
RETAIL ANALYSIS AND STRATEGY

FOR THE CITY OF O'FALLON, MISSOURI

Prepared for

The City of O'Fallon, Missouri

MAY 2009

Contents

1.0 EXECUTIVE SUMMARY.....	1
2.0 INTRODUCTION.....	4
3.0 METHODOLOGY	4
4.0 OVERVIEW OF O'FALLON RETAIL DEVELOPMENT	6
5.0 KEY FINDINGS	8
6.0 CONCLUSIONS.....	13
7.0 RECOMMENDATIONS.....	17
APPENDIX.....	32
1. GENERAL CHARACTERISTICS OF RETAIL CENTERS IN O'FALLON	32
2. OVERALL SALES VOLUME AND SUPPLY	46
3. RESPONSES TO THE RETAIL SURVEY OF O'FALLON SHOPPERS.....	52
4. RESPONSES TO THE RETAIL SURVEY OF O'FALLON MERCHANTS	59
5. REMATCH ANALYSIS.....	62
6. OVERVIEW OF RETAIL SPACE BY DISTRICTS	69

1.0 EXECUTIVE SUMMARY

The City of O'Fallon has been one of the fastest growing cities in the state over the past two decades and growth is expected to remain strong. Last year *Money* magazine selected O'Fallon as one of "America's Best Places to Live". With an estimated population of 78,000, O'Fallon is currently the second largest city in the St. Louis region.

This strong residential growth was coupled with a commensurate expansion of retail space. Today, the city has over 4,000,000 square feet of retail space, which represents nearly ¼ of all retail space in St. Charles County. O'Fallon's inventory of retail space is also relatively new, with almost 80 percent of the retail space constructed since 1995.

The size of O'Fallon's population and the quantity of retail space has for many years afforded the City a dominant retail position in St. Charles County. Over the past five years, however, there has been significant expansion of retail in areas west of O'Fallon, in cities such as Wentzville, Dardenne Prairie and Lake St. Louis, as well as continued growth to the east in Chesterfield Valley, which now has over 2,000,000 square feet of retail space. This recent retail development has created a more competitive and challenging retail environment for existing retailers and prospective retail development in O'Fallon.

At the same time, the retail industry has seen a shift toward configurations like lifestyle centers and retail being incorporated into mixed use development. Subsequently, strip centers and malls have become less popular. An additional challenge is presented by the current economic environment, which has seen a nationwide downturn in most sectors including retail.

It may not seem intuitive to develop a retail strategy in the current shift in retail trends and the uncertain economic environment, but it is important to have a plan in place to take advantage of opportunities early on as the industry recovers. This period provides some breathing room to plan and make systemic changes that would be very difficult during a period of strong growth. It is also important to shore up the city's existing economic infrastructure to support and strengthen existing merchants, as well as potential new stores and businesses.

Therefore, in order for the existing retail to remain competitive and in order to position retail development in O'Fallon to meet the continually changing future retail environment, the following recommendations are proposed:

1. **Establish an implementation framework to support and market the City of O'Fallon as a retail destination** – An essential first step to significantly enhancing the City of O'Fallon as a desirable future retail location for shoppers and businesses, is the creation of a public/ private partnership, whose primary focus should be to collectively promote retailing in O'Fallon and to advance a common agenda and guidelines for the future type and location of retail development in the O'Fallon.
2. **Promote the concentration of retail development in unique, identifiable destinations that are integrated with, or reinforced by, entertainment, residential and office uses** – Existing retail development in O'Fallon is generally too dispersed, lacking definable, unique, attractive places to draw shoppers and other uses. Over time, retail needs to become more concentrated in nodes or centers, preferably reinforced with other uses such as residences, offices, and entertainment. To achieve this objective, it will be necessary for the City of O'Fallon to be proactive in fostering the types of development it wants in these key locations and encouraging supportive office and residential development outside of these locations.
3. **Establish programs to support and develop existing and new local merchants in the City of O'Fallon** – Essential to any retail strategy for O'Fallon is the nurturing of locally owned retail businesses that contribute a distinctive flavor to commercial developments and help diversify and balance some of the national retail offerings. Local retailers, when properly nurtured, can provide a stable retail base in contrast to national chains that have no particular loyalty to O'Fallon.
4. **Attract new retail businesses that are not currently available in O'Fallon that could retain existing residents and attract shoppers from outside the City of O'Fallon** – Despite the amount of existing retail space in the city, a number of retail categories are underrepresented, thus depriving residents a fuller range of local options. Attracting these retailers can be accomplished by an infill approach at key locations and by recruiting developers who can bring these retailers to new sites.

Suggested steps to accomplish these recommendations are summarized on the following matrix along with key participants (City of O'Fallon, retailers, and property owners/developers) and a suggested phasing of the action items. It is anticipated that short range action items could be accomplished in the next six to twelve months. Longer-range activities could take several years to implement. The actual refocusing of retail development at strategic locations with unique characteristics and retail attributes that will continue to attract shoppers in the future could take up to a decade to implement.

