       | 24,187              | 24,513       |
| Total Households         | 31,086         | 42,765        | 8,345               | 9,142        |
| Median Age               | 37.1           | 39.7          | 37.2                | 38.7         |
| Black                    | 32.2%          | 3.3%          | 36.7%               | 3.1%         |
| White                    | 57.8%          | 79.7%         | 54.2%               | 82.0%        |
| Average Household Income | \$74,798       | \$90,135      | \$77,551            | \$74,087     |
| Median Household Income  | \$55,246       | \$67,192      | \$56,745            | \$61,175     |
| Per Capita Income        | \$27,829       | \$33,555      | \$27,989            | \$27,276     |
| Grocery Store Spending   | \$202,778,998  | \$319,618,342 | \$55,476,118        | \$59,661,947 |
| Grocery Sales            | \$17,466,111   | \$65,044,150  | \$17,466,111        | \$65,044,150 |
| Capture Rate             | 8.6%           | 20.4%         | 31.5%               | 109.0%       |

FIGURE 4-12  
**Comparison of Consumer Base for Olympia Fields & Villa Park, 2011**

Source: Applied Geographic Solutions, Inc., 2011; Illinois Department of Revenue; BDI.





## AJWright

The discount store AJ Wright was launched by the TJX Companies (TJX) in 1998 to offer clothing, home décor, shoes, and other items similar to T.J.Maxx and Marshalls, its sister stores. AJ Wright offered even deeper discounts, which, given the recession, should have given it a competitive advantage. However, before announcing in 2010 it was closing 162 stores, TJX reported that its revenues at AJ Wright fell two percent while it gained one percent at T.J.Maxx and Marshalls and three percent at HomeGoods.<sup>20</sup>

**AJWright. All AJWright stores are now closed.**  
We would like to thank all of our AJWright customers for their patronage.

For incredibly low prices on your favorite brand names for you, your family & your home

please visit one of our other stores:



The announcement, which came right before the Christmas holiday, outlined TJX's plan to convert 91 stores into T.J.Maxx, Marshalls, or HomeGoods stores, and close permanently another 71, along with two distribution centers. The stores being converted were to reopen in eight weeks, allowing TJX to focus on its more profitable businesses.

Looking at the demographic data for several of the southern suburbs with shuttered stores, nearly all were in racially mixed communities,

<sup>20</sup> <http://www.chicagorealestatedaily.com/article/20101210/CREDO3/101219987/10-local-a-j-wright-stores-to-close#ixzz1n5qSIgD9>

<sup>21</sup> <http://triblocal.com/evanston/2010/12/17/evanston-officials-say-it%E2%80%99s-wrong-to-close-a-j-wright/>



as shown in Figure 4-13. The Matteson site stands out, with a much higher income level but a smaller potential customer base in a 10-minute drive time. Based on the consumer survey completed just months before, 30 percent would spend a lot more and 43 percent would spend a little more if a new retailer offering home goods entered the local market. Yet, TJX did not re-open any of its other stores in the Matteson site.

There was little reaction in Matteson, perhaps because it was part of a larger plan that affected all AJ Wright stores. In contrast, there was a strong reaction to the announcement in Evanston, where public officials came out in force to “take on” the Massachusetts based TJX Companies. They wanted the store converted to a HomeGoods rather than abandon the location completely. The justification: it will be profitable. At a press conference in front of the store, Mayor Elizabeth Tisdahl said, “We are confident that a HomeGoods store at the Evanston Plaza would be prosperous as it would fill a much needed gap in that level and type of home product based retail market in this area, not only for the year round residents but also for the additional 16,000-plus full-time Northwestern University students.”<sup>21</sup>

|                    | Matteson | Markham  | Lansing  | Calumet Park | Hammond  | Chicago (47 <sup>th</sup> ) |
|--------------------|----------|----------|----------|--------------|----------|-----------------------------|
| Population         | 91,253   | 138,680  | 135,394  | 116,161      | 114,251  | 212,223                     |
| Average Income     | \$83,487 | \$63,711 | \$63,652 | \$55,781     | \$65,966 | \$47,359                    |
| Median Income      | \$63,888 | \$51,097 | \$50,754 | \$42,634     | \$53,617 | \$29,989                    |
| % Black Population | 42.1%    | 41.5%    | 36.2%    | 58.8%        | 13.9%    | 33.1%                       |
| % White Population | 44.2%    | 43.6%    | 49.7%    | 25.9%        | 73.2%    | 30.3%                       |

FIGURE 4-13  
**10-Minute Drive Time for AJWright Stores, 2010**

Source: Experian/Applied Geographic Solutions, Inc., 2010.

|                                | Matteson<br>(AJ Wright) | Hillside<br>(Home Goods) | Tiniley Park<br>(Home Goods) | Burbank<br>(Home Goods) | Lombard<br>(Home Goods) |
|--------------------------------|-------------------------|--------------------------|------------------------------|-------------------------|-------------------------|
| Total Population               | 217,465                 | 601,547                  | 299,604                      | 434,140                 | 352,418                 |
| Total Households               | 76,153                  | 215,076                  | 102,597                      | 142,962                 | 133,283                 |
| Population Density (per sq mi) | 1,973.20                | 4,939.30                 | 2,169.10                     | 7,166.50                | 3,274.60                |
| Median Age                     | 37.4                    | 37.3                     | 37.8                         | 35.1                    | 40.6                    |
| Asian                          | 2.4%                    | 4.4%                     | 2.8%                         | 2.1%                    | 7.5%                    |
| Black                          | 34.3%                   | 20.5%                    | 23.5%                        | 15.8%                   | 6.6%                    |
| White                          | 57.1%                   | 65.3%                    | 69.0%                        | 68.4%                   | 78.4%                   |
| Other                          | 3.2%                    | 6.7%                     | 2.1%                         | 10.7%                   | 3.6%                    |
| Multi-Race                     | 2.6%                    | 2.7%                     | 2.2%                         | 2.4%                    | 3.8%                    |
| Hispanic Identity              | 12.0%                   | 20.9%                    | 9.7%                         | 32.7%                   | 9.0%                    |
| Not of Hispanic Identity       | 88.0%                   | 79.1%                    | 90.3%                        | 67.3%                   | 91.0%                   |
| Average Household Income       | \$78,402                | \$89,279                 | \$85,093                     | \$62,645                | \$108,626               |
| Median Household Income        | \$61,480                | \$59,748                 | \$70,070                     | \$50,768                | \$75,391                |
| Per Capita Income              | \$28,196                | \$32,556                 | \$29,681                     | \$20,913                | \$41,784                |
| Number of Employees            | 81,668                  | 399,089                  | 121,182                      | 144,710                 | 301,131                 |

FIGURE 4-14  
**Sites with HomeGood  
 Stores Compared to  
 Former AJ Wright Site  
 in Matteson, 15-Minute  
 Drive Time, 2011**

Source: Applied Geographic Solutions, Inc., 2011.

Looking at the consumer base surrounding the sites where Home-Goods stores were created, we find that the population within a 15 minute drive time of the Matteson site is lower than these four (see Figure 4-14). The overall income level is higher than Burbank, and per capita is relatively close to Hillside and Tinley Park. A key difference is the racial mix. With the exception of Lombard, these communities including Matteson have an African American population greater than ten percent.

### Burger King

In 2010, the Burger King in Richton Park closed. The property is currently for sale listed at \$450,000 for .85 acre lot and 3,000 square foot building. The location is near the Metra stop and also less than two miles off the Route 57 Sauk Trail exit. This location also serves Governors State University staff, students, and visitors. The closest Burger King to this location is about two miles north in Matteson followed by two about five miles east in South Chicago Heights or five miles south in Monee.



This Burger King was owned by Duke and King Acquisition Corp, along with 86 other franchises in six states. Duke and King filed for bankruptcy in Federal Court in late February 2011. Besides the Rich-

ton Park Burger King, there were 11 franchises in Illinois in the bankruptcy, including one in Chicago Heights and one in Glenwood. Each site was leased from a different property owner. The Richton Park franchise was leased from an LLC out of Park City, Utah while the Chicago Heights lease was with an LLC in San Francisco. The Glenwood site was owned by the Burger King Corporation in Atlanta. The Chicago Heights location, which is a free-standing building constructed in 2007 that does not necessarily look like a Burger King, is now for lease with a listing of \$10 a square foot. The Glenwood restaurant continues to operate as a Burger King now owned by CH James an African American franchise owner.

With the exception of this location and the two closed sites, the other Burger King franchises in the area from the Indiana line to the Chicago border are operated by Heartland Food Corp, which is head-



quartered in Downers Grove (see Figures 4-15 and 4-16). Founded in 2003, the firm claims that it “has a proven record of acquiring distressed, under-performing restaurants and turning them into well run, profitable restaurants.”<sup>22</sup> As Figure 4-17 illustrates, the closed Richton Park Burger King is within the five-minute drive time of the Matteson Burger King. The table in Figure 4-18 statistics show lower population and employees in Monee; however, the vehicle count is comparable to the former Richton Park site (estimated 20,000 cars per day).

CH James Restaurant Holdings, LLC, became a Burger King franchisee in 2003. Working with the Goldman Sachs Urban Investment Group, a company that “invests capital in ethnic minority-owned or targeted businesses and urban real estate,” the company bought 40 restaurants in 2004.<sup>23</sup> This made CH James the largest African American Burger King franchisee, with restaurants in the northern and western suburbs and on Chicago’s south side but none in the southern suburbs until it bought the Glenwood store (see Figure 4-19). Heartland Food Corp, which has a portfolio of more than 250 Burger King stores and is one of the top franchisees in the US, grew rapidly when it bought up 131 stores in Chicago from bankrupt AmeriKing.<sup>24</sup> Lead by Miami Burger King franchisee Al Cabrera, president of BK’s Hispanic Franchisee Association, the deal made him the chain’s largest minority franchisee.

<sup>22</sup> [http://www.heartlandfoodcorp.com/about\\_us.aspx](http://www.heartlandfoodcorp.com/about_us.aspx)  
<sup>23</sup> <http://www.chjamesco.com/newbusiness/newbusiness.html>  
<sup>24</sup> [http://findarticles.com/p/articles/mi\\_m3190/is\\_50\\_37/ai\\_111507745/](http://findarticles.com/p/articles/mi_m3190/is_50_37/ai_111507745/)



FIGURE 4-15  
**Location of Burger King Restaurants in Southern Suburbs Operated by Heartland Food Corp, 2012**

Source: <http://www.heartlandfoodcorp.com/>



FIGURE 4-16  
**Location of Burger King & McDonald's Restaurants in Southern Suburbs, 2012**

Source: <http://find.mapmuse.com/>



|                                | Richton Park | Lombard  | Orland Park | Mt. Prospect | Palatine |
|--------------------------------|--------------|----------|-------------|--------------|----------|
| Total Population               | 17,261       | 25,803   | 21,270      | 23,988       | 25,844   |
| Total Households               | 6,393        | 9,746    | 7,956       | 8,798        | 10,750   |
| Population Density (per sq mi) | 2,000        | 5,574    | 3,103       | 4,141        | 4,102    |
| Median Age                     | 36.2         | 38.6     | 40.9        | 40.0         | 38.1     |
| Asian                          | 3.0%         | 6.0%     | 3.0%        | 7.0%         | 5.0%     |
| Black                          | 44.0%        | 3.0%     | 3.0%        | 4.0%         | 4.0%     |
| White                          | 49.0%        | 82.0%    | 90.0%       | 85.0%        | 87.0%    |
| Other                          | 2.0%         | 5.0%     | 1.0%        | 2.0%         | 2.0%     |
| Multi-Race                     | 2.0%         | 4.0%     | 1.0%        | 2.0%         | 1.0%     |
| Hispanic Identity              | 9.0%         | 11.0%    | 9.0%        | 12.0%        | 11.0%    |
| Not of Hispanic Identity       | 91.0%        | 89.0%    | 91.0%       | 88.0%        | 89.0%    |
| Average Household Income       | \$73,242     | \$75,520 | \$93,769    | \$84,044     | \$97,088 |
| Median Household Income        | \$59,780     | \$62,216 | \$79,713    | \$73,377     | \$77,464 |
| Per Capita Income              | \$28,149     | \$28,179 | \$34,296    | \$31,638     | \$40,325 |
| Number of Employees            | 8,427        | 6,954    | 15,765      | 16,708       | 13,236   |

FIGURE 4-17  
**Site with Burger King  
Stores Compared to  
Former Richton Park Site,  
5-Minute Drive Time, 2011**

Source: Applied Geographic Solutions, Inc., 2011.

|   | Lansing     | Glenwood    | Chicago Hts<br>(Joe Orr Rd) | Chicago Hts<br>(Chicago Rd) | Harvey      | Matteson    | Monee       | Richton Park<br>(Former) |
|---|-------------|-------------|-----------------------------|-----------------------------|-------------|-------------|-------------|--------------------------|
| Total Population                          | 21,782      | 19,521      | 24,527                      | 22,627                      | 16,623      | 19,817      | 5,198       | 17,261                   |
| Total Households                          | 8,400       | 7,335       | 8,172                       | 8,520                       | 6,085       | 7,306       | 2,137       | 6,393                    |
| Population Density (per sq mi)            | 3,186.5     | 3,060.4     | 3,598.6                     | 3,307.4                     | 2,168.2     | 2,222.1     | 639.8       | 1,999.9                  |
| Total Housing Units                       | 9,025       | 7,794       | 9,024                       | 9,441                       | 6,845       | 7,823       | 2,281       | 6,976                    |
| Asian                                     | 0.7%        | 0.9%        | 0.8%                        | 0.8%                        | 1.1%        | 1.2%        | 1.3%        | 2.6%                     |
| Black                                     | 40.9%       | 42.0%       | 38.1%                       | 22.8%                       | 54.5%       | 74.8%       | 19.4%       | 43.7%                    |
| White                                     | 51.1%       | 48.9%       | 43.1%                       | 60.7%                       | 29.1%       | 19.6%       | 74.7%       | 49.2%                    |
| Other                                     | 4.0%        | 4.7%        | 13.5%                       | 11.3%                       | 11.9%       | 1.8%        | 2.4%        | 1.7%                     |
| Multi-Race                                | 3.1%        | 3.2%        | 4.0%                        | 3.8%                        | 3.1%        | 2.4%        | 2.1%        | 2.4%                     |
| Hispanic Identity                         | 13.2%       | 11.7%       | 29.0%                       | 28.9%                       | 21.7%       | 5.5%        | 9.0%        | 9.0%                     |
| Average Household Income                  | \$61,811    | \$70,909    | \$65,758                    | \$50,869                    | \$55,372    | \$79,726    | \$74,544    | \$73,242                 |
| Median Household Income                   | \$53,509    | \$63,433    | \$49,030                    | \$45,245                    | \$45,131    | \$71,923    | \$68,333    | \$59,780                 |
| Per Capita Income                         | \$24,234    | \$27,340    | \$22,619                    | \$19,119                    | \$20,017    | \$29,590    | \$29,665    | \$28,149                 |
| Number of Employees                       | 9,320       | 10,228      | 10,498                      | 7,630                       | 14,243      | 12,803      | 4,234       | 8,427                    |
| Limited Service<br>Restaurants per Person | \$980       | \$1,084     | \$1,010                     | \$856                       | \$905       | \$1,182     | \$1,129     | \$1,111                  |
| Limited Service<br>Restaurants            | \$8,230,190 | \$7,954,116 | \$8,250,108                 | \$7,293,850                 | \$5,504,455 | \$8,637,740 | \$2,412,144 | \$7,100,292              |

FIGURE 4-18  
**Burger King Stores in Area Compared to Former Richton Park Site, 5-Minute Drive Time, 2011**

Source: Applied Geographic Solutions, Inc., 2011.



