WESTMINSTER
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Citywide Retail Strategy

Westminster, Colorado

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REAL ESTATE STRATEGY

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Introduction/Background

The retail landscape of the Denver metro area, and indeed many of its jurisdictional boundaries, have been shaped by decades of intense municipal competition for sales tax dollars across multiple business cycle swings. The fruits of those competitive forces have been mostly positive for both cities and shoppers, resulting in a vibrant and attractive mix of shopping centers and tenants, with new center formats, brands, and merchandising mix quick to respond to shifting consumer preferences. Municipal jockeying for taxable sales has also resulted in the occasional land use inefficiency – i.e., where developments "jump the gun" on anticipated population growth and the tenant mix and pace of absorption have fallen short of early conceptual plans – a problem that Westminster has largely avoided.

As home to Westminster Mall, one of the early suburban malls in the metro area, Westminster was also one of the first Front Range cities (beginning with Englewood and Lakewood but now including several others) to take on the challenge of redeveloping a major regional enclosed mall. The city took the bold move of purchasing the mall properties (except for J.C. Penney), leading to its 2011 demolition, and Westminster is now well on its way to realizing its vision of crafting a vibrant mixed-use downtown from the reclaimed land.

For Westminster, successfully bringing its bold downtown concept to fruition will require a careful, broad-based strategic approach to adding unique, local retailers to its already blooming mix of shops, dining/drinking spots and entertainment attractions. Westminster is already home to a large and diverse portfolio of retail centers operating in competition both with each other and with nearby centers in several adjacent jurisdictions. By extension, Westminster is competing with nearby municipalities for sales tax dollars. The City's continued fiscal health and vibrancy on a broad-based strategy that leverages the strengths and unique contributions of other existing centers across the city, addressing the needs and wants of current and future residents.

As a public-sector entity, the City of Westminster is limited in its ability to dictate the development and tenanting decisions of the various private sector landowners and retail property managers operating within its boundaries. That said, the City does have several tools to help shape and guide development, including, but not limited to, infrastructure planning, regulatory/zoning changes, strategic land purchases, cooperative efforts with like-minded agencies, and economic incentives. Importantly, Westminster staff and leadership can also coordinate analysis, information sharing, and planning resources to help identify, prioritize, and promote promising opportunity areas.

Broad Retail Trends and Emerging Concepts

How Retail Is Organized Today, Internet-based Competition, Brick and Mortar Response

The Evolution of Retail

In some respects, retail has never been more diverse, and consumers have never had more options readily at their fingertips. How retail is being conducted and how consumers behave are in the midst of a sea change. Examining how shopping centers and "Main Street" or "Downtown" retail districts are evolving, how on-line shopping continues to evolve, and how the landlord-tenant relationship is evolving help to explain how retail goods and services are consumed and how they will be consumed going forward and offering insights into the future of retail and vibrant and sustainable commercial districts. The driving force behind current retail evolution is a combination of bricks-and-mortar consolidation and the expansion of e-commerce. But how did we get here? In the early 20th century, cars were a rarity. Most towns and cities had downtown districts that served as the community's commercial hub and were characterized by a massing of retail that evolved to serve the community's needs. Towns often had their own homegrown department stores that sold a wide variety of goods. Well-known examples of these include Emporium and May Co. on the West Coast, Dayton's and Marshall Field in the Midwest, and Filene's and Macy's in the Northeast. These were department stores in the truest sense, having separate departments under one roof for a variety of goods including clothing and shoes, electronics, housewares, books and records, pets, home goods, and the like.

When retail was clustered in a downtown or town square environment, there was not a need for today's ubiquitous suburban shopping center, but then, in the 1950's, the by-then commonplace automobile enabled a trend towards suburbanization. The need for shopping centers was born. Over a period of time, shopping centers and regional malls replaced downtown shopping districts in the increasingly decentralized urban landscape.

As the advent of shopping centers and malls began to erode the downtown shopping district's market share, discounters began to erode the traditional department store's market share. Wal-Mart and K-Mart started nationwide expansions. Even traditional department store companies began to enter this market, perhaps the most notable example being Dayton-Hudson's Target division. At the same time, the suburban regional mall would often be anchored by department store chains that expanded their market share by focusing on suburbs.

The next step in the evolution away from traditional department stores was the advent of retailers who became more efficient by specializing in a particular "department." Clustered together in what have come to be known as power centers, these "big box" and "category killer" stores were more convenient, focused, and offered a wide variety of merchandise within a specific category, typically a commodity category such as electronics, office supply books, pet, etc. These chains developed supply and distribution advantages by focusing narrowly on a single category, and as a result was better able to offer everyday low prices. They also started killing off the departments in department stores. In-turn, department stores increased their focus on soft goods, thereby limiting the overall variety of merchandise and giving the consumer fewer reasons to visit.

Like many businesses, department store chains began to consolidate in order to increase scale, decrease expenses, and maintain competitiveness … or simply to avoid going out of business altogether. By extension, the number and variety of regional mall anchor tenants contracted, and by the 1990's the contraction and consolidation trend of regional malls was in full swing. In some instances, even traditional department stores (Kohl's being one example) began to abandon malls and join the category killers in power centers. With fewer anchors, so-called "category killer" tenants finding each other in power centers, and the advent of the exurb, fewer and fewer truly successful regional malls and even fewer downtown shopping districts remained.

Each mature community's retail offering organizes and calibrates itself to local demand, and each community's commercial strategy must be calibrated for a variety of local conditions including the local real estate market, consumer demographics, changes in consumption patterns, community vision, perspective and capabilities of property owners and tenants, a city's available resources, available public-private partnership (P3) resources, and other factors. Any strategy should be clear, deliberate, and most importantly should differentiate the subject area from other destinations.

Commodity and Specialty Retail

Understanding the distinction between commodity and specialty retail, and how they lend themselves to the analysis of and any recommendations related to various retail projects and districts will be extremely useful. In its simplest form, commodity retailers sell the goods and services that we use every day, while specialty retailers sell what we splurge on. As a prelude, the shopping behaviors exhibited at King Soopers whose stores generally sell commodities are much different than behaviors in, say, Bonobos, whose stores are generally specialty in nature.

Based on over 30 years of experience performing market analysis, repositioning retail projects and districts, and developing retail real estate (including overseeing strategic store deployment programs for both independent and chain retailers), GRES recommends not thinking about retail as "box stores" or "malls," but instead in a way that clearly distinguishes between "commodity" retail uses and "specialty" retail uses. Because the factors that maximize performance of commodity retail projects and specialty retail districts are so different, we seek to clearly differentiate each in our analysis and strategic recommendations. This approach is further discussed in the Urban Land Institute's Professional Real Estate Development handbook.


The goods commodity retailers sell generally are the same regardless of the origin of purchase. A cell phone or a reusable water bottle, for example, are the same regardless of whether purchased from an airport vending machine, a store, or online. For this reason, they are purchased with the trade-off between price and convenience being the primary decision-making function for the consumer who is asking the question, "Do I need it right now, or can I wait and get a better price?" An emotional connection to the purchase is not a part of this equation.

In contrast, specialty goods and services involve allocating discretionary income (i.e., income not earmarked for necessities like shelter or groceries) and discretionary time (i.e., time not devoted to required activities like work or school). Because discretionary income and time are limited, we have more of an emotional connection to how we allocated these scarce resources. For this reason, the physical environment, and a sense of place in which these purchases are made, become increasingly important. When we go out for a "white tablecloth" dinner, we prefer a High Street or a Lifestyle Center's neighborhood (location) and environment (improvements or facilities) to a quick-serve restaurant located on the outparcel of a big-box retail store or a power center.


It is important to understand that retailers and service providers are not strictly commodity or specialty in nature; they can straddle the line and be both. By extension, it is important to remember that commodity and specialty retail describes shopping behaviors as much, and perhaps more, than it describes a specific retailer or service provider. For example, all of the products sold in an Apple store strictly fall under the definition of commodities; the products are the same regardless of where we get them. That said, Apple has carefully curated its brand and their stores are designed to maximize "retail theater." Similarly, the majority of the SKU's in a Whole Foods store are commodities, however, Whole Foods continues to add specialty and prepared foods to its in-store offerings. In some cases, Whole Foods stores have restaurants and the *on-sale* (sale for consumption on-site) of alcoholic beverages. We shop the Apple Store much differently than we might shop for electronics at Costco or Walmart, and while we might buy commodities at Whole Foods, we often take advantage of offerings that are not readily available at a Safeway supermarket. Like the attention to branding and retail theater, both Apple and Whole Foods have a level of fit and finish meant to elicit a more emotional connection than we have at competing retailers. It is important to think about all of these factors when deciding if a retailer is commodity or specialty in nature, or about the sort of consumer behaviors that will be created when such a store opens. The same retailer might be either depending upon context or location. Do the project's location, neighborhood, customer base, and traffic patterns lend themselves more to commodity or specialty purchasing behaviors?

Stores and service providers operate *commodity* or *specialty* roles (and may be a hybrid). The shopping behaviors associated with each are quite different, and it's important to keep this in mind as strategic planning initiatives are undertaken, and as new projects are evaluated, or redevelopments are proposed.

Successful retailers approach their desired role proactively – weighing factors of location, neighborhood, customer base, and traffic patterns to ensure that they are selecting a location consistent with their place on the commodity/specialty spectrum.

Some department stores including Macy's, Sears, and JC Penney have evolved away from their all-things-under-one-roof model to now more closely resemble commodity retailers. In other words, their product offerings are less distinguishable from what could be purchased in a variety of other places and through a variety of retail channels, and their fortunes as retail powerhouses have similarly waned. Furthermore, with the exception of chains such as Nordstrom, Bloomingdale's, Neiman Marcus and the like, department stores have ceased to distinguish themselves for their service and environment. With the homogenization of department stores has come the demise of many regional malls. Certainly, there are many high-performing malls including Cherry Creek in Denver and Stanford Shopping Center in Palo Alto. There are far more that are similar to Westminster Mall that are in the process of falling by or have already fallen by the wayside.

Emerging Retail Trends

The retail industry is now undergoing another round of consolidation and restructuring that represents a further evolution of prior industry trends. While smaller downtown and neighborhood shopping centers continue to lose their commodity retailers – like groceries, pharmacies, and electronics stores – many of the nation's malls and lifestyle centers are similarly struggling to retain their commodity-oriented anchors – including many of the major department stores that have failed to differentiate themselves from the likes of Macy's, Sears, and J. C. Penney. Either means the loss of vehicle and foot traffic, but at the same time it may

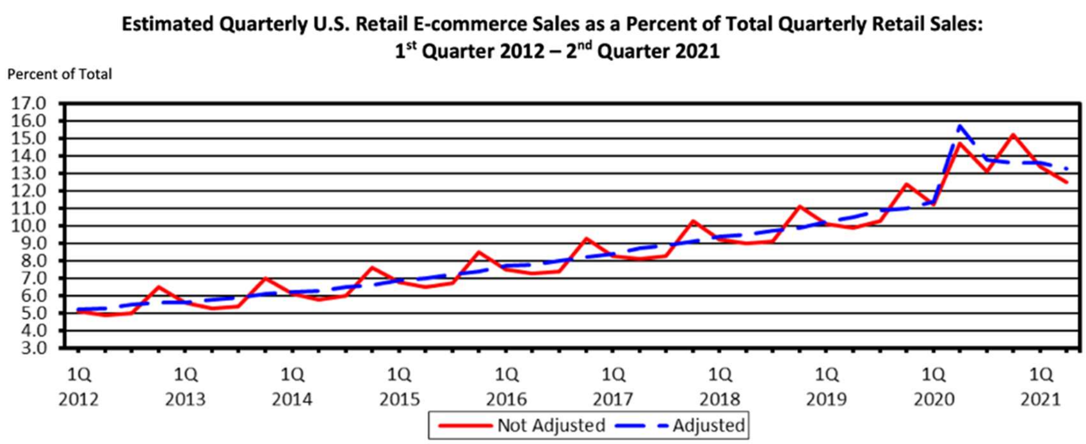
Many malls are struggling to retain their anchors or to differentiate themselves. Meanwhile, Macy's, Sears, and J. C. Penney have essentially become commodity retailers. The result is a loss of vehicle and foot traffic. At the same time, the malls' loss may be an opportunity for downtowns and so-called High Streets.

be an opportunity for retailers that operate in downtowns or on so-called High Streets.

At the outset, online retailing was best suited to the purchase of commodities, and this still applies today. Part of the reason is that when buying online, buyers cannot inspect the product in the same way that they can at a brick-and-mortar establishment, giving bricks-and-mortar an advantage for the sale of specialty goods for which there is a greater emotional attachment. Put differently, we're less concerned about touching and feeling a water bottle than we are new clothing.

During the Covid-19 pandemic, most buyers were still visiting brick and mortar stores for more urgent purchases, as the shipment of products purchased online could take days or weeks to arrive. Covid-19 forced supply chains to streamline, and (excepting supply chain shocks such as this month's port backup) shipping is less of a barrier to access than before. With the development of robust private logistics networks such as Amazon Prime, online retailers have broken down many of the convenience barriers that once limited their scope to commodities, and increasingly they are making headway into specialty goods. Platforms, however, still struggle to replace "atmosphere" and "place," so they are trying to level the playing field by investing and innovating in artificial intelligence and other technologies that allow consumers some in-store benefits while shopping on-line.

As noted earlier, consumers shop differently for commodity as opposed to for specialty retail goods. This change is occurring so rapidly that a further explanation of specialty retail that takes into account how specialty goods are sought and consumed is in order. Consider the following graph showing the percent of retail sales that are generated through e-commerce:



Source: US Census Bureau, 2021. https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

In short, consumption of specialty goods is increasingly being driven both by online marketplaces, or platforms, and by influencers. Covid-19 is certainly related to some of the incremental rate of growth seen in 2020, however, it is important to differentiate between Covid-19 being the initiating cause of a trend as opposed to it accelerating or bending how goods and services are consumed. We discuss Covid-19 specifically in Part One's Trends section as well as the Covid-19 section in Part Two.

Retail isn't dying, it has reoriented to more efficient platforms that give consumers one-stop comparison shopping and is as or more robust and diversified than at any time in memory. What's new is that specialty goods that have traditionally been purchased through brick-and-mortar retail channels are also increasingly being purchased through on-line channels once reserved for commodity goods. For example, the Canadian e-commerce platform Shopify started in 2004. As of today, it works with over 1,700,000 sellers [https://www.shopify.ca/about]. Today, there are over 6 million Amazon third-party sellers worldwide, accounting for approximately 50% of total units sold [https://www.marketplacepulse.com/stats/amazon].

The range of commodities sold through platforms continues to increase and box stores continue to consolidate as consumers perfect their price-convenience function. Examples range from electronics to office supplies. Produce boxes ordered online represent an increasingly popular method of purchasing perishables, an alternative to a traditional grocery channel. The Covid-19 pandemic ushered in an era of significantly increased online grocery shopping. Specialty goods are increasingly moving to non-bricks-and-mortar retail platforms through services such as Trunk Club, Bonobos, and the Real Real. Even food and beverage is being consumed through apps like Uber Eats, GoldBelly, and BeyondMenu -- another platform that saw a significant increase in adoption because of Covid-19. One factor in particular driving on-line sales of specialty goods is the ability to research and order on-line, combined with an increased ease of picking-up and returning goods through other retail channels. The line between on-line and bricks-and-mortar continues to blur as evidenced by BOPIS (buy online, pick-up in-store) strategies and other strategies intended to have consumers use both on-line and bricks-and-mortar as part of their goods acquisition strategies. Best Buy, Warby Parker, and macys.com are good examples of the later.

In addition to evolving shopping habits, consumers are interested in what their peers and friends are buying, and not buying. When an "influencer" buys, endorses, or rejects a product, that message can have a wide-ranging impact, particularly when the influencer has a wide social network. This phenomenon is particularly true with consumables like beauty products. Social commerce also has particular significance for the resale market where, for example, someone might put or see something on-line, and then tell their friends about it…creating hype.

Retail projects are increasingly being rethought and repurposed, sometimes as part of retail pruning strategies. Examples include malls becoming mixed-use projects, educational campuses, or adding residential components.

The real estate implications are far reaching. It is no surprise that box stores are on the wane as commodities are being purchased through different channels than in the past. On the one hand, platforms directly refute the idea of retail Armageddon. On the other, a decrease in demand for bricks-and-mortar retail space is leaving cities to grapple with decreased sales tax revenues (although the South Dakota vs. Wayfair, Inc. decision[1] has leveled that playing field to some degree, and is a requirement in Colorado). Retail projects are increasingly being rethought and repurposed, sometimes as part of retail pruning strategies. Examples include malls becoming mixed-use projects, educational campuses, or adding residential components. Chains on their own or in partnerships are increasingly recognizing the value of their physical locations as last-mile distribution nodes as is evidenced by Kohl's driving additional foot traffic to its stores by accepting and packaging Amazon returns at no cost.

A final, and possibly most important, implication for malls and shopping centers is the redefinition of the location-Location-LOCATION maxim. We are not suggesting that location is no longer important for retail, however, "beacons" are changing from traditional monument signs to influencers and social media. For example, reviews on Yelp and Google Maps drive bricks-and-mortar visits, often to locations other than at the traditional highest trafficked intersections. Traditional

The location-Location-LOCATION maxim is becoming redefined in the world of retail. Location is still important, but "signage" is changing from traditional monument signs to include "beacons: such as influencers and social media.

retailers and cities alike need to find new and better beacons than traditional signage for consumers to find and patronize their stores and shopping districts, and to continue to compete effectively in an even more competitive and fluid retail environment.

Retail is now conducted through many channels (e.g., traditional stores, catalogs, on-line, via mobile devices, television, etc.). A November 2012 "Shopping Centers Today" article summarizes omnichannel nicely: "The idea is to favor no single retail channel (brick-and-mortar, mobile phone, catalogs) but instead to sell things to people whenever, wherever and however they want. Omnichannel retail is about providing a uniform experience and top-notch service in every exchange with the customer."

Omnichannel consumers frequently use more than one channel simultaneously. For example, a consumer might do research using a price check app or looking up product reviews while looking at a product in a traditional retail store. Likewise, omnichannel retailers will track customers across the various channels they utilize (catalog and on-line shopping, or on-line and mobile shopping for example) increasing sale opportunities and more precisely targeting marketing. Social media provides an opportunity to build relationships with consumers by constructing a detailed customer profile and capitalizing on merchandising and advertising initiatives.

Omnichannel strategies work differently for commodity as opposed to specialty retailers. For example, multiple retail channels might be used by a consumer to research and assist in purchasing a particular commodity like a television, or to push out or target a promotion. By contrast, a specialty retailer might use omni-channel strategies to drive customer traffic to a brick-and-mortar store, restaurant, or shopping district. Consumers don't seek channels, they seek solutions: either a retailer satisfies a need or it doesn't. When doing long-range planning for a retail district or city, it is important to think in terms of meeting the customer where the customer already is. Strategies to accomplish this outreach can be developed by individual retailers, property owners, and economic development professionals.

[1] On June 21, 2018, The United States Supreme Court ruled 5-4 in South Dakota v. Wayfair that states can mandate that businesses without a physical presence in a state with more than 200 transactions or $100,000 in-state sales collect and remit sales taxes on transactions in the state (https://us.aicpa.org/advocacy/state/south-dakota-v-wayfair).

Covid Impacts

Short Term Impacts

COVID-19 has accelerated retail trends that were already in place. During 2020, online went from 18% to 26% penetration, or approximately 6 years of growth in 6 months. Specialty retail, especially food and beverage, made strong headway during COVID. Customers are not abandoning physical stores, but increasingly using them as a convenience fulfillment mechanism, and contactless pickup and on-demand contactless delivery are a new normal that are here to stay.

A vibrant retail environment, even a safe and distanced one during more restricted periods, can offer social resilience.

Peripheral connections tether us to the world at large; without them, people sink into the compounding sameness of closed networks.

The pandemic has damaged our well-being, and retail could help fix that. A vibrant retail environment, even a safe and distanced one during more restricted periods, can offer social resilience. This resilience is something important that retail has to offer. We need our inner circle, but we also need our "outer circle" for our social health. We miss the people we only sort of know (our "weak ties") that includes people we see infrequently, near strangers with whom we have some familiarity, the barista, people in the neighborhood, people who frequent the same businesses, etc. These people introduce us to new ideas, information, opportunities, and people. Losing incidental, repeated social interactions that physical workplaces foster can be especially difficult for young people trying to establish themselves. "Peripheral connections tether us to the world at large, without them, people sink into the compounding sameness of closed networks."

"Experience goods" enhance the retail experience. An experience good is a good or service that is not valued until it is experienced. For example, clean air wasn't fully valued in Beijing until pollution cleared at the start of C19. Retail is about more than buying and selling goods and services; it's also about new experiences. Retailer merchandising and retail district design can also be an experience good that offers important emotional and social benefits that translate into longer periods being spent shopping and by extension greater sales and sales tax revenues. We recommend that the general plan address the importance of "place" in fostering strong community gathering and commercial areas.

Adaptation of public spaces and common areas will be key. Encouraging consumers to stay longer translates into a greater spend. Controlling aesthetics (such as landscaping, music, or water features) makes a statement about the shopping experience and lets customers know that a shopping district or center is open. Controlling public health aspects such as making sure diners are spaced appropriately, creating outdoor workout areas and queuing areas, allowing for curbside pick-up, and making sure consumers are aware about efforts to sanitize, increase air circulation, and trash pick-up will have positive impacts. Finally, customers tend to linger longer at outdoor events, so strategies to create more indoor-outdoor environments will be key.

Possible Long Term

Property and sales tax revenue bases have been affected as retailer operations were abruptly interrupted by Covid-19. Some cities are contemplating significant service cutbacks and layoffs as a result. Decisions that have never been contemplated before need to be made and policies need to be set, often with little guidance. In today's Covid-19 world, what makes consumers feel safe, acknowledging inequities for residents and business operators of varying economic/financial capabilities, and business operators being aware of and having the ability to adapt new procedures in rapidly changing circumstances are key. As we have already experienced and are like to experience again, reopening will be "more like a dimmer than a light switch," and the dimmer will go back and forth as we adjust to changing circumstances.

As we have reiterated frequently, retail is *demand driven*. A new normal is going to reflect in what public environments consumers are comfortable. Open-air retail districts and projects will be favored over enclosed malls, and many will avoid crowds. There are categories like movie theaters where it's unclear if there will be a return to our former patterns or if this crisis is the inflection point for how we will operate. Chains that are not financially robust will have issues and we expect some even financially sound companies never to reopen shuttered stores. In fact, strong retailers have used the pandemic as an opportunity to reposition or close weaker stores, lock in desired locations as they become available, and extract concessions from owners.

Brick-and-mortar retail has been significantly impacted by online penetration, primarily in commodity but also in specialty categories. During 2020, online went from 18% to 26% penetration with E-commerce sales in 2020 approximately +40% over 2019 (which was +14% over 2018). That rise equates to 6 years of growth at pre-Covid-19 rates in 6 months. Specialty retail, especially food and beverage, made strong headway during Covid-19. The 2021 forecast is for 6.2% growth in core retail sales.

Contactless pickup and on-demand contactless delivery are a new normal that are here to stay. Customers are not abandoning physical stores, but increasingly using them as a convenience fulfillment mechanism, particularly for commodity goods. The result has been retailers increasing operational integration across channels.

Retail Resilience™ facilitates the creation of sustainable planning, economic development, project and place-making strategies, and recommendations for communities and stakeholders where integrating a successful commercial component (office, retail, etc.) is a desired outcome.

Our current predicament, with much of our normal retail eco-system recently shut down and additional waves of the pandemic possible, has highlighted vulnerabilities for cities, stakeholders, retailers, and property owners alike. For example, when retailers were unable to operate, many (particularly financially unstable chains, and independent operators) went out of business. Consumers had difficulty sourcing goods and services, and this phenomenon continues today in the form of price and wage inflation and supply chain disruptions. Finally, communities saw significant fluctuations (some up, others down) in the sales tax revenue on which they depend to provide city services.

Retail Resilience™ addresses just these sorts of issues. The model facilitates the creation of sustainable planning, economic development, project, and place-making strategies and recommendations for communities and stakeholders where integrating a successful commercial component (office, retail, etc.) is a desired outcome. Applying these principles results in more dynamic, flexible, and adaptable retail strategies and projects, and economic development and place-making successes, providing long-term benefits while meeting diverse stakeholder needs. A Retail Resilience™ approach to Covid-19's suggests the following strategies:

- Articulating best practices for restarting businesses taking into account expected future waves.
- Providing resources to navigate disorganized labor markets and supply chains.
- Identifying in-store practices to address (testing, cleaning, handling of merchandise, F&B practices).
- Physical distancing strategies and practices.
- Attracting new businesses to open where others may have failed.
- Rethinking failed, obsolete, or dark retail properties that are unlikely to reopen.
- Identifying community assets that can be harnessed and co-benefits that can be leveraged.
- Developing policies to support retailers that are experiencing supply chain shocks.

- Acknowledging inequities for residents and business operators of varying economic/financial capabilities.
- Planning strategies today for when quarantines are lifted, and for the longer term. These strategies would look for co-benefits such as resources for retailers, more equitable access to goods, and increased tax revenues.

Immediate strategies should focus on community needs such as equity/access issues for residents needing goods and services and providing tools to retailers to help them withstand business closures. We recommend that the City's Economic Development staff create resources to help retailers understand how to market when restrictions and closures are in place, create protocol for messaging consistently between agencies, retailers, and property owners, reassuring consumers about the attention being paid to public health and safety, and how business owners can best navigate disorganized labor markets and supply chains.

Which retailers, projects, and districts will be resilient and even flourish, and which will fall by the wayside? Retail districts that are differentiated from the all-too-common homogenous projects with similar chain tenants and that are more appealing to explore and linger in are more likely to prosper. Longer-term strategies include promoting Westminster's points of differentiation to potential new businesses who might open where others have failed, creating an ombudsman who can help new businesses navigate the approval and permitting process as well as understand how and where to access needed resources such as local job posting boards or contacting utilities. Finally, being realistic about the inevitable retail footprint contraction that has been sped up by Covid-19 will allow Westminster to be ahead of some of its neighbors who might continue to believe that trends will reverse or who try to expand their overall retail footprint.

Finally, with some help realizing their competitive advantage, local retailers may be better positioned to withstand future shocks than their chain competitors. Local operators know their customers. They are in a unique position not only to capitalize on having their ear to the ground in a way that chains do not, and they are in a position to lead our shopping districts' recovery. Fostering the community of local retail operators is an important Economic Development function. Consider the following:

- Cities, owners, and retailers have a near term opportunity to focus on housekeeping, thinking about customer flow, and evaluating whether current strategies are aligned with expectations.
- We will return to longer-term trends (we drove after the 1973 oil embargo, and we flew after 9/11).
- We will need to evaluate how different consumer group's behaviors have changed and adopted new technologies, and which of our newly adopted shopping habits will prove to be temporary or permanent.

Analytic Findings

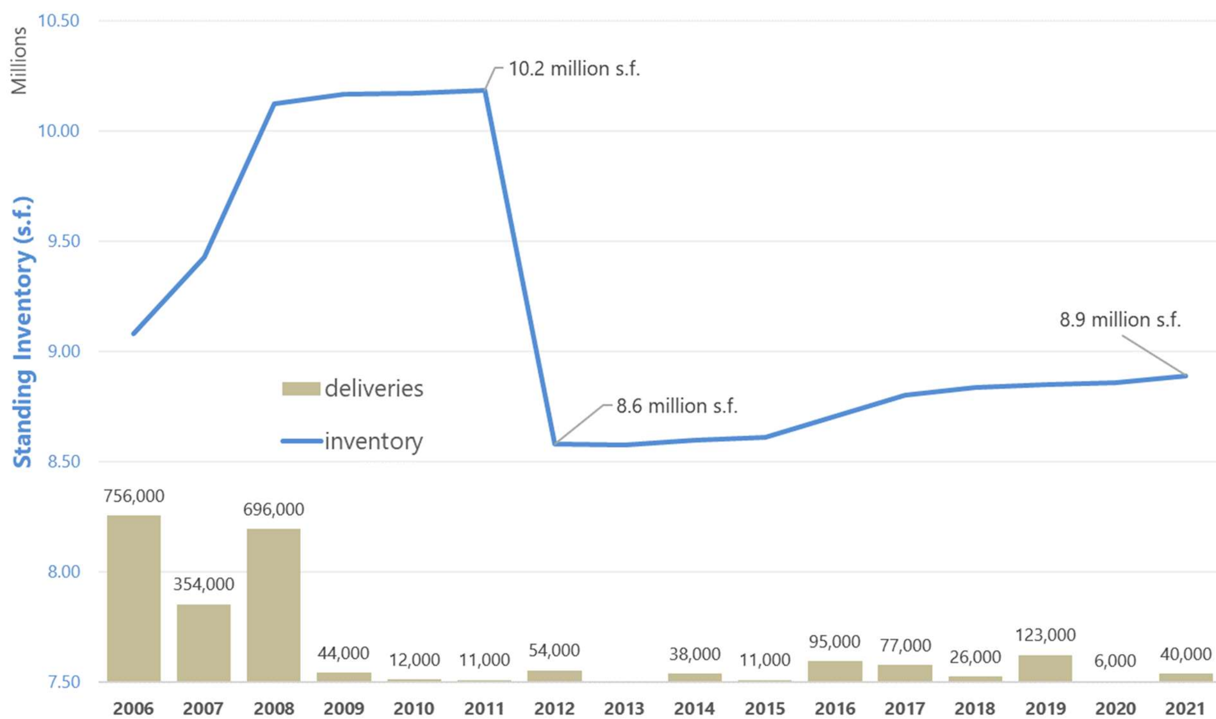
Westminster Retail Existing Conditions

Westminster Retail Supply Characteristics

Inventory, Absorption, and Construction Activity

2006 through 2008 was a period of record retail construction activity for Westminster, as 1.9 million square feet (s.f.) of new inventory was added in anticipation of the demolition of Westminster Mall. The new regional lifestyle center at The Orchard Town Center comprised the lion's share of that activity with nearly 1.1 million s.f. spread across multiple years. Two new Walmart supercenters and the Shops at Walnut Creek were delivered in that same pre-recession period, representing most of the remainder.

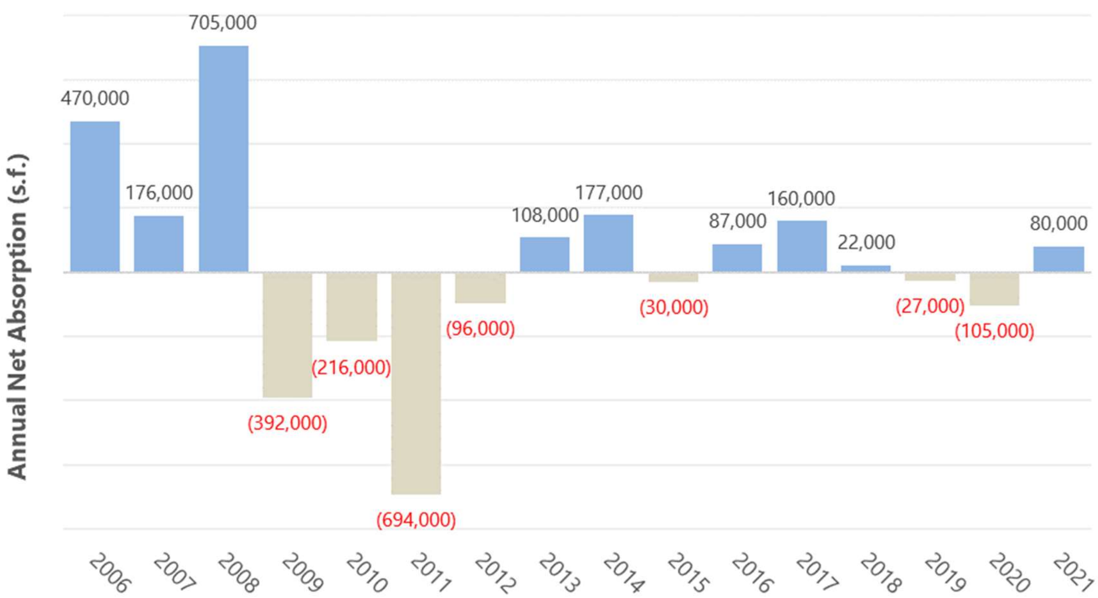
Figure 1: Retail Inventory and Construction Deliveries, Westminster, 2006 to 2021



Source: Costar

With the removal of the Westminster Mall, Westminster's retail square footage dropped from its high of 10.2 million s.f. to 8.6 million s.f.. Since the 2009 recession, retail construction within the city has been more subdued, surpassing 100,000 s.f. in annual deliveries just once since, adding 123,000 s.f. in 2019. As of year-end 2021, the Westminster city limits contained a standing retail inventory totaling approximately 8.9 million s.f.[1] That total represents 5.6 percent of the Denver metro overall inventory, down from 6.3 percent in 2006. Also notably, we don't see the failure to replace lost square feet as a failure at all. In fact, we see it as quite the opposite: Westminster is already heavily retailed, so as retail has contracted, so should the overall retail inventory.

Figure 2: Annual Net Absorption of Retail Space, Westminster, 2006 to 2021



Source: Costar

Although the shopping center space added to Westminster between 2006 and 2008 would eventually become some of the city's most fiscally valuable, the coincidence of surge in new inventory, together with the prolonged removal of Westminster Mall space from the market and the onset of the national recession, made conditions extremely challenging for Westminster retailers in the early 2010s. Annual net absorption (the measure of net year-to-year changes in total occupied space), as shown in the chart above, suffered four consecutive years of substantial negative net absorption, finally re-entering positive territory in 2013.

Vacancy and Rent

Consistent with the net absorption trends, Westminster experienced a dramatic spike in vacancy centered around 2011 while the shuttered mall property was still standing but vacant. After mall demolition, but still in the midst of the recession, vacancy quickly dropped to 12 percent in 2012 and declined steadily until a 2017 low of 7.2%. As of year-end 2021, citywide vacancy in Westminster was estimated at 8.5 percent.