O'FALLON RETAIL ANALYSIS AND STRATEGY

SUMMARY OF RECOMMENDATIONS

	PARTICIPANTS			PHASING	
	City	Retailers	Property Owner/ Developer	Short-Range	Longer-Range
ESTABLISH IMPLEMENTATION FRAMEWORK FOR RETAIL STRATEGY					
1. Adopt Strategic Retail Plan as part of O'Fallon's Comprehensive Plan	Blue			Green	
2. Establish public/private Implementation Committee to promote the Strategic Retail Plan and implementation activities	Blue	Red	Yellow	Green	
3. Undertake coordinated Marketing Program to promote O'Fallon retail	Blue	Red	Yellow	Green	
4. Review and amend sign ordinance to encourage more attractive and creative retail signage	Blue	Red	Yellow	Green	
PROMOTE RETAIL DEVELOPMENT AT STRATEGIC LOCATIONS					
1. Identify unique locations where retail can be focused, preferably as part of mixed-use developments , with suggested emphasis on Downtown, Highway K and Mexico Road area, Highway K and Highway N area, Highway K and I-64 area, I-64 and Highway DD area, and I-70 and Bryan Road area	Blue		Yellow	Green	
2. Amend zoning regulations and map to encourage retail and mixed-use development at identified strategic locations and promote alternative types of development outside of these locations	Blue			Green	
3. Prepare conceptual master plans for selected locations to provide guidelines for future development	Blue		Yellow	Green	
4. Establish capital improvements plan to improve strategic retail locations with road improvements, streetscape enhancements, and utility upgrades (where needed to support new development)	Blue			Green	
5. Promote reinvestment in existing retail centers at strategic locations with incentives, matching loan programs, and public/private improvement agreements.	Blue	Red	Yellow	Green	
6. Encourage new development or redevelopment at strategic locations through selective public incentives and potential land banking	Blue			Green	
SUPPORT AND DEVELOP LOCAL MERCHANTS					
1. Organize stakeholders by retail districts to address retailing issues and promote uniquely branded districts	Blue	Red	Yellow	Green	
2. Establish entrepreneurial support and training programs to foster and nurture locally-owned retail businesses	Blue			Green	
3. Establish loan program to assist new retail businesses	Blue			Green	
4. Hire retail coordinator as demand for retail oversight increases	Blue			Green	
ATTRACT MISSING RETAIL DEVELOPMENT					
1. Recruit missing retailers to O'Fallon -- electronics, local fine dining, major bookstore, warehouse/club stores, niche clothing and accessories, and entertainment venues.	Blue		Yellow	Green	
2. Recruit developers with proven track record in creating unique retail and mixed-use projects.	Blue			Green	

2.0 INTRODUCTION

The primary purpose of this report is to analyze the existing retail environment in the city of O'Fallon, Missouri and provide a strategy to improve its competitiveness in an increasingly crowded retail environment in St. Charles County and western St. Louis County.

O'Fallon has been selected as one of America's Best Places to Live by *Money* magazine. The city has been one of the fastest growing cities in the state over the past two decades and growth is expected to remain strong over the next five years. However, during this period retail development has increased at an even more rapid pace. As a result the city's shopping centers have seen downward pressure on rents and occupancy. At the same time retail growth in surrounding cities has also exceeded population growth with similar effects. During this period of expansion very little has been done to differentiate O'Fallon from neighboring cities as a shopping destination; and vice versa. This environment of commodity shopping centers, presents both problems and opportunities. Other than convenience, there is very little to attract shoppers to O'Fallon or for that matter keep residents shopping in O'Fallon. On the other hand, the retail landscape of St. Charles County will allow a signature shopping destination to stand out, whether it is a new innovative development or newly improved shopping districts.

An additional challenge is presented by the current economic environment, which has seen a nationwide downturn in most sectors including retail. Many retailers have seen sales fall significantly and are laying off workers, delaying development, and in some cases have gone out of business completely. It may seem counter intuitive to develop a retail strategy in the current economic environment, but it is important to have a plan in place to take advantage of opportunities early on as the industry recovers. This period provides some breathing room to plan and make systemic changes that would be very difficult during a period strong growth. It is also important to shore up the city's existing economic infrastructure to support and strengthen existing merchants, as well as potential new stores and businesses.

3.0 METHODOLOGY

To analyze the O'Fallon retail market, several methods were utilized, including field research, data collection, surveys and interviews. The general goals of the study were to **determine the quantity, performance and general characteristics** of the retail space in O'Fallon. In addition, nine retail districts were identified based on existing retail clusters within the city. The quantity, performance and characteristics of each district were also analyzed to identify trends and opportunities.

A **field survey of retail properties** in O'Fallon was conducted to provide a detailed picture of the current retail environment in the city. The information was compiled in a **database for analysis**. With guidance from the O'Fallon Department of Economic Development and CoStar commercial real estate data, each retail property was identified. Through the field survey current tenants were identified, along with the

amount of vacant space. A size and business type was determined for each tenant and subjective judgment of the quality of the space was also applied, along with the age and type of the property based on data from the city and CoStar. The database provides a valuable tool for the analysis of the retail space. For example the types of businesses can be summarized, or the vacancy of a specific business districts or property type can be determined.

The field survey and database of retail tenants and properties were also used to **compare the O'Fallon retail market place to other cities** with similar demographic profiles. In this analysis retailers and restaurants in O'Fallon were matched against those in the similar cities to see if there is a similar mix of retailers, or if O'Fallon is “missing” key retailers that are commonly located in these cities. The mix of business and restaurant types was also compared to see if O'Fallon had an abundance or shortage of retailers in a particular sector.

In addition to data from the field survey, data from CoStar was used to look at **historical trends** and draw comparisons to other cities in the St. Louis market. While CoStar data is not as accurate as the data collected in the field survey, it is the only way to obtain reliable historic data and make comparisons to cities that were not surveyed. CoStar is widely used by commercial brokers to provide information on office and retail properties as well as statistics on the local commercial real estate market.

Taxable sales data provided by the Missouri Department of Revenue at the city level was also used to analyze the overall **performance of retail space** in the city and also to compare taxable sales with other cities from 1990 through 2007.

An online and phone **survey of O'Fallon residents** was conducted to determine the attitudes of shoppers concerning retail options within O'Fallon and the surrounding area. The study specifically sought to determine where people shop and factors that drove their shopping decisions. In addition, local merchants were asked to respond to an online survey, in order to solicit their views on the quality of shopping options in O'Fallon and surrounding areas as well as the condition of the property they currently occupied. Both groups were asked for their ideas on improving the retail environment in O'Fallon.