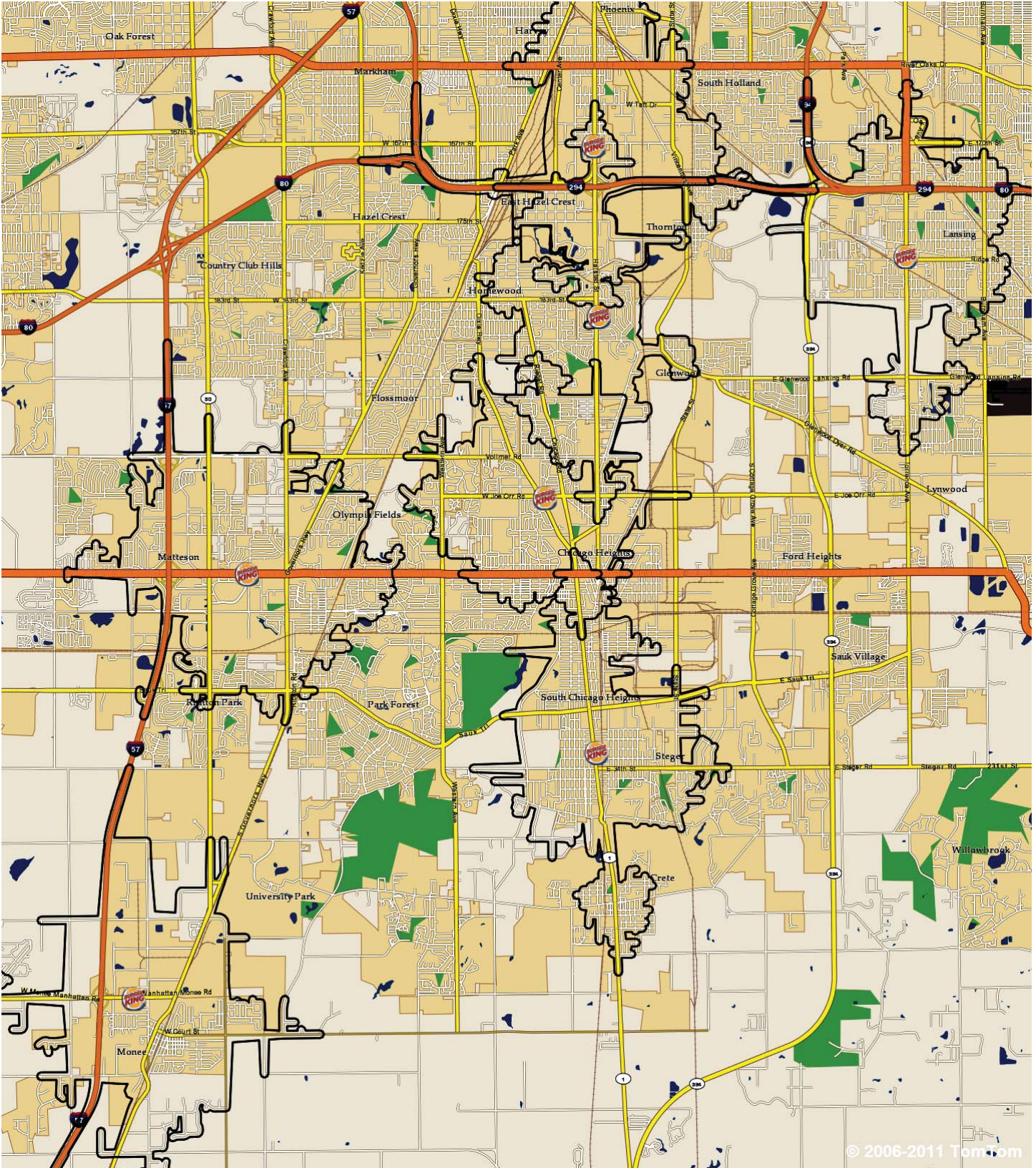


FIGURE 4-19  
5-Minute Drive Time of Remaining Burger King Franchises in Target Area

Source: Applied Geographic Solutions, Inc., 2011.



## Retailers We Would Expect

Based on the consumer base, there are many retailers that might be expected in the four communities. We focus here on four: hhgregg, Kohl's, Outback, and Portillo's. hhgregg recently entered the Chicago market (fall 2011). Kohl's is in an expansion mode. Outback, a chain of family style restaurants is one of many that might be expected in the four communities but is not. Portillo's was identified by many we spoke to as a regional chain that they would like to or expect to have in the area.<sup>25</sup>

We selected three prime retail locations based on location and access in the target area to estimate demand: Vollmer Road, Route 30 and Sauk Trail. Then using either a five- or 15-minute drive time radius – five for restaurants and 15 for shopping – we compared potential customer base with that of the retailer's present locations.

<sup>25</sup> At the time at least one of the communities was in negotiation with a national restaurant chain so we chose one that was not and has not since been in any discussion with any of the communities as far as we know.

Kohl's



hhgregg



Portillo's



Outback  
Steakhouse



## Kohl's

Kohl's is an American department store chain headquartered in Menominee Falls, Wisconsin just outside of Milwaukee. What began as a small chain of grocery stores is now the 24th largest retailer in the US based on revenues. Kohl's came into the Chicago area by acquiring 26 existing stores from MainStreet (formerly part of Federated Department Stores, which is now Macy's). This has been its mode of expansion.

Kohl's currently operates 1,089 stores in 49 states. Catering to a wide audience, it carries many private brands as well as exclusive lines like Simply Vera Wang, Tony Hawk, Chaps by Ralph Lauren and Dana Buchman. In 2007, Kohl's opened its product-design facility to produce its own brand of merchandise.

The majority of Kohl's stores are free standing. Currently, many existing stores are either undergoing renovation or have been completed. It also planned to open 40 new stores in fiscal year 2011 (none in Illinois) and opened a new distribution center in Ottawa, Illinois. Currently, there are 9 stores in the Chicago region including Homewood, Orland Park, Frankfort, Tinley Park, and Crete.

## Comparisons

As shown in Figure 4-20, the three comparison sites are less than



10% African American, are similar in age and household size. While there is a Latino presence, this group is a minority in terms of the population percentage. All were selected because they had a Kohl's.

- ❑ **Orland Park:** Our three potential locations have a higher total population and households but a lower density. All three also have more employees. While income is lower, it is still competitive.
- ❑ **Mount Prospect:** Our three potential locations have a lower population, households, density and employment base. While average income is lower, median income is similar.
- ❑ **Vernon Hills:** The Vollmer Road site has a larger population, more households and higher density. However, the income level is substantially lower as is the employment.

|                                | Existing Kohl's Sites |              |              | Possible Kohl's Sites* |          |            |
|--------------------------------|-----------------------|--------------|--------------|------------------------|----------|------------|
|                                | Orland Park           | Mt. Prospect | Vernon Hills | Vollmer Rd             | Route 30 | Sauk Trail |
| Total Population               | 223,068               | 361,550      | 282,443      | 311,956                | 268,731  | 251,397    |
| Total Households               | 77,637                | 141,294      | 97,089       | 108,294                | 93,140   | 87,220     |
| Population Density (per sq mi) | 2,105                 | 3,388        | 1,880        | 2,036                  | 1,886    | 1,567      |
| Median Age                     | 39.7                  | 39.5         | 39.8         | 37.3                   | 37.2     | 37.5       |
| Black                          | 3.0%                  | 10.0%        | 8.0%         | 31.0%                  | 32.0%    | 32.0%      |
| White                          | 89.0%                 | 80.0%        | 81.0%        | 62.0%                  | 60.0%    | 60.0%      |
| Asian                          | 4.0%                  | 4.0%         | 3.0%         | 2.0%                   | 2.0%     | 3.0%       |
| Other                          | 2.0%                  | 4.0%         | 5.0%         | 3.0%                   | 3.0%     | 3.0%       |
| Multi-Race                     | 2.0%                  | 2.0%         | 3.0%         | 2.0%                   | 2.0%     | 3.0%       |
| Hispanic Identity              | 9.0%                  | 16.0%        | 15.0%        | 11.0%                  | 13.0%    | 11.0%      |
| Not of Hispanic Identity       | 91.0%                 | 84.0%        | 85.0%        | 89.0%                  | 87.0%    | 89.0%      |
| Average Household Income       | \$94,799              | \$84,774     | \$145,176    | \$78,740               | \$78,316 | \$80,970   |
| Median Household Income        | \$78,774              | \$64,781     | \$98,615     | \$63,079               | \$62,377 | \$64,065   |
| Per Capita Income              | \$33,461              | \$33,744     | \$51,010     | \$27,874               | \$27,762 | \$28,614   |
| Number of Employees            | 88,962                | 355,780      | 276,220      | 127,740                | 110,336  | 98,025     |

FIGURE 4-20  
**Population within  
 15-Minute Drive Time  
 for Existing & Possible  
 Kohl's Sites, 2010**

\* Location near I-57 interchange.

Source: Applied Geographic Solutions, Inc., 2010.

### hgregg

hgregg, the publically owned and operated appliance and electronics retailer, announced in August of 2011 that it was opening 14 new stores in the Chicago area on September 15th and has plans to open six more soon. These new stores moved into recently closed Circuit City locations including Orland Park. The chain, which is now in 16 states with 204 stores, began in 1955 as a single family owned store in Indianapolis. The plan is to expand to 600 stores.

When it was announced that hgregg was coming to the Chicago market, some analysts questioned the company’s ability to compete with Sears, Best Buy, Lowes and Home Depot and with amazon.com.<sup>26</sup> Still, some consider the “high-touch” nature of hgregg service can be a competitive advantage with some products. hgregg is also launching its own on-line shopping that allows delivery from the distribution center to home or for pick-up at a local store. It also has a high-end smaller division, Fine Lines (less than 20,000 square feet), with five stores.

### Comparisons

As shown in Figure 4-21, the three sites are less than 10% African American, are similar in age and household size. While there is a Latino presence, this group is a minority in terms of the population percentage.



- ❑ **Orland Park:** Our three potential locations have a higher total population and households and a lower density with exception of Vollmer Road. All three also have more employees. While income is lower, it is still competitive.
- ❑ **Vernon Hills:** The Vollmer Road site has a larger population, more households and higher density. However, the income level is substantially lower as is the employment.
- ❑ **Downers Grove:** Our three locations have a lower population, households, density and employment base. Income is lower overall.

<sup>26</sup> <http://www.suntimes.com/business/7140781-420/14-hgregg-stores-to-open-in-chicago-region-on-sept-15.html>

|                                | Existing hgregg Sites |               |              | Possible hgregg Sites* |          |            |
|--------------------------------|-----------------------|---------------|--------------|------------------------|----------|------------|
|                                | Orland Park           | Downers Grove | Vernon Hills | Vollmer Rd             | Route 30 | Sauk Trail |
| Total Population               | 214,099               | 282,003       | 373,080      | 311,956                | 268,731  | 251,397    |
| Total Households               | 74,644                | 94,717        | 141,481      | 108,294                | 93,140   | 87,220     |
| Population Density (per sq mi) | 2,091                 | 1,774         | 3,146        | 2,036                  | 1,886    | 1,567      |
| Median Age                     | 39.7                  | 38.6          | 40.4         | 37.3                   | 37.2     | 37.5       |
| Black                          | 4.0%                  | 4.0%          | 5.7%         | 30.5%                  | 32.4%    | 32.4%      |
| White                          | 89.0%                 | 79.0%         | 78.4%        | 61.8%                  | 59.5%    | 59.5%      |
| Asian                          | 0.0%                  | 0.0%          | 0.0%         | 2.4%                   | 2.4%     | 2.5%       |
| Other                          | 2.0%                  | 5.0%          | 3.7%         | 2.7%                   | 3.0%     | 2.7%       |
| Multi-Race                     | 2.0%                  | 3.0%          | 3.9%         | 2.3%                   | 2.4%     | 2.6%       |
| Hispanic Identity              | 9.0%                  | 15.0%         | 9.1%         | 10.9%                  | 11.5%    | 10.8%      |
| Not of Hispanic Identity       | 91.0%                 | 85.0%         | 90.9%        | 89.1%                  | 88.5%    | 89.2%      |
| Average Household Income       | \$95,455              | \$140,216     | \$109,319    | \$78,740               | \$78,316 | \$80,970   |
| Median Household Income        | \$79,220              | \$95,243      | \$75,944     | \$63,079               | \$62,377 | \$64,065   |
| Per Capita Income              | \$33,669              | \$48,813      | \$42,107     | \$27,874               | \$27,762 | \$28,614   |
| Number of Employees            | 86,100                | 262,836       | 314,848      | 127,740                | 110,336  | 98,025     |

FIGURE 4-21  
**Population within 15-Minute Drive Time for Existing & Possible hgregg Sites, 2010**

\* Location near I-57 interchange.

