



**A Retail Real Estate Consulting Firm**

85 Fourth Avenue, Suite 6A  
New York, New York 10003  
Phone: 917-816-8367

2730 Forest Avenue, Suite W  
Berkeley, California 94705  
Phone: 510-356-4956

Memorandum

To: Vivian Carmody  
Director, Downtown Development Authority, City of Berkley

From: Michael J. Berne  
President, MJB Consulting

Re: Final Executive Summary Memo  
Retail Positioning Strategy and Implementation Plan – Downtown Berkley

Date: February 18, 2018

---

In March of 2017, the Downtown Development Authority of the City of Berkley (DDA) officially hired MJB Consulting (MJB) to develop a Retail Positioning Strategy and Implementation Plan for the Downtown of Berkley, MI.

Specifically, MJB was charged with the following:

- \* Outlining a viable market position for Downtown Berkley (i.e. core customer, merchandise mix, price point, etc.);
- \* Describing the basic characteristics and needs of realistic tenant prospects (e.g. size and capitalization, site requirements, etc.);
- \* Offering guidance on how existing merchants might take better advantage of extant opportunities;

- \* Designating appropriate roles for the various public and quasi-public/non-profit entities while at the same time indicating how local landlords and developers will need to approach leasing decisions and property investments going forward; and
- \* Specifying next steps for the DDA itself.

In order to develop its findings and recommendations, MJB undertook the following scope-of-work:

- \* Client-led walking/driving tour of Downtown
- \* Guided and self-guided driving and walking tours of Downtown and surroundings
- \* Survey and assessment of nearby competing shopping centers and business districts
- \* “Total immersion” in Downtown and context, on three separate visits
- \* Intercept survey of Downtown pedestrians at different times of the day and night
- \* Meetings with landlords, brokers, public officials as well as other stakeholders
- \* Two focus groups with Downtown merchants
- \* Review and interpretation of demographic, psychographic and sales-leakage data
- \* Reference to appropriate analogs from across North America

MJB’s Principal, Michael J. Berne, gave two presentations of the firm’s initial findings and recommendations in December 2017. The following summarizes the latter, integrating feedback from those two sessions.

## **Recommendations**

### Retail Positioning and Tenanting Strategy

- \* The definition of Downtown utilized by the DDA – the one-mile stretch of Twelve Mile Road from Coolidge Highway to Greenfield Avenue, and a similar distance along Coolidge Highway, from Twelve Mile Road to Eleven Mile Road -- does *not* align with what the layperson would understand as Downtown Berkley (if she even knew that Berkley had a Downtown).

While such definitions are admittedly more art than science, Downtowns are typically characterized by the following:

- No more than 0.25 miles in length, according with what is generally considered to be “walking distance”;
- Higher-intensity, zero-setback development, with continuous street-level retail uses; and a
- Clear pedestrian orientation

Using such criteria, one would probably designate as Downtown Berkley the roughly four-block, 0.2-mile stretch of Twelve Mile Road between Wakefield Road and Tyler Avenue, punctuated by the old theater marquee. It could conceivably be extended as far west as Royal Avenue so as to encompass the transition zone that includes the Hartfield Lanes opportunity site (see image below).



There is also a relatively continuous retail fabric along the approximately three-block, 0.2-mile stretch of Coolidge Highway between Wiltshire Drive and Catalpa Drive, though inasmuch as it lacks some of the aforementioned characteristics of and is physically disconnected from the Downtown as delineated above, it ought to be treated and branded as a separate business district.

Consensus has not yet been reached in the business community about what does and does not constitute “Downtown Berkley”. For the purposes of this memorandum, then, the stretch along Twelve Mile Road between Wakefield Road and Tyler Avenue will be referred to as the “Principal Business District”, and the one along Coolidge Highway between Wiltshire Drive and Catalpa Drive, the “Coolidge Business District”.

In order to understand how to “position” the Principal and Coolidge Business Districts as retail locations, it is first necessary to explore an important distinction between *niche* and *mass-market* retail.

The latter describes the basic thrust of most “Main Street” business districts as recently as the 1950’s, when they still provided for day-to-day needs as well as discretionary purchases. Much of that activity has since shifted to large-lot, automobile-friendly formats such as are found along the Woodward Avenue (M-1) and Southfield Road corridors or in the vicinity of Coolidge Highway and W. Maple Road in Troy.

In response to this shift, many “Main Street” districts, in order to retain or regain their relevance, turned to specific *niches* – particular consumer submarkets or product categories, for example – that had been underserved within the broader competitive marketplace. The Vernor Highway corridor in Southwest Detroit, for example, caters to the local Hispanic (primarily Mexican) immigrant community.

Berkley’s Principal Business District can try to revert to its previous identity and focus on attracting mass-market anchors like a traditional grocery store or movie theater, but these would likely struggle against nearby competitors in their respective categories. The more promising approach is to identify a space that it can own for itself, that it does better than anywhere else.

In order to understand what specifically this might be, Berkley’s chief rivals must first be considered, and their respective strengths and weaknesses reviewed.

\* Royal Oak’s Main Street is primarily driven by food and beverage concepts oriented towards a young “bro-tastic” crowd. Furthermore, with its recent mid-rise development, it is evolving at an entirely different scale.

\* Ferndale's Nine Mile Road also focuses to a considerable degree on dining and nightlife. It does not, however, seem to concentrate on any one type of customer, indicating a district in transition. Moreover, it struggles with a limited parking supply.

\* Birmingham's West Maple Road is a shopping destination for largely up-market national brands, and the Downtown as a whole conforms itself to a more "precious", high-end sensibility.

\* Royal Oak's Washington Avenue still contains a collection of independently-owned boutiques but retail space there is priced more expensively, at \$18 to \$20 per sq ft NNN (versus \$10 to \$14 per sq ft NNN for Berkley's Principal Business District).

