

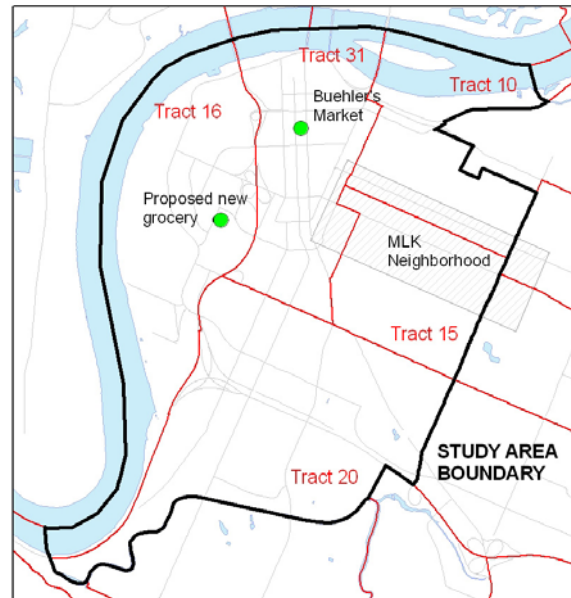
Briefly Speaking: Downtown Groceries for Chattanooga

CHATTANOOGA-HAMILTON COUNTY REGIONAL PLANNING AGENCY

DECEMBER 2007

In late October 2007, residents of the Martin Luther King Neighborhood gathered as part of a comprehensive planning process to share their ideas for a preferred future. Among the most frequent and strongly voiced requests: affordable, convenient groceries.

As a result, the Chattanooga-Hamilton County Regional Planning Agency has undertaken an analysis of the demand and need for groceries in the downtown area. The Martin Luther King Neighborhood is small and cannot support a grocery store on its own, so the Regional Planning Agency widened the scope of the analysis to include five U.S. Census Bureau-defined tracts in downtown Chattanooga.



The downtown area as defined in this report contains five U.S. Census tracts in central Chattanooga. Buehler's Market is the only full-service grocery here.

Making the Case

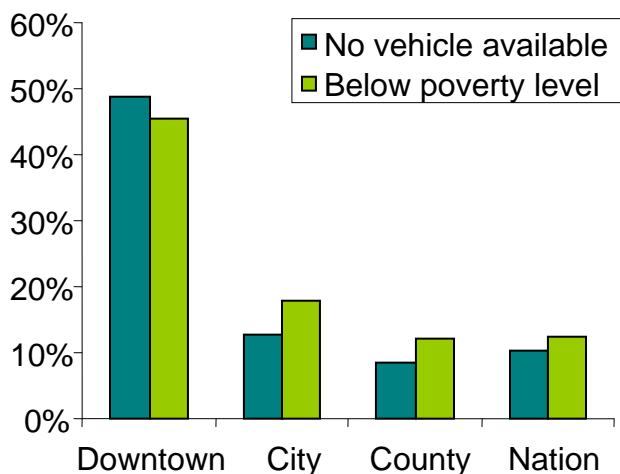
Residents in downtown Chattanooga have the buying power to support an average-sized supermarket grocery store. Approximately 5,200 housing units in downtown Chattanooga have a buying power of \$11 to \$16 million, but at present only one full service grocery exists downtown. Even at that, Buehler's Market on Market Street has annual sales of less than \$2 million. Downtown Chattanooga thus does not "capture" grocery expenditures, but instead experiences up to a \$14 million yearly loss to markets outside of its boundaries. That leakage represents buying power that would otherwise support the equivalent of 27,000 to 40,000 square feet of retail grocery space.

A planned 8,000 square foot limited service grocery for the Westside area will effectively reduce the need for grocery space downtown, but the buying power of nearly 23,000 employees that work downtown can offset the reduction. If daytime employees kept ten to fifteen percent of their grocery purchases

downtown, they would generate a need for 20,000 to 30,000 square feet of retail grocery space. Combining residential and employee needs yields an estimated demand for downtown grocery space ranges from 40,000 to 62,000 square feet. The midpoint of that range is more than 50,000 square feet—nearly the size of a large supermarket. And the case for space is further bolstered as new households continue to take root in the downtown area.