Source: Applied Geographic Solutions, Inc., 2010.

## Portillo's

Portillo's is part of the Portillo Restaurant Group, which owns and operates four different restaurant concepts: Portillo's Hot Dogs, Barnelli's, Luigi's House and Honey Jam Cafe, plus a catering division, Portillo's Home Kitchen. It is based in Oak Brook.

Currently, there are 32 Portillo's in the Chicago region including Merrillville, Indiana. In addition, there is a Portillo's in California (Buena Park and Moreno Valley) and at one point had licensed stores in Tokyo (closed in the 1990s). While a local presence, Portillo's delivers to 50 states.

## Comparisons

As shown in Figure 4-22, the two comparison sites are less than 10% African American, are similar in age and household size. While there is a Latino presence, this group is a minority in terms of the population percentage. Both have a Portillo's.



- ❑ Vernon Hills: Our three potential locations have a smaller population, fewer households and lower density as well as a substantially lower income level and employment base.
- ❑ Villa Park: Our three locations have a smaller population, households, density and employment base. However, all have a higher per capita income overall.

|                                | Possible Portillo's Sites |          |            | Existing Portillo's Sites |            |
|--------------------------------|---------------------------|----------|------------|---------------------------|------------|
|                                | Vollmer Rd                | Route 30 | Sauk Trail | Vernon Hills              | Villa Park |
| Total Population               | 16,509                    | 14,724   | 18,700     | 23,181                    | 27,935     |
| Total Households               | 5,664                     | 5,007    | 6,710      | 8,932                     | 9,902      |
| Population Density (per sq mi) | 1,470.9                   | 1,831.3  | 1,873.3    | 2,260.0                   | 3,625.0    |
| Median Age                     | 38.8                      | 37.7     | 38.0       | 39.6                      | 38.1       |
| Black                          | 53.9%                     | 47.7%    | 42.1%      | 10.0%                     | 7.0%       |
| White                          | 39.3%                     | 45.2%    | 50.9%      | 80.0%                     | 78.0%      |
| Asian                          | 2.4%                      | 2.7%     | 2.6%       | 2.0%                      | 3.0%       |
| Other                          | 1.4%                      | 1.7%     | 1.6%       | 6.0%                      | 8.0%       |
| Multi-Race                     | 2.7%                      | 2.4%     | 2.4%       | 3.0%                      | 4.0%       |
| Hispanic Identity              | 8.0%                      | 8.9%     | 8.8%       | 16.0%                     | 19.0%      |
| Not of Hispanic Identity       | 92.0%                     | 91.1%    | 91.2%      | 84.0%                     | 82.0%      |
| Average Household Income       | \$90,272                  | \$88,067 | \$76,554   | \$114,425                 | \$80,712   |
| Median Household Income        | \$75,916                  | \$75,527 | \$61,100   | \$84,200                  | \$63,220   |
| Per Capita Income              | \$31,506                  | \$30,498 | \$29,285   | \$43,852                  | \$28,784   |
| Number of Employees            | 5,750                     | 8,308    | 7,344      | 30,446                    | 24,319     |

FIGURE 4-22  
**Population within  
 15-Minute Drive Time  
 for Existing & Possible  
 Portillo's Sites, 2010**

\* Location near I-57 interchange.

Source: Applied Geographic Solutions, Inc., 2010.



### Outback Steakhouse

Outback Steakhouse is owned and operated by OSI Restaurant Partners and is based in Tampa. Founded in 1988, it is an American casual dining restaurant with over 1,200 locations in 22 countries throughout North and South America, Europe, Asia, and Australia. Besides Outback, OSI owns Carrabba's Italian Grill, Bonefish Grill, Roy's Restaurant and Flemings Prime Steakhouse. Outback offers Curbside Take-Away, allowing customers to order on-line and then pick up at the restaurant where they bring it out to the car.



### Comparisons

As shown in Figure 4-23, two comparison sites are less than 10% African American, are similar in age and household size. While there is a Latino presence, this group is a minority in terms of the population percentage. Both have an Outback Steakhouse.

- ❑ **Vernon Hills:** Our three potential locations have a lower total population, households and density, and fewer employees. Income is higher for Vollmer Road and Route 30 and about the same in terms of per capita amount for all three.
- ❑ **Villa Park:** Our three locations have a smaller population, households, density and employment base. Income is competitive at Vollmer Road and Route 30 sites but a bit below for Sauk Trail.

|                                | Possible Outback Sites |          |            | Existing Outback Sites |            |
|--------------------------------|------------------------|----------|------------|------------------------|------------|
|                                | Vollmer Rd             | Route 30 | Sauk Trail | Vernon Hills           | Villa Park |
| Total Population               | 16,509                 | 14,724   | 18,700     | 26,558                 | 26,428     |
| Total Households               | 5,664                  | 5,007    | 6,710      | 10,089                 | 10,013     |
| Population Density (per sq mi) | 1,470.9                | 1,831.3  | 1,873.3    | 4,011                  | 3,388      |
| Median Age                     | 38.8                   | 37.7     | 38.0       | 40.4                   | 41.0       |
| Black                          | 53.9%                  | 47.7%    | 42.1%      | 4.0%                   | 9.0%       |
| White                          | 39.3%                  | 45.2%    | 50.9%      | 90.0%                  | 75.0%      |
| Asian                          | 2.4%                   | 2.7%     | 2.6%       | 4.0%                   | 5.0%       |
| Other                          | 1.4%                   | 1.7%     | 1.6%       | 1.0%                   | 5.0%       |
| Multi-Race                     | 2.7%                   | 2.4%     | 2.4%       | 2.0%                   | 5.0%       |
| Hispanic Identity              | 8.0%                   | 8.9%     | 8.8%       | 9.0%                   | 17.0%      |
| Not of Hispanic Identity       | 92.0%                  | 91.1%    | 91.2%      | 91.0%                  | 83.0%      |
| Average Household Income       | \$90,272               | \$88,067 | \$76,554   | \$83,415               | \$92,728   |
| Median Household Income        | \$75,916               | \$75,527 | \$61,100   | \$70,028               | \$65,076   |
| Per Capita Income              | \$31,506               | \$30,498 | \$29,285   | \$31,414               | \$36,774   |
| Number of Employees            | 5,750                  | 8,308    | 7,344      | 10,199                 | 30,785     |

FIGURE 4-23  
**Population within  
 15-Minute Drive Time  
 for Existing & Possible  
 Outback Sites, 2010**

\* Location near I-57 interchange.

Source: Applied Geographic Solutions, Inc., 2010.

## Retail Quality/Price/Options

One assumption made in retail redlining is that there will be price differences and/or differences in quality of products being sold. Most commonly found in the research cited earlier in this report is the difference in quality and variety of foods available to people depending on where they live. In “food deserts” it can also mean a lack of certain products, like fresh fruits and vegetables and other perishable items.

Research has also shown that poor quality may actually be more expensive, though not always simply to take advantage of people with limited local options; it may be due to the cost of food to the retailer who is in a limited market for distribution and likely to also be a small single store owner, unable to buy in bulk and realize the same economies of scale savings that large chain stores can.<sup>27</sup> Research on price gauging suggests that while this may happen in small non-chain stores, chains are not likely to do so because they advertise their prices. Simply put: “it would require the flagrant and illegal display of different prices for whites and minorities.”<sup>28</sup> Knowles Meyers et al find in their research on gasoline prices that income more so than race was likely the explanation for higher prices in low-income communities in three cities, and that was more likely to be attributed to a lack of competition.

In this section, we discuss findings from site visits to three chain retailers: Carson Pirie Scott, JC Penney, and Champs. All are located at Lincoln Mall. Each was selected because of observations made by members of the four communities. Data was collected prior to the visit of the 15 minute drive-time retail draw for the shopping centers where these stores are located: Yorktown, Orland Square, Hawthorn Center. As the data in the table in Figure 4-24 indicate, all generally have better statistics than Lincoln Mall, but by no means does this mean that there is no market – just that it is smaller and may mean people shop elsewhere.

<sup>27</sup> Julie Bell and Bonnie Maria Burlin (1993). “In urban areas: Many of the poor still pay more for food.” *Journal of Public Policy and Marketing*, 12(2): 268-275.

<sup>28</sup> Caitlin Knowles Myers, Grace Close, Laurice Fox, John William Meyer, and Madeline Nitemi (2009). “Retail Redlining: Are gasoline prices higher in poor and minority neighborhoods?” Middlebury College Economics Paper, August 18.

## Observation Process

In each case, we entered the store as a pair of shoppers seeking merchandise and selected a couple of different items to research in each location. We recorded the SKU and price and anything notable about the way it was displayed as well as the amount of space for that particular product line. Because all three were in shopping malls, we also noted the retail mix and quality of the space in and outside the mall, as well as in the store itself and its façade and entrance in the mall (and outside in some cases). All visits were completed within a week to limit the potential for changes in prices or products for sale. The specific items researched are outlined with each case.



|  | Lincoln Mall  | Orland Square | Hawthorn Center | Yorktown Center |
|--|---------------|---------------|-----------------|-----------------|
| Total Population                           | 251,288       | 216,324       | 278,301         | 326,868         |
| Total Households                           | 87,401        | 75,368        | 93,238          | 124,606         |
| % Female                                   | 52.1%         | 51.2%         | 49.8%           | 51.1%           |
| % Male                                     | 47.9%         | 48.8%         | 50.2%           | 48.9%           |
| Population Density (per sq mi)             | 1,915.7       | 2,159.9       | 1,765.9         | 3,214.2         |
| Total Housing Units                        | 95,936        | 80,987        | 99,308          | 132,712         |
| Owner Occupied Housing Units               | 74.1%         | 83.7%         | 75.5%           | 72.8%           |
| Renter Occupied Housing Units              | 17.0%         | 9.4%          | 18.4%           | 21.1%           |
| Vacant Housing Units                       | 8.9%          | 6.9%          | 6.1%            | 6.1%            |
|  |               |               |                 |                 |
| Asian                                      | 2.4%          | 3.2%          | 8.3%            | 7.5%            |
| Black                                      | 33.5%         | 4.2%          | 4.4%            | 6.3%            |
| White                                      | 58.2%         | 88.8%         | 79.3%           | 78.6%           |
| Other                                      | 3.1%          | 1.5%          | 4.9%            | 3.5%            |
| Multi-Race                                 | 2.5%          | 2.1%          | 2.8%            | 3.8%            |
| Hispanic Identity                          | 11.8%         | 9.0%          | 14.8%           | 8.9%            |
| Not of Hispanic Identity                   | 88.2%         | 91.0%         | 85.2%           | 91.1%           |
|  |               |               |                 |                 |
| Average Household Income                   | \$77,824      | \$94,726      | \$140,588       | \$109,487       |
| Median Household Income                    | \$61,798      | \$78,526      | \$95,505        | \$75,596        |
| Per Capita Income                          | \$27,659      | \$33,563      | \$48,872        | \$42,299        |
|  |               |               |                 |                 |
| Number of Employees                        | 100,486       | 85,372        | 260,321         | 282,027         |
| Aggregate Household Dollars Fall 2010      |               |               |                 |                 |
| Children's/Infant's Clothing St.           | \$11,757,933  | \$11,721,471  | \$19,456,483    | \$21,375,678    |
| Clothing Accessory Stores                  | \$2,363,370   | \$2,418,049   | \$4,228,499     | \$4,555,437     |
| Department Stores                          | \$313,070,334 | \$316,813,002 | \$538,427,286   | \$586,605,267   |
| Men's Clothing Stores                      | \$6,914,282   | \$6,901,708   | \$11,424,771    | \$12,626,281    |
| Shoe Stores                                | \$13,937,178  | \$13,462,853  | \$20,967,423    | \$23,994,234    |
| Women's Clothing Stores                    | \$22,295,080  | \$22,306,243  | \$37,377,679    | \$41,287,101    |
| Average Annual Household Dollars Fall 2010 |               |               |                 |                 |
| Children's/Infant's Clothing St.           | \$135         | \$156         | \$209           | \$172           |
| Clothing Accessory Stores                  | \$27          | \$32          | \$45            | \$37            |
| Department Stores                          | \$3,582       | \$4,204       | \$5,775         | \$4,708         |
| Men's Clothing Stores                      | \$79          | \$92          | \$123           | \$101           |
| Shoe Stores                                | \$159         | \$179         | \$225           | \$193           |
| Women's Clothing Stores                    | \$255         | \$296         | \$401           | \$331           |

FIGURE 4-24  
**Comparison of Population within 15-Minute Drive Time of Selected Shopping Centers, 2010**

Source: Applied Geographic Solutions, Inc., 2010.

## Carson Pirie Scott & Co.

This chain of department stores has been in business for over 150 years. The majority of its stores, which target moderate-to-upscale consumers, are located in the Chicago metropolitan area. In 2007, the company closed its flagship store in the historic Louis Sullivan designed building on State Street in downtown Chicago, which was a year after the chain was bought by the Bon-Ton Stores. This was the only store closed after that transition. Besides Carson's, the Pennsylvania based company operates Bon-Ton, Bergner's, Boston Store, Elder-Beerman, Herberger's and Younkers. All are in mid-sized metropolitan markets.

