

BROADWAY MARKET STRATEGIC BUSINESS DEVELOPMENT PLAN

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EXECUTIVE SUMMARY

This report summarizes the findings and recommendations for the revitalization of the Broadway Market in Buffalo. To spur the market's continued expansion, this achievable strategic plan calls for both capital re-investment and creating new market attractions with the specific objective of creating financial self-sufficiency, innovative and quality merchandising, and a renewed sense of place. Project for Public Spaces, Inc./Public Market Collaborative (PPS/PMC) has determined that Broadway Market is an undervalued community institution with great potential to once again become a vibrant economic and social center for the region.

One of the largest and oldest public markets in the United States, Broadway Market -- at the heart of the Broadway-Fillmore neighborhood for 111 years -- is in need of significant maintenance and capital improvements to enable the market to compete effectively and to become, once again, an attractive and viable place for vendors and customers alike. While the market is slowly losing market share, it is very much alive. It must attract new shoppers who have never frequented the market and win back those customers who have stopped coming -- or who only visit the market during the Easter season when the market does the bulk of its annual sales.

The spirit of the market is thankfully intact, although hobbled. The market is a revered institution treasured by its loyal clientele. The history of the market is strong and future plans must be sensitive to preserve its special character while enhancing its competitiveness. For the long term, the market cannot rely on its old charms alone, however, and must take bold and decisive steps to ensure its vitality into the future.

Realizing the untapped potential of Broadway Market, the Broadway Market Management Corporation selected PPS/PMC to assess the current problems and opportunities for the market and develop a strategic plan to guide its revitalization. Over the past 20 years PPS has worked with nearly 700 communities throughout the United States and abroad to help make their public spaces more active, attractive, comfortable, usable and economically viable. PPS formed the Public Market Collaborative in 1987 to further the preservation and establishment of public markets through research, education programs, and assistance to communities in market development, renewal and operations.

Buffalo is part of a national comeback for public markets in general. Public markets in Philadelphia, Baltimore, Seattle, Lancaster (Pa.), and Los Angeles are all examples of market halls and districts largely built over 50 years ago which are been recently redeveloped and are thriving today. New market halls have been developed in Vancouver (B.C.), Toledo (Ohio), Portland (Maine), Montreal, Nashville, Little Rock -- and are soon to open in Asheville (N.C.) and Burlington (Vt.). Historic markets in St. Louis, Rochester (N.Y.), and Detroit are both planning major redevelopment programs.

The reasons for the renaissance of markets, one of the oldest and most universal forms of retail trade, are diverse. Public markets are valued because they create common ground in the community, where people feel comfortable to mix, mingle, and enjoy the serendipitous

pleasures of strolling, socializing, people-watching, and shopping in a special environment. Moreover, public markets are an effective way to support local economic development and small businesses in their city. As a means for the distribution of needed goods and services, market merchants and vendors provide farm fresh fruits and vegetables, ethnic foods, crafts, and personal services that are often unavailable elsewhere at the same level of quality, variety, and price. Public markets, with their emphasis on locally-grown, locally-made, and locally-owned businesses, accentuate the qualities that make their community special.

The goals of this plan are to make Broadway Market:

- Financially self-sufficient into the foreseeable future for its operations;
- A centerpiece for local economic development in the neighborhood and the city;
- A more attractive shopping destination which can perform effectively and creatively in today's competitive food-buying environment;
- A public place that accommodates the diversity of the Buffalo population and reflects its unique cultural identity; and
- A source of new jobs for city residents and new businesses selling locally made products.

To achieve these goals, Broadway Market Management Corporation should:

- *Expand the reasons for people to come to Broadway market:* Priority should be given to taking advantage of the 100,000 square feet of space in the market and building on its Easter tradition. The market should come alive in May with spring flowers and bedding plants; in the summer and fall with the Farmers Market; and at Christmas with Buffalo's best holiday market. New permanent tenants should be recruited for the market as well, including more vendors selling produce, prepared foods, and ethnic foods, as well as more businesses doing on-site production of food products (as some vendors already do) for wholesale as well as retail trade.
- *Improve the design and appearance of the market:* The market does not need a complete renovation, but does require substantial improvements to make it competitive with local Buffalo supermarkets which are investing millions to improve their displays and appeal. To improve the visibility and merchandising at Broadway Market, design enhancements – lighting, signage, displays, etc. – are needed to give sparkle and drama to market businesses and the market building as a whole. The layout of the market should be modified to cluster food and non-food businesses and to make better connections between the new Save-A-Lot Supermarket – a successful new venture in the market.
- *Create a Market Square on Broadway:* The vast parking lot in front of K Mart has potential to be a community square, and to serve as the site for a new outdoor farmers market. Enhancements to Broadway will give the market greater visibility and a stronger connection to the neighborhood.
- *Change market operating practices:* This report presents numerous recommendations with regard to leases and other operating practices that are all ways to increase market income without being a burden to existing tenants. Market hours should be expanded. To

stretch the marketing budget, the market should open to outside users as a promotional venue, so that profit and non-profit groups will tap into their own budgets and supplement the publicity of the market.

- *Establish the Broadway Market Foundation:* The market needs a fundraising arm, a type of “friends” group, which can sponsor events, fundraisers and a heritage center at the market – building on the considerable good will the market has in the community.
- *Expand the market’s role in neighborhood revitalization:* The market can play a key role in economic development and housing renovation and expansion in the neighborhood, as well as leverage its management expertise to undertake basic maintenance activities in the Broadway Fillmore district. The market could be the heart of a “new” neighborhood: Broadway Market Village. A Business Improvement District, with a modest budget, should be investigated, as well as a partnership with the NFTA, Buffalo’s transit agency, to see if a transit hub could be created at the market.

Broadway Market Management Corporation cannot accomplish this alone, however, but must involve other key players:

- The City of Buffalo, as owner of the building, should support capital improvements, recognize the role that BMMC can play in both the city’s and the neighborhood’s revitalization, and work with BMMC to modify the market’s lease, as suggested in this report;
- Market tenants should work with BMMC to upgrade signage, product lines, lighting, and displays at their stalls, be open to new ways of doing business, and become stronger partners in the promotion of the market; and
- Broadway Fillmore neighborhood should solidify its partnership with BMMC to enhance the safety and attractiveness of the neighborhood and to bring new housing development.

The basic ingredients for the revitalization of Broadway Market are already in place – a committed management team, an established location, a base of loyal customers and vendors, and a neighborhood working actively to improve its quality of urban life. What is needed is a capital budget to address the physical needs of the large market, creative merchandising to serve the needs of a diversifying population, and entrepreneurial management to pull it all together.

While this report is comprehensive in scope, further development is necessary to prepare a final design and merchandising plan for the market. This work should include developing a construction estimate, as well as financing and phasing plan.

INTRODUCTION

This document summarizes the findings and recommendations for the continued revitalization of the Broadway Market in Buffalo. To spur the market's expansion, this achievable strategic plan calls for both capital re-investment and creating new market attractions with the specific objective of creating financial self-sufficiency, innovative and quality merchandising, and a renewed sense of place.

The Broadway Market is the only remaining indoor public market in the City of Buffalo, and has been at the heart of the Broadway-Fillmore neighborhood for 111 years, providing the area with food, culture, entertainment, and serving as a community gathering place. The 100,000 square foot market – one of the largest indoor public markets in the country – houses nearly 50 businesses and is the region's 10th largest shopping center. The market functions both as the social and economic center of the Broadway-Fillmore neighborhood.

Due to changing demographics and deficient management, the market sustained over a decade of operating deficits during the 1980's and early 1990's. Currently managed by the Broadway Market Management Corporation (BMMC), a 501 (c)4 corporation with a professional staff of eight full time people, the market has made considerable progress in recent years. Vacant space has been leased – most notably to the Save-A-Lot supermarket; maintenance has been improved; the BMMC board has been restructured; and the Easter season has continued to grow in popularity. Changes in management also resulted in the trimming of operational costs, reflecting the decline in daily customer traffic over the past few years. To cover operating costs, the market was forced to allow a number of non-food vendors, for example, to the market floor which detracts from the traditional food buying focus of the market. Today, the market is slowly losing market share and must attract new shoppers who have never frequented the market and to win back those customers who have stopped coming – or who only visit the market during the Easter season when the market does the bulk of its annual sales.