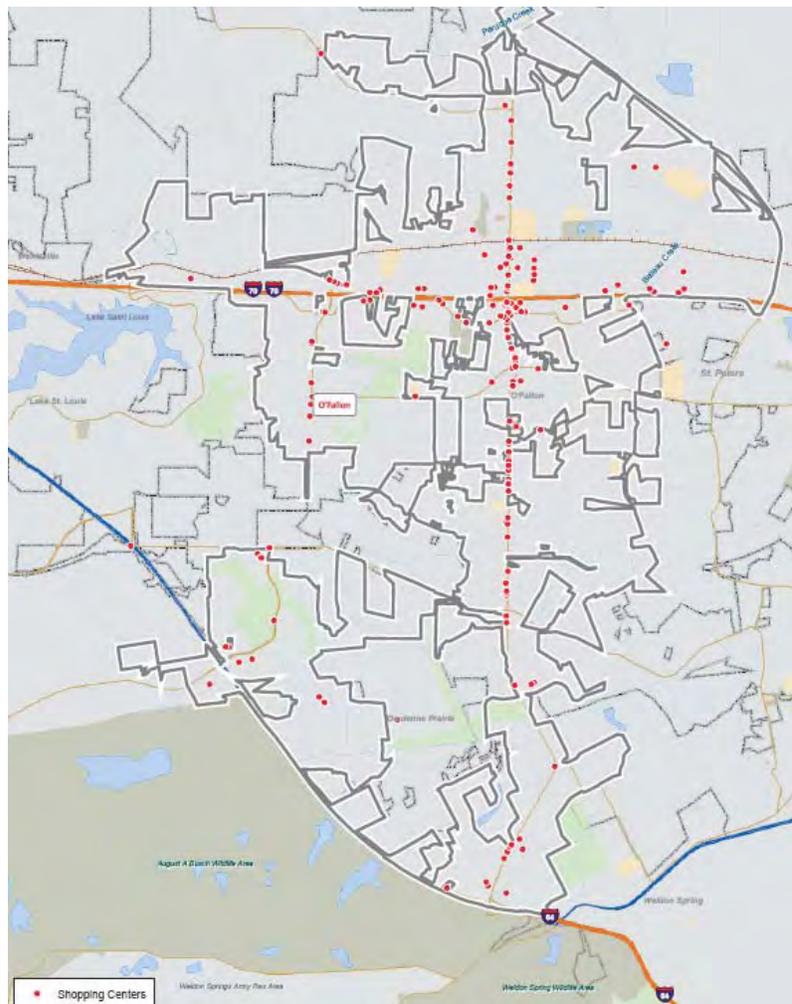
Finally, spatial analysis using geographic information systems (GIS) identified areas for potential retail development using demographic, zoning and property data.

4.0 OVERVIEW OF O'FALLON RETAIL DEVELOPMENT

The city of O'Fallon was founded in 1856 and remained a small town in central St. Charles County though its incorporation as a city in 1912 when there were about 600 residents. By 1956, O'Fallon's 100th anniversary, the city had grown to 1,327 people living in a 20 block square area surrounding Main Street and the rail line north of Interstate 70. However, as growth of the St. Louis region expanded westward into St. Charles County, O'Fallon benefited by occupying a significant portion of the "Golden Triangle", an area of strong residential growth bordered by Highway 40 on the south, Interstate 70 to the north and Highway 94 to the east. By 2000, the U.S. census put O'Fallon's population at 46,169 people, and the city had grown to 26 square miles. Currently, O'Fallon's has a population of about 78,000 people, making it the second largest city in the St. Louis region.

Strong residential growth in the 1990s and 2000s was coupled with a significant expansion of retail space. Prior to 1990, the city had less than one million square feet of retail space. Today the city has over 4,000,000 square feet of retail space. In fact, almost 80 percent of the city's retail space has been built since 1995. It is one of the largest inventories of retail space for municipalities in the St. Louis region. About 75 percent of this retail space is located in shopping centers which span the eight mile corridor of Highway K which connects Highway 40 to Interstate 70. This concentration of retail stores was well positioned to serve the shopping needs of the growing numbers of households in central, western, and southern St. Charles County. However, the city now faces increasing competition from new and existing retail concentrations in the area.

Mid Rivers Mall in St. Peters opened in 1987 and since then has long been a focus for retail in the county with four department store anchors, over 140 in-line stores and 1.2 million square feet of retail space, with a



number of big-box retailers in the surrounding area. Chesterfield Commons, which opened in 1999 and continues to expand, is one of the largest open air shopping centers in the country with over 2,000,000 square feet of retail space. Not only does it draw a large number of shoppers from western St. Louis County, but its interstate access and close proximity to St. Charles County makes it a convenient shopping destination for many O'Fallon residents, especially those living close to the Highway 40 corridor. Chesterfield Commons' wide variety of stores duplicates and directly competes with many of the retailers located in O'Fallon.

The fast expansion of retail development in St. Charles County has created a more competitive and challenging retail environment for existing retailers and prospective development in O'Fallon. Previously, O'Fallon merchants could typically draw shoppers from areas to the west which had a very limited selection of national retailers and restaurants. However, over the past five years there has been a significant expansion of retail development in the areas to the west of O'Fallon, in cities such as Wentzville, Dardenne Prairie and Lake St. Louis. Many of the big box retailers, such as Target, Walmart and Lowe's that anchor these developments also duplicate or compete directly with stores in O'Fallon. The most notable of these developments is the Meadow's at Lake St. Louis, which introduces the first lifestyle center shopping destination to St. Charles County, with some stores that are typically found in enclosed regional malls. Some of the tenants include Victoria's Secret, Aeropostale and Bath & Body Works. Its main anchor, the upscale department store Von Maur, is expected to open in 2010.

5.0 KEY FINDINGS

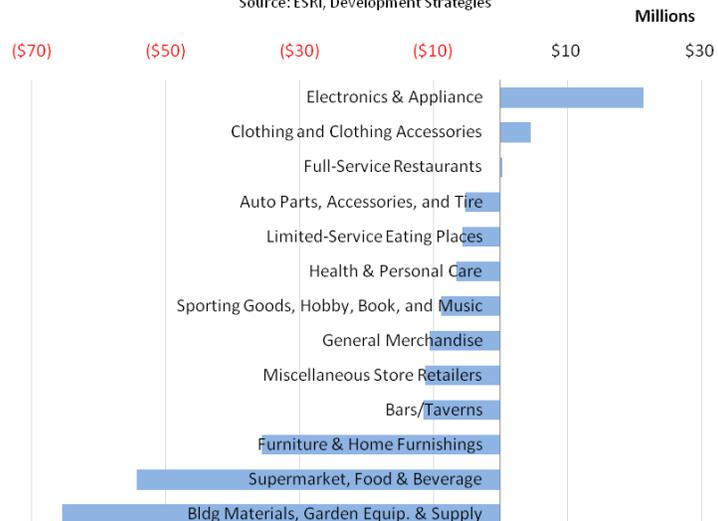
Retail Mix

O'Fallon offers a large supply of retail goods and restaurant options, but many of these choices have recently been duplicated in competing cities within the surrounding area. On the other hand, O'Fallon also appears to lack some stores in “lifestyle” niches, which are important in attracting retail customers.