**Interest/concern:** Several people suggested the Lincoln Mall Carson's was narrowly targeting its consumer base, and in particular emphasizing hip-hop clothes. Also, some thought that the selection overall was different than other Carson's.

**Product line:** Coach bags, Roca Wear

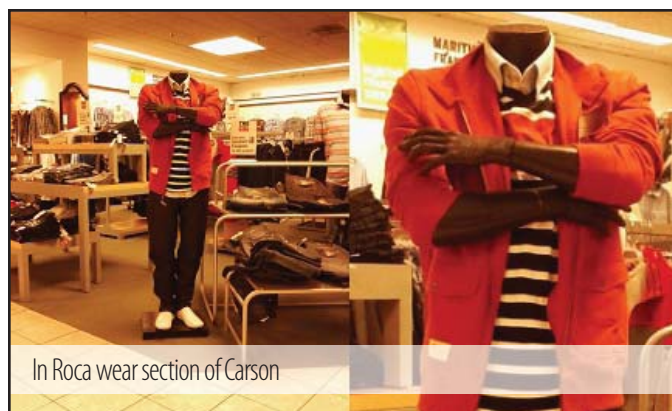
**Findings:**

- ❑ **Mall:** Lincoln Mall is less active, has more closed stores and fewer national chains than the others. While the inside has been recently upgraded, the outside (see top image on the right) is clearly not inviting when approached from Promenade where several newer stores are located including JCPenney.
- ❑ **Store:** The Carson's at Lincoln Mall is different. It is a relatively smaller store in terms of space. It is on two floors that enter/exit directly to the mall like the others, however, the use of space is different on the lower level. Included in the furniture section is a large selection of mattresses out on display, which takes up a lot of square footage. The overall appearance of the store was fine. It was clean though looking a bit dated when compared to Orland Square, which is newer and Hawthorn Center, which had been partially updated as of last fall.
- ❑ **Products:** Carson's at Lincoln Mall had the smallest collection of Coach bags and few higher end bags to select from, particularly their large leather bags. Orland had a larger area

dedicated to Coach that included many high end bags, but it also is a much larger store so relatively speaking the proportion was on par with the other malls. Orland and Hawthorn both appeared to carry top of the line Coach purses not found at Lincoln Mall. What was most notable was the presence or absence of Roca Wear, which is a "lifestyle brand" launched by superstar JayZ.<sup>29</sup> The bottom image below was taken at the Lincoln Mall Carson's in the Roca Wear display. The pose suggests hip hop even if the clothes do not. When we went to the other stores and did not find the Roca Wear brand, one sales person said she had never heard of the brand so she checked with her supervisor, who told her they did not carry it. At the other store, a sales associate told us that they did not carry it at all stores and that the closest was North Riverside mall, which is located in a primarily African America area west of the City of Chicago or to go to Lincoln Mall. Otherwise, both of the stores visited carried the same brands of men's clothing as Lincoln Mall and more such as a suit shop and registered sportswear for local universities.

Through a direct conversation with the former Administrator of Matteson and the store manager of Carson Pirie Scott (2001-2004), the manager admitted that the store "practices EFF" (defined as Ethnic Fashion Focus). When asked to define what this represented, the store manager took pride in the fact that their buyers were stocking the shelves with a product selection and price point that they perceived a community with a high percentage of black population wanted to purchase. In other words, their buyers were making assumptions on consumptions based on race and not average household income, college attainment, or class distinction.

 Carson Pirie Scott



In Roca wear section of Carson

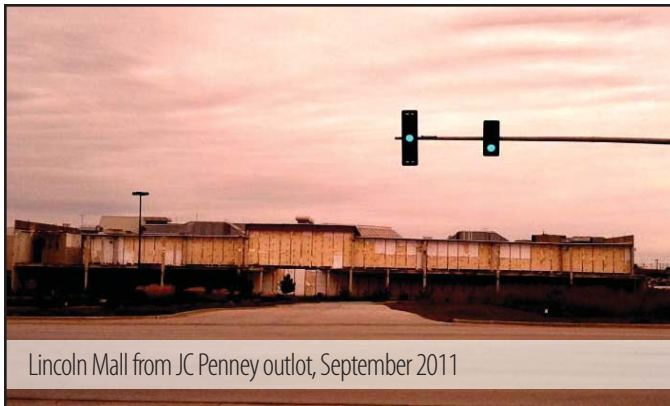
<sup>29</sup> <http://rocawear.com/>



## JCPenney

The JCPenney chain, which began in the early 1900s out west, currently has about 1,100 in the US and Puerto Rico. Beginning in the 1950s, the chain followed the boom of suburban mall development, often serving as an anchor. More recently, it has opened stand alone stores in competitive locations, that are an overall smaller footprint and more like a mid to higher end big box store. They also lease space within the store, recently adding Sephora, which sells make up and fragrances. JCPenney also converted some stores to discount outlet stores. It has a strong internet presence, converting its catalogue shopping to on-line in the late 1990s.

Products: Kitchenware, Women's purses, men's wear



### Findings:

- ❑ **Mall:** As stated earlier, Lincoln Mall is less active, has more closed stores and fewer national chains than the others. However, the stores outside the mall, including JCPenney are newer and generally appear to have a flow of consumers evidenced by the cars in the lots, which are directly tied to consumers inside. A potential negative impact the mall might have is the exterior facing JCPenney (see image on the left).
- ❑ **Store:** This JCPenney was built as a new stand alone smaller store on one level, making it feel more like a big box store (e.g. Target). It has centralized checkout at the front of the store, though it appears more like a customer service desk. Regardless of whether in a mall or outside it, all had a Sephora inside at or near a main entrance.
- ❑ **Products:** The overall selection of merchandise in terms of variety was relatively comparable to that in the larger stores in malls – at least in terms of the products we were looking at – just that there were fewer items on the floor and in some cases a smaller selection (e.g., pots and pans). The purse selection appeared comparable in size and range and price point, while the men's wear varied in terms of amount of product out but that is likely due to overall smaller footprint. It also feels different when compared to a store in a mall that has two floors. Finally, there was no obvious target marketing or brands that might be aimed at particular racial or ethnic groups.

## Champs

Champs is a part of the Foot Locker chain along with Lady Foot Locker and Kids Foot Locker. Foot Locker is headquartered in New York City and has a presence via its different chains in malls across the US. The company is the successor to the FW Woolworth Company, so many of its free standing stores are in old Woolworth locations. The transition to a shoe focus began back in the 1960s when Woolworth bought the Kinney Shoe Corporation, which included the then small Foot Locker stores. Besides the US, Foot Locker has about 4,000 stores (including Champs) in the UK, Australia and New Zealand. Champs is its second largest store within the family.

Product line: Nike

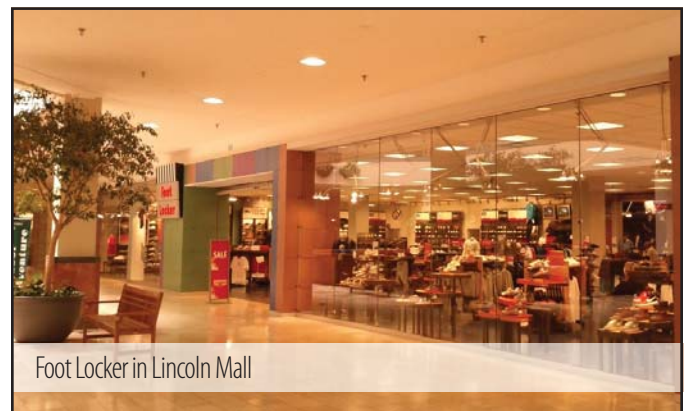
Findings:

- ❑ Mall: Lincoln Mall is less active, has more closed stores and fewer national chains than the others.
- ❑ Store: As the picture below illustrates, the store has a good presence with products outside to lure in the customer along with bright windows and visibility of merchandise throughout from the mall entrance. All the locations had a similar look, and had similar promotional materials in the window and at the entrance including ADA related information. Based on the



images along the wall, the Champs in Lincoln Mall targeted all consumers in the family. The other locations appeared more male focused though each carried shoes for women, which were located in the back.

- ❑ Products: We looked at many different brands of shoes but found the most variety in the Nike line, both within the stores and between them, and also where they were placed, which in all cases Nike had a visible presence at the entrance (outside and in). We found a fairly high end shoe (over \$200) at Lincoln Mall that we did not find at any of the other stores (based on SKU). They all appeared to carry the same shoes at lower price points within the line otherwise. Also, noticeable was the Foot Locker store on the lower level of the mall (Champs is located on second level in the middle) that had high visibility and clear focus on men only with clothing as well as shoes. The store itself appeared higher end than Champs based on product display but also the space, which was more open and designed for browsing and having clear site lines from within the mall.



## Hypothesis Testing

Following D’Rozario and Williams, we now look at the different sites to consider if there is evidence that race may be part of retailers’ decisions to locate in or remain in our four communities. As outlined above, the authors provide measurable items to compare for potential evidence, which are summarized in Figure 4-25, using data above and in the appendix. We begin with stores that closed.

### Jewel

Looking at the different measures to compare the Olympia Fields site with those at Lombard, Orland Park, Mt Prospect, and Palatine, the data generally do not indicate differential treatment based on race in this case. With exception of population size and density, the differences found do not suggest Olympia Fields retail demographics are better than the other locations. What this means is that independent of race, the other communities have a bigger consumer base that is growing faster and is more concentrated, with more spending power because of this. Orland Park is different. The lower population base is offset by significantly larger consumer spending numbers.

In addition, looking beyond the demographics, the fact that there were other grocery stores – not just other Jewels – in very close proximity, competition was likely a key driver, as is the fact that the site was leased rather than owned by Jewel. Moreover, the shopping center was in need of updating and in the midst of changing owners – all of which would prompt a retailer to decide to close a store (Figure 4-26). And while not known for sure, taxes may have contributed to the decision.

FIGURE 4-26  
Factors Likely Affecting Jewel’s Decision to Close Olympia Fields Store in 2011



|    |  | Compared to: | Lombard | Orland Park | Mt.Prospect | Palatine |
|----|--|--------------|---------|-------------|-------------|----------|
| 1  | Population size found to be... LARGER  |              | LARGER  | LARGER      | smaller     | smaller  |
| 2  | Population growth rate is found to be... HIGHER                              |              | lower   | Lower       | lower       | lower    |
| 3  | Population growth is found to be... MORE CONCENTRATED                        |              | less    | MORE        | Less        | Less     |
| 4  | Per capita income is found to be... HIGHER                                   |              | lower   | Lower       | lower       | Lower    |
| 5  | Aggregate spending power is found to be... LARGER                            |              | smaller | Smaller     | smaller     | Smaller  |
| 6  | Growth in aggregate spending power is found to be... HIGHER                  |              | lower   | Lower       | lower       | lower    |
| 7  | The percentage of upscale consumers is... HIGHER                             |              | lower   | Lower       | SAME        | Lower    |
| 8  | The number of upscale consumers is... HIGHER                                 |              | lower   | Lower       | Lower       | Lower    |
| 9  | The number of possible prime, retail location sites is found to be... HIGHER |              | Lower   | Lower       | Lower       | Lower    |
| 10 | Retail space (sq ft) per capita is found to be... LOWER                      |              | Higher  | Higher      | Higher      | Higher   |
| 11 | The number of upscale retailers is found to be... LOWER                      |              | LOWER   | LOWER       | LOWER       | LOWER    |

FIGURE 4-25  
Comparing Olympia Fields to Other Communities with Jewel Stores, 5-Minute Drive Time, 2010

## AJWright

The decision to close a single store is different from closing all stores in a chain. TJX's decision to close its lower end discount store surprised people, given the economy. However, its reason was lower sales than its higher end stores. While closing the entire chain might be considered to be "without prejudice," the decision to re-open some of the sites as HomeGoods stores could. Looking at the data on other communities that did get a HomeGoods (Figure 4-27), the Matteson location appeared to be competitive based on per capita income of the other sites. It also had some advantages when compared to the Burbank location, which has a lower per capita income, lower aggregate spending power, and slower population growth, as well as fewer upscale consumers. While not evidence of redlining, just because we see a less promising location that is predominantly White does not mean we can rule out race as a mitigating factor in the decision on which store reopened as a HomeGoods store in the southern suburbs and generally the decision to close AJWright stores.

|    |  | Compared to: | Hillside | Tinley Park | Burbank | Lombard |
|----|--|--------------|----------|-------------|---------|---------|
| 1  | Population size found to be... LARGER  |              | smaller  | smaller     | smaller | Smaller |
| 2  | Population growth rate is found to be... HIGHER                              |              | lower    | lower       | HIGHER  | Lower   |
| 3  | Population growth is found to be... MORE CONCENTRATED                        |              | Less     | less        | Less    | less    |
| 4  | Per capita income is found to be... HIGHER                                   |              | Lower    | SAME        | HIGHER  | Lower   |
| 5  | Aggregate spending power is found to be... LARGER                            |              | Ssmaller | smaller     | LARGER  | Smaller |
| 6  | Growth in aggregate spending power is found to be... HIGHER                  |              | lower    | lower       | Lower   | lower   |
| 7  | The percentage of upscale consumers is... HIGHER                             |              | Lower    | lower       | HIGHER  | Lower   |
| 8  | The number of upscale consumers is... HIGHER                                 |              | Lower    | lower       | Lower   | Lower   |
| 9  | The number of possible prime, retail location sites is found to be... HIGHER |              | Lower    | Lower       | Lower   | Lower   |
| 10 | Retail space (sq ft) per capita is found to be... LOWER                      |              | Higher   | Higher      | Higher  | Higher  |
| 11 | The number of upscale retailers is found to be... LOWER                      |              | LOWER    | LOWER       | LOWER   | LOWER   |

FIGURE 4-27  
**Comparing Matteson AJWright Site to Other Communities with Homegood, 15-Minute Drive Time, 2010**



