

# DOWNTOWN LA CROSSE MARKET ANALYSIS



## EXECUTIVE SUMMARY

La Crosse's impressive track record of strong public sector support and investment in infrastructure and development support has created a diverse and growing downtown market. This creates a strong foundation for future expansion of business and real estate enterprises which will position the community in light of changing demographic and economic circumstances in the future.

Compared to other similar communities in the state, La Crosse outperforms its competitive set when it comes to its strong hospitality, retail and restaurant sectors, while also serving as a government, education and business hub for the region. Today, La Crosse's downtown is home to 3,800 daytime employees, 1,800 downtown residents, 220,000 overnight visitors and 400,000 tourists, figures that are expected to continue climbing year over year for the foreseeable future.

Current projections anticipate continued positive expansion of both residents and employment within the City over the next five years, including nearly 1,500 new employees and up to 500 new residential units, complementing the planned renovation of key public assets such as the La Crosse Center. Much of this new development can be accommodated within the more than 350,000 square feet of current vacancy within the historic district, and through renovation or infill development on underperforming sites, which could contribute \$39.5 million in additional property value.

In the near future, La Crosse can capitalize on existing demand gaps in the market, and strive to better connect existing assets to capture additional spending from current markets. These opportunities include retail and service line expansion, as profiled at right, as well as the introduction of condominium and loft options to satisfy owner-occupant demand.



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### *Retail and Service Recruitment Opportunities*

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- Pharmacy or convenience store
- Home furnishings and home goods
- Ethnic restaurants
- Apparel and accessories
- Pet services and products
- Fitness and health/Medical services
- Child daycare
- Museums and entertainment

To address current customer concerns, programming to increase night time activity, the introduction of student-oriented assets, more targeted marketing of specific business offerings and/or implementation of convenience-oriented services can encourage more frequent visits from all types of downtown audiences. The introduction of additional night time lighting, extension of trail and bike path networks and expansion of wayfinding signage would also facilitate increased evening and weekend consumer activity.

# TABLE OF CONTENTS

Background and Trends .....	1
La Crosse Competitive Set .....	3
<i>Economic Indicators</i>	
<i>Business Mix</i>	
Local Market Analysis .....	8
<i>Residential</i>	
<i>Business and Employment</i>	
<i>Retail and Restaurant</i>	
<i>College and University Students</i>	
<i>Tourism and Hospitality</i>	
<i>Downtown Employees</i>	
<i>Downtown Residents</i>	
Opportunity Sectors.....	15
<i>Development Opportunities</i>	
<i>Growth Projections</i>	
<i>Retail Demand</i>	
<i>Service Sector Demand</i>	
<i>Residential Demand</i>	

# Background and Trends

## Project Background

This market analysis builds on the previous 2003 downtown plan, much of which has been successfully implemented in the past 15 years. The CityVision 2020 plan put forth in 2004 identified a number of previous accomplishments such as streetscape improvements, expansion of professional employment and establishing a culture of entrepreneurship. It also identified several priorities for downtown’s future, prioritizing strategic redevelopment projects including development of a parking ramp, promoting the addition of retail and cultural offerings with extended hours, the need to extend amenities and services beyond the core of downtown, connect to the river, and a need for additional residential development in and around downtown.

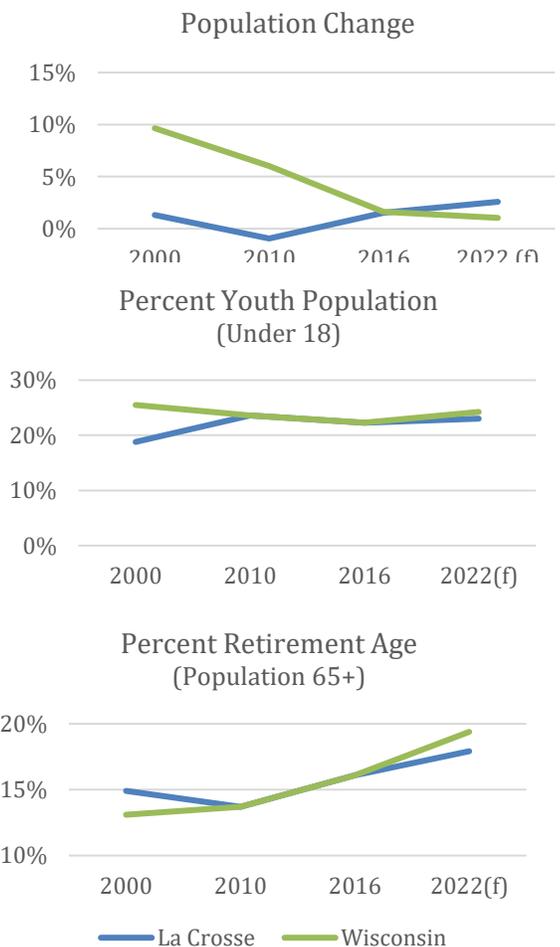
Building on the lessons learned in implementation, this market analysis examines data regarding various aspects of downtown La Crosse’s market, including retail, service and professional business patterns. By comparing La Crosse’s citywide and downtown market with that of a regional competitive set and the state as a whole, the report helps to identify potential opportunities for growing and expanding market sectors which will help the City to adapt to a changing economy and capitalize on emerging markets. The report also incorporates the results from a number of user group surveys conducted by local partners in the past several years which provide additional qualitative recommendations for making downtown La Crosse and increasingly vibrant and welcoming destination.

## Economic Trends

While La Crosse can influence many aspects of its local economy, there are many other elements that are beyond its control, including broader economic trends and statewide business climate competitiveness, among others. Within the Midwest and Wisconsin especially, demographic trends have presented the greatest area of concern for many communities, as an aging population presents challenges for future employment growth by limiting the size of the worker pool.

In comparing demographic, income and employment trends between the City of La Crosse and the State of Wisconsin, La Crosse’s local condition has in many ways come to mirror that of the state in the past decade, as indicated in the charts at right and on the next page. This is true in areas where La Crosse had previously lagged (as in population growth), as well as areas where La Crosse has had a historic advantage (as in employment growth). In the two areas where City trends diverge from state averages, La Crosse is slightly ahead in median household income, which rose by nearly 10 percent since 2010 in contrast to just over 3 percent at the state level, while remaining slightly behind in terms of the number of households in poverty, in which La Crosse experiences rates nearly double

Charts 1.0-1.3: Demographic Trends



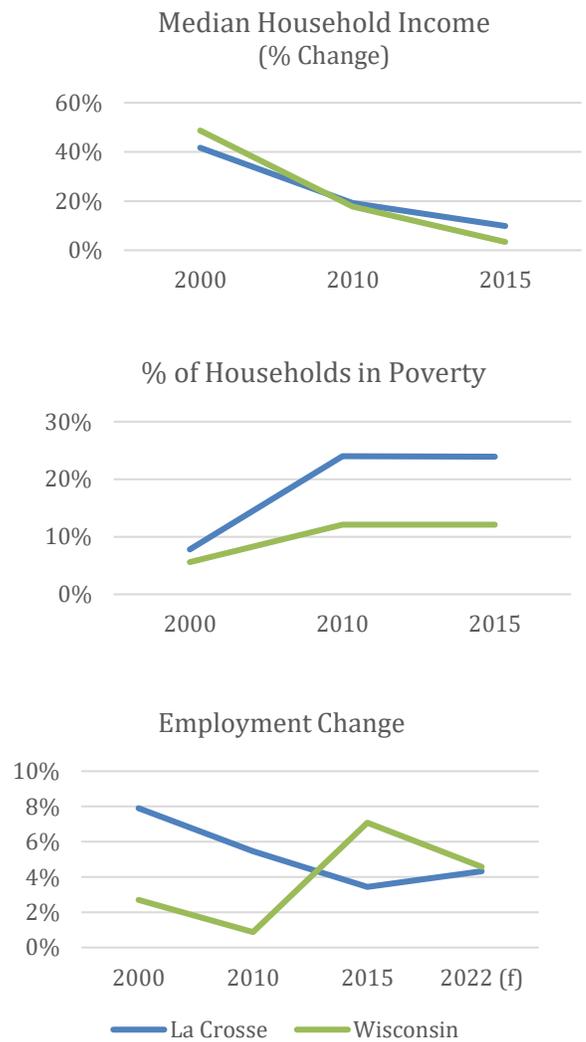
Sources: US Census, GIS Planning (forecasts)

the state level, with 24 percent of City households in poverty.