- Two retail sectors show a surplus of retail demand in O'Fallon with potential for future expansion into O'Fallon: Consumer Electronics and Clothing & Accessories.
- Stores in the Furniture & Home Furnishing and Building Materials/Garden Supply sectors could be at risk with excess supply and the downturn in the housing market.

Supply and Demand Analysis, 2008

Source: ESRI, Development Strategies



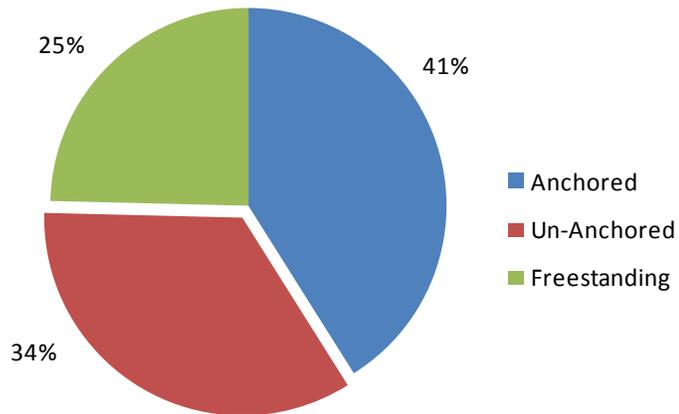
- Compared to similar cities, O'Fallon has a good selection of local and chain sit-down restaurants. The lack of local fast dining options may provide an opportunity to introduce delis, sandwich shops, or other types of quick dining options with a local flair. O'Fallon has an average amount of chain fast-food dining.
- Compared to cities with similar demographics, O'Fallon appears to lack stores in lifestyle shopping categories, such as Best Buy and Borders, that generate the highest sales, attract shoppers from a wide area, generate traffic and boost holiday sales.
- Service businesses occupy almost half of O'Fallon store fronts, with limited contributions to the city's sales tax revenues.

Shopping Center Characteristics

O'Fallon is dominated by traditional suburban development, with big box stores, supermarket anchored centers, and smaller strip shopping centers. The City has yet to see new development types such as large scale lifestyle center or mixed-use development.

- Anchored shopping centers have the highest sales and occupancy, accounting for 41 percent of retail space in O'Fallon.
- By contrast un-anchored strip centers have the highest vacancy rates and generate smallest amount of taxable sales per square foot, accounting for 35 percent of retail space in O'Fallon.
- 88 percent of retail space developed since 2005 has been in un-anchored strip centers.
- Vacancy rates of shopping centers built since 2001 have consistently been 15 percent higher than older space over the past four years.
- Shopping centers in O'Fallon retail districts along the Highway 40 corridor are the newest and most attractive in the city, but they lack large anchors and have some of the lowest occupancy rates and taxable sales.
- O'Fallon has a balanced mix of local and national stores and restaurants, but lacks significant concentration of unique stores in a small area that could provide the city a retail identity.

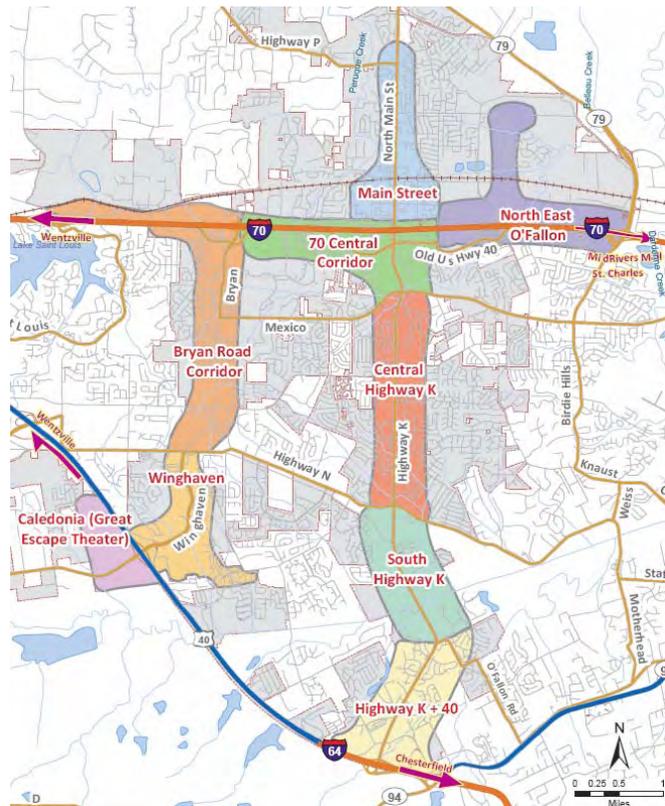
% of O'Fallon Retail Space



Retail Districts

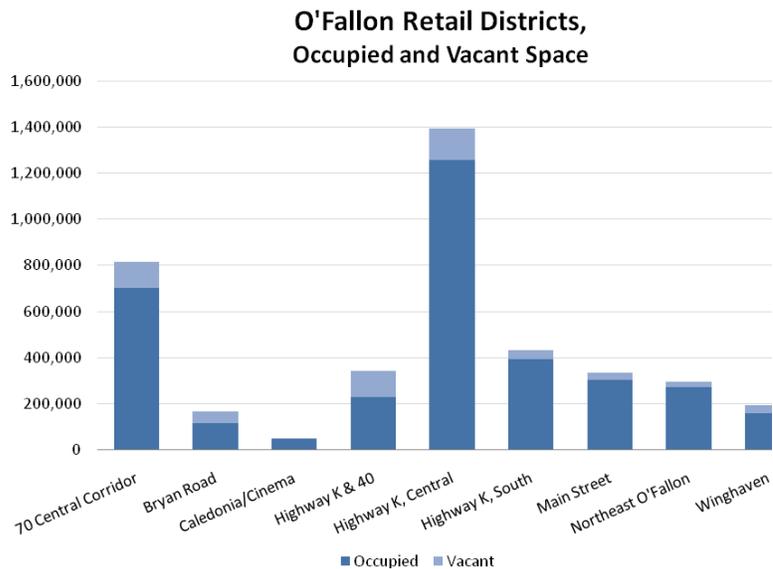
It is useful to view O'Fallon as containing nine identifiable shopping concentrations. These separate retail districts provide a basis for analysis, as well as potential marketing and organizational opportunities.