A beloved Buffalo institution, Broadway Market is in need of strategic repositioning to enable the market to compete effectively and to become, once again, an attractive and viable place for vendors and customers alike. Realizing the potential of Broadway Market, BMMC asked Project for Public Spaces, Inc./ Public Market Collaborative (PPS/PMC) to assess the current problems and opportunities for the market and develop a strategic plan to guide its revitalization. Over the past 20 years PPS has worked with nearly 700 communities throughout the United States and abroad to help make their public spaces more active, attractive, comfortable, usable and economically viable. PPS formed the Public Market Collaborative in 1987 to further the preservation and establishment of public markets through research, education programs, and assistance to communities in market development, renewal and operations.

The goals of this plan are to make Broadway Market:

- Financially self-sufficient into the foreseeable future for its operations;

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- A source of new jobs for city residents and new businesses selling locally made products.

This plan is a result of site and document research as well as meetings and interviews with members of the BMMC staff and board.

Public markets, once a dominant force in food distribution, have much greater competition today and must be able to compete vigorously with efficient and effective operations. In times past, markets were practically guaranteed a steady stream of customers. Today, however, the competition for the food dollar is intense. A public market has an inherent competitive edge with its ability to provide a wide array of specialty food products, personal service and an atmosphere that is inviting and exciting.

Under this plan, Broadway Market will again provide a positive attraction for neighbors, city residents, suburbanites and visitors. Markets are one of the few places where people of all backgrounds come together and share a common experience. Properly positioned, the market experience is one of the great joys of urban life. The success of the market will naturally lead to increased renewal of the region's central urban core and the Broadway Fillmore district in particular.

The basic ingredients for the revitalization of Broadway Market are already in place – a committed management team, an established location, a base of loyal customers and vendors, and a neighborhood working actively to improve its quality of urban life. What is needed is a capital budget to address the physical needs of the large market, creative merchandising to serve the needs of a diversifying population, and entrepreneurial management to pull it all together.

ECONOMIC POTENTIAL

What is the potential for Broadway Market to capture additional food sales to support its revitalization plan? This question is obviously critical to understanding how to increase income for the market to undertake the strategic repositioning described in this report.

The share of the total food sales that Broadway Market does and can attract depends upon many factors. These factors include, but are not limited to, the amount of product offered, how accessible the market is to the consumer, and how well the market promotes itself. Unfortunately, comparable market shares from other public markets are not well documented because vendors at most markets throughout the country do not report sales volumes. Nevertheless, PPS/PMC can estimate a market's potential using sophisticated probability modeling to predict sales. This model estimates what share the Broadway Market has the potential to obtain considering other choices people within the trade area have for buying food.

Broadway Market's Primary Trade Area

Based on examination of the population densities and natural features in Buffalo such as the road system and major train yards, PPS/PMC believes that the three-minute drive time, which is about a one mile radius, will represent the 60 percent trade area for the market. This area is also confirmed with our analysis of 163 "raffle tickets" where people wrote their addresses: 60% of those who filled out coupons lived within a three-minute drive time of the market.

PPS/PMC believes that the five-minute drive time contour represents a trade area reflecting where 85 percent of the regular customers will live. The five-minute drive time represents a two to three mile radius from the market. It is important to note, however, that from surveys of market customers during Easter, the Broadway Market draws people from a much larger area. Indeed, half of its customers come from beyond the city limits. (See appendices for the 1998 Broadway Market Easter Shoppers Survey.)

For purposes of our analysis, we have used a more conservative trade area to estimate sales potential based on the "everyday" use of the market.

Demographic Analysis of the Broadway Market Trade Area

As part of this study, key demographics of the trade area have been examined. This analysis includes population density, average household income distribution, aggregate income and estimated change in future buying power. These findings, which are presented below in a series of maps, show that the future income-generating potential within the trade area is very limited – and if Broadway Market is to prosper, it must expand this trade area.

Population Density

The first map shows the distribution of population density around the market. Population densities of more than 2,500 people per square mile are considered urban. Population densities of around 7,500 people per square mile are usually high enough to support such urban services such as buses. When densities reach 15,000 people per square mile, many believe that this is sufficient to support retail at the pedestrian level.

The areas immediately west of the market have high urban densities equivalent to 15,000 people per square mile and much of the area within a two-minute drive time of the market has a high urban density. Within the three-minute drive time contour, the Broadway Public Market has 47,278 people living in 20,667 households. Within a five-minute drive time, we found 129,249 people living in 55,900 households.

Aggregate Income

Aggregate income is a measure of buying power and reflects population density and average household income. Because of high urban densities, some areas around the market rank in the top fifth of Buffalo metropolitan area in buying power. However, the highest concentrations of buying power are found along the east side of Buffalo -- outside the five-minute drive time.

Average Household Income

The average income within the three-minute drive time is below \$25,000 and the average income within the five-minute drive time is about \$30,000. This is considered low income. The federal government defines low income as 80 percent of the median metropolitan area income, or \$35,500.

Projected Change in Buying Power

Retailers want to be in areas where they expect to see growth in both income and population. Areas that decline in buying power are areas that will likely see commercial blight. Urban Decision Systems (UDS) projects that within the five-minute drive-time this area will see a decline in buying power over the next five years. Most of the area within the five-minute drive time, except for the areas southeast of the market, are also projected to decline in buying power. Within the three-minute drive time contour, UDS expects the buying power between 1998 and 2003 to decline by \$2.1 million and within the total five minute drive times, UDS expects buying power to decline by \$1.9 million. The major cause of this projected decline will be a result of both population and household loss within these areas.

Race and Ethnicity

Race and ethnicity do not affect buying power, but they do reflect food tastes. The demographic data based used for this analysis tracks only Black, Hispanic Asian, American

Indian and White races, so we do not have a comprehensive analysis of all ethnic groups. In mapping the Black population, we found that Broadway Market is at the edge between areas that are more than 50 percent Black and those that have fewer than 5 percent Blacks. Although the Asian and Arab population are reportedly growing, demographic companies have not yet been able to count these groups. The 2000 Census will provide the first opportunity to quantify their presence in Buffalo.

Sales Potential Estimate

PPS/PMC used a spatial interaction gravity model to estimate the sales potential of the market. This model allocates a market share to all large food stores within the primary trade area of Broadway Market. It also accounts for the limited hours and days of operation for the market and adjusts for food sales that occur at non-supermarket locations, including “corner stores.” The market share allocation is based upon the size of the competition (i.e., its variety of offering or choices) and the distances each food alternative is from the centroids of areas equivalent to census block groups (i.e., the convenience of the food store). The model then applies the market share allocation to the amount spent by households on fresh food items that public markets typically sell.

Based on this model, REPG estimates that the Broadway Market has the potential to capture more than \$10 million in sales.

Implications for the Strategic Plan

Currently, Broadway Market has approximately 25,000 gross square feet devoted to fresh food items, excluding the Save-A-Lot store of 16,300 square. In the model, when the size of the fresh food component was increased, the model did not forecast any additional sales from the primary two-minute drive time trade area. This means that the market at 25,000 square feet reaches its maximum potential for the primary trade area.

In order for Broadway Market to increase its sales it must be able to establish a larger primary trade area. This means that the Broadway Market needs to establish a new broader constituency than just serving as a neighborhood grocery store.

It is important to note that the supermarket competition in Buffalo is growing more intense. Indeed, a new Wegman’s on Alberta Drive in Amherst is designed to look like a public market, has a “European style” market cafe, professional chefs giving out advice, and many specialty food products and take home prepared items. Tops Supermarkets are also planning more smaller stores, with prepared foods and upscale food products, and is planning on spending some \$50 million on its Buffalo-area stores in the next two years.

One of the major hurdles to broadening the primary trade area are the limitations placed by the geographical boundaries around the present trade area. The rail yards to the south and west provides a significant psychological barrier. The existing street system in Buffalo does not make traveling north and south easy, as roads are designed to move traffic to and from downtown with radial streets that primarily run east and west.

One opportunity is to look at the areas north of the market following Humboldt Parkway. The areas along Humboldt Parkway appear to be under-served and the Broadway Market has the potential to increase its sales if it can be successful in broadening its appeal to this area. Selecting merchants that meet this population's needs, providing signage from the Parkway, and advertising in this area are ways to achieve a marketing niche with this broader constituency. As recommended in this strategic plan, it is also important to establish new attractions – such as a greatly expanded farmers market at Broadway Market – to provide unique offerings that are not now available.

