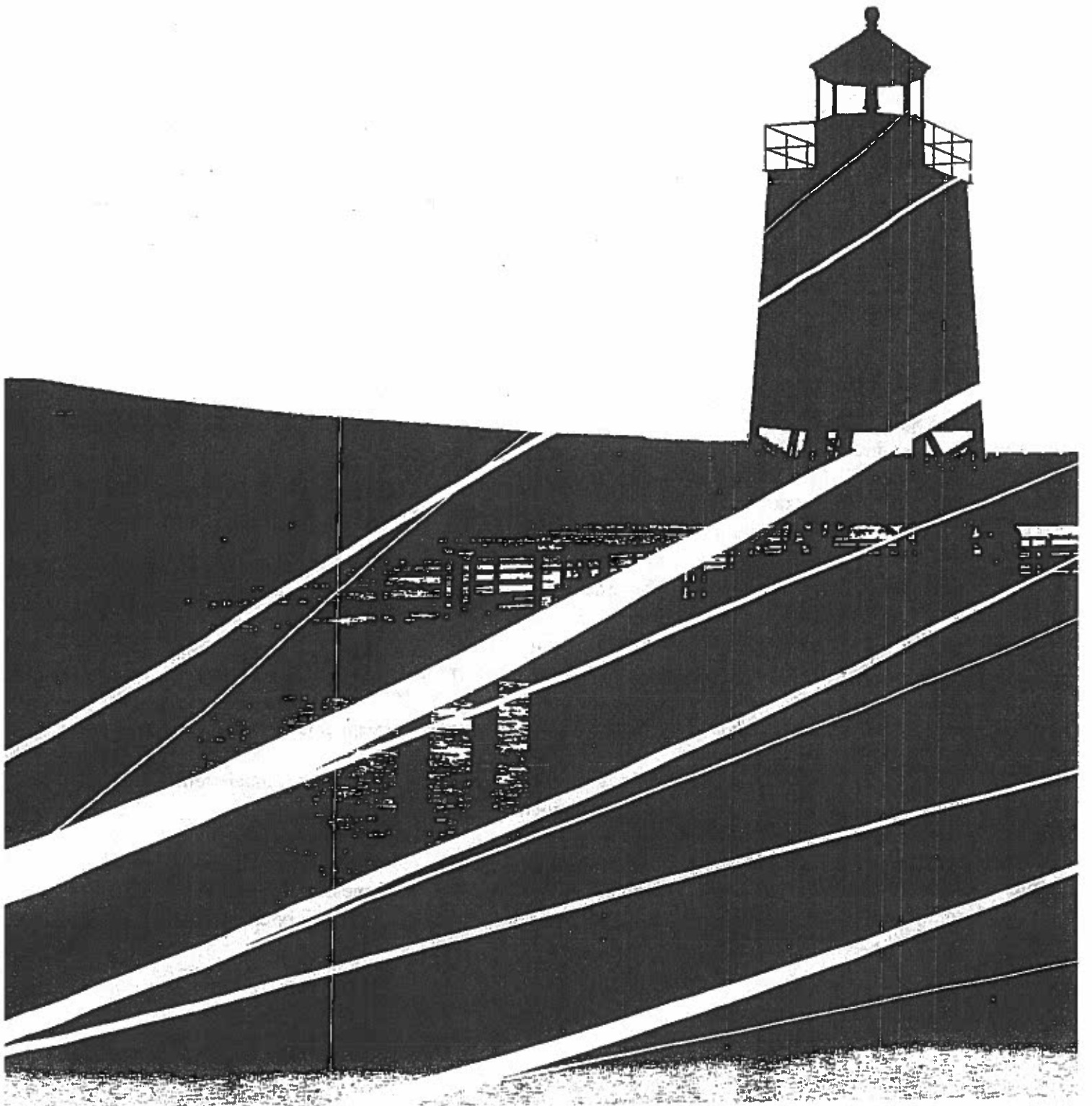


# CHARLEVOIX

Downtown Marketing Assessment and Development Strategy



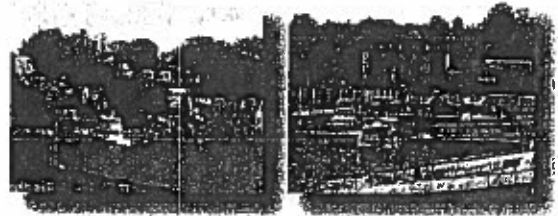
## Introduction

The following is an Executive Summary of the market assessment prepared for Downtown Charlevoix. The assessment was prepared by The Chesapeake Group, Inc. (TCG) under contract to the City of Charlevoix and with the assistance of LSL Planning.

The market assessment identifies existing conditions, contains analyses appropriate to describe marketable opportunities, defines opportunities that would be sustainable, and, finally, provides the methods to move forward and seize these opportunities. The sole purpose and intent is to provide guidance for enhancing the Downtown and local economy.

The strategy is based on data and information gathered through the following:

- Interviews with stakeholders.
- A survey of patrons conducted during peak visitor season.
- A survey of full and part-time residents of the Charlevoix area.
- A survey of area businesses including those Downtown.
- Independent research and proprietary computer modeling.



The Chesapeake Group, Inc. is truly thankful to the staffs of the City of Charlevoix and the Chamber of Commerce for their dedication and support of this initiative. We would also like to thank the hundreds of households and businesses that participated in the surveys.

## Global, National and State Factors Important to Future Economic Development

There are demographic and other changes within the United States and Michigan that impact the opportunities and the future for Charlevoix. These include but are not limited to:

- Birth, fertility and marriage rates have fallen to the lowest level in the history of the country.
- The average age of residents continues to increase.
- The two fastest growing components of the population, both the Baby Boomers households and younger adult households are increasingly seeking and participating in passive and other recreational activity and new forms of entertainment.