- Districts with strong retail anchors generally had the highest occupancies



and sales performance. These districts include the Interstate 70 Central Corridor, Highway K Central and Highway K South.

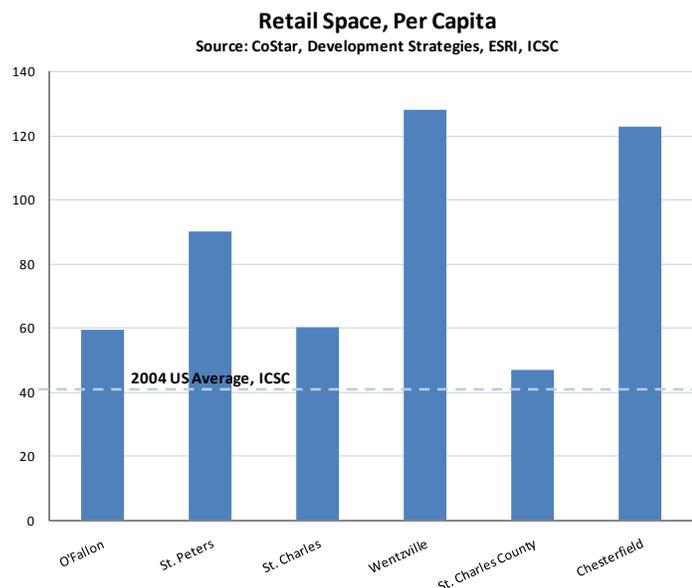
- Districts with a large amount of unanchored strip centers and/or service businesses generally had low occupancies and sales performance. These districts include the Bryan Road Corridor, Highway K & 40 and WingHaven.
- Districts along the Highway 40 corridor were developed most recently, but account for 28 percent of the vacant space.
- Highway K & 40 and WingHaven have not been able to take full advantage of the visibility or access provided by this high traffic corridor. Some shopping centers are not visible or easily accessible from the interstate, there is a noticeable lack of anchor stores, and there is a high percentage of strip centers and service businesses.



Performance

Historically, O'Fallon has been one of the top performing retail destinations in St. Charles County with high rents and occupancy. Unfortunately, these key measures of performance show declines over the last several years.

- Over the past five years, vacancy rates in O'Fallon have increased from three percent to 11.9 percent (1Q 2009) and are the second highest of large cities in St. Charles County.



- Average rents in O'Fallon have declined by \$8.00 per square foot from \$24 per square foot in late 2004 to just over \$16 per square foot at the end of 2008. *However, they remain the highest in St. Charles County, but the gap has narrowed.*
- Growth of retail space in O'Fallon, other cities in St. Charles County and Chesterfield has substantially outpaced residential growth.
- O'Fallon retail sales have been relatively flat since 2005 and declined by almost seven percent in 2008.
- Sale performance (same store sales, sales per square foot and per capita sales) have been falling since 2003.

Competition

O'Fallon used to be the key retail destination for those in western and southern St. Charles County and beyond. However, new retail development in nearby cities has increasingly created competition for O'Fallon's dominant position. As a result:

- Wentzville and Chesterfield have become increasingly attractive shopping options for O'Fallon residents and other St. Charles County residents who used to shop in O'Fallon
- Chesterfield, St. Peters, and Wentzville are highly dependent on the support of shoppers from surrounding communities to sustain their retail development; O'Fallon shoppers are centrally located between these large concentrations of retail development.
- The retail trade area of O'Fallon has contracted in recent years as new anchors, such as Target and Walmart, have been built in nearby cities.

Zoned Land Available for Major Retail Development

O'Fallon contains 2,600 acres of commercially zoned land. Over 1,500 acres have already been developed including about 4,000,000 square feet of retail space. Yet, an additional 1,100 acres – 42 percent of commercially zoned land – remain to be developed.

- With a total of over 1,000 acres of commercial land there remains ample land available for additional retail development.
- At current densities (retail square feet per developed commercial acre), there is capacity to add over 2,000,000 additional square feet of retail space; a potential increase of more than 50 percent.

- Large parcels or groups of adjacent parcels are located in areas with good visibility and access within the identified retail districts and at key intersections. These areas include:
 - **Intersection of Highway K and Highway N** – Large parcels available for development, central location within O'Fallon, nearby shopping center with strong supermarket anchor, potential expansion of Highway N as a major traffic corridor
 - **Highway 40 and WingHaven Boulevard Interchange** – Large parcels available on both sides of the highway, excellent visibility from Highway 40, strong entertainment anchor, possible mixed-used development with retail, office and residential
 - **Highway K and Highway 40** – Large parcels available on both sides of Highway K offer good visibility and easy access from Highway 40. This existing gateway to O'Fallon's main commercial corridor lacks a strong anchor to draw traffic and expand the market area.
 - **Interstate 70 and Bryan Road Interchange** – Major interstate interchange, large parcels available for development, existing development in this underperforming district lacks large shopping center or anchor to draw traffic
 - **Intersection of Highway K and Mexico Road** – Several parcels could be combined for development, busiest intersection in O'Fallon, demonstrated strong sales and high occupancy in the area, nearby shopping centers with strong big box anchors

6.0 CONCLUSIONS

Based on our findings summarized above and detailed later in the Analysis section, we have come to the following conclusions regarding O'Fallon's retail marketplace.

O'Fallon has developed a strong retail base that serves its residents and shoppers from surrounding communities – O'Fallon has over 4 million square feet of retail space, including a variety of chain and local independent stores and restaurants, to meet the needs of its residents. Supply and demand analysis suggests that almost 20 percent of the space is supported by spending from shoppers coming from outside the City. However, the City faces challenges over the next several years with competition from surrounding cities, gaps in key retail sectors, and a dependence on long established retail development patterns.

