

Public Market Feasibility Study Lancaster Avenue, West Philadelphia

Prepared for the Farmers' Market Alliance
Philadelphia, Pennsylvania

November 30, 2004
(Revised December 30, 2004)

Table of Contents

Introduction, Goals and Concept	2
Literature review	2
Goals	3
Initial concept	3
Trends	3
Location and Competitive Analysis.....	6
Location and neighborhood characteristics	6
Competitive analysis.....	8
Customer Demand Analysis	9
Trade area analysis.....	10
Primary trade area	11
Secondary trade area	11
Sales potential	12
Wholesale farmers’ distribution facility	13
Merchandising Concept	14
Merchandising characteristics.....	14
Market hall tenant mix	15
Wholesale farmers’ distribution facility	16
Outdoor farmers’ market.....	17
Other facilities.....	17
Financial Analysis.....	17
Vendor pro forma.....	17
Operations pro forma	19
Financial feasibility.....	20
Operating Guidelines	20
Schedule of operation	20
Management.....	21
Marketing.....	21
Conclusion	22
Appendix A. Wholesale Farmers’ Distribution Facility in West Philadelphia.....	23
Appendix B: Vendor Pro Formas	34

Introduction, Goals and Concept

In October 2004, the Farmers' Market Alliance retained Market Ventures, Inc. to analyze the feasibility of establishing a year-round, indoor public market in West Philadelphia at a site to be determined in or around Lancaster Avenue between 38th Street and 50th Street. The market has been envisioned as a place for members to the community to access fresh food from independent, owner operated businesses throughout the year. The task of Market Ventures was to determine the economic feasibility of such a market and to provide recommendations on a merchandising concept and operating guidelines.

Specifically, the Work Plan included the following components:

1. Literature review
2. Goals and concept
3. Customer demand analysis
4. Competitive analysis
5. Merchandising program
6. Operations pro forma
7. Operating guidelines
8. Final report

The project did not include site selection, supply analysis, design concept, development cost estimate, financing options, or management/sponsorship plan.

The project was performed between October 28, 2004 and November 30, 2004. During this time period, the project team made one site visit to Philadelphia to meet with the client and project partners, including People's Emergency Center Community Development Corporation, Greensgrow, and the Urban Nutrition Network. The team also toured the targeted neighborhood and visited the Firehouse Farmers' Market at Baltimore Avenue and 50th Street. In addition to the analysis discussed below, the consultant team relied on its extensive experience planning, developing and operating public markets in other cities.

The Market Ventures, Inc. project team consisted of Ted Spitzer and Karen Karp and Jessica Wurwarg of Karp Resources.

Literature review

The consultant team reviewed the following reports:

1. "Retail Market Analysis of 38th to 42nd Street in the Lancaster Avenue Business District," Real Estate Strategies, Inc. for People's Emergency Center Community Development Corporation, June 2002.
2. "An Economic and Market Analysis of the Lancaster Avenue Business Corridor Between

34th and 38th Streets in Philadelphia, Pennsylvania,” Real Estate Strategies, Inc. for University City District, January 2003.

3. “Barriers and Opportunities for Direct Marketing in the Philadelphia Region,” Farmers’ Market Trust, April 1999.
4. “Public Markets & Community-Based Food Systems: Making Them Work in Lower-Income Neighborhoods,” Project for Public Spaces, 2003.

The client also provided recent analysis conducted by MetroEdge for the Food Trust on consumer demand for food in the City of Philadelphia. Finally, Ted Spitzer relied on his research and analysis from his book, *Public Markets and Community Revitalization*, Urban Land Institute, 1995.

Goals

One of the defining characteristics of a public market is that it has public goals. Based on input provided by the client and the team’s experience with public markets in other communities, the following public goals are proposed. If adopted for the project, these goals can guide both the development of the public market and its ongoing operation:

1. To provide access to fresh food to members of the community.
2. To offer affordable retailing opportunities where independent, locally-owned businesses can develop profitable businesses.
3. To create a convivial gathering space.
4. To aid in the revitalization of the surrounding neighborhood.

Initial concept

As a starting place for testing feasibility, the initial concept for the Lancaster Avenue/West Philadelphia public market is a place that includes both fresh and prepared food vendors and that serves neighborhood residents, not a major attraction that would attract customers from a wide geographic area, such as Reading Terminal Market. The closest model that could be identified was the Firehouse Farmers’ Market on Baltimore Avenue and 50th Street, although the proposed public market in or around Lancaster Avenue was envisioned as larger than this six vendor market. The proposed public market might also include a wholesale component and an outdoor farmers’ market.

Trends

The last several decades has seen a rebirth of interest in public markets. The most simple form of public market, the open-air farmers’ market, has seen tremendous growth throughout the

country. In the early 1970s, there were only several hundred farmers' markets in operation nationwide; today there are nearly 3,000. Some of these have become quite large operations, such as the 70 farmers who sell at Union Square Greenmarket in New York City or the 300 vendors at the Dane County Farmers' Market in Madison, Wisconsin. The federal Farmers' Market Nutrition Program has stimulated the development of farmers' markets in low income neighborhoods because WIC-eligible families and low income seniors are provided with coupons that can only be redeemed by farmers at farmers' markets.

Indoor market halls have also experienced a comeback. Some of these are historic public markets, such as Philadelphia's Reading Terminal Market, Pike Place Market in Seattle, and Westside Market in Cleveland, which have been revitalized and become a showpiece for their respective cities. Recently constructed public markets have sought to replicate the success of these historic markets, such as the Ferry Plaza Marketplace in San Francisco and the Portland Public Market in Portland, Maine, although there was little recent history of indoor public market activity in these cities. At their best, public markets house a dynamic collection of independent, owner occupied businesses that offer unique, high quality foods at reasonable prices, including products made by the vendor and foods that are grown in the region.

Not every new public market development has been successful. Public markets in Fort Worth, Oakland, and Miami have opened and closed when market tenants could not pay sufficient rent and the markets' operating costs exceeded revenue. Other markets, such as the Erie Street Market in Toledo, have been continually subsidized with public funds since they opened, they have witnessed numerous tenant failures, and they fail to meet their established goals as places to create successful businesses and provide regionally grown foods. Even some public markets that appear to be successful as retail venues have required ongoing subsidy. For public markets located in downtown locations, there has been ongoing pressure to become places that cater to on-premises meals (the "food court" phenomenon) and lose their focus as venues for fresh foods.

Small-scale public markets located in low income communities have proven to be particularly difficult to sustain. Over the past several decades, a few of these have been built in low income neighborhoods. One, El Mercado in Norris Square, was developed in North Philadelphia and recently closed. The Jamaica Market, in Queens, New York, was originally envisioned as a fresh food market but has become a food court of nine restaurants and 17 stores selling predominantly crafts, although it provides fresh food to the neighborhood through an outdoor, seasonal farmers' market along one side of the building. A few lower income neighborhoods in New York City maintain their 1930's era public markets, including the Moore Street Market in Brooklyn and the Arthur Avenue public market in the Bronx, which are owned and operated by the City of New York. In the Project for Public Spaces report on public markets in lower income neighborhoods, their three case studies of successful projects are all open-air or shed structured farmers' markets, not indoor market halls.

The Firehouse Farmers' Market has operated for a number of years at Baltimore Avenue and 50th Street and offers a valuable example for this study. At present it has six vendors: a butcher, florist, produce stand, coffee, seafood and grill, and barbecue take-out restaurant. The building also has a bicycle shop on the second story, with its own entrance. Originally

developed by a local community development corporation, the market has had two private owners who have kept it leased and opened. Unlike larger public markets which have on-site management and marketing professionals, this market has had one person be the owner, manager, and a tenant. At present, the proprietor of the butcher shop also owns the market and manages it. This market achieves the goals enunciated for the proposed public market in or around Lancaster Street by providing fresh foods to the community, providing opportunities for locally owned businesses, and being a welcoming gathering place.

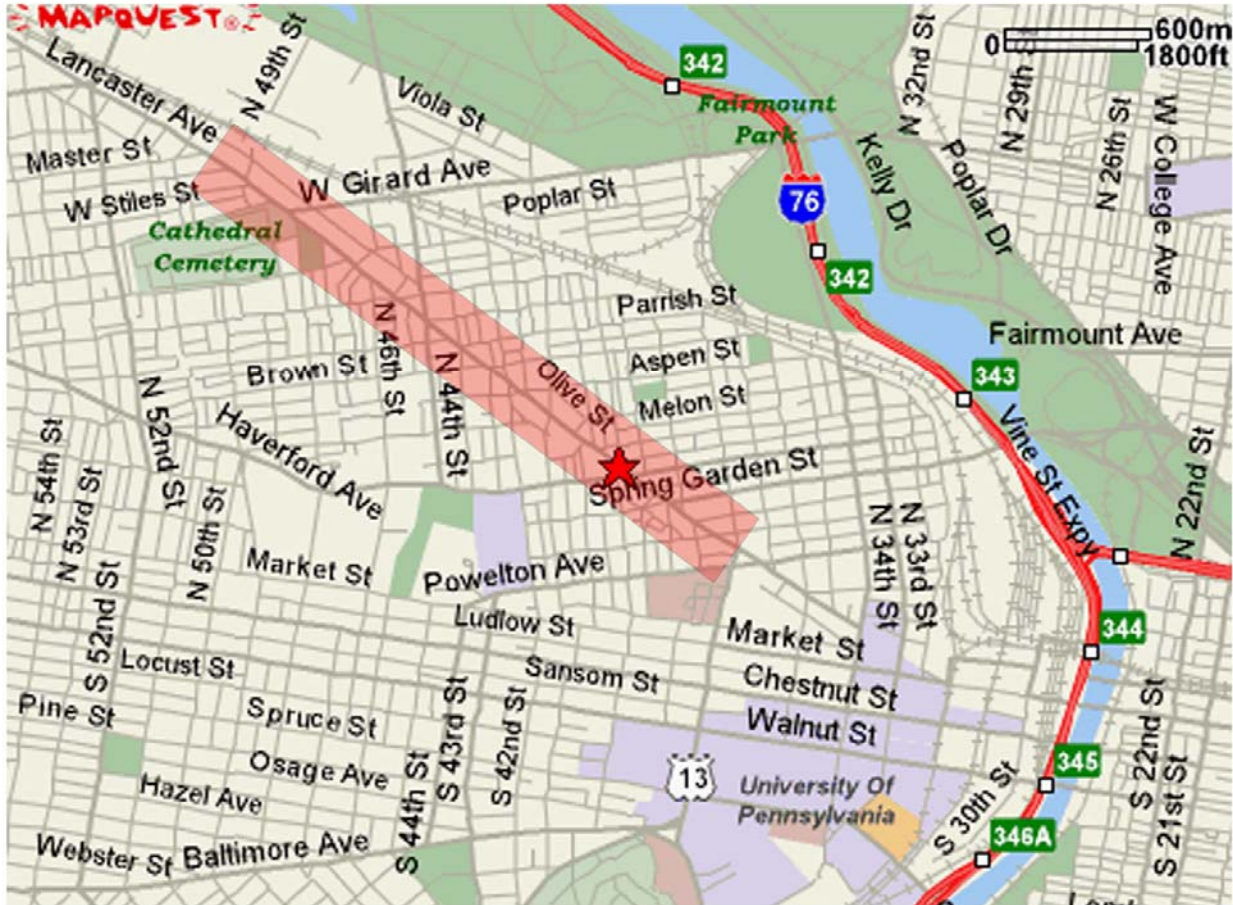
While public markets have made a comeback, food retailing is still dominated by grocery stores. Independent, specialized food stores hold a fractional market share. According to the Economic Research Service of USDA, grocery stores (which include supermarkets, convenience stores, and superettes/small grocery stores) accounted for 95% of food sales in 2000, with specialized food stores accounting for only 5%. Supermarkets, which accounted for 70% of food sales, have experienced slightly declining market share because of competition from mass-merchandisers and warehouse clubs. In part, supermarkets have responded by making significant improvements to their stores, adopting many of the physical qualities that make public markets special and, in some cases, adopting the mantra (if not always the full practice) of selling local foods and supporting local farmers. They have also grown in size to create more convenient “one-stop shopping,” and have increased the number of unique items sold in their stores, with the median number of unique items climbing from 14,000 in 1980 to over 40,000 in 1999. Since 2000, however, the size of supermarkets has begun to trend downward.