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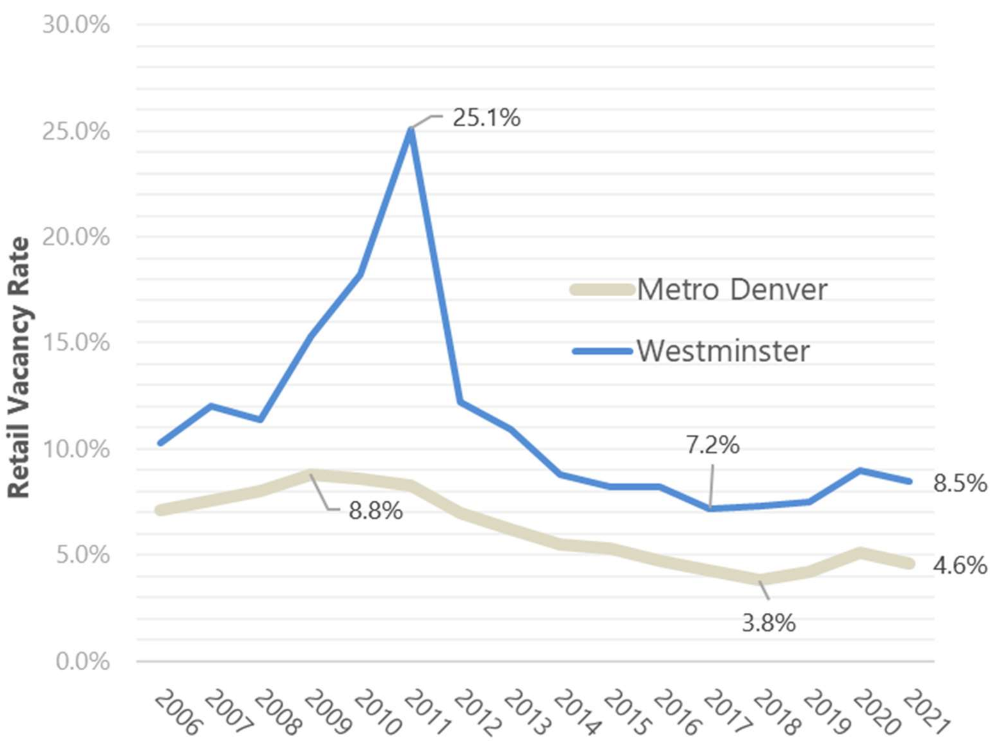
[1] *Retail inventory subtotals by city, as reported by commercial data provider, Costar, are subject to slight error (rarely more than 1 percent) when cities are defined by street address rather than GIS-based determination using exact city limit shapes. Using GIS, this total is 8.8 million s.f., rather than the 8.9 million s.f. shown in the chart.*

During the 14-year period shown in the Costar graphics, vacancies in Westminster (outside the 2010 to 2012 spike) have trended around 3 percent higher than vacancies across the Denver metro[2] overall. This phenomenon (explored in finer detail in the peer cities comparisons in a later section), broadly suggests a general oversupply of retail in Westminster. While lower vacancy rates tend to generally signal stronger retail sector performance, having too little vacancy can lead to inefficient markets, with tenants less willing to pursue positive expansion or relocation options in the face of rising rents, poor selection of locations, and heightened landlord negotiating power. Although industry norms vary from market to market across the U.S., a general rule-of-thumb is that a "healthy" overall retail market (i.e., a market operating at an equilibrium where neither tenants nor landlords have an imbalance power and rents are tracking along with general inflation) typically maintains a vacancy rate of somewhere between 5 and 8 percent.

Another way of estimating the equilibrium occupancy level is to look to the long-term average vacancy rate in the surrounding regional market. In the 16 years since 2006 (when Costar data coverage and quality became widespread enough for meaningful comparisons across markets) the metro Denver market (defined as the Denver-Aurora-Lakewood MSA) has averaged 6.2% vacancy – squarely in the middle of the 5 to 8 percent range commonly used as a rule-of-thumb.

Figure 3: Retail Vacancy, Westminster versus Metro Denver, 2006 to 2021



Source: Costar

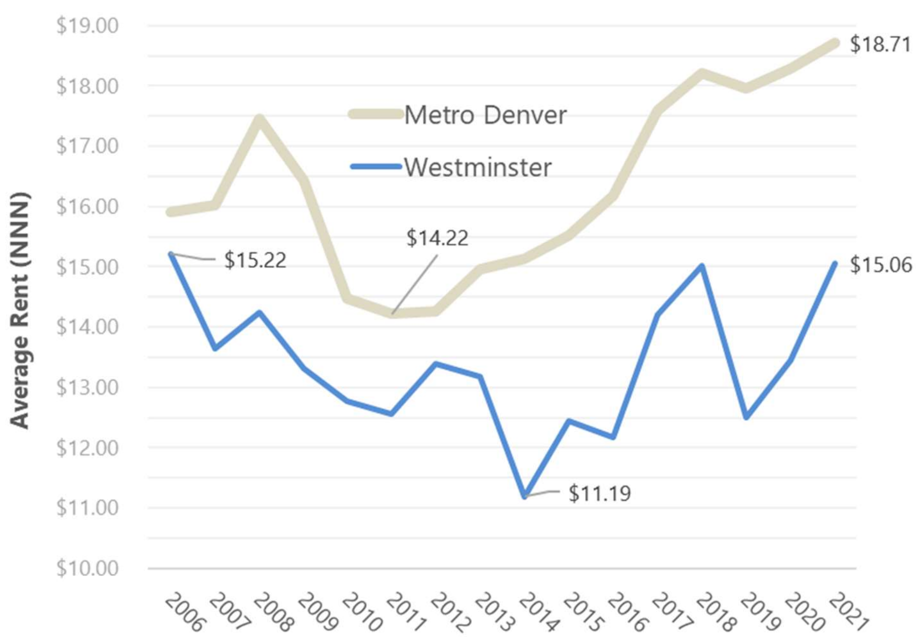
[2] *Costar defines the metropolitan Denver market to exclude Boulder, Weld, and Larimer counties. Unless otherwise noted, we follow this convention in reporting for metro Denver.*

Figure 4 also compares Westminster to metro Denver, this time showing the trend in average rents (specifically, the triple-net annual rent per s.f.) over the same 2006 to 2021 period. Note that metro-wide rents for the period from 2011 to 2018 show steady annual increases, corresponding to steady decline in the vacancy rate over the same period.

For Westminster, the trend in average rent is much more volatile, with an erratic decline from a high of $15.22/sf/year NNN in 2006 to a low of just over $11.00/sf/year NNN in 2014. This change is followed by a roller-coaster increase back to $15 in 2018, dropping to $12.50 the following year, ending close to the 2006 high-water mark by the end of 2021[3]. It is important to note that retail rents are "triple net" with taxes, insurance, and common area maintenance charges passed through to the tenant by the landlord. These rents do not reflect these NNN charges which add substantially to the tenant's overall occupancy cost.

Volatility aside, Westminster appears to be underperforming in terms of attainable rents relative to the metro Denver market overall, with a current gap approaching $4/sf/year between city and metro. Furthermore, that differential appears to be larger in recent years than it was prior to the recession. That said, it's important to put these numbers in perspective. Rents vary significantly depending upon many factors including location of a shopping center, the quality of the facility, the tenant mix, and the occupancy level. While these numbers offer some high-level insight about trends, the reader should be careful not to extrapolate the trends onto any given project.

Figure 4: Average Asking Rents, Westminster versus Metro Denver, 2006 to 2021

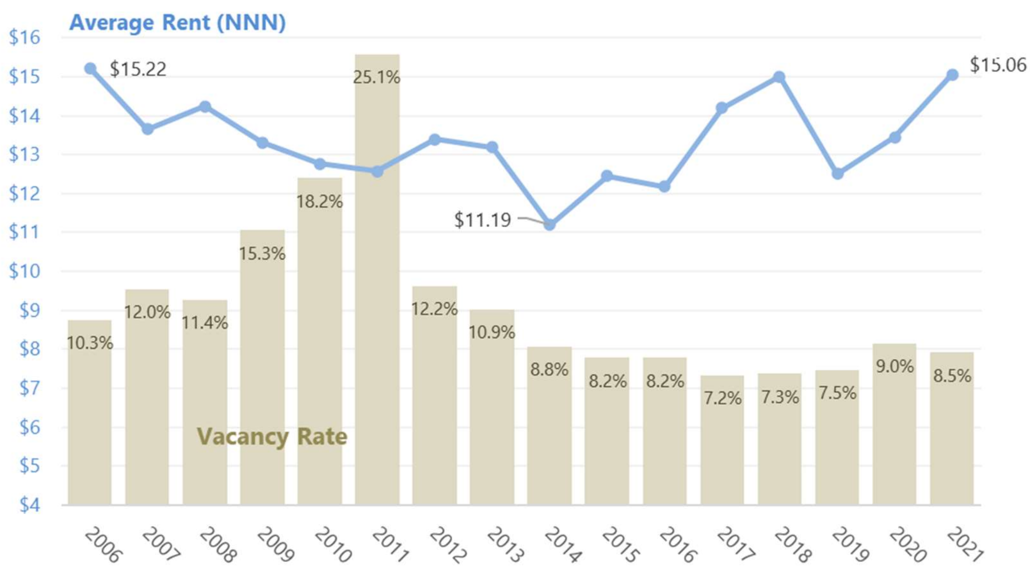


Source: Costar; rents based on confirmed asking rents for available space.

[3] Much of this volatility can be attributed simply to smaller sample size. Even though Westminster has nearly 9 million s.f. of retail space, it can be difficult to accurately gauge prevailing rental rates based on just the roughly 700,000 s.f. of space available on the market. The metro-wide inventory (over 8 million vacant s.f. out of nearly 160 million total s.f.), on the other hand, leaves more room sampling error and inaccuracies.

Figure 5 below shows both vacancy and average rents on one graph for Westminster only. Again, the relationship between vacancy and rent is less clear than it is at the metro-wide level.

Figure 5: Retail Vacancy and Rent, Westminster, 2006 to 2021



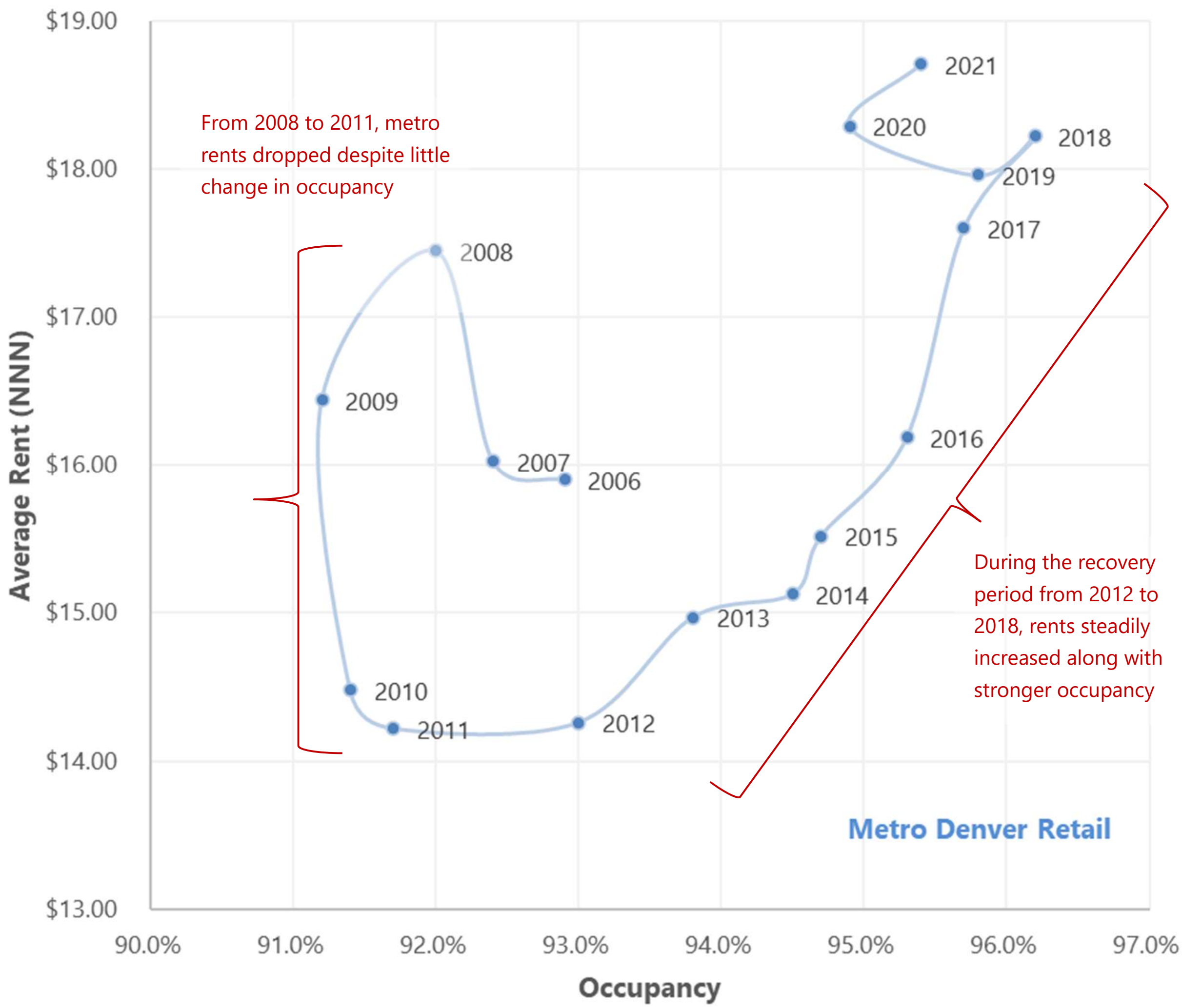
Source: Costar; rents based on confirmed asking rents for available space.

Just as regional or even city-wide trends might describe the direction of retail sector as a whole but aren't a good indicator of what might be happening at any given project, this somewhat muddied relationship between rents and vacancy is fairly common at the level of individual municipalities, especially in a region like the Denver front range, where cities tend to share large, irregular political borders (as opposed to being separated by physical barriers or intervening rural/open areas). In these cases, retail tenants and customers are free to locate and shop across borders with little or no regard for city boundaries. This freedom tends to dampen the direct effects of occupancy on rents.

One final graph on metro Denver vacancy and rent helps to further illustrate the concept of a natural, or equilibrium, vacancy rate. Figure 6 shows the occupancy percentage (always equal to 100% minus the vacancy rate) for metro Denver on the x-axis, as it relates to average rents, shown on the y-axis. Starting with a dot for 2006 near the center of the graph, the curved line traces out the year-by-year movement in both occupancy and rent. Note that during the post-recession years from 2011 to 2018, the line marches steadily up and to the right, showing increased occupancy being matched with smoothly rising rents.

In contrast, the period between 2007 and 2010, when occupancy briefly dips below 92% (corresponding to the upper 8% edge of the rule-of-thumb natural vacancy range) rents are more erratic, dropping around $3 over a short period. Likewise, after 2018-19, as occupancy tightens, rents lose some of the steady upwards momentum – complicated in part by Covid effects in 2020 and 2021.

Figure 6: Metro Denver Occupancy and Rent Relationship Over Time



Source: Costar; Leland Consulting Group

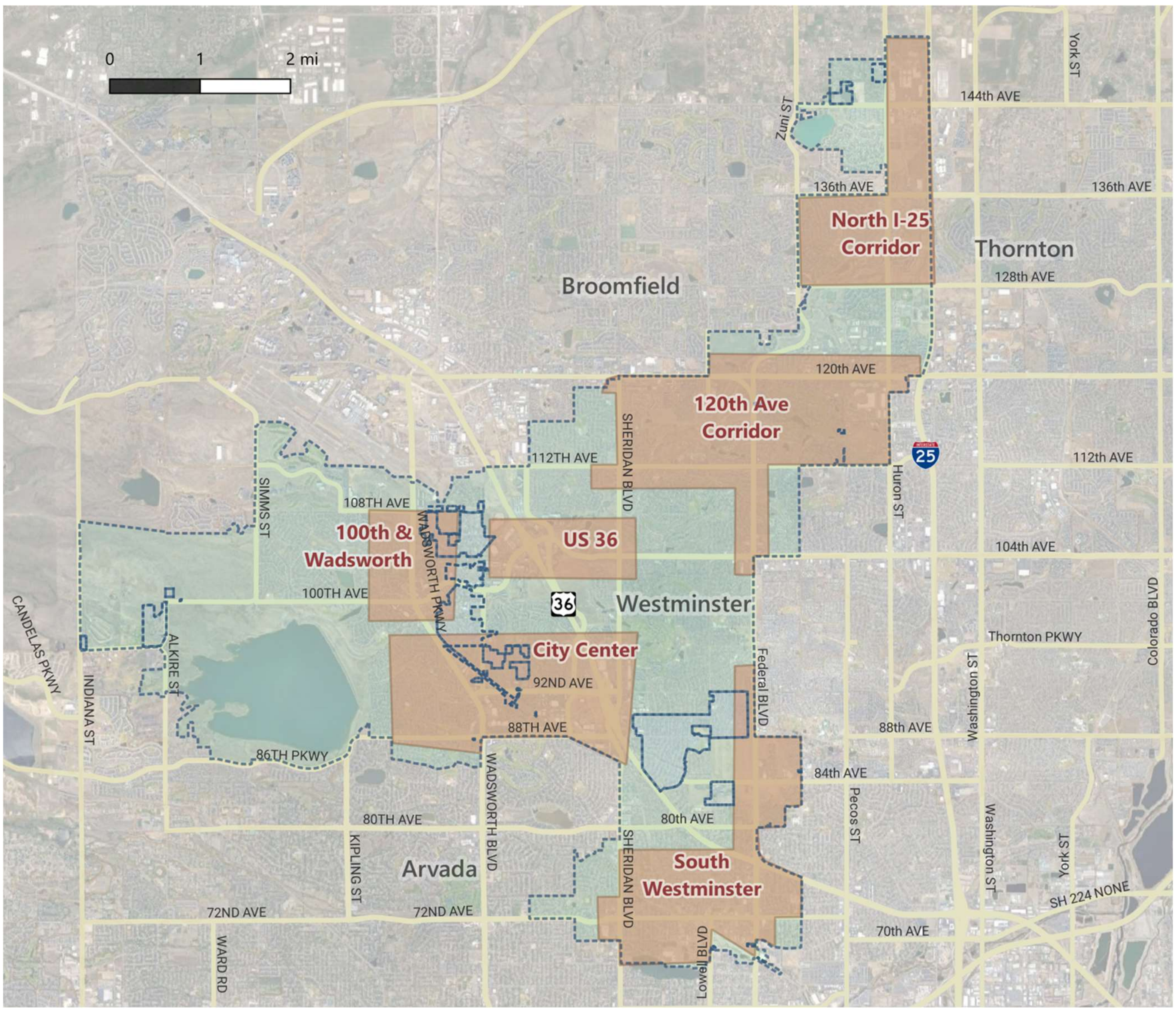
While changes in retail occupancy often drives retail rents up or down, there are, of course, many other factors in the mix, including attainable rents and profits across other land use types, prevailing interest rates, trends in store and shopping center types, tenant mix, NNN charges, changing demand demographics, etc. Occupancy, rents and other supply characteristics within Westminster are discussed in greater detail at the subarea level below, and later at the individual shopping center level.

Westminster Portfolio Analysis

Westminster's Retail Subareas

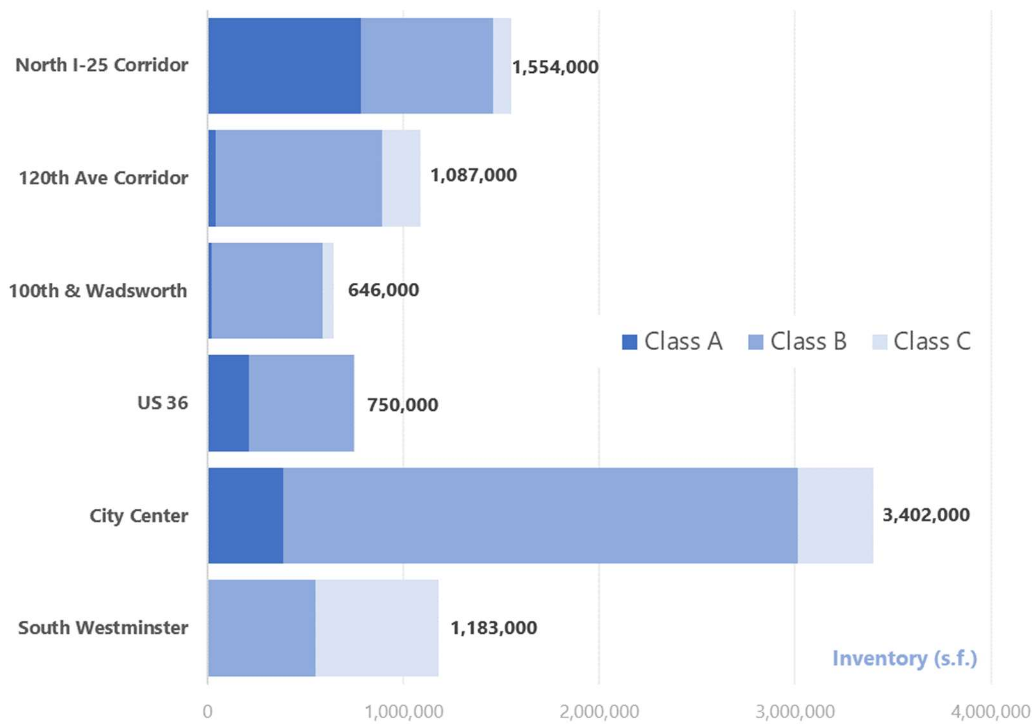
Westminster's 8.9 million s.f. total retail inventory is distributed around the city, concentrated into 6 retail subareas shown on the map in Figure 8. With minor exceptions these subarea boundaries are the same shapes and names as has have used in other retail analytics by City staff in recent years. All but 2 percent of the city's retail space can be found within these 6 areas.

Figure 7: Westminster Retail Subareas



Retail properties within a given subarea tend to have similar attributes to other properties in that same subarea, although some are more internally diverse than others. This diversity or lack thereof will be noted in the discussion below. The total inventory of each subarea is shown in Figure 7, with bars sorted roughly north to south. Shading indicates the proportion of retail properties within each group by class (A, B, or C) as denoted by Costar.

Figure 8: Retail Inventory by Westminster Subarea, by Class



Source: Costar; Leland Consulting Group

Some subarea differences of note:

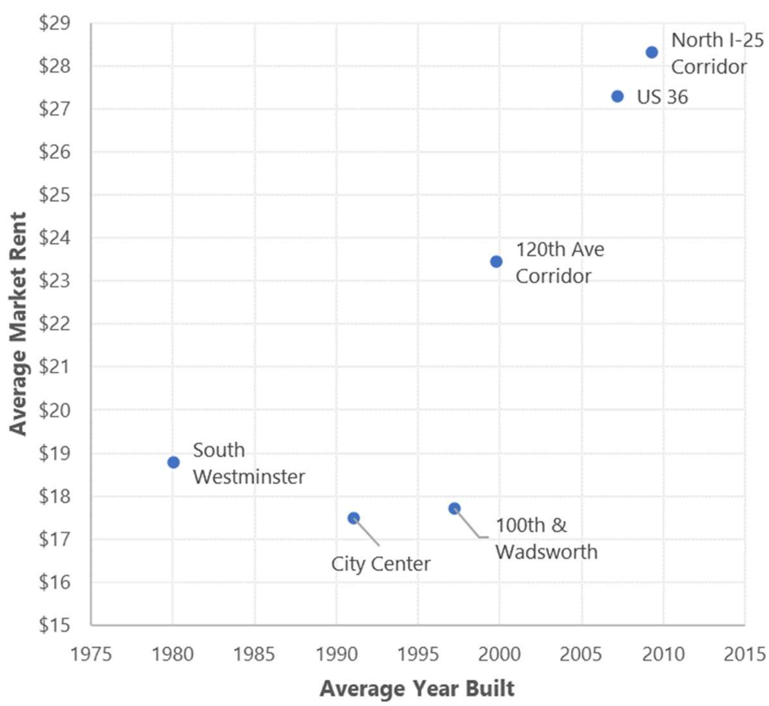
- In terms of total inventory, the *City Center* subarea, with approximately 3.4 million s.f. has by far the most retail space, with more than double the square footage as the next most retailed subarea, the *North I-25 Corridor* (home to *The Orchard Town Center* upscale regional center), with almost 1.6 million square feet. This finding makes sense given the sub-area's central location.
- The city's westernmost subarea, around 100th and Wadsworth, has the smallest retail presence, with only approximately 650,000 total square feet. This finding makes sense given that the sub-area is away from the primary traffic patterns, and the retail is mainly daily needs and convenience oriented.
- In the *North I-25 Corridor* area, just over one-half of standing retail is considered Class A. This finding is consistent with housing growth in and around the sub-area being of a more recent vintage, and the sub-area's retail generally following the housing.
- In contrast, the 120th Ave Corridor, *100th & Wadsworth*, and *South Westminster* subareas have little or no Class A space. Retail in *South Westminster*, in fact, is 53 percent Class C space, highest among the subareas.

- While the *City Center* subarea has the second-highest quantity of Class C space (about 390,000 s.f.) it also has a similar amount of Class A space. In fact, because the *City Center* subarea contains the new and growing Downtown Westminster project, its proportion of Class A is likely to continue to rise over the coming years.

Figure 9 plots each center by average year built on the horizontal axis and average market rents[4] on the vertical. The chart helps to further distinguish the subareas from one another, while also illustrating the close relationship of center age to market rents—with newer inventory translating predictably into attainable rents. Again, because the *City Center* area is so diverse in terms of product age and quality, its placement on the chart is likely to trend upwards and to the right as Downtown Westminster continues to deliver new space to the market in the coming years.

City Center (Downtown, specifically) aside, Westminster has grown in a south to north pattern with retail following residential growth. It stands to reason (and we think the following generalization works) that centers in the north are newer and more likely to be occupied by "first generation" tenants as opposed to backfilled with "2nd generation" tenants. A reasonable conclusion is that centers in the north may be more likely to have higher rents, and that's what this chart is really telling us.

Figure 9: Westminster Retail Subareas, Asking Rents by Average Year Built



Source: Costar; Leland Consulting Group

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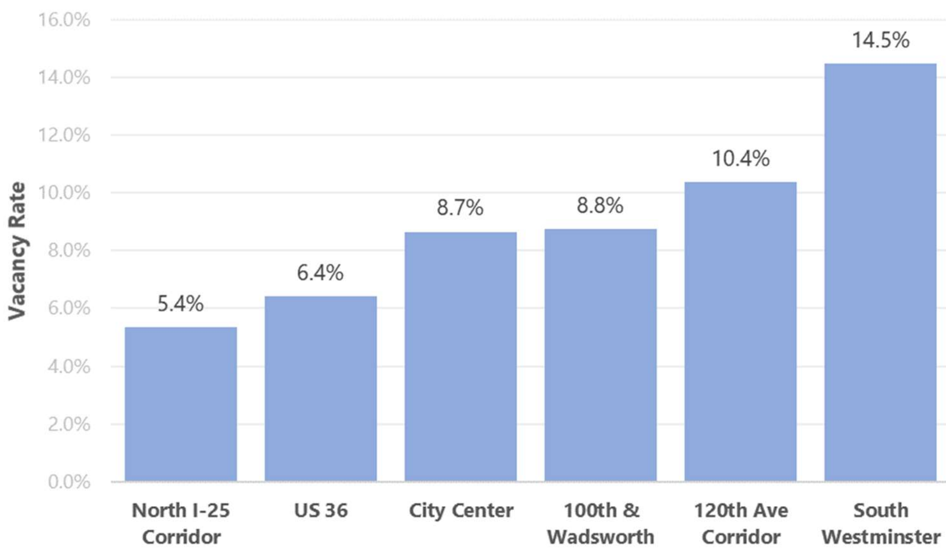
[4] Costar reports rent rates with two different statistics. The rents shown in Figures 4, 5, and 6 are based on "quoted" or "asking" rents for the subset of properties that are actively marketing available space at the time (as found on fliers or verified by leasing agents). Figure 9 and later tables with detailed subarea statistics instead use Costar's "market rent" statistic, which includes ***all*** *properties in an area (whether or not they are marketed as available), using a proprietary algorithm to estimate likely asking rents, based on attributes like age, location, and type of space. For a variety of reasons, actively marketed properties tend to be somewhat lower rent, on average, than nearby occupied space, since properties often become vacant due to factors that make them less viable for retailers. For this reason, "asking rents" should be considered more relevant for tenants seeking available space, while "market rents" are more relevant to investors or developers looking to bring space to market that is not yet built or is currently occupied.*

The pattern of average vacancy rates across subareas also generally follows along with predominant property age of construction. As shown in Figure 10, the *North I-25 Corridor*, home to the newest average vintage developments, has the lowest vacancy, at 5.4 percent overall, followed by *US 36* at 6.4 percent.

South Westminster, with both the oldest retail inventory on average, and (as will be shown in a later section) the area with the least affluent surrounding demographics, has a vacancy rate well in excess of the other subareas, at 14.5 percent.

Figure 10: Overall Vacancy Rate by Westminster Retail Subarea, Q4-2021



Comparing these vacancy rates with the rule-of-thumb 5 to 8 percent vacancy range often considered to represent a "healthy" level of retail vacancy, we see that only the *North I-25 Corridor* and *US 36* areas are squarely within those target levels, while *City Center* and the *100th & Wadsworth* areas occupy the upper borderline of that desired range.

The *120th Avenue Corridor* and *South Westminster* areas, on the other hand, both appear to have vacancy statistics that suggest oversupply, with *South Westminster* being most clearly out of balance. Higher vacancies in that subarea are especially likely to put downward pressure on attainable rents.

Higher vacancy and lower rents are generally seen as negative indicators of retail performance, but the above-average supply of available space and resulting lower rents may provide some opportunity for start-up retail tenants otherwise priced out of Westminster to consider operating in that subarea. Of course, new lower-rent tenants may also struggle to succeed to the extent that those occupancy and rent flags are reflective of outdated building stock, weak demographics, poor access/visibility, or other fundamental problems.

Although conditions of oversupply may be a warning indicator in terms of retail performance, it also represents a situation that can be leveraged – presenting opportunities to convert space to higher and better uses in an environment of lower rents and greater landlord flexibility. This repurposing of space can benefit the retail that remains by increasing trips and overall vibrancy.

As of year-end 2021, only the *City Center* subarea had substantial levels of retail development currently under construction, as tracked by Costar. Approximately 50,000 s.f. of new space across two properties is shown as underway in the Downtown Westminster project in that subarea.

Inventory by Shopping Center Type

Center Types

Costar follows conventions of the International Convention of Shopping Centers (ICSC) to categorize retail projects into the seven types shown below. While this is a useful organization rubric, we note that for every description in this chart, there are examples of projects that don't neatly fit. We recommend being careful not to pigeon-hole projects into this chart, but rather to use it as another tool along with how "specialty" and "commodity" describes retailers and shopping behaviors to understand the nature of individual projects, and their contribution to the overall retail ecosystem.

						Share of Shopping Center Inventory	
Type	**Concept**	**Typical Retail Inventory (s.f.)**	**Typical Site size (acres)**	**Anchors**	**Trade Area Reach**	**National**	**Westminster**
Super-Regional Mall	Similar to regional mall, but larger and with more variety of tenants	800K +	60-120	3 or more full-line or junior department stores, mass merchant, discount department store	5 to 25 miles	10%	0%
Regional Mall	General merchandise or fashion-oriented. Typically enclosed with inward-facing stores, surrounded by surface parking	400-800K	40-100	2 or more full-line or junior department stores, mass merchant, discount department store	5 to 15 miles	5%	0%
Power Center	Category-dominant anchors, often including off-price stores, discount department stores and wholesale clubs.	250-600K	25-80	"Category killers" such as home improvement, discount department, warehouse club.	5-10 miles	13%	18%
Lifestyle Center	Upscale national chain specialty stores with dining and entertainment in an outdoor setting.	150-500K	10-40	Large format upscale specialty	8-12 miles	2%	15%
Community Center	Larger version of neighborhood centers, with wider ranges of apparel and general merchandise. Typically in-line configuration (or U or L-shaped).	125-400K	10-40	2+ discount stores, supermarket, drug store, or specialty discount stores (toys, books, electronics, home improvement, sporting goods)	3 to 6 miles	25%	33%
Neighborhood Center	Convenience oriented center, typically grocery anchored.	30-125K	3-5	Supermarket	3 miles	31%	31%
Strip/ Convenience	Attached row of stores managed as a whole, but much smaller than community center.	<30K	<3	Convenience store, mini-mart	< 1 mile	12%	12%

Costar does not classify any Westminster retail center as a Super Regional Mall or Regional Mall. Its largest shopping center, Orchard Town Center, is categorized as a lifestyle center – though it could also be considered an open-air regional mall because of its two department store anchors, or a hybrid because it combines mall attributes with the inclusion of a Target in its tenant mix (more commonly associated with so called power centers or larger community centers. With the exception of those categories, Westminster's distribution of center types is relatively similar to the national breakout. Westminster does have somewhat more inventory within power centers than the U.S. overall (18% versus 13%) and less within community centers (33% versus 25%). Given that the boundaries between power centers and community centers have become increasingly blurred in recent years, this does not reflect a substantial departure from the typical national distribution of center types.

Westminster Subarea Profiles

Figure 11 adds numbered indicators identifying the individual shopping centers within each of the 6 subareas, plus 3 centers falling outside any defined subarea. In most cases the definition of shopping center tends to follow Costar indications of shared ownership. Some shopping center polygon borders have been expanded somewhat to include adjacent retail properties, regardless of ownership, that would have otherwise been left outside any defined center.