### Burger King

This location is relatively unusual when compared to the other Burger King’s in the target area. It is not owned by the primary franchisee owner in the area and it was part of a larger franchisee that filed for bankruptcy. Obviously, the latter determined the decision to close the shop. But what might determine why another franchisee or Burger King itself did not take over the site? On the latter, one factor might be that Burger King did not own the real estate like it did in Glenwood. The lease was between the bankrupt corporation and someone in Park City, Utah, so there was no community connection, so to speak, that might make it compelling. The reason another franchisee might decide not to take over the site is the numbers. The site itself, when compared to other franchises in the area and in like communities, was not a very competitive location. The exception is the vehicle count. However, given the limited retail nearby and perhaps more importantly, a Burger King within a five-minute drive time, the location itself just may not be profitable (Figure 4-28). While only an observation, the question that might be raised and for which the data does not provide a clear answer is: What determined the franchise ownership mix for the area and did racial mix of the communities play a role in it?

|    |  | Compared to: | Lombard | Orland Park | Mt.Prospect | Palatine |
|----|--|--------------|---------|-------------|-------------|----------|
| 1  | Population size found to be... LARGER  |              | smaller | smaller     | smaller     | Smaller  |
| 2  | Population growth rate is found to be... HIGHER                              |              | lower   | HIGHER      | HIGHER      | HIGHER   |
| 3  | Population growth is found to be... MORE CONCENTRATED                        |              | less    | less        | less        | Less     |
| 4  | Per capita income is found to be... HIGHER                                   |              | same    | lower       | lower       | Lower    |
| 5  | Aggregate spending power is found to be... LARGER                            |              | smaller | smaller     | smaller     | Smaller  |
| 6  | Growth in aggregate spending power is found to be... HIGHER                  |              | SAME    | lower       | lower       | lower    |
| 7  | The percentage of upscale consumers is... HIGHER                             |              | lower   | lower       | lower       | Lower    |
| 8  | The number of upscale consumers is... HIGHER                                 |              | lower   | lower       | lower       | Lower    |
| 9  | The number of possible prime, retail location sites is found to be... HIGHER |              | Lower   | Lower       | Lower       | Lower    |
| 10 | Retail space (sq ft) per capita is found to be... LOWER                      |              | Higher  | Higher      | Higher      | Higher   |
| 11 | The number of upscale retailers is found to be... LOWER                      |              | LOWER   | LOWER       | LOWER       | LOWER    |

FIGURE 4-28  
**Comparing Richton Park to Other Communities with Burger King, 5-Minute Drive Time, 2010**

Turning to the question of what we would expect here, given the income level and demand, we have to be cautious because this is a hypothetical question and the only “evidence” we have is counterfactual. There is demand based on the consumer spending patterns, the income levels, and the capture rate. However, in all cases, there generally is a logical business reason that might be offered for not locating in one of the four communities. In the case of restaurants, the lower employment base means fewer potential customers while in the case of retail it may simply be about the available sites within and locations of shopping center options.

Still we cannot rule out that “denigration” of these four communities may be occurring. For example, we do not know if there have been retailers who, upon simply reading the numbers and seeing the racial mix, decide to look elsewhere. This may be more an issue for stores that cater to higher income Whites given the long-standing assumptions that associate African American with being lower income. While this research presents evidence otherwise (i.e., that racially mixed and majority African American communities can be higher income), these communities are more an exception. And even as some retailers themselves are recognizing the need to market to the African American demographic, our research suggests that at least in these four community areas, retailers are more likely aiming for a younger demographic rather than a higher income “mature” consumer base.

This may also be true from the perspective of retail developers. ***Based on interviews with developers familiar with the south suburbs, the four communities often were rolled into the mix with African American communities to the north that are lower income and in need of serious investment.*** When asked why, it was not the racial mix that was noted but rather the size of the communities and their capacity to work with retailers. Comparisons to Harvey and Ford Heights suggested that retailers saw similarities in limited knowledge about the retail options and mix and needs of particular types of retailer. This included anything from knowing the particular challenges a site poses — especially if it had been recently marketed though not leased — to knowing how well the retail center(s) being considered are doing, when leases are up, and other factors that influence their location decision. There also was a sense that the communities independently or collectively were not that visionary in how they marketed retail space or planned for its use. As one developer said, it’s one thing to maintain, it’s another to move forward and grow; if you are only doing the former, you will be falling behind.

Turning to the issue of potential differences in product quality/options, we did find some differences in merchandise options based in terms of the range and type of products available that we observed and heard in the focus groups. However, the product quality was not necessarily obviously different, though we did hear this in focus groups as well. The question we asked then is what do these differences in options mean for consumers? If there is less merchandise overall but relatively the same variety, then this just means that while consumers will be able to shop at that store for most things, the likelihood of having to go to another store to find some merchandise increases. We heard that from a consumer who frequents JCPenney to buy basic clothes for her children, for example.

However, when it appears as if a retailer is targeting a population and that merchandise takes up space that might otherwise be filled with other merchandise consumers outside the target areas want, then it suggests that if retailer decisions are motivated by race, then retailers do not know their customer base beyond race. This does not mean the motivation is to redline; rather to capture a demographic that is presumed to either have the disposable income or is more likely to be shopping more at their store than those who are not being targeted. This may be the case with the choice of Roca Wear being offered only at some Carson Pirie Scott stores. One person in our study noted that if they are targeting African American men, then why not bring in brands that cater to middle income business men who want stylish suits and casual wear and not “hip-hop” clothes. Similarly, several middle-age African American women noted that they felt their options were restricted as the store seemed to have more clothing for younger women based on style and fit. A White woman noted that the options were not as good for her skin color as they were with African American women.

Regarding quality, we heard similar concerns about Carson’s without asking outright about a particular store. Several women in the focus group said that while they shop at Lincoln Mall for the convenience, they felt the clothing options at Carson’s were just “OK” and that they went to Orland Park or Oak Brook for “serious shopping.” Further, while they went to Lincoln Mall if they needed something they knew they could get there, they did not think of it as shopping (i.e., spending time looking around the stores), and though it was functional, they were not always satisfied with what they got. We heard this with other chain stores, including Wal-Mart and Home Depot from both men and women.

Looking at the big picture view of the shopping malls and associated data, we do not necessarily see logical reasons for these differences. For example, the retail demographics of the competing malls are better than Lincoln Mall in terms of income and consumer base – though not so much that we would classify them as different markets. The key difference that sets the four communities apart is the density and daytime consumer base. With that in mind, we still cannot rule out the possibility that race may play a role in some retail decisions. The challenge is what role might it play if it does? One possibility is that the racial mix is “complicating” the retailers’ interpretation of the consumer base. This could literally be a problem of the data not telling a compelling story about the community, especially given the volatility in the numbers and rates in the racial mix. Another question, which is probably more important to consider, is the approach of target marketing and what role if any the racial mix plays in estimating and interpreting the consumer base. If, as found in Atlanta, the demographic profile is misrepresenting the consumer base and its segments, then even if retailers might be a good fit for the community, they will not “see” it in their data.

Other explanations? We add another possible explanation to the mix: Settling for what is there OR driving to get what consumers want. We heard this in the focus groups. While some people are willing to drive further to get a bargain or special item, we heard more about having no choice. Several times focus group participants started a response with “I would really like to shop local but . . .” and then describe going to Orland Park because a certain store was there or they needed something that the local chain store did not offer but was at Orland.

This was also true with full service dining – both fine and casual. Interestingly, the consumer survey did not reveal this sentiment; instead, people appear to rarely go out to eat, and when they did, not necessarily go to the restaurants around Orland that many people in the focus group said they frequented and would like to see in the community. In any of these cases, the willingness to settle with what is in the community or go outside to find what is wanted, sends a clear message to retailers: the demand will come to us if it wants it, and if doesn’t, our consumer base is still larger and more sustainable than if we moved into the target area, which may poach consumers from our current locations nearby.

### Summary

***In summary, testing the hypotheses we find the following evidence suggesting that race may be a driver or mitigating factor in some retail decisions, especially when options are available.*** We also find some evidence that retail redlining, while not overt, may be occurring at the margin or as a result of other behavior whether redlining was intended or not. Specifically, we conclude that:

- ❑ **(A) Restricting minority franchises to minority areas**  
Patterns may suggest it but we cannot determine this from the data we have collected; more likely that the pattern reflects constraints and opportunities affecting the franchisees.
- ❑ **(B) Refusal of service to all customers in certain areas**  
Anecdotal data from focus groups suggests this may be hap-

|    |  | Compared to: | Lincoln Mall | Orland Square | Hawthorn Center | Yorktown Center |
|----|--|--------------|--------------|---------------|-----------------|-----------------|
| 1  | Population size found to be... LARGER  |              | smaller      | smaller       | smaller         | Smaller         |
| 2  | Population growth rate is found to be... HIGHER                              |              | lower        | lower         | higher          | Lower           |
| 3  | Population growth is found to be... MORE CONCENTRATED                        |              | Less         | less          | Less            | Less            |
| 4  | Per capita income is found to be... HIGHER                                   |              | Lower        | Lower         | Lower           | Lower           |
| 5  | Aggregate spending power is found to be... LARGER                            |              | Smaller      | smaller       | Smaller         | Smaller         |
| 6  | Growth in aggregate spending power is found to be... HIGHER                  |              | lower        | lower         | Lower           | lower           |
| 7  | The percentage of upscale consumers is... HIGHER                             |              | Lower        | lower         | Lower           | Lower           |
| 8  | The number of upscale consumers is... HIGHER                                 |              | Lower        | lower         | Lower           | Lower           |
| 9  | The number of possible prime, retail location sites is found to be... HIGHER |              | Lower        | lower         | Lower           | Lower           |
| 10 | Retail space (sq ft) per capita is found to be... LOWER                      |              | Lower        | lower         | Lower           | Lower           |
| 11 | The number of upscale retailers is found to be... LOWER                      |              | Lower        | lower         | Lower           | Lower           |

FIGURE 4-29  
**Comparing 15-Minute Drive Time of Lincoln Mall to Other Centers with Carson’s, JCPenney & Champs, 2010**

pening in some chain stores—however, mostly in the form of poor customer relations and management rather than outright refusal of service. A sentiment expressed by some in the focus groups was that some retailers can get away with poor customer relations in their community because “as an African American community/consumer, we do not demand quality service – we settle.” Also, some believed that because they have limited options in their community, retailers do not have to provide the same level and quality of service as they would in retail areas where they have competition. Regardless of intent, the effect can deter people from shopping at a chain anywhere or it can shift consumption from a nearby local chain to one that is farther away. As a result, then, the local store may appear unsupported by local consumers, when in reality they are frequenting the chain but in a different location (which some believed the retailers know because they get your zip code at checkout).

□ **(C) Removal of a successful store from an area by a chain**

This requires careful reading of the data for each and every case – both in terms of what is presented here in this report and in the future if/when other chain stores close. With the exception TJX’s decision to not open a HomeGoods store in place of the closed AJWright, the other cases reviewed appeared to be logical business decisions based on the retail data available. However, as noted above, it may be misleading for a retailer to read consumer sales data at stores in our study area as evidence of demand or the lack thereof. They also need to look at who is shopping at their other locations; if consumers are traveling away from an area with a retail outlet to spend money at another outlet of the same chain, then something is likely to be deterring shopping local. While it is not evidence of redlining per se, it is reasonable to question the decision to close a store in the community when there is a known consumer base and it is known or perceived that the quality of products and service discourages local consumption.

□ **(D) Lack of a discount chain store’s presence in an area**

The data suggests the area can absorb and provide a customer base for the two retailers, Kohl’s and hhgregg, however, each has business constraints that reduce likelihood of locating in one of the four communities. This includes the types of retail space needed based on their typical approach to entering a market. In other words, this may be much more about a mis-

match between the available retail sites’ size, location, leasing/purchase price, building type (stand alone v. attached) and co-tenancy than it is about consumer demand. With regard to full service restaurants, the same may be a driver but also the low employment base, which means a relatively small daytime consumer base to capture. In any case, if the consumer data suggests the retailer could be supported in that location – including the specific type of space preferred – then it is reasonable to be concerned that race may be a factor at the margin especially if the chain is expanding in other areas that are comparable but for the racial mix.

□ **(E) Lack of an upscale chain store’s presence in an area**

While we did not test this directly, the same data and conditions that affect a discount chain generally affect an upscale retailer’s decision making process. However, in addition to income and spending characteristics, these retailers may also rely on consumer profile data that does not accurately capture higher income African American consumers preferences (see example from Atlanta cited above) or help them to understand racially mixed higher income communities as a cohesive consumer base (i.e., the retailer may segment the consumer base by race). In any case, if the retail data suggests that an upscale chain store could be supported, our communities will need to market themselves. And, the location is even more important here, especially for those chains that are looking for the right co-tenancy. Further, if the location is limited to a mall, then the real challenge for the area is the current conditions (exterior condition, vacancy rates and presence of other chain stores) moreso than racial mix of the local consumer base.

□ **(F) Lack of a sizable mall in a promising retail area**

While this is not the case, concerns about the mall’s current state of disrepair outside, the vacancy rate and the limited number of national chain stores as well as other things found at nearby malls (e.g. food court) suggests a different hypothesis might be posed. Instead of the lack of a mall, might it be “the presence of sizable mall that is hard to market in a promising retail area”? Then the question is how might retail redlining have facilitated this evolution in the past and/or contribute to its marketing in the future?

□ **(G) Denigration of the retail potential of a geographic area**

We did hear from developers that the capacity of the com-



munities might deter them from looking at sites. While this does not speak directly to how the racial mix of the community might affect the retailers' decisions, it does raise some concerns. Furthermore, if the perception of retailers is like that of the developers interviewed for this study, a key barrier may be getting them to look past other lower-income southern suburbs nearby to see these four communities and what they have to offer.

□ **(H) Lesser quality merchandise and/or fewer options**

As discussed earlier, we did not find evidence of this per se but rather did see that there are different options available that may be explained by "targeting" groups based on race and age. Still, we did here this concern consistently from consumers in our focus groups that spend time shopping at chain stores that are both local and in other communities, so their concerns should not be overlooked (see appendix for observations and specific locations mentioned).