Retailers in public markets face the same challenges that small businesses face everywhere in the US economy and a high failure rate among vendors is not unusual, although public markets often do better in sustaining independent retailers than storefront locations. In addition to the competition, the operating costs of public markets are typically high, in part because most public markets have full time, on-site management and marketing staff.

The keys to success have been creating an enticing shopping experience and finding tenants who are excellent, dedicated, and passionate retailers. These business owners must be able to stay ahead of the significant competition presented by supermarkets and other food stores by continually innovating on product selection and quality as well as customer service. Large downtown public markets, such as Reading Terminal Market, typically draw customers from a wide geographic area. They are large enough to attract people from the region who are more interested in shopping in a public market environment than the more convenient supermarket options near their home. They are also attractions for tourists. The costs of market management and marketing are spread across a large number of vendors and high sales volumes per square foot offset the typically high per square foot rent costs. Smaller, neighborhood scale public markets have succeeded by becoming regular shopping venues for community residents and by minimizing the costs of operation by partnering with one tenant to be the master lessee or vendor/manager/owner of the market.

Map 1

Location of Lancaster Avenue Target Area



Location and Competitive Analysis

Location and neighborhood characteristics

The targeted area for the public market, Lancaster Avenue between 38th and 50th Streets, is located in West Philadelphia. It is directly west of Powelton Village and Drexel University, and within a mile of the University of Pennsylvania. Downtown Philadelphia is also within a mile of the site, across the Schuylkill River. Map 1 shows the location of the target area along Lancaster Avenue, with a red star at 40th and Lancaster.

As noted in the two Real Estate Strategies, Inc. studies, there are two large employers adjacent to the target area, the Presbyterian Hospital with 1,700 workers and 200,000 annual outpatient visitors, and the Science Center, with over 6,500 employees located on a 17 acre campus along Market Street between 36th and 39th Streets. Unfortunately, there is currently no

physical connections and no visible pedestrian traffic between either institution and the target area along Lancaster Avenue. The Science Center is oriented to the Drexel and Penn communities and the retailers that serve them. Depending on the location of the public market, as well as its merchandising and physical environment, it may be possible to draw customers from these institutions but an entirely new shopping pattern would need to be established.

The target area is typical of many older inner city neighborhoods. Most of the buildings along Lancaster Avenue are two and three storey structures. While some have interesting architectural features, the overall impression is a deteriorated commercial corridor. There are many vacancies on the second story. The RESI study found 222 street addresses between 38th and 42nd Streets, with 30 vacancies and 20 vacant lots. The study also noted the deteriorated condition of the buildings, the streetscape infrastructure, and signage.

The 4000 block contains the greatest concentration of commercial activity and attracts the greatest number of pedestrians. Most of the food stores in the area are on this block, including:

1. Murry's Supermarket
2. Wishing Well Market
3. Longacre's Poultry (meat, poultry, and prepared food)
4. Yoo's Fish Market
5. New World Seafood
6. Juicy Fruit Produce

Murry's is the largest store, with about 15,000 square feet. Both fish markets are very small and the produce business is tiny. The RESI study highlighted the range and quality of fresh foods that can currently be purchased in the area, while noting that there is no large supermarket in the neighborhood nor virtually any sit down restaurants.

As noted in the RESI study, stores along Lancaster Avenue cater to local customers, not shoppers coming from outside the neighborhood. While the area is accessible on public transportation via the trolley and some bus routes, these do not generate retail demand. The study did not mention commuter traffic using Lancaster Avenue as a route from the west into downtown.

A florist, Brandi's World Flowers and Gifts, is located along the 4100 block of Lancaster Avenue. Two blocks up the street, another small produce business, named Madubala Chef Produce, opened five months ago at 43rd Street and Lancaster Ave. This business is owned by recent African immigrants and contains produce purchased at the Philadelphia Regional Produce Terminal. However, the store is isolated because there are no supporting businesses on the block. According to one of the owners, the site was chosen because the owners were told that this was an up and coming area.

As will be discussed in greater detail below, the demographic profile of neighborhood residents suggests that they will be very price conscious in their shopping choices.

Competitive analysis

The cluster of food retailers on Lancaster Avenue and 40th Street provide the most immediate potential competition to a new public market. These businesses match the basic profile of the types of businesses that would be found within a public market: small, independent, and owner-occupied. Perhaps some of these would be interested in relocating to a new market hall if it was built in the area.

While there are no large supermarkets in the immediate neighborhood, there are a number of food shopping venues in West Philadelphia, downtown, and elsewhere in Philadelphia. According to information from Dun & Bradstreet, there are eight supermarkets in the five zip codes of West Philadelphia (19104, 19131, 19139, 19143, and 19151), with sales estimated at \$96.2 million. One of these is the Wishing Well Market on Lancaster Street, with sales estimated at \$1.4 million. There are also two Fresh Grocers, a Shoprite, Pathmark, and University Thriftway in West Philadelphia. According to interviews conducted as part of this study, neighborhood residents also shop for food at markets outside of West Philadelphia, including Reading Terminal Market at 12th and Filbert, Pathmark at Gray's Ferry in South Philadelphia, and the Whole Foods near Fairmount Park.

A small farmers' market is operated by the Farm to City in partnership with Urban Nutrition Initiative at the edge of the target area, at 37th Street and Lancaster Avenue. This market operates in season on Saturdays and has about five vendors, including a business run by high school students.

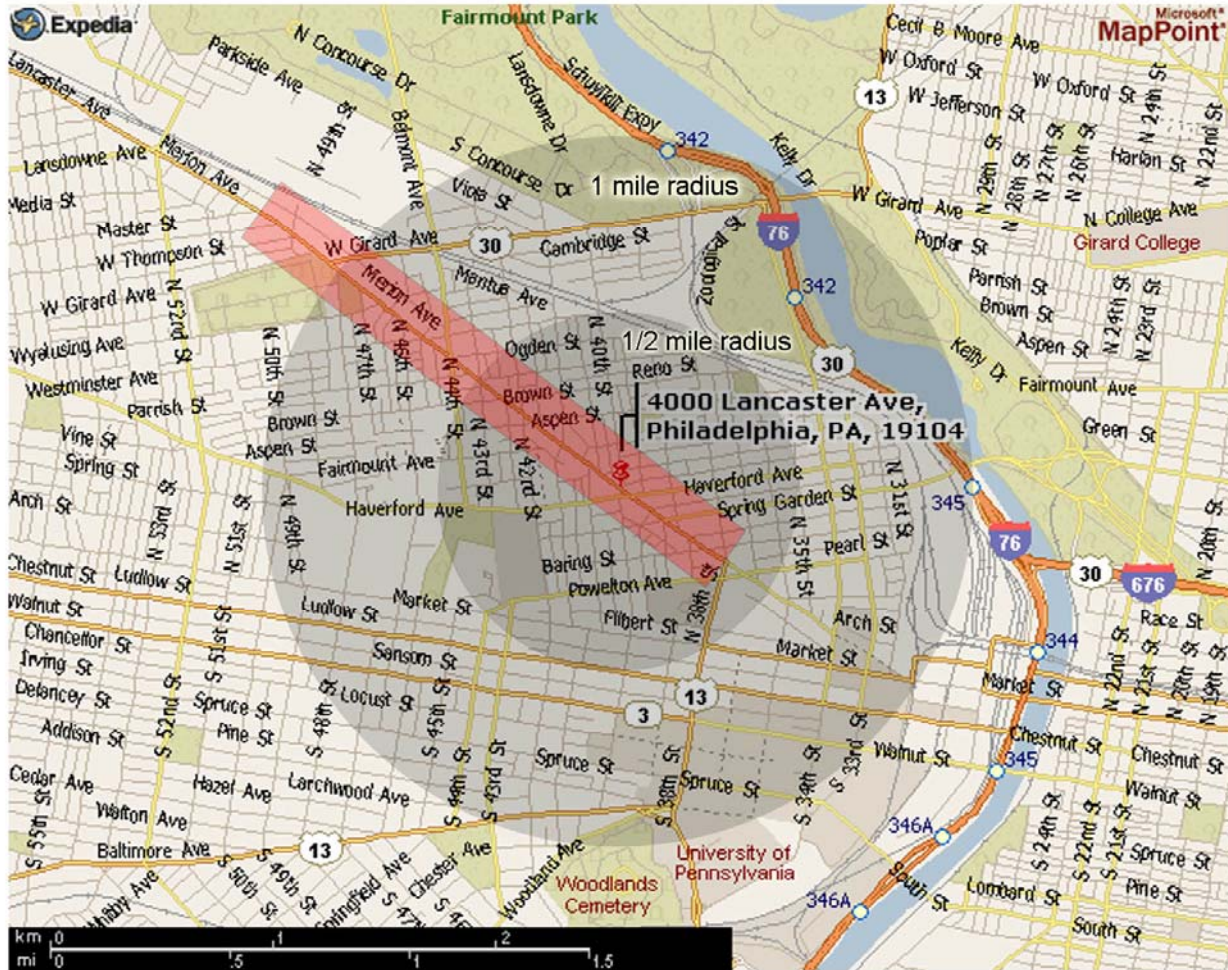
Although not observed directly by the consultant team, they received reports of retail produce trucks that circulate in this neighborhood and have had recent locations at 43rd and Walnut and 48th and Brown. These itinerant produce dealers provide access to fresh fruits and vegetables to neighborhood residents without the overhead of a store location but appear to move frequently and are therefore not a reliable source of fresh produce for the community, suggesting that there is need for more permanent fresh food sources.