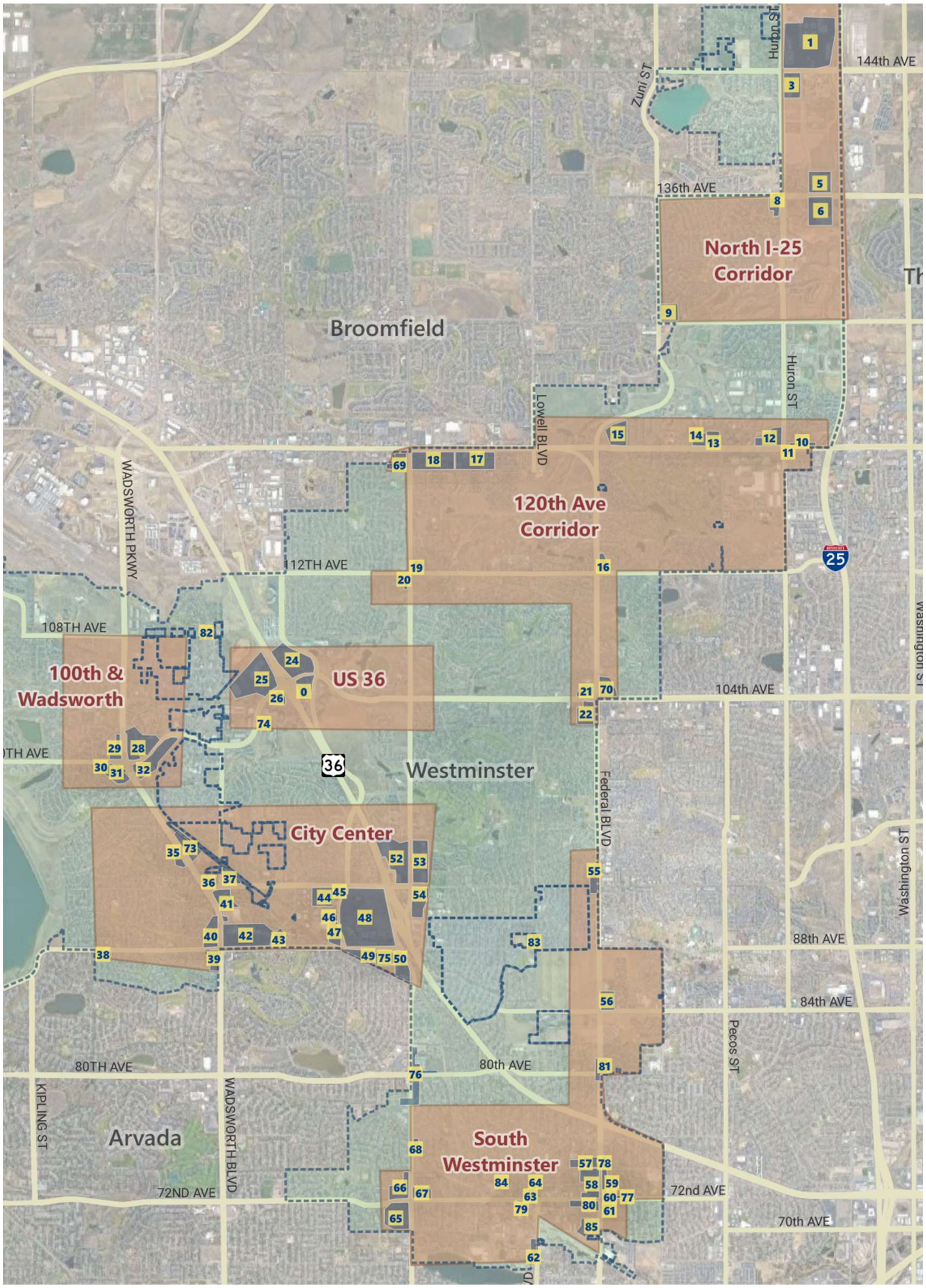
In all, there are 55 subareas across the six subareas, plus 3 centers outside any defined subarea. Each subarea also contains some smaller shops, gas stations, car washes, commercial preschools, and other miscellaneous freestanding uses falling outside any defined shopping center.

Following the Figure 11 map key, there 3 to 5 pages of detailed profile information for major centers in each subarea. First, basic commercial real estate data on each shopping center, including the following:

- total inventory
- vacant/available inventory
- vacancy rate, market rent,
- typical year built
- Costar's property quality "star rating" .

Profiles for the largest and most visited centers in Westminster include additional information on individual tenants, more detailed visitation trends, and information on competition and retail trade zones (aka trade areas).

Figure 11: Westminster Subareas with Shopping Center Locations



North I-25 Corridor Subarea

Subarea Zoom Map: North I-25 Corridor

Shopping Center Information: North I-25 Corridor

	Map ID	Type	Inventory (s.f.)	Available (s.f.)	Vacancy	Market Rent	Typical Year Built	Quality Star Rating (1-4)
North I-25 Corridor			**1,554,356**	**83,391**	**5%**	**$26**	**2009**	**3.2**
Orchard Town Center	1	Lifestyle Center	1,063,190	16,526	2%	$29	2008	3.3
Walmart Supercenter - North	6	Community Ctr	182,665	-	0%	$17	2009	3.0
Westminster Crossings	5	Community Ctr	152,967	3,575	2%	$19	2006	3.0
Willow Run Plaza	9	Neighborhood Ctr	101,786	59,740	59%	$14	2001	2.8
Orchard Park Place	3	Strip Center	30,159	3,550	12%	$19	2016	4.0
Quail Run	8	Strip Center	23,589	-	0%	$22	2013	3.0

Description of Primary Centers: North I-25 Corridor

Orchard Town Center

The North I-25 Corridor Subarea is dominated by the Orchard Town Center. The 1,000,000+ s.f. lifestyle center opened in 2008 as Westminster's most aggressive response to the loss of the Westminster Mall. Developed by Forest City (developers of the massive Stapleton/Central Park infill project), the Orchard Town Center was built as an outdoor lifestyle center, focused around a heavily landscaped brick pedestrian mall traversing two and a half blocks, connecting a 12-screen AMC cinema on the west to a 40,000 square foot J.C. Penney on the east.

The center is a true hybrid; while it has two major department stores – the above-mentioned J.C. Penney and a somewhat smaller Macy's, its largest tenant is now a 160,000 s.f. Target with full grocery store, flanking the lifestyle portion of the center across surface parking to the west. Other major tenants include numerous dining/drinking options covering a range of sizes, along with major discount departments stores like Nordstrom's Rack, Marshalls, and Ross. REI and H&M recently left the center because they were unable to come to terms with the Landlord. The loss of REI in particular is a cause for concern.

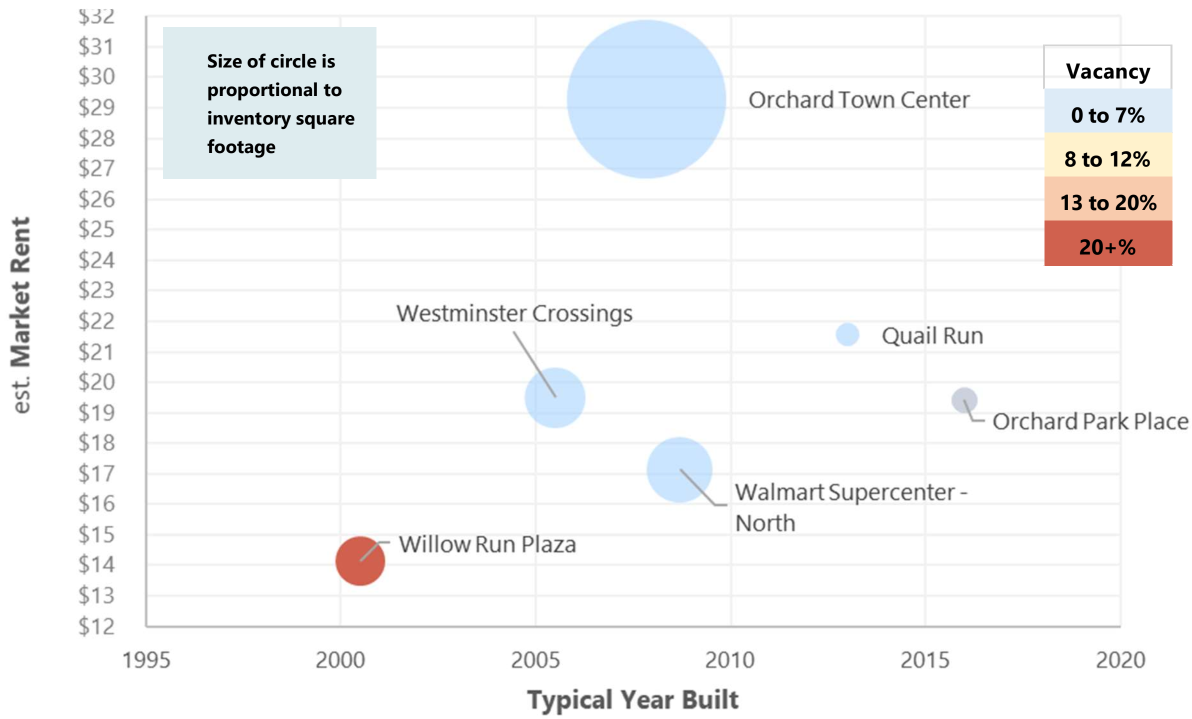
An Aloft hotel property to the north adds activity diversity to the overall site, as does the recently-relocated St. Anthony's hospital facility to the south.

Other Subarea Centers

The southern part of this subarea is largely rounded out by a Walmart Supercenter (180,000 s.f. including pads) and the 150,000 s.f. Lowe's-anchored Westminster Crossings shopping center. Like the Walmart property, Westminster Crossings includes a handful of food service pads and a drive-thru bank.

The only other major center is the Willow Run Plaza, a roughly 100,000 s.f. neighborhood center originally anchored by a Safeway, which has been vacant for several years. Traffic to the center has been supported disproportionately by Frolic, a popular local brewpub and restaurant.

Portfolio Map: North I-25 Corridor



Performance and Strategic Notes: North I-25 Corridor

Orchard Town Center

Orchard Town Center is one of the most-visited shopping centers in the state, benefiting from excellent visibility and access from I-25. Visitation is led by Target, with 1.5 million visitors in 2021 (placing it 9th out of 25 metro Denver stores in terms of visits). The center includes some chain tenants performing very well relative to their metro Denver same-chain peers: Ulta Beauty, Jersey Mike's Subs, and T-Mobile stores all had the highest visitation in a crowded field of metro Denver same-chain peers. At&T, Chipotle, Red Robin, Dollar Tree, Staples, 3 Margarita's restaurant, and Old Navy all performed in the top third relative to same-chain peers.

Although the sample of metro peers is small, both Macy's and Nordstrom's Rack ranked towards the bottom of their respective chains in 2021 visitation. The AMC theater had low visitation volume, ranking just 8th out of 11 metro peers in the Placer database for 2021. Starbucks ranked 101 out of 107 tracked locations in the metro which is suspiciously low given the popularity of the center overall. It is possible that COVID-related restrictions may have something to do with this surprising result. The Lazy Dog Restaurant & Bar was visited an impressive 561,000 times in 2021, second only to Target within the center and well higher than Macy's in 3rd place (395,000 visits).

Orchard Town Center is among the highest rent performers in Westminster, according to Costar market rent estimates, and has healthy occupancy. Willow Run Plaza is struggling both with low estimated rents and poor occupancy (due to the vacant Safeway).

Overall, the mixed-use Orchard Town Center competes most heavily with a duo of centers kitty-corner to the southeast across I-25 in Thornton: The Grove and Denver Premium Outlets (Simon). The Orchard arguably does a better job of creating a coherent community gathering place, with strong site pedestrian-friendly site design to showcase its balanced

Orchard Town Center

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank % (lower is better)*	*Visits / sq ft*	*Visits / sq ft - Chain Rank, CBSA*
Target	1,400,886	26%	9/25	36%	8.2	10/25
Lazy Dog Restaurant & Bar	561,456	123%	1/2	50%	41.0	1/2
Macy's	394,801	81%	5/7	71%	5.5	5/7
Ross Dress for Less	342,271	64%	7/18	39%	11.8	8/18
JCPenney	308,571	82%	3/7	43%	3.0	4/7
Marshalls	302,181	58%	3/6	50%	14.2	1/6
AMC Theatres	275,014	523%	8/11	73%	5.0	N/A
Red Robin Gourmet Burgers	255,919	97%	3/13	23%	52.1	1/13
Nordstrom Rack	213,695	109%	4/4	100%	7.0	4/4
Dollar Tree	184,885	14%	16/52	31%	14.7	18/52
Old Navy	182,303	42%	3/10	30%	12.0	2/10
Ulta Beauty	179,518	59%	1/12	8%	16.7	1/12
Off Broadway Shoe Warehouse	172,160	72%	1/3	33%	9.2	1/3
Chipotle Mexican Grill	166,678	83%	5/44	11%	66.5	5/44
3 Margaritas	159,323	53%	2/9	22%	27.6	2/9
Panera Bread	147,480	72%	10/19	53%	46.2	3/19
HuHot Mongolian Grill	143,511	133%	3/4	75%	18.3	3/4
Sephora	131,221	6355%	1/2	50%	24.4	1/2
Staples	123,909	53%	2/6	33%	5.9	2/6
Victoria's Secret	101,735	42%	1/3	33%	10.8	2/3
Jersey Mike's Subs	94,790	68%	1/16	6%	44.5	2/16
T-Mobile	84,725	29%	1/29	3%	19.5	N/A
Bath & Body Works	80,333	31%	5/8	63%	18.4	8/8
Tilly's	69,153	69%	2/2	100%	8.4	2/2
Pigtails & Crewcuts	63,462	70%	1/1	100%	37.1	1/1
Chico's	62,648	26%	1/3	33%	12.8	1/3
Smoothie King	53,910	63%	2/3	67%	18.3	3/3
My Kid's Dentist & Orthodontics	52,366	22%	1/1	100%	8.5	N/A
Starbucks	49,042	62%	101/107	94%	26.5	93/107
AT&T	47,642	28%	4/17	24%	9.9	N/A
Hot Topic	46,999	10%	1/2	50%	14.3	1/2
Famous Footwear	46,474	58%	5/10	50%	7.4	4/10
lululemon athletica	45,701	42%	2/3	67%	10.7	3/3
Torrid	42,695	96%	1/1	100%	16.9	1/1
Which Wich? Superior Sandwiches	31,717	25%	2/4	50%	15.3	2/4
Lane Bryant	29,505	68%	3/4	75%	4.6	3/4
European Wax Center	29,268	39%	5/10	50%	17.6	6/10
Mattress Firm	29,069	6%	6/15	40%	6.9	4/15
HoneyBaked Ham	24,483	119%	2/3	67%	23.3	1/3
Finish Line	19,304	17%	N/A		6.0	N/A
Sola Salon Studios	18,113	32%	6/6	100%	3.0	6/6
Zumiez	16,391	123%	3/3	100%	6.0	3/3
Club Champion	12,896	185%	1/1	100%	5.0	1/1
KeyBank	11,601	27%	10/18	56%	3.0	6/18
Pizza Hut	10,859	20%	19/19	100%	4.0	17/19
	3,980	19%	8/8	100%	1.0	8/8

combination of specialty retail, dining/beverage options and commodity goods. The Grove and its outlet center neighbor to the south fail to take advantage of any synergy due to their adjacent location by foregoing reciprocal vehicular access. While the Simon property makes an attempt at internal pedestrian amenities, there are no connections between the two centers for pedestrians and few if any real walk/bike facilities to speak of within the retail portion of the Grove.

Tenant Visitation Information by Major Center North I-25 Corridor:

The table to the left shows tenants within Orchard Town Center tracked by Placer at the store level, showing 2021 total visit counts, change versus 2020, and a ranking of chain stores versus other members of that chain within Metro Denver (see key below).

Chain Performance

(based on rank among Denver-Boulder CBSA)

very strong	(top 20%)
strong	(top 33%)
weak	(bottom 33%)
very weak	(bottom 20%)

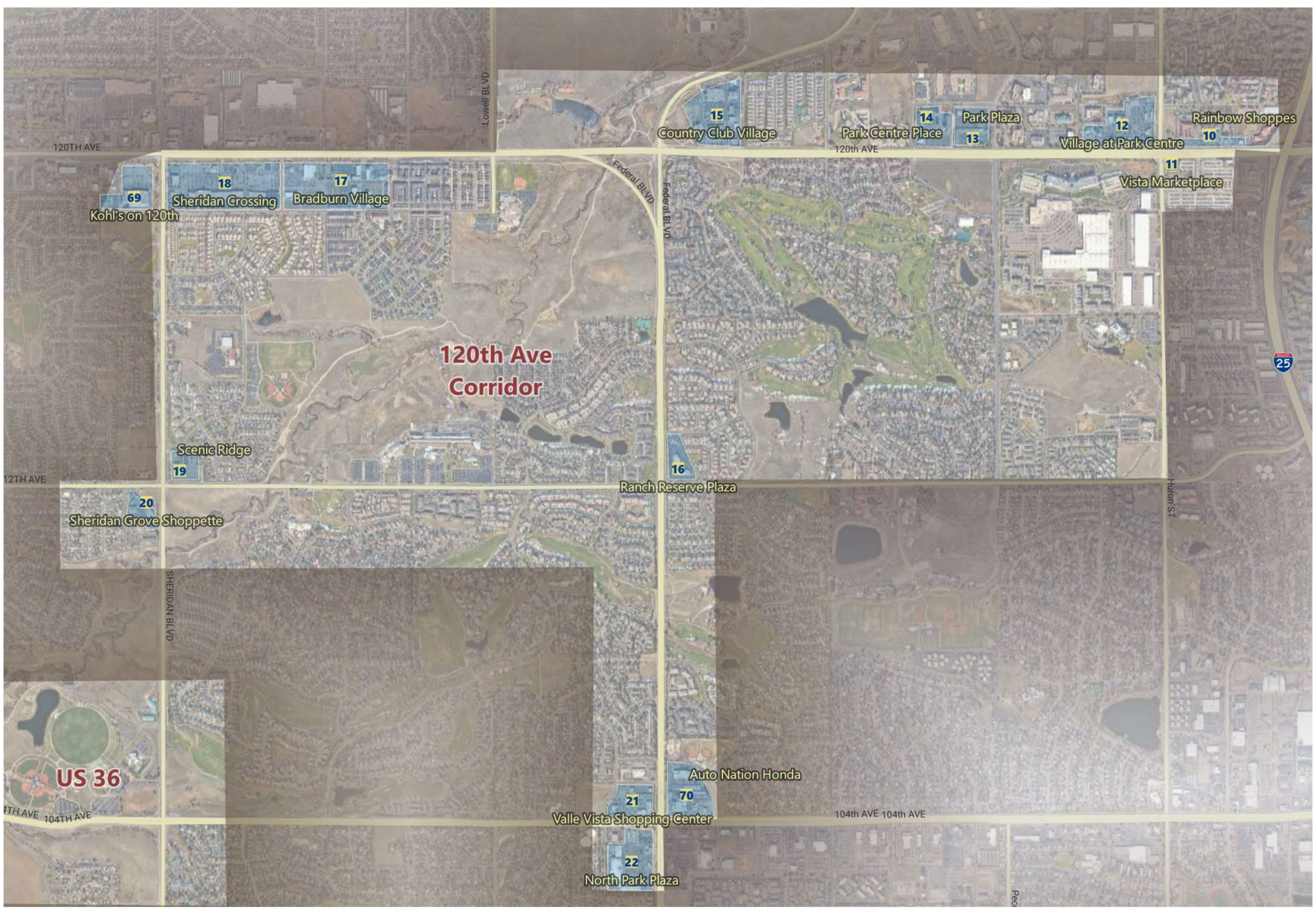
Notes: Chains with fewer than 5 metro stores excluded from very strong and very weak. Chains with 3 or less are ignored.

North I-25 Corridor Recommendations:

The Orchard Town Center and nearby power centers operate in a competitive environment alongside City of Thornton centers (The Grove, Larkridge, and Denver Premium Outlets). Any strategies that promote top of mind awareness of the Westminster retail projects and that tout comparative ease of access vis-à-vis Thornton competitors will help the Westminster projects distinguish themselves to the consumer. Specifically, anything that can be done to promote easy cross access (including easier turning movements where boulevard medians are concerned), wayfinding between projects, and open space will benefit the overall district, and will distinguish the Westminster projects from The Grove and the Denver Premium Outlets which inexplicably do not have cross-access. A district-wide freeway pylon sign with a reader board should be considered. Adding density to the area will also help establish it as a multi-purpose destination and will add an element of vitality as residents, workers, visitors, and shoppers all intermingle. While these recommendations might seem to be a "light touch," we think they are extremely important because both Macy's and JC Penny at Orchard Town Center are on the decline, and other competing shopping venues such as the outlet mall, or unique destination retailers such as Cabellas at The Grove or Duluth Trading Company at Larkridge are, frankly, more compelling than Orchard's traditional retail anchors.

120th Avenue Corridor Subarea

Subarea Zoom Map: 120th Avenue Corridor



Shopping Center Information: 120th Avenue Corridor

	Map ID	Type	Inventory (s.f.)	Available (s.f.)	Vacancy	Market Rent	Typical Year Built	Quality Star Rating (1-4)
120th Ave Corridor			**1,086,575**	**112,866**	**10%**	**$21**	**2000**	**2.9**
Sheridan Crossing	**18**	Community Ctr	235,695	35,672	15%	$23	1998	2.9
North Park Plaza	**22**	Community Ctr	137,967	3,225	2%	$24	1998	3.0
Bradburn Village	**17**	Neighborhood Ctr	112,861	6,388	6%	$21	2005	2.9
Village at Park Centre	**12**	Neighborhood Ctr	99,609	14,976	15%	$25	1999	2.8
Kohl's on 120th	**69**	freestanding	97,119	-	0%	$18	2002	3.0
Auto Nation Honda	**70**	freestanding	73,449	-	0%	$18	1984	2.7
Country Club Village	**15**	Neighborhood Ctr	53,264	8,841	17%	$28	2007	3.1
Park Plaza	**13**	Neighborhood Ctr	47,469	9,196	19%	$20	1982	2.0
Valle Vista Shopping Center	**21**	Neighborhood Ctr	43,825	20,080	46%	$21	2006	3.0
(freestanding)		freestanding	38,595	6,016	16%	$21	1986	2.8
Rainbow Shoppes	**10**	Strip Center	35,206	6,063	17%	$19	1986	2.6
Park Centre Place	**14**	Neighborhood Ctr	30,859	-	0%	$18	2005	3.0
Ranch Reserve Plaza	**16**	Strip Center	29,506	1,087	4%	$20	2004	3.0
Sheridan Grove Shoppette	**20**	misc. retail	28,606	-	0%	$18	1993	2.7
Vista Marketplace	**11**	Strip Center	11,456	-	0%	$13	1982	3.0
Scenic Ridge	**19**	Strip Center	11,089	1,322	12%	$23	2000	3.0

Description of Primary Centers: 120th Avenue Corridor

The 120th Avenue Corridor is geographically quite large, extending from Sheridan Boulevard on the west to Huron Street on the east. Federal Boulevard serves the central north-south arterial spine. Most of the retail in the subarea is found along 120th Avenue near the eastern end, with another cluster along Federal has no regional scale retail, instead featuring a variety of grocery-anchored community and neighborhood scale centers, along with several freestanding retailers and smaller strip centers.

Sheridan Crossing

At the southeast quadrant of Sheridan and 120th Avenue, this 235,000 s.f. community center could be considered anchorless. It features a 27,000 s.f. Sprouts natural grocer (which replaced a closed Albertson's in 2007), Bath & Body Works, Big Lots (actually larger than the Sprouts), Walgreens, and Staples as major tenants, along with several restaurant and service tenants, both as pads and in-line shops. The east side of the center includes a Planet Fitness, drive-thru bank and other in-line shops.

North Park Plaza

At the southwest quadrant of 104th Avenue and Federal, North Park Plaza is anchored by a 74,000 s.f. King Soopers (with approximately 10,000 s.f. of space reserved for expansion) and fully 24 in-line shops. Pads include a First Bank and Wendy's (with a small medical office building and Conoco station under separate ownership).

Bradburn Village

Located south of 120th Avenue between Vrain and Bradburn Streets, this retail center occupies the northwest portion of Bradburn Village -- a 125-acre New Urbanist mixed-use development built in 2004-05. The center is anchored by a Whole

Foods but is separated by a Montessori preschool from most of the other tenants, cluster in two in-line buildings on the center's east side.

The development of Bradburn Village was disrupted by the 2008-09 recession. Although momentum resumed through the late 2010s, there are still 3-4 large retail-zoned parcels south of Main Street (an interior street running parallel to 120th Ave. to the south) that have yet to develop over the 15-year project build-out.

Figure 12: Remaining Retail Parcels in Bradburn Village, Year-End 2021

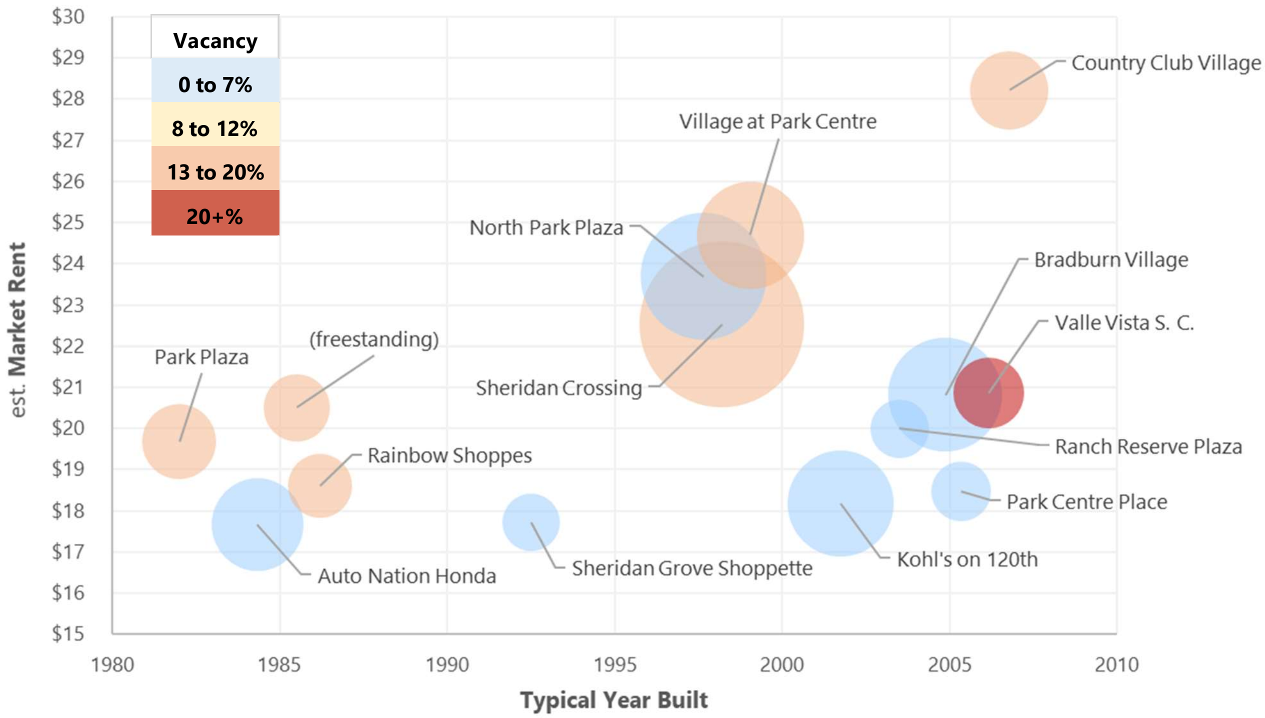
Village at Park Center

An anchorless 50,000 s.f. center at the northwest quadrant of Huron Street and 120th with a large vacant C.B. Potts restaurant space, this neighborhood-scale center has no grocery element. The center is geared largely towards nearby office-using clientele, with a strong emphasis on restaurants and small professional office space, including several second-story spaces.

Other Centers

Country Club Village at the northeast quadrant of Federal and 120th Ave. is notable for the medium-density infill residential redevelopment occurring on its west side and for the Fit by Hyland Hills (quasi-public) fitness center that replaced the 40,000 s.f. Tru Fit on the center's north end.

Portfolio Map: 120th Avenue Corridor



Performance and Strategic Notes: 120th Avenue Corridor

Almost one-half of the centers in the 120th Avenue Corridor, spanning a wide range of construction dates, showed signs of weakened occupancy, with vacancy rates of 13% or higher. The small **Valle Vista** shopping center had the highest recorded vacancy in the subarea, with almost half of its 44,000 s.f. shown as vacant as of year-end 2021. Neither vacancy nor rent appear to be correlated with date of construction in this subarea.

Approximately half of the chain tenants in **Sheridan Crossing** are performing in the bottom third or worse in terms of annual visitors relative to their same-chain metro Denver peers. The Sprouts grocery ranked 17 out of 20 metro locations, with 215,000 visitors in 2021. In fact, with 245,000 visits, the IHOP location accounted for more footfall traffic than Sprouts (and in fact ranked 4th out of 15 metro IHOP locations for visits). The Walgreens within the center ranked 62nd out of 82 metro locations.

Sheridan Crossing suffers in comparison with its neighbor to the north in Broomfield in terms of design standards, resulting in an aesthetic offering that fails to integrate well with **Bradburn Village**, an adjacent Westminster center to the east with much to offer from the point of view of specialty retail.

Although the King Soopers anchor in **Northpark Plaza** had strong visitation statistics, ranking 17th out of 80 metro locations, with over 1.1 million visits in 2021, several other tenants performed poorly relative to same-chain peers in the metro area. The Petco ranked last among 17 metro locations. Both the Shell station and Circle K tallied visits in the lower third for those chains metro-wide. The very poor performance shown for Starbucks may be cause for concern or could also reflect a covid-related data problem.

The smaller centers around Sheridan and 112th may represent excellent future retail pruning opportunities as most of the tenants in those properties could probably perform better either along 120th Avenue to the north or within the Promenade/Walnut Creek projects.

Tenant Visitation Information by Major Center: 120th Avenue Corridor

Sheridan Crossing / 5150 W 120th Ave

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
IHOP	245,464	74%	4/15	27%	44.7
Sprouts Farmers Market	215,233	-22%	17/20	85%	8.8
Big Lots	202,866	-1%	3/10	30%	5.3
Chipotle Mexican Grill	143,113	40%	7/43	16%	35.7
Walgreens	129,392	29%	62/82	76%	8.3
Staples	117,171	-13%	3/6	50%	4.0
Bath & Body Works	103,467	26%	3/7	43%	35.4
Starbucks	75,525	2%	61/101	60%	38.2
Wendy's	56,406	-10%	51/60	85%	17.6
Einstein Bros Bagels	42,300	10%	9/18	50%	20.2
Jamba Juice	34,705	55%	6/7	86%	18.6
Hand & Stone Massage and Facial Spa	20,713	N/A	9/10	90%	8.5
Brakes Plus	19,658	N/A	4/16	25%	2.7
Papa John's Pizza	9,864	4%	6/6	100%	5.8
The Joint Chiropractic	8,415	73%	8/11	73%	6.1

Chain Performance

(based on rank among Denver-Boulder CBSA)

very strong	(top 20%)
strong	(top 33%)
weak	(bottom 33%)
very weak	(bottom 20%)

Notes: Chains with fewer than 5 metro stores excluded from very strong and very weak. Chains with 3 or less are ignored.

Northpark Plaza / 10351 Federal Blvd

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
King Soopers	1,114,581	-1%	17/80	21%	14.1
Wendy's	95,812	13%	24/60	40%	33.0
Noodles & Company	56,740	25%	14/29	48%	15.9
Petco	41,535	24%	17/17	100%	5.8
Shell	24,197	33%	49/69	71%	7.2
Circle K	19,934	26%	31/44	70%	5.2
Starbucks	3,511	-91%	101/101	100%	1.7

Bradburn Village

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
Whole Foods Market	593,688	-4%	5/11	45%	16.1
Fuzzy's Taco Shop	162,241	54%	2/7	29%	32.0
Ted's Montana Grill	97,754	76%	3/4	75%	14.6
Noah's Event Venue	28,301	313%	1/1	100%	N/A
T-Mobile	20,362	63%	20/29	69%	7.6
CorePower Yoga	9,148	91%	5/5	100%	3.3

120th Avenue Corridor Recommendations:

While there is retail in several nodes along the 120th Avenue corridor, the principal retail node is located at 120th and Sheridan Blvd. Westminster and Broomfield variously regulate land in and around this intersection. Broomfield has taken a much more aggressive approach to design standards for traditional retail strip centers as can be seen in the case of Walmart's façade. At the same time, Bradburn Village is an extremely interesting horizontally integrated mixed-use project with a well-defined sense of place that fits in with yet is differentiated from the traditional, predominantly commodity surrounding retail. Recommendations for this area (and these recommendations should be applied generally throughout Westminster) include the creation of objective design standards that encourage more robust façade development (and that address what should be considered for the commercial ground floor of vertically integrated mixed-use projects), the integration of appealing and usable open space, and continuing to push for horizontally-integrated mixed-use where a mix of uses is part of the master plan for a project. We are able to address design standards as a supplemental scope if desired. Finally, there is a lot of commodity retail space along this corridor and in particular at this intersection, perhaps, and it is likely that over time, demand for space will be less than the current supply. Encouraging (perhaps requiring by way of a zoning overlay) Westminster owners to plan for obsolescence of retail space, and to upgrade their facades and common areas will make the Westminster projects more resilient over the longer term.

100th Avenue & Wadsworth Subarea

Subarea Zoom Map: 100th Avenue & Wadsworth

Shopping Center Information: 100th Avenue & Wadsworth

	Map ID	Type	Inventory (s.f.)	Available (s.f.)	Vacancy	Market Rent	Typical Year Built	Quality Star Rating (1-4)
100th & Wadsworth			**646,104**	**56,632**	**9%**	**$16**	**1997**	**2.8**
Standley Lake Marketplace	**28**	Community Ctr	270,580	29,355	11%	$16	2000	2.9
Standley Shores S.C.	**31**	Community Ctr	184,542	8,140	4%	$13	1985	3.0
Colonnades at Standley Lake	**42**	Neighborhood Ctr	90,838	8,553	9%	$20	2003	2.9
Westbrook S.C.	**30**	Neighborhood Ctr	46,247	10,584	23%	$16	1982	3.0
Village at Standley Lake	**50**	Neighborhood Ctr	28,587	-	0%	$22	2004	2.3
(freestanding)			25,310	-	0%	$16	2004	3.0

Description of Primary Centers: 100th Avenue & Wadsworth

The 100th Avenue & Wadsworth subarea is made up primarily of community- and neighborhood-scale shopping centers occupying the four quadrants of that intersection – with all but one named for nearby Standley Lake.