Looking to the future, La Crosse’s population is projected to grow twice as fast as state in the next five years (2.6 percent versus 1 percent). This growth is expected to be fairly balanced in terms of demographics, with growth in both the youth and retiree populations. While retiree populations are growing locally slightly slower than the state average growth rate, the 18 percent growth in retirement age population still results in more than 1,500 additional residents at or nearing retirement age. On a positive note, the total population growth is needed to support the anticipated employment growth of 4.3 percent during this period, just shy of the 4.6 percent statewide average.

Although many of these demographic and economic trends are shared between La Crosse and most other Midwestern cities, there is some opportunity to influence many measures at the local level by providing an attractive local business climate, quality of life and supportive economic ecosystem to foster more rapid population and income growth from within. The following section compares La Crosse’s market with that of seven other Wisconsin municipalities that comprise the competitive set for La Crosse – similarly sized metropolitan areas which are working to retain and attract businesses, visitors and residents from among the same regional talent pool.

### Charts 1.4-5: Income and Employment Trends



Sources: US Census, GIS Planning, Economic Modeling Statistics International

## La Crosse Competitive Set

A competitive set of communities was identified for La Crosse which is comprised of similarly sized metropolitan areas within the State of Wisconsin. Although its position at the border of Minnesota and in proximity to Iowa provide some potential opportunities for La Crosse from a market and trade perspective, personal and business taxes which significantly influence relocation decisions are set at the state level, making a Wisconsin-based set a more realistic way to compare competitive advantages and disadvantages facing La Crosse.

The competitive set includes Appleton, Eau Claire, Fond du Lac, Janesville, Oshkosh, Sheboygan and Wausau. A variety of indicators including population, affordability, employment, entrepreneurship, commuting, investment, retail sales and hospitality spending were considered both at the municipal and downtown level, further identifying areas where downtown La Crosse in particular is able to outperform its peers and potentially capture additional market share.

### ***Economic Indicators***

One way to explore the relative vitality of downtown districts among the competitive set is to compare the market share of each downtown district to the overall municipality for six key indicators: businesses and employment, residents, retail and restaurant spending and property value. Communities which have maximized utility of their urban core will have a higher and more balanced market share of activity within each of these sectors occurring in the downtown district. Table 2.0 on the following page provides this comparison.

Note that the size of the downtown district within each community varies, based on the size of the historic district developed to serve the 1900's era population, together with any ancillary riverfront or warehouse district development which has occurred in subsequent decades. Downtown La Crosse, as a mid-sized district, encompasses just under half a square mile of property, while Eau Claire's three downtown districts cover more than 1.6 square miles, although much of this area is dedicated to the river. Oshkosh is one of the smallest districts, at only one-third of a square mile in size. It is also notable that each of the other downtown districts are formally defined by the geography of the local Business Improvement District boundaries, while La Crosse is the only community among the competitive set that does not have a separate taxing district for downtown.

**Table 2.0: Downtown Economic Statistics and Market Share**

		Appleton	Eau Claire	Fond du Lac	Janesville	La Crosse	Oshkosh	Sheboygan	Wausau
Businesses	Downtown	516	708	411	476	482	393	493	513
	City	6,964	5,244	3,142	4,007	4,622	3,874	3,365	3,962
	DT Market Share	7.4%	13.5%	13.1%	11.9%	10.4%	10.1%	14.7%	12.9%
Daytime Employment	Downtown	6,575	4,355	2,566	3,226	3,767	3,467	4,547	4,750
	City	150,800	106,100	60,200	83,000	93,406	112,300	74,537	89,100
	DT Market Share	4.4%	4.1%	4.3%	3.9%	4.0%	3.1%	6.1%	5.3%
Residential Population	Downtown	1,172	1,939	1,071	897	1,048	1,762	1,376	885
	City	73,118	67,385	43,060	63,799	51,993	68,582	48,853	39,210
	DT Market Share	1.6%	2.9%	2.5%	1.4%	2.0%	2.6%	2.8%	2.3%
Retail Spending (\$ in millions)	Downtown	\$37.9	\$38.9	\$16.4	\$31.0	\$151.3	\$90.9	\$32.6	\$186.5
	City	\$1,633	\$915	\$531	\$1,259	\$1,068	\$847	\$598	\$727
	DT Market Share	2.3%	4.2%	3.1%	2.5%	12.9%	10.7%	5.5%	25.7%
Restaurant Spending (\$ million)	Downtown	\$27.4	\$18.6	\$2.9	\$4.8	\$39.7	\$18.4	\$18.2	\$8.2
	City	\$161	\$96	\$41.2	\$124	\$129	\$93	\$76	\$44
	DT Market Share	17.0%	19.5%	7.0%	3.8%	27.9%	19.8%	23.8%	18.6%
Property Value (\$ in millions)	Downtown	\$122.8	\$22.7.8	\$68.3	\$49.0	\$278.8	\$52.1	\$19.0	\$111.5
	City	\$4,817	\$4,664	\$2,663	\$3,987	\$3,328	\$3,743	\$2,408	\$2,634
	DT Market Share	2.5%	4.9%	2.6%	1.2%	8.4%	1.4%	0.8%	4.2%

Sources: US Census, ReferenceUSA, Wisconsin Department of Revenue, ESRI, Downtown District and City staff

La Crosse is like other downtowns in that it is a commercial, entertainment and business hub for the City. This is in keeping with the findings from a 2014 study by the National Trust for Historic Preservation, which found that the historic districts in cities across the nation are home to 12 percent more locally-owned businesses and 10 percent more jobs than other commercial districts, all within a smaller geographic footprint. Among the competitive set, La Crosse has a comparable market share of residents and jobs to other business districts and slightly fewer businesses than average (although it has more large employers). Not surprisingly, as an employment and hospitality center, as well as a community with a substantial college student population, La Crosse also has the highest percentage of food and beverage sales downtown. La Crosse also outperforms the competition in terms of downtown retail sales, ranking second only to Wausau for retail spending. This is especially notable because while Wausau’s sales figures include their downtown mall, La Crosse’s sales are generated by a concentration of

predominantly locally-owned shops. Additional analysis on local spending patterns will be discussed in the following section.

This strength in retail sales can be attributed not only to the residents and employees of downtown, but also to the steady stream of visitors. Downtown La Crosse is home to nearly three quarters of the hotel rooms in the City (although nearby communities such as Onalaska and Holmen also have substantial lodging options), which is substantially higher than Sheboygan's 43 percent of rooms downtown, the next highest concentration. By retaining such a high volume of overnight guests within walking distance of shopping and dining amenities, La Crosse is able to capture substantially more spending from these individuals.

Other indicators which provide insight into the relative performance of various downtowns include the economic activity which takes place there. Real estate values and pricing are one way to measure this activity. Comparing median residential rental rates and owned-unit values, La Crosse's downtown apartments perform admirably compared to those in the rest of the city, with downtown units renting for 91 percent of the Citywide average. It is common for downtown rents to be slightly lower, as there are typically one or more subsidized projects located downtown, as well as an older building stock with some unimproved units. The \$645 average apartment rent in downtown La Crosse is the third highest among the competitive set. In contrast, the home values for owned units in downtown La Crosse (and immediately adjacent neighborhoods) is the lowest relative value (69 percent of the Citywide median), and the second lowest in total monetary value – the median value is \$89,900, \$1,000 higher than the median in downtown Oshkosh. While other downtowns have witnessed some level of condominium, townhome or loft development which offers an additional housing option for those interested in an urban lifestyle, La Crosse has had little to none of this activity, nor does it have an inner ring neighborhood which has emerged as a popular location for renovations and restorations.

La Crosse has also demonstrated its market strength in the number of Historic Tax Credits which have been utilized since the program expanded in the state in 2014. Nearly \$14 million in credits have been awarded to projects in La Crosse, one-third higher than the next highest communities (Oshkosh and Fond du Lac have both received more than \$8 million in credits). This utilization of investment is especially significant since La Crosse has only a moderate amount of previously listed historically properties in comparison to other communities – investment in these properties is occurring at a higher rate than comparable communities.