Based on research conducted by MetroEdge, this area of the city experiences what they define as negative "food float," meaning more dollars are spent on food outside of the community than inside of it. This suggests that there is potential to create additional food retailing in this neighborhood. However, a number of the supermarkets and food retailers mentioned above do not appear to be identified on their site maps.

It must be recognized that supermarkets have made tremendous progress over the past 15 years improving their merchandising and their physical environments, in many cases copying the characteristics that have made public markets successful in some cities. Typically, supermarkets (and their new competitors, Wal-Marts and discount clubs) provide lower prices than can be met by independent vendors and a wider range of products. To compete, vendors in public markets must constantly innovate around the products they offer and their service, as well as build strong loyalty from their customers. Public markets also generally do a better job at foods to eat on premises than supermarkets, although cafes are becoming a more regular features at supermarkets.

Map 2

Trade Areas



Customer Demand Analysis

The purpose of the customer demand analysis is to quantify the potential demand for fresh and prepared foods at a public market in the target area and then estimate how many square feet of retail space can be supported by the demand. Since no specific location has been identified for the public market, the project team chose Lancaster Avenue and 40th Street as the center point for trade area analysis since it is centrally located and has existing commercial strength.

Demand analysis consists of defining the market's trade areas, evaluating the demographics of the residents of the different trade areas, and analyzing buying behavior in order to estimate potential expenditures for the different products sold in the market. Both the experience of other public markets and the characteristics of Philadelphia helped shape the trade

area decision.

The RESI studies also contained information about local consumers' desires for new stores on Lancaster Avenue. According to a shoppers' survey conducted in April 2002 by UPenn graduate students, respondents requested "grocery/food" and "sit down restaurant" as two of the three most frequent responses. RESI defined the trade area for Lancaster Avenue as the census tracts immediately adjacent to the corridor. This study used a slightly different methodology but employed a trade area of approximately the same size: a one-half mile radius around the center point at Lancaster and 40th Street. The half mile radius, which equates to about a 10-15 minute walk, makes more sense than the census tracks because the distance between 38th and 50th Streets is quite long and it is more likely for a customer to walk to the market from within the chosen primary trade area than the entire length of the study area. The secondary trade area, a one-mile band around the primary trade area, takes in most of the Lancaster Avenue study area. It is recognized that the secondary trade area reaches well south and into the University of Pennsylvania, and it is unlikely that customers will come from this area. The primary trade area has an area of approximately 0.8 square miles and the secondary trade area has an area of approximately 2.4 square miles. A map showing the trade areas is labeled "Map 2: Trade Areas."

Trade area analysis

According to research conducted by Market Ventures, Inc., public markets attract a wide range of shoppers in terms of age, ethnicity, and income level. Often, families buy more fresh food than individuals or people living in unrelated households, as do people with income levels above \$50,000. This finding is not universal, however. At the Lexington Market in downtown Baltimore, Market Ventures, Inc. found an inverse relationship between income and expenditures, with customers from lower income households spending more than customers with higher incomes. The highest spending customer is typically a 40 to 55 year old woman. What is unique about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While higher income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices.

Demographic data about the trade areas were acquired from Claritas, a national market research data company. The acquired data include 2000 U.S. Census information, estimates developed by Claritas for 2004, and projections for 2009. Data from the trade areas are summarized in the chart below:

	Trade Area	
	Primary	Secondary
Population 2004	13,634	42,744
Population 2000	14,285	42,467
Households 2004	5,477	14,140
Average household size	2.37	2.22
Median age	32.3	24.1
Average household income 2004	\$29,031	\$27,585
Median household income 2004	\$18,530	\$16,721
Household income >\$50,000/yr	15.5%	14.5%

Primary trade area

2004 population for the primary trade area is estimated at 13,634 people, which represents a 4.6% decline from the 2000 Census count of 14,285. The population is expected to decrease another 5.5% by 2009 to 12,884 people, although projections such as these are not necessarily reliable. In fact, there is expected to be new housing built in the area which might increase population. In 2004, there are estimated to be 5,477 households, with an average household size of 2.37, which is smaller than the national average of 2.67. This suggests that fresh food sales will be lower because larger households typically buy more fresh food. In addition, the number of households is expected to decline 5.08% between 2004 and 2009, to 5,199 households.

The median age of the population, at 32.3, is younger than the national median of 36.0. The area contained 4,477 people age 35 to 64 in 2004, which is typically the principal buyers at a public market. The average household income in the area is low, at \$29,031, compared to the US average of \$63,301, and the median household income is \$18,530. Only 15.5% of the households in this area have household income of \$50,000 or more. The high percentage of lower income households in the primary trade area suggests that the percentage of sales that the public market can expect to capture from residents in this trade area should be lower than public markets which draw from more affluent communities.

Secondary trade area

The 2004 population is estimated at 42,744 people, which represents a 0.7% increase from the 2000 Census count of 42,467. The population is expected to increase another slight 0.3% by 2009. The median age of 24.1 is significantly lower than the national average of 36.0 because of the presence of university students in this larger area. The population is currently divided into 14,140 households, which is supposed to drop 2.1% by 2009 to 13,844 households. The average size of 2.22 people is smaller than the primary trade area and significantly smaller than the national average of 2.67. The average household income of \$27,585 is significantly lower than the national average and lower than the primary trade area. At present, 15% of the

households earn more than \$50,000. These demographics are generally weaker for the public market than the primary trade area.

The presence of many college students in the secondary trade area serves to suppress household income levels although the spending power of students is generally higher than their incomes suggest. However, the student-age population is generally not a large proportion of shoppers at a public market because they buy little fresh food. They can be important consumers of coffee and prepared food, however, and both of these types of products are integrated into the merchandise plan.

Sales potential

Based on the demographic profile of area residents and typical expenditure patterns as determined by the Bureau of Labor Statistics' Consumer Expenditure Survey, Claritas estimates the retail sales potential for consumer goods. The attached chart, entitled "Consumer Expenditures: Food & Beverage 2004," is based on their estimates for aggregate and per capita annual food and beverage expenditures, divided between each of the two trade areas. The aggregate data are in millions of dollars.

The sales estimates have been reorganized into public market categories in the chart labeled "Sales Analysis - 2004." The first column of numbers, labeled "Estimates," is a recompilation of the sales estimates from the Claritas data. The second column, labeled "Potential," contains a realistic estimate by the project team for the percentage of sales that the public market vendors should be able to obtain. These estimates have been developed and refined by the consultant through its work planning, developing, and operating public markets and its research of other public markets around the country. The ability to achieve these capture rates will depend on the market having the qualities of other successful public markets (adequate scale, convenient parking, the right tenant mix with high quality vendors, skilled management, effective marketing, etc.) The potential suggests what an accomplished vendor might realistically achieve for sales from a trade area. A particularly strong vendor might achieve higher sales from the trade area and might attract customers from outside the trade area if his/her business is unique and attractive to consumers. The third column, labeled "Sales," is the product of multiplying the potential by the capture percentage. For example, in the Meat category, Claritas estimates \$4.14 million in consumer expenditures within the primary trade area. Market Ventures, Inc. estimates that market vendors could reasonably make 8.0% of those sales, based on our experience and research. This results in about \$331,200 in meat sales at the market from nearby residents. Adding the sales for meat across both the primary and secondary trade areas, we estimate that the market could reasonably achieve \$612,700 in meat sales.

Summing the sales total column for the primary trade area, the market could reasonably capture \$1.6 million in sales, which represents 8.4% of all food sales in the zone, and \$1.4 million in sales from the secondary trade area, which is 2.9% of fresh food sales in that region. As noted earlier, there are no large employers in the immediate vicinity so the public market is unlikely to attract sales from a daytime workforce population. No sales estimates are available for flower sales, so an estimate has been made for potential based on the other neighborhood characteristics.

Consumer Expenditures: Food & Beverage 2004

Claritas: Lancaster Avenue, Philadelphia, PA

	Population	Primary Trade Area		Secondary Trade Area	
		Sales (000's)	Per cap annual	Sales (000's)	Per cap annual
		13,634		42,743	
Meat		\$4,140	\$304	\$9,751	\$228
Poultry		\$2,599	\$191	\$6,192	\$145
Fish/Seafood		\$663	\$49	\$1,604	\$38
Dairy		\$2,275	\$167	\$5,837	\$137
Bakery		\$2,530	\$186	\$6,405	\$150
Produce - fresh		\$2,305	\$169	\$5,784	\$135
Rice, pasta, cornmeal, other cereal		\$630	\$46	\$1,631	\$38
Snacks, soup, spices, nuts, sauces		\$1,157	\$85	\$3,301	\$77
Jams, jellies, condiments		\$633	\$46	\$1,516	\$35
Beer & wine at home		\$2,580	\$189	\$10,479	\$245
Nonalcoholic beverages		\$1,931	\$142	\$5,887	\$138
Total		\$21,443		\$58,387	
Food away from home (breakfast & lunch)		\$5,898	\$433	\$19,797	\$463

Sales Analysis - 2004

West Philadelphia Public Market

Market categories	Population		Primary Trade Area		Secondary Trade Area		Estimates Total	
	13,634		42,743		(000's)		(million)	
	Estimates	Potential	Estimates	Potential	Sales	Sales	Sales Total	% of total
Meat	\$4,140	8.0%	\$9,751	3.0%	\$292,500	\$13,891	\$623,700	21%
Poultry	\$2,599	8.0%	\$6,192	3.0%	\$185,800	\$8,791	\$393,700	13%
Fish/Seafood	\$663	8.0%	\$1,604	3.0%	\$48,100	\$2,267	\$101,100	3%
Dairy	\$2,275	6.0%	\$5,837	2.0%	\$116,700	\$8,112	\$253,200	8%
Bakery	\$2,530	7.0%	\$6,405	2.0%	\$128,100	\$8,935	\$305,200	10%
Produce - fresh	\$2,305	8.0%	\$5,784	3.0%	\$173,500	\$8,089	\$357,900	12%
Rice, pasta, cornmeal, other cereal	\$630	4.0%	\$1,631	1.5%	\$24,500	\$2,261	\$49,700	2%
Snacks, soup, spices, nuts, sauces	\$1,157	5.0%	\$3,301	2.0%	\$66,000	\$4,458	\$123,900	4%
Jams, jellies, condiments	\$633	5.0%	\$1,516	2.0%	\$30,300	\$2,149	\$62,000	2%
Nonalcoholic beverages	\$1,931	4.0%	\$5,887	1.5%	\$88,300	\$7,818	\$165,500	6%
Food away from home (bkfst, lunch)	\$5,898	3.0%	\$19,797	0.8%	\$158,400	\$25,695	\$335,300	11%
Flowers					\$100,000		\$225,000	8%
Total/Average/Total	\$18,863	8.4%	\$47,908	2.9%	\$1,412,200	\$92,466	\$2,996,200	100%

Notes

Claritas estimates for 2004 Consumer Spending Patterns

Assumes no growth in food expenditures when public market is in place

Estimated sales	\$2,996,200
Tourist sales	\$0
Total sales	\$2,996,200
Average sales per sf	\$700
Supportable sf	4,280

Primary Trade Area	\$1,584,000	52.9%
Secondary Trade Area	\$1,412,200	47.1%
Tourists	\$0	0.0%
Total	\$2,996,200	

In the near future, Market Ventures, Inc. does not anticipate that the level of demand will grow. According to demographic projections, the primary trade area is shrinking in population or, if new housing is developed, perhaps will stabilize, while the population of the secondary area is expected to stay flat. The Philadelphia Housing Authority broke ground in 2003 on a \$110 million development that will bring 627 affordable homes to the Mill Creek neighborhood. The project covers 17 square blocks and is centered around 46th Street and Fairmount Avenue.