Standley Lake Marketplace

At the intersection's northeast quadrant, this 270,000 s.f. center includes a large VASA Fitness facility in the place of a previously vacant Safeway anchor. Much of the remainder of the center is made up of furniture showroom space, including Scandinavian Designs, Ethan Allen, Amish Furniture Showroom, and La-Z-Boy, along with dining and service tenants in other in-line and pad space. Note that the La-Z-Boy and adjacent professional office spaces are technically part of a different ownership than the remainder of the center.

Standley Shores Shopping Center

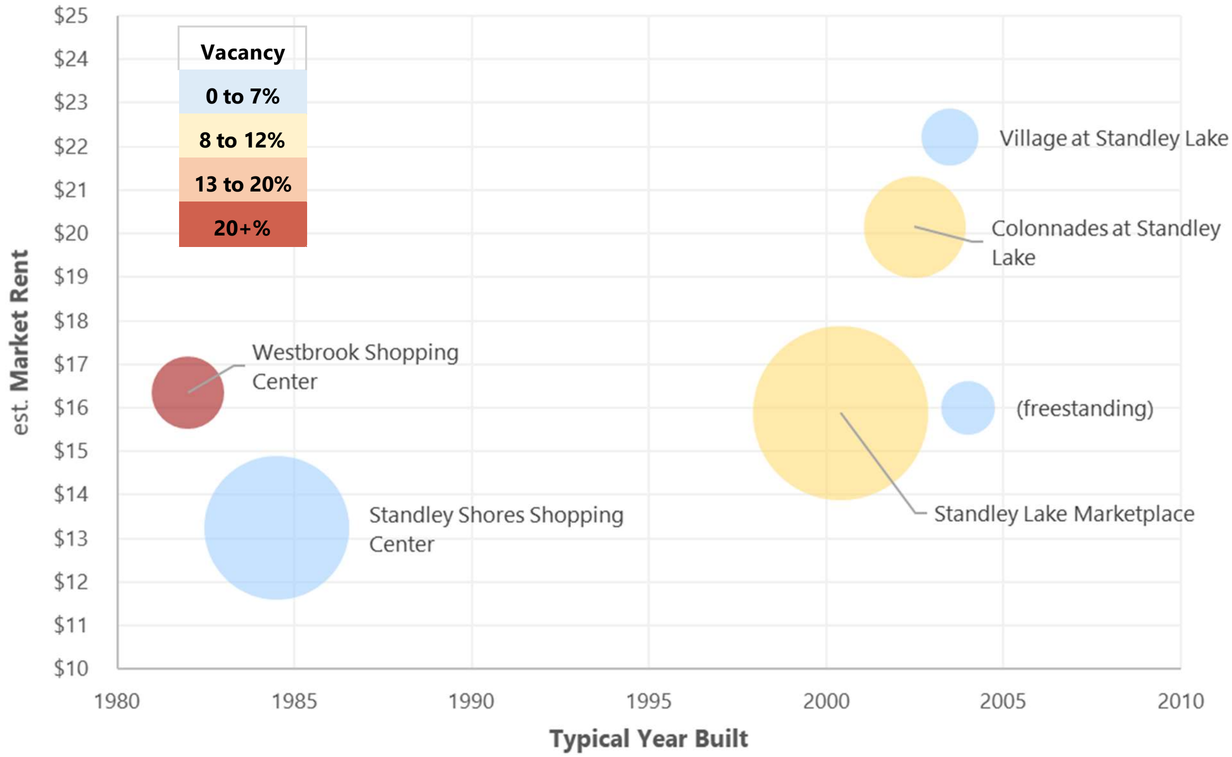
King Soopers and Ace Hardware are the primary tenants in this 185,000 s.f. center at the southwest quadrant of the namesake intersection of this subarea. The center also includes a Pure Hockey store specializing in equipment and apparel for hockey and lacrosse.

Others

The 91,000 s.f. Colonnades at Standley Lake is a somewhat sprawling development fronting Church Ranch Road (the extension of 100th Ave. on the east side of Wadsworth), with a Walgreens serving as an anchor on the west side and a self storage facility on the far east side. Auto-oriented businesses and professional/medical/dental shops make up most of the rest of the inventory for the center, along with a private preschool.

The Westbrook Shopping Center and Village at Standley Lake occupy the remaining retail spaces around this intersection. These are smaller non-anchored centers made up of food service, professional office/clinic space and other miscellaneous tenants. Although it is technically the oldest center in the subarea, the Westbrook Shopping Center appears to have had a recent exterior facelift.

Portfolio Map: 100th Avenue & Wadsworth



Performance & Strategic Notes: 100th Avenue & Wadsworth

Despite its age (largely built in 1985), the **Standley Shores** shopping center maintains a healthy occupancy level, albeit with relatively low estimated rents. The King Soopers anchor and adjacent Ace hardware store both tallied 2021 visitation within the top 30% relative to their same-chain metro peers. The in-line Subway actually ranks in the top 10% of metro Denver Subways, with approximately 40,000 visits in 2021.

Performance for **Standley Lake Marketplace** is more difficult to gauge, since Placer did not separately track visits for the Vasa Fitness or any of the furniture showroom tenants. While the Panda Express ranked poorly (18th out of 20 metro stores), the Comfort Dental tenant actually ranked 3rd out of 31 metro locations for visits.

The smaller, anchorless Westbrook Shopping Center shows signs of struggling in its location a block west of the Wadsworth hard corner, with nearly one-quarter of its space available as of year-end 2021.

Overall, surrounding residential demographics are strong in terms of income, but generally lower density. The fact that a considerable portion of the close-in trade area is devoted to Standley Lake itself and the Rocky Mountain International municipal airport further subtracts from the supporting rooftop density.

The steep decline in residential densities to the west of this subarea ensures that any retail gravity in the vicinity is pulling to the east, south, or north. As more and newer retail is added in these directions, this subarea will likely face increased danger of dwindling performance – making its properties potential candidates for future conversion to non-retail uses over time as opportunities present themselves.

Tenant Visitation Information by Major Center: 100th & Wadsworth

Standley Lake Marketplace / 7353 Federal Blvd

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
Comfort Dental	44,258	47%	3/31	10%	13.3
7-Eleven	42,124	-18%	125/193	65%	12.9
Panda Express	32,851	7%	18/20	90%	12.5
La-Z-Boy	23,351	22%	3/4	75%	0.7

(missing data on Vasa Fitness, Scandinavian Designs, and other furniture showrooms)

Standley Shores

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
King Soopers	767,414	3%	57/80	71%	13.1
Standley Shores Ace Hardware	60,406	12%	23/31	74%	2.6
SUBWAY	40,245	24%	6/58	10%	23.9
Pure Hockey	24,158	6%	N/A		1.3

100th and Wadsworth Recommendations:

This intersection is significantly over-retailed with the market gravity having shifted away from this intersection. Residential development to the west quickly thins out, and significant retail nodes exist at to the south around the newly redeveloped Downtown District, and to the north at the Arista development. Each are a 6-minute drive, are better located, and offer a variety of goods and services. Expect that over time, this intersection will continue to thin out, moving in one direction or the other, so this is a perfect opportunity to think about planned obsolescence of retail centers. A retail pruning strategy should be implemented now, ahead of even more vacancy and underutilization at this intersection. While one significant neighborhood center might make sense at 100th and Wadsworth, there is not a need for a center on each corner of the intersection. The combination of vacancy and backfill uses confirms this point. Fewer square feet of retail space here will result in a more vibrant retail destination that will become home to the most viable and resilient tenants.

Preserving more space than there is demand for will not preserve a sales tax base, but consolidating retail for which there is demand into a smaller area will result in more vibrance and likely higher sales on a PSF basis which will be a positive for sales tax collections. A note about vibrance: Prohibiting non-sales tax generating uses from retail projects will result in vacancy, not in retail uses backfilling space. Consumers visiting quasi-retail uses represent trips and opportunities for cross-shopping traditional sales-tax generating retail uses.

US36/Wadsworth Parkway (CO121): While there is a lot of development happening at this intersection (Arista/JLL), this development is located on the leading edge of the overall development pattern. Nonetheless, this retail node has the potential to have a mix of commodity and specialty retail geared to serve the immediate area, and it will put pressure on 100th and Wadsworth,

US 36 Subarea

Subarea Zoom Map: US 36

Shopping Center Information: US 36

	Map ID	Inventory (s.f.)	Available (s.f.)	Vacancy	Market Rent	Typical Year Built	Quality Star Rating (1-4)
US 36		**749,778**	**48,083**	**6%**	**$25**	**2007**	**3.2**
The Shops at Walnut Creek	**25**	427,055	25,958	6%	$25	2008	3.1
Westminster Promenade	**24**	249,705	12,800	5%	$26	1998	3.3
Northpoint Center	**0**	53,667	-	0%	$18	2000	3.5
Westminster Gateway	**26**	17,325	9,325	54%	$20	2011	3.0
Church Ranch Staples	**74**	2,026	-	0%	$20	1999	3.0

Description of Primary Centers: US 36

This small, but important, subarea is located at four quadrants around the intersection of US Highway 36 (a.k.a. Boulder Turnpike) and Church Ranch Road/104th Ave. The surrounding area is generally less residential than many others in Westminster, with open space, outdoor recreation facilities, lodging and other commercial development predominating.

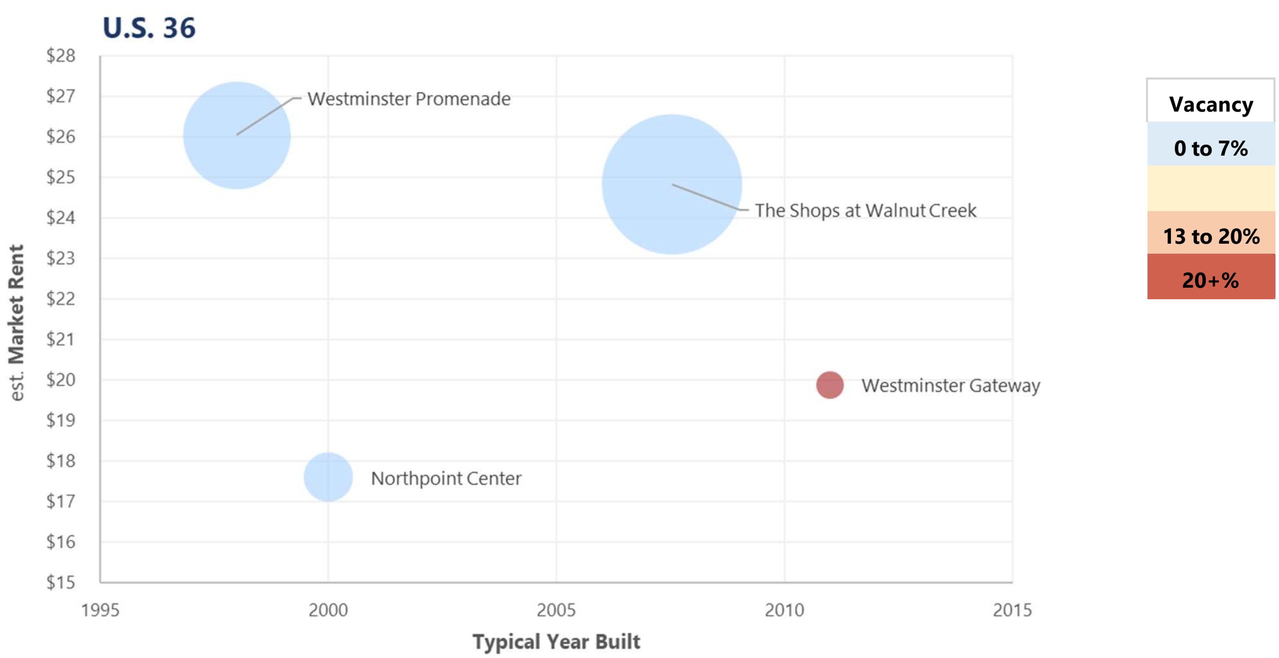
Westminster Promenade

First opened in 1998, this center is notable for prominently featuring hotel tenants in the site plan mix. Along with the Orchard Town Center project, Westminster Promenade was hoped to be part of the City's strategy for replace the lost revenue from the closing of the Westminster Mall. Like Orchard Town Center, the Westminster Promenade faced a challenging first few years due to the national recession coinciding with development. The center retains something of a visitor/event focus with the Westin hotel anchor, Butterfly Pavilion attraction, an indoor ice skating/hockey venue, and strong restaurant presence. A Dave & Busters and a 24-screen AMC theater, accessible by pedestrian bridge across Westminster Blvd. help to complete the entertainment theme.

The site mix also includes a higher density residential component, with Covell on the Promenade apartments adjacent and well-connected for pedestrian traffic to the north. A small artificial lake helps to focus a strong interior bicycle/pedestrian path amenity. In terms of retail only, Westminster Promenade has just under 250,000 s.f. of inventory

The Shops at Walnut Creek

This center, also completed just prior to the 2009 recession, is something of a bookend development to the Westminster Promenade, occupying land directly across US 36 and connected by an underpass crossing. The Shops at Walnut Creek is actually much larger in terms of strictly retail space, with just over 425,000 s.f. including a large free-standing Target on the east, a pedestrian-friendly cluster of dining and specialty retailers in the center, a line of junior box tenants on the south (including Michaels, TJ Maxx, PetSmart, and Old Navy) and several large-floorplate chain restaurant pads on the north and west periphery.



Tenant Visitation Information by Major Center: US 36

Shops at Walnut Creek

Name	Visits 2021	Visits Change vs. 2020	Visits - Chain Rank, CBSA	Chain Rank %	Visits / sq ft
Target	1,324,931	0.1	10/25	40%	7.5
T.J. Maxx	681,200	0.37	2/9	22%	14.5
Michaels	190,809	0.11	7/14	50%	9.2
Buffalo Wild Wings	190,570	0.55	12/13	92%	32.5
PetSmart	178,292	0.13	11/22	50%	6.7
Panera Bread	164,751	0.77	7/19	37%	27.8
Bonefish Grill	139,621	0.6	1/3	33%	26.3
Dollar Tree	133,101	0.16	32/52	62%	14.8
East Moon Asian Bistro	95,863	0.78	1/1	100%	17.1
Massage Envy	79,643	0.24	1/15	7%	16.3
Cold Stone Creamery	64,392	0.16	4/14	29%	25.1
LensCrafters	63,082	0.29	1/5	20%	18.1
Qdoba Mexican Grill	50,907	0.46	18/32	56%	24.1
Starbucks	49,903	0.27	93/101	92%	39.9
Floyd's 99 Barbershop	39,036	0.14	7/10	70%	22.4
European Wax Center	26,925	1.12	6/10	60%	19.2
SKECHERS Factory Outlet	20,975	0.16	4/4	100%	1.6
Aveda	16,622	N/A	N/A		16.6
Nothing Bundt Cakes	11,515	0.26	4/4	100%	6.7
Road Runner Sports	8,557	-0.56	N/A		1.3

Westminster Promenade

Name	Visits 2021	Visits Change vs. 2020	Visits - Chain Rank, CBSA	Chain Rank %	Visits / sq ft
AMC Theatres	539,278	384%	1/11	9%	3.8
Dave & Buster's	393,789	434%	1/1	100%	4.3
Snooze	215,886	99%	2/6	33%	1.0
Butterfly Pavillion	212,786	165%	N/A	#VALUE!	1.7
Chuy's	173,635	77%	1/3	33%	0.8
Smashburger	100,653	66%	1/8	13%	0.7
MOD Pizza	90,012	80%	7/10	70%	0.8
Caribou Coffee	72,363	89%	2/5	40%	0.9
Rusty Taco	62,535	78%	1/1	100%	0.8
Menchie's Frozen Yogurt	19,057	95%	2/2	100%	1.0

Performance & Strategic Notes: US 36

This subarea's feature developments, **Westminster Promenade** and the connected **Shops at Walnut Creek** feature some very strong performing tenants. The Promenade property has the top performing AMC theater in the metro area, based on visits among the 11 locations currently tracked by Placer. The Snooze breakfast/brunch spot was second most visited of that small local chain's six metro locations. The Smashburger was tops for visits among eight metro locations. MOD Pizza was a mild disappointment in terms of visits, coming in 7th out of ten area locations.

The **Shops at Walnut Creek** include a mix of chain performers. Though not at the top, the center's Target store was firmly in the top half of that chain in terms of metro visits, generating 1.3 million trips in 2021. The TJ Maxx appears strong in this location – second out of nine metro stores in visits. Massage Envy, Cold Stone Creamery, and Lens Crafters all showed strong performance. The Starbucks performed unusually poorly, close to the bottom among metro stores, suggesting the possibility that Covid-related restrictions related to that location may have played some role (or an unusually high dependence on drive-thru service).

This subarea is close to a significant level of ongoing mixed-use development activity just to the north in Broomfield. That continuing addition of both rooftops and office employment will inject additional demand support over time, helping to bolster sales for both of Westminster's major centers here. The Westminster Promenade and Shops at Walnut Creek will have to remain vigilant of the evolving tenant mix within the retail portions of those Arista/JLL developments, however, to avoid simply being out-competed for a share of that new spending support.

US 36 Recommendations:

A substantial amount of retail development has occurred at the intersection of US 36 and West 104th/Church Ranch Road. The two dominant projects, the Shoppes at Walnut Creek and Westminster Promenade, together have a significant mix of both commodity and specialty retail uses. Repurposing of space at Westminster Promenade to multi-family is appropriate given the trend towards contraction in the retail industry. In order to strengthen the connection at this node further attention should be given to wayfinding between the Shoppes at Walnut Creek and Westminster Promenade, and we recommend that the overall area should be promoted as a unified district including the Butterfly Pavilion which is a regional draw.

The nearby Sheridan/112th node is an excellent example of a retail pruning opportunity. There is little at this intersection that could not easily relocate to Sheridan 120th or to US36/Church Ranch Road (Westminster Promenade/Shoppes at Walnut Creek). While such a pruning would remove some immediate convenience for the neighborhood, most Sheridan/112th uses, especially the medical uses, are destination.

City Center Subarea

Subarea Zoom Map: City Center

Shopping Center Information: City Center

	Map ID	Inventory (s.f.)	Available (s.f.)	Vacancy	Market Rent	Typical Year Built	Quality Star Rating (1-4)
City Center		**3,402,172**	**294,668**	**9%**	**$16**	**1991**	**2.8**
Towne Center at Brookhill	**42**	458,249	39,003	9%	$17	1989	3.3
Westfield Village Shopping Ctr	**52**	454,462	18,000	4%	$17	1995	3.0
Westminster City Center Mktpl.	**53**	341,655	50,007	15%	$17	1996	3.1
Downtown Westminster	**48**	318,668	26,273	8%	$17	2000/2021	3.3
Brookhill V	**41**	209,032	53,000	25%	$12	1995	2.3
AFW, O'Tools	**73**	208,883	-	0%	$15	1981	3.0
Mission Commons Center	**40**	157,315	14,625	9%	$17	1988	2.5
Rocky Mountain Plaza	**50**	154,627	8,131	5%	$14	1978	1.9
Costco Shopping Center	**44**	154,551	-	0%	$15	1996	3.0
Lowe's	**75**	131,704	-	0%	$15	2004	3.0
Northview Shopping Center	**54**	121,388	15,944	13%	$17	1993	2.9
Westminster Village	**49**	120,763	16,482	14%	$18	1991	2.3
Solaire Shoppes	**47**	106,056	10,268	10%	$10	1986	3.0
Brookhill Town Center	**43**	99,142	-	0%	$12	1989	3.0
Meadow Pointe	**37**	63,026	-	0%	$17	2003	3.3
Harlan Crossing	**46**	54,075	21,875	40%	$11	1998	3.0
freestanding		48,948	-	0%	$22	1987	2.7
freestanding		39,952	-	0%	$16	1988	2.3
Plaza Northwest	**45**	39,428	5,223	13%	$17	1985	3.0
Lake Plaza Shopping Center	**38**	38,477	7,341	19%	$10	1983	2.5
Standley Plaza		29,270	-	0%	$18	2000	3.0
Brentcross Shops	**36**	28,065	7,671	27%	$16	1986	3.0
Boulevard Shops	**35**	24,436	825	3%	$13	1979	2.5

Description of Primary Centers: City Center

The City Center subarea includes an extensive and diverse collection of shopping centers, the largest of which are not quite regional scale. While no one center has more then 500,000 s.f. of retail space, there are 13 centers with 99,000 s.f. or more. Only the Downtown area includes significant post-2005 construction, with many centers featuring 1970s and 1980s vintage developments.

Towne Center at Brookhill

Not to be confused with the adjacent Brookhill Town Center, this property at the northeast quadrant of 88th Avenue and Wadsworth is in a near tie for largest center in the subarea, with approximately 460,000 s.f. of space. Home Depot and Burlington are the largest tenants, followed by Bed, Bath & Beyond. Urban Air Adventures is an indoor skydiving simulation party/event space sharing a wall with Home Depot. The western edge of Burlington's building is occupied by a Coast Guard recruiting office. There are numerous pad sites, some with multiple in-line tenants, others free-standing. The vintage is older, with late-1980s to early 1990s construction predominating.

Westfield Village Shopping Center

At 454,000 s.f., this community/power center just east of US 36th at 92nd Avenue features a Walmart Supercenter, Best Buy, Hobby Lobby, and Office Depot as major boxes. The large Hobby Lobby shares a wall with a smaller (18,000 s.f.) vacant grocery space. A Total Beverage liquor store is the largest in-line space. The east side of the property fronts Sheridan Blvd. and is made up of separated pads, some with in-line tenants and others freestanding. These include an Outback Steakhouse, Boston Market, Qdoba, Wendy's and Starbucks, along with a Circle K and dentist office pad. Most construction dates to the mid-1990s.

Westminster City Center

Other than its location adjacent to Westminster City Park and proximity to the City's municipal offices, there is little to conjure a "city center" here. Instead, this retail property is a nearly continuous row of mostly junior box chain retailers east of Sheridan Boulevard stretching from 92nd Avenue on the south to the Niver Canal on the north (approximately the 95th Avenue alignment). The center totals some 345,000 s.f., including Barnes & Noble, Buy Buy Baby, Dollar Tree, DSW, Ross, Joann Fabric, among others. There is a Golf Galaxy store with a reduced footprint, apparently moved a block north of a larger, now vacated space. A Halloween store serves as an interim use for a large vacated Gordmans space next to the original Golf Galaxy space. These properties are set back from Sheridan, separated by surface parking lots and a handful of very widely-spaced freestanding pads – a mix of restaurants along with a FedEx store, Jared jeweler, and vision clinic. Historical street-view imagery suggests that the in-line junior box spaces have seen considerable tenant turnover.

Downtown Westminster

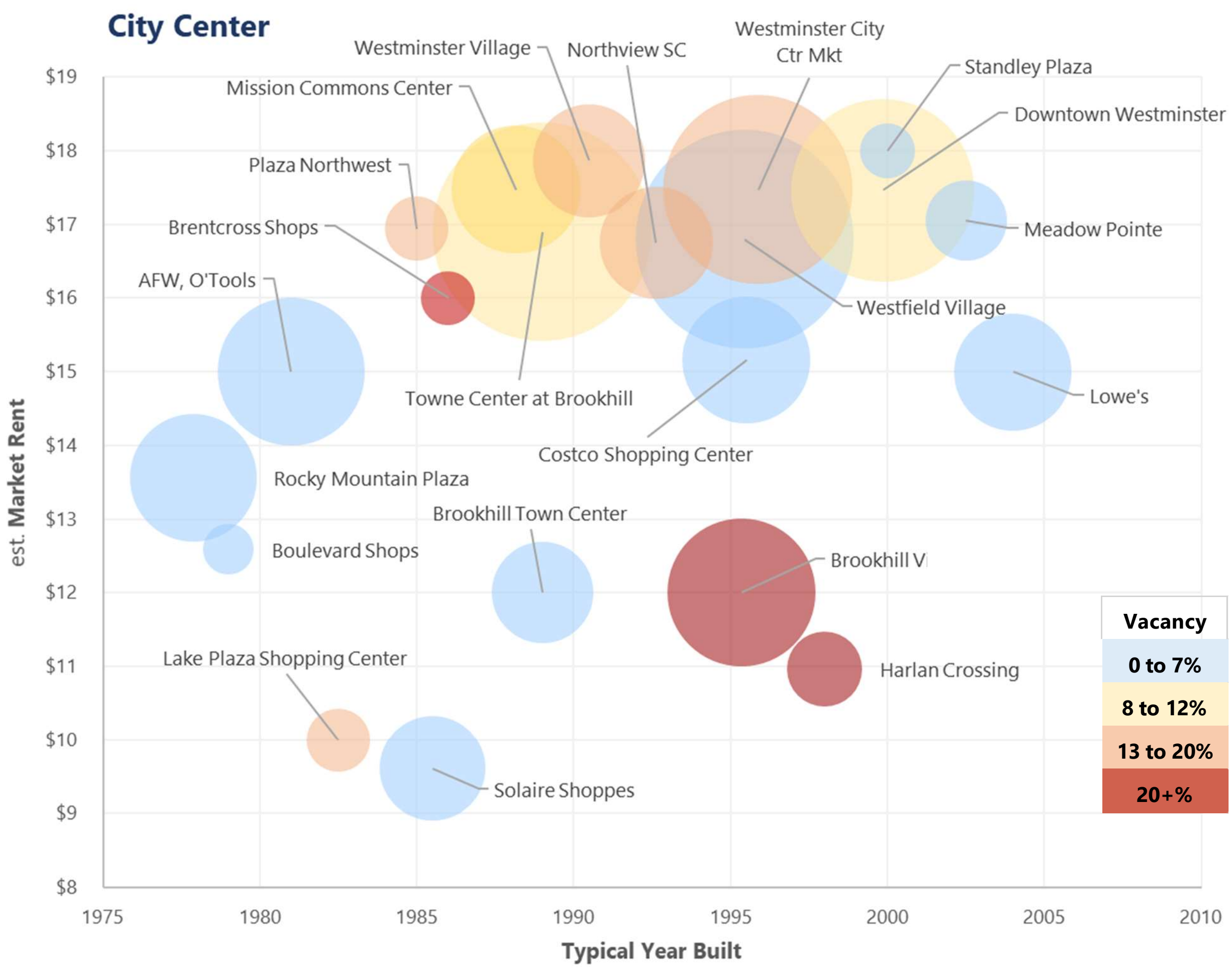
This infill redevelopment bounded by 88th Avenue., 92nd Ave, Sheridan Boulevard. and Harlan Street (the old Westminster Mall site). represents Westminster's most ambitious mixed-use development to date. The project includes a balanced mix of higher-density urban residential, office space, hotel, and street-level retail, with extensive use of vertical mixed-use form – all well-served with pedestrian-friendly connections and public gathering spaces. About one-half of the standing 318,000 s.f. of standing retail inventory here is accounted for by the two-story J.C. Penney building, a legacy of the Westminster Mall. An 45,000 s.f. Alamo Drafthouse (with 9-screen cinema) and 36,000 s.f. Bowlero are major entertainment-oriented tenants already in place. Ground floor retail is beginning to lease up, including a Tattered Cover bookstore location, café/coffee shop, and some medical/professional tenants.

Brookhill V

This nearly 210,000 s.f. property at 92nd Avenue and Wadsworth includes multiple adjacent ownerships. Murdoch Ranch & Home Supply is the largest current tenant-- a popular retailer with home and garden supplies in addition to a wide variety of miscellaneous SKUs geared towards residential "horse property" owners and other large-lot residents. Only slightly smaller at 42,000 s.f. is the adjacent, locally-owned, Hobby Town store.

Brookhill V is noteworthy because it lies in an a "focus area" envisioned in the Westminster Comprehensive Plan for potential future mixed-use infill development. In fact, the vacant Builders Square property south of the Murdoch's and Hobby Town is the site of a proposed 306-unit medium density residential infill project (approval pending as of this report).

Portfolio Map: City Center



Performance and Strategic Notes: City Center

It is somewhat difficult to assess the performance of retailers in the City Center in aggregate, due to the quantity and variety of centers in this subarea. Overall, estimated market rents are tied (with the 100th & Wadsworth subarea) for lowest among Westminster subareas, at $16/sf/yr. Average year of construction overall is 1991, meaning most properties are at or approaching 30 years old. Vacancies in the subarea are pushing the higher end of healthy at 9% overall – consistent with Westminster's citywide average.

While **Downtown Westminster** represents a positive departure in terms of design quality and supporting amenity infrastructure, it is likely that rent potential for that project is influenced downwards by the prevailing lower rents elsewhere in the subarea. There appears to be considerable potential adjacent to the Downtown Westminster to the west. Lots of non-retail uses or quasi-retail uses help set the stage for an area that could be groomed for redevelopment as destination retail; it has excellent central location. It is a bit of an "inside" location with just fair visibility, but that could be mitigated to some degree with project-based monument signage to take advantage of proximity to Downtown and US36.

In terms of visitation, the two most-visited shopping centers in the City Center area for 2021 were **Westfield Village** and **Towne Center at Brookhill**, with 3.3 million and 2.2 million visits, respectively. The grocery component of the Walmart Supercenter in Westfield Village gives it an edge in visitor frequency over the larger **Towne Center at Brookhill**, which lacks a supermarket tenant. Westminster City Center, also without a grocery offering, was the third most visited center in the City Center subarea with 1.9 million visits in 2021. Placer visitor traffic data was not available at the center-wide level for Downtown Westminster.

In terms individual tenant performance measured against same-chain peers in the metro area

Chain tenants at **Towne Center at Brookhill** were mix over strong over-performers and a similar number of struggling chains. Jersey Mikes, Salley Beauty Supply, Chili's, and Bed Bath & Beyond all had visitor traffic in the top 25% of their respective chains metro-wide, while Mattress Firm and Supercuts were near the bottom of the metro compared to their same-chain peers. The largest tenants, Home Depot and Burlington were slightly better than average relative to their metro peers.

The Westfield Village center attracted impressive visitor footfall numbers for its largest tenants. The Walmart's 1.9 million visits in 2021 put it in the top third of all Denver metro Walmart properties. The center also has the most-visited Hobby Lobby out of 12 metro locations tracked by Placer, with just over 430,000 visits, just above the Best Buy's 413,000 visits (ranking it 4th out of 12 in the metro). Finally, the Boston Market restaurant is tops among the five tracked metro location.

Despite its two large vacancies, Westminster City Center did well attracting visitors to its remaining largest tenants, Ross and Five Below. The 422,000 visits for Ross put it in the top 28 percentile for that chain in the region, while the Five Below was the most visited out of that chain's five locations. However, there were also several relative under-performers in the project. Barnes & Noble, Designer Shoe Warehouse, Ulta Beauty, and Dollar Tree all had visitor traffic that was in the bottom 10% of their same-chain metro peers. The FedEx Office location came in 15th out of 21 metro locations.

In **Brookhill V**, the Murdoch Ranch & Home Supply was the most-visited location for that small chain's portfolio of four metro locations. The Good Times drive-thru was also a strong performer relative to others in that chain.

Many centers in the southeast portion of this subarea appear to be quite run-down in terms of general appearance, and several suffer from lack of reciprocal vehicular access across properties of different ownerships/management. There are notable vacancies and signs of deferred maintenance seen in the centers to the northeast of Downtown across US36 – The vacant Whole Foods, while somewhat stunning to see, may be an excellent example of the market moving away from that location (towards Bradburn Village).

Tenant Information, & Visitation Data: City Center

Towne Center at Brookhill

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
The Home Depot	763,377	-3%	11/26	42%	6.0
Burlington	333,934	67%	3/7	43%	4.0
Bed Bath & Beyond	234,460	16%	2/9	22%	4.5
Chili's Grill & Bar	218,506	66%	4/19	21%	35.8
Torchys Tacos	199,995	33%	3/6	50%	39.3
Urban Air Trampoline Park	151,654	111%	3/4	75%	4.0
Plato's Closet	87,455	71%	2/2	100%	29.3
Jersey Mike's Subs	56,953	19%	3/16	19%	33.8
100% Chiropractic	47,886	71%	1/3	33%	22.6
HoneyBaked Ham	38,843	75%	1/3	33%	9.4
Sally Beauty Supply	34,605	35%	2/12	17%	21.0
Lamps Plus	34,128	20%	1/2	50%	2.6
T-Mobile	25,009	33%	14/29	48%	11.8
Lady Jane's Haircuts For Men	14,283	N/A	2/3	67%	11.5
Mattress Firm	10,028	21%	14/15	93%	1.1
Supercuts	7,551	N/A	10/10	100%	6.4

Westfield Shopping Center

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
Walmart	1,874,773	13%	9/29	31%	8.9
Hobby Lobby	431,062	10%	1/12	8%	7.0
Best Buy	413,561	23%	4/12	33%	8.1
Boston Market	165,441	28%	1/5	20%	49.8
Wendy's	79,672	-14%	38/60	63%	29.4
Office Depot	69,252	43%	6/13	46%	3.0
Corner Store	30,312	3%	11/27	41%	5.5
Circle K	14,767	100%	38/44	86%	2.8
Aspen Dental	10,956	559%	1/2	50%	3.0

Westminster City Center

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*	*Visits / sq ft - Chain Rank, CBSA*
Ross Dress for Less	428,207	60%	5/18	28%	15.9	3/18
Five Below	288,271	47%	1/6	17%	30.2	1/6
Barnes & Noble	179,316	18%	8/8	100%	5.8	8/8
Jo-Ann Fabric and Craft	150,270	15%	3/7	43%	6.1	3/7
Party City	88,747	59%	5/8	63%	7.4	5/8
Dollar Tree	84,182	24%	47/52	90%	7.6	45/52
David's Bridal	69,436	41%	2/3	67%	5.1	2/3
Einstein Bros Bagels	68,539	33%	3/18	17%	14.2	9/18
DSW Designer Shoe Warehouse	58,458	107%	8/8	100%	2.9	8/8
Ulta Beauty	52,869	-1%	11/12	92%	4.6	9/12
Jared - Jewelry	30,322	31%	2/2	100%	3.9	2/2
Visionworks	24,705	10%	2/5	40%	5.3	2/5
FedEx Office Print & Ship Center	24,555	16%	15/21	71%	5.0	N/A
The Tile Shop	18,458	5%	3/3	100%	0.7	3/3

Brookhill V

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*	*Visits / sq ft - Chain Rank, CBSA*
Murdoch's Ranch & Home Supply	237,820	8%	1/4	25%	4.8	1/4
Margaritas	112,987	78%	4/8	50%	12.6	6/8
Good Times Burgers & Frozen Custard	46,617	64%	4/17	24%	56.8	N/A

City Center Recommendations:

Downtown Westminster is an ambitious redevelopment of the former 1,200,000 SF Westminster Mall, a former regional mall that lost its anchor stores and became increasingly unable to compete with other shopping alternatives. The Downtown Specific Plan which was adopted in 2014 and updated in 2015 calls for a significant amount of ground floor retail space (see Specific Plan Figure 2.2) in mixed-use buildings with primarily residential on upper floors. This regulating plan requires retail in some locations and "encourages" retail in many others. At least one retail leasing plan showed over 400,000 SF of essentially unanchored shop space distributed over the entire approximately 105-acre site. Both the amount of retail and the suggested layout for that retail are unrealistic. Modest leasing gains seem to bear out this finding. As presently conceived, we believe that in the best case, this development will have a significant amount of vacant retail space, an issue that will impact the pedestrian experience, and the perceived desirability of the area from a consumer and a retailer perspective.