ABOUT PUBLIC MARKETS

Public markets are -- in general -- making a comeback in American and Canadian cities. Markets in Philadelphia, Baltimore, Seattle, Lancaster (Pa.), and Los Angeles are examples of market halls and districts largely built over 50 years ago which are been recently redeveloped and are thriving today. New market halls have been developed in Vancouver (B.C.), Toledo (Ohio), Portland (Maine), Montreal, Nashville, Little Rock – and are soon to open in Asheville (N.C.) and Burlington (Vt.). Historic markets in St. Louis and Detroit are both planning major redevelopment programs.

At the same time, public markets in the open-air, including many farmers markets and craft markets, have sprung up in cities throughout the country, attracting people back to the public spaces of their downtowns and neighborhoods. Whether in the form of weekly outdoor markets that convene only in the warmer months, indoor market halls that operate every day year round, or entire market districts, a number of American cities are finding that public markets are providing an effective strategy for revitalizing urban communities.

The reasons for the renaissance of markets, one of the oldest and most universal forms of retail trade, are diverse. Cities looking to bring consistent activity to their public spaces are using regularly scheduled markets to transform streets, plazas, and parking lots into bustling "people places," alive with vitality and commerce. Public markets are valued because they create common ground in the community, where people feel comfortable to mix, mingle, and enjoy the serendipitous pleasures of strolling, socializing, people-watching, and shopping in a special environment. Others see public markets as an effective way to support local economic development and small businesses in their city. As a means for the distribution of needed goods and services, market merchants and vendors provide farm fresh fruits and vegetables, ethnic foods, crafts, and personal services that are often unavailable elsewhere at the same level of quality, variety, and price. People are rediscovering that public markets, with their emphasis on locally-grown, locally-made, and locally-owned businesses, accentuate the qualities that make their community special.

What is a Public Market?

The term "public market" has changed in meaning over time and still differs between places. Traditionally, in the United States, a public market has been defined as a municipally-owned and operated building where vendors sell fresh food from open stalls. While some public markets still match this definition, public markets now come in many shapes and settings, offer a wide range of different products, and are owned and operated by various types of organizations, not just city governments. In addition to the old-fashioned public market buildings, public markets also embrace many farmers markets, craft markets, and even some flea markets. Public market districts, which can incorporate the elements of these types of markets along with more traditional forms of retailing, are a particularly exciting type of public market, as well.

What distinguishes *public* markets from other types of related retail activity are the following three characteristics:

- Most importantly, public markets must have public goals. Public goals give a defined economic or social development purpose to the market activity.
- Secondly, public markets are located on and/or create an public space in the community. This is the visible aspect of a market: the creation of an inviting, safe, and lively place that attracts a wide range of people. As an effective place where people mix, public markets can become the heart and soul of a community, its common ground, a place where people interact easily and a setting where other community activities take place.
- Finally, public markets are made up of independent businesses that are operated by their owners, unlike the ubiquitous franchises that dominate retailing today. These business owners are locally or regionally based. It is not unusual for some farm-based business owners to travel one or more hours to get to a market. These country farmers and seasoned producers provide a ready source of vendors that work well with local entrepreneurs and start up ventures.

A public market can only achieve stability and provide significant benefits over time, however, if it is operated in a business-like manner and pays for the full cost of operation within the first several years of start-up. Because of their focus on fulfilling public goals, public markets typically require assistance to cover the costs of start-up or capital redevelopment.

This emphasis on the business aspects of developing and running a public market should not diminish the importance of community benefits. In practice, the market sponsor must artfully blend the economic imperatives with the greater good. Market managers face the difficult task of balancing the market's public goals with the hard-nosed economic realities of developing a viable, competitive, and self-supporting business activity. In general, social benefits of public markets come from economic strength, not the other way around.

A market that succeeds financially and which is pumping money into a neighborhood achieves these public benefits by creating:

- local business start up opportunities;
- local jobs;
- regular commercial activity making a neighborhood more conducive to doing even more business;
- a safer environment and a social center of the community;
- business opportunities for others who would like to locate near the market;

All of these benefits help to stabilize and enhance neighborhood commercial districts, helping them to regain their historic role as community centers and reinforcing broad revitalization goals.

Note: This section was adapted from Project for Public Spaces' book, Public Markets and Community Revitalization, published in 1995 with the Urban Land Institute.

ISSUES AND OPPORTUNITIES

The repositioning of Broadway Market requires modifications to all aspects of its facility and management:

- Merchandise Mix
- Design and Layout
- Marketing and Promotion
- Market Operations
- Neighborhood Revitalization
- Lease Agreements

Each is described in detail in the sections below.

MERCHANDISE MIX

Issues

Broadway Market is a very large facility especially compared with other public markets in the U.S. With 100,000 square feet of gross space and about 48,000 square feet leasable space, the market – especially given the demographics of its trade area – is faced with a unique challenge for filling up the space. Currently, about 15% of the leasable space, or 7,000 square feet, is vacant.

Only during the two weeks prior to Easter is the market full to capacity. Buffalo police estimated that the market attracted 600,000 shoppers in Easter, 1998. During this period, temporary vendors fill the spaces that are otherwise vacant or underutilized the rest of the year.

Given the size of the facility, BMMC has taken an aggressive approach to leasing space. When the Tops Supermarket that had located in the market for years closed in 1997, BMMC recruited Save-A-Lot, a discount specialty supermarket that draws regionally, to the market, leasing about 16,500 square feet of space. The impact of Save-A-Lot, which opened in late August of 1998, has been positive, although the overlap between market vendor and Save-A-Lot customers has not been strong due to the location of Save-A-Lot's entrance, different operating hours, and the lack of joint promotions.

A large amount of market space (about 10,000 sf) is leased to neighborhood retail and banks, and other non-food uses, primarily along the Broadway frontage. This helps create a critical mass of retail for the neighborhood, while contributing to the market's bottom line. However, the identity of the market suffers from the Broadway entrance, since fresh food vendors are not directly visible either to the street or even after entering the market.

While the market's current square footage leased to fresh food (approximately 25,000 square feet) is about the right size (it might eventually increase as the market trade area expands), the merchandising mix needs to be strengthened in order to create a stronger critical mass of

food tenants. Butchers and to a lesser extent bakers are the anchors, but others (especially produce, fish, poultry, and deli items as well as prepared foods) are weaker. In a survey of market shoppers during Easter, 1997, two thirds of the shoppers surveyed said that they came to the market for meats, poultry, and baked goods; in the 1998 survey, 70% purchased meat, 65% baked goods, and 34% candy.

The food mix does not reflect the growing ethnic diversity of the city. For example, there has been an influx of Asians into the neighborhood (including Vietnamese who are building a Buddhist Temple a block from the market), yet there are no stalls selling Asian products. In the Easter, 1997, survey, over 40% of shoppers said that different types of ethnic foods (Italian, Mexican, German, and Chinese) would make them come to the market more often.

Many vendors at Broadway Market run both retail and wholesale trade. Given the amount of space in Broadway Market, encouraging additional wholesale-retail ventures will help broaden the mix and attraction of the market, improve the economics of running a stall, fill space that is difficult to lease, and provide business incubator opportunities.

Farmers selling what they grow directly to customers are key anchors of most successful public markets. Farmers markets create a strong attraction for customers in the summer and fall, and often farmers also sell flowers and bedding plants in the spring as well. In the 1998 Easter shopper survey, 37% of respondents said that a farmers market would make them visit the market more often. The farmers market at Broadway Market has declined to the point where it is down to two farmers. BMMC has been actively exploring the potential of reactivating the market, and possibly relocating it to the K Mart lot on Broadway, and has received considerable interest from farmers.

Non-food vendors are mixed in with food vendors, resulting in a lack of clarity for shoppers. In addition, many vendors do not carry authentic craft, or products that they themselves make.

Outside of the main market ground floor, other large sections of the market are vacant or underused, including the cellar, parking garage, and roof. The cellar has several full rooms of dead storage from defunct city agencies. The parking garage is used only to capacity during Easter, and the top floor is closed except during that period. Most people park on street level. While elevators would be required, developing leasable uses for these spaces over time would help the market's bottom line. For example, it is technically feasible to enclose a portion of the 2nd floor (with its low ceiling) by running mechanical equipment on the roof.