As a starting place to determine the size of a public market in the targeted area, the figure of \$700 of gross sales per square foot is divided into the sales potential. In practice, sales per square foot vary widely among vendors and between public markets, but an average of \$700 per square foot is a reasonable place to begin. Based on the sales potential, the targeted area should be able to support a public market with about 4,300 square feet of leasable area. The square footage potential is refined below as part of the process of conceptualizing individual market vendors and their space requirements.

As the chart on the right demonstrates, residents of the primary trade area represent the largest share of sales, at 53%, with the secondary trade area accounting for 47%. There are not expected to be sales to tourists. Given the lack of a large workday population near the target site, there is not expected to be significant sales to workers.

Trade Area	Sales Potential	
Primary	\$1,584,000	53%
Secondary	\$1,412,200	47%
Total	\$2,996,200	100%

In some public markets, vendors can benefit from other sources of demand for their products, including wholesale accounts to restaurants. If the public market includes a wholesale produce component (discussed below), then it is possible for certain vendors to utilize this facility, as well. This might be particularly relevant to the meat and seafood vendors. In other public markets, many merchants use their market stall as a base for catering, which can be an important supplement to their market income.

Wholesale farmers' distribution facility

To explore the concept of creating a wholesale farmers' distribution facility as part of the public market, the project team interviewed potential buyers such as restaurants, retailers, and distributors at such a facility to analyze their level of interest. A full description of the research methods and findings can be found in Appendix A.

Among the fifteen telephone interviews conducted, the respondents expressed enthusiasm for the concept, particularly if the facility could provide a reliable supply of a wide range of local foods and could offer a delivery service. Most of the respondents who agreed to participate in the telephone interview already purchase locally grown foods and some have developed their businesses around the concept. Based on their current purchasing, they expressed interest in buying between \$1,000 and \$75,000 annually at the facility, with one coop stating that they would buy up to \$500,000 at such a facility. Additional research would be required to determine if other businesses would be interested in purchasing from such a facility. Based on recently

completed research conducted by the project team in New York City, a wide cross section of restaurants, retailers, and distributors showed tremendous enthusiasm for a similar concept, a wholesale farmers' market. The demand for locally grown foods has become very strong and restaurants and retailers are struggling to find reliable sources for these products. Based on our work in New York City, the limiting factor for creating a successful business will be access to a reliable supply of locally grown foods that meets the price and quality preferences of buyers.

Merchandising Concept

Merchandising characteristics

While each public market is unique, there are some common elements found in most of the country's successful public markets. These characteristics were considered when constructing the proposed mix of tenants for the proposed public market. They include:

Owner-operated businesses - the merchants in public markets own and operate their own businesses; national chains are not allowed and even regional franchises are discouraged. Owner-operators offer customers the most knowledgeable and attentive service, as well as the accountability that only an owner can provide. As a result, public markets are centers of small business activity, providing opportunities for low-capitalized entrepreneurs. Great personalities are a key to creating loyalty with customers, as well as innovations in serving customers well. To compete successfully with supermarkets and chain groceries, vendors within a public market must take advantage of their principal competitive advantage: themselves.

Food producers and farmers - the presence of locally grown or produced foods within a public market further differentiates the experience of shopping at a public market from other retail venues.

Scale - the best public markets have enough vendors to create a bustling atmosphere, where new products are continually being introduced and unique items are offered for sale. A public market should become recognized as the premier location to shop for fresh food in its target market. In general, a public market must be large enough to create an exciting public market atmosphere, but not too large that vendors cannot reach profitability because the market is saturated with too many businesses chasing too few dollars.

Customer-friendly atmosphere - Unlike supermarkets, public markets are valued for their customer service orientation and their hospitality. Market businesses typically have several employees at all times to serve their customers, creating increased staff costs which are offset by the higher profit margin that public markets have in relation to supermarkets. Many successful public markets strive to make the market experience more than just buying food by offering educational activities, special events, and

festivals, as well as “planned spontaneity” in the form of street performers and activities that will appeal to families.

Sensory experience - through layout, display, and food preparation, public markets present the customer with a rich composition of sights, sounds, smells, and tastes. These combine with the products, the architecture and surrounding environment, and the mix of people who take part in the market to make an exciting and satisfying urban experience.

Market hall tenant mix

The tenant mix plan provides an initial description of the desired tenants for the market hall, along with a proposed number of vendors and leasable square feet for each product category. To create the mix, the project team combined its analysis of potential sales volume for fresh food that could be captured by the public market (as determined by the market research) with an understanding of the space and business requirements for each type of retailer.

To compete successfully with other food retailing venues, the public market will need to establish itself as a primary food shopping destination for the neighborhood. The market needs to attract high quality producers and purveyors who are committed to developing their businesses within a public market context. While the focus within the market is on fresh food, the plan also includes prepared food and common area seating.

The brief description of the vendor categories becomes the basis for writing lease covenants with each vendor. These restrictions are meant to keep vendors within their product categories, thereby ensuring that customers are given a clear presentation of what each vendor sells. Only the products listed in the vendor’s lease should be permitted for sale; any new items must be approved by market management and formally added to the lease.

Category	#	Sq. ft./ vendor	Description and Limitations
Baked goods	1	500	Products could include breads, rolls, biscuits, and muffins, as well as baked dessert items such as pies, cakes, and cookies.
Deli	1	400	Deli can sell cold cuts, cheeses, salads, condiments, and prepared sandwiches, but no bread except what is used for sandwiches. This business should also offer milk and other dairy products.
General Store/ Groceries	1	500	Grocers are allowed to sell products such as dried and canned beans, grains and flours, cereals, nuts, spices, dried fruit, and other bulk items, as well as packaged food products, such as oil, vinegar, preserves, etc.

Category	#	Sq. ft./ vendor	Description and Limitations
Meat/Poultry	1	600	Beef, pork, and poultry. Emphasis on uncooked, semi-prepared or smoked products. No cold cuts or food for on-premises eating. Some butchering and other activities, such as preparing sausages, should be done on premises.
Produce	1	700	Wide range of fresh fruits and vegetables, and prepared fruit and vegetable salads.
Seafood/Grill	1	600	Fresh and smoked seafood
Coffee	1	200	Coffee and teas in bulk and by the cup
Juice bar/Health food	1	250	Fresh squeezed juice, health foods/vitamins
Grill	1	400	Prepared foods
Flowers	1	300	Cut flowers and potted plants.
Total	10	4,450	

This initial plan includes ten vendors with 4,450 sf of retail space and 1,950 sf of storage, for a total of 6,400 sf. If the storage is in a basement, the footprint of the building would require 6,850 sf based on an efficiency factor of 65%.

Wholesale farmers' distribution facility

The wholesale farmers' distribution facility is envisioned as a "back door" addition to the public market that serves wholesale buyers, not retail consumers. It would be a place where farmers in the region would have their products sold to restaurants, retailers, caterers, institutions, manufacturers, and other wholesale buyers. The facility would require loading docks, refrigeration, office space, and storage racks. For purposes of financial analysis, the size of the facility has been estimated at 2,000 sf, approximately the size of a small produce distributor.

A wholesale facility might be useful to some of the public market vendors, as well. The seafood, bakery, meat, and flower businesses could all have significant wholesale components of their businesses. If the project moves forward, the opportunity for a wholesale facility should be explored with potential public market vendors to see if they would be interested in leasing additional space in this part of the development. If they have interest, the proposed size of the wholesale facility might need to increase.

Outdoor farmers' market

A number of indoor public markets include outdoor farmers' markets that operate on a seasonal basis and typically on fewer days than a market hall, such as the North Market in Columbus, Ferry Plaza Market in San Francisco, and Granville Island Public Market in Vancouver. This concept was considered for the Lancaster Avenue/West Philadelphia public market. An outdoor farmers' market can extend the product mix of the indoor vendors and provide more fresh food options to neighborhood residents, enliven the outside of the building, and attract new customers.

Farmers' market require a management entity to recruit farmers, create and enforce rules, and provide marketing services to attract customers. As envisioned, there will not be a management presence at the public market to perform these services. Therefore, the farmers' market will need to be organized and run by a partnering organization. As such, there will be no revenue stream to the public market from the farmers' market so it has no direct impact on the public market's economic feasibility.

Other facilities

The merchandising concept assumes consumption of prepared foods on premises, so the market will require public seating areas. Based on the number of vendors, seating for approximately 25 people should be adequate.

Since the market will not have an on-site manager (discussed below), there is little need for management offices. Many public markets contain meeting rooms and educational facilities, such as demonstration kitchens. While this could be considered during the development phase, the lack of management personnel to oversee the facilities probably makes them undesirable in this location. Since food will be served for consumption on the premises, the market will also need public restrooms.

Financial Analysis

Vendor pro forma

One year operating statements were prepared for each vendor in the market hall in order to determine potential rent levels and needed tenant allowances, and to analyze profitability. The pro forma included average weekly sales estimates under a reasonable sales scenario, based in part on the demand opportunity revealed in the capture rate analysis, as well the project team's experience with vendors in public markets across the country. Each pro forma provides estimates for all the expenses that a typical public market vendor would encounter. The individual pro forma can be found in Appendix B, Vendor Pro Forma. Highlights of this analysis are summarized in the chart "Vendor Pro Forma: Summary."