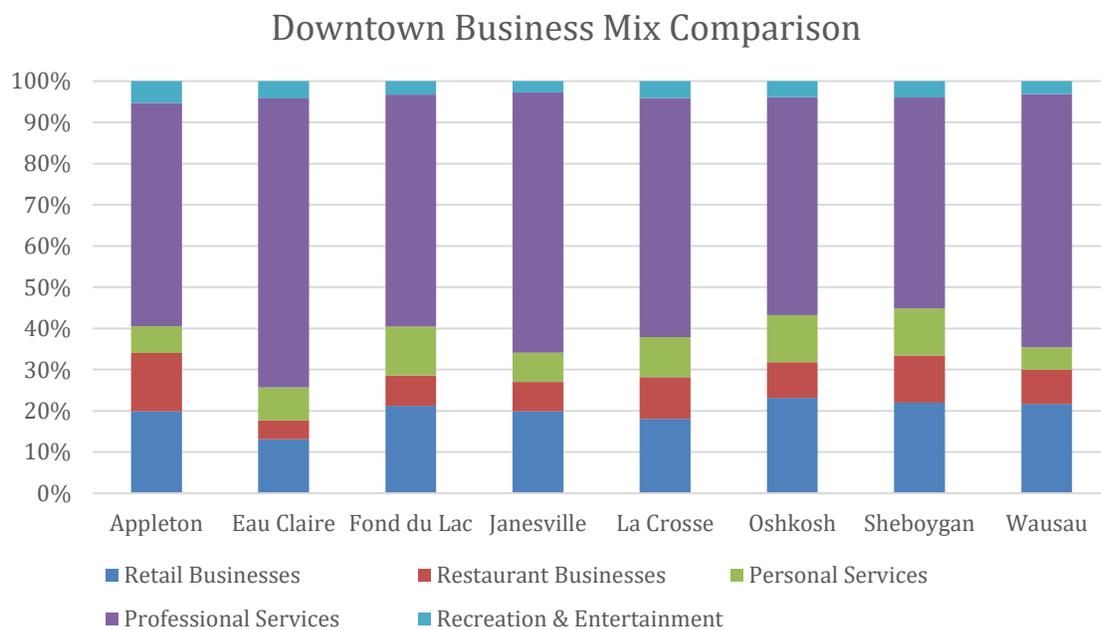
Of course, the current market share of various activities only provides a snapshot of activity. The rate and direction of change over time is also a relevant consideration. In this context, downtown La Crosse has experienced double digit growth in both residents and businesses over the past decade, although total employment has declined slightly during this period. Only downtown Eau Claire has experienced similarly strong growth across the board, while most other communities have seen slow or negative business activity in one or more indicators during the same period.

### ***Business Mix***

In addition to a comparison of the economic indicators in the communities, the study also examined the mix of businesses that make up the downtown economy in each community. Using data from ReferenceUSA, the composition of businesses by industry sector was compiled for each of the downtown districts. Each of the districts has between 300 and 665 total businesses (Eau Claire's district, the largest geographically, has 662 businesses, La Crosse has 554, Appleton 452, and the remainder between 250 and 350 total firms).

The number of professional service firms represent between half and three quarters of all business establishments in each community. The predominance of these firms is common in downtowns of all sizes nationwide, especially when upper floor spaces are fully utilized. For example, even popular retail districts such as Lower Downtown Denver (LoDo) have 40 percent of storefront space dedicated to service businesses. While the number of professional firms not only does not detract from a vibrant downtown, but directly contributes to other positive activity. In fact, the three communities with the greatest number of professional firms also have more restaurants, retailers and recreation establishments overall, perhaps due to a more robust employee consumer base. However, on a percentage basis, there is variation among communities, where Appleton’s business mix indicates a more vibrant cultural and entertainment scene, while Sheboygan’s downtown offers a plethora of restaurant, retail and personal service options. Other communities exhibit no specific correlation between uses downtown although certain districts within some communities support unique business clusters.

**Chart 2.0: Comparable Community Business Mix**



Source: ReferenceUSA

La Crosse also has certain district clusters which have emerged organically. The general distribution of the various business types is illustrated on Map 2.0. Although there are retail, dining and shopping destinations throughout downtown, 3<sup>rd</sup> Street is known as a dining destination, while Pearl Street is home to many arts related businesses and Main Street represents the greatest concentration of professional services. Larger properties such as hotels, civic uses and larger employers are located on the periphery of the historic district.

Map 2.0: Building and Land Use



Source: Downtown Mainstreet, Inc.

## Local Market Analysis

Within the La Crosse area, downtown represents a separate and distinct market from newer highway-oriented commercial districts. As with any vibrant community, downtown La Crosse includes a full spectrum of users, home to 3,800 daytime employees, 1,800 residents, 220,000 overnight visitors, 400,000 event attendees and innumerable other guests in town for business or pleasure over the course of a year. Each of these markets contributes significant visible and economic activity to the district. The following section explores the unique strengths and weaknesses within downtown La Crosse as a mechanism to identify future growth potential and potentially necessary actions to activate additional opportunities.

### ***Residential***

The demand for residential units walkable to restaurants and other amenities has been rapidly growing throughout the state. This trend is driven both by mobile young professional populations as well as empty nesters, both of whom prefer diminished reliance on automobiles and less time dedicated to housing maintenance. Recent surveys of current and prospective residents in multiple communities around the state have indicated strong demand for both owner-occupied and rental housing in proximity to thriving downtowns among individuals of all ages. Additionally, these potential residents report a willingness to spend more than twice as much to secure a unit with historic architectural details, as opposed to a standard apartment or condominium unit.

As of the 2015 American Community Survey, downtown La Crosse had 574 residential units, home to 1,048 residents. This census tract covers the area of downtown west of 7<sup>th</sup> Street and north of Cass Street. A 2017 survey of buildings in downtown based on the slightly larger Downtown Main Street boundaries (roughly west of 8<sup>th</sup> Street and north of Cameron Avenue) identified 1,399 total residential units in downtown, while the 2017 ESRI report indicates 1,777 downtown residents. This discrepancy is likely due to an increase in construction activity which introduced new units to the market in recent years, as well as inherent difficulties in the census process in identifying all upper floor units.

The average household size in downtown is 1.4 persons, with owner occupied homes averaging 1.6 persons per unit. While there are very few owner-occupied units (only 23 counted in the census), individuals residing in these units are evenly divided among all age groups. In contrast, rental tenants skew significantly younger, with 21 percent of renters aged 24 or younger, and an additional 26 percent aged 25-34. This leaves one-third of the population relatively divided in the decades between 35 and 64, and residents over age 65 (15-19 percent each). There are twice as many male as female residents, although this is predominantly a result of younger males clustered in downtown (73 percent of residents 22-29 are male). These trends suggest significant opportunities to attract additional empty nesters and single female households, both of which are growing as a share of the national and state household composition and as a share of urban dwellers. This is significant for La Crosse, where more than 1,500 households will transition into the 65 and older demographic cohort in the next five years, and an additional 500 households will be headed by individuals 55 to 65, both age ranges commonly associated with making future housing considerations. Additionally, 29 percent of downtown households are comprised of single females, lower than the 45 percent occupied by single males. Nationally, the percentage of single households has increased by 10 percent in the past three decades, representing the fastest growing segment of the population. Today, more than 15 percent of all households are headed by women living alone, and more than half of single households are occupied by women, and increasingly by younger women.

The high percentage of younger, and especially male, renters in downtown suggests that the quality of some of these rentals may be below average. It is common in college towns for a certain percentage of the housing stock to be dedicated to multi-tenant undergraduate housing, with limited investment made in improving these homes given the consistent supply of willing renters. However, female renters (and their parents, for younger demographics) tend to focus on safety and security as much as price. Introducing additional newer rental properties, and/or additional upper floor units with secured entrances, may help to diversify the pool of renters in downtown. This would also help attract and retain young professionals, which in a 2017 Chamber survey identified the quality and affordable rental housing in the region as generally dissatisfactory. Although many of those surveyed own their own home, relocating employees typically choose to rent for at least one and up to two years, and the availability of quality rental product can influence the decision to choose one position or community over another when selecting employment.

