



**Market Analysis  
&  
Strategy Synopsis  
for  
Coconut Grove**

# Coconut Grove

## Market Analysis and Strategy Synopsis

### Introduction

The City of Miami has embarked on a program to maintain a vibrant, sustainable commercial central core for Coconut Grove. The following represents a synopsis of a detailed market assessment of the opportunities for activities in Coconut Grove, along with a proposed implementation program. The analysis and program were prepared by The Chesapeake Group, Inc. (TCG), with assistance from NATCOM Marketing and The BRV Corporation. Significant survey work conducted as part of this analysis included:

- ✓ Individual interviews with representatives from business, government, and others in the community
- ✓ Reconnaissance of competitive commercial areas
- ✓ A survey of existing businesses
- ✓ An on-street patron survey
- ✓ A telephone survey of area residents

The analysis employs assumptions that reduce amount of supportable space and units in order to avoid suggestions for new activity that would be marginally marketable. The estimates represent only TCG's opinions based on the presented information and experience.

Success at achieving and sustaining economic growth will be dependent upon a coordinated local effort that involves a permanent public-private partnership and commitment to that partnership, a willingness to maintain or exceed competitive positioning, and quality planning.

### Background and Issues

Over 50 individual interviews were conducted with property owners, developers, members of the cultural and artistic community, hoteliers, realtors, business operators, land-use attorneys, and community activists. The intent was to gain an understanding of the issues relating to economic development and the market dynamics that would impact future policies and plans. Salient issues included:

- ✓ As the region grew and changed in terms of demographics, commercial areas developed to serve new population centers. As a result, the Grove naturally lost market share, both locally and regionally, and was no longer preeminent.
- ✓ The Grove has served both a local population as well as visitors from around the world. The question is which market would be best suited to target limited resources.
- ✓ The "arts" have lost their visibility or are now centered in other commercial areas.
- ✓ There are diverging interests and opinions on many issues that have resulted in a plethora of organizations, giving the Grove an inability to "speak with one consistent voice."
- ✓ There is no direct access to major highways.
- ✓ There is poor or limited use of both man-made and natural resources such as the waterfront, theater and parks.
- ✓ Rents are high.

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### Competition

As noted, the Grove's commercial viability has been impacted by growth and reinvestment in competitive areas. The competition was analyzed and included Miracle Mile, South Miami, Lincoln Road, Aventura, Las Olas, Kendall, Bayside, Brickell, Hollywood, Merrick Park, City Place, Mizner Park and Clematis Street.

These areas range in age and scale from historic districts to those built and opened in the past year or two. Parking controls and magnitude vary. Physical forms also differ, with some of the newest areas built around a "new urbanism" model, blending commercial and residential.

Yet, the successful areas, including those that have undergone economic enhancement in the past few years, share several common characteristics. The most important of these are a density of office or residential development as part of or within walking distance. In addition, some of these facilities have a successful cultural component. The former creates a large internal market, providing sales and revenues for restaurants and other retail activity. The latter are anchors, attracting customers from other markets on a regular basis. Additionally, each has a coordinated marketing effort. Many of the areas have superior access, being located near, on or adjacent to major roadways with high visibility.

### Comparative Assessment

A comparative assessment was performed as one of two primary analysis used to identify business opportunities. The assessment involved a comparison of the Grove's business structure to that associated with communities or areas that are similar. Characteristics upon which similarities are based included the size of the population and number of households, both reflective of markets; tourism as an opportunity; proximity to water features or bodies; and access.

Under-represented businesses were defined as those where the Grove had a lesser number of businesses than at least five other communities. That does not mean that under-represented businesses are desirable for any given community. However, they do represent gaps that could, but should not necessarily be filled.

Some of the types of operations that are under-represented include those linked to hardware and home improvements; bakeries; draperies, curtains, and flooring, carry-out foods and sandwich shops; video rentals, and florists. Many of the under-represented businesses are retail operations typically considered convenience uses, found in neighborhood commercial nodes or areas. Few were specialty retail operations.

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### Business Survey

Three surveys were conducted as part of the analysis to generate critical information and a new database. One was a survey of current business operations within Coconut Grove. The businesses to be included were identified by the City of Miami from licensing information. The surveys were also distributed by mail with the assistance of the City.

Through the survey of Grove businesses it was determined that most businesses had revenues that were holding steady or declining. Only about one-fourth of the operators indicated rising sales or revenues over the past few years.

Most of the operations are small businesses, based on the number of employees and the number of locations associated with the business. About 47% of the business operators are at least 50 years of age. This means that turnover could be high in the next decade due to retirements.