Gross annual sales are estimated to range from \$468,000 for the meat/poultry business to \$182,000 for the juice bar/health food store. On average, gross sales equal \$296,000 per business. In total, gross sales for the ten vendors is estimated at \$2.96 million, which

Vendor Pro Forma: Summary

West Philadelphia Public Market

Businesses	10
Square footage - 1st floor	4,450
Square footage - storage	1,950
Total leasable square footage	6,400
Average sales/sf	\$666

Estimated efficiency	65%
Gross building size	6,846

Totals (all businesses)

Annual sales	2,964,000
Cost of goods	1,386,840
Gross profit	1,577,160

Total Expenses	\$1,128,277
----------------	-------------

NOI	\$448,883
Average NOI	\$44,888

Expenses (select)

Base rent - retail	\$106,400	
Base rent - storage	\$19,500	
<i>Subtotal - rents</i>		\$125,900

<i>Rents as % of sales</i>	4.2%
<i>Rents per square foot - average</i>	\$19.67

Payroll	\$558,480
Payroll taxes	\$61,433
Payroll benefits	\$0
Total: Payroll	\$619,913

Tenant fit out costs	\$995,000
Tenant allowances	\$635,000
Tenant contributions	\$360,000

Full time employment (FTE)	33
Business owners	10
Market management (FTE)	1
Total jobs (FTE)	<hr/> 44

Tenant Mix: Market Hall

West Philadelphia Public Market

Category	Retail Sq. ft.	Storage Sq. ft.	Total	Gross sales	Net Income
Bakery	500	200	700	\$364,000	\$51,907
Deli	400	200	600	\$312,000	\$54,031
Flowers	300	200	500	\$208,000	\$37,584
Meat/Poultry	600	200	800	\$468,000	\$48,170
Produce	700	300	1,000	\$390,000	\$42,573
General Store/Groceries	500	150	650	\$234,000	\$53,249
Specialty - juice/health	250	150	400	\$182,000	\$38,762
Specialty - grill	400	200	600	\$312,000	\$53,693
Seafood/Grill	600	200	800	\$286,000	\$34,468
Specialty - coffee	200	150	350	\$208,000	\$34,444
Subtotal:	4,450	1,950	6,400	\$2,964,000	\$448,883
Average stall size	445	195	640		
Building efficiency	0.65				
Total sf	6,846				

corresponds closely to the total demand conclusion of the capture analysis. Sales per square foot equal \$666 (this statistic is derived from the retail space only and excludes the storage space).

Typically, the largest expense confronting a food retailer is cost of goods sold (COG). For businesses that make their own products, such as bakeries or prepared food vendors, COG can be as low as 25%. For seafood, produce or meat operations, COG can easily reach 60-70%, particularly if there is a large amount of waste due to low sales. High COG can be a particular problem for independent businesses because they are not large enough to get preferred pricing from their suppliers. To overcome high COG, retailers must either move large volumes of product efficiently or charge higher prices. Higher prices can sometimes be achieved when the retailer offers other values, such as unique or value-added products or special services, but that requires customers who are willing to pay more. The target neighborhood does not have customers who meet the profile of those willing to pay more. To keep prices low and meet customers' preferences, vendors will probably experience fairly high COG.

Another important cost facing public market vendors is labor. In all instances, the operating statements assume that an owner and non-payroll family members are present to staff the business. In addition, each of the operating statements includes estimates for paid labor. In general, the estimated hours are light and will impact the ability of the vendors to provide high quality customer service. It also means that the market cannot be open seven days per week because the owner needs to be present during nearly all market hours and too many hours leads to burn-out among owners.

To help achieve profitability for the vendors, the public market developer can adjust two numbers that directly effect the vendor's operating statement: (1) rent and (2) cost of entry. Rent for storage areas, assumed to be in a basement, are set at \$10.00 per sf for all vendors. First floor rents vary based on the type of business and the square footage, so more inherently profitable businesses and vendors with smaller square footages pay more per square foot. First floor rents range from \$20 to \$33 per sf, with the grill paying the highest per square rent of \$33 and the produce vendor paying the lowest square foot rent, at \$16 (although this vendor has the largest stall, at 700 sf). Blending the retail and storage areas, average rents in the market are about \$20 per square foot. Typically, rents in a public market are high compared to rents for retail space in the same district, often two to three times more. In part, this is because public markets provide nearly all the costs associated with marketing, security, restrooms, and waste removal, as well as common area utilities. Tenants only pay rent for their actual stalls and not for customer circulation areas, which they would have to absorb in a storefront. In addition, tenants often need much smaller spaces to generate similar or higher sales volumes. As a result, the rents per square foot are higher, but the absolute cost of occupancy is not. These benefits will have to be stressed to potential tenants in the face of the seemingly high rates per square foot. According to the Urban Land Institute's annual survey of shopping centers, food stores such as bakeries, delicatessens and butcher shops typically pay between 7% and 17% of their gross sales in total real estate occupancy costs, with an average of 12.5%. By contrast, total occupancy costs for vendors in the public market average only 4.2% of gross sales. Even though this percentage is low, it is unlikely that rents can be much higher and still attract tenants based on the bottom lines for each proposed business.

The other cost the public market developer influences is the cost of entry, or how much it costs a vendor to construct and equip their stall in the market and how much money they have available for working capital to purchase inventory and offset initial operating losses. The fit-out costs for public market stalls are typically high because of the need for plumbing, electrical, walk-in refrigeration, and display fixtures. Estimates for both equipment/construction costs and working capital are included in each vendor operating statement. These range from \$55,000 to \$150,000. To make the numbers work for the vendors, it has been projected that the developer will need to provide tenant allowances in the amount of \$635,000, on top of the \$360,000 that the 10 vendors will contribute to capitalize their own businesses. This \$635,000 will need to be part of the capital raised for the development budget, which was not estimated as part of this feasibility study.

This analysis shows that each of the ten businesses is profitable, although the potential net income is somewhat low given the risk involved with starting a retail food business. On average, net operating income (NOI) is about \$45,000. Projected gross sales are reasonable but require skilled operators to achieve these estimates.

Operations pro forma

A five year operations pro forma has been prepared for the project (see “Operating Projection”). Income is derived from two sources: the 10 vendors inside the market and the wholesale farmers’ distribution facility. In year one, total retail rents equal \$106,400 and storage rents equal \$19,500. The wholesale facility is estimated to be 2,000 sf and provides rent of \$5.00 per sf, for an annual total of \$10,000 (\$5 per sf is expected to be at the high end of the rent spectrum for warehouse space in West Philadelphia but is justified because this project is envisioned as new construction so the facility can be built to specification and has close proximity to the facility’s expected clients: downtown and area restaurants, cooperatives, and specialty food stores.) Adding up these sources, gross income for the public market in year one is therefore \$135,900.

Vacancies and unpaid rent will deplete gross income. Vacancy is assumed to be 15% in Year 1, 10% in Year 2, and 5% each year thereafter. Unpaid rent equals 5% each year. Subtracting these amounts, Net Income equals \$110,720 in Year 1.

The largest expense for a public market is often the cost of management personnel, which typically includes an executive director, marketing director, bookkeeping staff, day porters, and nighttime cleaners. However, a public market of this scale and with such a limited trade area would clearly not meet its financial goals if it had an on-site manager and marketing staff. Some small public markets, like the Firehouse Farmers’ Market, operate without management staff. At the Firehouse, one of the vendors owns and operates the public market without additional compensation. Other public markets subsume the cost of management in the budget of the sponsoring organization. It is assumed that a strategy such as these will be utilized for this public market. The only management staff budgeted in the P&L are a bookkeeper at eight hours per week with a wage of \$12 per hour, day porters at 30 hours per week at \$8.50 per hour, and a nighttime cleaner at 18 hours per week at \$9 per hour.

Another typically large expense is marketing. For this financial model, the marketing

Operating Projection

West Philadelphia Public Market

	Year 1	Year 2	Year 3	Year 4	Year 5
INCOME					
Mkt Hall base rent - 1st floor	\$106,400	\$106,400	\$111,720	\$117,306	\$123,171
Mkt Hall base rent - storage	\$19,500	\$19,500	\$20,475	\$21,499	\$22,574
Wholesale distribution facility	\$10,000	\$10,000	\$10,500	\$11,025	\$11,576
Gross Income	\$135,900	\$135,900	\$142,695	\$149,830	\$157,321
Uncollected mkt hall rent	(\$6,295)	(\$6,295)	(\$6,610)	(\$6,940)	(\$7,287)
Vacancy lost	(\$18,885)	(\$15,108)	(\$13,220)	(\$13,880)	(\$14,574)
Net Income	\$110,720	\$114,497	\$122,866	\$129,009	\$135,459
EXPENSES					
Personnel - Market	\$27,542	\$28,643	\$29,789	\$30,981	\$32,220
Insurance	\$8,000	\$8,240	\$8,487	\$8,742	\$9,004
Maintenance/repair	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Marketing	\$22,500	\$23,175	\$23,870	\$24,586	\$25,324
Postage/printing	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Professional/legal fees	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Supplies (building, office)	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Telephone	\$1,200	\$1,236	\$1,273	\$1,311	\$1,351
Travel/conferences	\$0	\$0	\$0	\$0	\$0
Utilities	\$20,538	\$21,155	\$21,789	\$22,443	\$23,116
Waste removal	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Contingency	\$6,659	\$6,859	\$7,065	\$7,277	\$7,495
Total expenses	\$117,439	\$121,238	\$125,162	\$129,214	\$133,400
Net Operating Income	(\$6,719)	(\$6,741)	(\$2,296)	(\$205)	\$2,059
Capital Maintenance Fund	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Surplus (deficit)	(\$16,719)	(\$16,741)	(\$12,296)	(\$10,205)	(\$7,941)

	Year 1	Year 2	Year 3	Year 4	Year 5
Base rent increase	0%	0%	5%	5%	5%
Uncollected rent	5%	5%	5%	5%	5%
Vacancy	15%	12%	10%	10%	10%

Personnel	Year 1	Year 2	Year 3	Year 4	Year 5
Bookkeeper	\$4,992	\$5,192	\$5,399	\$5,615	\$5,840
Janitorial (30 hrs/wk at \$8.50)	\$13,260	\$13,790	\$14,342	\$14,916	\$15,512
Night cleaning (18 hrs/wk at \$9)	\$7,488	\$7,788	\$8,099	\$8,423	\$8,760
Fringe benefits	\$0	\$0	\$0	\$0	\$0
Payroll tax	\$1,802	\$1,874	\$1,949	\$2,027	\$2,108
Total	\$27,542	\$28,643	\$29,789	\$30,981	\$32,220

Annual raise	4%
Fringe benefits	0%
Payroll taxes	7%

	Building sf	Rate/sf	Total
Utilities	6,846	\$3.00	\$20,538
Wholesale distribution facility	2,000	\$5.00	\$10,000

Contingency (excl. personnel)	8.0%
Expense inflator	3.0%

budget was set at \$22,500, which provides a small marketing program geared toward neighborhood residents. Real estate taxes are not included in the operating statement because it is assumed that the market will have a nonprofit, tax exempt owner.