### ***Business and Employment***

Projections by EMSI call for an additional 1,459 new jobs to be added in La Crosse over the next five years. Based on occupational classification, 72 percent of these new positions are professional or office in nature, creating the potential for additional downtown employment. The average wage of these new positions is estimated at \$21.20, or 12 percent higher than the current average. The average wage specifically for newly added professional positions is \$22.48 per hour, further expanding customer spending within downtown.

The 2017 Chamber survey indicated that most 21-40-year-olds arrived in La Crosse for a job (34 percent, rising to 49 percent taking into consideration spousal jobs), and an additional 29 percent relocated for college. As 55 percent of the young professionals surveyed grew up outside the region, marketing newly created positions that are added to a geographically and demographically diverse audience will be critical for continuing to attract new professional households to the area.

### ***Retail and Restaurant***

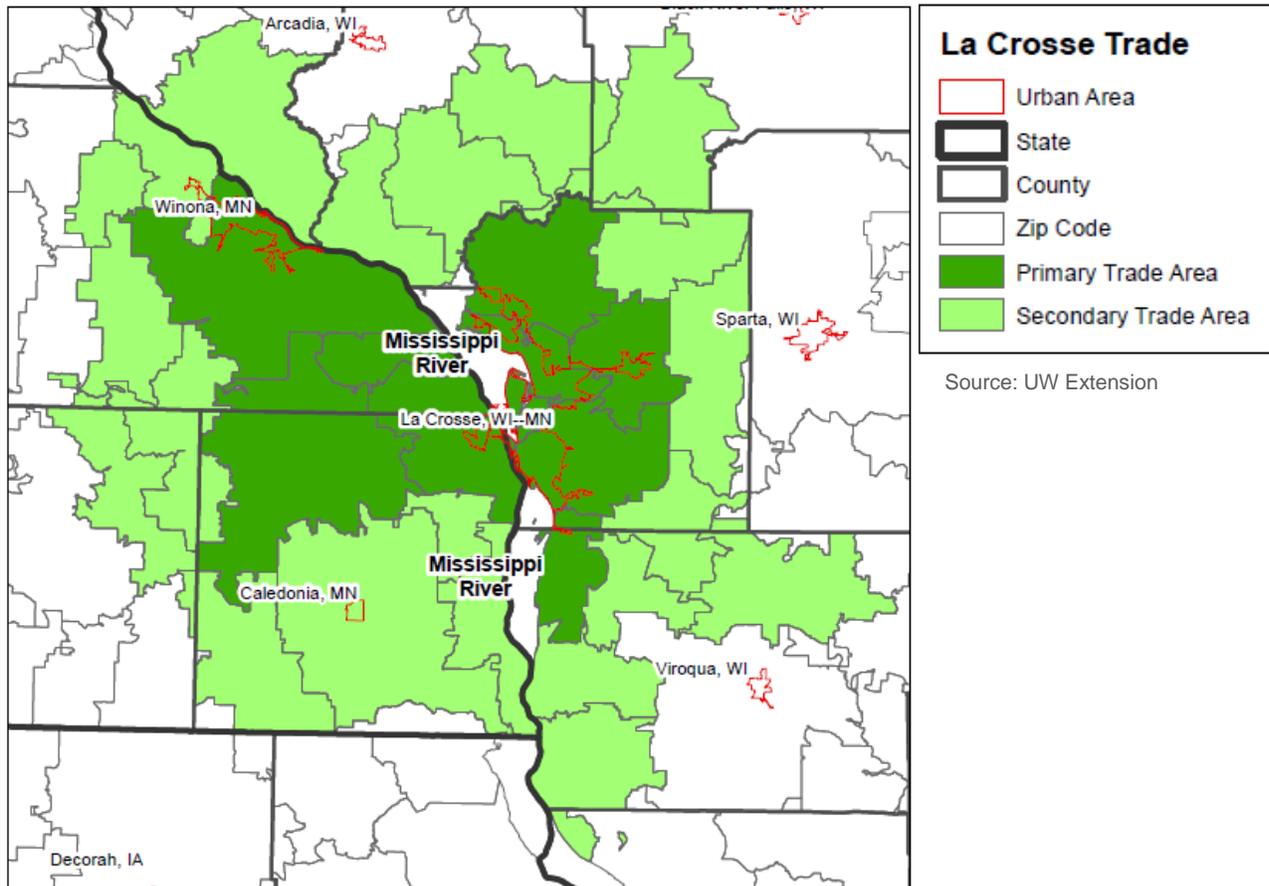
The previous retail market analysis for downtown La Crosse was completed in 2003. Since that date, there have been significant changes in the local business mix as well as in demographic and spending patterns.

The building inventory in 2003 included 83 retail businesses (excluding restaurants). Today, downtown La Crosse has 107 retail businesses. It also has nearly 100 service businesses, reflecting a common shift in business mix for downtowns nationally as retailers have struggled to compete with online shopping. Many of the same anchor businesses are still present, as reflected by the 1 pharmacy and 3 furniture stores identified in both 2003 and 2014. However, there were also 4 book stores, 2 Record stores and 2 Camera shops present in 2003. While Deaf Ear Records and Pearl Street Books are still downtown, there are also now multiple specialty food shops, a toy store and running specialty store which opened in the intervening years. While a substantial majority of businesses remain locally owned, Duluth Trading Company also opened a store in the Doerflinger Building in 2016, introducing a national retailer into the mix.

In 2003, business interviews led to the definition of a primary trade area which spanned both sides of the river, stretching north to Brice Prairie, Holmen and West Salem and south to include Eitzen, Caledonia and Coon Valley. Regional shoppers traveled from the area bounded by (but not including) Black River Falls, Norwalk, Soldiers Grove, Waukon, Rushford, Winona and Independence. Interviews with present-day retail tenants identified both a primary and

secondary trade area geography based on the geographic distribution of current customers. These trade areas are illustrated on Map 3.0, and is largely the same trade area that was identified in the 2004 downtown study, representing a reasonable drive time from the City. The biggest difference is that the share of customer spending flowing into downtown from audiences other than this trade area has increased, as has the ability of downtown to capture a greater share of dollars from this audience.

**Map 3.0: 2017 Downtown La Crosse Customer Trade Areas**



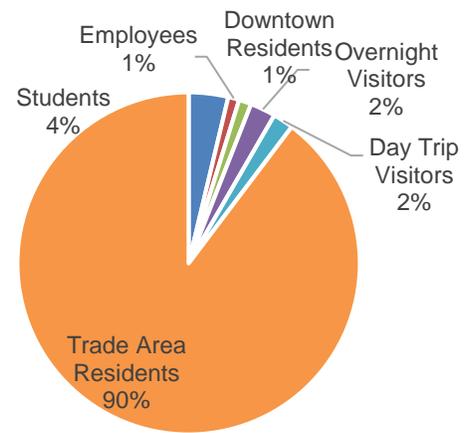
Despite the recent growth in visitor traffic, trade area residents still represent 87 percent of total customer demand, and 83 percent of restaurant demand. Graph 3.0 illustrates the composition of total consumer spending power for the downtown La Crosse marketplace, while Graphs 3.1 and 3.2 specifically illustrate the restaurant and soft goods retail market demand for only the downtown specific customer segments. These segments rely on local markets more than other downtown business types, as much retail and restaurant spending is at least in part convenience based. As discussed previously, service businesses are supportable with a smaller trade area due to less online competition and are also typically visited less frequently, enabling them to draw customers from a greater distance. In contrast, dining decisions are especially driven by geography.

Although recruiting trade area visitors to downtown is clearly of critical importance for the overall health of the downtown La Crosse market, given the sheer number of dollars it represents. In contrast, the consumer segments highlighted below represent captive markets which can be effectively reached through targeted marketing, and which are predisposed to greater spending

downtown if they can be enticed into the marketplace. Consumer spending studies have consistently shown that businesses within walking distance from consumers enjoy 200 percent greater sales from these consumers based on the convenience factor. This is especially true in an urban setting where accessing a vehicle to travel elsewhere is more cumbersome than walking to a nearby destination. Given the importance of these local markets to the downtown economy, the spending habits and preferences of each are profiled on the following pages.