Within the context of these competitors, Berkley's Principal Business District can quite clearly differentiate itself in the following terms:

\* Its unpretentious, small-town charm (versus Royal Oak's Main Street)

\* Its eclectic shopping and dining (versus Birmingham's W. Maple Road)

\* Its free and plentiful parking (versus Ferndale's Nine Mile Road)

\* Its lower rents (versus Royal Oak's Washington Street)

Its core customer, then, would be one more likely to gravitate to and spend in its mix of eclectic shops and eateries. Such patrons would not only encompass residents of Berkley, but also, destination-driven consumers from other communities who bypass their local business districts for Berkley's because the latter is more in keeping with their particular (or "niche") tastes, preferences and sensibilities.

This core customer is a young mother, in her 30's or 40's and with kids at home. Her tastes might be described as "artsy", though not especially edgy. Past the point in her life when she needs to "see and be seen" (i.e. Royal Oak), she is not especially interested in the latest fashion trends. Rather, she dresses in practical styles and focuses on value. She might also be shopping for her children.

That said, with the arrival of Berkley Common, Berkley might start to attract a somewhat younger and hipper crowd of 20- and 30-somethings who may or may not have kids. This psychographic, consisting of what would be called "neo-hipsters", adds another dimension to the city's retail mix, providing support for more contemporary concepts like Peninsulas and Sum Girls Boutique.

Positioning Berkley's Principal Business District in these terms implies the following sorts of tenants:

\* Non-chains: Berkley as a retail location is at the stage in its evolution where it is unlikely to draw the interest of many national brands. Moreover, the aforementioned positioning implies a bias towards independently-owned, human-scaled businesses that

reflect its eclecticism and small-town charm. Many landlords, however, are unwilling to work with true mom-and-pops and start-up entrepreneurs, owing to their weak credit.

In such cases, Berkley might aspire to the “chain-let”. These are businesses with a handful of existing locations – enough to at least offer to property owners a proven track record, but not so many as to seem ubiquitous. One local example is Catching Fireflies, which, in addition to its Berkley address, operates stores in the Downtowns of Rochester and Ann Arbor.

The ideal sort of chain-let is the multi-concept operator, or MCO. These are chain-lets in the sense that they, too, boast a handful of locations, yet each one operates under a different banner, such that it does not bare any resemblance to the others and presents to the general public as a true one-off. A local example is Bob Bronstein, the proprietor of both Patrick J’s Irish Pub and 24 Seconds Bar & Grill.

\* A critical mass of (synergistic) comparison-goods retailers: In contrast to providers of convenience goods and services, these sorts of businesses specialize in lines of merchandise for which the consumer typically prefers to “comparison-shop” on the basis of quality, style and price. Examples include apparel, footwear, fashion accessories and home furnishings.

Berkley already boasts a number of shops featuring comparison goods but not yet a “critical mass”, that is, a cluster large enough to be capable of generating a steady stream of foot traffic and to be considered more broadly as a shopping *destination*. Consider it in contrast, for instance, to Downtown Birmingham, which is widely regarded as such.

For the reasons noted above, new additions to the existing collection should also take the form of owner-operated boutiques with truly differentiated concepts, an emphasis on customer service and a commitment to the local community. They may also include small chain-lets, but ideally, regional ones -- say, from other cities across Michigan – with which local shoppers are not already familiar.

Finally, these retailers should *synergize* with one another, that is, they should offer complementary lines of merchandise for a similar shopper, so as to maximize the potential for cross-traffic between them. In Berkley’s case, this might include, for instance, women’s apparel, housewares, gifts and books, including children’s and second-hand / consignment items.

\* Additional food and beverage concepts. One need only look at the role which Mabel Gray has played in raising Hazel Park’s profile across Metro Detroit to appreciate that food – whether in the form of restaurants, truck pods, market halls, etc. -- is the new anchor, uniquely capable of drawing patrons to districts that they had either never considered or long avoided.

Indeed, the presence of dining and drinking establishments can also help to ensure the steady stream of foot traffic needed by shops and other nearby businesses. This impact can be maximized if the restaurants are capable of pulling from beyond Berkley, if they

serve both dinner *and* lunch, if the retailers themselves are willing to remain open into the early evenings, and again, if both are catering to similar customers.

Generally (though not exclusively), this translates to restaurant concepts that feature a diverse menu of healthy and/or comfort foods, offer an extensive list of craft beers and cocktails and promote a casual, informal vibe within a contemporary yet “shabby-chic” space. Local examples would include Republica, Vinsetta Garage and now, Berkley Common.

\* Regular drivers of foot traffic. There has been some consternation about the proliferation of studios (e.g. fitness, yoga, pilates, dance, etc.) in ground-floor spaces along Twelve Mile Road. This, however, might stem in part from a misunderstanding of the role that such tenants play in the lives in modern consumers and the larger significance of the uses that embed the Principal Business District in their daily routines.

The traditional Main Street was typically able to rely on anchors that generated foot traffic on a regular basis, like five-and-dime stores, grocers and cinemas. Again, many of these categories have since decamped to the auto strip, leaving such districts with the challenge of identifying other uses that can attract patrons multiple times in a given month or week. In Berkley’s Principal Business District, for example, Rite Aid serves this purpose.

Studios do so as well, and desirable customers at that. Unlike, for example, the stereotypical health club that produces sweaty weight-lifters and little spinoff, “boutique” fitness studios draw affluent female professionals who, given the emergence of “athleisure” as an acceptable form of attire for other activities such as shopping and socializing, might also spend at nearby businesses either before or after their workouts.