- The young adult population relocates and shifts employment at a faster pace than any previous generation.
- Growing household income differentials will further market segmentation.

The demographic changes impact retail spending, housing needs, and other segments of the economy.

Changes in manufacturing and technology within the United States, Michigan and the global economy will impact commercial opportunities. They include but are not limited to:

- Manufacturing is changing significantly through changing technology.
- Internet sales will continue to grow as new high speed internet options become available and prevalent.
- Additive manufacturing will diminish the need for inventory storage on-site at retail operations.
- On demand production will grow changing the retail fabric.

## Additional Local Factors and Trends

The following are essential local factors impacting Downtown Charlevoix.

- The City of Charlevoix has a year round population of less than 3,000 people. The population increases dramatically in the summer months due to tourism and the high number of vacation/seasonal homes. This influx of people supports commercial activity that could not be maintained solely by locals.
- The majority of the operations report that business has either improved or remained unchanged over the last three years. Most Downtown operations employ seasonal workers; individual operations generally employ less than ten people.
- For many current Downtown operations, there is no one to take over and operate the business should the current owner no longer desire or be capable of continuing the operation.
- The seasonal nature of the Charlevoix area is the primary challenge to current and future activity in the area. The aging of the population in Charlevoix, Charlevoix County and other contiguous areas is also an important challenge to sustainability of the Downtown.