### Graph 3.0: Total Spending Potential

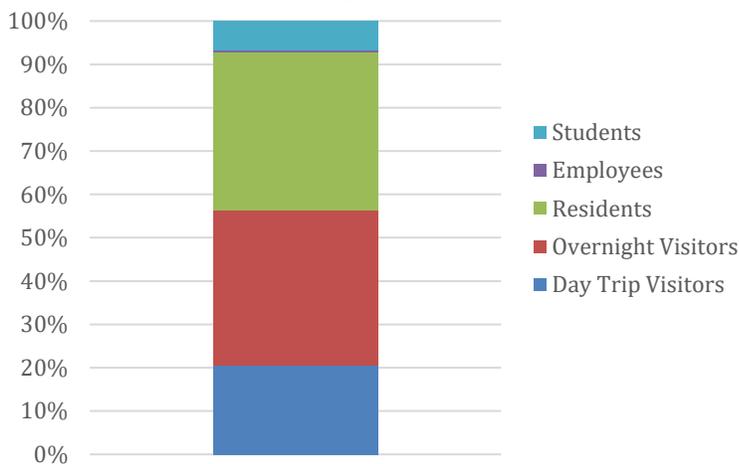
Total Consumer Spending Potential by Market Segment



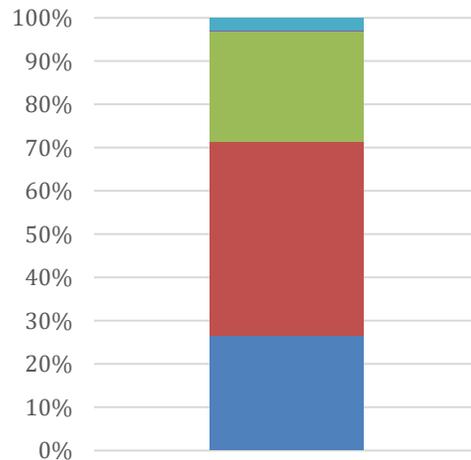
Source: ESRI, University of Wisconsin, Wisconsin Department of Tourism, ICSC

### Graphs 3.1-2: Downtown Market Segment Spending

Food and Drink Demand by Customer Segment



Soft Goods Retail Demand by Customer Segment



Source: ESRI, University of Wisconsin, Wisconsin Department of Tourism, ICSC

### *College and University Students*

The presence of Viterbo University, Western Technical College and the University of Wisconsin La Crosse create significant opportunities for businesses in downtown. Cumulatively, these institutions bring nearly 12,000 university students into the downtown area. These students are further divided into those that live on campus (approximately one third of all students, but varying dramatically among the three schools), those that live off-campus nearby, and those that commute from outside the community. Not surprisingly, on-campus students have a smaller consumer footprint, spending only \$630 per year on off-campus purchases, as most of their needs are met on site. However, off-campus students spend substantially more, averaging \$8,800 annually in discretionary spending (including housing). Commuting student spending is more comparable but slightly lower than employee habits, albeit limited to the number of days which they are present on campus.

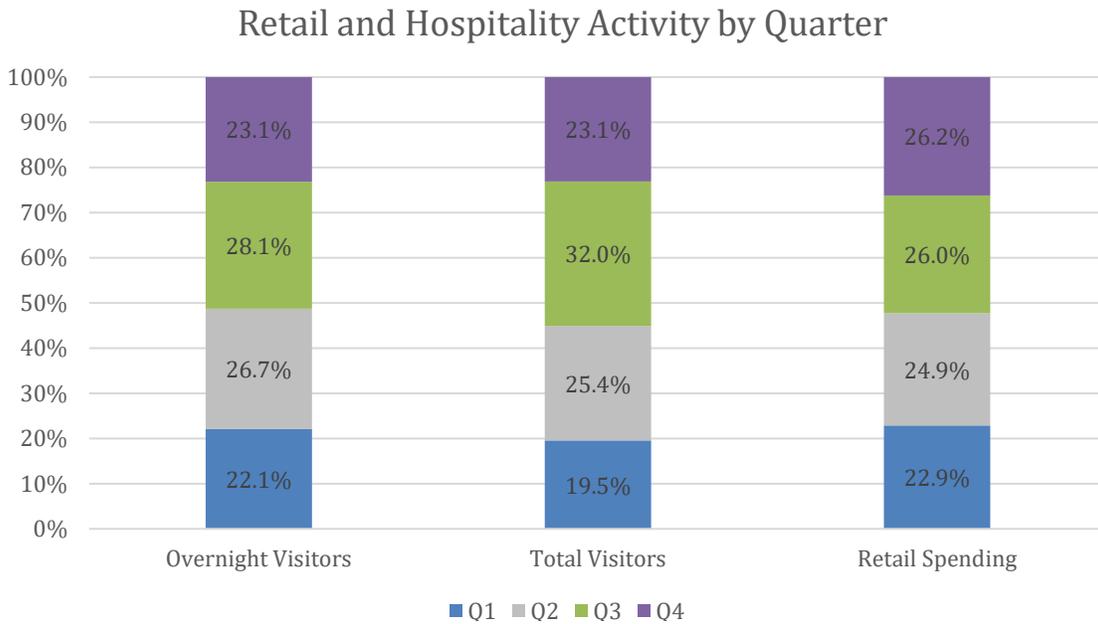
A 2015 university study of student preferences indicated that 17 percent more students visit downtown in the afternoon and evening on weekdays than on weekends (65 percent weekday afternoons, 44 percent weekend afternoons versus only 36 percent evening visitors). There was a common perception among students that nightlife was the primary attraction in downtown (85 percent felt this way), although a majority of those surveyed actually visit downtown restaurants more frequently than bars, indicating that perception may be different than reality. When in downtown, although dining was the primary destination for 58 percent of those surveyed, more than half participate in multiple activities or visit multiple businesses per trip. Limiting factors identified in the survey were difficulty accessing downtown without a car (still the preferred mode of transportation for 58 percent of students) and a lack of apparel stores appealing to student styles and budgets.

In addition to students, colleges and universities attract a number of visitors to the community, generated by students (friends and relatives), and by the university (visiting professionals, alumni, prospective students). These visitors comprise between 15 and 24 percent of the retail demand generated by the university. While they may also overlap somewhat with the overnight visitor population to downtown, many represent repeat visitor opportunities, making them more valuable than other visitor categories.

### *Tourism and Hospitality*

While it is easy to focus on visitors as the primary target of downtown economic development, the data in the previous section illustrated that this spending represents only a small segment of the local economy. However, in La Crosse, this segment has expanded considerably in recent years, as downtown has witnessed a significant expansion of its hospitality market, including the addition of several new hotels in downtown serving a variety of market segments and further complemented by the upcoming renovation of the La Crosse Center as a convention destination. Events hosted by Downtown Mainstreet, Inc. bring more than 400,000 visitors into the community, while the combined 875 hotel rooms attract more than 220,000 overnight guests to downtown, including both business and recreational visitors. This balanced hospitality market is reflected in Graph 3.3 on the following page, which illustrates that both overnight visitors and total visitors are fairly evenly distributed seasonally with a slight summer peak, supporting a stable retail market not overly reliant on seasonal tourism activity.

**Graph 3.3: Seasonality of Retail and Hospitality Activity**



Source: Downtown Mainstreet, Wisconsin Department of Revenue, City of La Crosse, Wisconsin Department of Tourism

The addition of overnight guests in the community is important as it doubles the amount of time and money that visitors spend within downtown as compared to day trip traffic. This increased spending comes not only in the form of room costs, but also in increased dining, drinking and entertainment activities available

during morning and evening hours. Although overall spending is evenly balanced, this does not mean that all businesses benefit from a steady stream of customer traffic. A 2016 business retention survey completed by Downtown Mainstreet Inc. determined that restaurants are substantially busier in the fall and winter, while retailers have both summer and winter spikes in sales and service businesses reported stronger foot traffic in winter and spring. Similarly, retail and restaurant activity spikes on weekends, while service businesses experience surges in activity toward the beginning and end of the workweek. Accommodating these peaks, while working to attract customers during off-hours or shoulder seasons, can help attract and retain a quality selection of businesses in downtown.