The Downtown core follows some key new urbanist tenants such as density and activated ground floors. We recommend that the ground floor retail standards be revisited with an eye to "less is more" in terms of space, and we also recommend that the "required" vs. "encouraged" designations be redrawn in a more compact way designed to result in a greater occupancy level. While a peer review of the Specific Plan and it's ground floor standards is beyond the scope of this report, such an exercise is something that could be done as a supplemental task. Finally, JC Penney sits on a key site, and its redevelopment as a part of Downtown should not be left to market forces at some future date. A plan should be developed for the inevitable departure of JC Penney, and how that 3+ acre property will be repurposed within the Downtown district.

The Downtown master plan is generally inward focused and lacks connection to the surrounding built environment. There are several lost opportunities to integrate the Downtown into the larger retail ecosystem in this sub-area rather than looking at the Downtown core as a self-contained retail destination. Costco, Plaza Northwest, Harlan Crossing, and Solaire Shoppes immediately to the west should be considered a part of the immediate Downtown retail eco-system. We believe that it is not too late to think about zoning overlays, infrastructure improvements, wayfinding plans, and code enforcement (specifically with respect to deteriorating common areas) that could benefit not only the Downtown development, but these other projects.

Similar recommendations could be made about Westminster Village and Rocky Mountain Plaza to the south, and even projects to the north Westminster Village, Westminster City Center Marketplace, and Northview Shopping Center. If nothing else, these centrally located non-retail uses or quasi-retail projects, many with easy access and visibility to/from US 36, could be groomed for redevelopment as retail or non-retail projects. It is also key to create cross-access between the nearby projects. A district-oriented US 36 monument sign should also be considered.

Thinking critically about surrounding uses, and recognizing that there is too much space devoted to retail in this general area (eg. Whole Foods relocation to Bradburn Village), will help create a smaller but more vibrant city center capable of serving the needs of a diverse population drawn from a relatively wide catchment. While suburban in nature, these projects offer opportunities to create a smaller but more robust retail destination whose "sum is greater than its parts," and also an opportunity for retail from other stalling or failing centers to relocate to the center of the community.

South Westminster Subarea

Subarea Zoom Map: South Westminster

Shopping Center Information: South Westminster

	Map ID	Inventory (s.f.)	Available (s.f.)	Vacancy	Wtd Avg Rent	Typical Year Built	Quality Star Rating (1-4)
South Westminster		**1,182,995**	**171,286**	**14%**	**$17**	**1980**	**2.4**
Walmart Plaza - South	**65**	219,684	-	0%	$18	2012	2.0
Hidden Lake Shopping Center	**67**	155,665	36,335	23%	$15	1988	2.7
Freestanding (multiple)		147,129	5,178	4%	$19	1969	2.0
Westminster Plaza	**58**	138,842	5,696	4%	$18	2004	3.0
Westminster Square	**57**	128,844	14,329	11%	$11	1982	3.0
Summit Square	**81**	94,244	55,003	58%	$12	1980	3.0
Northgate Shopping Center	**61**	60,390	45,000	75%	$21	1986	3.0
S of 72nd btw Irving & Federal	**80**	49,187	4,200	9%	$17	1969	2.3
Valente's Shopping Center	**63**	46,094	-	0%	$17	1960	2.0
Shoenberg Farms	**66**	45,767	3,270	7%	$24	2013	3.0
La Conte Shopping Center	**59**	40,679	-	0%	$21	1986	2.7
Country Meadow	**68**	25,899	2,275	9%	$13	1980	2.3
E of Federal, btw 80th & 81st	**81**	9,269	-	0%	$22	1979	2.5
Mission Valley Shoppette	**60**	9,050	-	0%	$11	1962	1.5
Strip E. of Mission Valley Shops	**77**	7,829	-	0%	$22	1962	1.3
NEC 74th & Federal McDs	**78**	4,123	-	0%	$24	1982	2.0
NWC 72nd & Irving	**79**	300	-	0%	$22	1973	2.0

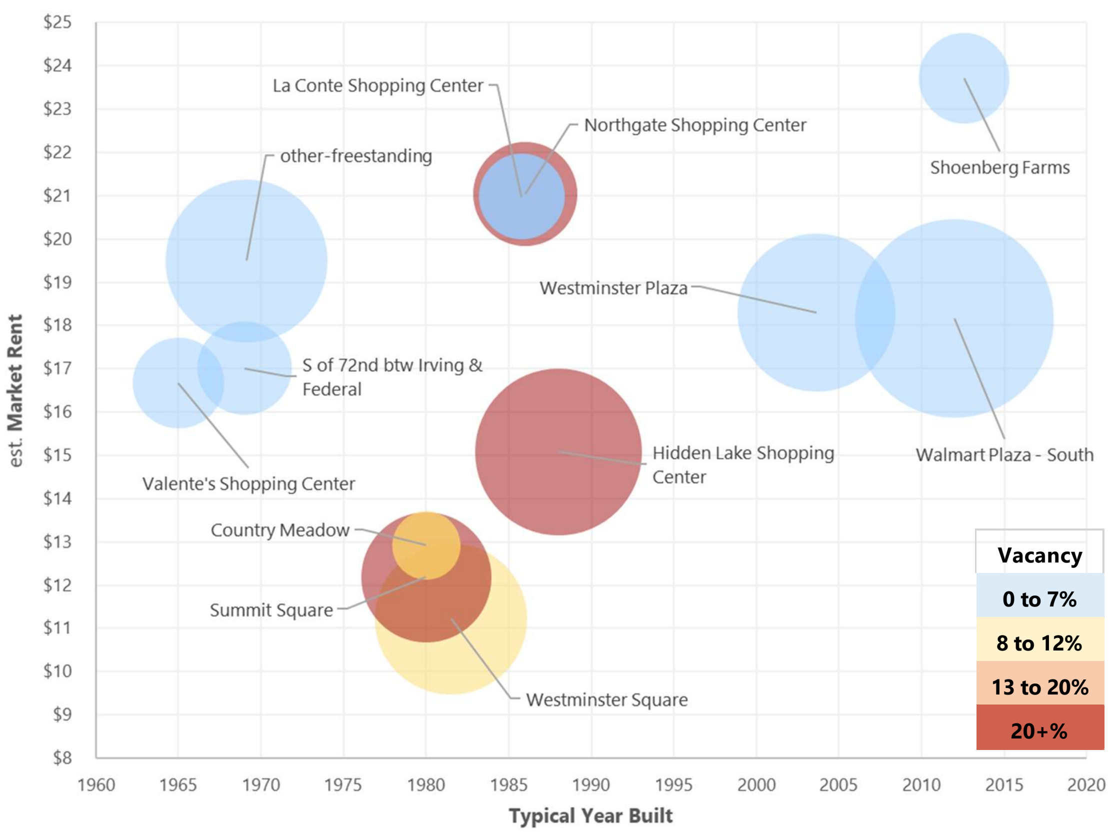
Description of Primary Centers: South Westminster

Like City Center, South Westminster includes a very diverse mix of retailers, but nothing larger than community/power center in size and skewing more downscale in terms of tenants, consistent with the less affluent demographics predominating in the southern portion of the city.

The largest center at approximately 220,000 s.f. is the Walmart Plaza – South, at the southwest quadrant of 72nd Avenue and Wadsworth. That center is almost entirely devoted to the Walmart Supercenter itself, with just a few outlying pad tenants.

Next largest, kitty-corner to the Walmart on 72nd and Wadsworth, is the 156,000 s.f. Hidden Lake Shopping Center, a neighborhood center with a vacant grocery anchor partially filled by a private nursing school and smaller Planet Fitness. The remainder of the center is miscellaneous in-line stores including personal and financial services, an Ace Hardware, and barbershop. The two pad sites are a McDonalds and an urgent care clinic.

Portfolio Map: South Westminster



Performance and Strategic Notes: South Westminster

The South Westminster subarea includes some healthy centers and tenants but is also home to several properties with performance concerns. Overall, retail vacancy in the subarea is 14%, currently highest among Westminster subareas. Estimated market rents average approximately $17/sf annually, just slightly above the City Center and 100th & Wadsworth subareas.

The high vacancy shown for the **Hidden Lake Shopping Center** is largely due to the disappointing 2019 closure of an independent grower called Local Foods Market, which opened in place of a vacant 30,000 s.f. Albertson's space. The locally-owned organic supermarket had been opened just one year and had been helped by a $150,000 fascade improvement grant and five-year tax rebates from the City worth approximately $1.4 million.

Summit Square, home of the Adams County DMV, has a vacant anchor space of approximately 55,000 s.f. (currently divided and marketed as two spaces). The center is across Federal Blvd. to the east from the controversial Uplands proposed mixed-use development.

The **Northgate Shopping Center** (red circle behind the La Conte Shopping Center in the figure) is mostly vacant because of the relatively recent closure of a Walmart Neighborhood Center grocery store (itself on the site of a failed Hispanic grocery).

Although **Westminster Plaza** is shaded light blue in the portfolio map figure, indicating healthy/low vacancy, the Vasa Fitness operating there now was a replacement for a 55,000 s.f. Safeway. While no longer technically a vacancy, that can be considered a provisional use, potentially indicating a performance problem.

In terms of visitor statistics, the most-visited shopping center by far is the **Walmart Plaza – South**, with almost 2.4 million visitors recorded in 2021. No other center in the subarea had more than 500,000 annual visitors. The Walmart Plaza – North, also a Supercenter, in contrast had just under 1.7 million visitors in 2021.

It is likely that the Walmart's popularity is bolstered by both the affordability and relative lack of grocery store options serving neighborhoods in and around South Westminster, with at least three shuttered supermarket spaces still standing (one of which was a Walmart in the smaller Neighborhood Market format.

- In general, South Westminster stands out as the city's most underserved market --an area increasingly left behind by the south-to-north development pattern within Westminster and neighboring suburbs. The retail at CO95 and 72nd is all commodity and not fully leased with a vacant supermarket anchor space. Other space is unanchored.
- 72nd and Lowell is the natural gateway intersection for Westminster's small Arts District, but it doesn't read as a retail intersection in terms of design or wayfinding.
- 72nd and US287 has lots of vacancy and second generation uses (Planet Fitness) backfilling anchor spaces. Adams County owns housing nearby, and there could be an opportunity to master plan a commercial or mixed-use (and mixed-income if housing is included) district here if a land swap between Westminster and the Housing Authority might be possible. There could be synergies with the Arts District given its close proximity.

Tenant Information, & Visitation Data: South Westminster

Hidden Lake Shopping Center / 5005 W 72nd Ave

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
Planet Fitness	234,080	53%	14/17	82%	11.0
Zip Clinic Urgent Care - Colorado	54,336	-4%	N/A		7.6

(Placer data missing for multiple other tenants)

Westminster Square / 3031 W 74Th Ave

Name	*Visits 2021*	*Visits Change vs. 2020*	*Visits - Chain Rank, CBSA*	*Chain Rank %*	*Visits / sq ft*
Save-A-Lot	222,610	35%	2/6	33%	13.7
Pho 79	109,105	112%	1/3	33%	21.8

(Placer data missing for multiple other tenants)

South Westminster Recommendations:

This sub-area is the most underserved in Westminster from the perspective of a robust retail offering located in close proximity to homes. We believe the reasons for a dearth of retail in this sub-area are (a) a lack of aggregate demand within the sub-area (note that per-capita incomes in South Westminster are about 35-40% of per-capita incomes in North Westminster), (b) a south-to-north development pattern that disfavors this area of Westminster, and (c) physical barriers impacting access from parts of the immediate area (eg. US 36). This lack of demand and evolving development pattern is evidenced by vacancy, failed daily needs providers such as Walmart Neighborhood Market and its predecessor, and 2nd generation uses (Planet Fitness) backfilling anchor spaces at Sheridan (CO 95) and 72nd and again at Federal (US 287) and 72nd which is also the gateway intersection to the City's Arts District

The lack of retail in this sub-area is particularly poignant because of the obvious equity issues the lack of readily available goods and services represents. Nonetheless, retail is demand driven, and retailers need to generate a minimum amount of top line sales in order to break-even on their operations and invested capital. There is little the City can do to change any of the three factors listed above in the short term. Encouraging denser development in the immediate area will lead to greater aggregate demand over time, and this increased population (and by extension demand) may be enough to lure some new retailers to the area. In the meantime, it is unlikely that there is a "magic retailer" that might backfill some of the now vacant spaces and be immune to the top line sales issues the retailers who have moved along likely faced.

A related approach might be to approach Adams County which owns housing nearby. Creating a master plan for a commercial or mixed-use (and suggested mixed-income if housing is included) district might be possible if a land swap between Westminster and the Housing Authority were negotiated. There could also be synergies with the Arts District given close proximity. If this approach is taken, development economics will likely dictate that any mixed-use project will need to be horizontally integrated and not vertically integrated.

Trade Area Size Comparisons Across Top Westminster Centers

In addition to counting visits and visitors, Placer is able to determine the home location of visitors to within a block. The following table shows a selection of the top shopping centers in Westminster, along with the cumulative percentage of visits to that store by increasing distances to the visitors' homes. The shading indicates, for each center, the closest distance bracket needed to account for at least 70% of all visits (although somewhat arbitrary, the 70% threshold is commonly used to help define the geographic extent of a center's effective trade area.)

Note that the Westminster Promenade, true to its market positioning as an entertainment- and visitor-oriented destination, appears to have the greatest "reach" in terms of distance to customer homes. Even a 10-mile radius around the Promenade property accounts for the home locations for just 54% of all visits in 2021. Orchard Town Center has the next largest geographic draw by this measure. A 10-mile radius around the Orchard property would account for the home origins of about two-thirds of 2021 visits.

Another way to look at the data is to compare what share of visits are accounted for by homes within a 2-mile radius. Centers with a strong neighborhood clientele score highest on that measure, including Westminster Square, Hidden Lake, and Northpark Plaza. The most locally-driven center in this sample is Northpark Plaza, where 58% of all visits some from patrons living within two miles of the property.

Figure 13: Cumulative Visits by Distance from Home, Top Westminster Shopping Centers

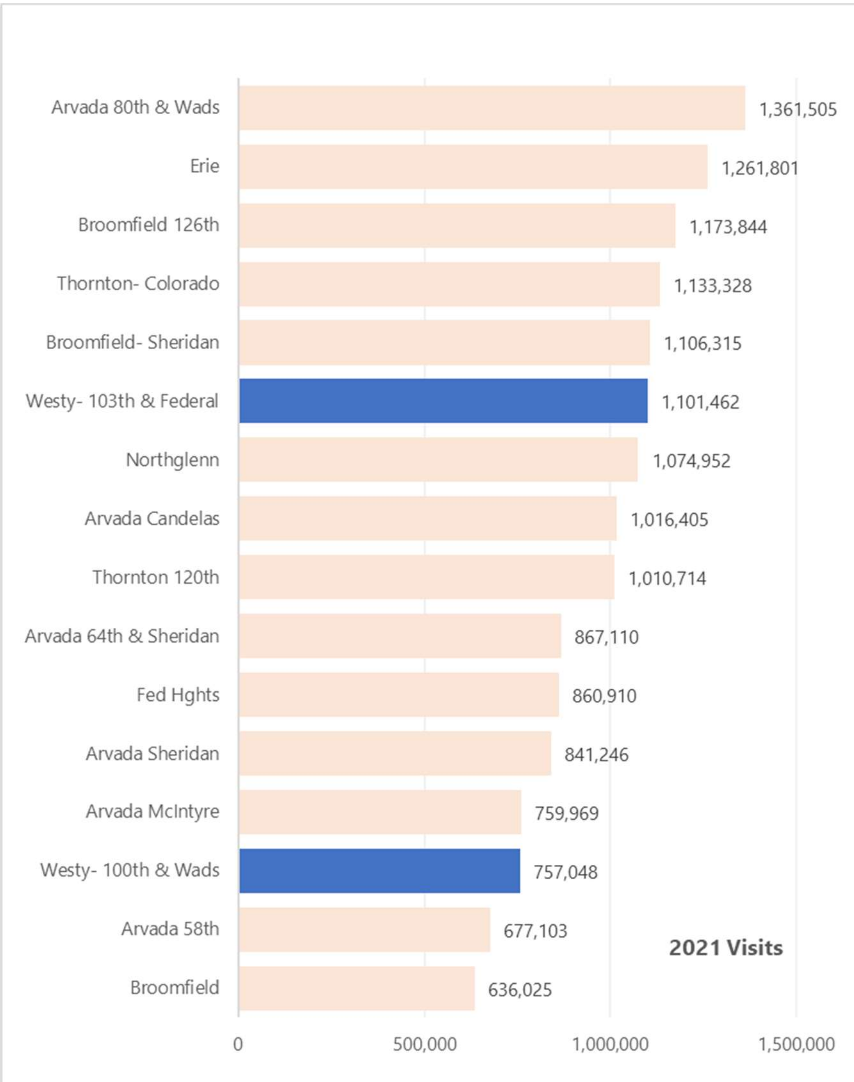
	Up to 2 Miles	3 Miles	5 Miles	7 Miles	10 Miles	30 Miles	Up to 50 Miles
Westminster Promenade	11%	20%	33%	46%	54%	**75%**	**79%**
Orchard Town Center	9%	22%	42%	56%	67%	**87%**	**90%**
Brookhill V	19%	33%	55%	66%	**75%**	**92%**	**94%**
The Shops at Walnut Creek	23%	37%	56%	67%	**74%**	**86%**	**88%**
Towne Center at Brookhill	24%	39%	62%	**70%**	**78%**	**91%**	**92%**
Standley Lake Marketplace	32%	40%	60%	**72%**	**79%**	**94%**	**96%**
Mission Commons	30%	46%	65%	**73%**	**78%**	**90%**	**91%**
Willow Run Shopping Center	35%	46%	63%	**71%**	**79%**	**91%**	**93%**
Sheridan Crossing	35%	47%	63%	**75%**	**80%**	**91%**	**93%**
Westfield Shopping Center	29%	50%	69%	**76%**	**82%**	**91%**	**92%**
Westminster Square	39%	55%	68%	**77%**	**84%**	**96%**	**97%**
Hidden Lake Shopping Center	43%	58%	**74%**	**81%**	**86%**	**93%**	**94%**
Northpark Plaza	58%	68%	**81%**	**84%**	**87%**	**95%**	**96%**

Source: Placer (highlighting distance where visits reach 70% of total for given center)

Westminster Area Tenant Chains, Visitation Comparisons

The following charts focus on select major tenant chains to compare visitation performance across Westminster and surrounding cities (approximately Westminster plus 4 to 5 miles). Westminster locations are shown in blue.

Figure 14: Westminster Area King Soopers, 2021 Visits



This chart compares the performance of Westminster area King Soopers, based on 2021 store visits as measured by Placer using cell-phone sample tracking data. King Soopers is Kroger's store brand name for Colorado and is the most popular supermarket chain in metro Denver. Westminster's store at 103rd and Federal is among the north metro area's most visited King Soopers, with 1.1 million visits, as compared to nearly 1.4 million for the 80th Avenue and Wadsworth store in Arvada—highest in the Westminster vicinity. The 100th Avenue and Wadsworth store in Westminster performed less, well, coming in near the bottom for this chain, with just under 760,000 visits in 2021.

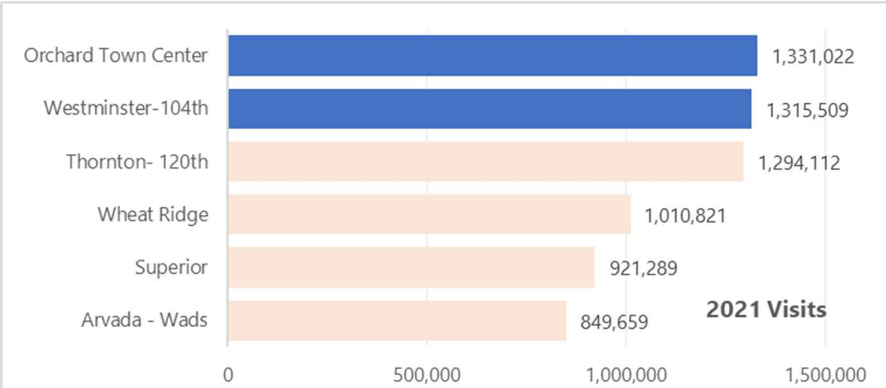
Other Westminster Area Grocery Chains

Chain	City	Address	2021 Visits
Safeway	Thornton	771 Thornton Pkwy	794,099
Walmart Neighborhood Market	Thornton	850 E 88th Ave	738,042
Whole Foods Market	**Westminster** (120th Ave Corridor)	4451 Main St	596,711
Safeway	Thornton	3840 E 104th Ave	560,053
Walmart Neighborhood Market	Northglenn	10755 Washington Street	464,531
Safeway	Northglenn	500 E 120th Ave	433,310
Safeway	Broomfield	3602 W 144th Ave	423,987
Safeway	Federal Heights	10300 Federal Blvd	401,614
H-Mart	**Westminster** (City Center)	5036 W 92nd Ave	398,438
Safeway	Arvada	7561 W 80th Ave	295,823
Walmart Neighborhood Market	**Westminster** (S. Westminster)	7170 Federal Blvd	250,226
Sprouts Farmers Market	**Westminster** (120th Ave Corridor)	5150 W 120th Ave	230,443
Sprouts Farmers Market	Arvada	7725 Wadsworth Blvd	221,959
Save-A-Lot	**Westminster** (S. Westminster)	3045 W 74th Ave	200,860
Sprouts Farmers Market	Thornton	1131 E 120th Ave	171,451
Save-A-Lot	Thornton	630 W 84th Ave	113,079
Save-A-Lot	Northglenn	1000 W 104th Ave	101,089

A comparison of visits to all other major grocery chains in the area, summarized in the table above, shows that even the most highly visited non-King Soopers store in the Westminster area (a Safeway on Thornton Parkway) has a lower visit total than any of the top 12 King Soopers locations in the area.

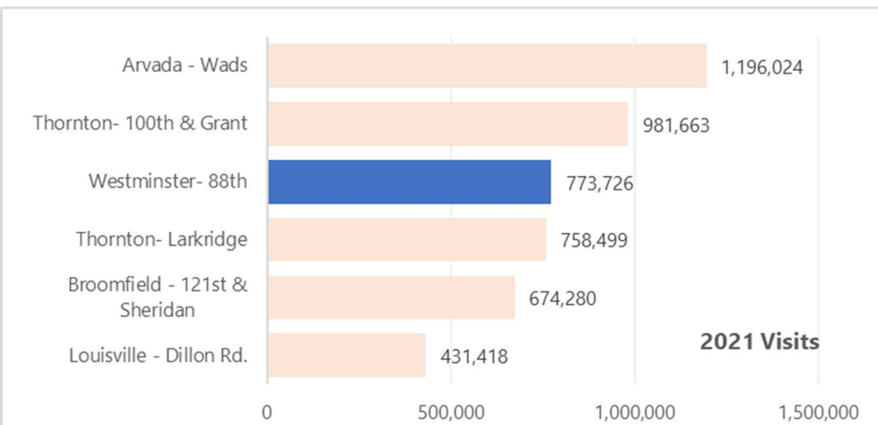
- The most visited non-King Soopers in Westminster is the Whole Foods Market in the 120th Avenue Corridor subarea, with almost 600,000 visits).
- The Sprouts in Westminster on 120th Avenue garnered roughly the same number of visits as the Sprouts in Arvada (both around 225,000 for all of 2021).
- The Save-A-Lot in South Westminster had just over 200,000 visits – best among area Save-A-Lots.
- The Walmart Neighborhood Market near 72nd and Federal in Westminster closed its doors in late July of 2021, skewing its comparison to others stores in the chain.

Figure 15: Westminster Area Target Stores, 2021 Visits



The Target stores in Westminster (Orchard Town Center and Shops at Walnut Creek) performed comparably to one another, at just over 1.3 million visits in 2021, and both were highest in the region.

Figure 16: Westminster Area Home Depots, 2021 Visits



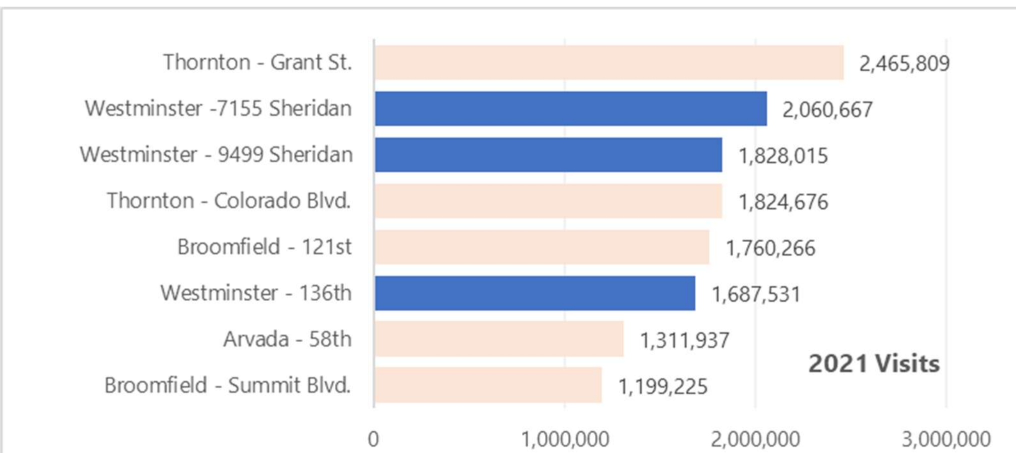
The Home Depot on 88th Ave in Westminster saw almost 775,000 visits in 2021, in the middle of the pack for area Home Depots, which ranged from 430,000 in Louisville to almost 1.2 million for Arvada's store location at 52nd and Wadsworth.

The table below shows five area Home Depot stores (all except Louisville's Dillon Road store) with higher visitation than any Lowe's Home Improvement store. That brand tops out at approximately 634,000 visits in 2021 for the Westminster area, with the Orchard Parkway location reaching that number. The 88th Avenue Westminster store had 515,000 visits

Westminster Area Home Improvement Chains

Chain	City	Address	2021 Visits
The Home Depot	Arvada	5215 Wadsworth Blvd	1,196,024
The Home Depot	Thornton	10003 Grant Street	981,663
The Home Depot	**Westminster** (City Center)	7125 W 88th Ave	773,726
The Home Depot	Thornton	16420 Washington Street	758,499
The Home Depot	Broomfield	12171 Sheridan Blvd	674,280
Lowe's Home Improvement	**Westminster** (North I-25 Corridor)	13650 Orchard Pkwy	634,346
Lowe's Home Improvement	**Westminster** (City Center)	5600 West 88th Avenue	515,220
Lowe's Home Improvement	Northglenn	261 West 104th Avenue	483,465
Lowe's Home Improvement	Arvada	5405 Wadsworth Bypass	462,556
The Home Depot	Louisville	1200 W Dillon Rd	431,418
Lowe's Home Improvement	Louisville	1171 W Dillon Rd	342,595

Figure 17: Westminster Area Walmarts, 2021 Visits



Area Walmart stores in the northwest metro area near Westminster are capable of generating very high visitor traffic, in part due to their combination of grocery and general merchandise product offerings. Thornton's Grant Street location finished way ahead of the pack with almost 2.5 million visits. Westminster's Sheridan locations, at 72nd and 95th, held the next two spots with almost 2.1 million and just over 1.8 million, respectively.

Peer City Analysis

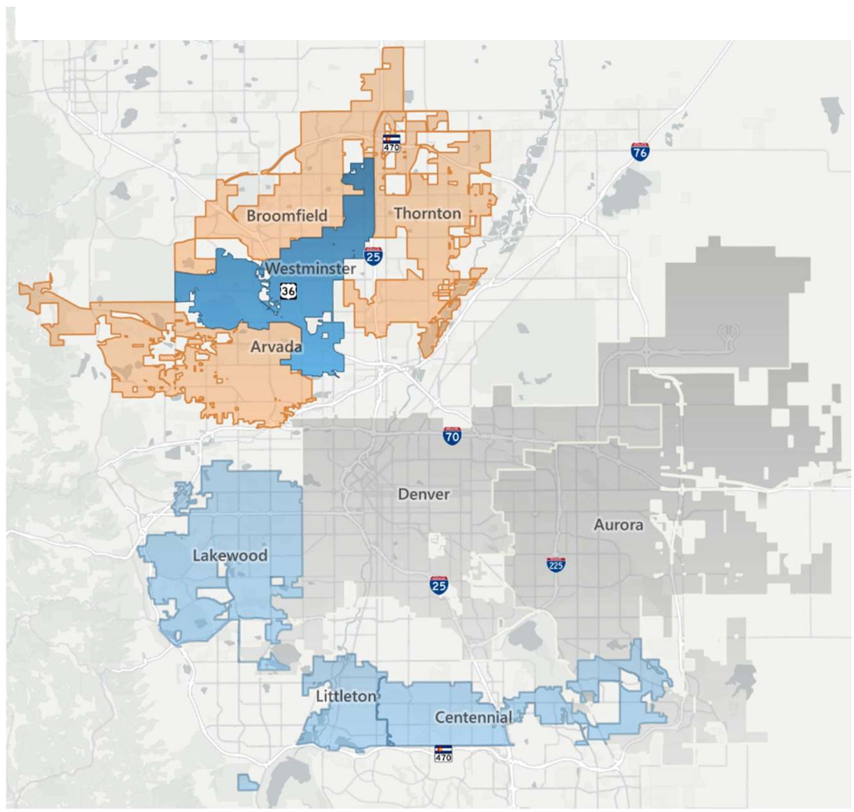
Peer City Selection

To better understand how Westminster retail is performing and some of the key factors underlying that performance, this section provides context through comparisons with a set of "peer cities." We selected 8 cities across the Denver metropolitan area to compare and contrast with Westminster. These peer cities fall into three categories:

Rivals: adjacent municipalities to Westminster of similar size with a substantial retail presence.

Westminster retailers compete heavily with retailers in these nearby rival cities for household and employee spending dollars. These cities tend to capture a significant amount of spending from Westminster households, especially for convenience/commodity purchases like groceries. Rival cities are shown in the maps and comparisons graphics with light blue shading.

Similars: other metro area suburbs that share similar population, income demographics, and retail offerings, but that are not adjacent or heavily competitive with Westminster for most spending. These are shaded pink/salmon in the graphics for this section.



Core Cities: the two largest municipalities in the metro area, Denver and Aurora are shown for comparison where relevant. These cities have populations and retail inventories that are too large for direct meaningful comparisons to Westminster on most metrics, but they are nevertheless important to understanding metro retail trends and some key ratios. These are shaded grey in comparison charts.

While the focus of this section is on Westminster's metro area neighbors, we also provide comparisons to a handful of other similar suburbs found in metropolitan areas outside Colorado, and to U.S. national averages for some relevant metrics.

Peer City Comparison Metrics

Demographics

- Population (including growth and density)
- Income (median household, average household, per capita)
- Employment (including breakouts for retail and office-related industry sectors, as appropriate)

Retail Supply and Performance Characteristics

- Total inventory/growth (including inventory per capita)
- Occupancy
- Class/quality
- Rents
- Top shopping centers by visits

Retail Demand and Revenues

- Household spending potential
- Office-sector spending potential
- Retail sales based on sales tax revenues (including multiple ratios: per-capita, per inventory square foot, per dollar of spending potential, etc.)

Peer City Findings

Demographics

The following table shows population, income and other basic demographic comparisons across Westminster and its selected peer cities. Sorted bar charts and two-variable scatterplots, shown after the table, help to highlight how Westminster stands relative to those cities.