Based on the assumptions therein, the market breaks even on a cash basis in Year 4 and shows a small cash surplus in Year 5. In the first year, the cash deficit is \$6,719. After subtracting a \$10,000 capital maintenance fund, the market shows an operating loss \$16,719 in Year 1. By the fifth year, the market has a cash surplus of \$2,059 before the subtraction of the capital maintenance fund.

Financial feasibility

Based on both the national experience and the results of the financial analysis conducted as part of this study, the initial costs of development will need to be paid by public or philanthropic funds – the market will not be able to carry debt service. Assuming these funds are forthcoming, the test of financial feasibility therefore is whether the market can operate without subsidy following a reasonable start-up period from opening, chosen to be five years. This test can be restated as follows:

Can market tenants operate profitably and pay rents that will cover all the market's cost of operations, including a cushion to pay for future capital maintenance needs, while simultaneously achieving the public goals listed above?

Based on the assumptions within and the concept as conceived, the public market will reach break-even operations on a cash flow basis in approximately the fourth year of operation and show a small surplus in year five. To ensure its future viability, the market should set aside \$10,000 per year in a capital maintenance fund to pay for future maintenance or upgrade costs. With the capital maintenance fund, the market operates in the red. To overcome this problem, perhaps an endowment can be created during the development period to fund future capital needs so this expense can be removed from the P&L. If this can be achieved, the concept meets the test of financial feasibility.

Operating Guidelines

Schedule of operation

With owners needing to staff their businesses in the public market every day, the operating schedule should be limited to six days per week, closed on either Monday or Tuesday. Ideally, the building should always be available to tenants for production activities and for wholesaling, possibly using a key card access system.

Hours of operation for the market hall are recommended from 9:00 a.m. to 6:00 p.m. every day. Consistency is of great benefit for a retail operation. These hours might be changed after some experience is gained with the market's operation. All market hall vendors should be required to be open during all regular market hours.

The wholesale component of the facility would operate on its own schedule, independent

of the market hall.

Management

Strong management is often identified as the most critical determinant of a public market's long term success. Public markets are typically management-intensive operations; market managers need to understand how each business inside the market operates, understand the market's customers, and take the steps that lead to profitability for both merchants and the market as a whole. The management team must pursue the market's public goals, which include financial objectives that require a firm, business-like approach.

Among the myriad tasks that management undertakes, some of the most important include recruiting vendors to fill empty stalls; developing and monitoring leases; keeping the site clean and in good operating condition; providing information and assistance to merchants; marketing and public relations; and customer relations. The management team must also perform accurate budgeting and bookkeeping and provide timely reports to the market's sponsoring entity.

Without a separate management staff in place, these duties will fall to either a vendor or an organization willing to assume the costs of operation.

Marketing

Marketing typically plays a key role in the success of a new public market because residents in the target market region need to be made aware of the new development and convinced that they should alter their food buying habits to buy there. A well developed marketing program usually includes advertising, promotions/special events, and public relations. Based on the limited budget available for marketing and the small target area, the proposed strategy calls for special events and activities at the market, such as festivals and music. While special events typically require significant staff attention, the events will need to be simple since there is no management team. Perhaps events can be organized with existing neighborhood groups that can provide some organizational manpower. Similarly, the public market might be the site for nutrition education or other community programs, again organized and run by a partnering organization.

The most important marketing for a neighborhood scaled development is word of mouth. While this will happen naturally, the market can take steps to reinforce positive experiences that encourage word of mouth promotion. These include involving neighborhood leaders in activities and special events at the market in order to create a positive "buzz" about the project.

The annual budget for marketing is \$22,500. This figure includes out of pocket marketing expenses, not staff resources. Additional funds should be allocated to marketing and promotion in the development budget, in order to cover the cost of the opening promotion, one-time marketing expenses, such as logo development and stationary, and extraordinary first year marketing costs when the market is trying to establish itself.

Conclusion

One of the best examples of a small scale, fresh food market in a lower income neighborhood that has been sustained over time is the Firehouse Farmers' Market. This market has relied on a customer base from its immediate community and has survived despite changes in vendors and ownership. Following the model of the Firehouse Farmers' Market, it might be possible to find a private entrepreneur who is interested in both operating a business in the market and managing the entire operation without additional compensation in exchange for a stake in ownership.

Based on the goals, concepts, assumptions and analysis contained herein, it appears that such a development could be created successfully in or around Lancaster Avenue in West Philadelphia. As conceived, the market would have ten vendors in a 6,850 square foot facility. To achieve a positive cash flow the public market must keep operating costs at a bare minimum. The market would need to attract savvy vendors who could achieve the sales and profits described herein in a neighborhood that will be concerned foremost with low prices. The pro forma analysis suggests that ten businesses can be created within the public market that achieve profitability. The market will provide entrepreneurial opportunities to ten business owners as well as provide employment to the equivalent of 34 full time workers plus the ten owners.

The public market must be concerned about both existing competition and potential future competition. Potential competition includes the creation of new food stores and/or the expansion or significant improvement of an existing store. It is unlikely that a large new store will be built in the immediate neighborhood although new supermarkets have opened in adjacent neighborhoods. Other competitors could certainly enter the market, however, particularly businesses that focus on low priced foods that might be popular in a low income environment.

If the decision to proceed with development is made, then the project will need to attract a highly skilled architectural and development team that understands the needs of public market vendors and the food industry. A site must be selected for the market that meets its physical requirements, is easily accessible, and that has adequate parking, preferably off street. The market's physical setting must be both highly functional and attractive, a place where people want to be. Food merchants from the region must be convinced of the opportunity offered by the market and recruited as vendors, and the development team must help prepare these vendors to operate their businesses profitably. Initial marketing to customers will be particularly important because area residents must alter their food shopping patterns so they will patronize the market on a regular basis. An innovative ownership/management structure will need to be created that eliminates the need to pay for ongoing management costs but provides needed management services to the public market environment.

Appendix A. Wholesale Farmers' Distribution Facility in West Philadelphia

As part of the feasibility analysis for creating a new public market on Lancaster Avenue between 38th Street and 51st Street, the project team researched the potential for creating a wholesale farmers' distribution facility in West Philadelphia. The focus of the research was interviews with potential buyers at a Wholesale Farmers' Distribution Facility, which may be built in the Lancaster Avenue corridor in West Philadelphia.

Interview design

A standard interview question set was created to guide the telephone interview process, a copy of which can be found at the end of this report. The questions were modified from survey instruments developed by the project team for an extensive research project concerning the feasibility of a new wholesale farmers' market in New York City. The surveys were designed and the interviews were intended to:

- Gather qualitative and some quantitative information to gain a greater understanding as to how and why buyers would use the facility, including the types of food they currently buy that is produced locally and the types of locally produced food they would consider buying.
- Understand how much these wholesale food buyers would or could potentially spend at this wholesale farmers' distribution facility.
- Acquire constructive input from the wholesale buyers, encouraging them to share ideas or thoughts for how the facility could serve their needs.

The interview respondents were chosen because they fell into one or more of three types of wholesale buyers of fresh food: retail, restaurant/catering, and distribution. Some of the distributors interviewed were also producers and retailers of some of the distributed goods. These respondents were chosen because they were thought to be "typical" or "likely" shoppers at the aforementioned proposed distribution facility.

Respondents

Fifteen respondents were interviewed, including six restaurants/caterers, five retailers, and five distributors (the total is more than 15 because of multiple categories). The respondents were identified both through lists of wholesale food buyers who currently buy locally produced foods and through random lists of buyers as well. The respondents were much more likely to participate in the survey if they were already purchasing locally produced food and/or were familiar with the Food Trust. Distributors were least likely to talk to the interviewer or to hang up the phone. The distributors who did participate in the survey were for the most part

distributors who already distribute food from local farmers or distribute produce they grow themselves.

Summary of Responses

Below is a summary of the respondents' responses to the interview questions.

Size and earnings of wholesale buyers

1. First, we would like to understand a little bit about your business. Can you give me a sense of the size of your operation, such as the number of customers you serve in a typical week?
2. What range describes your company's gross sales for 2004? You can stop me when we get to your range [**read ranges:**]
 1. Under \$250,000
 2. \$250 - \$500,000
 3. 500,001 - \$1,000,000
 4. \$1,000,001 - \$5,000,000
 5. Over \$5,000,000
 6. REFUSED
 7. DON'T KNOW

Nine of the respondents reported their gross earnings for 2004. The respondents more familiar with the Food Trust and locally produced foods in general were more open with their financial information than buyers who were less familiar. Also, if the respondent who answered the survey was the proprietor of the company s/he was more likely to divulge financial information. The respondents spanned a large spectrum, in terms of customers served and gross earnings, and included a distributor who has as little as seven restaurants in a week and earned under \$250,000 in 2004 as well as a retailer that serves over 18,000 customers per week and whose gross earnings were over \$5.6 million. The rest of the respondents tended to fall somewhere in the midst of those two numbers, but more buyers tended to be on the lower end of the gross income spectrum, earning \$500,000 or less in 2004.

Spending on local foods versus spending on food from all sources

3. In the past 12 months, how much did you spend on fresh foods **that were grown locally**? How much did you spend on fresh foods from all sources in the past 12 months?
4. Which of the following fresh foods did you purchase on a regular basis that were locally grown or raised?
 1. Vegetables
 2. Fruit

3. Meat
4. Poultry
5. Milk and dairy products
6. Eggs
7. Plants and Flowers
8. Other

Many of the respondents had trouble answering this question with a definitive number. They were more likely to give answers like, “I buy as much locally produced food as I can, but the amount I spend and the proportion of local to non-local varies with the seasons.” The respondents are aware that the food is locally produced if they get it from local farmers, but as one retailer said that because she buys from distributors she is not always sure where the food is produced or whether or not it is local. One organic distributor said that he is not sure how much is spent on local foods because their first priority is organic and second affordability. A restaurateur said that in the winter months she only really buys apples locally, but throughout the rest of the year 30-40% of her spending is on locally produced foods. One respondent, a combined producer, distributor, and retailer, does not purchase any food because they grow the food they sell and distribute themselves. One restaurateur spends between \$4,500 and \$6,000 annually on local foods, which is between 40 and 50% of his overall spending. Some of the respondents also either did not know or refused to say how much they spend on produce and local produce, but most emphasized that it was a significant amount.

Virtually all of the respondents already purchase locally grown food and are interested in purchasing more. A few of them purchase only organic food, so in some cases buying organic food takes precedence over buying local, but in most situations the respondents prefer local to organic. The respondents tended to be interested in all and any foods that are available locally, although one larger distributor is only interested in fruits. The majority of the respondents who only purchase locally grown produce are interested in purchasing other types of food in the future. More than half of the respondents regularly purchase all the fresh foods listed locally.

Sources for locally produced foods, and their strengths and weaknesses

5. From what sources do you typically get locally grown foods? What do those sources do well in serving your needs? What are their shortcomings?