Opportunities

Broadway Market has a significant base upon which to expand its merchandise mix. Easter is still strong and can be built upon, and the market should consider working with vendors who wish to lease during Easter to commit to space at other times of the year as well. BMMC has already encouraged vendors to use Easter as a "start up" period to generate income to invest in permanent stalls. Anchor tenants are committed to the market, and could potentially expand into other missing or weak merchandise components.

The following food categories should be strengthened at the market:

- Produce
- Deli
- Fish
- Prepared Foods
- Ethnic Foods

To expand the mix of fresh food products, BMMC should:

- Tap Buffalo's ethnic populations, who produce diverse food products for the city's many ethnic festivals;
- Focus on food products which are made in Buffalo which could be featured at the market (cheese, condiments, and even Buffalo wings);
- Create a major farmers market, preferably located on the K Mart lot, and operating Saturday and perhaps other days of the week, as well. Another option for expanding the produce/flower component would be to cooperate with the Clinton Bailey outdoor wholesale/retail market, which may be looking for a new home;
- Encourage on-site production of fresh food products, which can be sold wholesale as well as retail. This would be along the same line as EM Chrusicki Bakery and Famous Horseradish are currently doing in the market today. Other wholesale/retail/producers could include catering kitchens, barbeque poultry and meats, coffee roasters, pickle makers, tortilleria, fortune cookie makers and other small scale, specialty producers that could have a retail component that would strengthen the market.
- Expand prepared foods, but to maintain a balance so that the market does not become a food court – either by restricting the total number of prepared food vendors or by limiting the amount of prepared foods any one vendor can sell; and
- Upgrade the restaurant space into a facility that uses the fresh food from the market in its menu, with special focus on creating the best breakfast in Buffalo – an attraction in itself on Saturday mornings.

In order to create a balance of food and non-food uses, it is important to cluster non-food vendors in special areas of the market. The non-food uses are also an opportunity to create vending spaces for residents of the market neighborhood. In general, an emphasis on locally produced goods and crafts should be pursued. This will add to the uniqueness and interest in the market as a destination to get things you cannot find elsewhere.

To explore alternatives for the upper and lower levels, BMMC should retain an architect to conduct a feasibility study of converting the cellar and a portion of the 2nd floor to community office space, cold and dry storage for tenants, or other uses, and to determine the cost for installing an elevator and mechanical systems. Given the engineering of the roof structure, it may be also possible to consider a roof-top garden/nursery to grow specialty items for sale in the market or create a solar energy system for hot water for the market.

To attract these users, the market will need to develop a leasing recruitment program geared to each category of tenant (farmer, restaurant, temporary interior vendors, permanent vendors, etc.) Incentives, which the market is already using in many cases, should include build-out of space, rent concessions, and stall design assistance.

The new "Farm to City Project" initiated by BMMC is an excellent project to take a regional approach to food production and consumption, increasing food choice for low income residents, while recruiting farmers and other local producers to the market. The market can also work with urban dwellers in using vacant lots to grow fresh food for sale at the market, creating a new network of "urban farmers." These urban farmers can focus on specialty products, including organically grown produce, and can use innovative methods such as hydroponics. Vendors at the Clinton Bailey wholesale/retail market should also be approached about relocating to Broadway Market, with the incentive of creating a new facility for this market. (See appendices for memo about starting a farm market program.)

Another opportunity is to create an identity for the market during all seasons, building on the Easter tradition. The market should come alive in May with spring flowers and bedding plants; in the summer and fall with the Farmers Market; and at Christmas with Buffalo's best holiday market.

DESIGN AND LAYOUT

Issues

Broadway Market has many assets from a design and facility point of view. Aside from its sheer size, there is an enormous amount of parking --930 spaces in the Building, plus the K Mart lot across Broadway, the new Save-A-Lot lot, and on-street spaces. The market was extensively renovated in the 1980's, although some aspects of the renovation need redoing, or were not handled well (e.g., decaying stucco on the exterior, air handling units, rest rooms, and some of the plumbing systems.) Most major supermarkets and retailers undergo renovation every five or six years, so Broadway Market is definite overdue for a "facelift."

Design and merchandising go hand in hand, and it is in this aspect that the market needs considerable improvement. From the outside, Broadway Market does not look like a market, conveying little sense of the variety and vitality of its interior. A customer entering from Broadway (through what was once a dismal arcade that was removed in the 1980's) faces a confusing array of non-food tenants and neighborhood services, and no clear direction to the fresh food vendors.

Across the street, on a site of a former department store, K Mart built a suburban style store with an enormous parking lot facing Broadway. This gap makes cross-shopping between K Mart and the Broadway Market nearly impossible; the parking lot itself if never filled to capacity even during the Christmas shopping season. The portion of the lot closest to Broadway Market offers potential, if reused, to act as a bridge between the two main anchors of the Broadway Fillmore commercial district.

Broadway itself is also a barrier. With its four traffic lanes and two parking lanes, it is difficult to cross. Streetscape improvements (essentially planters with trees) also do little to enhance the environment, and create obstacles for merchandising on the sidewalks. An enormous flagpole in front of the market has potential, however, as a short term identity feature for the market.

All of the sides of the market – with extensive blank walls – as well other entrances to the market are rather uninviting. The main entrance to the market, from the "back door" facing the covered parking lot is dark and also lacks visual excitement of the interior. There is an abundance of blank walls, both here and on the market's street facades.

On the interior of the market, vendor stalls also need to be upgraded. Although there are examples of stalls that have effective signage and displays, most vendors could use help in improving their merchandising skills. In particular, lighting is inadequate for effective displays at stalls, and general lighting tends to make the interior too uniform as well.

From an overall layout perspective, the interior of the market has considerable flexibility. However, the location of Save-A-Lot and other uses (market office, etc.) located on the sides of the market have created some recessed areas which are ideal locations for wholesale components of retail stalls. Save-A-Lot itself presents a long, blank wall to the market,

which potentially could be used for merchandising and displays with a different layout for the market. As noted under the merchandising section of this report, non-food vendors and food vendors are mixed in the market, and more attention needs to be given to clustering uses.

The market is an important social center, but there is no one central area where these activities can be focussed. Seating is located throughout the market, and the skylit escalator area – which is a natural location of a social center – is not designed to effectively serve this function. Infrastructure to conveniently stage events (ranging from cooking demonstrations to performances) is also ad hoc.

Opportunities

Broadway Market needs to undergo a series of capital improvements to upgrade its underlying infrastructure (mechanical systems, rest rooms, etc.), as well as to improve its overall merchandising and connection to the surrounding neighborhood. A design master plan should be created to further develop the recommendations of this report and develop a new layout for the market which:

- Clusters food and non-food uses, as well as neighborhood services – with non-food located nearer to Broadway – but with a clear view corridor to the central food area of the market from the Broadway entrance. The entrance itself should be flanked by food uses;
- Infills recessed areas on the market perimeter with on-site production space and uses Save-A-Lot wall space for displays. Cold and dry storage should also be located around the market perimeter;
- Creates a new open air market facility on the K Mart lot, with comfortable and convenient pedestrian access across Broadway;
- Assesses the re-use potential for the cellar and upper levels of the market for alternative, income producing activities;
- Creates a new “social” center for the market in and around the skylight/escalator area with seating, stage, lighting, and infrastructure for events and mobile cooking demonstration kitchen.

BMCM should create a “Model Stall” program to upgrade the displays, signage, and lighting of 2-3 existing vendors. These stalls should serve as inspiration to other tenants, as well as assist in recruiting new tenants. This effort should be complemented by merchant seminars on displays, as well as a low interest loan program for tenant improvements. (See also section on Tenant Design Criteria, under “Lease Agreements,” below.)

Lighting and utilities also need to be evaluated in terms of their condition and distribution as related to any new merchandising schemes. A phased program should also be developed to redo the lighting in the market, including color-corrected overhead lighting as well as stall lighting, allowing more flexibility in displays and spot-lighting of merchandise, rather than uniform lighting of the entire interior.

The successful interior repainting effort of the market should be continued. BMMC should also consider refinishing the market floor and restaining it.