## On-street Patron Survey Conclusions

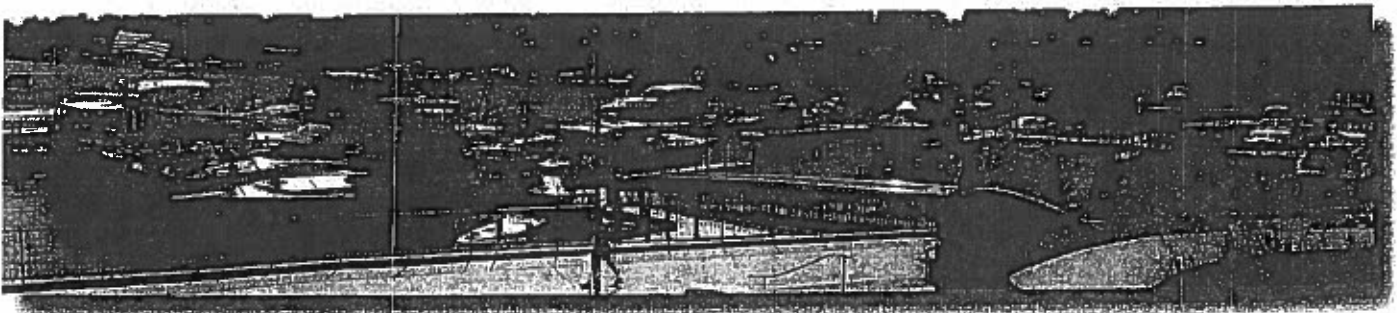
During peak visitor season in 2014, a sample of more than 200 Downtown patrons was conducted. The key findings of the sampling are:

- Downtown patrons are generally over 50 years of age.
- The majority of patrons live in Michigan and generally along the US 131-31 corridor and from communities that surround Charlevoix; there are a substantial number of patrons who live outside of Michigan as well as in other states.
- The average income of patrons is relatively high, with the mean average household income about \$116,000.
- Many patrons come to Downtown during season either on many occasions or year after year although a reasonable proportion of new patrons are still being attracted.

## Resident Survey Conclusions

Surveys of both full and part-time households living in the Charlevoix area and surrounding communities was also conducted. More than 350 households representing more than 700 people responded to the survey. The survey results indicate:

- There is likely to be a continued population loss in the area in the near future as younger residents seek perceived greater employment opportunities elsewhere.
- Many Charlevoix residents make the majority of their purchases outside of Downtown and Charlevoix
- While residents from surrounding communities currently come Downtown during the peak season, the numbers coming other times of the year are substantially below those coming during the season, negatively impacting commercial sustainability in Downtown.



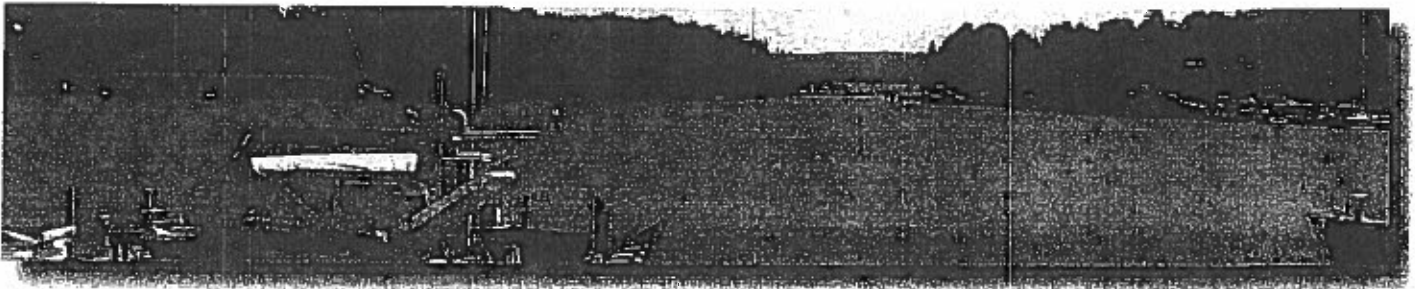
## Demand Forecasts

Demand forecasting focused on retail goods and related services, housing and other potential activity for Downtown Charlevoix concluded:

- Full-time residents of the City of Charlevoix do not generate sufficient sales to support the current Downtown activity without attracting sales from others beyond the jurisdiction's boundaries.
- An opportunity exists to recapture the exported dollars from City and County full-time residents that are spent in other communities. There is also the opportunity to attract residents from neighboring communities to spend money in Downtown.
- Opportunity is particularly strong for food service activity often blended with entertainment. The success of retail will be based on attracting Charlevoix County and surrounding counties' households off season.
- Additional opportunity exist for expansion of office activity in downtown linked to younger entrepreneurs if there is incubator space.
- The enhancement of deteriorated existing hotel rooms in Downtown is also possible.
- Between 45 and 90 additional housing units could be supported in Downtown over the next ten years.