This also points to the importance of “Third Place” venues like coffeehouses which, as settings that provide a sense of belonging (and sell an addictive drug), are capable of attracting patrons on a frequent if not daily basis. Another example, aligning with Berkley’s concentration of young families, is a tutoring service like Sylvan Learning, which leaves parents with time to shop while their kids are in session every week.

\* Crossover draws: The challenge with niche retail is that while it might be the kind more likely to make and keep a business district relevant, it also runs counter to the notion of a Principal Business District as a center and “crossroads” for an entire community. Indeed, the core customers outlined above do not include a great many others who currently live in Berkley and/or who shop and eat there now.

There is also, then, a need for concepts that can appeal to a broad range of potential customers, that cut across different tastes, preferences and sensibilities and thereby truly represent *all* of Berkley. Such tenants are most often restaurants, as food is the category where consumers tend to feel the most comfortable while sharing a space with others who are *not* like them.



Amici's Pizza: an example of "crossover" retail in Berkley's Principal Business District

Finally, the Coolidge Business District demands a somewhat different leasing approach. There, not only are the levels of pedestrian activity lower, but also, given the high speeds of passing motorists as well as the uncertainty about available parking that zero-setback development creates in their minds, few are likely to stop on impulse, further reducing in-store traffic.

Tenants without obvious off-street parking, then, generally need to be destination-driven, with loyal followings already in place. And with fewer customers on a daily basis, they should probably opt for a low-volume / high-margin business model, with a relatively affluent clientele – from Huntington Woods, for example – that can afford the elevated prices thus implied.

These sorts of corridors often fill with retailers that specialize in big-ticket items which do not need to be purchased often and for which parking is typically not as much of a concern, like home furnishings and bridal. Within each of these categories, there is a preference to locate near other such businesses, resulting in clusters that motorists driving past every day will remember when the time arrives for such expenditures.

If, however, Coolidge Highway were to be subjected to a so-called "road diet", with three lanes of traffic, two lanes for bicycles and two lanes for parallel parking, the conditions for pedestrian-oriented retail would improve somewhat, and tenancing opportunities could in the long term more closely approximate those for the Principal Business District along Twelve Mile Road.

This evolution would take some time, however. The anchoring and co-tenancy on Coolidge Highway today is still considerably weaker, and the level of foot traffic, lower, thus deterring prospective tenants. And even with the additional on-street parking stalls, there would still be fewer spaces overall, given the absence of off-street lots behind most of the buildings.

### Action Items

The following presents a retail action plan for Berkley's Downtown Development Authority. Rather than simply provide a laundry list of everything that the DDA *could* do, this offers a realistic and achievable agenda in light of existing strengths and capacities. It is also *not* meant to absolve other stakeholders – like property owners, for example – from their essential roles and responsibilities.

#### a. Retail Attraction

So what role can the DDA actually play, given that it does not own or rent retail space?

While regulatory tools designed to affect a particular mix (the “stick”) harbor the potential for unintended consequences, the DDA *can* lobby and advocate on behalf of certain kinds of tenants with property owners and leasing professionals, and perhaps even establish new incentives (the “carrot”) or rework existing ones so as to provide a form of encouragement.

\* For example, many Downtown organizations across North America have chosen to create or redirect a salaried position either solely or partly to retail attraction. This individual would supplement and support the efforts of landlords and brokers by assuming responsibility for the time and uncertainty often involved in trying to land more compelling and catalytic (yet still creditworthy) tenancies.

Specifically, this “retail recruiter” would focus on identifying and pre-qualifying prospects that would correspond to the positioning and tenanting strategy outlined above. If he/she were to develop a promising lead, it would then be forwarded to the landlord(s) and/or broker(s) of spaces that meet its site criteria, with the latter still earning the commission on any deal that is then consummated.

Before proceeding, however, the DDA would first need to: 1) ensure that it has adequate staff capacity (equal to at least 0.33 FTE) to play this role; 2) put that staffer through intensive training on how to speak the “language” of retail leasing and how to source and screen realistic prospects; and 3) secure buy-in from landlords and brokers, who would need to be familiarized with the mechanics and sold on the benefits.

If the DDA does not secure additional capacity beyond what exists at present, its role in recruitment might have to be more *reactive*. That is, rather than keeping close tabs on storefronts that *could* become vacant (or sites that *could* be redeveloped) in the future and then preemptively prospecting on their behalf, it might need to limit itself to those available spaces that have already hit the market and are actively advertising for tenants.

Once, for example, a “For Lease” sign appears, the DDA’s executive director could contact the landlord / broker to gauge interest in supplemental prospecting efforts. If the response is positive, the (trained) volunteers on the Economic Development Committee would then assume responsibility for identifying and researching possibilities, and meet on a regular basis to discuss and vet what they have unearthed.

\* Such an effort would entail the development of a retail marketing and leasing brochure that sells the district as a whole (as opposed to individual spaces therein) to prospective tenants and leasing professionals. Speaking in their language, this piece would frame the opportunity that Berkley presents, detailing its differentiating attributes and selling points within the context of its chief competitors.

The brochure would then serve as the basis of an associated “road show” wherein the case for Berkley is put forth, and the specific opportunities identified. Such efforts might include, for instance, presentations at industry events, coverage in business publications,



one-on-one meetings with local and regional brokerages as well as outreach through grass-roots entrepreneurial and maker networks.