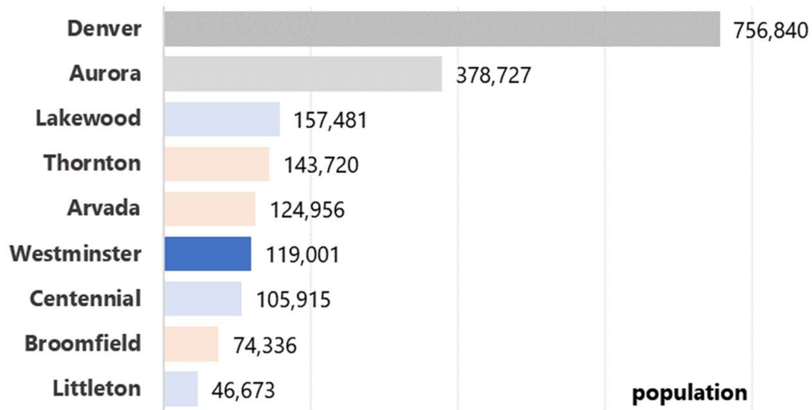
Figure 19: Demographic Basics, Peer Cities, 2021

	2021 Population (est.)	Median Household Income	Per Capita Income	Population Density (Residents per sq mi)	2010-2021 Population Annual Pct Growth	Median Age	Percent Renter	Average Household Size
Westminster	**119,001**	**$81,298**	**$41,298**	**3,768**	**1.1%**	**37.5**	**36%**	**2.52**
Arvada	124,956	$93,607	$47,489	3,222	1.4%	42.7	28%	2.49
Broomfield	74,336	$105,736	$53,334	2,252	2.5%	37.8	39%	2.57
Thornton	143,720	$83,336	$34,819	4,004	1.7%	34.1	27%	2.88
	105,915	$115,214	$55,371	3,581	0.5%	43.6	17%	2.62
Lakewood	157,481	$70,385	$41,655	3,658	0.9%	40.5	44%	2.28
Littleton	46,673	$84,602	$49,915	3,697	1.0%	43.9	40%	2.23
	378,727	$68,894	$33,580	2,455	1.4%	35.1	38%	2.67
Denver	756,840	$75,794	$46,796	4,937	2.1%	35.6	53%	2.24

Source: ESRI Business Analyst (Census-based; Leland Consulting Group

As shown below, Denver and Aurora are much larger in terms of population than any of the rival or similar cities. At almost 120,000, Westminster is in the middle of the remaining pack, with Lakewood and Thornton as the largest among rival and similar peers. Littleton is the smallest peer in this group, with less than 50,000 residents.

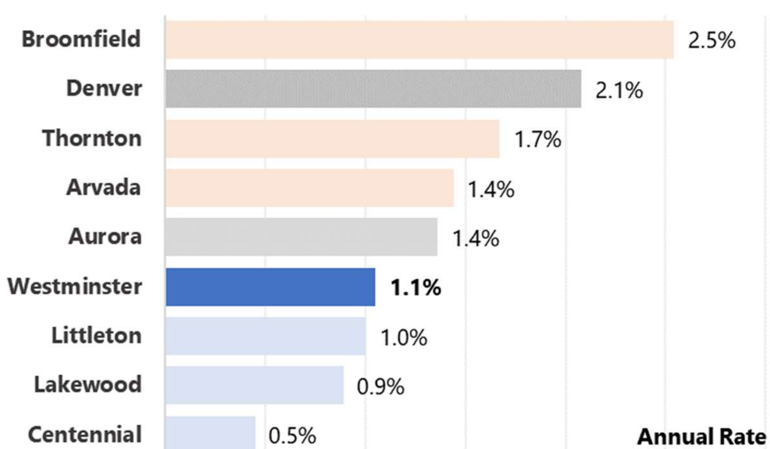
Figure 20: Population, Peer Cities, 2021 est.



Source: ESRI Business Analyst (Census-based; Leland Consulting Group

Over the past decade, Westminster grew by 1.1% per year on average, higher than the three similar suburbs but slower than any rival peer. Broomfield grew fastest at 2.5% annually, with many of those added residents within shopping range of Westminster retailers. Denver grew at a robust 2.1%, on the strength of the Central Park (former Stapleton) infill development. Westminster's growth was considerably faster than the national rate of 0.7% annually over that period. Although Westminster still has a number of remaining sites for residential development and redevelopment, it is essentially landlocked and nearing buildout, which will likely cause growth to slow over the coming decade, reducing the amount of new internally generated retail demand that will be added relative to last decade.

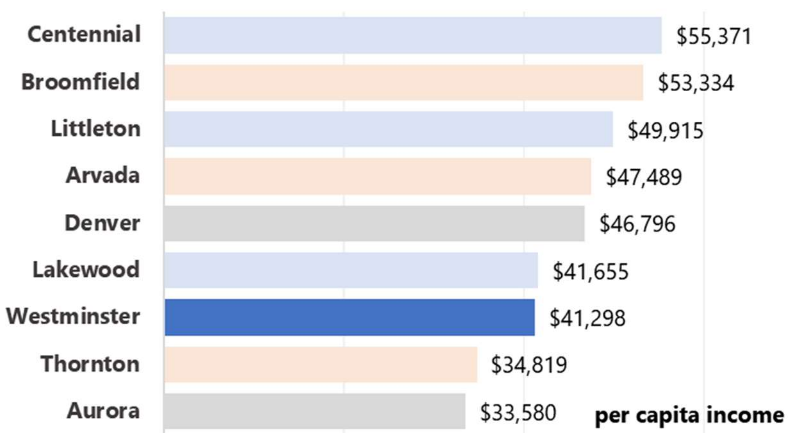
Figure 21: Population Annual Growth Rate, 2010 to 2021



Source: ESRI Business Analyst (Census-based; Leland Consulting Group

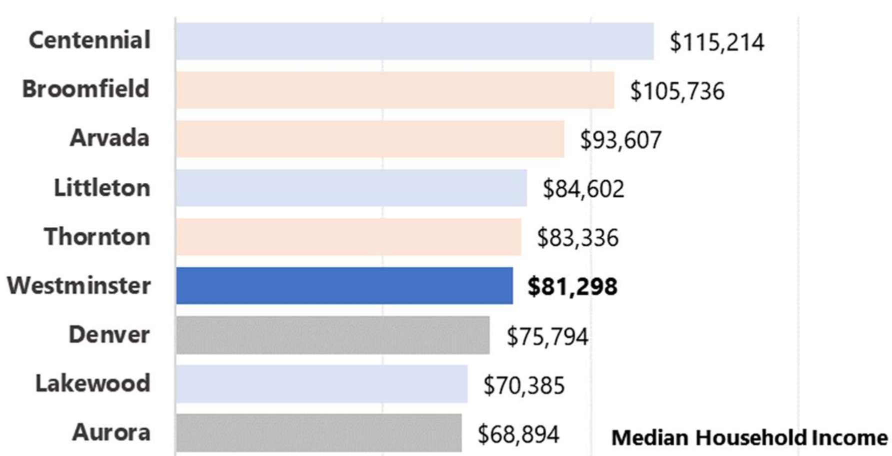
Population is the primary factor driving retail demand, but demand is also strongly affected by resident incomes. For both median household income and per capita income, Westminster is near the lower end of income demographics with per capita income just over $42,000. Thornton and Aurora have significantly lower per capita incomes. Below $35,000, while Lakewood is most comparable to Westminster. Centennial and Broomfield anchor the upper end, with per capita incomes near $55,000.

Figure 22: Per Capita Income, Peer Cities, 2021 est.



Source: ESRI Business Analyst (Census-based; Leland Consulting Group

Figure 23: Median Household Income, Peer Cities, 2021 est.

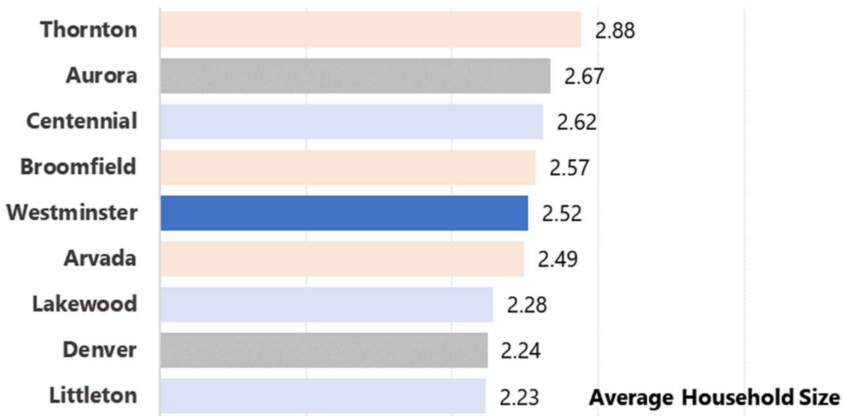


Source: ESRI Business Analyst (Census-based; Leland Consulting Group

Median Household Income rankings across the peer set is shifted somewhat from per capita income based on household size differences. As a result, Westminster is now above Lakewood and Denver, with the smallest households in the group drops below Westminster. Because Thornton has the largest households, its per capita income adds up at the household level for a median income just above Westminster. Centennial and Broomfield again are at the top with incomes above $100,000.

Westminster's household sizes are squarely in the middle of the peer set and close the current U.S. average of 2.58 people per household.

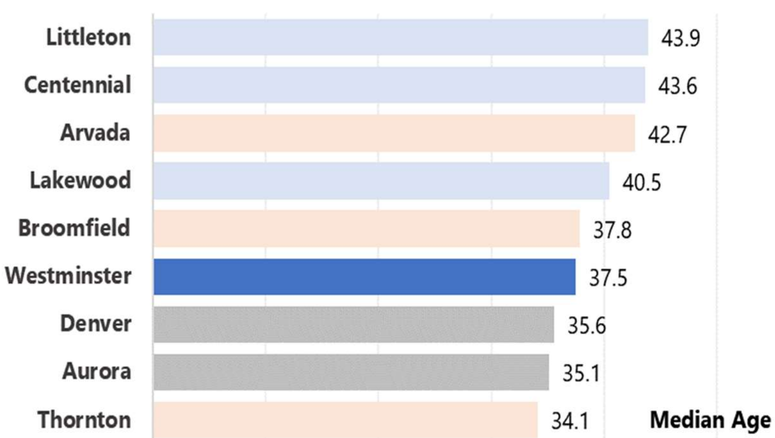
Figure 24: Average Household Size, Peer Cities, 2021 est.



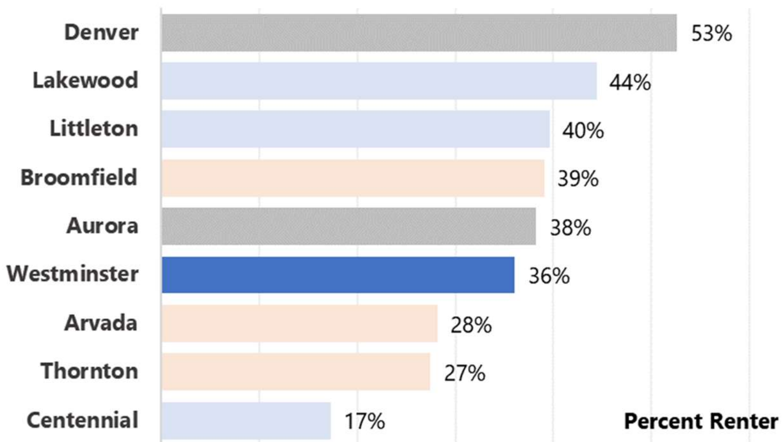
Source: ESRI Business Analyst (Census-based; Leland Consulting Group

Westminster residents are slightly younger overall than the national average (37.5 versus 38.8, respectively), and fall in the middle of the pack again relative to our peer cities. Littleton, Centennial and Arvada are the oldest with average ages of 42 to 44. Thornton is the youngest.

Figure 25: Median Age by Peer City, 2021



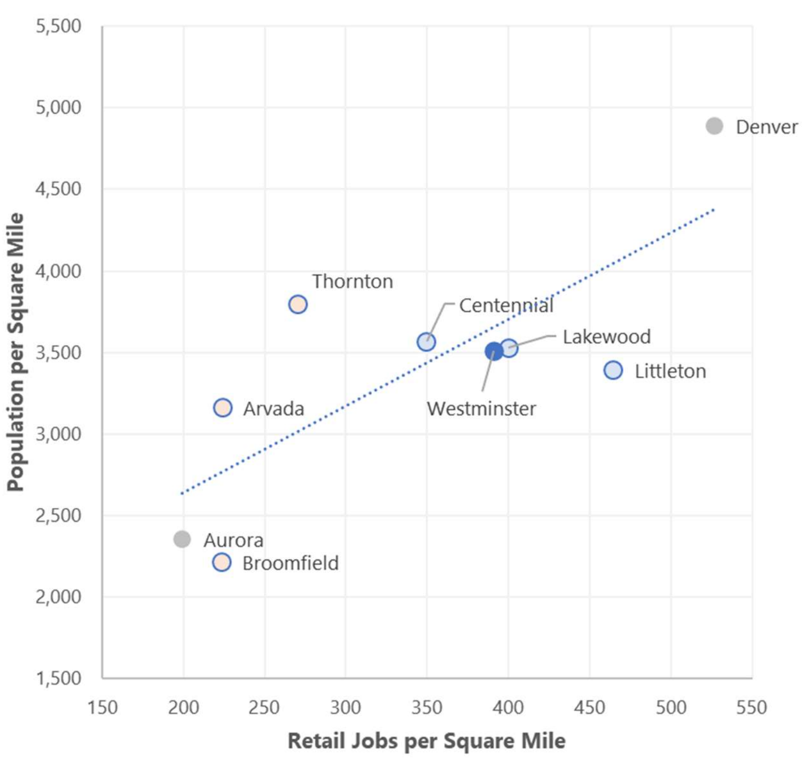
Source: ESRI Business Analyst (Census-based; Leland Consulting Group



Source: ESRI Business Analyst (Census-based; Leland Consulting Group

Just over two-thirds of Westminster residents rent, just below Broomfield. Among nearby rivals, Arvada and Thornton have significantly higher rates of home ownership.

Figure 26: Population Density vs. Retail Density, Peer Cities (2019)



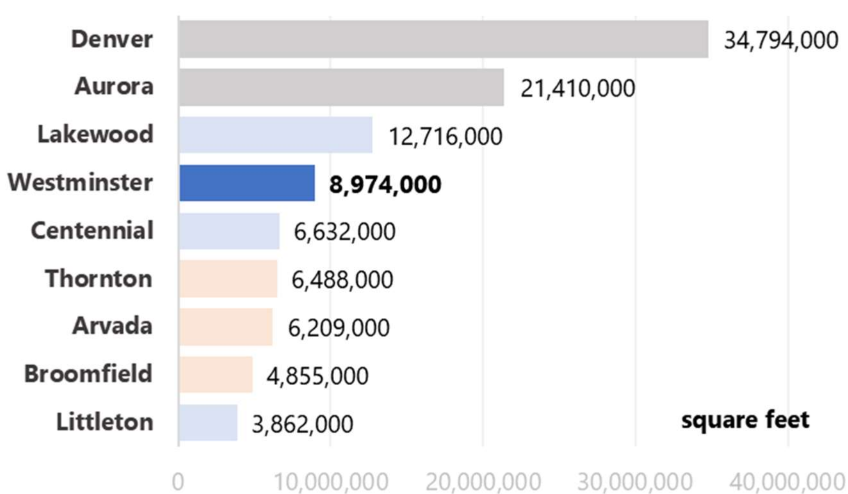
Retail Supply and Performance Characteristics

Figure 27: Retail Supply Characteristics, Select Peer Cities, 2021

	Total Retail Inventory (M s.f.)	Vacant (s.f.)	Vacancy	12- mo Construction Deliveries	Under Construction	Quoted Rents (NNN)	Market Rents (NNN)
Westminster	**8.97**	**762,802**	**8.5%**	**40,000**	**31,345**	**$14.97**	**$22.10**
Arvada	6.21	335,284	5.4%	10,000	18,000	$15.96	$20.11
Broomfield	4.85	179,621	3.7%	59,000	-	$20.59	$24.11
Thornton	6.49	376,309	5.8%	0	148,036	$17.51	$21.87
Centennial	6.63	623,504	9.4%	6,023	0	$18.04	$27.81
Lakewood	12.72	855,507	6.7%	17,935	0	$13.88	$22.52
Littleton	3.86	214,672	5.6%	6,957	0	$16.59	$22.75
Denver	21.41	722,170	3.4%	23,936	118,380	$22.42	$26.62
Aurora	34.79	1,587,999	4.6%	51,106	136,400	$16.36	$21.00

Source: Costar; Leland Consulting Group

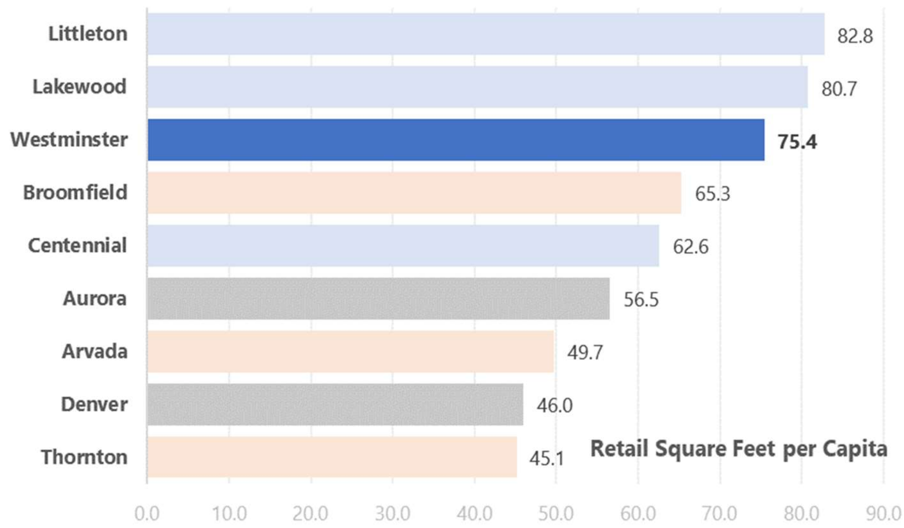
Figure 28: Total Standing Retail Inventory, Peer Cities Q4 2021



Source: Costar; Leland Consulting Group

Not surprisingly, Denver and Aurora have by far the largest retail inventories in the peer set, owing to their larger populations. However, on the basis of retail inventory per capita, only Littleton and Lakewood have more retail square footage per capita than Westminster, with 75.4 as of year-end 2021. Broomfield is a somewhat distant second with 65.8 square feet for every resident. The other rival peers, Arvada and Thornton, each have less than 50 square feet of retail per capita, close to Denver's average of 46.

Figure 29: Retail Inventory per Capita, Peer Cities (2021)



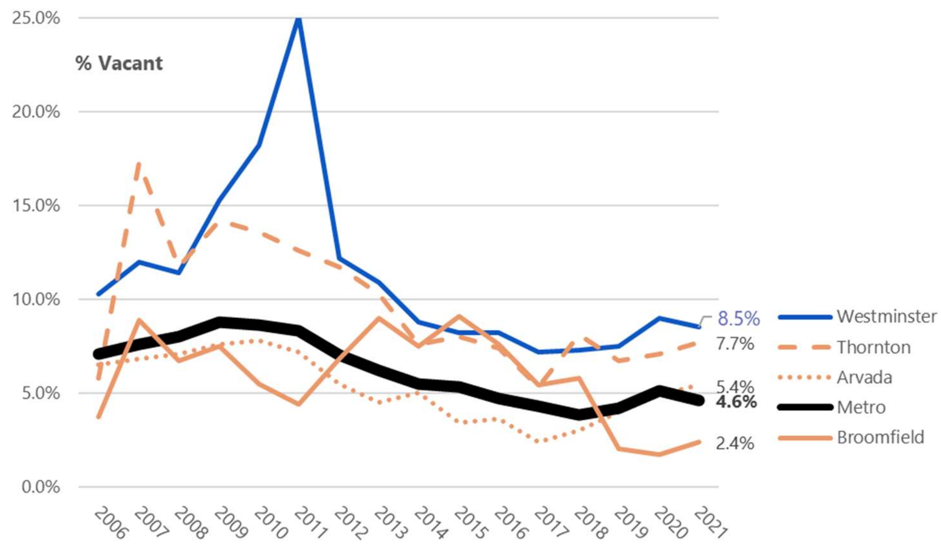
Source: Costar; Leland Consulting Group

Although Westminster has the highest square footage per capita among the nearby rival cities, that inventory also has the highest vacancy rates, at 8.5% as of year-end 2021, versus 7.7% for Thornton, 5.4% for Arvada, and an extremely tight 2.4% in Broomfield. As discussed in a previous section, higher vacancy rates tend to drive down rents relative to areas with lower vacancy and can cause aesthetic and safety problems if concentrated geographically within a few centers.

A look at the historical trajectory of overall retail vacancy rates since 2006 in the chart below shows the expected surge in vacancy in 2010-11 in Westminster, coinciding with the shuttering of the Westminster mall. Although vacancy quickly subsided and in fact dropped below 10% in the ensuing recession recovery years, Westminster still maintains the highest vacancy among nearby competitive peer cities, ending 2021 at 8.5% -- not necessarily a particularly worrisome rate viewed in isolation, but nearly double the vacancy found across metro Denver retail overall.

Although there can be multiple causes for store vacancies, frequent vacancies within the same center or same individual space typically indicates that retailers are struggling to achieve sales high enough to remain profitable. It may take additional analysis to uncover the cause behind vacancies for any one property.

Figure 30: Retail Vacancy Rates, Select Peer Cities, 2006-2021



Source: Costar; Leland Consulting Group

Figure 31: Retail Rent Comparison, Peer Cities, Q4- 2021

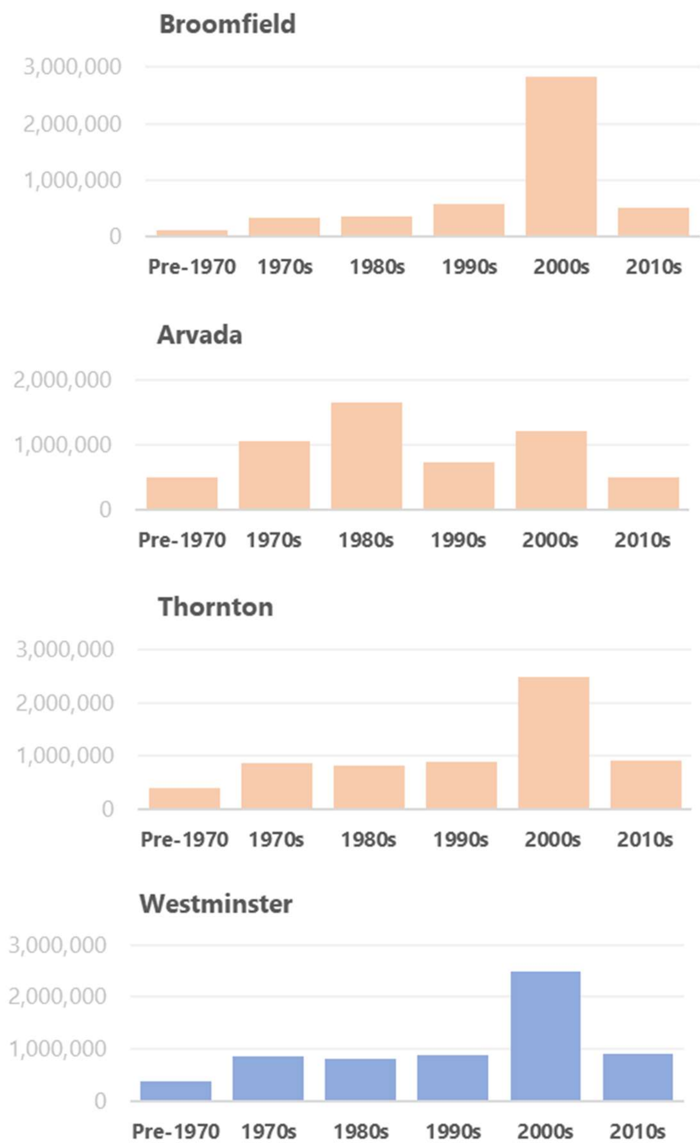
The figure above shows the range of retail rents across the peer cities. All rents shown are annual per-square-foot amounts, and all are “triple-net” (or NNN), meaning that tenants must pay taxes, insurance and utilities expenses in addition to their contract rent. For each city, there are two rent figures given. The lower number is the average “quoted rent” found in flyers or verified by Costar for currently available space only in that city. The upper number is “market rent”, which is averaged across all properties in the city, whether occupied or not[5]. Market rents are estimates made by Costar based on a proprietary algorithm that takes into account age, location, building condition, and other factors to estimate a likely asking rent for every property in the market.

Consistent with its higher vacancy rate, Westminster’s quoted rent average is lowest among nearby rival cities at just under $15 triple-net (NNN). Arvada rents are a dollar higher; Thornton’s are more than $3.50 higher, and Broomfield is quoting over $20/s.f./year (although Broomfield’s sample size is especially small given the small amount of available space). Lakewood is the only comparison city with a lower average quoted rent on available space.

In terms of estimated market rents, however, Westminster averages just over $22 per s.f. –higher than either Thornton or Arvada and just below Broomfield’s $24.11 average. The spread between market rents and quoted rents is likely because available space tends naturally to be underperforming relative to occupied space (or else, presumably, it would still be occupied).

[5] *In fast growing markets, if most available space tends to be brand new construction, it is possible for quoted rents to be above market rents, since already-occupied space is likely to be older. Note also that the ranges shown are based on the difference between* ***average*** *quoted rents for available space and* ***average*** *estimated market rents. There are individual properties with rents that lie either above or below those averages for each of the cities shown.*

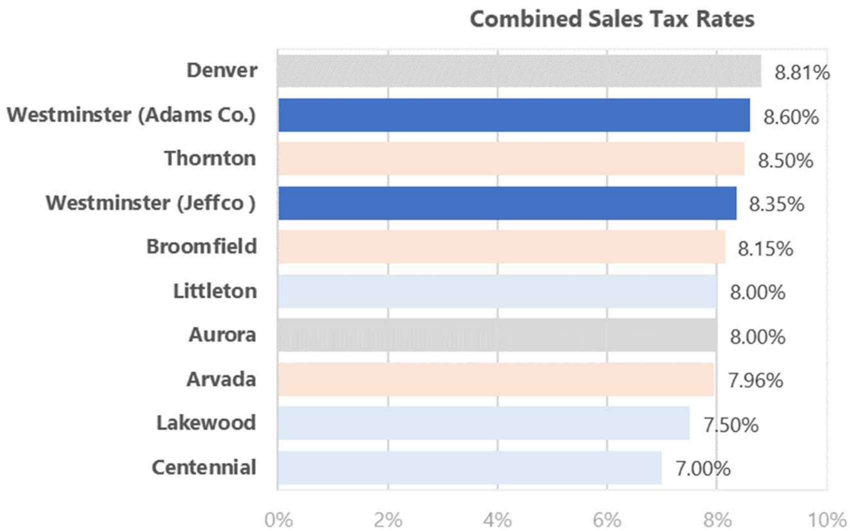
Figure 32: Retail Inventory by Decade Built, Rival Peers



Source: Costar; Leland Consulting Group

The set of figures above, at a glance, the construction vintage of existing retail inventory by decade in Westminster and rival peer cities. Of those, Arvada has some of the oldest standing inventory, thanks to a boom in retail construction in the 1970s and 1980s. Westminster's inventory is not quite as dated, but the city still has over 800,000 s.f. in standing inventory from the 1970s, 1980s, and 1990s (each). The figures for older vintage inventory may be understated since the graphs include only those properties for which a date of construction was given, and missing values for that data are more common for older properties.

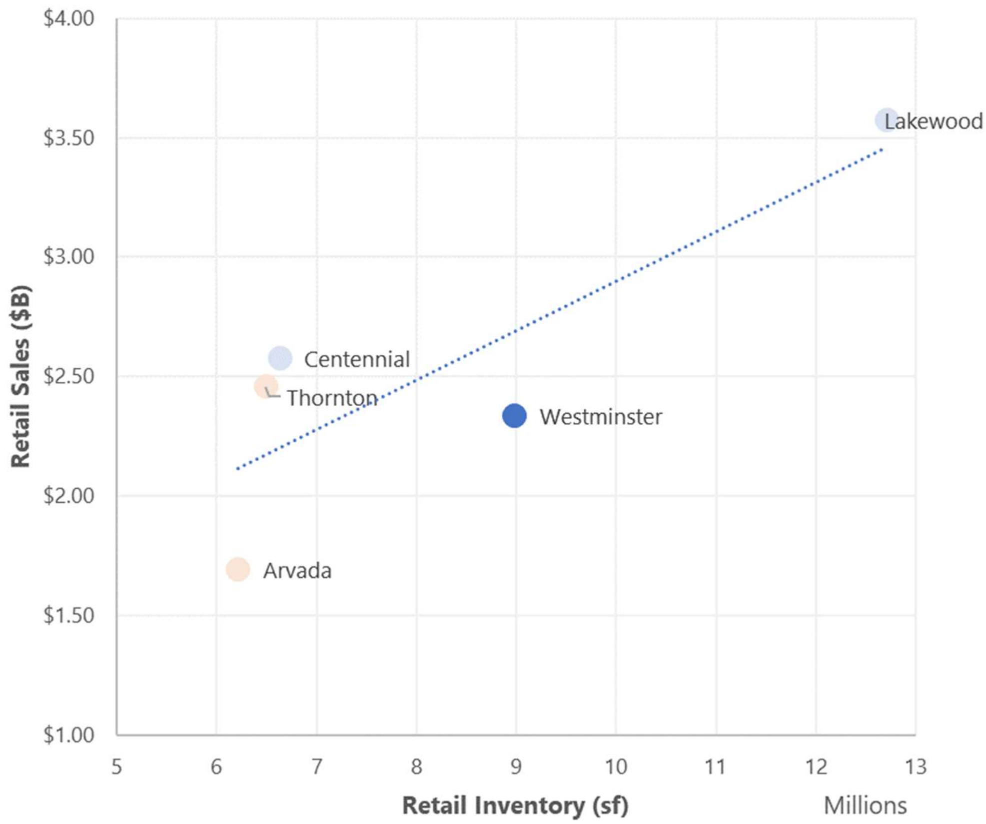
Figure 33: Combined Sales Tax Rates, Westminster vs. Comparison Cities



Source: Colorado Department of Revenue; Leland Consulting Group

As shown above, stores in Westminster can have one of two effective sales tax rates depending on which of two counties the store lies within: Adams or Jefferson. The slightly higher base tax rate for Adams County means that those stores have an 8.6% overall rate (second only to Denver within our comparison set), versus 8.35% in Jefferson County. Given that Centennial anchor the lowest overall rate in the peer group at 7.0%, there is not a very wide gap in sales tax rates available to shoppers willing to travel to other jurisdictions in search of tax savings. As such, it is unlikely that this minor variability plays much of a role in store selection or loyalty patterns affecting Westminster.

Figure 34: Retail Sales by Retail Inventory, Select Peer Cities, 2019

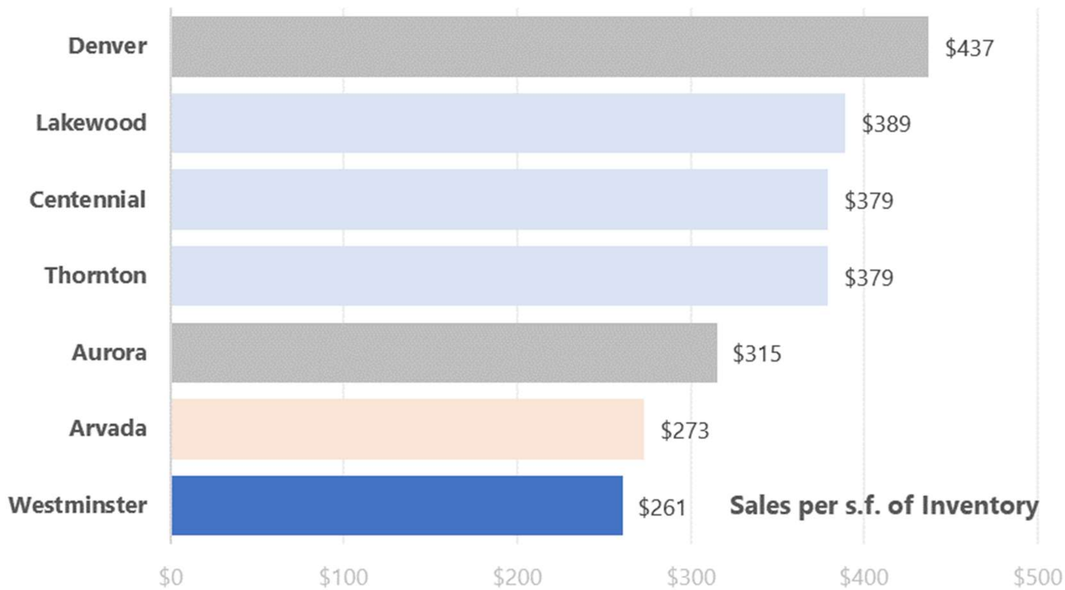


Source: Costar; Colorado Department of Revenue, Costar, Leland Consulting Group
Note: Sales figures include retail and food service establishments. Data not available for Littleton or Broomfield.

The figure above is one way of depicting retail efficiency, with levels of 2019 retail sales (including food service) from the Colorado Department of Revenue from available peer cities with retail sales plotted against standing retail inventory. The dotted blue line is an average for the peer set. Cities below the line, including Westminster, are underperforming versus the average and those above are overperforming. In our comparison set, no city is markedly above or below, but Westminster and Arvada appear to be clearly underperforming relative to Centennial and Thornton (and Lakewood just above the average line.

The chart below shows the sorting of these peer cities by just the ratio of sales per square foot of inventory. Here we see Westminster with the lowest estimated sales per square foot of retail inventory – another potential indicator of the city being over-retailed in general.

Figure 35: Retail Sales Efficiency (Sales per Square Foot of Inventory), Select Peer Cities



Source: Costar; Colorado Department of Revenue, Leland Consulting Group

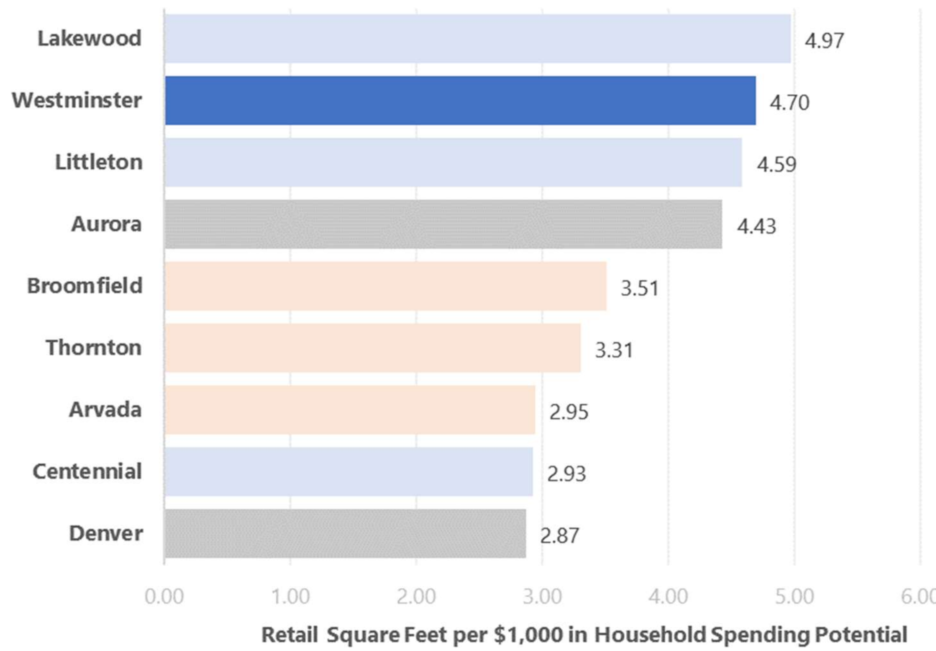
The chart below shows the sorting of these peer cities by just the ratio of sales per square foot of inventory. Here we see Westminster with the lowest estimated sales per square foot of retail inventory – another potential indicator of the city being over-retailed in general.

