

Retail in Boulder

A Development History and Considerations for the Future

Evolution of Retail Development in Boulder

Until the 1960's:	Retail served the local population. Boulder was the hub for commercial activity and there was not any significant regional competition because population density in surrounding areas was low.
1960's to 1980's:	Role as the regional commercial center resulted in Boulder's dominance in the regional market. Crossroads Mall opened in 1963. Pearl Street Mall constructed. Proposal for a regional mall in the Centennial Valley/Louisville - a threat to Crossroads.
1980's to 1990's	Redeveloped Crossroads Mall opened in 1983, facilitated by a \$20 million TIF package. At height of productivity in early 1990's, Crossroads represented 10% of the City's sales tax base. Boulder's regional retail role began to be impacted by regional population growth and pro-retail policies of adjacent communities. Centennial Valley/Superior retail represented 1.5 million square feet of new growth and the 3 million square feet of space planned for FlatIron Crossing indicated a shift to those areas for region-serving retail.
Early 2000's	FlatIron Crossing area opened in 2000, facilitated by \$190 million in public financing. Crossroads vacancies accelerate by 2001. A Crossroads redevelopment plan by Macerich, approved by the City in 1999 resulted in no interest from retailers - FlatIron Crossing was under construction and was the focus of retailer interest. 29 th Street approved and began construction in 2004.
2005-2006	Boulder Retail Strategy completed: Focus on infill projects that could accommodate "mid box" (20-40k s.f. stores). "Big Box" (150K+ s.f. stores) are a challenge in Boulder's market due to lack of 12-15 acre sites and big box stores typically demand land prices of less than \$10/s.f. (Boulder's retail zoned sites currently \$30+/s.f.) The City is working with property owners on infill sites for mid box (such as Sunflower Market in The Village) and monitoring trends in big box development to determine if appropriate in the future. 29 th Street opens October 13, 2006.

Recent National Retail Trends

- Consolidation in the retail industry is a major and accelerating trend (e.g. department stores and grocery stores).
- The number of shopping centers has grown steadily since the 1970's, but the rate of growth has been under 3% since the 1990's.
- Retail sales in the middle of the market have been flat in recent years, while the high end (e.g. Saks, Neiman Marcus, Tiffany, Whole Foods, etc.) and budget end of the market (e.g. Wal Mart, Target, Kohl's, etc) have experienced sustained sales growth.
- Wal Mart is about to open their 4,000th U.S. store. Wal Mart is moving into urban/infill locations as their traditional rural/suburban markets become saturated. Communities are increasingly skeptical of their business practices.
- E-Commerce is a growing trend, but experts differ on the extent to which it will evolve to dominate sales. Some types of retailing (e.g. recorded music) are increasingly being replaced by non-store electronic distribution methods. However, "high touch" types of retailing (e.g. grocery shopping) have struggled to succeed through E-Commerce channels.

Issues to Consider Regarding Long-Term Retail Development in Boulder

- Boulder consumers are increasingly being stratified into higher and lower income market segments, with growth potential skewed to favor higher incomes.
- There is an old real estate adage that "retail follows rooftops", meaning that retail development is dependent on a residential population base to succeed. Boulder is approaching build-out, so retailers that rely on attracting customers from growing population centers may choose regional locations over Boulder. Future Boulder retailers may focus on serving the needs of 200,000 (those within the general Boulder Valley area) consumers that are highly educated and have growing incomes—two attributes that retailers factor heavily in location decisions. Boulder's primary challenge may be that the community's population density or local market area may not meet the threshold number for certain retailers.
- Many budget market retailers (e.g. KMart, JC Penney) have left Boulder. Given Boulder's commercial rent and ground prices, future development of lower-priced retailers in Boulder will be an increasing challenge. Many of these retailers have chosen to locate in areas that offer regional accessibility and lower, and/or publicly underwritten real estate costs.
- If current demographic and real estate trends continue, Boulder's primary retail market will continue to evolve to service a more affluent customer. If realized, this trend would likely attract more specialty retailers vs. retailers that offer a broad range of merchandise.
- Future retail development may not necessarily require more land to be zoned for retail (with the possible exception for big box retail-if it proves feasible), but policies may be required that would support and encourage the redevelopment and reuse of existing commercial centers. Adapting Boulder's shopping centers

- to be able to accommodate future retail formats will be the key to maintaining the retail base.
- 29th Street will serve as a good barometer to observe the evolution of the Boulder retail market over the next decade. The center (unlike the enclosed mall it replaces) offers a variety of retail formats and the Macerich Company is well positioned among the major public retail real estate companies to leverage their reach among national retailers. As Boulder's demographic characteristics continue to evolve, the retailers that choose 29th Street and other visible Boulder locations will reflect the demand the market is creating for retail goods.
 - Predicting retail trends accurately is very difficult. Housing development can remain unchanged for many decades, and office development can also have a relatively long life cycle. Retail must constantly adjust to changing consumer demands. The enclosed shopping mall emerged as a viable retail concept in the 1960's. In 2006, a total of two enclosed malls are scheduled to open in the U.S. The first "lifestyle" retail center (29th Street fits the model) opened ten years ago, and that format has largely replaced the mall. Several hundred lifestyle centers are now open and dozens more are planned to open this year alone. Wal Mart has raced from being a relatively small regional retailer to one of the largest corporations in the world based on market capitalization. Can that pace be sustained into the future as they saturate existing markets and face increased community scrutiny? Will E-Commerce be able to reach into more retail categories and drive down the demand for store space? Today's retired/senior demographic cohort is associated with making fewer major retail purchases beyond necessities. However, the baby-boom cohort is expected to remain a group of very active consumers well into their later years. There is an entire segment of "active lifestyle" retailers that are emerging to capture their shopping dollars.
 - Boulder should closely monitor these and other retail trends in coming decades in order to position the community to best respond to, and accommodate future shopping needs in order to provide as many services as the market can sustain, and contribute to Boulder's fiscal well-being.

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