If there is a market for retail grocery, where are the stores? Unfortunately, inner-city markets are often ignored by retailers, who use suburban-centric market analyses and wrongly underestimate the buying power of inner-city residents when locating stores. The urban core also presents special challenges. Downtown real estate is expensive; overhead is high. Parking is a problem. Many downtown residents don't have adequate transportation; nearly half of households in downtown Chattanooga have no access to an automobile. To sustain a grocery store that is within walking distance of neighborhood residents, 35 housing units to the acre are considered the minimum necessary, but Chattanooga's downtown area is not even one-tenth as dense.

Finally, consumer behavior varies greatly in the Chattanooga downtown area. A disproportionately large number of low income households in the area—household income is about one-third of the national average—have one set of consumer needs, downtown workers exhibit a different set of consumer behaviors, and middle- and upper-middle class residents now moving into the



Many downtown households do not have access to a vehicle, and persons here are often subject to economic hardship. These factors need to be taken into account when making decisions about grocery locations.

downtown area have their own expectations. Yet another sizeable population of university students has different spending patterns. What can be done to satisfy all groups' tastes, needs, and shopping expectations?

Though the answer is not easy, one thing is clear: standard retail supermarkets are not suitable for this area, so "out-of-the-big-box" thinking is called for. In the end, getting retail grocery downtown shouldn't be a game of wait-and-see, but rather something to peg down and pursue.

Downtown Statistics Compared with Other Areas: 2000

Census Category	Downtown*	City	County	Nation
Occupied units with no vehicles available	48.7%	12.8%	8.4%	10.3%
Persons aged 65 and over	15.0%	15.2%	13.8%	12.4%
Persons under 18 years of age	17.6%	22.4%	23.2%	25.7%
Vacant housing units	12.0%	9.1%	7.6%	9.0%
Persons below poverty level	45.6%	17.9%	12.1%	12.4%
Median household income (1999)	\$12,684	\$32,006	\$38,930	\$41,994

*Five designated downtown census tracts considered together as a whole. Source: U.S. Bureau of the Census

Downtown Chattanooga Statistics by Census Tract: 2000

Census Category	Tract 10	Tract 15	Tract 16	Tract 20	Tract 31
Occupied units with no vehicles available	20.7%	53.8%	48.9%	64.0%	58.7%
Persons aged 65 and over	3.6%	20.4%	21.1%	10.2%	25.4%
Persons under 18 years of age	5.9%	14.4%	22.1%	40.6%	1.8%
Vacant housing units	10.1%	20.8%	10.7%	14.8%	8.5%
Persons below poverty level	33.1%	34.6%	48.5%	60.4%	26.9%
Median household income (1999)	\$22,473	\$13,229	\$9,984	\$9,672	\$14,271

Source: U.S. Bureau of the Census

Next Steps

After weighing available information, the Regional Planning Agency believes that it is time to act, but to act wisely. To be pro-active means seeking what Chattanooga wants, not necessarily taking what retailers seem willing to offer. To that end, the Regional Planning Agency recommends the following:

- Establish a downtown grocery task force.
- Study consumer spending habits.
A consumer survey should identify differences in spending habits among market segments, including likely daytime population expenditures.
- Consider a broad range of alternatives.
Look at such things as farmer's markets, door-to-door or curbside delivery, transportation services, mobile markets, and urban farming.
- Weigh the use of market interventions.
One study identified 20 of 32 cities with inner-city grocery programs. Market intervention includes CDC involvement and investment incentives.



A 50,000 square foot Whole Foods store in Portland, Oregon, is designed for a high-density urban area. The retail grocery space is on the ground floor, parking is below, and rentable space is on the upper floors.