While the addition of multiple new lodging options brings the potential for significant additional retail spending, the community can actively work to maximize this spending by creating an appealing night time experience. With assistance from the Wisconsin Main Street program, hospitality consultant Thomas Starinsky visited La Crosse in late 2016 to explore opportunities to accomplish this objective. Activities such as recurring evening programming and improving connectivity and wayfinding, especially around the La Crosse Center, were recommended through this process as key strategies for creating a safe and welcoming evening environment for residents and visitors alike.

### *Downtown Employees*

In addition to occupying upper floor office spaces, downtown employees provide a vital consumer market. According to research from the International Council of Shopping Centers

(ICSC), employees in downtown districts spend an average of \$90.55 per week on activities associated with the work day, including commuting, lunch and after work activities. The 2003 La Crosse market study identified 8,500 total employees in broader downtown area, with an additional 400 expected as part of additional riverfront development. Today, there are 3,800 professional employees within the core of downtown, employed at nearly 500 individual businesses. Several additional projects including the Plow Building and Belle Square will also bring additional professional workers downtown in the next few years.

While the downtown workforce represents a strong local market, employees have many retail choices and may choose, for instance, to bring a lunch, or to run errands as part of their commute, rather than frequent downtown businesses for these purchases. In La Crosse, a 2015 survey of downtown employees found that 93 percent of them regularly utilize downtown restaurants during the day, an average of once per week, with 14 percent dining out a majority of work days. Slightly fewer reported shopping or running errands downtown, although 67 percent do perform this activity, although less frequently than dining – typically less than once per week. Lunch or afternoon are the most common times that these shopping trips occur, and the most frequently purchased items are candy, gifts, and clothing, as well as service errands to libraries, banks and to purchase tickets to cultural venues. Those who do not patronize downtown businesses report a lack of stores offering products they need (or a lack of awareness of store offerings), combined with parking (and conveying goods to vehicles) as the primary reasons.

Providing targeted information to employees on offerings from their unique perspective (i.e. the ability to filter by restaurants that deliver, those that offer breakfast, or the presence of outdoor patios), or by encouraging businesses to offer services which increase the convenience factor for downtown employees, such as pickup or delivery options to accommodate parking and transportation limitations.

### *Downtown Residents*

As with overnight guests, downtown residents represent an expanding market for downtown La Crosse. Although a formal census has not been taken in several years, 364 new units were added between 2000 and 2010 (53% increase), and an estimated 351 units have been added since 2010. While downtown residents skew younger than the average population, and as a result also have a lower disposable income, these residents are increasingly likely to choose downtown as a desirable residential destination. The median disposable household income for these individuals is \$25,477, which while 56 percent lower than the average trade area households, represents both a larger share of income (downtown households are smaller, and also have less fixed costs), as well as a dramatically increased density of consumers that are convenient to downtown businesses.

In the near term, downtown resident demographics lend themselves more towards spending on personal services, convenience food items, fitness and athleisure, pets and overall food and drink spending. In the future, a broadening demographic residential base would further expand these opportunities.

## Opportunity Sectors

Downtown La Crosse property owners and businesses have many opportunities to capitalize on national, state and local economic and consumer trends to foster continued growth and development. These opportunities include both short term and long term growth, the ability to create unique clusters and destination attractions, and to recruit additional market share in key areas. Specific areas of potential growth in the various market sectors are profiled in the following chapter. The first portion of the chapter examines the potential for additional real estate development necessary to accommodate both anticipated and potential market expansion, while the second half explores specific uses and market segments which present opportunities for business expansion or recruitment.

### ***Development Opportunities***

Although there may be multiple business types that are well suited to downtown demographics, they will only be able to locate there if suitable space is available. One factor in availability is the presence of suitable space to meet these needs of specific business types, as discussed in this section. However, another factor is awareness of space availability, which could also be enhanced in the downtown La Crosse market. Multiple studies by real estate and site selection firms show that more than two-thirds of prospective businesses do at least some research into potential locations online. However, there is limited information on downtown La Crosse space opportunities available through commercial realty sites, listing services or on community websites. This limited information requires prospective businesses to contact a broker, the City or DMI, and to make a physical trip downtown to explore vacant spaces.

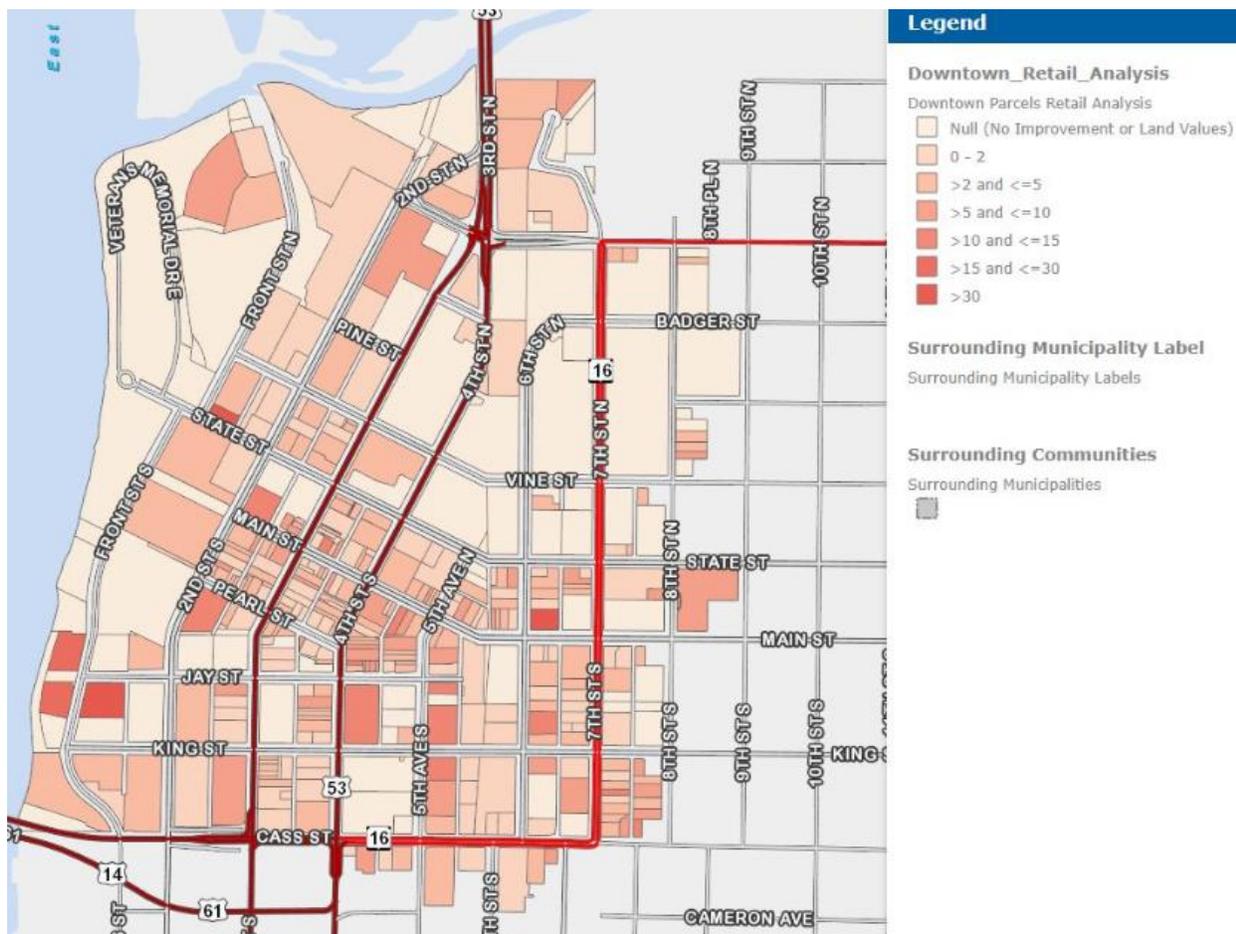
A search of major commercial listing systems identified six downtown storefront spaces available, including two for sale. Rental rate for retail spaces ranged from \$6 to \$14 (per square foot per year, excluding utilities and CAM) depending on the location and level of tenant finish. Office space is consistently listed at \$13-\$15 per square foot for traditional upper floor suites. Not surprisingly, retail spaces commanded a higher rent than office spaces within the same property.