On the market exterior, a facade enhancement program is needed to make the market more visually attractive and identifiable. This can be done with signage (a bold Broadway Market sign visible from the surrounding neighborhood is definitely needed), graphics, murals/community art projects, lighting, landscaping (vines), awnings, as well as by clustering market-type uses (e.g. a flower shop and cafe) at entrances. A graffiti-resistant exterior treatment should also be applied. Special attention needs to be paid to the entrances themselves, as well as improving lighting in the parking area.

The K Mart lot should be redesigned as a kind of public square, with space for the new farmers market (preferably in a shed structure), public events, and possibly even a transit center (see below.) This will require making modifications to Broadway itself to make it easier to cross the street, to make left turns to market parking, and to reduce traffic speeds in front of the market.

Finally, a traffic analysis of Broadway should be conducted to determine if the road could be narrowed in front of the market, at least on Saturdays (i.e., with diagonal parking, etc.), to facilitate pedestrian crossings. One option for the farmers market, or related outdoor vending area, is to park trucks at the curb and display merchandise on the sidewalk under colorful umbrellas and canopies. This would allow a smaller number of vendors to “open” the farmers market and create a visible market atmosphere at the main entrance (important for arriving shoppers to see) with a sense of critical mass. In the future, the vendors could move to the K Mart lot.

MARKETING AND PROMOTION

Issues

In general, public markets cannot even try to compete with supermarkets in terms of advertising budgets and promotions. However, because of their unique public appeal, public markets have the capacity to create free publicity for the market that can help increase business.

The \$50,000 annual advertising budget is strategically spent on a mixture of media and events. This budget should be leveraged more, however, to achieve greater visibility for the market.

Currently, Easter, with its extensive media coverage, gives the highest profile to the market. In addition, the market produces some TV spots and places ads on billboards and buses during this period and other holidays. In the survey of market shoppers during Easter, 1997, over 40% of the shoppers were made aware of the market through television – and 17% of the shoppers were first time visitors.

In 1997, the Tourism Advisory Group of the Greater Buffalo Convention and Visitor's Bureau made suggestions about how to attract a more "tourist friendly" environment in the market. Many of their recommendations apply to all types of customers.

Opportunities

At a basic level, there is a need for identifying signage coming off the Thruway and Route 33 – to make it easy for people to get to the market, especially considering security concerns that many have. Signage from Humbolt Parkway is also important to increase the draw from that key neighborhood. The recommendations presented above to make the market more visible and attractive from the exterior are also important in marketing the market.

BMMC should continue to use Easter as a base for attracting customers year round. Developing a mailing list of Easter visitors, and sponsoring special promotions, can make once a year customers aware of other attractions. This should be combined with a seasonal approach to promoting the market, highlighting spring flowers in May, farmers in August, and holiday gifts between Thanksgiving and Christmas. Each should feature appropriate anchor markets as well as related events, music, activities, etc.

The market should also promote its historic and cultural significance. A permanent display of market history should be prominently located. In addition, a Broadway Market Foundation should be considered to draw on the considerable good will the market has in the community. The Foundation can raise funds for the market by assisting with a major capital campaign. In addition, the foundation can sponsor special events, such as invitation only fundraisers at the market, which can help build visibility at the same time. The Foundation will also make the market eligible for all types of foundation grants as well as encourage private, charitable contributions and bequests.

The best way to stretch the marketing budget is to open the market to outside users as a promotional venue. The groups (profit and non-profit) will tap into their own budgets and supplement the publicity of the market. The advertising budget of the market could also be supplemented with capital funds to maintain business continuity, mitigate disruption and promote the improvements being made.

Finally, tenants can be approached about supplementing the advertising budget with more money. This could be administered by the tenants themselves or rebilled by the market itself. Broadway Market Management Corporation needs to be careful to clarify that the advertising line item is finite and if tenants want more dollars spent they need to agree on some assessment in addition to what is already being spent.

MARKET OPERATIONS

Issues

The organizational structure of the market has recently been redone to allow more independent management. The new team is ready to take on new challenges and has done a solid job of getting the market moving in a positive direction. This should continue and long term strategic planning put in place to maintain the direction and positive momentum that has already begun.

The market staff is adequate for today, but may need to have be increased for maintenance and janitorial duties as the market gets busier.

Specific areas that need to be addressed are:

- **Security:** There is only one foot patrol for the entire business district. The fate of the market is inextricably linked to the fate of the business district. If the district has a security problem, the market has a security problem even if it has adequate security inside the market building. The security issue is likely affecting new tenants and businesses locating in the market as well as potential customers. Most large urban markets have their own security guards and rely on the municipal forces for backup and emergencies. While there does not appear to be a significant security 'problem' the perception of the area among potential customers and tenants is an issue that needs to be factored in to future planning.
- **Trash removal:** The market currently picks up vendors trash and takes it to the fenced in area behind the market. The vendors are certainly capable of hauling their own trash and should realize that janitor's time is better spent on overall market issues of cleanliness. The market's trash disposal system is also dated.
- **Hours:** In the 1998 Easter survey, 25% responded that Sunday hours would make them return more often, with suburban and holiday shoppers most in favor of Sunday hours. 24% also said that evening hours would make them shop more frequently, including neighborhood, Buffalo city, and suburban shoppers. Vendors are resistant to changing hours, or opening Sunday. Existing hours not well enforced and most vendors were gone at least 15-30 minutes before closing.
- **Quality control of vendors:** The vendors and their products, displays, personalities and overall appearance make up the 'market experience' which is the greatest advantage the market has over its competitors. Management should work closely with tenants to monitor their display and quality of merchandise. In addition to daily troubleshooting, management should work with and encourage tenants to innovate and think objectively about their business from a customer point of view.

Management and operations are also discussed in more detail in the following sections.

Opportunities

BMMC should work with Buffalo police to increase security presence around the market. A police substation or satellite station should be provided in the market, if the police agree to operate it. This would lend a degree of security that is presently lacking.

Operating procedures should be changed so that vendors remove their own trash, freeing up maintenance workers for other activities. The market could also use a new trash system with a compactor unit, floor drain and a baler for cardboard.

Hours of the market should be expanded on weekends, and experimentation should be done to see if opening and closing later in the day creates additional business. BMMC should continue its working with vendors on product, lighting, signage, display, pricing, physical appearance, etc. It is important to work closely with every tenant and make sure their business is healthy and not static or stale. Many things can be done just by acting differently and not just spending money. It is often easier to work with a new tenant and have them set some new standards that the other vendors can actually see. This learning by example can be very effective. Food stylists can be hired to work with individual tenants to rethink their displays and put some freshness into their appearance.

NEIGHBORHOOD REVITALIZATION

Still one of Buffalo's largest retail districts, the Broadway Fillmore district has declined significantly in recent decades, as the demographics of the neighborhood have changed and overall income level dropped. Some essential services, such as dry cleaners have left. The once thriving retail strip has been replaced by a hodgepodge of rent-to-own companies, dollar stores, beauty salons, and churches. The neighborhood police precinct closed due to consolidation, and the Post Office has been allowed to slide into deterioration.

As the perception of neighborhood crime has increased, the market itself has suffered and lost customers, a particular worry during the crucial Easter shopping period. The whole relationship between the market and the neighborhood has, indeed, never been more critical and it is essential that the market increase its presence and impact to prevent further deterioration. A strong, healthy market has the potential to contribute greatly to the neighborhood business revitalization, particularly as it works to expand its trade area on a year round basis.

The market is located within the New York State Economic Development Zone, and is adjacent to the Federal Enterprise Community Zone. In 1998, the market retained a consultant to do basic research on possible ways to enhance and coordinate business recruitment and preservation both in the market and in the surrounding business district. Based on this program, the City of Buffalo funded a new business directory, creation of a commercial district vacancy data base, and business seminars on financial assistance efforts. In addition, the revived Broadway Area Business Association has installed attractive banners on Broadway. This initiative is an excellent step to furthering the role of the market in neighborhood revitalization.

Outside of the business district, neighborhood housing is also declining and many units are simply being abandoned. The market relies on neighborhood shoppers, so this should be an important concern. The market can also benefit from the community development organizations which are re-organizing themselves to build new housing around the market. Churches have also indicated that they are keenly interested in playing a role. The market itself, of course, remains an important anchor for attracting new residents.