O'Fallon's retail performance is slipping– Just a few years ago O'Fallon appeared to be at the top of St. Charles County in terms of retail performance. It maintained the highest occupancy and lease rates based on statistics provided by CoStar. However, that strong performance has been slipping recently. Although lease rates remain the highest in the county, the gap between O'Fallon and nearby cities has closed. Vacancy rates have climbed to almost 12 percent.

Retail sales have also been declining. Sales tax data shows that aggregate sales leveled off beginning in 2006 and it posted a first ever decline in sales in 2008 with a drop of 6.8 percent. Sales in the first quarter of 2009 showed a decline of 8.6 percent from the previous year. This is not unexpected due to the national economic downturn; however, sales on a per square foot basis have been declining since 2003, as retail development outpaced the increases in spending. This correlates with the increases in vacant space, but sales per occupied square foot and per capita sales have also been declining over this period. This suggests the actual performance of existing stores or occupied retail space is in decline. There are several possible reasons for this decline in performance. First, existing stores may have declining sales. This appears to be confirmed by sales tax data which shows overall same store sales declining over the past two years, with declines in many of O'Fallon's largest retail stores. Perhaps vacated space is being leased by poorer performing retailers, who include second generation stores or service businesses that do not generate the same level of sales. This is difficult to confirm since tenant histories are not available, but the City does appear to have a large amount of service businesses occupying retail space. These are symptoms of a larger issues including increased competition from other cities and a market saturated with retail space.

O'Fallon is facing increased retail competition from nearby cities – Nearby cities such as Wentzville, Lake St. Louis, Dardenne Prairie and Chesterfield have significantly increased their amount of retail space of since the late 1990s and early 2000s. For example, in 1999 O'Fallon had Target and Walmart discount department stores. Since 1999, six additional Target and Walmart stores have been built within these nearby cities. Previously O'Fallon had the western-most concentration of modern retail development in St. Charles

County and could count on the support of shoppers from the west to frequently visit its stores. At the same time O'Fallon residents had few other convenient shopping options. With new development, stores in Wentzville are now serving many of those customers that would shop in O'Fallon, and stores in Chesterfield Valley are easily accessible to residents in the southern portions of O'Fallon. This new development includes many of the same stores found in O'Fallon and some key retailers, such as Best Buy, that O'Fallon is missing. Additional variety has recently been added nearby with a new large-scale lifestyle center, The Meadows at Lake St. Louis.

The effects of this competition may be revealed in holiday sales. Fourth Quarter sales in O'Fallon are relatively flat compared to other times of year. By contrast Chesterfield, Wentzville, and St. Peters all show significant increases in fourth quarter sales. We suspect that the wider variety of stores in these cities is attracting sales from O'Fallon during the critical holiday season.

O'Fallon (and other cities in St. Charles County) has an over-supply of retail space – Over the past five years occupancy, lease rates, and sales per capita in O'Fallon and St. Charles County have fallen, which provides an initial indication that retail development in the area has reached and surpassed a saturation point. Only nearby Chesterfield has seen consistent increases in per capita sales over the past five years, despite the proliferation of new retail development.

In O'Fallon, the most recently developed retail space has the highest vacancy rate. Currently space developed after 2000 accounts for 43 percent of all retail space in O'Fallon but 70 percent of the total vacant space. The most recently developed areas along the Highway 40 corridor also have the highest vacancy rates in the city. Other observations and data support this conclusion. This is likely a result of the fact that since 2000, the amount of retail square footage in O'Fallon has increased by 74 percent, while sales and population have increased by 43 percent and 46 percent, respectively.

Supply and demand analysis shows that O'Fallon has a surplus of retail supply that is serving shoppers from outside the city. This outside demand is supporting an estimated 720,000 square feet of retail space. As competition continues to grow, this supply will be increasingly at risk.

O'Fallon still has opportunities to expand its retail mix – Despite the abundance of existing retail space, the supply and demand analysis showed a shortage in the supply of consumer electronics and apparel merchants. In five years, it appears there will be some additional opportunities for general merchandise retailers and restaurants. Development Strategies ReMatch analysis compared O'Fallon to cities across the country with similar demographics to find retail stores that would tend to locate in a city like O'Fallon. This analysis revealed that stores in the consumer electronics, home furnishing, apparel, baby supply, and local fast dining (deli's, diner's, sandwich shops) sectors that were found frequently in the matched cities were not located in O'Fallon and may provide an opportunity for future retail development. The analysis also found

that O'Fallon had smaller percentages of retail space serving lifestyle shopping categories. This could be contributing to leakage of resident sales and a difficulty attracting shoppers from other nearby areas. Filling these niches and adding variety to the current retail mix is critical to any retail expansion in O'Fallon.

O'Fallon retail shopping centers are a commodity – O'Fallon contains almost no large unique stores or shopping centers that can draw customers from a large area. The largest anchor stores and shopping centers are duplicated elsewhere in St. Charles County, as a result there is no focal point or identity for O'Fallon shopping. This makes the city difficult to brand and market to shoppers in the region.

Although there are a number of smaller unique high-quality shops and restaurants, they are largely scattered mainly along an eight mile stretch of Highway K, making them difficult to access conveniently and market effectively. O'Fallon has an even balance of local and chain stores and restaurants, yet the perception is that the city is dominated by chains. The lack of a unique shopping center or district leaves local merchants lost in the shuffle of strip centers and big box stores. A unique shopping destination could showcase local merchants and provide the city a retail identity.

None of the shopping center developments provide a unique atmosphere that cannot be easily found elsewhere. This is increasingly important as newer modern shopping centers strive to place stores in a unique and attractive shopping environment. Providing a more attractive shopping experience can draw shoppers to a center even if it has many of the same stores that are also located in other places. Currently there is an abundance of smaller unanchored strip centers which lack character and shopping appeal. These strip centers have the highest vacancy rates and sales performance. Lacking an anchor, these centers fail to generate significant traffic or draw customers from a wide area. As a result continued development of these strip centers will cannibalize sales and traffic from other similar centers in the area. It is critical that new development in O'Fallon accomplish these goals: keep O'Fallon shoppers in O'Fallon, attract new shopper to O'Fallon. This can be done by filling un-served retail niches, providing new and unique stores, and providing unique shopping destinations. The following section will outline a retail strategy for accomplishing these goals.