A 2016 property inventory conducted by Downtown Mainstreet Inc., identified 25 vacant storefronts, for a vacancy rate of 4.3 percent. Not all of these storefronts are move-in ready, but could be marketed together with available incentives to increase their attractiveness to potential businesses. In the same survey, an additional 19 percent of total square footage (all floors) was found to be dedicated to storage uses, indicating that there is an additional 357,000 square feet of potential redevelopment options available to house future businesses or residential units.

Although most new businesses will be accommodated in existing spaces as turnover occurs, or in renovated spaces within existing buildings (such as Marine Credits use of the Plow Building), the addition of new commercial space such as the Belle Square development as well as downtown-adjacent developments such as The Hive provide the opportunity for new space types, including larger spaces or spaces with custom buildouts not available elsewhere in downtown. Although substantial public and private investment has been made to renovate and fully utilize many properties within downtown La Crosse, Map 4.0 illustrates that there are still significant portions of downtown which have little or no improvement value (including parking lots, undeveloped parcels or civic properties, as well as the Oktoberfest grounds), and many others have an improvement to land value ratio of less than 2, indicating that the value of the structure is only just meeting the land value, and not maximizing the development potential of its downtown location. In total, there are 14 parcels downtown that are not taxable (3 percent of parcels), 43 parcels that have limited or no improvements, and an additional 107 properties

where the improvement to land ratio is less than 2.0 (22 percent of parcels). This third set of properties includes small one-story properties such as Pizza Doctor, single purpose uses such as the Gerhards warehouse, and properties with significant upper floor vacancy or deferred maintenance. Multiple properties in this last category already have renovation plans in place, such as the Plow Building and Batavian Building, although others represent future redevelopment potential. Focusing efforts on maximizing the economic potential of these existing properties is a very cost effective way to meet market needs, as it requires no additional investment in infrastructure and new uses instantly benefit from the availability of existing civic and private amenities. In fact, if all privately held properties that are currently underutilized were renovated to moderate utility (achieving a 2.0 ratio), this would represent an additional \$39.5 million in downtown property values. This is only a conservative estimate, as most renovated properties achieve ratios of 10 and higher, while luxury apartments or properties such as the Charmant Hotel have an improvement ratio of 30 and higher.

**Map 4.0: Improvement to Land Value**



Source: City of La Crosse

As indicated in Map 4.0, as well as in customer surveys, parking is closely tied to both property use and economic value. A 2015 survey of downtown employees found that just over one-fifth park primarily on the street, while only 20 percent park in a ramp, leaving the remaining 60 percent in free lots around town. While this has likely changed with the advent of new parking management systems downtown, fully developing current surface lots will require a change in culture for this group, shifting many more employees to ramps from on-street or surface lots,

which are better suited for long-term parking needs and freeing up convenient spaces for customers.

### *Growth Projections & Space Demand*

Future growth will come from a number of sectors, including downtown’s share of anticipated future regional growth as well as the expansion in residential units and professional space added in downtown to meet underserved market demand and achieve market share.

Clearly, based on these figures, there is substantial opportunity to sustain significantly more development within downtown. Additionally, the table illustrates the range of outcomes that are possible. The current trend downtown share column illustrates the level of development which would occur if past patterns are sustained. The last column illustrates the amount of development which would be needed to achieve a balanced downtown marketplace and which is largely viable within existing infrastructure. Based on more recent market trends, it is almost certain that downtown will continue to gain market share of new development as it continues to evolve as an attractive and amenity-rich destination. This means that anticipated five-year growth will likely be much higher than the current trend column suggests, at least in certain categories. For example, more of the residential demand is likely to come in areas where downtown units are likely to meet the needs of growing demographic segments, while a substantial portion of the professional employment growth may occur as part of hospital expansion, or in light manufacturing type facilities less suited for downtown.

**Table 4.0: Projected and Potential Downtown Development Growth**

	<b>Current Amount</b>	<b>Current Trend 5-Year Growth Downtown Share</b>	<b>City Projected 5-Year Growth</b>	<b>Amount Needed to Achieve Downtown Market Share</b>
Residential Units	1,399 Units	4 Units	527 Units	818 Units
Office Space	1,059,337 square feet	10,000 square feet	1.4 million square feet	1.3 million square feet
Retail & Restaurant Space	822,730	5,000 square feet	130,000 square feet	300,000 square feet

The potential for future hospitality growth was not separately assessed, as Downtown La Crosse currently has a substantial market share of hospitality amenities and lodging accommodations. Future growth in these areas will be driven by additional need – for example additional visitor traffic resulting from the expanded convention center, increased programming at the performing arts center, etc. and cannot be projected from current and past development patterns or through unmet demand.

In addition to business sectors which have demonstrated and substantial unmet local demand, growth in other sectors of the market will also result in expanding retail sales potential. If downtown continues to capture its share of this new market activity, it will need to add additional square footage of all types to accommodate this level of growth. This is especially true if the plans for residential growth in the North Side area are realized, as these residents will be located within downtown’s primary trade area and will increase demand for a number of basic

goods and services. For example, the new Belle Square development counts a health clinic, dental offices and a bank among its first commercial tenants, providing convenient access to these amenities to new residents, as well as to nearby government employment centers.

### *Connections*

While much of the economic expansion in La Crosse can occur within existing building footprints, especially considering the presence of vacant or underutilized space, it is likely that some development will also occur in ancillary neighborhoods, especially riverfront opportunities such as Isle La Plume, and smaller scale urban areas such as the area of 6<sup>th</sup> Street adjacent to downtown. Both areas provide space and location opportunities that differ from but complement existing space options in the core of the historic district. As development does expand beyond the current downtown core, establishing quality connections, both from a functional transportation perspective as well as pedestrian safety and security will be important. Providing these 'urban pathways' which connect to the broader trail network that La Crosse is recognized for will also help decrease automobile use in center city neighborhoods and encourage residents and visitors to engage with recreational opportunities, which has proven to be a key asset in for retaining young professionals in the community. As an example, in addition to career opportunities and the cost of living, the 2017 Chamber of Commerce survey identified quality and proximity of outdoor recreation are ranked as top attractions for this audience. Expanding these connections into downtown, by extending bike and walking routes into the core, and improving the visibility, access to and awareness of the river can help to connect visitors to these outdoor assets that are identified as a top asset of the region, potentially encouraging future employee recruitment or business relocation.

### ***Business and Real Estate Opportunities***

Opportunities to grow and diversify the business mix come in a variety of forms. There are those retail goods and services which are supported and requested by current customer demographics that would increase spending by existing populations, as well as those that would foster further cluster development and brand recognition for the district among key emerging demographic groups. While in many cases accommodating this demand may be as simple as expanding products within existing businesses, or marketing current availability to targeted entrepreneur or business entities, in other instances it may require a more diligent approach to property acquisition or development, and/or be enhanced by the addition of complementary public amenities. The following section explores some of these possible additions and strategies which can be pursued to develop these assets in downtown La Crosse.

### *Retail Demand*

Based on analysis of market supply and demand, coupled with implications of anticipated demographic trends, there are several retail sectors which represent potential recruitment targets for the community. Table 4.1 below indicates sectors which have significant amounts of demand which is not satisfied within the local market. Because it is not reasonable to assume that a new business would be able to attract all of these customers, the fourth column indicates the average annual revenues per business for similar establishments in La Crosse County. If the amount of unmet demand is more than twice what would be required to support a new business, it may be possible to recruit additional businesses to meet this demand. For smaller gaps, it may be more likely that existing businesses may be able to offer additional products or services to help boost sales and meet local needs.