Maintenance of surrounding district (including both litter removal and tree planters) remains a problem, as there is no one group responsible. The Broadway Area Business Association also does not have the capacity to address security, maintenance and promotional needs of the district in a comprehensive way

Although most customers to the market walk, drive, or take a taxi, there is an opportunity to increase transit access to the market as the NFTA, Buffalo's transit agency, reorganizes its services by creating transit "hubs". These hubs, one of which could potentially be at the market, allow riders to conveniently transfer – and potentially shop at the market.

Opportunities

One of the key ways that the market can increase its impact on the neighborhood is for it “break out of the box” and develop the farmers market square on the K Mart lot. The first step to increasing foot traffic on Broadway is to increase pedestrian activity outside the market. The market square should also be designed to accommodate a wide range of community activities and events, as well as possibly serve as a transit center.

Beyond this goal, the market has the potential to act as a pro-active force in the neighborhood, using existing staff and expanding services by creating a small Business Improvement District (BID). Because the Broadway Market staff can expand oversight of operation to a broader district, with additional financial support, a BID could have a relatively low overhead and use its income mainly in the provision of services. For the market, this overhead contribution could be significant in terms of the bottom line of BMMC. The market should also continue to seek economic development grants, welfare to work programs, or youth development projects to further stretch dollars.

BMMC should continue to work with NFTA to improve transit access to the market, and should explore the feasibility of creating a transit hub at the market. Construction of shelters and amenities for transit riders could also serve as market sheds for the farmers market, and so joint development opportunities should be explored.

BMMC should continue to be active with housing development and rehabilitation around the market, possibly renaming the neighborhood as “Broadway Market Village”– reinforcing the market as the focal point of the neighborhood.

LEASE AGREEMENTS

The lease agreements currently in use are sound and functional. The lease between the City and BMMC is comprehensive and has worked well for the market in recent years. The issue of capital improvements versus operating expenses is clearly delineated and indicates an understanding that the market (and this is true for nearly all public markets in the United States) cannot pay for capital improvements out of operating revenues.

The lease between the market and the tenants will need to be altered to address the issue of rent and operating expenses and how they are rebilled to allow the market to compete and increase the level of services provided. The current rent level in the market, however, only allows a minimum level of services which are not adequate to move the market forward and increase sales. This section outlines options and recommendations for the market to equitably pass through operating expenses in the monthly rent charges.

In the appendices, a chart compares Broadway Market with other large urban markets in North America, including population, size of market, average rent levels, number of staff, number of vendors and advertising budgets. This chart gives some point of reference for the findings and recommendations below.

LEASE AGREEMENT BETWEEN CITY AND BMMC

Issues

This lease is generally quite favorable in most respects and few changes if any needed at this time. As is the case with most city owned markets, the market is generally expected to be or move towards operational self-sufficiency, with the city still providing assistance with long term capital improvements. This is certainly the case with the Broadway Market and its lease with the City reflects this underlying principle.

The lease document as written is sensitive to the needs and abilities of the market. Furthermore, the city has a certain amount of leeway in determining the capital needs of the market. The personal relationship and effective communication between BMMC management and the City is paramount. The more that the City is aware of the importance of the Market and its role as an economic development tool, the more likely the Market is to receive assistance to fulfill its potential. The current management has done an excellent job of working with the City and positioning the market as an important institution for the neighborhood, city and region - and one that deserves all the support documented in the lease.

As owner of the Broadway Market, the City of Buffalo has ultimate responsibility for the property. The lease between the City and BMMC implicitly acknowledges that BMMC does not have the financial wherewithal to cover significant capital expenses and as such is only required to maintain a \$25,000 reserve fund primarily for tenant needs. The City, as outlined in section 6. (OBLIGATIONS OF THE CITY) is responsible for major building repairs and expenses. In section 4. (CAPITAL RESERVE FUND) the lease delineates the

financial responsibilities of the BMMC and requires it to maintain the \$25,000 fund balance to pay expenses needed to attract or relocate tenants.

It would be very difficult to try and write anything more specific vis a vis the City's financial obligations, than what is already in the lease agreement. The market's bottom line is not sufficient to even pay its full share of operating expenses, let alone any major repair bills of capital projects.

Without a specific and designated market capital fund (and there is no precedent of any municipality maintaining a market trust fund), the BMMC has to rely upon personal relationships with City Hall to get things done. It would help secure the market's future if it were able to begin to establish some reliable arm of additional support for market needs, such as a Market Foundation.

The dollar-a-year lease rate between BMMC and the city is certainly reasonable and should remain so!

Opportunities

The lease, recently renegotiated and signed is a sound document -- one that does not need any significant changes. For the next renewal period, there are some issues that may be considered for changes, such as the following:

Mission Statement

In addition to mandating sound legal and operational practices the City Lease might be improved if there were a stronger statement of purpose. This could in fact be a Mission Statement that would act as an overall guide for decision making and planning. If the market is to indeed meet its potential as a public institution and service the needs of the local economy and residents, the goals of the market should be made clear to all parties.

Rebilling Clause

In Section 5e (OPERATION, BMMC'S OBLIGATION) the language needs to be rewritten to reflect the recommended changes in the market's system of rebilling for operating expenses. The current language allows for a system of some rebilling. This needs to be clarified to correspond and not contradict new policies.

Sublessee Terms

In the same section 5e, there is reference to renewal terms for anchor leases. This policy seems inequitable and troublesome. For instance, suppose a smaller tenant wants to make some major improvements and needs a longer lease in order to get a bank loan approved. This clause would not permit such an extended lease. The language should be modified to permit BMMC to use its discretion and grant lease terms based upon the mission of the market and individual circumstances.

Advertising and Promotion

Again, in section 5e, there is reference to BMMC submitting a marketing budget to the Tenant's Association for approval. This language would also need modification to reflect the agreed upon system of rebilling operating expenses.

It is recommended that tenants get billed an agreed upon sum into the market's advertising fund in addition to their base rent. Ultimately, management is responsible for the scope and method of the advertising campaign, which should be so noted in the lease language.

Utilities

Section 7 addresses three areas of city subsidy: water, electric and trash. These subsidies have helped the market sustain itself during hard times. Moving forward to a renewed market and improved sales, the market should have as a goal financial self-sufficiency. Utility and trash costs should be passed on to the user (vendor) and the city should be freed of this obligation after the transitional period outlined in this Strategic Plan.

This contribution from the city is significant and represents dollars that would be better spent on capital programs to improve the markets competitiveness and vitality. A subsidy mentality is not healthy for the market overall and creates an artificial business landscape that actually holds the market back from its potential.

Rental Rates For Subtenants

Section 10 states that rental rates will be determined at an "amount necessary to pay any and all operating costs...". This allows the market to rebill all necessary operating expenses to break even. This language is actually good as written and could be expanded to reflect, in detail, the recommended program of rebilling operating expenses as outlined in the strategic plan section of this report.

SUBLEASE BETWEEN BMMC AND MARKET TENANTS

Issues

The Broadway Market must embark on the road to economic self-sufficiency and institute a new form of how tenants are rebilled. Market operations are presently subsidized by the city and should be phased out as the market's fortunes improve.

In effect, since the market carries no debt and is not repaying any amortized expenses, the rates rebilled to tenants are merely a pass through of operating expenses and do not constitute "rent" in the conventional sense. Rent as such would not only cover complete operating expenses but would include amortization of the base building, capital improvements, loan repayments and other normal expenses incurred in the maintenance of the physical facility and operation of the project.

Therefore, it is incumbent that the BMMC rebill appropriately and have the proper language in the lease so that it can fulfill its obligation to manage and market the facility in a competitive manner.

The current market sublease should be changed to institute a clear-cut policy for establishing how tenants will be rebilled for their share of operating expenses in addition to charges for base rent, utilities and coolers.

Opportunities

Common Area Maintenance

Common Area Maintenance, referred to as “CAM,” allows the Landlord to pass through a pro rata share of operating expenses to the tenants. Some markets charge CAM for 100% of all operating expenses which are passed through to the tenants in addition to their base rent and utility charges.

For BMMC to break out of a subsidize and beg (at City Hall) cycle, there needs to be a mechanism to equitably distribute expenses to all tenants throughout the market. The CAM method is standard in most multi-tenant retail facilities. The approach with public markets is different, but the result is the same.