Continuing the pace and pattern of recent retail development in O'Fallon does not benefit residents, existing retailers or the city. There are limited opportunities for retail expansion given the current supply of retail space and current economic environment. New retail development that only creates more of the same will continue to dilute the spending of O'Fallon residents over more retail space, while remaining vulnerable to nearby competition.

Any new retail development will need to be well planned and executed to maximize its appeal to O'Fallon shoppers and those in nearby cities, by significantly improving upon the existing retail options within the city. Ideally, a new development will increase the appeal of the surrounding areas and generate additional traffic to boost the sales of nearby merchants.

7.0 RECOMMENDATIONS

O'Fallon has clearly been successful in creating an attractive residential community with a variety of shopping and dining options. For many years, there has been a focused and determined effort, with remarkable success, to create a high quality suburban environment attractive to residents and businesses. While retail development in the city has been meeting many of the needs of local shoppers for many years and has supported continued residential growth, it has become susceptible to competition in surrounding cities and will be tested by the current recession. To thrive as a shopping destination, O'Fallon, and any city for that matter, needs to continually evaluate the foreseeable changes in the marketplace and look for opportunities to upgrade and modernize to stay relevant to today's shoppers.

Perhaps the most important consideration for a stronger retail shopping environment in O'Fallon is to **avoid continuing the same pattern of retail development which does little to expand the market and appeal of O'Fallon as a retail shopping destination.** Instead new retail development should focus on keeping O'Fallon residents shopping in O'Fallon and attracting new shoppers to O'Fallon. Building on O'Fallon's recent title as one of America's "Best Places to Live," the City should also strive to be one of the "Best Places to Shop." **Every decision regarding business targeting and recruitment, public infrastructure, and new private investment should be measured against these objectives.**

Although the current economic downturn will slow the pace of retail development for a while, this period can allow the City to step back and plan and make systemic changes before a new growth period begins.

It is recommended that the City of O'Fallon focus on four strategic goals designed to foster and promote a new retail environment:

- 1 Establish an organizational framework to support and market the City of O'Fallon as a retail destination.**
- 2 Adopt an approach to future development that concentrates retail in unique identifiable destinations that are integrated with, or reinforced by, entertainment, residential and office uses.**
- 3 Establish programs to support existing local merchants and develop new merchants in the City of O'Fallon.**
- 4 Emphasize the attraction of new retail businesses that are not currently available in O'Fallon that could help retain existing residents and attract shoppers from outside the City of O'Fallon.**

The following recommended implementation measures are grouped within the larger strategic goals of establishing a new retail framework, concentrating retail development in uniquely identifiable locations, supporting local merchants, and filling gaps in existing retail development. There is clearly overlap between the four objectives with the larger framework providing a foundation for the other goals. Recommendations for each category are listed below, starting with recommendations that can be implemented in the short-term and ending with actions that could occur over a longer term.

NEW RETAIL FRAMEWORK

An essential first step to significantly enhancing the City of O'Fallon as a desirable future retail location for shoppers, as well as businesses, is the creation of a stronger public/private partnership. The primary focus of this partnership should be to promote the retail businesses in the City of O'Fallon and to provide an agreed on strategic decision-making framework for the future type and location of retail development in the O'Fallon. Key tasks in the creation of this framework are:

1. **Modify the existing comprehensive plan of O'Fallon and formally adopt a strategic retail plan that includes the desired character and location of future retail development, as well as policies for development approvals.** Without formal adoption of a retail plan, enforcement of the goals and guidelines set forth in this document will become difficult. Owners and developers will be free to ignore the goals and recommendations for future retail development. Even if a plan is pursued with the best intentions, exceptions will be inevitable and accumulate, eventually making the plan irrelevant, if not first adopted as official policy.
2. **Establish an on-going public/private, city-wide retail transformation implementation committee to be the champion of the strategic plan and of actions required for its implementation.** O'Fallon is the success it is today primarily due to dogged and determined public leadership and investment. The next level of accomplishment, however, will require a broader buy-in and greater participation by the private sector. This should include business owners, property owners, tenants and landlords. This committee should focus on ways to:
 - Keep O'Fallon residents shopping in O'Fallon by providing stores and shopping destinations that residents are finding elsewhere, but not now in O'Fallon.
 - Attract shoppers from elsewhere in the area by providing stores and shopping destinations that are unique to the county and region.
 - Provide unique and attractive shopping environments. Consistent with the City's title as one of the "Best Places to Live", it should also be one of the best places to shop.

- Avoid duplicating existing retail development where an oversupply of retail exists.

This effort will ultimately require a source of sustainable and reliable funding that goes beyond volunteer dues and contributions of its members. It would likewise go beyond the typical level of City investment of general revenues in public infrastructure and services.

3. Undertake a marketing program designed to attract patronage, private investors, and development talent. This task needs to be performed and updated on a regular basis in much the same manner as the management of a highly competitive shopping center. This includes:

- Maintaining up-to-date brochures, maps, flyers and other marketing materials for the entire city and retail districts.
- Adding signage to promote businesses and retail districts.
- Placing ads with local print (newspapers) as well as electronic media (television, radio and website).
- Creation and management of special events, promotions and festivals.
- Tracking the composition and performance of competitive centers.
- Regular survey research (at least bi-annually) as part of a process of monitoring customer and public perceptions and levels of satisfaction with the O'Fallon retail districts. (The market research performed for this study should be used as a benchmark and repeated on a periodic basis to establish and monitor trends, and could be supplemented with either a mailed, online or telephone survey of households within the market area for O'Fallon shopping and retail merchants within the City.
- Establishment of an enhanced base of information on the aggregate performance of businesses within the city to be measured against that of competitive shopping destinations and to be used in recruiting new businesses to the City.