Online Reading

- Bolen, E., & Hecht, K. (2003). *Neighborhood Groceries: New Access to Healthy Food in Low-Income Communities*. San Francisco: California Food Policy Advocates. Online at <http://www.cfpa.net/Grocery.PDF>.
- Forty-five page policy paper useful for in-depth research.
- Burton, H. (2004). *Stimulating Supermarket Development: A New Day for Philadelphia*. Philadelphia: The Food Trust. Online at http://www.thefoodtrust.org/pdf/SupermktReport_F.pdf.
- Eleven page full-color report on how a taskforce-spearheaded effort promotes change.
- California Department of Health Services, State of. (2006). *Opportunities for Food Retailing in Low-Income Communities*. Online at http://www.dhs.ca.gov/cdic/cpns/retail/download/Opportunities%20for%20Food%20Retailing-Fact%20Sheet_01-07.pdf.
- An easy-to-read color promotional summarizing strategies for grocery recruitment.
- Langdon, P. (2003). "Grocery Stores Adapt to Urban Trends." *New Urban News*, October/November. Online at <http://www.newurbannews.com/GroceryStores.html>.
- Short news article about Whole Foods mixed-use project an example of a creative response to the need for urban grocery.
- PolicyLink. (2006). *Equitable Development Toolkit: Healthy Retailing*. Online at <http://www.policylink.org/EDTK/HealthyFoodRetailing/>.
- Outstanding web site. Recommended first stop for any study of downtown grocery. Comprehensive and detailed information on project development.
- Shaffer, A. (2002). *The Persistence of L.A.'s Grocery Gap: The Need for a New Food Policy and Approach to Market Development*. Los Angeles: Occidental College, Urban & Environmental Policy Institute. Online at <http://departments.oxy.edu/uepi/cfj/publications/Supermarket%20Report%20November%202002.pdf>.
- One hundred page document useful for in-depth research. Provides reasons and remedies for urban grocery gaps.

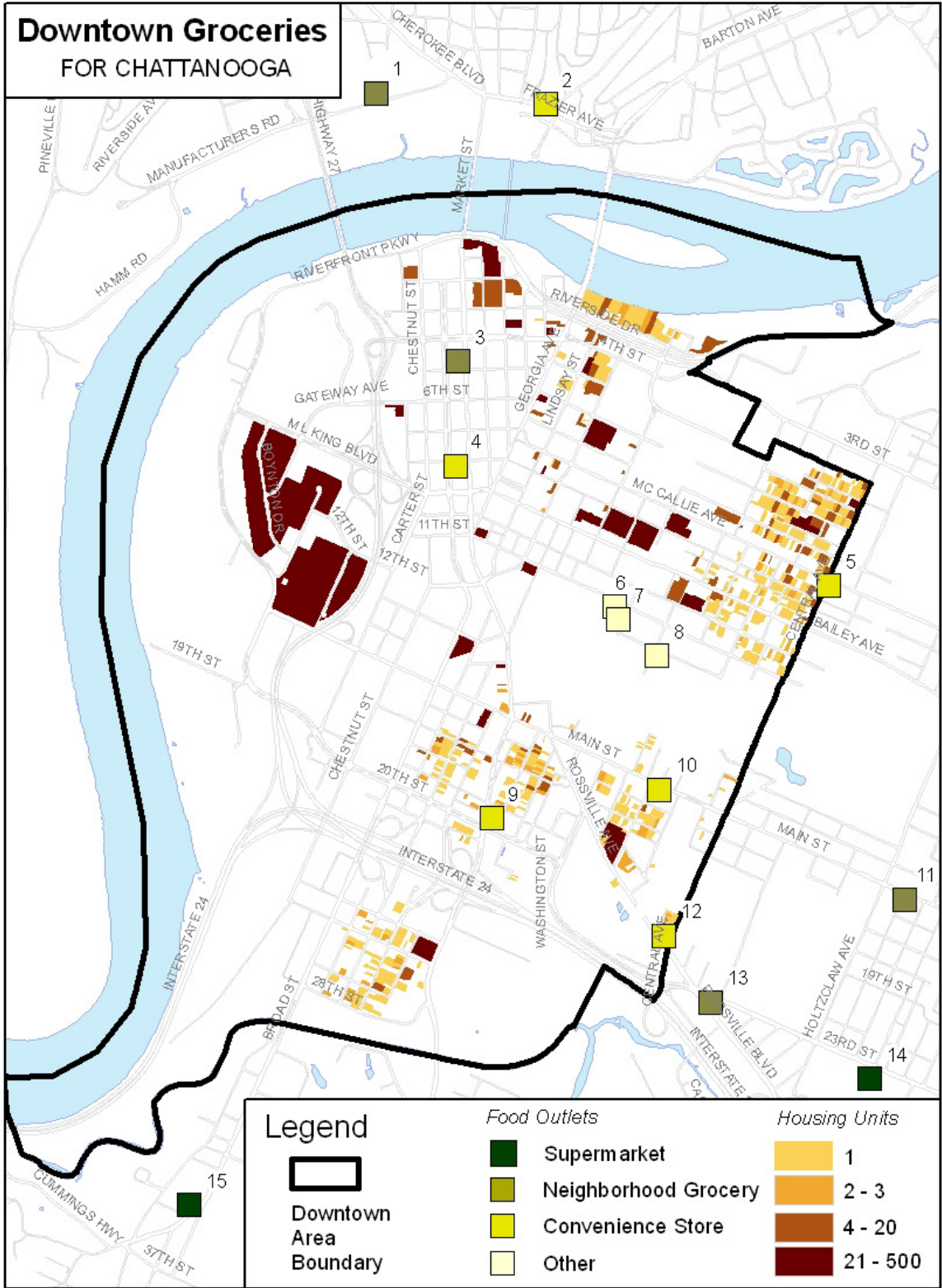
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Downtown Groceries FOR CHATTANOOGA