As part of the strategic plan, BMMC should institute a Base Year operating budget. For discussion purposes, say that the market's Base Year budget is 1999 and expenses total \$686,000. After 1999, the Base Year, all increases in common area maintenance expenses are passed along to tenants on a pro rata basis. That is, each tenant, based on their square footage, would be charged a percentage of the increase in common area expenses over the base year. The exact amount is estimated in advance at the beginning of the budget year and each tenant's share is calculated proportionately.

There are several ways to specifically calculate each tenant's share on an equitable basis. The most common method is to determine the total rentable square feet in the market and each tenant's percentage of that total, which is used as the multiplier. Sample language showing how this is done is included in the appendices.

Utilities

The language in Article 5 (Utilities) is actually incorrect and should be changed to reflect that tenants get their electric hookups from the market, not from the utility company. BMMC should submeter and charge tenants for all utilities usage. Eventually, all utility users, large and small should have meters and be charged appropriately. After tenant use is subtracted from the overall market utility bill, the remainder can be rebilled on a pro rata basis and passed through into the operating expenses rebilled to tenants.

Repairs

The language in Section 6.1 regarding repairs needs clarification. It is vague about who is responsible for what type of repair. Typically, the tenant is responsible for all repairs to the leased premises and the Landlord is only obligated to provide and maintain utility connections. Sample language is included in the appendices.

If tenants want the market staff to perform maintenance or repairs on their equipment, they should be charged a separate fee based on the task. The tenants should not rely on the market staff to perform these duties during market hours, unless it is an emergency and should make arrangements to have the work performed after the market is closed so the market staff is not prevented from doing the normal work needed for the entire market facility.

Insurance

Consider adding the City of Buffalo as an additional insured on merchant policies. (Section 7e.)

Tenant Design Criteria

Add conformance to the Tenant Design Criteria in Section 7.2 b. The current BMMC Tenant Design Criteria should be reviewed and updated to keep the market looking fresh and up to date. The current Tenant Design Criteria is also a bit overdone and therefore does not get used as often as it should. Simple criteria needs to be established that tenants and farmers can quickly understand and use as a guide, within which they can still exercise their own creativity. A sample Tenant Design Criteria is included in the appendices.

Rents

The rent rate is not addressed specifically in the lease and does not need to be, but BMMC should institute a policy of different rental rates in the market. Every tenant does not need to pay the same rent. Differentiating the rental structure is more fair, as different spaces have different values and should be treated as such.

The issue of rent can easily get politicized and the more groundwork that is laid, the less this is likely to happen. It is imperative that the market move its finances into a position where it has the proper funds to operate and push itself into a stronger position. Tenants should know that all “rent” is being recycled directly back into the markets operations which will drive everyone's success. It is simply a reinvestment policy that every healthy business needs to follow.

Base rents can be differentiated by considering a number of factors:

- **SIZE:** a larger space might pay less per square foot than a smaller space;

- LOCATION: certain spaces are more valuable than others, i.e.: corners, high traffic areas;
- PRODUCT: certain products are more profitable than others: value added products can pay more rent and other products are more valuable to maintaining the right mix;
- LEASE TERM: length of lease can affect lease terms; and
- INVESTMENT: tenant investment may be offset by lower rent.

BMMC needs to move towards operational self-sufficiency and must begin phasing in increased base rents. There are three determinants to follow:

1. Based on PPS/PMC’s analysis, BMMC should first establish a minimum base rent that is needed from every tenant. BMMC may well be losing money on rentals to tenants in small spaces because of your staff time and overhead: a small tenant takes as much time to administer as a large tenant. However, rents should stay reasonable so as not to discourage small entrepreneurs, but BMMC does need to recognize its costs.
2. Secondly, the square foot rent needs to begin moving upward to reflect increased costs and the need for the market to take the market to a higher level of experience. It is management’s responsibility to get out front on this issue, even though it will be unpopular with tenants. The BMMC board and City Hall should be made aware of this in advance, so they are informed of the entrepreneurial reasons behind the decision. Therefore, when resistance flares up, there is a logical and reasonable explanation.
3. Once the base rent is established, each tenant’s situation should be computed based upon the product line and profitability of the particular business. BMMC will need to have frank discussions with the tenant about their sales levels in the market. Tenants are reluctant to discuss this with any candor. The following chart can serve as a guide to determining the amount of rent a business can pay and is based on retail industry standards developed from retail facilities where sales by tenant are reported.

This chart shows that a prepared food vendor can afford to pay double the rent of a butcher, for instance (9.0% vs. 4.5%). The base rent, therefore should cover the low end of this scale and in the case of Broadway Market, the current \$13.25 per square foot should be the base rent, increasing from there.

Percent of Sales That a Tenant Can Afford To Pay as Rent.

| | |
|----------------|------------|
| Bakery | 6.0 - 6.5% |
| Cheese | 7.5 - 8.0% |
| Coffee/tea | 7.0 - 8.0% |
| Eggs/Dairy | 5.0 - 6.0% |
| Flowers | 7.5% |
| Meat | 4.0 - 5.0% |
| Poultry | 4.0 - 4.5% |
| Prepared foods | 9.0% |
| Produce | 5.0 - 6.0% |
| Seafood | 4.0 - 4.5% |
| Daystalls | 6.0% |

And again, some consideration should be given to individual circumstances.
Comprehensive recommendations for rent and operating expenses are presented in the
"Strategic Business Development Plan" below.

STRATEGIC BUSINESS DEVELOPMENT PLAN

Currently, the Broadway Market operations are subsidized by the city and supplemented with grant monies. The market must plot its transition to become operationally self-sustaining and regain strength and preeminence as a city institution.

A program of capital improvements tied into a market revival strategy provides the natural impetus to kick-start the market's regeneration. The recommendations presented in this report need to be compiled into an overall design master plan for the market in order to set priorities and develop implementation strategies. While currently the market funds capital improvements with city bond funds, other financing strategies should be explored as well.

This Strategic Business Development Plan requires that the market be perceived not only as a social and cultural institution, but more fundamentally as a business that must be run more aggressively, creatively and entrepreneurially to ensure its continuation and vitality and to enhance the value of the surrounding community.

Operating Expenses

The projected operating revenues and expenses for Budget Year 1999 are \$668,660. The 1999 budget is 2% less than the 1998 budget.

Currently, rents do not cover expenses. Based on a total of 45,000 rentable square feet, this amounts to a cost of \$14.85 per rentable square foot of operating expenses. Current rents are \$13.25 per rentable square foot and Save-A-Lot has a long term lease that starts at \$2 per rentable square foot. It is important to note that the city provides trash removal services and utility subsidies which, if removed immediately, would be a hardship on the market.

A sensible transitional strategy needs to be followed to put the market on firm financial footing that will enable it to move forward with strength, able to attract new customers and compete for a larger piece of business. The competition for the food dollar is more intense than ever and the market must respond boldly. The market must determine what it needs operationally to increase sales. And then, secondly, figure out how to get there.

The following is a itemized analysis of the market's current operating budget and recommendations for changes:

Marketing

The \$50,000 advertising and marketing budget is actually not out of line with other public markets. As noted in this report, markets cannot afford to have a traditional media campaign like a supermarket. A market's best strategy is to position itself as a cultural and social institution and to sponsor promotions and events that get free publicity. As this is more of a time issue and with the addition of a full time position to oversee promotions and leasing, the existing marketing budget can be magnified.

Merchant contribution to a separate advertising fund can also work to increase the marketing budget. Some increase in the budget would be appropriate during the two year strategic period to highlight improvements and help build momentum.

ADD: more money for promotions during transition and improvements
COST: \$20,000 (this money could be part of a redevelopment budget, not operations.)

Maintenance

The market needs to increase the general level of care and maintenance of the physical facility to make it more attractive both inside and outside.

ADD: full time maintenance director position
COST: \$28,000

ADD: one maintenance positions to assist with cleaning and as needed
COST: \$10,000

Insurance

BMMC should continue to get quotes, and contact the company that insures Pike Place Market in Seattle that is looking to insure other public markets.

COST: potential savings

Management

Provide management personnel to guide market through renewal and maintain growth strategy. Upgrade existing executive director position to include responsibility for implementing strategic plan and overseeing redevelopment.