Desired changes include increased and more affordable parking, more visible security, street cleaning and beautification, more marketing and promotion, a reduction in the number of street people, liberal sign regulations, fewer vacancies and more retail and restaurants. About 20% of the businesses surveyed indicated an interest in expanding.

### Patron Survey

Over the course of several weeks in 2002, a patron survey was conducted along the commercial streets of Coconut Grove, during both the day and evening, to determine markets. The following are highlights.

- ✓ About one out of every ten of the patrons maintained their permanent residence outside of the United States.
- ✓ A majority of 79% of those from this country live within the Miami area.
- ✓ Only one-half of the non-Miami area visitors indicated that they were staying in either a hotel or motel.
- ✓ Almost one-half of the out of town patrons indicated that they traveled to the Miami area multiple times per year.
- ✓ Eight out of ten of the patrons had been to the Grove before.
- ✓ About six in ten patrons were under age thirty. About one in four were between thirty and fifty years old.
- ✓ 44% of the respondents held a college degree, and another 23% had completed some college.
- ✓ 44% reported annual incomes above \$75,000. The average total annual household income is estimated to be approximately \$66,000.
- ✓ The number one identified problem was the perceived shortage of parking spaces and associated costs.

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### Telephone Survey

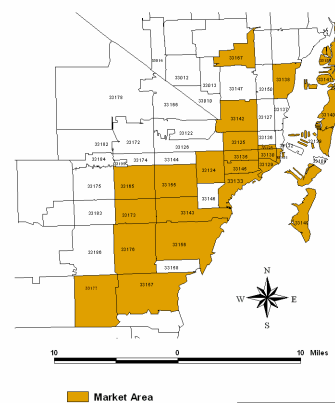
A telephone survey of households in sections of Miami-Dade and Broward Counties was conducted in an effort to obtain information on purchasing and demographics. More than 500 households were included. The survey indicates that:

- ✓ The average household consists of 2.22 people.
- ✓ The average household income is in excess of \$49,000 annually.
- ✓ The average in Broward exceeds the average in Miami-Dade. The average in Miami-Dade is estimated at \$45,460, while the Broward average is roughly \$53,000. Fewer Broward households have incomes below \$50,000.
- ✓ Sections of Miami-Dade in and around the Grove have higher household incomes than in Miami-Dade in general.
- ✓ Between one-fourth to one-third spend more than \$100 per week on groceries and related merchandise. The average household spends generally about \$83.25 per week.
- ✓ About one-half go out to eat lunch at least once per week, with the proportion higher for Miami-Dade interviewees.
- ✓ About two in ten have someone in their household who go to clubs to hear music, dance, etc. at least once per month.

### Demand Forecast

Demand forecasting was undertaken for retail and related services, housing, and office space, as each is fundamental to the economic base of Coconut Grove. Demand for retail goods and services for any area is based on the market's ability to purchase goods and services. There are three market areas associated with the Grove. These are: the primary market, composed of residents living in certain areas in or near the Central Grove (Brickell, Coconut Grove, Coral Gables, Key Biscayne, East Kendall, Shenandoah and South Miami); the secondary market, composed of residents living in the remainder of Miami-Dade County; and the tertiary market, consisting of residents residing elsewhere in the region. For this analysis, visitor-based sales are considered an additional source of revenues, with no suggested space or operations dependent upon those revenues. Such sales are impacted by national and international conditions and circumstances well beyond local control.

Coconut Grove Primary Market



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### Demand Forecast Cont.

Primary market area (note map) resident's sales, irrespective of where they are spent, were estimated at about \$3.7 billion at the beginning of 2003, and are expected to grow to \$4.1 billion by 2010. With respect to retail:

- ✓ While the primary market will grow sufficiently to add 1.3 million square feet of space by 2010, only about 500,000 sq. ft. is "shoppers' goods" activity, generally found in regional areas and centers.
- ✓ About 400,000 square feet of space is non-vehicle oriented neighborhood serving retail. The Grove can attract some of that growth.
- ✓ A successful penetration of the primary or secondary market is likely to yield a higher return than the maximum attraction of visitor market sales and population.

Housing demand for the area is strong, with 2,000 new multi-family housing units marketable by 2010. If the Grove can establish an affordability range niche (i.e. Grand Ave.), the number of marketable units would likely be increased significantly.

The Grove has a lesser number of office buildings than any of the other major areas of office concentration and has the second lowest square footage. A minimum of 177,000 sq. ft. of office space will be marketable. About 445,000 sq. ft. is not unreasonable.