MJB has also assisted a number of BID’s across North America with these sorts of campaigns. In Downtown **Berkeley** (CA), for example, our work has been instrumental in “changing the conversation” among retail brokerages, shifting their perception of the city as a crazy place best avoided to a high-density market of well-educated, well-off households. This has resulted not just in a plummeting vacancy rate, from 11.2% in 2014 to 4.6% today but also, an influx of high-caliber food and beverage operators from San Francisco. Meanwhile, in **Raleigh** (NC), our brochure and outreach served the purpose of familiarizing property owners and leasing professionals of the conservative Southern city about the eclectic tastes and retail potential of the hipsters and neo-hipsters who had descended on their Downtown. The landlords and brokers took to these ideas readily, and today Downtown’s upward ascendance, as a hub for creative and alternative culture, is unmistakable, with the study area now boasting one of the largest concentrations of independently-owned and operated businesses in the region.

Finally, it is critical in this day and age that such a brochure be available in both print and digital formats. Indeed, the DDA should create an additional tab on its current website for “Prospective Retail and Restaurant Tenants”, containing not just a link to the piece but also, the highlights of the pitch itself (see below). It would also provide a regularly-updated database of available spaces, with links to their respective flyers (if applicable).

*A bustling downtown*

- Over 1 million annual theater and cinema patrons, growing to 1.4 million by 2015
- New facility for Berkeley Art Museum projected to draw 200,000+ annual patrons
- One of the hottest dining destinations in the food-obsessed Bay Area with over 150 restaurants
- Doubling of Downtown’s residential population since 2000, growing by another 80% in next five years
- Current housing boom drawing mostly professionals and empty nesters
- 2nd busiest station in the entire BART system outside San Francisco
- Some of the highest pedestrian volumes in the Bay Area outside San Francisco
- A perfect “Walk Score” of 100

## b. Retail Retention

Just as important as attraction, retail retention refers to the nurturing and support of *existing* merchants, not only as a matter of fairness but also, because they can represent a given district’s best ambassadors – as concrete proof of a viable market – and its most likely source of new tenants, or if they do not succeed, a “black eye” that will be difficult to overcome.

\* Retention can take many forms. The DDA might use its “bully pulpit” to lobby on behalf of brick-and-mortar shopping. Consumers will often speak longingly about the Main Street of yore, while in the same conversation admitting that they make the bulk of their retail purchases online. With its small-town charm, however, Berkeley is the sort of community where a “Buy-In-Stores” campaign could conceivably gain traction.

This contradiction should be noted, then, and attendant guilt summoned, wherever appropriate. For example, the DDA could publish opinion pieces in local media publications. It can create and distribute decals that merchants could affix to their windows, and hold contests with prizes to shoppers who can point to expenditures in the highest number of physical stores.

The DDA might also consider developing and distributing a “Buy-In-Stores” shopping guide that encourages additional visitation to and expenditure at brick-and-mortar stores. Such a piece would also offer an opportunity to promote the retail positioning strategy in terms that resonate with consumers, as well as highlight specific local businesses that capture its essence.

\* Berkley suffers from a rather low profile across Metro Detroit, typically failing to make the list of Oakland County destinations alongside Ferndale, Royal Oak and Birmingham (see image below). To the extent that Berkley has a broader identity at all, it is understood to be a rather conservative community that values families, schools, churches and small-town life.



Tourist map available in local hotels, which does *not* highlight Berkley

In addition, then, to its efforts to market Berkley to the tenant and leasing communities, the DDA might also work to raise Berkley’s profile and promulgate a different sort of identity among potential consumers, one that suggests a more contemporary, forward-looking community, that speaks to its core customers (see above) and that emphasizes its unique points of differentiation (see above).

In an era where traditional advertising is often distrusted and discounted, this campaign should focus instead on achieving what is known as “earned media”, that is, publicity garnered as a result of promotional efforts *other* than paid or owned media. This might include, for instance, coverage from mainline, lifestyle and alternative publications, contests to maximize social-media posts and reviews, etc.

\* Commercial property values in Berkley today might seem reasonable in comparison to those in higher-profile districts like Royal Oak and Ferndale, but if this effort is at all successful, that could change quickly. Now, then, is the time for individual merchants who rent their spaces to consider trying to buy their buildings, so as to avoid the possibility of displacement later on.

One possible source of financial assistance with such purchases is the Small Business Administration's (SBA) 504 Loan Program, which offers up to a \$5.5 million, fixed-rate, low-interest loan for fixed assets like real estate and equipment to retailers and restaurateurs with a net worth of less than \$15 million and an average annual net income of less than \$5 million.

One of the chief selling points of the 504 Loan is the low 10% down-payment (versus the typical 20-30%), which enables the merchant to conserve funds for use as working capital. And while the municipality does not necessarily have to play any role in such a transaction, the DDA might explore the possibility of lowering this initial outlay still further by providing a small piece of the financing in a subordinate position.

\* DDA could also provide support for ongoing operations. For example, it might offer modestly-sized "Business Development" grants or rebates that can help to fund contracts with professional-service providers, like, for instance, marketing and merchandising consultants who can work with existing merchants in targeting new consumer submarkets and thereby broadening their reach.

These might also include providers of new tools and technologies that have been emerging, like, for instance, San Francisco, CA-based Thanx, which develops mobile-ordering apps for brick-and-mortar businesses that can not only integrate customer loyalty and retention programs but also collect valuable data on spending habits and preferences.

The DDA has already created a list of "Marketing Resources For Our Downtown Businesses" on its website, and, in keeping with this information-clearinghouse role, it could assume the responsibility of assembling and maintaining a database of different providers and technologies that have been screened and pre-qualified on the basis of objective criteria.

\* Finally, there is a value in fostering and reinforcing a merchant *community*, one in which individual businesses do not see one another as competition but work together as partners, referring potential customers to each other, collaborating on district-wide events and promotions and creating in the process a whole that is greater than its component parts.

The DDA can play a role in nurturing this, holding quarterly meetings where merchants gather in the same place, share their concerns, vent their frustrations, brainstorm responses to common challenges, etc. The DDA could also create and distribute a bi-monthly newsletter which offers news on new (and closed) businesses, updates on projects, dates of upcoming events, articles providing technical assistance, etc.