Grocery locations are identified in chart "Grocery and Food Outlets" on reverse.

Grocery and Food Outlets in and Near Downtown by Type				
Store*		Type	Area	Distance**
Green Life Grocery	1	Supermarket	North Shore	1.2
Bi-Lo	15	Supermarket	Highland Park	2.1
Bi-Lo	14	Supermarket	Alton Park	2.3
Buehler's Market	3	Neighborhood Grocery	Downtown Area	0.4
Rogers Food King	11	Neighborhood Grocery	Highland Park	1.8
Korner Market	13	Neighborhood Grocery	Highland Park	1.7
Marc's Quik Stop	4	Convenience	Downtown	0.1
Park City Market	10	Convenience	Downtown	1.1
Maya Tienda	12	Convenience	Downtown	1.5
Mr. Zip	2	Gas/Convenience	North Shore	1.2
Kanku's	5	Gas/Convenience	Downtown	1.1
Kanku's	9	Gas/Convenience	Downtown	1
P and P Produce	6	Fruit and Vegetable	Downtown	0.6
McCormack's Indian River Mkt.	7	Fruit and Vegetable	Downtown	0.6
D&D Produce	8	Fruit and Vegetable	Downtown	0.8

Technical Notes

Downtown Groceries for Chattanooga
Chattanooga-Hamilton County Regional Planning Agency
December 2007

1. “...analysis to include five U.S. Census Bureau-defined tracts in **downtown Chattanooga...**”

The Chattanooga downtown contains five census tracts in Hamilton County as defined by the U.S. Bureau of the Census. They are Census tracts 10, 15, 16, 20, and 31. This area also largely corresponds to the area defined by the Regional Planning Agency as Planning District 8a: “Downtown.”

2. “Approximately **5,200 housing units...**”

The number of housing units in downtown Chattanooga is derived from three sources: [1] a Regional Planning Agency database from 2004 indicating the number of known units on a parcel by parcel basis in that year; [2] a brochure from the RiverCity Company, “Chattanooga Downtown Living is Cool” (2007); and [3] dormitory information provided via personal communication from University of Tennessee officials. Where information from sources [2] and [3] was more recent than the 2004 data, these data were added as new units on existing parcels. New data from [2] were included regardless of whether the building project was indicated as being “Announced,” “Underway,” or “Completed.” The final number simply approximates the number of units downtown; it is not intended to be taken as a precise count. Planning Agency data [1] show 5,140 units on parcels downtown. Units on two of the larger parcels have since 2004 been demolished: Cameron Hills Apartments (362 units) and Chattanooga Housing Authority units south of Interstate 24 (192 units). Parcel data therefore indicate 4,586 downtown units. “New Units” [2] and [3] above total 1,053. Of these, 555 units are dormitories at the University of Chattanooga. Total units therefore increase to 5,909. The vacancy rate downtown, however, is given in 2000 by the U.S. Census as approximately 12% (from the census tables in the narrative). Thus, there are 5,200 ($5,909 * 0.88$) = 5,199.92, or approximately 5,200, units downtown.