As a result of testing the hypotheses above, we offer related but different hypotheses that future research could test. These concerns also should be kept in mind when any of the four communities is in discussion with a retail chain. This includes:

□ **(1) Lack of Class A national franchise casual sit down restaurants.**

As with the lack of a chain store, upscale or discount, we would expect to find casual sit down restaurants in higher income communities if there is sufficient support in terms of residents and employment base. While we did look at this within the hypothesis testing (discussed in hypothesis D above), it would be better to separate this type of chain out as it has different requirements in terms of consumer base, but also because of the nature of franchises themselves. As with the case of Burger King, which was discussed above, there are several variables in the equation that can affect the decision on where to locate a restaurant that are not necessarily the same as retail. And while hypothesis A deals with the location of franchises, this assumes that there is at least one franchise if not more in the community. This new hypothesis assumes that there should be franchises serving the area but may not be because of the community's racial composition.

□ **(2) Class A retail chain store is subpar when compared to its other stores in comparable homogeneous Caucasian or less diverse communities.**

Testing this hypothesis would require focusing on the retail space itself and assumes that there should be no significant differences in the retail experience for the shopper wherever they are since generally it should be ubiquitous. Testing this hypothesis means getting the overall square footage and determining what it is being used for in terms of broad categories of merchandise. This also requires measuring in some objective way the physical condition of the store itself, documenting when it was last updated, its location in relation to other retail, the quality of the center it is located in, and other physical features both in the store and outside it that affect the shopping experience.

As noted above, rent or building cost and/or taxes can be a factor that drives investment decisions. The key is to determine how much these costs affect the retailer's location and investment decisions, and then "control for these" when assessing the conditions. The assumption is that there should be no difference between the retailer's space in a racially mixed or predominantly African American community and the same retailer's space in a comparable homogeneous white community.

To a certain extent, we did do this test with several Jewel stores (see above) but not to the level of analysis needed that could help tease out potential retail redlining. We did find different levels of investment and upgrading of stores visited but there are also many variables in the equation driving investment decisions. We could not say whether the poor quality of the Jewel that closed in Olympia Fields cited by many was the result of redlining or not — in part because the decision appeared to be based on a combination of several different business decisions and factors, some of which accrued over a long time and beginning well before the period of this research. Still, the example cited above can be developed further by adding more precision and control data. The challenge will be getting data on operation and maintenance budgets from retailers and operators to make the comparison. This is not something that will be given up easily unless there is a good

working relationship already with different levels of management, and they see value in the research (e.g., they will learn more about their customer base that in turn can result in better merchandising and higher sales).

- **(3) There is less variety in and/or a smaller amount of merchandise and/or quality offered in the same chain store.** This hypothesis is an expansion of H above, focusing on the total collection of merchandise. We did this with some products looking at price and variety within a product line with the assumption that there might be variation due to the racial mix of the consumer. The distinction made here is that overall we would expect to find a noticeable difference across most if not all merchandise in terms of variety, quality and volume if there was redlining. We heard this most frequently in regard to discount stores where consumers cited clear differences in what was out on display and what was available in the local store inventory. However, we also heard that people believed that a few discount retail chains were putting lower quality merchandise “that did not sell elsewhere” in their local chain location. This might even happen right at the start; that is, their store was the “B” or “C” store while other communities had the “A” store in the chain. Of course verifying this requires extensive time going to these stores since the merchandise turnover rate can be quite fast. It also requires knowing more about the merchandising distribution decisions and level at which these decisions are made, as well as really assessing carefully (and controlling for) the management of each retail location as well as sales volume. Still, there may be value in selecting one or two key stores that residents would like to shop at if the quality and experience improved (see focus group data for specific chains referenced and concerns raised).
- **(4) Merchandise that targets a specific demographic – age group for example – within a racial group is found in chain store locations where that is the majority racial group but not the majority demographic.** We heard in focus groups this concern with older men citing hip-hop clothes for young men and older women describing dresses designed for young women that fit the “African American stereotype.” We did find evidence of this in Carson’s as described above. However, to

really investigate this further – and more importantly, to change the merchandising behavior of a retailer – it takes a deeper investigation into the retailer’s pattern of behavior over time. It also requires time in the field as well as access to the management decisions, corporate rules and guidance for merchandise selection and display. Clearly, retailers should want to expand their target demographic if there is unmet demand that they can meet; however, without cumulative evidence, both from consumers and local retail staff, regional and national level management may not respond. The focus group data and data from the field contained in this report is a start, but further longer term investigation is needed in order to discern if there is evidence of retail redlining or simply target marketing. This kind of research may be successful but it requires helping retailers to see some value in the research (e.g., they will learn more about their customer base that in turn can result in better merchandising and higher sales).

## Discussion

We assume that in making decisions about where to locate a retail business, there are many variables. Consumer spending power and potential capture rates are evidence of unmet demand. When looked at as a submarket, data on the four communities indicate different levels of unmet demand that was further corroborated more or less by our consumer survey. Combined, these findings indicate that that we would expect some retailers to be here that are not. However, as we discussed earlier, the decision to move into a market is driven by and/or affected by an array of factors including:

- National development, regional market and site performance strategies
- Tenant mix and return on investment
- Incentives (e.g., TIF funding)

Cutting across all three sets of factors are investment barriers/ challenges. This includes tax differentials found around Cook County as well as specific aspects of the retail centers being considered especially co-tenancy but also rent and/or purchase price for a site. Data from interviews with developers familiar with the area suggest a couple challenges and barriers. A concern is the capacity and ability

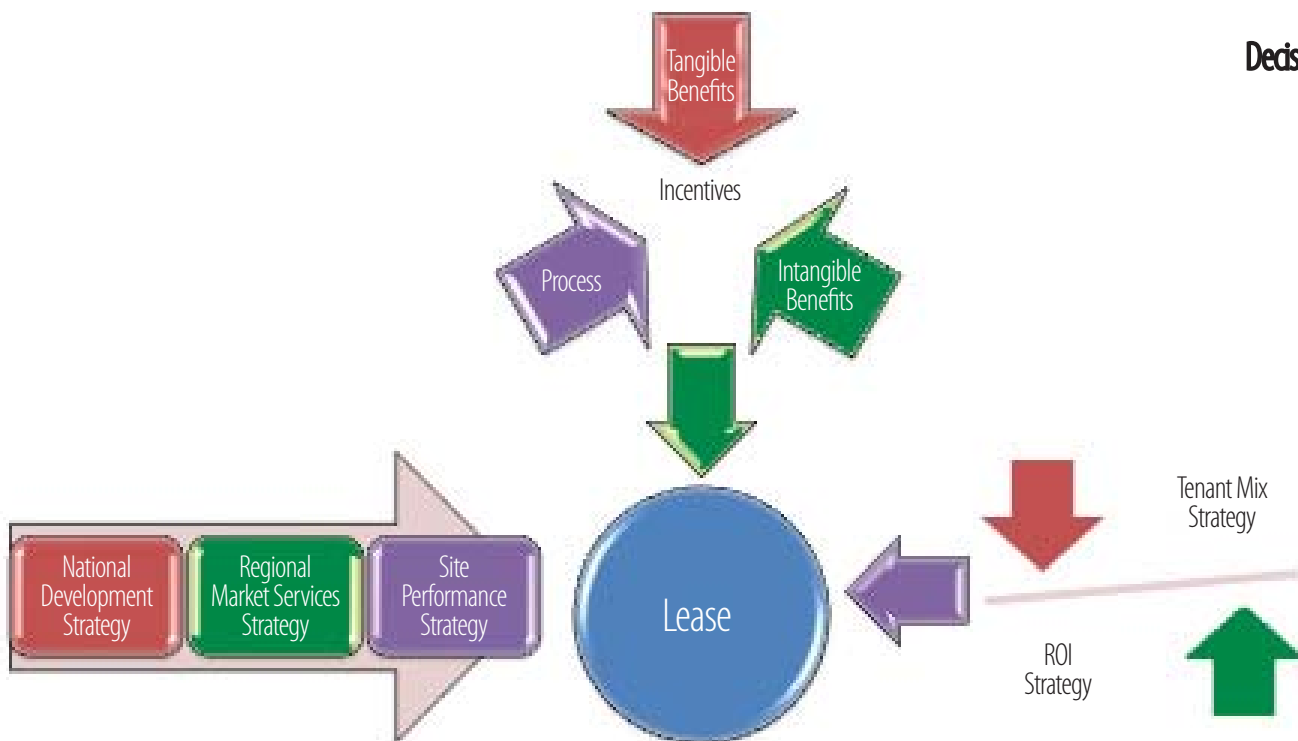
of the community – any of the four – to have key information needed on both retail sites and retailers in their area, and more specifically, what restrictions if any there are affecting each site within the current inventory of available places to lease and buy. This includes basic things like zoning and building codes affecting a site. However, in this highly competitive time, retailers and investors in retail want to know about the current tenants at a location. As noted above, co-tenancy is the key for many retailers. While this information may be harder to attain from shopping center owner, this should be readily available for centers currently owned by a municipality.

Even if there is evidence of demand and uncaptured consumer spending (i.e. the market is not saturated), a retailer may turn to another location if there is an assurance that the center’s location and not just the store he or she opens will be profitable. Clearly, Orland Park is such a location. Even if seemingly saturated with grocery stores and a lower local population than our target area, a national chain and a regional chain recently announced their decision to open stores in or

near Orland Park. (the Whole Foods in Orland Park) The location is a magnet for shoppers who while out at the mall or many retailers, can then also shop for groceries. But also, with specialty stores like Whole Foods and Mariano’s Fresh Market -- the two that are coming to the southwest suburbs – the grocery store itself can be a destination for people seeking specialty and healthy foods. This will likely include people from our four target communities based on both the consumer survey and the focus groups with consumers.

Finally, while there is an interest in shopping local, residents indicated a demand for more healthy food options, and that they will and do drive further than 5 minutes for specific food items and food stores. The same is true for full service restaurants. Orland Park offers a range of dining options that people either go to when “out for a day of shopping” or as the only destination. This includes restaurants that consumers indicate they would like to see in their own community. Since they are not here, they choose to go the distance to get what they want.

FIGURE 4-30  
**Decision Model**



## Food deserts or supermarket redlining?

### HOW TO INTERPRET AND PUT THESE FINDINGS TO USE

In the academic research, a community missing a chain grocery store may be cataloged as either evidence of redlining or a food desert. Regardless of which lens is being used, the conditions are the same: a measurable lack of investment where it might be expected. Both perspectives are looking at the same landscape but the response to the finding is different. When framed as redlining, the intent is to locate the source(s) of discrimination in order to address it.

In thinking about how each frames the problem, each focus on access; however, redlining focuses on race/ethnicity as the driver while deserts focus on income as the driver. Food desert research and policy aimed at changing it, uses traditional means but also finds alternative ways to get healthy food into lower income communities. The latest example is Walgreen's introduction of produce in its retail stores located in food deserts.

Of course, chain grocery stores and supermarkets are pursued as well. To this end, efforts were made to help reframe traditional market data to reveal the buying potential of lower income communities. Efforts to show that the "leakage" of dollars out of a community were designed to provide evidence to a retailer that there was unmet consumer demand. The assumption made is that if there was a retailer in the community, people would spend their money there and not at the next town over. The Local Investment Support Corporation (LISC) has transformed the leakage concept into "retail float" that "measures the amount of unmet retail opportunity in the study area, and is calculated as the difference between buying power (demand) and retail sales (supply)." This strategy has met with limited success — at least LISC claims so.<sup>30</sup> The limit to this approach is that retailers generally start with the drive time data, not the leakage or float in a community, so it takes work and specific marketing by the community as well as incentives to lure a retailer in, especially if the drive time numbers are not convincing.<sup>31</sup>

Looking at retail redlining aims, there is no legal recourse as there is in housing redlining. Once the source of discrimination is located, there are methods for changing discriminatory behavior. The Community Reinvestment Act requires banks to invest in a community in which they were located, and the Home Mortgage Disclosure Act provides criteria to monitor lending patterns with regard to race and ethnicity. Both measures are used to increase lending or get funds into com-

munities. At the same time, some communities respond to housing redlining with preventative strategies.<sup>32</sup> For example, to prevent blockbusting and panic peddling — getting people to sell based on fear that a neighborhood is changing racially — communities such as Oak Park put in place restrictions on the placement of for-sale signs in front of homes. The logic was that if you do not see a for-sale sign walking or driving down the street, then you will not know if your neighbor is trying to sell his home or how many people on the block have their home on the market. Oak Park also introduced "equity assurance" to give families buying a home in their racially changing community, a commitment to return on investment; if the value of the home did not increase a reasonable amount when selling, then the village would pay the difference.<sup>33</sup>

While the same legal tools are not available for retail redlining, one can imagine the possibility of designing similar strategies. However, such approaches can also create negative effects among all parties — consumers, local officials and retailers. Best known is how consumers have responded to racial profiling, which can galvanize a group to use their "voice" (complain, boycott, lawsuits, media), "exit" (shop elsewhere) and/or "lose loyalty" (diminished purchasing).<sup>34</sup> Based on past cases, the consumer response will vary with the attitude and response of the retailer to the accusation. Government and public officials can create regulations and other policy but also can call on civil rights laws (which consumers usually employ). As with any regulation or policy, if seen as restrictive, retailers are more likely than not going to respond negatively or at least the policy may weigh more negatively when comparing multiple options, especially if looking at different municipalities.

<sup>30</sup> <http://www.metroedge.org/index.html>

<sup>31</sup> LISC also calculates the standard retailer measures too.

<sup>32</sup> See Daniel Lauber (1991). "Racial Diverse Communities: A National Necessity." In *Challenging Uneven Development: An Urban Agenda for the 1990s*, edited by Philip Nyden and Wim Wiewel. New Brunswick, NJ: Rutgers University Press.

