

COMPREHENSIVE RETAIL STRATEGY FOR AMERICAN UNIVERSITY'S EAST CAMPUS

As requested by the Office of Planning, AU has prepared a comprehensive retail strategy for the selection of the appropriate retail uses on the East Campus. This retail strategy is broken down into three components: a background analysis; an analysis of the proposed retail uses' consistency with the Comprehensive Plan; and a process for selection of specific retailers.

I. BACKGROUND ANALYSIS

American University hired Brailsford and Dunleavy (B&D), a nationally recognized higher education facility planning firm, to perform a retail analysis to determine demand for additional on campus retail at the East Campus site. The analysis examined internal (campus) and external (community) demographics, spending patterns, and growth trends to gain an understanding of local market drivers. B&D then performed a gap analysis of current internal and external spending figures to national benchmark data to determine the total retail demand within the market area and a resulting square footage demand for the East Campus site.

The B&D analysis noted that a university of AU's size typically offers a variety of retail options on campus to meet the needs of its students, faculty, staff, and the surrounding community. The retail options at AU are limited—they include the student bookstore, a salon, UPS Store, the Eagle's Nest convenience store, and the various food service options on campus. Universities of similar size offer a variety of retail options that typically include a Greek or spirit shop, copy/print center, and an educational support provider such as Kaplan.

Non-Food Retail Sales

In the 2009-2010 academic year, the total non-food retail sales for AU students were \$5.8 million. The spending per student is \$462 in on-campus retail establishments, well under the national average of \$764¹. This results in a \$302 gap per student or \$3.8 million spending potential per year. The spending gap then translates to a maximum demand for 11,000 square feet of additional retail space based on sales of \$350 per square foot. While this gap is large, it is not surprising due to AU's location in a major metropolitan area with off-campus competition. Furthermore, national trends in the college store industry, the largest non-food retail component for most institutions, show a decrease in textbook sales due to strong competition from internet retailers, electronic books and textbook rentals. AU is not immune to these national trends as students indicated in focus groups that their preference is to comparison shop and procure textbooks through a variety of means.

¹ National Association of College Stores, 2011 College Store Industry Financial Report. The \$764 figure is for all college stores at four year institutions. B&D also examined AU in context with universities with similar college store sales volumes (Revenues between \$3M and \$7M) where the average per student spend is \$711 per year. Within this \$3M to \$7M cohort, AU was well above the 75th percentile of the group which has an average annual per student spend of \$800. Given the strong off campus competition and location within the cohort, the Project Team conservatively used the \$764 figure as the basis of comparison.

Food Service Sales

For food service sales, B&D performed a similar gap analysis using national data from the National Association of College and University Food Services. Total AU food service expenditures including meal plans were \$21 million or \$1,655 per student, 17% below the national average of \$1,999 per student for a similar sized private institution in a metropolitan area with an on campus residential population of more than 50% of undergraduates. This gap of \$344 per student translates into a \$4.3 million shortfall.

American University On-Campus Demand

Based on current campus population and spending data, B&D estimates the total potential new revenue to be \$8 million. The potential new spending translates to a maximum of 23,000 square feet of non-food and food service retail based on average sales of \$350 per square foot.

Community Retail Supply

The B&D analysis determined that the retail environment immediately surrounding the AU campus is limited and provides basic goods and services. A majority of the retail in the area is generally found within a mile radius of the campus in established retail corridors.

Community Retail Demand

The B&D analysis of the retail market for the community relied upon the projected population change and expected sales activity within the primary market area (one-mile radius) to define square footage demands. Between 2010 and 2015, the population is projected to grow by 515 persons, or 263 households, and each new person will create demand for retail space. The 515 persons or 263 new households will generate nearly \$5.1 million in new spending appropriate to the study area. Assuming average sales of \$350 per square foot for sustainable retail businesses, the new spending will create a demand for over 15,000 square feet of retail space. On an annual basis, the spending could support absorption of 3,000 square feet of retail space each year.

Total Retail Demand

Assuming a 50% penetration on the East Campus site due to location, distance from the academic core, and off-campus competition, the base combined food and non-food retail demand is 11,500 square feet. If the total demand is captured, the food and non-food retail demand is 23,000 square feet. Thus, there is sufficient demand for at least 12,000 square feet of retail to serve the university that also may serve the surrounding community.

II. CONSISTENCY OF PROPOSED RETAIL USES WITH THE COMPREHENSIVE PLAN

The Comprehensive Plan prioritizes community-serving retail options and corridors, and the AU retail strategy advances this general policy. Combined with the adjacent commercial corridor along New Mexico Avenue NW, the retail offerings at the East Campus will conserve and enhance a community-serving commercial corridor while creating additional small-scale shopping opportunities for the Spring Valley, Wesley Heights, and Ft. Gaines neighborhoods.