3. “...have a **buying power** of \$11 to \$16 million...” (high range)

Buying power comes from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey 2006 (Online at <http://www.bls.gov/cex/home.htm>). The statistic used is for the average annual expenditure on “Food at Home” for a consumer unit with a “Region of Residence” in the South: \$3,134. Student expenditures were taken as somewhat lower: consumer units “25 and under” spent on average \$1,946 for “Food at Home” (i.e., groceries). For the purposes of this analysis, “consumer unit” is presumed to be analogous to “unit” as defined in “Number of Units” above. 555 of the 5,909 units downtown are dormitories, and are considered here consumer units “25 and under.” The remaining 5,354 units are taken as consumer units with a region of residence in the South. Of these, 12% are presumed vacant. Number of Units multiplied by percent of units occupied multiplied by spending per unit yields total buying power.

	Housing Units	Occupied	Total Units	Unit Spending	Buying Power
Occupied Units	5,354	88%	4,712	\$3,134	\$14,765,904
Student Units	555	88%	488	\$1,964	\$959,218
					\$15,725,121

4. “...have a **buying power** of \$11 to \$16 million...” (low range)

The Consumer Expenditure Survey provides an average annual consumer unit expenditure of \$2,159 for consumer units with incomes of \$10,000 to \$14,999. This income range is used because it is suggested by the downtown median income of \$12,659 (as shown in the information in the tables). That dollar figure is multiplied by all units (for simplicity, student population is not differentiated here). Buying power is derived as in note 3 above.

	Parcels	Occupied	Total Units	Unit Spending	Buying Power
Occupied Units	5,909	88%	5,200	\$2,159	\$11,226,800

5. “...**Buehler’s Market on North Market Street has annual sales of less than \$2 million.**”

Sales of Buehler’s in 2006 was \$ 1.8 million as indicted by Dun and Bradstreet 2006 data supplied by the Community Research Council, Chattanooga. Supermarkets at the perimeter of the study area are not taken into account as part of the market capture area.

6. “...the equivalent of **27,000 to 40,000 square feet...**”

The average food sales per square foot of grocery retail space is \$352.50. (Urban Land Institute. (2006). *Dollars & Cents of Shopping Centers®/The SCORE® 2006*. Washington, D.C.: Author). Corroboration comes from the Food Marketing Institute (http://www.fmi.org/facts_figs/?fuseaction=superfact, accessed on Nov. 11, 2007) \$327,823 per week in average weekly sales per supermarket multiplied by 52 weeks the quantity divided by 48,750 square feet equals \$349.68—nearly \$352.52. The higher end of the range for consumer expenditures is approximately 40,000 square feet. For the low end: 27,000 sf. Buying power given in notes 3 and 4 above. Existing Buehler’s sales are subtracted from buying power to yield net buying power. That number is divided by sales per square foot to yield total necessary footage.

	Buying Power	Less Existing	Net Buying	Per Square Ft	Total Footage
High Range	\$15,725,121	\$1,800,000	\$13,925,121	\$352.50	39,504
Low Range	\$11,226,800	\$1,800,000	\$9,426,628	\$352.50	26,742

7. “A planned **8,000 square foot** limited grocery...”

Information on the planned Westside store comes from a personal interview with Chattanooga Housing Authority representative Mark Rudisill on November 6, 2007.

8. “...**23,000 persons** that work downtown...”

22,771 persons work in the five downtown census tracts, according to information provided by the Community Research Council in Chattanooga; source information is dated 2006 and comes from Dun and Bradstreet. The daytime population does not account for those working outside of the downtown area, including at the Erlanger Hospital.

9. “...a collective need for **20,000 to 30,000 square feet** of retail space...”