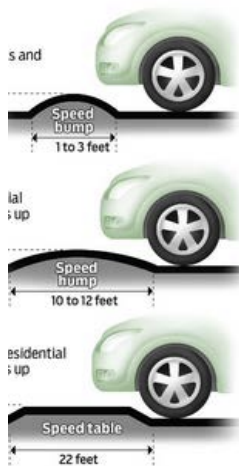
Finally, the DDA could explore a low-budget campaign to encourage cross-traffic by posting "You Might Also Be Interested In..." placards in highly-visible locations within existing businesses. Moms and dads dropping their kids at music lessons in the Principal Shopping District, for example, might thus be alerted to other nearby retailers and service providers that could appeal to them as parents, shoppers, etc.

### c. Walkability

The walkability of Metro Detroit's business districts has long been challenged by locations along wide arterial roads that carry significant amounts of fast-moving automobile traffic. Berkley is no different in this respect, with both Twelve Mile Road and Coolidge Highway consisting of four lanes and conveying between 15,000 to 20,000 cars per day.

\* One possible approach to traffic calming include the narrowing of these corridors from four lanes to two, similar to what was done along Ferndale's Nine Mile Road in the late 1990's. Of course, Nine Mile Road is owned by the City of Ferndale, whereas Twelve Mile Road is controlled by the Road Commission for Oakland County (RCOC), which might or might not be as amenable to such changes.

Alternately, Berkley might look to the model provided by the City of Clawson, its DDA and Oakland Main Street, which was able to gain control of the four-lane Downtown stretch of Fourteen Mile Road from the RCOC and to institute a series of traffic-calming measures there, including pedestrian crossings and islands as well as speed "tables" (see image below).



\* With businesses providing back entrances that offer direct pedestrian access from parking lots (see image below), Berkley's Principal Business District amounts to little more than two back-to-back strip malls separated by an arterial road. As part of its new Design Guidelines, the DDA should prohibit this practice, so as to encourage foot traffic along the sidewalks, perusing the window displays and in full view of passing motorists.



\* To ensure a continuous retail fabric that encourages pedestrians to keep walking, the new Design Guidelines should only allow street-level spaces in Berkley’s two business districts to be occupied by shops, cafes, restaurants, bars or other public-facing businesses that welcome walk-in traffic; other kinds of ground-floor commercial uses (see image below) should be prohibited unless they include some sort of retail function accounting for, say, 20-25% of the floorplate and revenue.

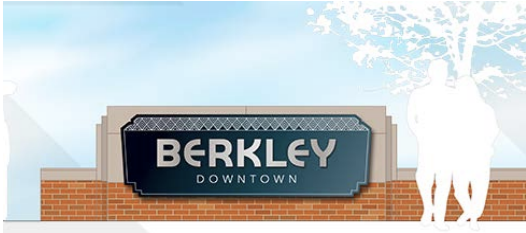


\* Given that off-street parking is ample in the Principal Business District, the DDA should explore the installation of one or two “park-let(s)” – public spaces designed and built within an on-street parking stalls, in collaboration with abutting tenants. This amenity, which temporarily existed in front of Corktown’s Astro Coffee (see image below), would also help in slowing automobile traffic along Twelve Mile Road and reframing Berkley as a forward-looking community that welcomes experimentation.



\* Efforts to enhance walkability should not obscure the fact that most of the foot traffic in Berkley’s two business districts arrives by private automobile. With that in mind, the DDA should seek additional funding to install “Berkley Principal Business District” gateway signage (see image below) not just at Twelve Mile Road and Coolidge Highway,

but also, Twelve Mile Road and Royal Avenue, for those motorists coming from the west.



\* In addition, the new Design Guidelines should allow for so-called “blade” signage – perpendicular to the street (see image below) – along both 12 Mile Road and Coolidge Highway, so as to increase the visibility of the individual businesses to passing motorists, with a bias in favor of creative fonts, colors and materials that can grab their attention while not appearing garish.



\* Finally, in recognition of the fact that both of Berkley’s business districts are dominated by zero-setback buildings for which the off-street parking is not necessarily visible from the street, the DDA should consider the installation of appropriately-placed wayfinding signage that points motorists in the direction of the larger parking fields in back. These might also provide a reminder that the spaces are free (see image below).





# Downtown Berkley

Retail Positioning Strategy and  
Implementation Plan



A Retail Real Estate Consulting Firm

**Presentation**  
December 2017

**Mike Berne**  
MJB Consulting

# Purpose

- Viable retail market "positioning"
  - Core customer, merchandise mix, price point, etc.
- Characteristics and needs of realistic prospects
  - Size and capitalization, site requirements, etc.
- Guidance for existing merchants
- Roles of various stakeholders
- Next steps for the DDA



# Scope-of-Work

- Six-day site visit
- Walking and driving tours
- Assessment of competition
- Pedestrian-intercept surveys
- Meetings with brokers and stakeholders
- Merchant focus groups
- Demographics and psychographics
- Interpretation of sales-leakage data
- Reference to analogs

# Relevant Findings

- Two markets to consider...
  - Consumers demanding goods and services (from retailers)
  - Tenants seeking retail space (from property owners)



# Relevant Findings

- Consumer demand (demographics)

	Berkley City	Secondary Trade Area	Oakland County
% College - Educated	49.2%	51.4%	46.0%
% Professional Occupations	36.1%	34.6%	28.6%

# Relevant Findings

- Consumer demand (demographics)
  - Berkley *reportedly* filling with young families...