All of the respondents who currently buy locally produced foods buy directly from farmers and most of the buyers seem to have a personalized/friendly and loyal relationship with these farmers. Some retailers and restaurateurs use farm and local food distributors or CSAs. Many respondents had no shortcomings to report. More than one respondent mentioned having difficulties with local dairy producers – not in the quality of the product, but with only one delivery per week, the buyer does not have enough room in his/her store or restaurant to store a week’s supply of dairy products. The seasonality of locally produced foods is sometimes considered a shortcoming.

One caterer/restaurateur mentioned that the availability of locally produced foods is

inconsistent. While this inconsistency is acceptable for restaurants with seasonal or otherwise changing menus, it is a problem for catering. She uses local foods for the restaurant side of her business, but for her catering side, where she uses the same menu year-round, she purchases food regardless of its origin that she knows to be reliable.

Some respondents found small farmers' ability to specialize in particular products beneficial. While these products met the respondents' needs, sometimes small farmers do not have the variety or the volume that a restaurant needs.

Price expectations for local foods

6. When you purchase fresh foods produced locally, do you expect to pay more, less, or the same for those products compared to similar products from outside the region?

Responses to this question varied. If the wholesale buyer bought only organic food or organic local food they expected to pay more. Some buyers think that whether or not they pay more depends on the season and the quantity of locally grown product available. A few respondents said that when they buy locally, in season, they pay less. Some buyers expect to pay less, some a little bit more because they are supporting a small scale farm, and some expect to pay the same. One respondent mentioned weather patterns and climate changes locally and in other parts of the country and world in relation to the prices that one would expect to pay for different items at different times.

One restaurateur said, "It's the nature of the beast to pay more; these guys aren't doing the same volume as the conglomerates are. I didn't get into this business to make a lot of money; I just want people to enjoy their food."

Hard to find locally-grown foods

7. In the past 12 months, have there been any locally grown products that you wanted to purchase but were not able to find a supplier for? What were they?

The responses to this question varied as well. More than once a restaurateur and retailer mentioned having difficulties finding locally-raised, standard size chickens. Others mentioned cranberries, sour cherries, local seafood (particularly trout), onions, celery, carrots, sufficient amounts of dairy, more value-added high quality dairy products, more artisanal products, butter, local grains, better value-added meat products, kosher meats and poultry, apples in winter, and organically grown local fruit. Some respondents said that things are just scarcer in the winter, and one respondent would like to find a supplier with vegetable storage, so more vegetables would be available in the winter.

Requests for locally grown items and marketing

8. Over the past 12 months, have any of your customers requested locally grown items?

9. Do you indicate on your menu or other merchandizing tools if a particular item is grown or produced locally?

Many buyers noted requests for locally grown items from their customers. Also in many cases the buyer is already known amongst his/her clientele and community for selling or serving locally produced foods, so customers seek the respondents out particularly for their local fare. A few also said no, no customers request locally produced foods.

One restaurateur said, “They come expecting locally grown. We’ve been trying to create our own niche market.”

One distributor noted that people come to her specifically because she distributes local foods, she found more people asking for local than asking for organic.

In general the respondent either labels the product or dish as locally grown or produced or labels the product with the name of the farm that produced it. One restaurateur only labels certain products at certain times of the year, particularly New Jersey tomatoes in the summertime. Nearly all the respondents market their goods as ‘local’.

Factors determining use of a facility in West Philadelphia and estimated purchasing

10. What would be the most important factors that determine whether you use a wholesale farmers’ distribution facility in West Philadelphia?
11. Assuming that the market met your criteria, how much can you estimate spending per year at such a facility for fresh fruits and vegetables? For meat? For eggs and dairy?

There were many ideas discussed in the interview process concerning what would make this facility work. Some retailers and distributors, particularly those who focus on organics, said that the facility should provide local organic food. The facility must have reasonable and accessible hours of operation and it must be physically accessible for people and trucks, while selling quality products at reasonable prices, was the criteria for another respondent’s patronage. Often respondents recommended that the facility have a reliable and affordable delivery service. Convenience, dependability and availability of products were also mentioned. Three respondents mentioned “ease of ordering” as another requirement of the facility, and the respondents recommended that a list of available products be faxed daily or weekly to the wholesale buyers who shop there.

A number of respondents, particularly restaurateurs, mentioned that they were very happy with the farmers, distributors and vendors they currently use. They have developed strong relationships with these vendors and they would only use the facility if the vendors they currently use were selling there, or if the facility offered more products that were available through a reliable delivery service.

Often respondents said that their spending varies per month, and most respondents could

not figure out or would not share an exact number. For those who answered the question, most of the answers ranged from \$1,000 to \$24,000 per year. One restaurateur said he would spend \$75,000 per year as long as the facility could be a one-stop shop, replacing the farmers he currently uses. Another said potentially \$65,000, depending on the quality of the products at the facility. A food coop estimated potentially spending over \$500,000/year at the facility. Wholesale buyers at a variety of buying capabilities would like to use the wholesale facility.

Getting food from the facility: using the buyers' own vehicles or a delivery service

12. Would you use your own vehicle to buy directly at this facility, or would you rely on a distributor or other delivery service to bring you products from the facility?

The delivery service option seems to be very popular; nearly all respondents were interested in it. Even buyers with their own vehicles are interested in a delivery service, but would use their own vehicles if it were necessary. They like the idea of an organized, time-efficient delivery service.

Further suggestions/other comments

13. Do you have any other suggestions for making a wholesale farmers' distribution business a success?

The interested respondents have a variety of opinions concerning the success of this facility. It is also important to note the variations of restaurateurs, caterers, retailers, producers and distributors who are interested in using this facility.

One national distributor is interested in selling farmers' products at the facility. Another respondent, a producer/distributor/retailer, does not buy locally grown food but is also interested in selling locally produced food at the facility.

A recurring suggestion requested that the facility provide and fax or email out a list of what is available at the facility each day or week, anticipating a changing supply of available products because of seasonal variation and inconsistent supply from local farmers.

The idea of having some sort of delivery service which would save retailers and restaurateurs time and hassle was mentioned by nearly every retailer, caterer and restaurateur. Many of them are not equipped to pick up groceries and some don't even like to do their own purchasing.

Two respondents also commented that they would really appreciate having a facility nearby where they can buy locally produced dairy products, as the delivery service they currently use only delivers dairy once a week, and their shop and restaurant does not have storage space for a week's supply of bulky dairy products.

The facility would ideally make purchasing easier for people buying in bulk; one respondent recommended talking to farmers who have already made bulk buying/selling simple,

and learn from them.

One respondent mentioned that West Philly is “kind of far away.” Another prefers North Philly.

Another respondent mentioned public education as a crucial task in making the facility and the promotion of local foods a success. He said, “Education of the public and the purchasers, restaurants won’t spend extra money if they are not getting a return.”

A respondent living in Philadelphia has been involved in the restaurant world for a long time. She now farms some land outside Philadelphia and sells her produce as well as that of other nearby farmers to restaurants. She responded very positively to the idea of the facility and sees it as something that can benefit her business personally and as something that can really provide the community and the City of Philadelphia with more quality food.

One restaurateur commented that he would like to see this facility fill the role that the Reading Terminal once filled, since Reading Terminal has become commercialized, retail focused, and hard to access. He also suggested trying to have as direct a relationship with the producers as possible, making the facility competitive and accessible.

A health food store commented that 90 miles is considered their limit for “local.”

Recommendation of other local businesses to interview

The respondents were, in general, very ready and helpful in answering this question. One restaurateur even gave the interviewer’s phone number to a producer/distributor in the community who in turn called the interviewer to discuss the project and volunteer to be interviewed. There seems to be a community of people who already buy locally produced food who know and like each other. They were very supportive of the project and willing to put the interviewer in touch with other like-minded buyers.

Analysis and Conclusions

The concept of the facility was very well received on the whole. Respondents were curious about it, and nearly everyone who answered the survey questions was interested in using the facility. All three groups of wholesale food buyers seemed to answer the questions and view the proposed project similarly. Wholesale food buyers who do not already buy locally produced foods generally were not interested in answering any questions. There did exist a thematic difference in respondents’ answers depending on whether the respondent focused on organic food or on local food. Generally more of the respondents choose local over organic, but a few would sooner buy organic food from Canada or California than locally produced non-organic food.

The wholesale buyers interviewed ranged considerably in terms of number of customers served, and they also ranged from small to large in terms of earnings. In order for the wholesale facility to serve the needs of its customers it should be able to comply with both large and small

orders.

There is a long list of items wholesale buyers are looking to buy locally and that they are having trouble finding, so the facility would be more likely to succeed if these items could be located and sold at the facility. Some of the respondents interviewed were very happy with their current local food sources and others were not. The buyers seem to have a strong sense of loyalty to the farmers and distributors they are currently using, so a successful wholesale facility might attempt to house these farmers and distributors within the facility while adding new, harder to find products in order to attract the most business.

The idea of having all the local wholesale items under one roof was very appealing to wholesale buyers. The idea of having these items delivered at one time by one delivery truck was even more appealing. Saving time but not sacrificing the quality of the food purchased was very important to the buyers.

The location on Lancaster Avenue received a mixed response. Since most of the buyers would require a delivery system, the location of the facility is probably not critically important to them. The importance of the delivery option suggests that the facility will do best if it is located near existing food delivery businesses. Otherwise, it will have to create its own distribution network which might not be financially viable.

The majority of the respondents interviewed market themselves as businesses that support local agriculture. They already seek out quality producers and make an effort to serve high quality locally produced foods. Given the fact that many of these wholesale buyers are already making an effort to buy certain types of high quality ingredients, they seem ready and willing to promote and support this proposed wholesale facility, as it is in accordance with their local foods lifestyle and belief system. It is questionable, however, if wholesale buyers in the region without this ethic will become regular buyers at such a facility.

Interview questions for wholesale buyers in Philadelphia

Date: _____

Primary type of business:

1. Restaurant or Caterer
2. Food Retailer
3. Food Distributor

1. Name: _____
2. Title/Position: _____
3. Business Name: _____
4. Street Address: _____
5. City: _____
6. State: _____
7. Zip: _____
8. Telephone: _____

Hi, my name is _____ and I am calling as part of a research assignment for the Food Trust, where we are determining the potential for a wholesale farmers' distribution facility in West Philadelphia. This distribution facility is envisioned as part of a new year-round, indoor public market in a West Philadelphia neighborhood.

We are interested in learning about your buying practices, particularly with locally grown foods, your experience buying local foods from existing sources, and your potential interest in utilizing a new facility. By "local" we mean foods grown or produced within an approximate 150 mile radius from Philadelphia. For the purposes of this study, we are concentrating on your purchases of fresh fruits and vegetables, including herbs, but we are also interested in other fresh products you might buy from local farmers, such as meat, dairy, plants and flowers.