<sup>33</sup> The village required the homeowner to pay a fee and to stay a minimum of 5 years. To date, no payments have been made.

<sup>34</sup> Williams, Jerome D., May O. Lwin, Anne-Marie G. Harris, and Velma A. Gooding (2007), "Developing a Power-Responsibility Equilibrium Model to Assess 'Brick and Mortar' Retail Discrimination: Balancing Consumer, Corporate, and Government Interests," in Tina M. Lowrey, ed., *Brick & Mortar Shopping in the 21st Century*, Mahwah, NJ: Lawrence Erlbaum Associates, 171-196.



From the consumer side, there might be a different perspective if residents feel that the government is doing something that is truly in their best interest and will produce results. However, this usually pertains to laws dealing with fair treatment within a public space and not with the retail mix itself. As a result, we do not know how people would respond to a retail redlining “prevention strategy”, or a campaign to stop it. However, we can anticipate retailers’ reaction, and whether, through regulation or accusation, it is not going to be accommodating. What is recommended instead is finding a balance that takes into account all interests.<sup>35</sup>

Looking at both approaches, a lesson might be learned from past research about retail redlining.<sup>36</sup> While research may indicate potential redlining, the question to ask is what can we do to address any market failure problems or limitations that are likely contributing to retailers’ view of our community? For example, when it was found that the lack of a distribution center was the reason why some smaller grocery stores and shops did not carry fresh or much produce, or were charging higher prices, the policy solution was to develop a distribution center that all the smaller stores could use. The same concern drives larger stores, as evidenced by Marion’s which in moving south meant it also had to have a new distribution center since all its stores are north.

While letter writing campaigns can bring a retailer’s attention to a community, the research presented here shows it will likely take more than evidence of demand to attract the retailer and retain one. Instead it takes partnerships within the community, between local officials, staff, current retailers, shopping center owners, leasing agents, lenders, and consumers. The community needs to use the same tools as the retailers, but use them better and more strategically to market their community. Furthermore, think about how the diversity of the community gets presented. In racially diverse middle and upper income communities such as Oak Park, Evanston, and Shaker Heights (Ohio), the image conveyed is of a solid, healthy community that welcomes business and retail.

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<sup>35</sup> Williams, Jerome D., May O. Lwin, Anne-Marie G. Harris, and Velma A. Gooding (2007), “Developing a Power-Responsibility Equilibrium Model to Assess ‘Brick and Mortar’ Retail Discrimination: Balancing Consumer, Corporate, and Government Interests,” in Tina M. Lowrey, ed., *Brick & Mortar Shopping in the 21st Century*, Mahwah, NJ: Lawrence Erlbaum Associates, 171-196.

<sup>36</sup> Julie Bell and Bonnie Maria Burlin (1993). “In urban areas: Many of the poor still pay more for food.” *Journal of Public Policy and Marketing*, 12(2): 268-275.

## Model Developments

Shopping centers have been evolving since the 1950's. As Figure 4-31 illustrates, the Shopping Center Lifecycle changes both to seek and to influence tenant decisions and react to those decisions.

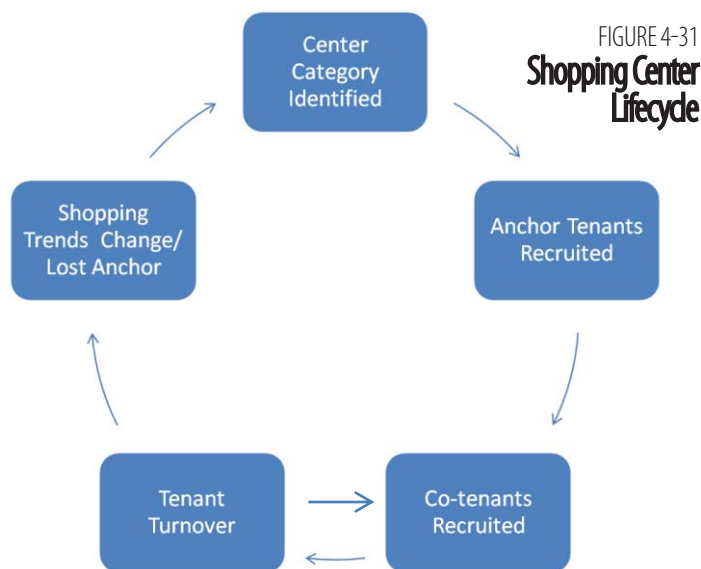


FIGURE 4-31  
**Shopping Center Lifecycle**

The International Council of Shopping Centers (ICSC) uses its shopping center definitions (see Appendix) to classify centers for its research and publications. The initial development, and subsequent redevelopment of centers to those parameters, eases tenanting by signaling a center's concept of how often and for what purpose shoppers will visit. For this study, all shopping centers in the trade area were classified according to these definitions. (See shopping center marketing sheets in the Appendix) Aging centers are often in transition between classifications and, to accommodate that condition and new development that may be testing a potential new category, the ICSC established a "Hybrid" classification. Its definition is, "A hybrid center may combine elements from two or more basic classifications, or a center's concept may be sufficiently unusual as to preclude it from fitting into one of the generalized definitions . . .". Note that ICSC definitions apply nationally and are not specific to the trade areas associated with urban markets. Those densely populated markets, like the Chicago Metro Region, are more competitive and therefore this study used drive time models to more accurately reflect the trade area markets. The table in Figure 4-32 provides Chicago Metro Region trade area drive times for Shopping Center categories.

The models that follow illustrate the most recently built or renovated configurations of each shopping center category. Whenever possible, Chicago area examples were used because they best match the weather, lifestyles, and development conditions in the study area communities.

FIGURE 4-32  
**Chicago Metro Region Trade Area Drive Times By Shopping Center Category**

| General Purpose Centers | Trade Area Drive Time |
|-------------------------|-----------------------|
| Super Regional Mall     | 30 minutes or more    |
| Regional Mall           | 20 to 30 minutes      |
| Community Center        | 10 to 15 minutes      |
| Neighborhood Center     | 5 to 7 minutes        |
| Strip/Convenience       | 5 minutes             |
| Special Purpose Center  | Varies                |

### New Super-Regional & Regional Mall

No Super Regional or Regional Malls have been built in the United States since the 1998 opening of Coral Ridge Mall in Coralville, Iowa. That center, opened in 1998, has these characteristics:

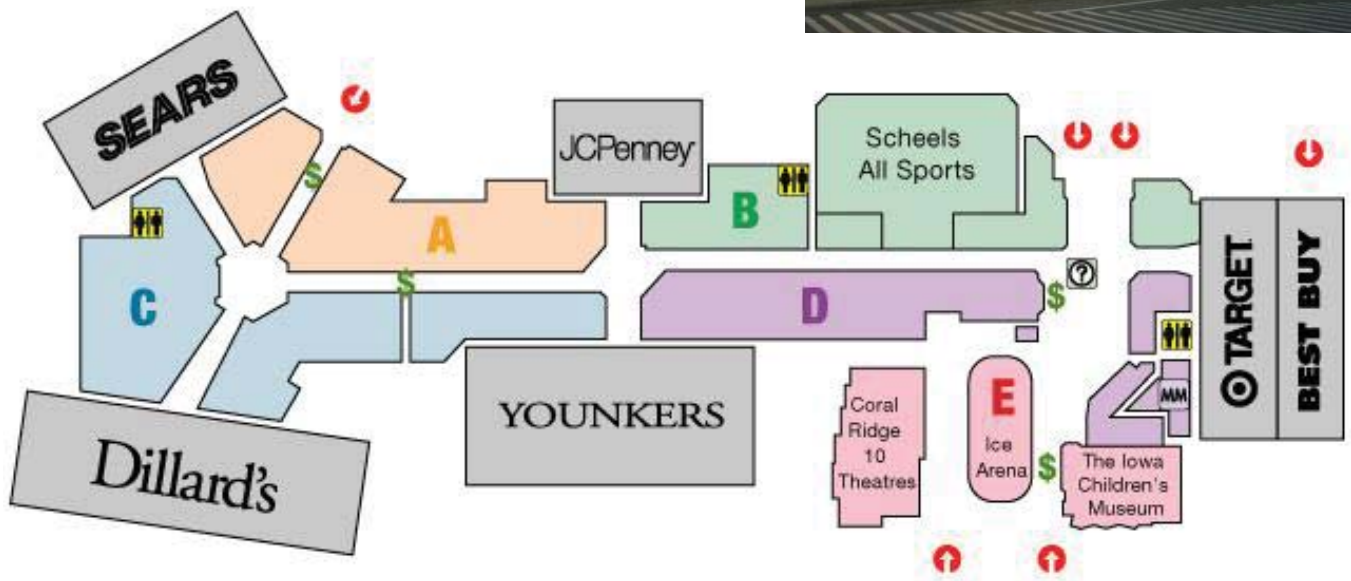
- ❑ Square feet: 1.2 million (219,000 square feet of conventional mall shop space, five anchors, and more than 300,000 square feet of big box retail)
- ❑ Anchors: Dillard's; Younkers; JC Penney; Target; and Sears, Roebuck and Co.
- ❑ Total Stores: 120
- ❑ Owner: General Growth Properties
- ❑ Amenities: a regulation sized NHL ice hockey rink, the Iowa Children's Museum, 1,000-seat food court, 10-screen movie theatre, and reproduction antique carousel.

**CORAL RIDGE MALL** | Coralville, IA



LEGEND

- Mall Entrance
- ATM
- Public Restroom
- Customer Service
- Mall Office



## Renovated Regional Mall

Many regional malls have been renovated to attract larger specialty tenants interested in entrances from the parking lot rather than just the mall. The Shops on Butterfield in Lombard's Yorktown Center illustrates this type of renovation. That reconfiguration attracted Marshalls, Lucky Strike, Orvis, and four restaurants.

- ❑ Square feet: 1.5 million
- ❑ Anchors: Carson Pirie Scott, Von Maur, JC Penney, Forever 21
- ❑ Leased by: Jones, Lang, LaSalle
- ❑ Amenities: Westin Hotel

### YORKTOWN CENTER | Lombard, IL

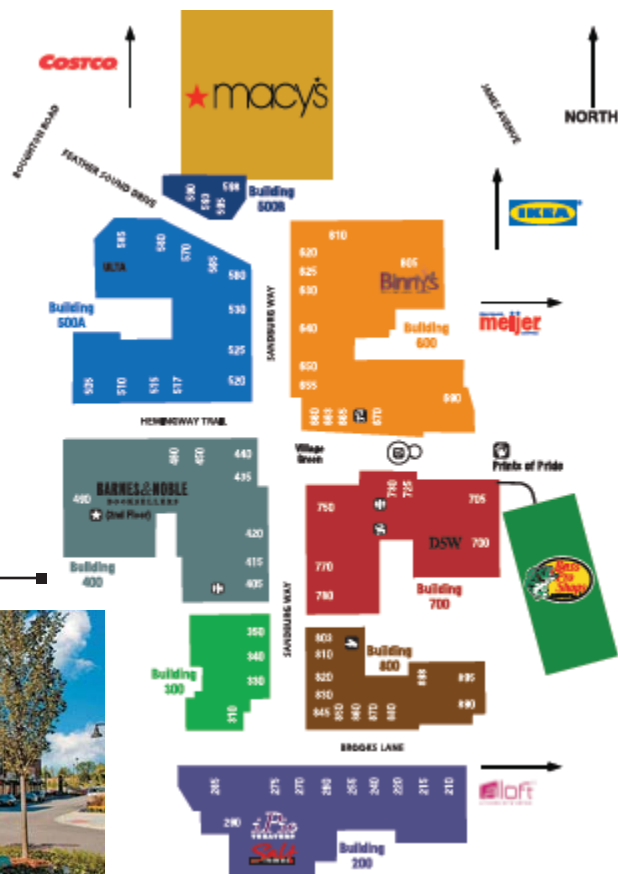


## Local Hybrid Regional Shopping Center & Power Center

Although the Bolingbrook Promenade is often categorized by the press as a "Lifestyle Center," the ICSC categorizes it as a hybrid Regional and Power Center because it has a traditional Department store anchor and specialty shops as well as numerous large, value oriented specialty stores and warehouse retailers within and adjacent to the center, such as Costco and IKEA.

- ❑ Square feet: 1 million +
- ❑ Anchors: Macy's, Bass Pro Shop, Barnes & Noble
- ❑ Leased by: Forest City
- ❑ Amenities: IPac Movie Theater

### BOLINGBROOK PROMENADE | Bolinigbrook, IL





### Hybrid Regional Shopping Center & Power Center Renovation

On June 7, 2011 the New York Times described the transformation of the aging Randhurst mall into Randhurst Village: “Randhurst, which opened in this inner-ring Chicago suburb in 1962, was the first enclosed mall in the Chicago area and, for a brief period, the largest enclosed mall in the world. . . Now, after a long period of decline, Randhurst is undergoing a \$190 million overhaul that involves demolishing most of the original center and replacing it with an open-air street of shops and additional anchor tenants. The developer is Castro Lifestyle Properties of Sarasota, Fla.”