	Berkley City	Secondary Trade Area	Oakland County
% Households With Children	28.0%	27.2%	31.8%
Average Household Size	2.25	2.26	2.45

# Relevant Findings

- Consumer demand (housing prices)
  - Current sales prices *reported* in the \$400-600K range...

	Berkley City	Secondary Trade Area	Oakland County
% Owner-Occupied Housing Units	<b>76.1%</b>	65.7%	66.0%
% Owner-Occupied Homes Valued at \$400K+	<b>1.8%</b>	7.4%	16.1%
Median Home Value	<b>\$160,652</b>	\$214,857	\$205,451

# Relevant Findings



- Consumer demand (psychographics)
  - **Midwestern Traditional (59%)**
    - Homeowners with modest incomes
    - Family-oriented "homebodies"
    - Budget-conscious shoppers
    - Preference for American-made
    - Dine at casual sit-down chains

# Relevant Findings

- Consumer demand (psychographics)
  - **Newer Arrivals** (22%)
    - College-educated and affluent
    - Urbane lifestyle, patron of "high culture"
    - Focus on the home, remodeling
    - Preference for organic foods
    - Attentive to price, users of coupons
    - Do *not* necessarily have children



# Relevant Findings

- Consumer Demand (intercepts)
  - Berkley City: 3.6% black
    - Southfield: roughly 71% black
  - Secondary Trade Area: 23.1% black
  - Intercept survey: 17.6% black





# Relevant Findings

- Consumer demand (competition)
  - Royal Oak: driven by food and beverage
    - Younger, "bro-tastic" customer
    - Shopping on Washington Street
  - Ferndale: driven by food and beverage
    - Younger customer
    - Scrambled identity, less alternative
  - Birmingham: branded shopping
    - More mature and upscale consumers



# Relevant Findings

- Consumer demand ("off-the-radar" / future competition)
  - Downtown Clawson
  - Woodward Corners By Beaumont
  - Southfield / strip centers



# Relevant Findings

- Tenant demand (rent levels)

	Average Rents (NNN)
<b>Berkley (12 Mile and Coolidge)</b>	<b>\$10 to 14 per sq ft</b>
Royal Oak (Main)	\$28 to \$35 per sq ft
Royal Oak (Washington)	<b>\$18 to 20 per sq ft</b>
Ferndale (9 Mile and Woodward)	\$18 to \$20 per sq ft
Birmingham (Downtown)	\$35 to \$50 per sq ft
Birmingham (Woodward, N of 13 Mile)	\$18 to \$22 per sq ft
Clawson (14 Mile)	<b>\$13 to \$14 per sq ft</b>
Detroit (Midtown)	\$25 to 35 per sq ft

# Relevant Findings

- Tenant demand (rents-to-sales)
  - The "10% rule"
  - \$10 to \$14 per sq ft NNN requires gross sales of...
    - \$120 to \$170 per sq ft (retail)
    - \$200 to \$280 per sq ft (restaurants)



# Relevant Findings

- Tenant demand (parking)
  - DT Berkley: free and ample
  - Royal Oak: on-street meters, 2 hrs free in garage
  - Ferndale: on-street meters, garage (future)
  - Woodward: free and ample (tenant-specific)
  - Clawson: free and ample



# Relevant Context

- Tenant demand (co-tenancy)
  - Appealing for boutiques (not chains) that cater to a similar customer





# Relevant Context



- Effects of e-commerce
  - Waiting until dust settles on "Black Friday"
  - Impact on retail has been grossly overstated
    - Downtowns started to adapt sixty years ago...
      - Food and fun
      - Niche and service
    - "Clicks-to-bricks" phenomenon
  - Felt at the margins (for small businesses)

# Positioning and Tenanting

- What is "Downtown" Berkley?
  - 12 Mile, between Tyler and Woodward
    - Need to focus (not dilute) identity and efforts
      - 0.25 mile walking radius
    - Slower traffic and a "sense of place"
      - Brick and concrete sidewalks
      - On-street parking
      - Bulb-outs
      - Matching street lamps





# Positioning and Tenanting

- What is "Downtown Berkley"?
  - Extends to Coolidge (east) and Oakshire (west)
    - To encompass possible development sites



# Positioning and Tenanting

- "Uptown" (Coolidge, from Wiltshire to Catalpa)
  - Disconnected from Downtown core
  - Not as friendly to pedestrians



# Positioning and Tenanting

- Need for differentiation vis-a-vis
  - ... restaurant-heavy (densifying) Royal Oak / Main Street
  - ... more expensive Royal Oak / Washington Street
  - ... restaurant-heavy and parking-challenged (densifying) Ferndale
  - ... overly precious and conventionally up-market Birmingham



# Positioning and Tenanting

- Downtown Berkley's points of differentiation
  - Unpretentious small-town charm
  - Eclectic shopping and dining
  - Central location
  - Lower rents
  - Free and plentiful parking



# Positioning and Tenanting

- Primary consumer submarkets
  - 30's to 40's females seeking practical styles (core/niche)
  - Young children / families (niche)
  - Destination-driven neo-hipsters (niche)
  - "Gamers" (niche)
  - Older traditionalists (crossover)