## Strategic Program Components to Seize Opportunities & Grow the Economy

Charlevoix is at a crossroads. Without an injection of younger households the population will continue to age and could reach a point within a generation where housing property values decline, vacancies become common place in neighborhoods, and the associated tax revenues for local government and other services decline dramatically. On the other hand, there is an opportunity to grow the local economy to the benefit of the full-time and seasonal residents.



## Strategic Goals

To maintain vibrancy and grow the local economy and Downtown to the benefit of the residents and property owners, Charlevoix should seek to:

1. Retain and attract new households headed by individuals under the age of 35.
2. Support aging in place. Work to retain the current seniors and other residents who will seek alternative living arrangements in the future, not traditional single-family homes.
3. Expand employment opportunities and the range of types of employment in the local economy.
4. Enhance conditions that attract and encourage entrepreneurial activity.
5. Expand full year economic activity Downtown.
6. Expand the year around activities in the Downtown by attracting patrons from surrounding communities.
7. Seize opportunities that are identified.

## Additional Tools To Capture Opportunities & Achieve Objectives

To achieve the goals and to take advantage of opportunities, there are additional tools or mechanisms that should be considered by Charlevoix including the following:

1. High Speed Internet for the Downtown. Charlevoix needs enhanced communications networks to create economic opportunity for new and existing businesses. There are new cost effective solutions being employed in other locations involving blanketing an entire community in a seamless WI-FI coverage providing high-speed access that would otherwise be cost prohibitive. The backbone of the system is a community internet infrastructure, which in this case will soon exist in the Ance Industrial Park. Engineers tap into the cable or fiber optic system, which employs essentially supercharged wireless routers into fiber optic jacks. The routers broadcast on a frequency reserved for transportation systems and have an extra large range up to 1,600 feet. The stationary (or mobile) routers provide secure signals and can be used to create a mesh network that covers an entire city. Since all are part of the same network, only one login is required, and there are no gaps if routers are strategically located.

2. Heated Sidewalks to Enhance and Attract Year Around Activity. Heating of the sidewalks in the Downtown will enhance the potential to attract patrons from other communities in Charlevoix County and neighboring counties during winter months and will contribute to the enhanced viability of restaurants and other businesses. There are several technologies that have been used to heat sidewalks in Michigan and other areas.

3. Formation of a Solar Coop for Downtown. Significant advancement in solar energy has made it an appropriate option for communities in Michigan and elsewhere; the solar industry is booming as a result. Further enhancement in battery storage will also soon be available increasing the potential feasibility of solar energy, as well as a return to the users. A coop could be created for Charlevoix residents to combine their purchasing power to lease, install or purchase solar cells and related equipment; this would dramatically lower operating and energy costs while obtaining the best prices. Solar systems may also be appropriate for heating infrastructure.

4. Crowdfunding. Start-up businesses are an important part of a healthy local economy and traditional Main Streets. Historically there were local banks that would finance start-up activity. That financing option for start-up activity is today very limited, even though the need remains. Therefore, the only way to preserve this opportunity for additional start-ups is through creative financing activity through the community. This may involve initial injection of capital (loans) as well as the creation of leases that have a unique structure based on targeted revenue goals for potentially fully vetted operators. The establishment of a local crowdfund option for financing of real estate ventures, business capital, start-ups, expansion and other aspects of the commercial business structure is one option that should be given serious consideration. Crowdfunding can be used to open the door and provide an incentive for entrepreneurship. The rules allow investors to invest in companies using a crowdfunding exchange if they will locate in Charlevoix. New, small and promising companies could be enticed to come to Charlevoix by providing capital (along with incubator space). Charlevoix could promote the availability of capital generated by local residents and businesses to grow new and fresh ideas and entrepreneurial entities.