**Table 4.1: Current Unmet Retail Demand**

Retail Sector	Local Demand Gap	Trade Area Demand Gap	Average County Revenue per Business	Average Annual Spending per HH
<b>Apparel &amp; Accessories</b>	\$112,049	\$10.9 million (shoes and jewelry esp.)	\$2.5 million	\$1,575
<b>Pharmacy/ Drugstore / Convenience Store</b>	\$2.2 m (general merchandise)	\$26 million (health and beauty)	\$3.55 million	\$1,097
<b>Ethnic Restaurant</b>	Growth segment	\$13.1 million (full service restaurants)	\$410,000	\$163
<b>Home Furnishings/ Accessories</b>	\$361,613 + \$93,858 (nursery)	None	\$2.1 million	\$1,652

Source: ESRI, GIS Planning, US Economic Census

In addition to supply and demand within sectors, the preferences of existing audiences are important. Recent surveys of downtown workers and students identified apparel as a desired sector. As larger chain clothing stores and overall brand identification have declined in popularity, smaller clothing boutiques have experienced a resurgence. Other previously identified high-demand specialty retail options included book stores, toy stores and athletic shops, all of which have opened (and seemingly successful) in the intervening years. With regard to more specific product types requested by consumers, such as shoes, books and hobbies, while in certain circumstances it is still possible to operate standalone businesses in these sectors, it may be most feasible to combine one or more new retail items with other profit centers or into existing businesses. Examples might include a coffee shop/book store or bar/book store, or a craft store that also offers kids crafting or hosts private parties. Some communities have also been able to coordinate with local universities to locate college related businesses, such as a university book store or student art gallery in downtown, resulting in increased student engagement with the community as well as providing additional market-supported retail goods to the community.

Specialty food items were also identified as a recruitment target. While there are market opportunities to make these businesses successful in La Crosse, there are also hurdles to successfully locating downtown. Many bakeries, meat markets or other specialty food businesses rely on catering and/or distribution to sustain their business. These activities require substantial loading space and interior preparation area, both of which can be expensive to obtain and/or scarce within a downtown setting. Others rely on convenience traffic, which can be problematic on high traffic streets unless sufficient pedestrian foot traffic is present. With the potential exception of a few targeted locations, La Crosse may not yet have the precise mix of foot traffic and vehicular access necessary to generate sufficient retail activity for this type of business. Successfully recruiting a specialty food business will likely require a more concerted and proactive effort which is focused on one or more specific locations in downtown.

Other service and retail combination businesses also represent opportunities for La Crosse. Businesses such as optometrists, in addition to being a growing industry, offer both a service that is not available online, but also incorporate a retail element, often including non-prescription eyewear or even accessories. A pharmacy rated highlight among all audiences as a desired business type. While La Crosse has a sufficiently large downtown customer base to support an urban pharmacy, securing a large enough retail space in a prime location may be difficult. An alternative might also be to secure a convenience retailer which could offer a similar array of (non-medical) convenience items desired by downtown workers and residents in a smaller footprint.

### *Potential Cluster Development*

In addition to business sectors which have demonstrated and substantial unmet local demand, there are other retail sectors which successfully attract customers from outside the trade area and also coincide with growing market segments. Building on these existing businesses to establish local clusters can increase business at all related businesses by increasing the regional draw and frequency and duration of customer visits. Clusters do not have to be limited to businesses with exactly the same type of product (i.e. art galleries), but may include groups of stores catering to a similar demographic (i.e. cultural district, health and wellness), which allows businesses to more effectively conduct joint marketing efforts, and creates opportunities to tie streetscape amenities and public programming to further support the image of a destination area targeted to a specific clientele. This is especially useful for larger districts such as La Crosse where it is unlikely that an individual visitor will be able to experience everything that downtown has to offer. The ability to market a curated experience therefore helps to ensure that visitors will be able to locate and visit those businesses or attractions of most interest to them, creating a positive visitor experience.

*Streetscape can reinforce a retail cluster by providing gateway signage, enhancing the user experience, or facilitating programming.*



### *Service Sector Demand*

Increasingly, personal and professional services are an important part of the downtown community as they represent business types that rely on individualized service and are not available online. However, unlike retail businesses which collect sales tax, it is more difficult to determine whether service sector demands are satisfied locally. Many service businesses, especially professional services, serve a larger trade area than retail businesses because customers do not visit as frequently and are more willing to travel for greater service. Therefore, service businesses may locate anywhere within a broad area, choosing locations which are accessible and visible to their customer base and promote the image of the business. Although it is not possible to clearly identify service sector recruitment targets, there are some industry averages regarding the number of customers that certain businesses can serve which can be used as a benchmark. For instance, a common ratio for dentist offices is one per 1,500 patients, while doctor's offices are 2.5 per 1,000. In other instances, local demographics are important, since childcare facilities depend on the number of small children with working parents, and banks rely on household income to make location decisions. A second method for estimating service sector demand is to compare the density of services within one community with other similarly sized communities with comparable demographics.

Using the above strategies, together with feedback provided through local customer surveys, a downtown daycare, medical services (especially those that might include a retail component, such as an optometrist), and museums or other similar attractions might be feasible in downtown La Crosse. Typical earnings and household expenditure patterns for these businesses are shown in Table 4.2.

**Table 4.2: Service Sector Recruitment Targets**

	<b>Current Market Presence</b>	<b>Average Annual Sales Per Business (La Crosse County)</b>	<b>Average Annual Spending Per Household</b>
<b>Child Daycare</b>	None Downtown	\$470,801	\$384
<b>Pet Daycare/ Supply</b>	None Downtown	\$459,000	\$101
<b>Medical Services</b>	City Vision, Multiple Chiropractors	\$1.36 million	\$902 (healthcare supplies)
<b>Museums</b>	Pump House, Dahl Auto, Riverside	Varies by model	\$609 (all entertainment fees and admissions)

Source: US Economic Census, GIS Planning

Additional recruitment targets may also be identified by surveying existing businesses to determine which services they consistently must travel outside the community to obtain. Similarly, there might be common vendors or suppliers used by many businesses that could be approached to open a local office.

### *Residential Demand*

While total residential unit demand was discussed in the previous section, there are certain types of residential units which represent near term opportunities based on current demand and comparable community trends. Although these specific opportunities were identified based on a measurable lack of units to accommodate specific demographic groups, it is likely that other pockets of demand also exist with additional research, such as senior living, workforce units, or furnished executive apartments, all of which are being developed in other comparable downtown areas with positive market reception.

### *Owner-occupied Housing*

The most obvious housing demand gap exists in the owner-occupied housing market. Although it is common for college towns to have a higher ratio of rental property than other communities, the presence of only 23 owner-occupied units at the 2010 census, and 10 in 2000 indicates that there is significant unmet demand. As a comparison, downtown Wausau has nearly 200 owner-occupied units, or 20 percent of overall downtown units. In fact, 20 percent owner-occupancy seems to be a common ratio of downtown housing, as indicated by De Pere's 18 percent, Beloit's 21 percent and Kenosha's 27 percent shares of owner-occupants. In many of these communities this owner-occupied housing exists either as historic townhomes, row homes or condominiums within historic homes, or as a result of infill development in the 1990s, such as

the Virginia Towers development in Kenosha. There have been fewer of these projects in the past two decades as financing has been more difficult to obtain for this type of project, although several smaller-scale (under 20 units) projects have moved forward in recent years, driven by strong pre-sales for high-end downtown condos by empty nester households.

### *Luxury Apartments*

In addition to condos and townhomes, high end apartments have been gaining in popularity in downtown districts. Currently, downtown La Crosse's \$645 average rent is already fairly close to the Citywide average gross rate of \$711. However, a closer examination of units within various rental rate ranges in the 2015 census shows that the largest share of units charge less than \$500 per month, as shown in Graph 4.0. Most higher end units can be assumed to represent restored historic loft units, as only 153 total units have been built since 2000. In fact, the number of units asking \$700 to \$1,000 has remained virtually unchanged during this period, while the increase in luxury units is almost directly proportional to the decrease in units asking \$500 to \$700 per month. The addition of Belle Square's 93 luxury units will help to address this shortfall, although the fact that 70 percent of anticipated new employees in the area will be able to afford rents upwards of \$1,000 per month based on income levels indicates significantly more demand than product available in the marketplace. If only 10 percent of these new employees live downtown, this is still an additional 100 units within the next five years.

**Graph 4.0: Distribution of Rental Units by Price**