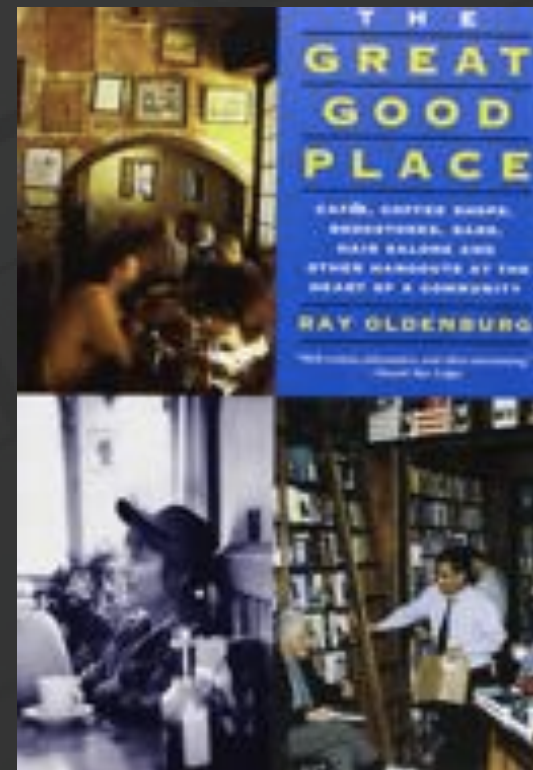
# Positioning and Tenanting

- Creating (or expanding) an "ecosystem"
  - Part of consumer's daily routine
    - More reasons, visits, foot traffic
    - Hedge against e-commerce



# Positioning and Tenanting

- Primary tenant submarkets
  - Critical mass of (synergistic) boutiques
    - Women's apparel (including thrift / consignment), gifts, books, etc.
  - Additional food and beverage concepts
  - "Third Place" venues



# Positioning and Tenanting

- Primary tenant submarkets
  - Smaller "chain-lets"
    - Multi-concept operators
  - Early-stage entrepreneurs
    - "Co-retailing"





# Roles and Initiatives

- Challenges to address...
  - Automobile orientation
  - Low levels of foot traffic
  - Weak brand identity and self-concept
  - Difficulties faced by small businesses
  - Rent levels insufficient to incentivize brokers

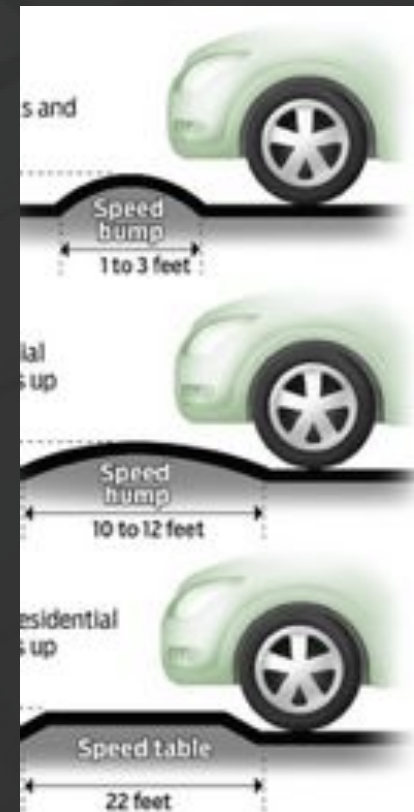
# Roles and Initiatives



- Encourage auto-oriented "blade" signage on both 12 Mile and Coolidge
  - As part of new Design Guidelines (2017)

# Roles and Initiatives

- Work with County on traffic-calming of 12 Mile (at least through "Downtown")
  - Road narrowing
  - Speed bumps, humps and tables



# Roles and Initiatives

- Explore installation of "park-lets"
  - Park-let: public space that replaces an on-street parking space (in collaboration with abutting tenant)
    - In light of ample parking
    - Would also help from a marketing standpoint



# Roles and Initiatives

- Require ground-floor *retail* uses in Downtown and Uptown
  - As part of new Design Guidelines (2017)



# Roles and Initiatives

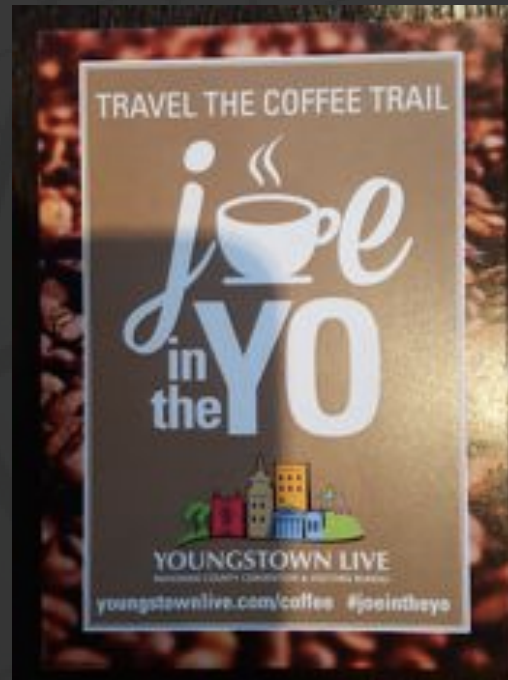
- Encourage merchants to provide one entrance (on 12 Mile, not the parking lot)
  - As part of new Design Guidelines (2017)





# Roles and Initiatives

- Undertake campaign to raise Berkley's profile among Metro Detroit residents, visitors
  - Advertising and coverage in local publications, competing districts



# Roles and Initiatives

- Work with County to erect new gateway signage
  - City of Berkley
    - Coolidge Highway / 13 Mile
    - 12 Mile / Greenfield Road
  - Downtown Berkley
    - Coolidge Highway / 12 Mile
    - 12 Mile / Oakshire Ave