Contributions to or through a crowdfund are investment funds; their purpose is to provide a return on investment. In general, the investments are "hit or miss" on an individual business or stock purchase just as the expansion or start-up of all operations. But when success is achieved, it is generally at a level exceeding any losses within the fund. For Charlevoix it is unlikely that one "hit" will compensate sufficiently for a loss in the short-term. The investment should be made for the long-term where there is an increased probability of a successful return on investment (ROI). A more balanced long-term approach will result in returns and a lower probability of non-successful businesses and investments for those involved in the crowdfund.

One substantial benefit to a locally directed crowdfund effort is the sense of ownership in the financed activity and businesses and in Charlevoix itself. That sense of ownership will result in greater spending, use and visitation of the businesses and would lessen the probable failure rates. This sense of ownership should not be underestimated.

5. Recruitment Focus. Without proactive recruitment, it is highly likely that a number of opportunities will be lost. It cannot be assumed that because opportunities exist, people will naturally seek those opportunities; rather, they can only seek opportunities of which they are aware. It is important to note that traditional means of marketing, such as "multiple listing," does not reach target audiences well or stimulate interest from those outside of the area that often make investments. The Charlevoix area is not necessarily seeking someone who is "looking" to invest; rather, the area is in search of the right parties that may not even know of the opportunities exist at this time or in the foreseeable future.

6. Incubator Space and Long-term Versus Short-term Return. Incubator space is essential to spur entrepreneurship. This will only occur through property owners and related investors/developers foregoing short-term returns for greater longer-term rewards; one option is to link rent to revenue flow of the entrepreneurial activity. There are communities where entrepreneurs are offered dramatically reduced to virtually no rent for the first year; the business agrees to "open the books" so that when certain revenue levels are reached, rent is paid based on normal percentages. In the short-term, income from the property is sometimes lower, but it is greater in the long-term. The impact of the activity substantially modifies the rent formula, so that over a longer term, rents and property related revenues rise above the levels that would have been achieved if only the short-term return was considered.

7. An Entrepreneurship Program. An entrepreneurship program with a possible apprenticeship component serves several purposes for increasing business opportunities Downtown. Through higher education institutions, "students" or participants can be identified with potential entrepreneurship profiles and interests. Financing for existing operations may be through current owners "taking paper" as well as other sources. It is noted that current owners of operations could also identify current employees with potential.

8. Maintaining Active First Floor Space along Main Street. Current zoning along Bridge Street requires street level retail activity with a few exceptions and grandfathered activity. Its purpose is to create a conducive environment for foot traffic. The current zoning should be reviewed and modifications made to include certain other activity that may substantially expand the off-season patron base. In particular, certain outpatient and other medical practice spaces can be designed to have visual appeal as well as generate substantial patronage that would not otherwise be Downtown. Consideration in the changes to zoning and related development regulations should continue the exclusion of accountants, real estate, attorney and many personal and professional services that do not serve large volumes of people on any normal day off-season and could be situated on upper floors.

### Prioritization to Achieve Goals

There are four tools that, when combined, will have the greatest impact on economic development and Downtown; these tools should be given the highest priority in terms of human and fiscal resources. They are enhanced communications and climate control of infrastructure Downtown, crowdfunding, creation of incubator space and housing infrastructure and options in Downtown, and enhancing entrepreneurship.

The private sector's involvement in all of the above activity is paramount to its success. While to a certain extent the Chamber of Commerce, City of Charlevoix, and the State of Michigan all have roles in the process, coordination should be a cooperative effort of the Chamber and the City of Charlevoix.