### Implementation

This implementation program does not address physical issues, but programmatic changes intended to achieve positive returns over the short-term. The following are some of the indicated changes that should be pursued. In general, the program addresses better use of existing assets and enhancing the image.

- ✓ For Peacock Park, the focus of activity should be on smaller, neighborhood oriented events and use 300 or more days per year after physical enhancement. Short-term efforts could include a weekly farmers' market, a few times per month flower mart, outdoor volleyball tournaments, and use of the glass house for community events.

Other activities could include a continual program of music and cultural activities, outdoor "movies in the park" night and art shows and exhibits.

- ✓ For the Barnacle, it is suggested that promotion and use be increased by linking visitation to other historic oriented activities and events and by having historical reenactments coupled with historic quality displays. The facility could be the terminus of historic tram tours of the Grove that would include stops in the West Grove and other historic sites (i.e. Conch Train in Key West).

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### Implementation Cont.

- ✓ The Playhouse is one of the major underutilized assets. As previously noted, successful competitive areas have cultural assets.

To facilitate the further use of the Playhouse: expansion plans should be expedited and the number of productions should be increased. Through production and event venues, the audience needs to be expanded to include some of the larger market groups, including the Hispanic audience. The latter two could occur before expansion of the facility.

- ✓ The AMC theaters at Cocowalk have begun to show art and independent films. AMC should expand their venues for more art and foreign films. International screens showing Spanish, Italian, French and Portuguese films might be established. There is a need for modernization of the facility to better compete.
- ✓ A major asset that is poorly linked to the commercial core is the waterfront. The waterfront needs to be united with the interior commercial activity, youth-oriented recreation, and promoting the use and availability of the waterfront parking. The gap can be bridged through a trolley or transit shuttle to and from the waterfront, parks and other areas on at least days where there are events at the parks or along the waterfront at the Exhibit Hall; increasing the use of the Exhibition Center for

ethnic festivals and youth-oriented recreation events, activities, and promotions. Also, there should be an exploration of the feasibility of a water taxi and enhanced use for bay tours.

Parking improvements including signage, promotional rates, and linkages are needed to change the current perceptions of the merchants and patrons.

Two primary tools are suggested to quickly alter retail and related sales and revenue patterns noted:

- ✓ The first are events intended to increase sales on the day of the event not just by bringing people to the Grove in general. Proper management and coordination would allow for events oriented toward generating sales to be held simultaneously with events and activities intended to bring people into the area. Some of these events include street theater, a revived "Taste of the Grove," Sunday afternoon activities, "treasure maps" or "passports," and historical-oriented events. A number of events are identified and linked with other proposed implementation elements.

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### Implementation Cont.

- ✓ The second is to create a catalytic type project along Grand Avenue, west of Cocowalk. The project could be Caribbean themed, public market, promoting the history and culture of one or more segments of the Grove's population.

This commercial project could be the cornerstone of revitalization efforts in the western section of Grand Avenue. It is anticipated the "market" could be in the 15,000 to 25,000 square-foot range; have a food service orientation, with 50% or more of the space allocated to that activity; and could include crafts, particularly with artisans creating the crafts on site. The market would be expected to be synergistic with other activity in the Grove and along Grand, but is capable of acting as its own draw of patronage or anchor.

Initially, the market would be in operation incorporated as an event, on a week or bi-weekly basis, to coincide with other schedule events. This would allow for further evaluation of the market potential. It could become a regular Grove activity, like the proposed "farmers market and flower mart." Simultaneously, a permanent site could be sought.

- ✓ The third phase of the themed market would be to recruit an experienced developer partner. It is suggested that the recruitment effort be national in focus.

The recruitment process can be done in cooperation with private brokerage interests.

The suggested process involves multiple tasks and includes preparation of marketing materials, distribution of those materials, and evaluation of development interests.

- ✓ The Grove has about 1,500 hotel and hotel condominium rooms, whose success is linked to the viability of the area. Increasing hotel occupancy and capturing additional visitors' spending needs to be a major component of the strategy. Enhancement of the waterfront for recreational opportunities and linkages to the Brickell, Coral Gables, and Key Biscayne hotel nodes by tram and water needs to be created

- ✓ It is suggested that a local "barter" program be implemented to leverage media dollars. Bartering is a common form of exchange used by smaller businesses in the United States, through the exchange of a good for service, in lieu of cash. It is also very common on a larger scale basis in other countries.



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## Market Analysis and Strategy Synopsis

### Implementation Cont.

The system involves exchanging room nights at local hotels for media and marketing purposes. Hotels often have rooms that go unoccupied, particularly on a seasonal basis. A portion of or the total value of those hotel room nights is traded for media dollars.