# Roles and Initiatives



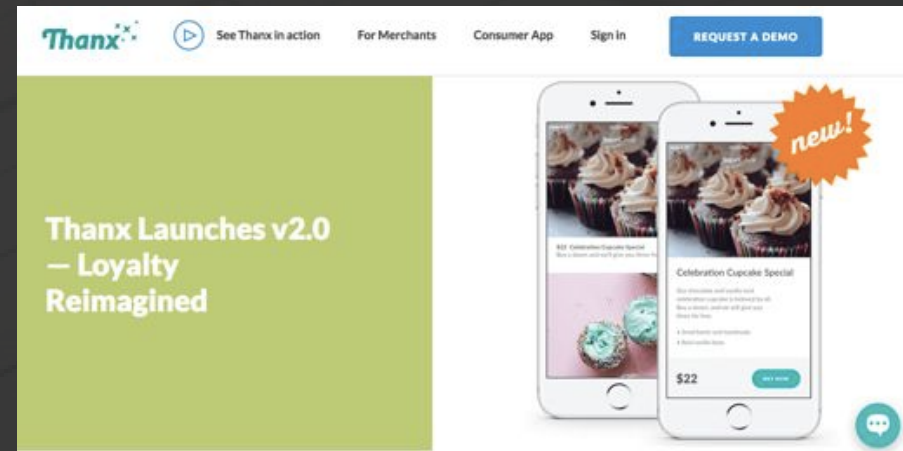
- Nurture and support existing merchants (community)
  - Hold quarterly meetings
  - Produce monthly newsletter
  - Generate cross-traffic with referrals
  - Develop themed walking tours / shopper guides

# Roles and Initiatives

- Nurture and support existing merchants (e-commerce)
  - Work "bully pulpit" on e-commerce
  - Explore platforms for online sales (via new subcommittee)



# Roles and Initiatives



- Nurture and support existing merchants (ongoing operations)
  - Offer "Business Development" grants or rebates
    - For professional services, marketing / advertising, etc.
  - Build data-driven relationships with core customers
  - Provide technical assistance on how to cater to (other) consumer submarkets

# Roles and Initiatives



- Nurture and support existing merchants (exit strategy)
  - Follow Zingerman's model for adapting to change
  - Investigate SBA 504 loans for building acquisition
  - Consider succession planning in advance

# Roles and Initiatives

- Think more holistically about tenanting
  - Leveraging synergies and cross-traffic
  - Driving premiums on other spaces and uses



# Roles and Initiatives

- Identify and pre-qualify prospects
  - Serve "matchmaking" function between tenant and landlord/broker
    - International / national / regional "chain-lets"
  - Requires at least 0.33 FTE



# Roles and Initiatives

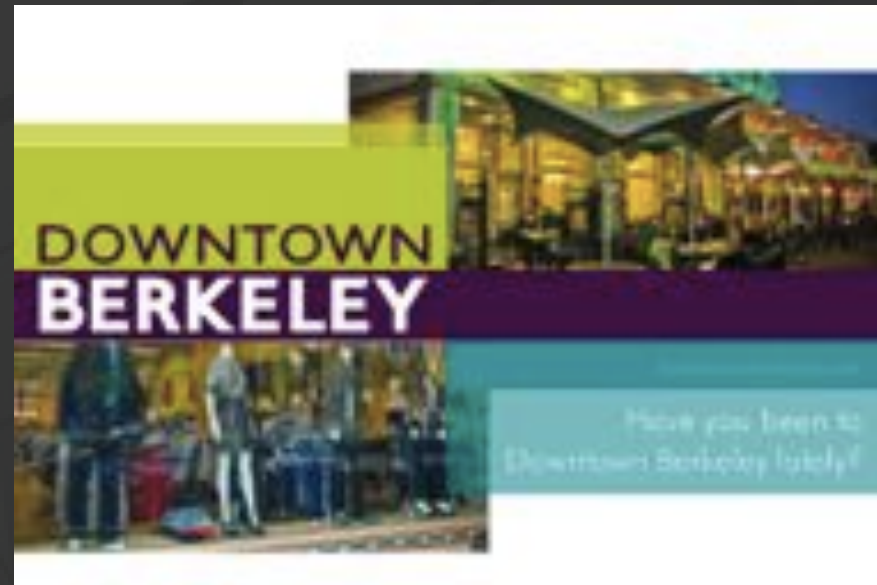
- Identify and pre-qualify prospects
  - Requires training regimen
    - Where to look
    - How to filter
    - What the landlord / broker needs to know





# Roles and Initiatives

- Develop a retail marketing brochure
  - Geared towards prospective tenants
    - Framing the opportunity
    - Speaking in a different "language"





# Roles and Initiatives

- Take brochure on a "road show"
  - (Re)introduce Berkley to the local leasing and tenant communities
    - One-on-one's with local retail brokerages
    - Presentations at local industry events
    - Coverage in local business publications



# Roles and Initiatives

- "Frame the opportunity" on the DDA website as well
  - Why prospective tenants should choose Downtown Berkeley (instead of one of its competitors)
    - Again, spoken in their "language"

## *A bustling downtown*

- Over 1 million annual theater and cinema patrons, growing to 1.4 million by 2016
- New facility for Berkeley Art Museum projected to draw 200,000+ annual patrons
- One of the hottest dining destinations in the food-obsessed Bay Area with over 150 restaurants
- Doubling of Downtown's residential population since 2000, growing by another 80% in next five years
- Current housing boom drawing mostly professionals and empty nesters
- 2nd busiest station in the entire BART system outside San Francisco
- Some of the highest pedestrian volumes in the Bay Area outside San Francisco
- A perfect "Walk Score" of 100

# Keep in Mind...

- "It is a marathon, not a sprint"
  - Especially with only 2% to 4% vacancy



# Contact Info

**Michael J. Berne**

President, MJB Consulting  
85 Fourth Avenue, Apt 6A  
New York, NY 10003

2730 Forest Avenue, Suite W  
Berkeley, CA 94705

Phone | 917 816 8367

E-Mail | [mikeberne@consultmjb.com](mailto:mikeberne@consultmjb.com)

Web | [www.consultmjb.com](http://www.consultmjb.com)



**A Retail Real Estate Consulting Firm**

© 2017 MJB Consulting