As discussed below, AU's retail strategy for the East Campus is not inconsistent with the policies of the Comprehensive Plan. In particular, the proposed retail uses for the East Campus support the policies stated below:

Policy LU-2.3.1: Managing Non-Residential Uses in Residential Areas:

Maintain zoning regulations and development review procedures that: (a) prevent the encroachment of inappropriate commercial uses in residential areas; and (b) limit the scale and extent of non-residential uses that are generally compatible with residential uses, but present the potential for conflicts when they are excessively concentrated or out of scale with the neighborhood.

Policy ED-2.2.3: Neighborhood Shopping: Create additional shopping opportunities in Washington's neighborhood commercial districts to better meet the demand for basic goods and services. Reuse of vacant buildings in these districts should be encouraged, along with appropriately-scaled retail infill development on vacant and underutilized sites. Promote the creation of locally-owned, non-chain establishments because of their role in creating unique shopping experiences.

Policy ED-3.1.1: Neighborhood Commercial Vitality: Promote the vitality and diversity of Washington's neighborhood commercial areas by retaining existing businesses, attracting new businesses, and improving the mix of goods and services available to residents.

Policy RCW-1.1.3: Conserving Neighborhood Commercial Centers: Support and sustain local retail uses and small businesses in the area's neighborhood commercial centers. These centers should be protected from encroachment by large office buildings and other non-neighborhood serving uses. Compatible new uses such as multi-family housing or limited low-cost neighborhood-serving office space (above local-serving ground-floor retail uses) should be considered within the area's commercial centers to meet affordable housing needs, sustain new neighborhood-serving retail and small businesses, and bring families back to the District.

Policy RCW-1.1.5: Preference for Local-Serving Retail: Support new commercial development in the Planning Area that provides the range of goods and services necessary to meet the needs of local residents. Such uses are preferable to the development of new larger-scale or "big-box" retail uses that serve a regional market. "Destination" retail uses are not appropriate in smaller-scale commercial areas, especially those without Metrorail access. Regardless of scale, retail development must be planned and designed to mitigate traffic, parking, and other impacts on adjacent residential areas.

The retail uses for East Campus that the university contemplates will be integral to the university as a whole. AU will not open a general commercial center on the campus; rather, the retail uses on East Campus will meet demands specific to university students, faculty and staff. These uses are integral to the university because they provide services that are necessary for daily activities but are not otherwise readily available in the neighborhood. For instance, East Campus will not

contain a dining facility, so food service retailers will be integral to the residential and academic uses there. Also, a salon, a mail/FedEx facility, a bookstore, and a convenience store are examples of daily necessities for the university population, but they are not otherwise readily available to those at East Campus or the main campus. Thus, AU has a strong interest in providing retail and service options that will support the function of the university and not those that would otherwise be superfluous.

AU's retail strategy for the East Campus is to provide food and non-food retail uses which serve students, faculty/staff, and the surrounding neighborhood in a way that is not objectionable to the community. The Campus Plan and Further Processing application process allows the Zoning Commission to review the potential groups of retail uses on the East Campus in order to minimize impacts on surrounding properties. This review process is consistent with Policy LU-2.3.1 noted above.

As noted in the testimony of AU representatives, retail offerings will be small-scale food and non-food offerings that generally will not draw patrons from outside of the close-by neighborhoods. Given the demand that the B&D analysis revealed, the proposed amount of retail space on the East Campus is appropriate.

III. VENDOR SELECTION

Using the B&D analysis, the university determined that the 12,000 square feet of retail spaces on the East Campus site should be a mix of food and non-food retail. Specific recommendations are outlined below.

Retail Food Options

Food options at East Campus should be a mix of quick serve healthy options and a grab-and-go market. Another major component of the food options is an extended hours café that features comfortable seating and programming space. The dining concepts should be a mix of local, regional and national chains that have strong brand recognition to draw students and the community to the site.

Non-Food Retail

Non-food retail at the East Campus site is modest due to its distance from the campus core and limited external community demand. The project team envisions retail spaces that could include the following concepts:

- grocery or convenience store;
- clothing or insignia gear;
- salon or spa; and/or
- private educational support provider.

These proposed retail uses have been allocated to the proposed buildings on the East Campus in the following manner:

Building 1 – 9,100 Square Feet

Fast casual food (3,000-4,000 square feet), education service provider (4,000-5,000 square feet), other non-food retail uses (up to 2,000 square feet).

Building 5 – 3,000 Square Feet

Clothing or insignia gear shop (1,000-2,000 square feet), coffee shop (1,000-2,000 square feet)