The next figure provides yet another metric of Westminster's retail offering relative to peer cities – this time showing the amount of retail inventory in each city in comparison to the household spending potential of the city's residents. Westminster has approximately 4.7 square feet of retail space for every $1,000 in spending potential of Westminster households. This is highest among all peer cities except for Lakewood, which is approaching five square feet per $1,000 in spending potential.

This measure may reflect multiple different factors at play. All else being equal, this could be seen as a measure of the "draw" potential of each city. Cities with well-merchandised, conveniently located, popular tenants relative to competing cities would be expected to support more retail space because of attracting more patrons from outside the city limits. However, given Westminster's weak performance measured in terms of retail occupancy and sales per square foot of inventory (and mixed, but overall mediocre, performance on retail rents), this may instead be seen as another indicator of excess retail inventory.

One other possible positive explanation for why a city would have a large retail inventory relative to its resident spending power is if that city had a high proportion of daytime office workers relative to its resident population. While Westminster has a strong office presence, especially towards the north of the city, it has a below average office worker count relative to its population, relative to this set of peer cities. While Westminster hosts roughly one office worker for every ten residents, both Centennial and Broomfield have closer to 2.5 office workers for every resident. Denver has 1.8 and Littleton has 1.5 office worker per resident.

Figure 36: Retail Inventory per $1,000 in Household Spending Potential, Peer Cities



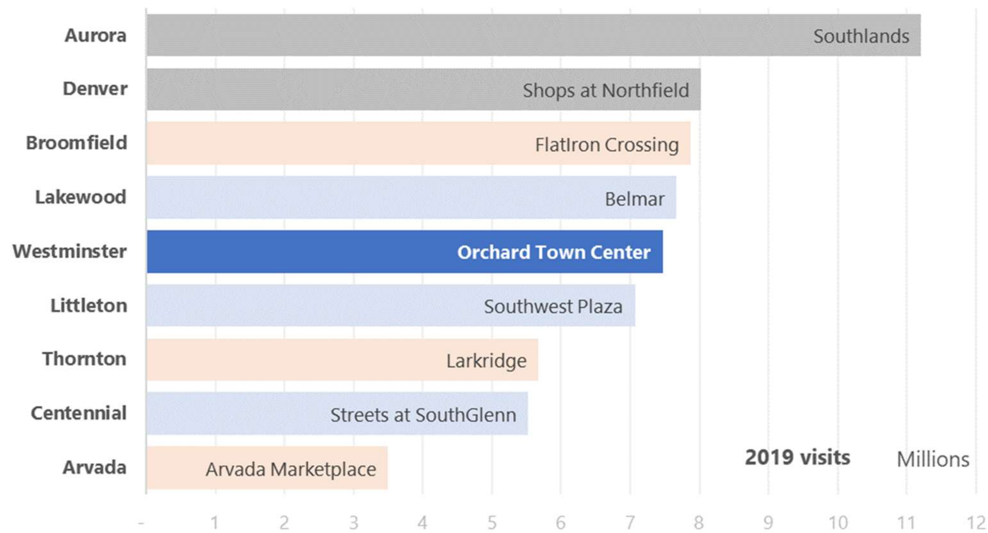
Source: Costar; ESRI Business Analyst, Leland Consulting Group

The final two peer comparison charts, below, are based on Placer foot traffic/visitation data from 2019 (pre-Covid) and compare the overall estimated count of visits made to top shopping centers within each peer city. The first graph is based on each city's largest single center only, while the second graph shows aggregate visits made to the top five centers in each city.

As shown, Westminster's Orchard Town center, with approximately 7.5 million visits in 2019, was in nearly a 5-way tie for second place among peers. Southlands in Aurora garnered over 11 million visits to take the top spot. Arvada, without any true regional center, was last among the peer set.

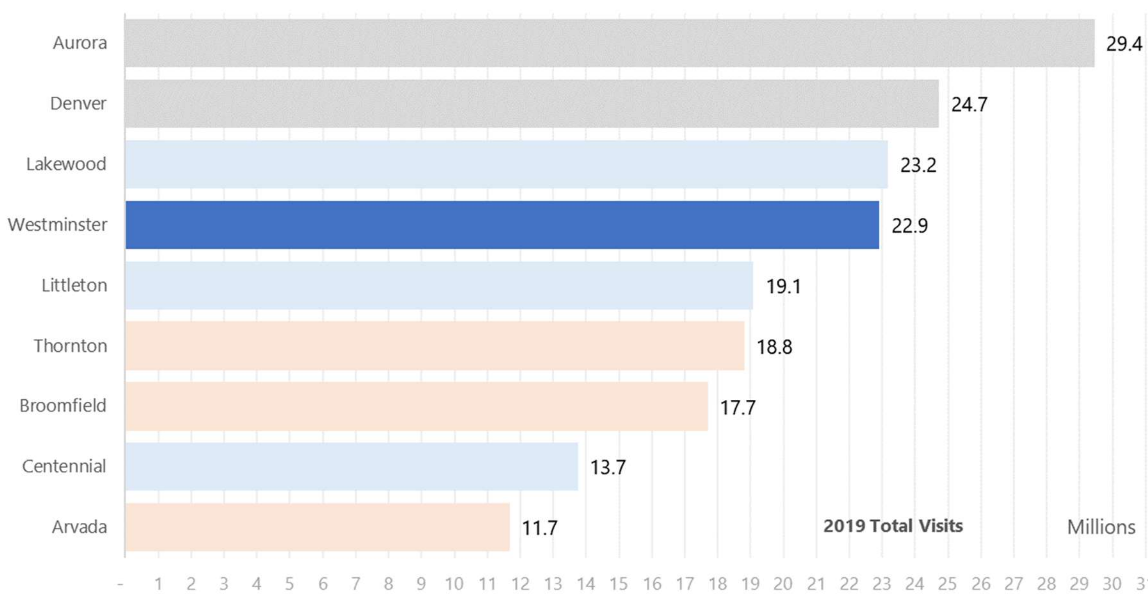
In comparison, aggregating the top five centers from each city, the large primary cities of Denver and Aurora, not surprisingly, take the top spots, with Westminster and Lakewood close to equal with around 23 million visits each for 2019. **This finding supports the idea that Westminster's top shopping centers are, in fact, quite strong performers relative to regional peers, suggesting that the city's least healthy centers may in fact be disproportionately responsible for Westminster's lackluster performance on aggregate metrics like retail occupancy, rents, and estimated sales per square foot of retail inventory.**

Figure 37: Most Visited Shopping Center, Peer Cities, 2019



Source: Placer Inc.; Leland Consulting Group

Figure 38: Total Combined Visits in 2019 to Each Peer City's Top 5 Shopping Centers



Source: Placer; and Leland Consulting Group

Retail Demand Discussion

Any increase in the collective retail spending power of an area's households (and to a lesser extent, office workers and visitors) might be considered as net new demand for retail space. In terms of the household component, that spending power is a function of the count of households multiplied by their disposable income available for retail spending.

Because average income levels in a given area are typically slow to change, increases in retail demand tend to come in the form of added rooftops (new housing units being built and occupied). Again, increases to office workers and out-of-town visitors will also have the potential to add demand in a few categories (notably dining/drinking places and some personal services), but that role tends to be fairly limited in a typical suburban location.

Of course, simply adding rooftops may not always guarantee added net retail space demand. If an area has too much retail inventory already (evidenced by high vacancy rates or indications of poor retail performance), it may be the case that the current inventory of retail space has enough capacity to accommodate some additional household spending power without the need for more retail square footage.

Retail is *demand-driven* – meaning that rooftops generally need to be in place or imminent to warrant new store construction. "Build it and they will come" is an approach that relies on luck and not a critical eye to new home starts, other demand sources, and major infrastructure improvements that are key elements that underpin successful retail center planning.

The above considerations are complicated by several factors. First, each retail center, and indeed each individual retail store, caters to its own unique geography, with grocery stores tending to have the smallest *retail trade zone* (or *RTZ*, also referred to as *trade area* or *market area*) and super-regional centers having the largest. As discussed elsewhere in this report, a common way to define a geographic RTZ is to draw the smallest shape that contains those households accounting for a significant portion (70% is a commonly used threshold) of customers. – a geography that almost always overlaps municipal boundaries since consumers pay little attention to such boundaries.

For this reason, while we can look at whether the city of Westminster has the "right" amount of retail given the spending power of its residents, any city limits-based definition is highly unlikely to match the true RTZ for any given individual store in Westminster.

Westminster is landlocked and relatively mature in terms of its municipal growth, with opportunities to add new residential rooftops limited to a few infill locations. The city and surrounding suburbs have decades of retail competition already under their collective belts –competition that has allowed the stock of retail inventory to be shaped by market forces over time to generally match the levels of demand support across most spending/store categories. In other words, when a center or a whole neighborhood has persistent or recurring vacancies, those vacancies (or the presence of lower-rent provisional-use tenants) probably accurately reflect some degree of over-supply.

As such, in the absence of major tenanting changes (such as closures of competition in adjacent cities), significant changes to transportation/access, or major municipal investments in amenity infrastructure (something that IS occurring in downtown Westminster), we would not expect large changes in either new demand or improved retail competitive advantage relative to neighboring cities. This constrains net new retail demand potential over the foreseeable future. Given that Westminster already shows signs of being over-retailed in aggregate, prospects for major net-new market support for retail are probably few.

Furthermore, because Colorado municipalities are so heavily dependent on retail sales tax revenue for fiscal survival, *and* because metro Denver infill development so often relies on hoped-for positive revenue impacts of urban renewal to fund needed infrastructure, it is rare to see new infill residential rooftops added without a significant retail component included in the site plan. As such, it is unlikely that any new residential development outside Westminster will *not* be accompanied by planned retail matching or exceeding what is required by the new rooftops. In other words, potential additions to the pool of available household retail demand occurring outside the city boundaries are likely to come with built-in new retail competition.

For Westminster, there are four main exceptions to this challenge of constrained future retail demand. For these areas, some amount of additional net retail space will likely be warranted for reasons discussed below:

- **Downtown Westminster** – because it does involve significant amenity and transportation investments, high quality design, built-in residential growth, and good prospects for office employment growth. Those investments should in fact drive net new retail demand (demand which has been extensively studied by the development team, staff and consultants).
- **Remaining unbuilt parcels in the I-25 North subarea** between Huron and I-25, including the I-25 North and Brookhill "focus area" identified in the draft 2040 Comprehensive Plan. Both focus areas have a mostly commercial and employment-oriented land use vision in combination with significant opportunities for medium density residential development in the mix. Because that area's interstate visibility and access are well-suited to attracting patrons from a wide RTZ, the amount of retail likely to be built in that area probably far exceeds the new demand supported by those new, internal, residential rooftops. That said, future growth in office employment likely to take place on the remaining vacant parcels in the vicinity of the relatively new Saint Anthony's North Hospital development will lend support to any new fast food and fast casual dining additions. While it would be possible to forecast future retail demand specific to each individual center in that area, it would require a level of analysis beyond the scope of this citywide strategy.
- Uplands infill parcels – the opportunity site with the highest potential to add significant new rooftops, this property is also among the most controversial, especially to well-organized opposition from adjacent homeowners. Because of the controversy surrounding the eventually residential density of this area, the amount of supportable retail generated could vary significantly under different possible build-out scenarios.
- South Westminster – because there is already a void in grocery and other commodity retail demand relative to the pool of residential demand. While the income demographics are less attractive to most conventional retailers, the aggregate sum of spending power that is currently being forced to travel further than expected for neighborhood goods and services could make a case for the right developer. Financing and co-tenanting will likely still be challenging and may require creative municipal investment to help bootstrap. The most logical general area for redevelopment is the Westminster Station Area, which may expand both the pool of potentially interested developers and the array of potential grant sources and funding mechanisms.

South Westminster Grocery Demand Preliminary Analysis

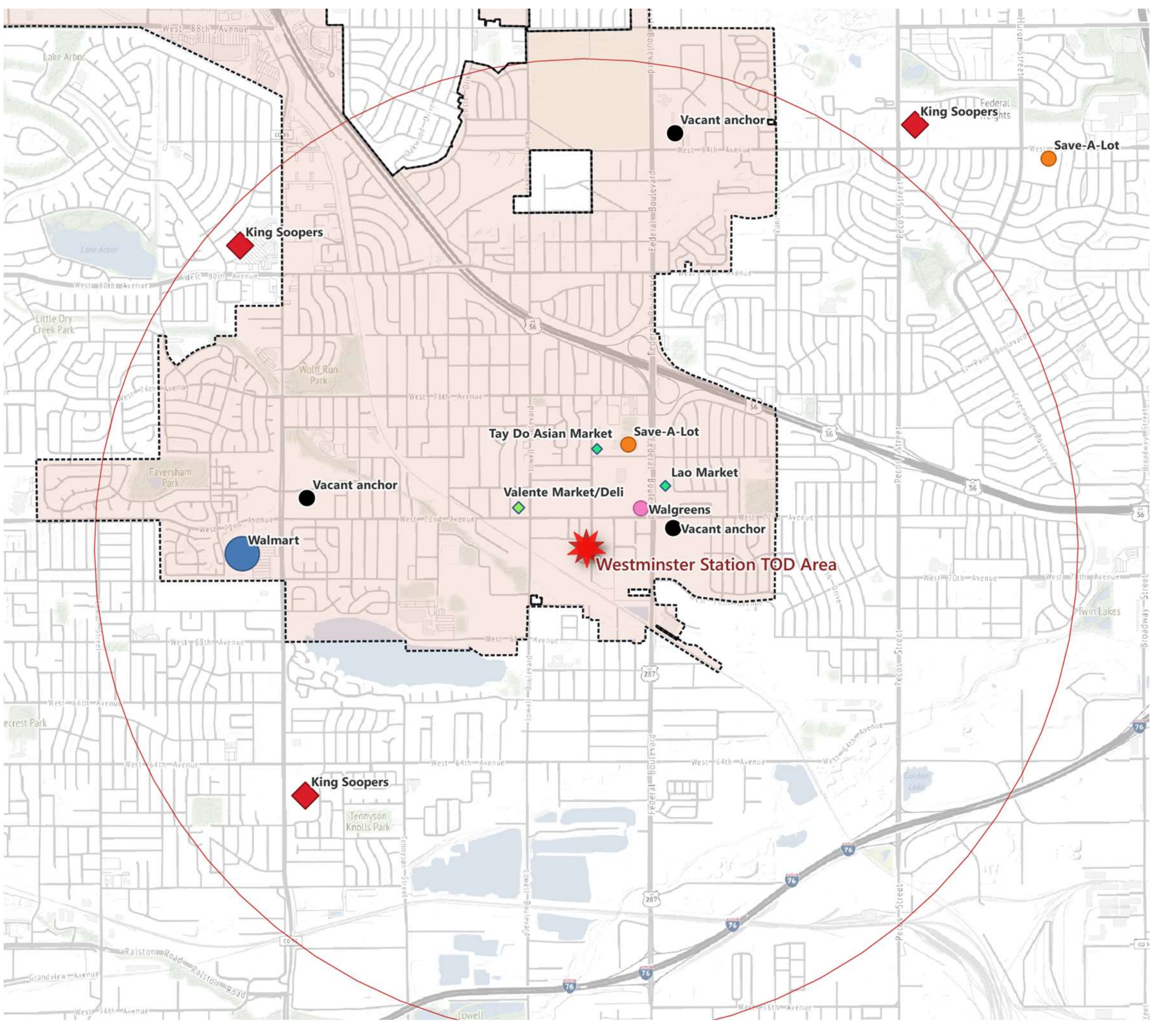
South Westminster has two neighborhood areas that could potentially accommodate a small neighborhood-serving retail development that could help to increase the: the area referred to in the map below as Westminster Station TOD Area, and an area close by to the north and west of that often referred to as Historic Westminster. Of the two, the South Westminster TOD area probably has the best chances of yielding a property assemblage of adequate size to fit a small-scale grocer and two or three small complementary tenants. This type of grount-floor retail is consistent with the adopted Westminster Station Specific Plan.

This preliminary analysis does not address the specifics of site identification or assembly, but rather aims to gauge the supply and demand forces that would help determine whether such a development might be forth further feasibility analysis.

The map below shows the general location where a potential transit-oriented site could be found for a small grocer. The map show a two-mile radius as a preliminary retail trade zone (which turns out to be very similar to a 6-minute drive area). A specialty grocery (including ethnic grocers) could actually draw from a wider area, but a 2-mile radius is a common assumption for suburban grocery demand.

There are currently three conventional grocery stores (2 King Soopers and one Save-a-Lot), a Walmart Supercenter, plus two smaller Asian supermarkets and an Italian deli/bakery/specialty market in the 2-mile preliminary RTZ. There are also three shopping centers with vacant grocery anchor spaces. Altogether, the occupied supermarket space is estimated to be approximately 245,000. For privacy reasons, we don't have access to the actual store sales for those particular establishments, but by applying some reasonable sales per square foot assumptions, that inventory of grocery store space should be resulting in sales approaching $150 million annually.

Figure 39: Westminster Station TOD Area, Showing 2-Mile Grocery Supply



Source: Costar; and Leland Consulting Group

Figure 40: South Westminster TOD Site, 2-Mile Grocery Supply

2-mile Grocery Supply				Annual
King Soopers	80th & Sheridan	73,000	$600	$43,800,000
King Soopers	64th & Sheridan	60,000	$600	$36,000,000
Walmart Supercenter	72nd & Sheridan	80,000	$650	$52,000,000
Save-a-Lot	74th & Federal	20,000	$550	$11,000,000
Tay Do Asian Supermarket	74th & Federal	9,000	$400	$3,600,000
Lao Market	72nd & Federal	3,000	$400	$1,200,000
Total		**245,000 s.f.**		**$147,600,000**

Source: Costar, Assessor parcel information; and Leland Consulting Group
Notes: Table excludes Valente Deli/Bakery/Market, since it is both small and includes a significant dining portion of total square footage. For Walmart, grocery square footage based on 40% of total 200,000 s.f.

We can then compare that level of existing supply with the estimated grocery spending potential of the households living in the 2-mile area. ESRI (a census-based demographic data provider) estimates that the area includes 24,400 households with a total population of 66,100. The table below shows ESRI's estimate of aggregate grocery spending power of those residents, taking into account household sizes, incomes, and other socio-demographic factors.

Figure 41: South Westminster TOD Site, 2-Mile Grocery Spending Potential

2-mile Grocery Demand					
Spending Potential	**Est. Household Spending Potential (2017)**	**2017 to 2022 inflation factor**	**Est. Household Spending Potential (2022)**	**Supportable s.f. @ $600/sf/yr**	**Supportable s.f. @ $625/sf/yr**
All Food & Drink at Home (incl. Grocery, liquor stores, specialty food)	$115,568,031	1.14	$131,747,555	192,613	210,796
Grocery Stores only	$93,089,403	1.14	$106,121,919	155,149	169,795

As shown in the table, those resident households have an estimated aggregate spending power of just over $93,000,000 per year for the grocery store category itself. Because some grocery stores also include some liquor sales, specialty food sales, we also look at spending power for Food & Drink at Home spending overall, which includes those other categories. That estimate rises to $116 million in annual in resident spending.

Because ESRI estimates spending power using 2017 dollars, we apply an appropriate inflation factor to arrive at a spending potential total of $132 million for 2022. Using an overall sales per square foot assumption of $600, that would equate to support for just over 210,000 square feet of retail space. An assumption of $625 (actually closer to the true national average for 2021) lowers the supportable square feet estimate to about 170,000.

In short, the estimated spending power of residents within two miles of a potential grocery redevelopment site falls short of the estimate of 245,000 grocery square feet already standing in the market area. Because of the number of assumptions entailed in the estimation process (along with the complications of overlapping RTZ), it is possible that market demand support does already exceed 245,000 s.f., but the presence of three vacant grocery anchors within the same 2-mile area is a likely indicator that demand and supply are currently already in balance (if not slightly on the surplus side).

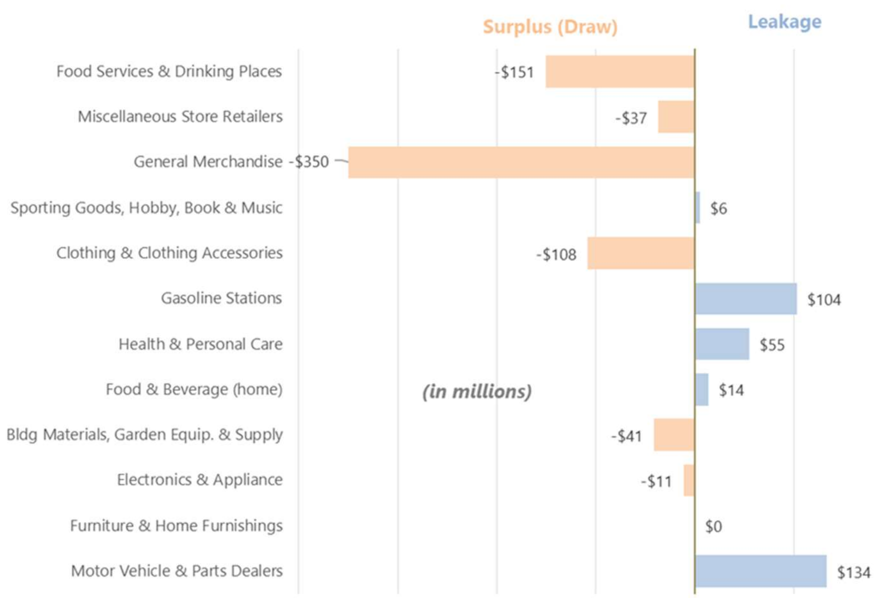
Even though the nearby vacancies may have happened for idiosyncratic reasons not directly related to supply/demand balance (e.g., Walmart was making a corporate level decision to thin their portfolio of Neighborhood Market format stores), prospective retailers considering the site would almost certainly take those vacancies as negative indicators of market health.

Citywide Retail Gap Analysis

A retail gap analysis uses estimates of retail sales (supply) and household buying potential (demand) for a given area to better understand how well local stores and restaurants meet the demands of local residents. Using the City of Westminster as the area of interest, the table and graph below compare the estimated citywide household spending potential of city residents to estimated retail sales in those categories.

In categories where total resident household demand exceeds the amount of estimated sales, that unmet excess demand is said to be "leaking" to other shopping destinations outside Westminster. Conversely, when sales are higher than would be expected just from household spending power alone, the amount of "surplus" sales can be thought of as roughly quantifying the extent to which Westminster is able to "draw" in spending from outside the city bounds.

Figure 42: Retail Leakage/Surplus, City of Westminster



Source: Colorado Department of Revenue (for 2019 sales by category), Placer.ai (for household spending potential by category); and Leland Consulting Group

Westminster Leakage

As shown in the graph above, Westminster has quantifiable leakage in four categories, two of which are automotive, with approximately $134 million in motor vehicle spending (including parts) and just over $100 million in gasoline station sales being spent by Westminster households outside the city.

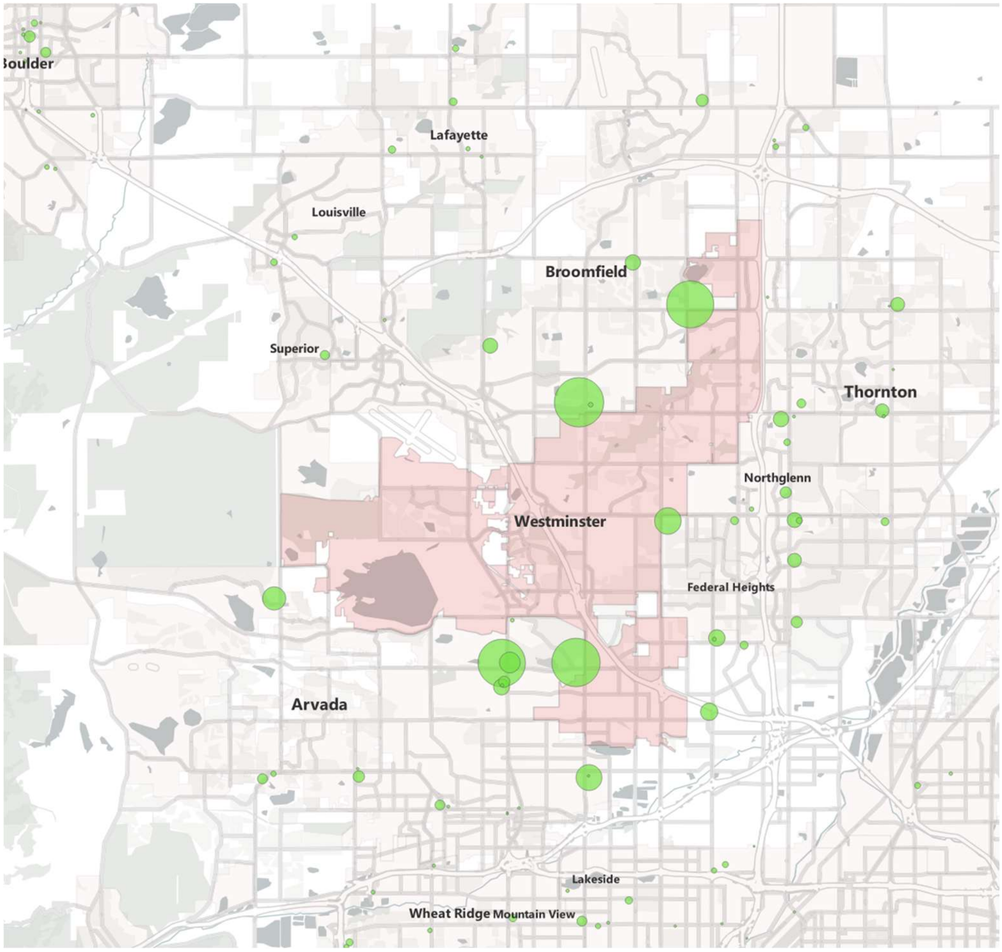
In terms of non-automotive sales, just two categories show significant leakage: Food & Beverage at Home (primarily grocery stores) appears to be leaking approximately $14 million annually. Health & Personal Care (primarily drug stores) is leaking the most, at $55 million per year. A third category, made up of sporting goods retailers, bookstores, and other hobby stores, is close to break-even in terms of leakage, with around $6 million in sales going to outside stores.

Leakage analysis has its limitations, particularly in urban areas where there is not a clear geographic separation of the area being studied from other areas. For example, a leakage study of Cheyenne or Greeley would yield a much clearer picture of shopping patterns for those cities than this analysis of Westminster as those cities "stand alone" whereas Westminster is adjacent to other jurisdictions to and from which shoppers regularly go to do their shopping.

In other words, while these are the only store/spending categories showing overall net leakage for Westminster, there is some level of leakage occurring every day and in every category as Westminster residents shop and dine at a wide variety of non-Westminster places, and non-Westminster residents shop and dine at a variety of Westminster places -- even in categories where there is a net spending surplus.

To better understand those specific leakage patterns, the following maps illustrate visitation patterns of Westminster residents at the individual store level, using Placer visitation behavior based on mobile phone geofencing data. Each map is scaled to reflect the number of annual visits to non-Westminster stores by Westminster residents.

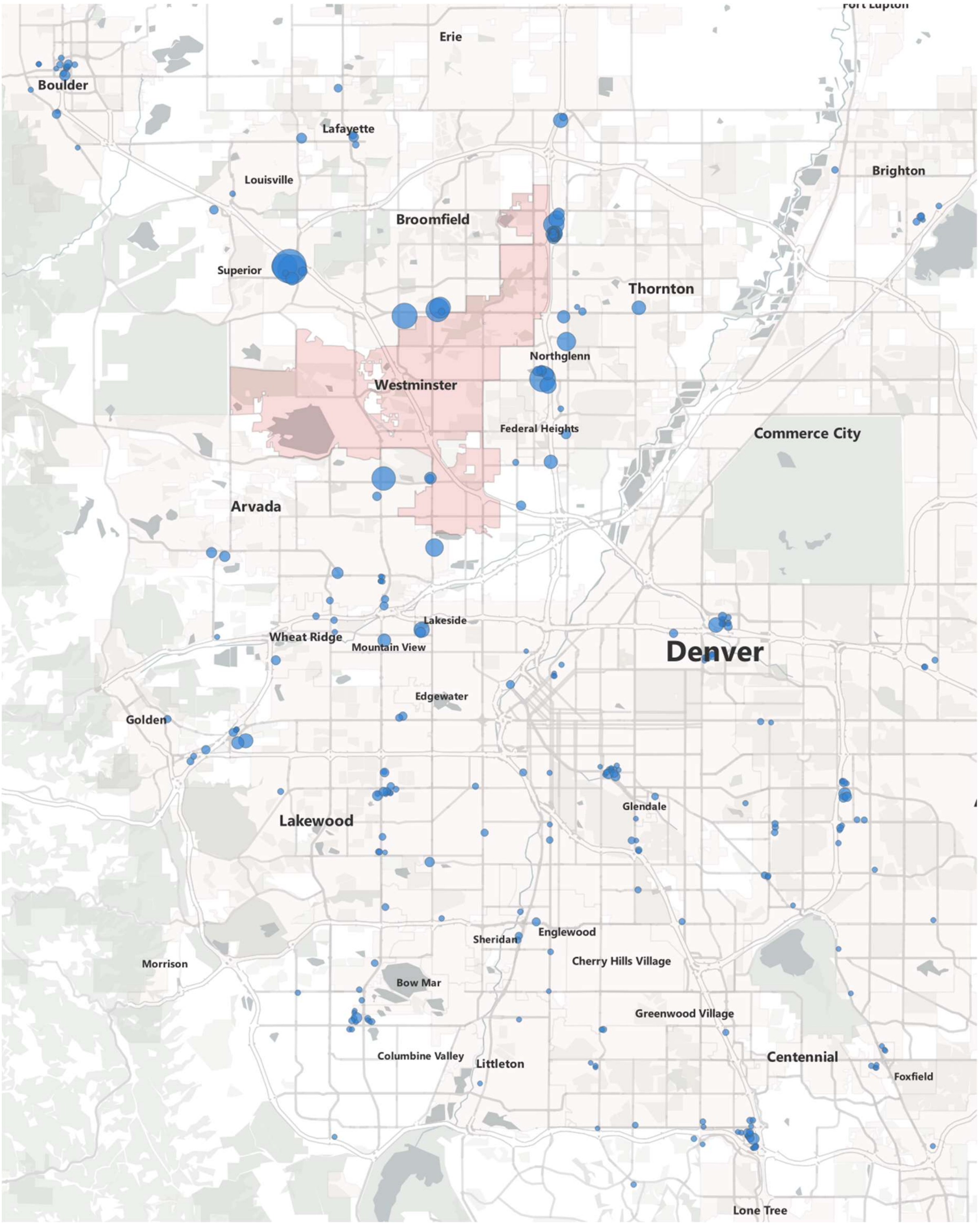
Grocery Visits Outside Westminster by Westminster Residents (2021-2022)



When Westminster residents leave the city limits to shop for groceries, they overwhelmingly tend to shop at stores in adjacent communities. As shown in the map above, two stores each in Broomfield and Arvada attracted the most leakage visits over the past year. Those top four grocery leakage destinations (all King Soopers grocery stores) together attracted over one million total visits from Westminster residents.