- ❑ Square feet: 1 million +
- ❑ Anchors: Carson Pirie Scott
- ❑ Leased by: Castro Lifestyle Properties
- ❑ Amenities: AMC Movie Theater



**RANDHURST VILLAGE** | Mount Prospect, IL

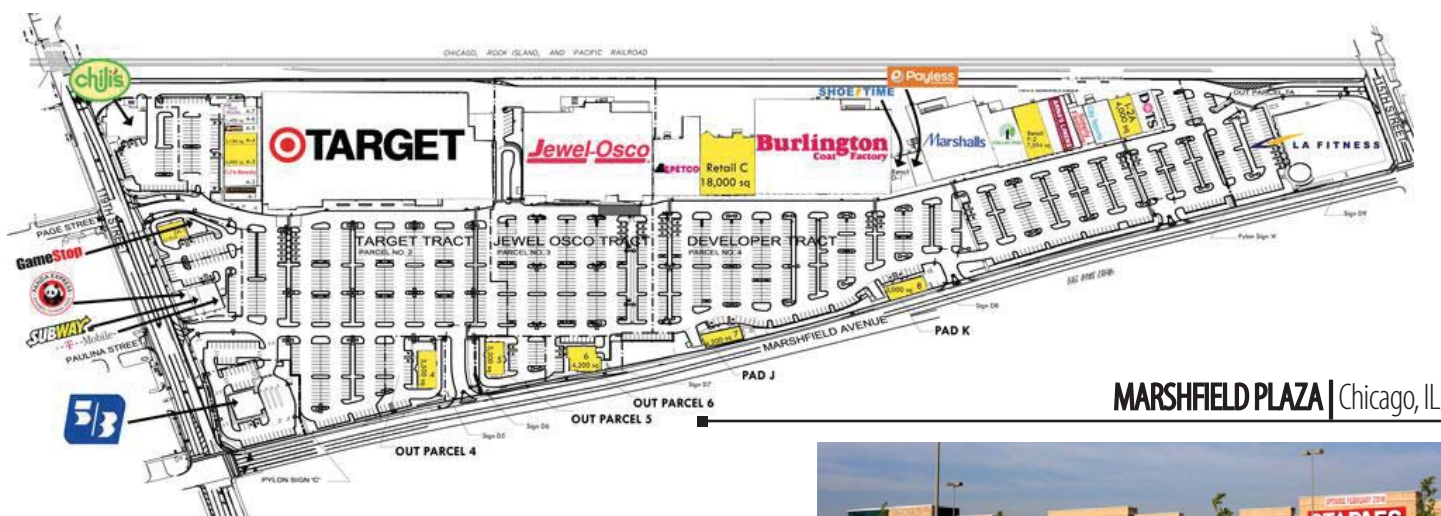


## New Community Centers

Marshfield Plaza, located at 119th Street and I-57, opened in 2010 and is still developing tenants.

Large format retailer interest in serving the dense city market associated with this market supported the development of a new community shopping center on the best parcel that could be retrofitted from other uses. The resulting center has experienced extended leasing for non-anchor space.

Opened in 2008, Willow Festival Center's 405,000 square feet slightly exceeds the ICSC Community Center definition; however, the Lowe's is an unusual addition that adds to the center but also acts as a stand-alone, power business and therefore this category is appropriate.



**WILLOW FESTIVAL | Northbrook, IL**



### Neighborhood Centers

Sunset Grove in Long Grove opened in 2011 and continues to offer pad development opportunities. Although ultimately expected to contain 120,000 square feet, its current configuration, grocery store, drug store, dry cleaners, and bank, offers convenience shopping for nearby residents. The building by building construction of this center also illustrates today's very conservative approach to shopping center development where sections are built to the specification of retailers rather than past practice where, once the anchor space was designed, generic space was built to attract tenants seeking to capitalize on the anchor's appeal.

**SUNSET GROVE** | Long Grove, IL



### Summary of Model Developments

By examining the new, significant shopping center investments of these model developments, it is possible to understand the configurations built to attract retailers today and compare those configurations to study area properties. This approach suggests renovation possibilities for those properties. The renovation examples of Yorktown and Randhurst illustrate that potential result of that process.



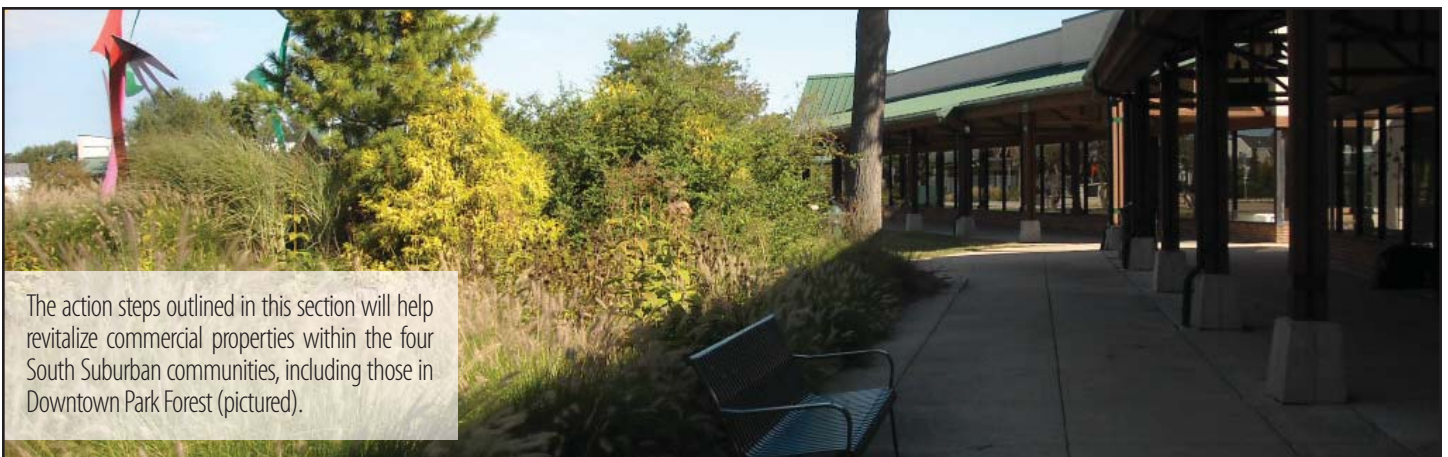
## SECTION 5 | Retail Attraction Action Plan



The Retail Investment Patterns Study began with a goal of not only understanding what factors were impeding investment in Matteson, Olympia Fields, Park Forest and Richton Park but also changing the negative influences and thereby improving the number and quality of retail and restaurant tenants serving the communities. ***The action plan that follows offers a methodical approach to achieving these seven objectives focused on accomplishing that goal:***

- (1) Differentiate study area communities from the ill-defined “Chicago Southland”***
- (2) Become the region where every communities’ staff uses economic development best practices***
- (3) Aggressively improve aging commercial properties***
- (4) Improve profitability of existing businesses***
- (5) Become expert in public/private partnering***
- (6) Seek a solution to Cook County property tax inequities***
- (7) Utilize the study findings on Retail Investment***

Some of the outlined action steps are already underway in one or two of the four communities but the approach needs to be uniform. Most of the Action steps are time consuming but do not require significant additional budget. Nothing is delaying an immediate start to most recommended initiatives and the aggressive due dates reflect that approach. As with any planning effort, this is a guideline that should frame future action but leaves room for the creativity of local staff and elected officials to add elements and additional initiatives. The Action Plan Framework assigns due date but leaves the “Who” and “Budget” entries blank to reflect the varying capacity of each community. For communities with significant staff resources, much of the work could involve a minimal reallocation of staff time. Other communities might engage elected officials, community volunteers, or consultants.



The action steps outlined in this section will help revitalize commercial properties within the four South Suburban communities, including those in Downtown Park Forest (pictured).



**1: OBJECTIVE**  
Differentiate study area communities from the amorphous “Chicago Southland”

| Task  | Due            | Who | Cost |
|---|----------------|-----|------|
| 1 Create an I-57 corridor communities commercial marketing consortium that also includes:<br>a. Country Club Hills<br>b. Flossmoor<br>c. University Park  | June 2012      |     |      |
| 2 Identify unique aspects that distinguish the I-57 corridor communities from communities competing for retail development<br>a. Tinley Park<br>b. Oak Forest<br>c. Orland Park<br>d. Calumet City<br>e. South Holland<br>f. Others that struggle to provide basic services to residents                    | September 2012 |     |      |
| 3 Choose the characteristics most important to the success of stores and restaurants<br>a. Regional access via I-57<br>b. High traffic counts<br>c. Disposable income<br>d. Education Levels  | October 2012   |     |      |
| 4 Develop a strategic plan that uses the strengths of the I-57 corridor to define who the communities are and drive residents and outsiders to the communities<br>a. Artist community<br>b. Healthy living with close to farm grown produce<br>c. Extensive natural areas<br>d. Sports and parks facilities | December 2012  |     |      |
| 5 Illustrate top characteristics through success stories  | December 2012  |     |      |
| 6 Place articles about I-57 corridor communities in mass and trade publications   | Ongoing        |     |      |
| 7 Create a marketing strategy to highlight successful and profitable existing retail and restaurants, elaborating on local success stories  | December 2012  |     |      |

## 2: OBJECTIVE

Become the region where every community's staff uses economic development best practices

| Task  | Due           | Who | Cost |
|---|---------------|-----|------|
| 1<br>Develop strong relationships with property owners<br>a. Meet at least semi-annually with all commercial property owners<br>b. E-mail leasing recommendations monthly<br>c. Enforce building life safety codes uniformly<br>d. Add property owners to all economic development initiatives                        | Ongoing       |     |      |
| 2<br>Create a "common set of facts" that accurately presents opportunities<br>a. Develop marketing materials for the economic development team and other village officials<br>b. Profile the ideal national, regional and local retailers to guide the solicitation of retailers<br>c. Be consistent with who you are | May 2012      |     |      |
| 3<br>Use government financial incentives primarily to help property owners bring tenants  | Ongoing       |     |      |
| 4<br>Participate in regional international Council of Shopping Center and Urban Land Institute educational and economic development events  | Ongoing       |     |      |
| 5<br>Set a predictable development review process   | December 2012 |     |      |
| 6<br>Develop nonretail business in the area by soliciting business entities that bring jobs and employees   | Ongoing       |     |      |
| 7<br>Involve the local universities in marketing the community using the media available to the municipality, other resources, and staff of the local university  | Ongoing       |     |      |
| 8<br>Work with the business department at local universities to develop training and development tools to support marketing and planning activities   | Ongoing       |     |      |
| 9<br>Minimize conflict and encourage creative competition between municipalities<br>a. Hold periodic planning meetings to discuss development goals<br>b. Develop border strategies to reduce direct competition<br>c. Develop complimentary development plans<br>d. Establish revenue sharing agreements             | Ongoing       |     |      |

### 3: OBJECTIVE Aggressively improve aging commercial properties

| Task   | Due           | Who | Cost |
|--|---------------|-----|------|
| 1 Adopt policies that encourage (by incentive) property owners to rehabilitate or demolish dated and unused commercial facilities          | December 2012 |     |      |
| 2 Develop design standards that create attractive and appealing communities  | December 2012 |     |      |
| 3 Monitor anchor tenant investment and rehabilitation<br>a. Minor renovation every 3 to 5 years<br>b. Major renovation every 8 to 10 years | Ongoing       |     |      |

### 4: OBJECTIVE Improve profitability of existing businesses

| Task   | Due     | Who | Cost |
|--|---------|-----|------|
| 1 Make semi-annual retention visits to owners/retail leasing decision makers associated with all anchor or dominant center businesses<br>a. Expansion or contraction plans<br>b. Lease renewal date/issues<br>c. Employment/employee availability and quality<br>d. Attitude toward government support<br>e. Program recommendations | Ongoing |     |      |
| 2 Market local businesses in all Village communications, for example the Park Forest economic development newsletter blast   | Ongoing |     |      |
| 3 Provide access to business education through seminars and notice of local business development services  | Ongoing |     |      |
| 4 Increase sales through local directories and frequent buyer programs   | Ongoing |     |      |

## 5: OBJECTIVE

### Become expert in public/private partnering

| Task  | Due           | Who | Cost |
|---|---------------|-----|------|
| 1 Familiarize the staff and elected officials with the elements of successful public/ private partnerships throughout the United States   | December 2012 |     |      |
| 2 Evaluate community capacity in advance of any negotiations:<br>a. Community bonding capacity<br>b. Land owned by the Village that may be developable<br>c. Options for additional taxes and fees<br>d. Prospect to qualify for Tax Increment or Business Districts<br>e. Possible Local bank's interest in private lending<br>f. Potential local foundation, federal, and state<br>g. Cook County Class 8 incentive | Ongoing       |     |      |
| 3 Create fact sheets on available incentive to be included in developer packets   | December 2012 |     |      |
| 4 Identify an advisor team that will evaluate public partnership requests   | December 2012 |     |      |
| 5 Report annually to elected officials on the status of all established partnerships  | Ongoing       |     |      |

## 6: OBJECTIVE

### Seek a solution to Cook County Property Tax inequities

| Task  | Due           | Who | Cost |
|---|---------------|-----|------|
| 1 Document the impact of property taxes on the profitability of local businesses  | December 2012 |     |      |
| 2 Organize appeals to local legislators to seek long term solutions based on the documented impact on investment                        | January 2013  |     |      |
| 3 Develop a I-57 Corridor common approach to deferring/rebating taxes for desirable, new retail development, "The Tax Problem Solution" | January 2013  |     |      |
| 4 Seek publicity for the tax problem solution   | Ongoing       |     |      |



7: **OBJECTIVE**  
Utilize the study findings on Retail Investment

| Task |  | Due           | Who | Cost |
|------|--|---------------|-----|------|
| 1    | Support the UIC Voorhees Center's efforts to continue studying retail investment patterns        | Ongoing       |     |      |
| 2    | Create a factual presentation for local government and service organizations                     | May 2012      |     |      |
| 3    | Annually review demographic data to determine how accurately it portrays community               | Ongoing       |     |      |
| 4    | Seek follow-up study funding to document improvements or decline in the local investment climate | December 2012 |     |      |
| 5    | Monitor other retail-related statistics such as vacancy rates                                    | Annually      |     |      |

# A | Appendix



## Appendices

|   |    |
|---|----|
| A: Shopping Center Marketing Sheets                       | A1 |
| B: Consumer Survey Results                                | B1 |
| C: Focus Group Summary                                    | C1 |
| D: Retail Site Issues & Opportunities                     | D1 |
| E: ICSC Shopping Center Classifications & Characteristics | E1 |
| F: Key Matteson Demographics                              | F1 |
| G: Key Olympia Fields Demographics                        | G1 |
| H: Key Park Forest Demographics                           | H1 |
| I: Key Richton Park Demographics                          | I1 |

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