ADD: Increase level of compensation for executive director by \$10,000. This should come out of development funds, not operations. This will reflect time and effectiveness of duties beyond the market's day to day operations.

ADD: Second in command market manager who is responsible for leasing, tenant relations and promotions. The current Small Business Coordinator fills some of this role, but his funding expires in July.

COST: \$30,000

Summary of Additional Operating Expenses:

| | |
|--------------|---------------------------------|
| Marketing | \$20,000 [redevelopment budget] |
| Maintenance | \$28,000 |
| | \$10,000 |
| Management | \$40,000 |
| Total | \$98,000 |

Market Revenues

There are a variety of options to consider when looking at how to increase revenues. Again, it is important to note that increasing market revenues is incumbent upon developing new anchor attractions and the adoption of a capital program to ready the market for growth. Also, since the market does not carry any debt, the word “rent” really just refers to a rebilling of operating expenses.

The idea of additional expenses is never popular, but management, the city and the BMMC must come to a consensus on this plan and work together to implement it. This is a necessary step to reverse the declining fortunes of the market and neighborhood.

Ways to Increase Market Revenue

The following options are presented to show different ways to increase revenues:

Base Rent and CAM Charges. The market should initiate a common area charge to cover needed increases in operating expenses and should also begin raising the base rents to cover added services which are necessary to push the market forward and grow its customer and vendor base. BMMC should consider beginning with a \$1 CAM charge in 1999, with a \$1 per square foot base rent increase. This could be followed by addition \$1 increase in CAM and base rents in 2000 and 2001. However, there are other ways to increase income other than to raise rents and these need to be explored as well.

Differentiation of Rents. All tenants do not need to pay the same amount of rent per square foot. As outlined in the "Lease Agreements" section of this report, rents can be set according to the following criteria:

- Size of space rented
- Tenant investment into market business
- Profit margin of business
- Value of business to market's goals
- Location; certain locations are more valuable than others
- Term of lease

There should be a minimum monthly base rent established. Any tenant, no matter how small or large takes time to manage.

Square Foot Survey. The market should embark on a thorough survey of all the rentable spaces in the market, both occupied and vacant. There may be a significant amount of square footage which is falling through the cracks. The market cannot afford to lose revenue to which it is entitled. This should be an immediate priority.

Coolers. Coolers, if provided by the Landlord or management should have all of the costs passed through to the user. These would include:

- Equipment charge (for use of the cooler)
- Utility charge
- Base rent charge
- Maintenance charge

The market should also consider whether it wants to remain in the cooler business and provide maintenance services for the tenants. In many markets, the tenants are responsible for supplying and maintaining their own coolers.

Utilities. First, all but the smallest users should have a meter and pay for utilities. BMMC should investigate local rebilling regulations to see if you can buy wholesale and sell utilities at a retail rate. BMMC is responsible for maintaining the overall system and handle distribution and billing which theoretically is what entitles it to recharge for utilities at a higher rate. Secondly, BMMC should determine the amount of utility charges that are common (i.e. aisles, bathrooms, escalator, HVAC, etc.) and rebill this back to the tenants.

Temporary Vendors. While the revenue from Easter vendors is significant, there is potential to increase this income line even more. The front area of the market, if fixed up and promoted, could bring in more revenue. This is also a nice place for members of the community to participate in the market's economics. It is also a good place to incubate a casual business that could eventually take a permanent space in the market.

Wholesale Spaces. Rent large areas on the perimeter of the market, basement and possibly even upstairs in the future. Mezzanine uses for an office would make this space attractive to potential users also and wouldn't increase their square footage requirements.

New Markets. The new markets suggested in this report – a spring flower market, summer/fall farmers market, and an expanded holiday market – will bring new revenue to the market after an initial start-up period. Funding should be sought to defray start-up costs of the first two years, as well as to cover capital costs (i.e., a shed for the farmers). Some markets rent bulk space out, for example, to a craft market organizer and they are responsible for getting all of the vendors and doing all of the promotion. The market charges for the space and is spared the operational issues. Using the market as a kind of exposition center could also create opportunities for other different types of markets, such as antiques and collectibles, sports equipment, computer equipment, music etc.

2nd Level & Cellar Uses. With a capital investment (including an elevator), other underutilized parts of the market can be converted into income generators as well, whether for tenant storage or new uses such as community offices. There is tremendous potential here, with the right user. To get people thinking about this space in a different way that market could initiate (or could find a partner with some money) some events of promotions such as a concert to get people into the space. For instance, the upper parking area on the roof is even large enough to have a drivers licensing and testing center. Be imaginative and open to all possibilities!

Advertising. A separate charge for advertising can be added to a tenants monthly bill. Currently Broadway market tenants pay advertising indirectly through their base rent. If tenants want to spend more, then they merely need to put more money into their advertising fund. The landlord collects the money as part of rent and executes the advertising plan. Advertising costs can also be included as CAM charges.

Business Improvement District. A BID, managed by market staff, would allow some overhead expenses to be shared with the Broadway Fillmore district.

Fundraising and Grants. A market foundation is one opportunity to encourage private donations, building on the special affection that many residents of Buffalo have for the market. In Columbus, 1200 people attended North Market's annual gala, raising significant funds for the market. BMMC has already been successful in obtaining various program grants, and this strategic plan identifies a number of new programs which would be eligible for grant funding from government and foundation sources.

Two Year Strategic Plan

Over the past two years, the Broadway Market has made significant strides in improving the market and stabilizing it financially. Over the next two years, Broadway Market Management Corporation is excellently positioned to strategically revamp the market

1. *Develop a design master plan:* The purpose of this work is to refine and more fully develop the design and other recommendations of this report and to develop a cost estimate and phasing plan for improvements to the market structure itself. This should include an evaluation of the current structural, mechanical and architectural condition of the market, expanding on existing information. This work will include a preferred leasing plan for new vendor spaces and a model stall program as well.
2. *Develop new merchandising opportunities:* Priority should be given to initiating the farmers market, as well as the spring flower market and expanded holiday market as anchor attractions in order to build on the Easter tradition at the market and increase its trade area. New permanent tenants should be recruited for the market as well. These changes should not wait for a design master plan to be fully implemented.

3. *Change market operating practices:* The numerous recommendations in this report with regard to leases, CAM charges, utilities, etc. are all ways to increase market income and can be phased in so as not be a burden on tenants. If accomplished in connection with design and merchandising improvements, increased charges should not become an issue.
4. *Establish the Broadway Market Foundation:* The foundation, as noted, can become a fundraising arm of the market, a type of “friends” group, which can sponsor events and a heritage center at the market.
5. *Expand the market’s role in neighborhood revitalization:* The market can play a key role in economic development and housing renovation and expansion in the neighborhood, as well as leverage its management expertise to undertake basic maintenance activities in the Broadway Fillmore district. A Business Improvement District, with a modest budget, should be investigated to offset these costs.

APPENDICES

- A. COMPARISONS TO NATIONAL MODELS**
- B. 1998 EASTER SURVEY RESULTS**
- C. FARM MARKET PROGRAM MEMO**
- D. CAM: COMMON AREA MAINTENANCE LEASE LANGUAGE**
- E. TENANT DESIGN CRITERIA: READING TERMINAL MARKET**

APPENDIX A. COMPARISON TO OTHER MARKETS

The following comparative information is offered as reference to gauge Broadway Market's future strategies and plans against other large urban markets. At nearly 100,000 sf, Broadway Market is one of the largest indoor public markets in the United States. The Broadway Market has one of the highest ratios of rental area to parking spaces in the United States.

Trends emerging in these older markets include:

- a shift to more private style, entrepreneurial management;
- a renewed sense of local pride and acknowledgement of the role that markets play in developing local economies and places; and
- the cultural and social importance of markets in cities

The following chart compares operational data from other urban, largely fresh-food public markets across the US, many in lower income areas or serving lower income clientele.

APPENDIX B. 1998 EASTER SURVEY RESULTS

APPENDIX C. FARM MARKET PROGRAM MEMO

APPENDIX D. CAM: COMMON AREA MAINTENANCE LEASE LANGUAGE

**APPENDIX E.
MARKET**

TENANT DESIGN CRITERIA: READING TERMINAL