Grocery expenditures are estimated here to be 10% to 15% of housing unit expenditures. Each worker was assumed to be a representative of one housing unit, spending \$3,134 (taken from note 3 above). Number of workers multiplied by the percentage of household buying power expended the quantity divided by dollars in sales per square foot yields total square footage. As for the 10% estimate, consider that the average consumer unit in the

South spent more than 10% (\$328) in 2006 on dairy purchases alone (Bureau of Labor Statistics Consumer Expenditures Survey, as above).

	Workers	Spending	Percentage	Per Sq. Foot	Total Footage
High Range	22,771	\$3,134	15%	\$352.50	30,368
Low Range	22,771	\$3,134	10%	\$352.50	20,245

10. “...estimated demand for downtown grocery space ranges from **39,000 to 62,000 square feet...**”

Low and high range resident demand for square footage comes from note 6. Subtract soon to be built square footage (8,000 sf) and add square footage for downtown workers’ demand from note 9. The midpoint is 50,430, or “more than 50,000 square feet.”

	Demand	Less Existing	Plus Workers’	Net
High Range	39,504	8,000	30,368	61,872
Low Range	26,742	8,000	20,245	38,988

11. “**nearly the size of a large supermarket...**”

The average grocery “super-sized” grocery store is 54,000 square feet. (Pothukuchi, K. (2004). Inner city grocery retail: What planners can do. *Progressive Planning*. Winter, 2004.) The size of the new Green Life Grocery on Manufacturer’s Road on the North Shore is, by comparison, about 30,000 square feet.

12. “...located in areas with **35 housing units to the acre...**”

35 housing units to the acre comes from Barnett, J. (2003). *Redesigning Cities*. APA Planner’s Press: Chicago, IL. p. 115. Chattanooga’s downtown has 5,200 units on 1,741 acres, or 3.0 units per acre, less than one-tenth (8.6%) of Barnett’s requisite density.

13. “**One study identified 20 of 32 cities...**”

Pothukuchi, K. (2005). Attracting Supermarkets to Inner City Neighborhoods: Economic Development Outside the Box. *Economic Development Quarterly* 19(3): 232–244. Online at <http://peoplesgrocery.org/brahm/wp-content/uploads/2006/10/AttractingSupermarketstotheInnerCity.pdf>.

14. **Table: “Grocery and Food Outlets in and Near Downtown”**

Grocery locations were identified using data from Dun and Bradstreet, Inc. (2006). NAICS codes 445110 (Supermarkets and grocery not including convenience stores), 445120 (convenience stores), and 445230 (fruit and vegetable markets) were included. Specialty foods, bakeries, confectioners, and beer and wine shops were not included. The new Green Life Grocery on the North Shore was added. Flatiron Deli on Walnut Avenue, Riverside Delicatessen on Frazier Avenue, and Riverside Food Works on Manufacturer’s Road were removed from the list (not grocery stores). RJ’s Market (apparently defunct) and Know Your Bible (unclear data) on East Main were also removed. Establishments with appropriate NAICS codes in the downtown area as well as outlying areas that lay within the visible page frame were mapped.

15. **Table: “Useful Approximations”**

Store categories and typical sizes are defined for the purposes of this report by the Regional Planning Agency. Average sales per square foot is rounded from figure from Urban Land Institute (note 6), and sales per square foot comes from Bureau of Labor

Statistics (note 3). Building sizes come from Regional Planning Agency “buildings” and “parcels” databases.

Although a supermarket defined by the Food Marketing Institute (note 6) as any retail food outlet with over \$2 million in sales—usually over 6,000 square feet in size (2,000,000 square feet divided by ca. \$350 dollars in sales per square foot as in note 6), stores of that minimum are not what consumers see as “average” supermarkets of 50,000 square feet or more (note 11). Langdon (see reference list) places “neighborhood grocery” stores at between 3,000 and 4,000 square feet. In sum, definitions here are fluid, given for the purposes of this report, and size ranges only approximate.

16. Tables: “Downtown Statistics”

All data come from U.S. Census Bureau, 2000. Keep in mind that census tract 20 (Southside) has high percentage of persons in poverty, but many low income units south of Interstate 24 have been torn down; the poverty rate there should have decreased since 2000. By the same token, the poverty rate in census tract 16 (Westside) likely increased since 2000, because middle income apartments on Cameron Hill have been torn down, but many low income units remain.