Some of the available rooms can be used/donated and “sold” for occupancy in a variety of ways. One-way would be to provide them to a third entity (such as a local public-private partnership) that exchanges their use on the open market (sells them to a “bulk” wholesaler for example). The dollars associated with the sale are then used to purchase advertising. A second method is to have a third party arrange to “sell” to (have them used by) local businesses or organizations that need to have business and other visitors stay overnight. Those to whom they are sold in the media industry then directly provide advertising space or media in exchange. To others, revenue/services are exchanged.

The hotels gain by increased occupancy and use of their other revenue generating facilities, such as restaurants and spas; and increased exposure. Similar benefits would accrue to the Grove in general.

It can also be beneficial in assisting with the creation of packages for extended stays as the hotel room nights can be packaged with restaurant discounts, theater tickets, fishing excursions, windsailing and parasailing, beauty salons, and historic site tours to promote dollars staying in the Grove.

A further illustration of how the system could work follows.

- ✓ The participating hotels provide values for hotel rooms. (For example, that average value might be \$100.)
- ✓ The participating hotels also agree to inject a certain percentage of their room inventory. (For example, 5%)
- ✓ That value in turn is “traded” to a barter company for media dollars.

In the example, 5% of the rooms, or 75 rooms, would have a total barter value of \$7,500 in a given day, or roughly \$52,500 per month gross value for one week of a month. After reselling expenses, a net amount of approximately \$23,000 per month would be available to assist with local advertising campaigns.

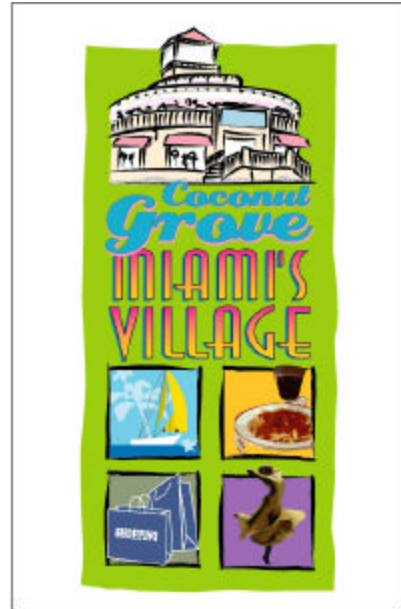
Also, while 5% and one week were used for the example, the percentage or time could be higher or lower based on seasons, hotel occupancies, and other factors.

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## Market Analysis and Strategy Synopsis

### Implementation Cont.

- ✓ Creatively, it is recommended that the Grove marketing campaign target the local population with messages that convey a variety of opportunities such as “when coming from nearby it is easy to get to, different, friendly, and fun. “The Grove is not only a fun place to shop, eat or drink, but it is also “right next door.” “It’s about going to the Grove for shopping, eating, playing, being seen.” With many visitors to the area staying with friends and families, targeting the local population will also result in impacting the visitor trade.
- ✓ Since the marketing involves many different events and activities, it shares one common theme as diverse as the Grove itself. They are “IN THE GROVE.” No one need say more; everyone knows where you are going and to which area you refer. This simple statement is a positive, repetitive benefit promise. Whatever you want is or can be found “IN THE GROVE.” One can find comedy, drama, and theatre “IN THE GROVE;” sail away “IN THE GROVE;” and wine and dine “IN THE GROVE.” Combined with graphics, one can effectively communicate the diversity and uniqueness available only “IN THE GROVE.”



### Organization

None of the activities will be likely achieved or reach success without significant cooperation between different parties, “stakeholders” or interest groups that share the common goal to see the Grove flourish. While an enhanced NET is deemed a necessary step to improve economic vitality, more significantly is an enhanced public-private sector cooperation and coordination.

It is suggested that:

- ✓ A business-oriented voluntary partnership, relying on public and private cooperation, corporate and public sector grants, public sector funding, and leveraged dollars, be established whose primary purpose is to maintain a healthy and vibrant community and business atmosphere in the Grove.

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### Organization Cont.

- ✓ The objectives of the organization would include: coordination of public and private resources; fostering communications and dialogue between various Grove groups to form a cohesive public voice; coordinating new activity and events and enhancing the coordination of the existing major events; establishing a solid, locally oriented marketing effort, based on events and physical enhancement; facilitating development of key parcels to the appropriate density, while preserving and enhancing the character of established activity; striving to economically link the nearby waterfront with the existing core, among others.

The above may require handling of funds, administering funds and grant programs, the purchase of property, the development of property, and any other function that is legally allowed for other like entities (corporations), based on current and future laws of the State of Florida and the United States.