This is a confidential survey - your answers will not be shared with anyone outside of the study team. The survey should take about 15 minutes to complete. Do you have any questions before we begin?

1. First, we would like to understand a little bit about your business. Can you give me a sense of the size of your operation, such as the number of customers you serve in a typical week?
2. What range describes your company's gross sales for 2004? You can stop me when we get to your range [**read ranges:**]
 1. Under \$250,000
 2. \$250 - \$500,000
 3. 500,001 - \$1,000,000

4. \$1,000,001 - \$5,000,000
 5. Over \$5,000,000
 6. REFUSED
 7. DON'T KNOW
3. In the past 12 months, how much did you spend on fresh foods **that were grown locally**?
How much did you spend on fresh foods from all sources in the past 12 months?
 4. Which of the following fresh foods did you purchase on a regular basis that were locally grown or raised?
 1. Vegetables
 2. Fruit
 3. Meat
 4. Poultry
 5. Milk and dairy products
 6. Eggs
 7. Plants and Flowers
 8. Other
 5. From what sources do you typically get locally grown foods? What do those sources do well in serving your needs? What are their shortcomings?
 6. When you purchase fresh foods produced locally, do you expect to pay more, less, or the same for those products compared to similar products from outside the region?
 7. In the past 12 months, have there been any locally grown products that you wanted to purchase but were not able to find a supplier for? What were they?
 8. Over the past 12 months, have any of your customers requested locally grown items?
 9. Do you indicate on your menu or other merchandizing tools if a particular item is grown or produced locally?
 10. What would be the most important factors that determine whether you use a wholesale farmers' distribution facility in West Philadelphia?
 11. Assuming that the market met your criteria, how much can you estimate spending per year at such a facility for fresh fruits and vegetables? For meat? For eggs and dairy?
-

12. Would you use your own vehicle to buy directly at this facility, or would you rely on a distributor or other delivery service to bring you products from the facility?

13. Do you have any other suggestions for making a wholesale farmers' distribution business a success?

14. Are there other local businesses that you suggest I speak with who might be interested in this concept?

Thank you for your assistance!

Appendix B: Vendor Pro Forms

Sales multiplier: 100%

	1	2	3	4	5	Total
Bakery	500	400	300	600	700	2,500
Square footage - 1st floor	200	200	200	200	300	1,100
Square footage - storage	700	600	500	800	1,000	3,600
Total sf	5520	\$520	\$416	\$585	\$390	
Sales/s.f.						
Income						
Annual sales	\$364,000	\$312,000	\$208,000	\$468,000	\$390,000	\$1,742,000
Cost of Goods	\$127,400	\$124,800	\$114,400	\$294,840	\$234,000	\$895,440
Gross Profit	\$236,600	\$187,200	\$93,600	\$173,160	\$156,000	\$846,560
Expenses						
Advertising	\$500	\$500	\$800	\$800	\$800	\$3,000
Credit Card/EFT	\$2,184	\$1,248	\$832	\$2,808	\$2,340	\$11,412
Depreciation	\$7,317	\$12,195	\$3,658	\$7,317	\$7,317	\$37,803
Dues, subscriptions, publications	\$600	\$600	\$600	\$600	\$600	\$2,400
Insurance	\$1,000	\$1,200	\$1,000	\$1,000	\$1,000	\$4,000
Miscellaneous	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000
Office expenses	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$8,000
Parking (employee)	\$0	\$0	\$0	\$0	\$0	\$0
Payroll (1)	\$109,200	\$67,600	\$15,600	\$60,320	\$52,000	\$304,720
Payroll taxes	\$12,012	\$7,436	\$1,716	\$6,635	\$5,720	\$33,519
Professional fees	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$16,000
Rent - 1st floor	\$14,000	\$12,000	\$6,000	\$12,000	\$11,200	\$55,200
Rent - storage	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$11,000
Repairs & Maintenance	\$2,500	\$2,500	\$1,500	\$2,500	\$2,500	\$10,000
Supplies	\$7,280	\$6,240	\$4,160	\$9,360	\$7,800	\$30,840
Telephone	\$900	\$900	\$900	\$900	\$900	\$3,600
Uniforms and laundry	\$3,000	\$750	\$250	\$750	\$750	\$2,750
Utilities	\$7,200	\$5,000	\$4,000	\$5,000	\$2,500	\$23,700
Vehicle/Transportation	\$4,000	\$2,000	\$2,000	\$2,000	\$4,000	\$14,000
Subtotal	\$184,693	\$133,169	\$56,016	\$124,990	\$113,427	\$612,294
Net Operating Income	\$51,907	\$54,031	\$37,584	\$48,170	\$42,573	\$234,266
Notes						
Rent/total sf	\$22.86	\$22.86	\$23.33	\$16.00	\$17.50	\$14.20
Cost of occupancy (rent, % rent)	52	\$16,000	\$14,000	\$8,000	\$14,000	\$14,200
1. Payroll						
Rate 1 - retail clerk/unskilled	Hrs/wk 120	Rate/hr \$7.50	Total/wk \$900	Hrs/wk 80	Rate/hr \$7.50	Total/wk \$600
Rate 2 - senior clerk/assst mgr	40	\$10.00	\$400	0	\$10.00	\$400
Rate 3 - manager/skilled	40	\$20.00	\$800	40	\$14.00	\$560
	200	\$2,100	\$1,300	120	\$1,160	\$1,000
FTE	5.7	3.3	1.1	3.4	3.4	17.0
Break even sales = fixed costs / (1 - variable costs as percent)						
Break even sales		\$284,143	\$221,948	\$124,481	\$337,811	\$1,251,948
Break even sales/sf		\$406	\$370	\$249	\$422	\$284
Equipment/construction costs	\$120,000	\$100,000	\$40,000	\$80,000	\$80,000	\$420,000
Working Capital	\$30,000	\$30,000	\$25,000	\$30,000	\$30,000	\$145,000
Total start-up costs	\$150,000	\$130,000	\$65,000	\$110,000	\$110,000	\$565,000
Tenant allowance	\$120,000	\$80,000	\$50,000	\$80,000	\$80,000	\$410,000
Tenant contribution	\$30,000	\$30,000	\$15,000	\$30,000	\$30,000	\$155,000
Cost of capital						
Amortization (years)	5	5	5	5	5	5

7.0%

Vendor pro formas
West Philadelphia Public Market

Sales multiplier: 100%

30-Nov-04
Page 2

	6	7	8	9	10	Total
	General Store/Groceries	Specialty - juice/health	Specialty - grill	Seafood/Grill	Specialty - coffee	
Square footage - 1st floor	500	250	400	600	200	1,950
Square footage - storage	150	150	200	150	150	850
Total sf	650	400	600	800	350	2,800
Sales/s.f.	\$360	\$455	\$520	\$358	\$594	
Income						
Annual sales	\$234,000	\$182,000	\$312,000	\$286,000	\$208,000	\$1,222,000
Cost of Goods	\$93,600	\$72,800	\$109,200	\$66,000	\$5,500	\$491,400
Gross Profit	\$140,400	\$109,200	\$202,800	\$143,000	\$72,800	\$730,600
	sales/wk	sales/wk	sales/wk	sales/wk	sales/wk	sales/wk
	\$4,500	\$3,500	\$312,000	\$286,000	\$4,000	\$4,000
	40%	40%		35%	50%	35%
Expenses						
Advertising	\$500	\$500	\$800	\$800	\$800	\$3,000
Credit Card	\$936	\$0	\$1,560	\$1,716	\$0	\$0
Depreciation	\$12,195	\$6,097	\$17,072	\$7,317	\$7,317	\$49,998
Dues, subscriptions, publications	\$400	\$400	\$400	\$600	\$600	\$2,000
Insurance	\$1,000	\$1,000	\$1,200	\$1,000	\$1,000	\$5,000
Miscellaneous	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000
Office expenses	\$1,500	\$1,500	\$1,500	\$2,000	\$2,000	\$5,000
Parking (employee)	\$0	\$0	\$0	\$0	\$0	\$0
Payroll (1)	\$33,280	\$33,280	\$79,040	\$54,080	\$54,080	\$253,760
Payroll taxes	\$3,661	\$3,661	\$8,694	\$5,949	\$5,949	\$27,914
Professional fees	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$13,000
Rent - 1st floor	\$12,500	\$25,000	\$13,200	\$12,000	\$6,000	\$51,200
Rent - storage	\$1,500	\$10,000	\$2,000	\$2,000	\$1,500	\$8,500
Repairs & Maintenance	\$2,000	\$1,000	\$1,500	\$1,500	\$1,500	\$7,500
Supplies	\$4,680	\$3,640	\$6,240	\$4,720	\$4,160	\$23,440
Telephone	\$900	\$900	\$900	\$900	\$900	\$3,600
Uniforms and laundry	\$500	\$500	\$1,000	\$750	\$750	\$2,500
Utilities	\$3,600	\$960	\$3,000	\$2,500	\$2,500	\$12,100
Vehicle/Transportation	\$0	\$0	\$3,000	\$0	\$2,000	\$5,000
Subtotal	\$87,151	\$70,438	\$149,107	\$108,532	\$100,756	\$515,983
Net Operating Income	\$53,249	\$38,762	\$53,693	\$34,468	\$34,444	\$214,617
Notes						
Rent/total sf	\$21.54	\$22.50	\$25.33	\$17.50	\$21.43	\$21.43
Cost of occupancy (rent, % rent)	52	6.0%	4.9%	4.9%	4.9%	3.6%
1. Payroll						
Rate 1 - retail clerk	80	Hrs/wk	Hrs/wk	Hrs/wk	Hrs/wk	Total/wk
Rate 2 - senior clerk/asst mgr		\$8.00	\$8.00	\$8.00	\$8.00	\$640
Rate 2 - manager/skilled		\$10.00	\$0	\$10.00	\$10.00	\$400
		\$14.00	\$0	\$14.00	\$14.00	\$0
	80	\$640	\$640	\$560	\$1,040	\$1,040
FTE	2.3	2.3	4.6	3.4	3.4	16.0
Break even sales = fixed costs / (1 - variable costs as percent)	35					
Break even sales		\$117,397	\$229,395	\$217,063	\$155,008	\$864,116
Break even sales/sf		\$293	\$382	\$271	\$443	\$443
Equipment/construction costs		\$35,000	\$80,000	\$80,000	\$40,000	\$295,000
Working Capital		\$30,000	\$30,000	\$30,000	\$25,000	\$135,000
Total start-up costs		\$65,000	\$110,000	\$110,000	\$65,000	\$430,000
Tenant allowance		\$40,000	\$40,000	\$80,000	\$35,000	\$225,000
Tenant contribution		\$50,000	\$70,000	\$30,000	\$30,000	\$205,000
Cost of capital						
Loan term		7.0%				
		5				