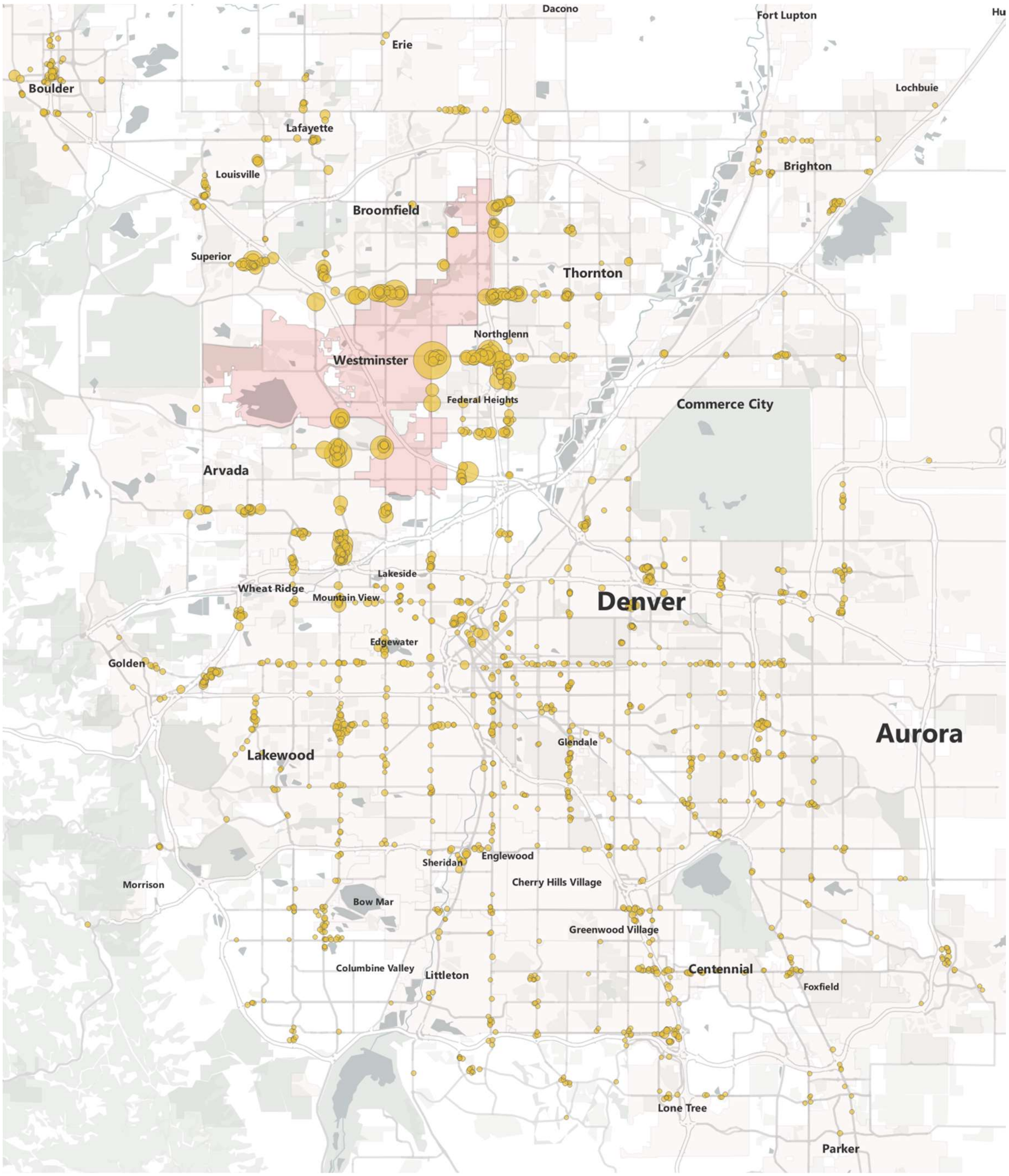
In contrast, when shopping for apparel outside the city, Westminster residents travel to a much wider array of stores across the metro area for their shopping visits. While nearby retailers (such as within Flatirons Mall to the northwest) do attract the largest number of Westminster resident visits, significant trips occur as far away as Park Meadows Mall and beyond. The two largest visit destinations for apparel by city residents were the Dillard's and Macy's in Flatirons Mall, together attracting just over 120,000 Westminster resident visits over the past year.

Apparel Store Visits Outside Westminster by Westminster Residents (2021-2022)



Source: Placer.ai; and Leland Consulting Group

Dining Visits Outside Westminster by Westminster Residents (2021-2022)



Source: Placer.ai; and Leland Consulting Group

Non-Westminster dining visits by city residents show a similar pattern, but with larger visit counts all around. Nearby locations again are the top attractors, but substantial visits are spread throughout the metro area. This geographic spread is due in part to the diverse workplace destinations and variety of residential locations of friends and family.

Figure 43: Major Leakage Destination for Westminster Residents, by Select Categorys, 2021-22

Leakage Destination	City	Visits by Westminster Residents (12 months)	Group Category	Avg. Distance from Home
DICK'S Sporting Goods	Broomfield	92,582	Apparel	5.9
Dillard's	Broomfield	68,760	Apparel	6.3
Ross Dress for Less	Northglenn	53,502	Apparel	3.0
Arc Thrift Store	Broomfield	51,067	Apparel	2.7
Macy's	Broomfield	50,220	Apparel	6.1
Goodwill	Arvada	44,109	Apparel	2.4
JAX Broomfield Outdoor Gear	Broomfield	43,041	Apparel	2.2
Chick-fil-A	Denver	139,549	Dining	1.9
Chick-fil-A	Arvada	75,776	Dining	2.6
Raising Cane's Chicken Fingers	Broomfield	70,934	Dining	2.8
Texas Roadhouse	Northglenn	64,375	Dining	3.5
Taco Bell	Arvada	53,849	Dining	1.6
Chuze Fitness	Broomfield	254,005	Fitness	1.9
Orangetheory Fitness	Arvada	34,061	Fitness	2.2
Vasa Fitness	Thornton	31,357	Fitness	3.8
King Soopers	Broomfield (Sheridan)	299,579	Groceries	1.8
King Soopers	Arvada (8055 Sheridan)	288,219	Groceries	1.1
King Soopers	Arvada (8032 Wads)	278,450	Groceries	1.9
King Soopers	Broomfield (136th)	275,419	Groceries	1.5
Safeway	Federal Heights	96,390	Groceries	1.7
King Soopers	Arvada (6350 Sheridan)	92,105	Groceries	2.5
King Soopers	Arvada (Candelas)	75,029	Groceries	4.2
Safeway	Arvada (80th Ave)	60,692	Groceries	2.2
The Home Depot	Broomfield	144,011	Home Improvement	2.1
American Furniture Warehouse	Thornton	43,882	Home Improvement	4.4
The Home Depot	Thornton	40,711	Home Improvement	3.2
Harkins Theatres	Arvada	42,660	Leisure	4.6
AMC Theatres	Broomfield	31,699	Leisure	5.6
Walgreens	Federal Heights	40,111	Health & Personal Care	1.5
Walgreens	Denver	25,706	Health & Personal Care	1.5
Walgreens	Federal Heights	24,613	Health & Personal Care	1.9
FlatIron Crossing	Broomfield	640,162	Shopping Centers	5.9
King Square Center	Arvada	454,042	Shopping Centers	1.4
Hobby Lobby	Thornton	27,511	Hobby	3.2
Walmart	Broomfield	452,291	Superstores	2.1
Target	Arvada	147,611	Superstores	2.3
Walmart	Broomfield	123,329	Superstores	4.2
Walmart	Thornton	117,989	Superstores	3.1
Sam's Club	Denver	112,908	Superstores	3.5
Costco Wholesale	Thornton	86,652	Superstores	5.4
Target	Thornton	82,724	Superstores	3.3
Sam's Club	Arvada	75,655	Superstores	4.9

Source: Placer.ai; and Leland Consulting Group

Westminster Surplus/Draw

Most store categories in Westminster show evidence of retail draw power, with estimated sales in excess of what would be expected based on local household spending potential. By far the largest of these is the broad General Merchandise category, which includes large discounters and club stores like Walmart, Target, and Costco, as well as department stores and dollar stores. Westminster appears to be generating around $350 million in surplus sales per year in General Merchandise, indicating a strong locational advantage for the city in that category.

The next largest source of surplus/draw sales for Westminster is Food and Beverage Service – restaurants and bars. That category appears to generate approximately $150 million more sales than would be expected by household spending potential alone. Much of that drawing power is due to lunchtime spending by the 14,000 to 16,000 people employed in the office sector within Westminster. Those workers likely spend between $20 million and $30 million annually on dining/drinking near their workplaces[6].

Westminster's Clothing and Accessories stores generate an estimated surplus/draw of $108 million, followed by Building Materials, Garden/Supply stores (mostly home centers), with just over $40 million in surplus sales, and the diverse Miscellaneous Store Retailers category (florists, office stores, thrifts stores, etc.) at $37 million.

Implications for Demand

As noted above, leakage/gap analysis estimates should be interpreted with caution. While the figures above do represent the best available estimates of net spending flows with respect to the Westminster city limits, it does not necessarily follow that leakage represents available demand -- or that a surplus shows lack of demand. Geographic spending patterns in Westminster and the surrounding region have become established over the course of decades, and shopping behavior can be difficult to change once consumer habits have been formed.

Shoppers are typically indifferent to municipal boundaries. Households currently leaving the city limits to shop within a given category may well be perfectly happy with their non-Westminster store habits. Conversely, people already traveling to Westminster from other cities for their shopping needs (and contributing to the apparent surplus) may be perfectly content doing so. A new convenience goods location, such as a new grocery store or drug store, typically stands a better chance of inducing a change in geographic spending behavior than a new specialty goods location, since shoppers for specialty goods tend to be somewhat less concerned with distance traveled. That said, a chain/brand or independent local store that is new to the region (as opposed to yet another King Soopers, say) may stand a better chance of attracting a trial change in behavior.

In short, leakage does not necessarily imply attainable demand for new space, but can highlight categories where successful new space could help recapture lost tax revenues. Likewise, a surplus, measured in this way, may not mean a particular category could not expand in Westminster. In fact, a surplus may be an indicator that the city enjoys some locational advantage over other municipalities in a given category, making it an attractive draw to outside residents.

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[6] *Studies conducted by the International Council of Shopping Centers (ICSC) indicate that the typical office worker may spend nearly $1,700 annually for dining/drinking during their work week and an additional $6,000 annually for general retail and personal/professional services.*

Strategic Discussion & Recommendations

Tenant Recruitment Strategy

Contextual Overview

There are a number of factors that need to go into any successful tenant recruitment strategy, and it is important to be realistic about what retail can be attracted. The first is the recognition that a recruitment strategy and a filling-empty-space strategy are two different things. The second is that retail is demand-driven and that the ability to commit capital to opening a new store, and the ability to pay rent are a function of the ability to generate sales. In other words, the demand needs to be proven out before the retail will materialize.

From a city's perspective, a retail recruitment strategy should be focused on store categories (NAICS codes) with proven demand, rather than on individual tenant brands. Economic Development's key role is to articulate the overall opportunity and then to remove barriers to development. Retail project owners and their agents will pursue specific tenants.

While so-called "health ratios" (ie. the amount of rent a tenant can be expected as a percentage of overall sales) can be helpful guidelines, they are also oversimplifications as a minimum amount of sales needs to be generated to cover both fixed and variable costs, and these costs are different for each retailer. There are situations where "no rent is too low" which means that sufficient sales cannot be generated to justify a new store. Similarly, there are situations in which "rent doesn't matter" as the ability to generate sales is so great that rent becomes incidental. Realistically, most situations, including Westminster, are in the middle.

What is most important is identifying the right retailer or retail mix for a given situation, and this is the reason that we have introduced the concept of commodity and specialty retail and observing that the behaviors associated with patronizing each are distinct. Today, Westminster has almost 9 million s.f. of retail space with ample commodity retail to meet its residents' daily needs, and even more located in adjacent communities. Shopping patterns don't respect city limit lines, so retail located outside Westminster is as important as retail within the City's boundaries. The opportunity Westminster has today is to create yet more robust specialty retail districts aimed principally at meeting Westminster and nearby community residents' needs with the dual goals of creating community and overcoming a lack of a place.

Real estate **(the location) and** ***improvements*** **(what is built on the real estate) often get intertwined in conversations about retail properties, however, each aspect deserves its own separate analysis, with critical evaluation to find sites that are "equal to or better than" those of a competing site** ***or*** **facility.**

Location and Facility Attributes

Not every retailer belongs in every location. For example, convenience uses need to take traffic patterns into account. This is the reason that you most often see coffee outlets such as Starbucks on the side of the street that has the greater traffic count during the AM peak hour (ie. the "going to work side of the street"). Similarly, grocery stores prefer to locate on the "going home side of the street." It is common to intertwine "real estate" (the location) and "facilities" or "improvements" (what is built on the real estate) when talking about property. Each deserves its own separate analysis, and each needs to be evaluated critically and against the standard of whether they possess attributes that are "equal to or better than" attributes of a competing site or facility.

If a given attribute of your project is "better than" competing properties, it makes your project more attractive to potential users, and perhaps more valuable than alternatives. If your project is "equal to," then it's a wash, and if your project is "worse than," then it makes it less attractive and potentially less valuable. A project usually doesn't live or die on one attribute (although sometimes just one attribute that doesn't pass the test can be a reason to say "no"). It's important to evaluate your project holistically, taking all real estate and facility attributes and their respective equal-to-or-better-than judgments into account.

Real Estate or Location Attributes

Real estate attributes refer to the characteristics of a given site's location. The attributes one might evaluate differ depending on product type. For example, warehousing needs real estate with different characteristics than a coffee shop. The first questions are: For what sort of use is a particular site appropriate? a*nd* Is this a good place from which to tap the sources of demand for what I intend to build? Because retail is the most sensitive to location attributes, we will use it for illustration. For example, some sites are better suited for commodity retail goods and services which are those that are (a) consumed on a regular basis from "primary" household funds; (b) purchased without emotional connection by the consumer; and (c) purchased with primary emphasis by the consumer on selecting the combination of lowest "price" and highest "convenience." In sharp contrast, specialty retail goods and services are (a) consumed on an optional basis from "discretionary" income or funds; (b) involve the expenditure of "discretionary" time; and (c) a sense of environment or place is an important point of reference for the consumer, as there is an emotional connection with purchased item, service, or experience.

Place and _environment_ are more important for some sorts of users than for others – often in a highly subjective way, involving judgments about the "feel" of a particular location. Looking at analog projects can be helpful to understanding a given location's benefits or lack thereof.

Traffic patterns are as important as, and in some ways more important than, demographic data. The power of generating sales from customers who consume "on their route" or who limit their retail consumption to what is conveniently located on their normal "routes" cannot be underestimated. The greater the density, the more pronounced this consumption pattern becomes. Another factor to take into consideration when evaluating the *real estate* is the "gravity direction" in a given area. The gravity direction is defined as the general direction from which residents and daytime workers enter a trade area and to which they travel in order to leave a trade area. Understanding the competitive landscape and the location and spacing of existing stores is important. Is the competitor in the gravity direction? Are there competitors or good co-users in the immediate area already?

Finally, "place" and "environment" are more important for some sorts of users than for others. This evaluation is highly subjective and involves making a judgment about the "feel" of a particular location. Looking at analog projects can be helpful to understanding a given location's benefits or lack thereof.

Facility or Improvement Attributes

Facility attributes are a bit more straightforward to evaluate on an equal-to-or-better-than basis, however, what attributes are important will differ for users. Of all property types, retail is the most sensitive to location, so it is extremely important to evaluate visibility, access, and parking objectively. If the project is in a highly urbanized area where no competitors have parking, you are not at a disadvantage for lack of parking. In contrast, if you can only have half of the parking as competing projects, it makes the project significantly less convenient for customers.

The type of building is also key. Some retail uses like fast food, banks, and drug stores often look for free standing buildings on hard corners. Others like smaller cafes and boutiques do better on a High Street, in a downtown, or in a shopping center. Is there an advantage or lack thereof because a building might be free standing, main street, corner or end-cap, or mid-block or in-line? How important are convenience attributes for the type of tenant you are looking for? Similarly, the size, frontage, depth, and clear height of the space can have far ranging implications because different retailers have different footprints. The outside of the space can be as important as the inside. Storefronts should have clean lines, be uncluttered from fenestration, and have an ample space for signage. Sidewalks should have ample width for desired outdoor displays, seating/dining areas, and storage for carts if they are used. Loading, service and trash areas are often afterthoughts, but they are essential to smooth tenant operations. Finally, some uses including food service, banks, and drug stores require drive-through facilities.

Terminal Vacancies

What sites are likely to succeed as retail under right conditions?

Terminal vacancies are retail vacancies, most often medium and big box vacancies, whose occupants have closed, and there is little reason to believe that the space will be reoccupied. Terminal vacancies happen for any variety of reasons including:

A *terminal vacancy* can indicate a market shift – and usually represents a redevelopment opportunity. A change in land use may create new customers for remaining shops and restaurants in the area (e.g., in the form of new households or new office employees). This process is a natural evolution of the market and should be looked at accordingly.

- There is too much space on the market, and the space in question is inferior to others with respect to its location.
- The space does not have facility attributes that allow a retailer to operate effectively.
- The "market has moved" away from the space meaning that the path of development or traffic patterns have shifted substantially enough that the space is effectively out-positioned by other options, or a retailer does not feel that it can generate sufficient top line sales to cover its fixed and variable costs, and the capital expenditure required to open a store.

It is important to understand that while age or exterior "look" might contribute to a space becoming terminally vacant, they do not alone cause a terminal vacancy. Terminal vacancies do offer opportunities. For example, most retail, even out-of-date or low performing retail is well located. To the extent that the market has shifted, a terminal vacancy may indicate a redevelopment opportunity. If a retail project were redeveloped as residential or office space, the residents or workers represent demand for retail space that is occupied, incrementally boosting sales in those stores. This process is a natural evolution of the market and should be looked at accordingly.

At least six shopping centers in Westminster could potentially be considered terminal vacancies. These include, but may not be limited to, the following:

Shopping Center	Subarea	Persistent Vacancy

Willow Run Plaza	I-25 North	50,000 s.f. former Safeway anchor
Westminster City Center	City Center	Approx. 70,000 s.f. former Gordman's, and former Golf Galaxy (both junior boxes)
Hidden Lake Shopping Center	South Westminster	35,000 s.f. former Local Foods Market (previously Albertson's)
Summit Square Shopping Center	South Westminster	35,000 s.f. former grocery anchor (adjacent to DMV)
Northgate Shopping Center	South Westminster	45,000 s.f. former Walmart Neighborhood Center (previously Hispanic grocer)
Sheridan Crossing	120th Avenue North	Vacant junior box space

What sites are better suited to mixed-use or non-retail?

From a retail perspective, some sites are better suited to mixed-use development than others. Factors at play include relative ease of use as compared with other existing projects, density of the surrounding area, if commodity or specialty retail uses are appropriate, and whether the site is an auto, transit, bike, or pedestrian-oriented area.

Mixed-use redevelopment can be appropriate with the right mix of commodity and/or specialty retail, depending in part on surrounding land use density, and prevailing mobility patterns (auto, transit, bike, or pedestrian orientation).

Retailers locating in mixed use projects will need to compete effectively against competitors regardless of whether those competitors are located in similar projects, or not. For this reason, the mixed-use real estate attribute might be a differentiator that sets the location apart from others for specialty uses because of ambiance, pedestrian orientation, or the way various land use types interact. Alternatively, mixed-use projects may not be good places from which to compete because they lack important facility attributes such as the ease of access and parking for which daily-needs commodity retailers look.

There are also different types of mixed-use projects. Some have land uses integrated vertically (Downtown Westminster) while others have them integrated horizontally (Bradburn Village). Generally speaking, horizontally-integrated projects are easier for retailers as they have easier access and parking than vertical mixed-use. Bradburn Village has a Whole Foods anchor in a traditional suburban format and facing West 120th Ave. from which is can effectively compete against other grocery stores which generally have similar improvement attributes. The street retail centered at Main and Bradburn Streets also has direct visibility from and access to West 120th Ave., but it offers a more carefully curated environment with streetscape and sidewalk improvements that add the important sense of place for which specialty retailers look. The residential components are located to the east and south of the commercial.

Downtown Westminster is a vertically integrated mixed-use project with structured parking as well as limited on-street parking. The "equal to or better than" maxim still applies here, and commodity retail generally cannot compete effectively from a project of this design as it would be impossible to replicate the convenience attributes and visibility enjoyed by competitors located in the surrounding traditional strip centers. On the other hand, there is an opportunity to create a destination "place" that gives people the opportunity to enjoy specialty offerings such as food and beverage, entertainment, and boutiques in a setting with amenities and intention of design to promote "lingering longer."

Effects on residual land value

The legal concept of "specific performance" is based on each piece of real estate being unique. The same can be said of residual land value. Developers need to assume a profit great enough to attract capital, so a common exercise used by developers is to calculate a "residual land value" for the property on which they plan to build a project. The residual land value is the amount left over to spend on land after all other expenses of development have been taken into account. These expenses include soft costs (A&E, consultants, discretionary approvals, permits, etc.), site work (grading, utilities, paving, lighting, landscaping, required off-site improvements, etc.), vertical development costs (buildings, parking structures, etc.), financing costs, contingency, and the developer's entrepreneurial profit.

Residual land value is an important consideration when weighing property disposition but is difficult to predict without first understanding the highest and best use for a given location, and the location's market context.

Income projections and cap rates are different for different projects. Single-tenant, triple-net leased properties that have no active management responsibilities typically sell for lower cap rates than multi-tenant properties. Retail produces a different income profile than office, multi-family, or industrial. Mixed-use properties have multiple factors to consider. A property that has a retail terminal vacancy may be perfect on which to develop infill multi-family or last-mile logistics. In short, it's just not possible to make a blanket statement about residual land value other than the highest and best use for a piece of land is a good place to start looking for, but not a promise of, the highest residual land value.

Cannibalization and Positive Competition

Competition is not necessarily a bad thing. From an economist's perspective, competition is one of the key factors that keeps markets efficient. That said, we have already established that there is finite demand for any given good or service based on aggregating the various sources of demand: residents, daytime workers, visitors, etc. Retailers recognizing a market inefficiency in the form of "leakage" can remedy that inefficiency by opening an additional store. Conversely, a retailer might think that it has a more compelling product or presentation in a category in which there is no leakage. In this case, that retailer will either (a) cannibalize sales from competitors' stores (or even from its own nearby sister-stores), or (b) by virtue of its uniqueness create additional "pull" which may also benefit competitors. An excellent example is the Apple Store. The Apple Store doesn't sell anything that isn't easy to purchase at other retail outlets or through non-bricks-and-mortar platforms, however, when an Apple Store opens it creates a significant "pull" as evidenced by sales that far exceed demand from the immediate area. While its presence may take Apple product sales away from already open competitors such as Best Buy or Costco, those stores may still benefit from the widening of the catchment that the mere presence of the Apple Store creates. As a side note, when a chain opens a new outlet, it almost always cannibalizes some sales from its nearby sister stores. The chain retailer takes this cannibalization into account when it calculates the cost-benefit of opening a new location.

Marketing/Branding Approach

City-level Branding

With respect to fostering a diverse retail ecosystem that meets the needs of all residents, workers, and visitors, economic development's role is several-fold:

- Define Westminster's "brand" or the reason Westminster is distinct and different from other communities (or the brands for sub-areas within Westminster).
- Be realistic about what sort of retail will work in a given situation.
- Articulate the reasons that appropriate retail is, in fact, appropriate including the reasons a particular location is equal-to-or-better-than alternatives.
- Remove obstacles and uncertainty to retailers making an investment including articulating the process to receive discretionary approvals, and permits, and communicate to the retailer and brokerage communities that this has been done.
- Brokers and developers are transaction oriented. Explain to them why they can expect to transact in Westminster more easily than in other areas.
- Advocate for vibrancy; the sales tax will follow. In other words, non- or quasi-retail uses such as medical or tutoring in retail centers is better than vacant space, and it promotes destination trips and footfalls, both of which translate to cross shopping and sales.
- Continue not making the common mistake of acting as a "leasing agent" for the City!
- Be the City's retail champion, manage for inevitable change, and know when to say, "yes" or "no."

Programming Support Strategies

Keys to Activation

Authentic commercial districts tend to evolve rather than being produced. That said, intentionality can play an important role in design and planning. Some common elements of authenticity include the appropriate massing of façade, intentionality of defining driving as opposed to walking areas, maximizing visibility, and creating uniform storefront design standards including for signage identifying the stores entrance, transparency, lighting, awnings, and exterior finishes.

Care should also be given to corners. Not only are corners coveted by retailers and achieve higher rents for developers because of their superior visibility and traffic, but they can act as gateways and important connections between blocks. Corners should generally be reserved for retail and not office or residential lobbies or other uses. Inside buildings, placement of columns and other vertical elements (e.g. stairs, elevators) should be deliberate so the space remains usable. Also note that the dimensions of corner space can be tricky because one façade will get the "shallow dimension," and care should be taken to assign this dimension to the less important frontage.

The pedestrian environment is extremely important. Similar attention should be given to "*complete sidewalks*" as is given to "*complete streets*!" The sidewalk is where the public realm meets the private realm. The following should be taken into account when designing complete sidewalks:

> ***Complete streets*** **are not possible without attention to complete sidewalks. Sidewalks can be the public realm's most important contribution to a store's first impression – since even when arriving by car, every customer is at least briefly a pedestrian while on the sidewalk.**
>
> **At their best, sidewalks are an invitation to linger and shop/dine at multiple locations (in the context of a great overall trip experience).**

- Sidewalks are an opportunity for retail and the public realm to mix, for the public and the private realms to merge. We want each to engage the other!
- Design so pedestrians do not feel hurried.
- Sidewalk width should be adequate for pedestrian flow, use by retailers for outdoor merchandise displays, amenities such as benches and landscaped areas, informal activities such as musicians, Girl Scout cookie sales, or pet adoption events, and outdoor restaurant seating.
- Parklets, seating areas, and public art all make sidewalks more inviting.
- Landscaping and tree (shade) placement, and features such as decorative paving, lighting, and banners enhance a sense of place. Trash/recycling container placement is key to maintaining a clean and orderly environment.
- Placement of above grade utility poles, trees, signs, etc. should be deliberate so pedestrian flow is not broken. Updating streetlights should be considered if the existing improvements are tired.

Attention to active storefronts is also important. An active storefront is created when the *pedestrian interacts with built/retail space* even if he/she doesn't go inside to buy something. Storefront transparency is especially important for *active* retail space, and example pictures can be seen here:



Retail where the *flow of the retail district is broken* so that *pedestrians don't interact* with the built environment, or where there are limited hours so that spaces become dark during non-office hours are known as inactive storefronts. Examples include offices, medical facilities, garages, or auto repair. Inactive retail can be caused by inattention, poor design, or poor location choices!



Active storefronts are only possible when transparent storefront practices are implemented. A number of cities across the US have adopted storefront transparency design guidelines or ordinances. Guidelines from the City of San Francisco's transparency ordinance include the following:

- At least 60% of the storefront must be transparent,
- There must be eye-level visibility into the store,
- The area inside the store within 4' of the storefront must be at least 75% open to perpendicular view.

These guidelines result in the following minimum conditions: Any fenestration of frontages with active uses must have visibility to the inside of the building with at least 75 percent open to perpendicular view within a 4-foot by 4-foot "visibility zone" at pedestrian eye level. This visibility zone is located between 4 feet and 8 feet in height above sidewalk level and extends 4 feet from the surface of the window glass inside the building.

Signage is not only key for retailers to announce their presence and to project their brand, but it can be leveraged to create a functional and authentic commercial district. Following are some best practices to consider for signage:

- Develop a master sign program that defines tenant, project (or district), and way-finding signage standards.
- All tenants need reasonable signage opportunities, so focus on appropriate types of signage. Large pan-channel letters are good for suburban strip centers, but blade signs, window decals, and awnings may be more appropriate for pedestrian districts or areas where traffic flows more slowly.
- High visibility monument signage announces a project.

People want and need to interact with other people. Major "placemaking" amenities can be as important to creating positive, safe human interaction space as other, less obvious design details like lighting, plantings, and wayfinding.

In addition to signage, lighting plays an important role in defining place and gathering spaces, an area's mood, and projecting safety. A lighting plan can benefit projects and districts alike. Create a common area and exterior lighting plan, coordinate lighting with wayfinding and path-of-travel, and pay particular attention to lighting in parking areas.

Finally, public spaces aren't just parks, they include sidewalks, intersections, plazas, parking lots, bike shares, transit stops…anywhere that people gather. People want to be where people are, and one goal for a successful, activated district is to get people to "linger longer." Design and program not just "deliberate" public spaces, but "accidental" ones too:

- Just as a path through the snow shows the path of travel people naturally want to take, look for where people naturally congregate.
- When natural congregating spaces are identified (regardless of whether they were deliberate), add infrastructure and programming to reinforce the district as being welcoming and inviting.
- This welcoming environment will be self-reinforcing and will then accrue to the success of the businesses located nearby.

Event/Festival-based Approaches to Marketing Centers/Areas

There are a variety of activities that can draw attention to and help activate a district. Creating connection between projects or districts and other nearby community assets is key as can be seen in Downtown Westminster, the Shoppes at Walnut Creek, and Orchard Town Center where commodity, specialty, and non-retail uses are all integrated into the same project.

The goal is to create an authentic, varied environment where there is always something new and interesting. Events can be indoor (in vacant spaces) or outdoor, and not every event needs to be a huge production. A variety of events should be happening all the time to promote the habit of visiting frequently. Larger seasonal events will become part of the fabric of the community over time (Street Fairs, Holiday Market/Skating, 4th of July, etc.), and regular events like a farmers' market, food truck "rodeos," or swap meets will take root over time.

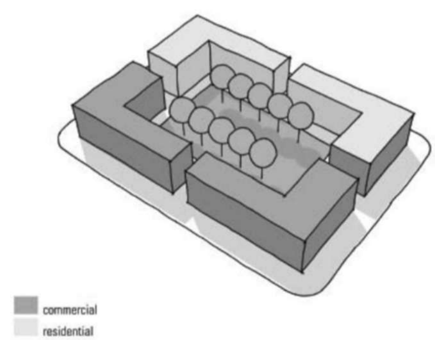
> **Create authentic, varied environments within and around retail spaces – where there is always something new and interesting.**

Create opportunities for musicians and busking, organizations such as the Humane Society, or school group fundraisers. Pop-ups can help activate underutilized spaces while the district matures, and to add something new and varied at any time.

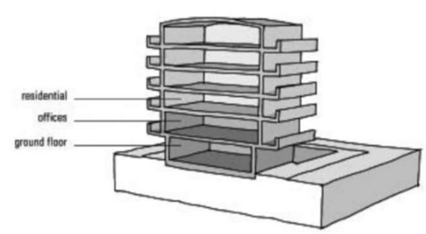
Activating vacant storefronts helps create cohesion in a project or district as newly built space absorbs, and as demand for goods and services evolves over time. Window displays can help turn inactive storefronts into active storefronts, bridging "holes" in the street, and minimizing perception of vacancy. Pop-ups are a good idea at any time as they offer the consumer a new reason for a visit, but they can be particularly useful promoting activity and interest from permanent tenants. Banners that promote the entire district or events can be placed in storefront windows. Storefronts can be offered to community groups or non-profits at no charge, bringing people to the Downtown area and promoting cross-shopping opportunities.

Mixed-Use Conversions

There are a number of opportunities in Westminster for conversion to mixed-use projects. Various circumstances might give rise to such a conversion. For example, a new freeway or long-term development pattern may cause consumers to change their commuting patterns or shopping behaviors. This is called the "market moving away" from an area. Another example might be a larger or better-anchored project becoming a bigger draw, leaving an inferior project with greater vacancy or a comparably inferior tenant offering.



Of all the land use types, retail is the most sensitive to location, so shopping centers are generally very well located. Regardless of the reason, when a shopping center has lost a differentiated tenant mix, has substantial vacancy, or fails for another reason, it may be an excellent candidate for redevelopment as a mixed-use project just by virtue of being well located real estate.



Mixed-use development can be "vertically integrated" where one use is located above another, or it can be "horizontally integrated" where uses are adjacent to each other. Examples of each located in Westminster are given in a later section of this report. The following graphic shows the difference between vertically and horizontally integrated mixed use projects:

There are a variety of mixed-use typologies. Frequently residential and retail are seen together. Other adaptive uses of former or to be downsized retail projects might include the addition of educational or sports facilities, conference facilities, hospitality, distribution and logistics, and office In each case, the mix of uses is a function of market demand, and the format is a function of type of use, location, property size and attributes, and development economics.

Logical candidates to consider for mixed-use redevelopment potential include centers that are performing poorly and seem unlikely to reverse course as retail-only uses. These may include any of the centers shown to have persistent anchor vacancies.

Retail Pruning Strategies

There are also instances where a project just has outlived its reason to exist, either because there is no longer demand for it, or because the goods and services still being sold in the center could easily be relocated elsewhere, creating a more robust offering in that new location. The elimination of these sorts of projects is called *pruning*, and it is possible to incorporate pruning strategies into planning guidelines. For example, the City of Fremont has a retail pruning land use policy incorporated into its General [Comprehensive] Plan:

"Support the adaptive reuse, renovation, or redevelopment of older shopping centers or commercial uses that are no longer viable due to changing market conditions, demographics, or retail trends. Such reuse or redevelopment should be planned to help sustain other retail centers in the City, provide opportunities for more intense housing and civic or group assembly uses while ensuring that residents continue to have convenient access to goods and services…recognize that some 'pruning back' of existing retail space may be needed in Fremont."

When demand wanes, either for a particular brand of store or an entire category (or when sources of demand have migrated to other locations), a *retail pruning* strategy can sometimes be the most positive approach to dealing with a struggling center.

If a city determines that a new use (or mix of uses) for a given site can meet pressing housing needs while preserving the image and performance of surrounding retail, a change may be in order. If a struggling tenant, store, or center can be relocated to a different location where demand is a more promising fit, so much the better.

With focus on VMT reduction, maintaining vibrancy, moving to a more sustainable amount of retail space on a per-capita basis, and retail pruning in mind, the City (with the consultation of retail professionals) could identify projects that could be repurposed. Adopting a retail pruning strategy over time will encourage the redevelopment of weaker retail projects. Some retailers may not relocate and reopen, but viable retailers and service providers will find homes in what will be fewer but more robust retail projects. By allowing this sort of redevelopment, not only could the City activate previously underutilized land for housing, office, or other needs, but what could come to be thought of as "micro-town centers" would be more interesting and resilient over the long term for resident shopping needs.

Such a strategy could help strike a balance between serving residents where they live, reducing vehicle miles traveled, not diluting project size back to the point that they do not have the mass needed to draw customers, and promoting an environment in which cross shopping creates sales lift that is beneficial to retailers' sales and to the City's sales tax receipts (and incrementally higher property taxes as former retail projects are redeveloped to their highest and best use).

Final Thoughts About Resilience*

We feel that it is important to circle back to one key Retail Resilience concept as it relates to maintaining a small-town feel: factoring in the price of inaction. Westminster exists in a competitive ecosystem. Retailers are always looking at where they can generate the highest return on the investment required to open a store, and they always have more than one option. Other nearby cities are developing and implementing economic development and place-making strategies of their own, essentially competing for attention from retailers looking to open new stores. Finally, a deliberate balance needs to be made between creating and maintaining community, growing so much that that feel erodes, or growing so little that the retail ecosystem contracts in favor of other nearby options.

There are a few things we know for certain: population will continue to increase, and demand for goods and services will be met somewhere. We tend to focus on the cost of making changes, whether they are redevelopment costs or increased government operating budgets. We also need to make sure that we factor in the cost of inaction or taking into account the opportunity cost and externality cost to the community of choosing not to act.

A deliberate balance needs to be struck between creating and maintaining community. Too much, and the feel erodes; too little and the retail ecosystem contracts in favor of other nearby options.