- ✓ The partnership should be a formal corporate entity "in perpetuity."
- ✓ It should be organized and established with the intent of obtaining 501(c)(3) or future similar status under the Internal Revenue Code.

- ✓ The group could be composed of one representative from each of the following:

1. Cultural /Arts Institution
2. The Coconut Grove Trust (a property owner or merchant representative)
3. Chamber of Commerce (a property owner or merchant representative)
4. Coconut Grove Village Council
5. The Collaborative (a property owner or merchant representative)
6. Miami Parking Authority
7. Merchants Association
8. The Greater Miami Convention and Visitors Bureau (Grove hotelier representative)
9. Appointee of the City

- ✓ The professional staff would include an Executive Director and other support staff as needed.

- ✓ The Executive Director would be responsible to the President/Chairperson of the organization, while other staff would be responsible to the Executive Director.

- ✓ The Executive Director is expected to have a strong marketing background.

- ✓ The Members are expected to set all policy and take responsibility for fiscal direction. The Executive Director and staff are expected to administer the program under the guidance and direction of the Board.

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### Budget and Funding

The long-term viability of the organization will be dependent upon the creation of a sound financial base and a long-term commitment from both the public and private sectors for financial contributions. The City of Miami, Coconut Grove Parking Trust in conjunction with Miami Parking Authority have funded business development and marketing activities in the Grove and have reallocated funds generated by the Grove back to the community for these efforts.

During the initial years of operation for this organization it is anticipated that there will be a continuation and enhancement of financial support from the public sector and an increasing participation from the business community and property owners. New funding resources will be generated as a result of a focused marketing and business development program, but this will not begin to be generated until the second and third years of operations.

Working towards the establishment of a Business Improvement District (BID), which could generate \$250,000+ in funding through assessment of commercial properties, should be one of the objectives of this organization during the next several years. This district must be established by the City of Miami upon the approval of the majority of the property owners.

The initial budget is projected at \$280,000, after a \$200,000 investment for project start-up costs, which include four months of operating expenses. A significant contribution from the Coconut Grove Parking Trust, The Special Events and Marketing Committee, Peacock Park Events, and stakeholders' financial contributions is projected to be the initial source of funding. In Year Two, it is anticipated that the budget could increase to over \$585,000, as a result of the initiation of the barter program and increased community-oriented events in the Grove.

Proposed expenditures will focus on the creation and execution of a marketing program that will necessitate the hiring of professional staff and aggressively promoting the Grove primarily to the local community (and to a lesser extent the visitors market) through events, advertising, and the development of catalytic projects. Providing enhanced public services (i.e. security, street maintenance, park operations, visitor guides) will be added to the organization's work program as increased funding becomes available.

The following projections are based on assumptions associated with funding / operations for the partnership during its first two years.

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### Proposed Coconut Partnership

#### Initial Investment & Working Capital Requirements

#### Sources of Funds

Stakeholder contribution	\$ 50,000
Special Events & Marketing Committee	\$ 150,000
Total	<u>\$ 200,000</u>

#### Initial Investments & Working Capital Requirements

Equipment Purchase	\$ 30,000
Developer Recruitment	\$ 20,000
Working Capital*	<u>\$ 93,000</u>
Total Working Capital Requirement	<u>\$ 143,000</u>

\*Estimated to be 4 months of expenses.

Reserves	\$ 57,000
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### Proposed Coconut Grove Partnership

<u>Revenues</u>	First Year	Second Year
Coconut Grove Parking Trust	\$ 200,000	\$ 200,000
Special Events & Marketing Committee	\$ 50,000	\$ 75,000
Peacock Park Events	\$ 20,000	\$ 40,000
Sidewalk Café Fee	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Total Revenues	<u>\$ 280,000</u>	<u>\$ 325,000</u>
<u>Contributions</u>		
Stakeholder contribution		\$ 60,000
Barter (In-Kind)	<u>                    </u>	<u>\$ 200,000</u>
Total Revenues & Contributions	<u>\$ 280,000</u>	<u>\$ 585,000</u>
<u>Expenses</u>		
Wages & Salaries	\$ 130,000	\$ 142,000
Office Expenses	\$ 50,000	\$ 53,000
Marketing / Advertising / Event Underwriting / Promotions	\$ 100,000	\$ 190,000
Barter Advertisement (In-Kind)	<u>                    </u>	<u>\$ 200,000</u>
*Rent		
Total Expenses	<u>\$ 280,000</u>	<u>\$ 585,000</u>
<u>Net Operating Results</u>	\$ -	\$ -

\*Offices for the Partnership should be housed in available space in Oak Street Parking Garage