4. Review the City's sign ordinance and encourage creative and more attractive signage where appropriate. One of the key components to improving the overall image of a shopping center or district is signage. Concern over existing signage was mentioned frequently by existing retailers. Signage provides a customer with essential information and a first impression that can set the tone for the shopping experience. Creative and informative signage with a colorful and attractive logo increases expectations and suggests that the center and its stores offer something unique. In general, attractive signage shows a higher level of care and attention to detail that can be expected of the business itself.

CONCENTRATE RETAIL DEVELOPMENT IN UNIQUE IDENTIFIABLE DESTINATIONS

Existing retail development in O'Fallon is generally too dispersed and lacks unique definable places to draw shoppers and other uses. Over time, retail in O'Fallon should become more concentrated in nodes or centers, preferably reinforced with other uses such as residences, offices, and entertainment. Examples of this type of development are pictured on following pages.

To achieve this objective, it will be necessary for the City of O'Fallon to be proactive in fostering the type of development it wants in these key locations and discouraging retail development at other locations by encouraging alternative uses such as office and residential development. Key steps to be undertaken to advance the repositioning of retail include:

1. **Focus retail in locations that are best situated for business consolidation and revitalization as clustered, walkable environments that become destinations unto themselves.** These locations should accommodate a concentration of stores, including a unique lifestyle or mixed-use development with one or multiple anchors. Some of these areas can build on existing anchors that draw traffic from a wide area. Others are located at current or future key intersections. With easy access and high visibility they are promising locations for sustainable retail development and are most likely to attract the attention of developers and major anchor stores. All locations should accommodate sites with both depth and breadth. It is proposed that retail development be concentrated in the following locations:

- *Downtown O'Fallon* – This location would be a logical area for selective infill development and the renovation of the older retail plazas. Development could draw on the historic nature of this portion of O'Fallon and would logically support government activities, as well as the needs of a growing aging population with a more walkable and accessible site plan and stores.



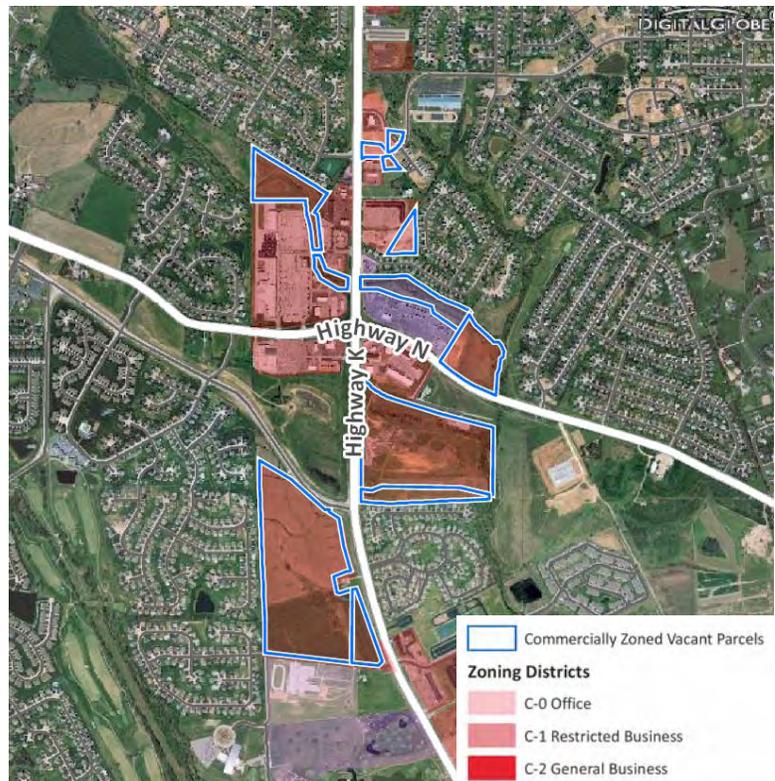
- Highway K and Mexico Road Area*

– This is a well established commercial location with nearly half the retail space in O’Fallon located in close proximity. Selective in-fill with residential and office to support existing retail development is desirable.

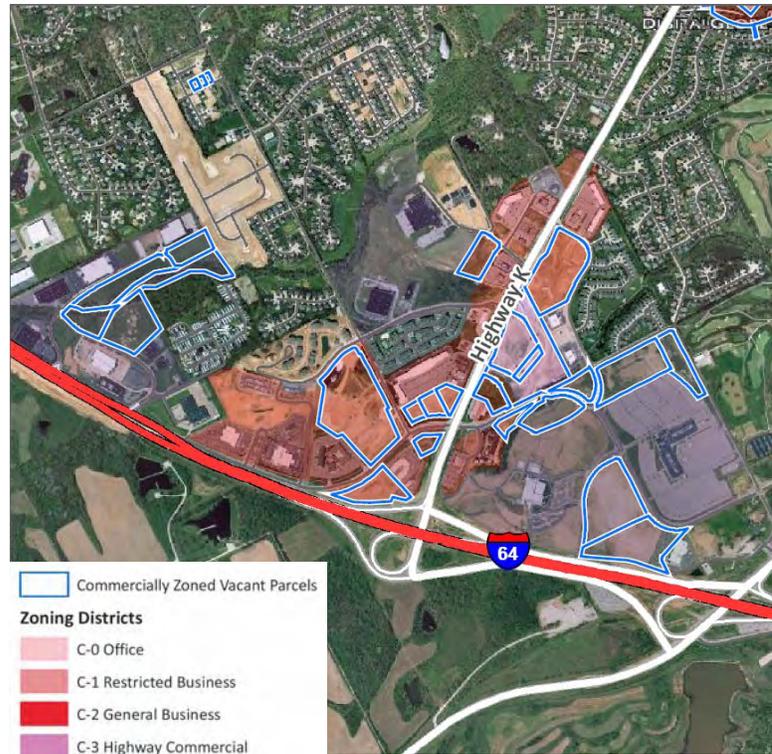


- Highway K and Highway N/ South Outer 364 Road Area*

– This location provides a longer range opportunity to create a major mixed-use focus when improved Highway N connects Highway 94 to Highway 40 through this key intersection. Therefore, it is important to approach development at this location in a master planned manner.



- Highways K and 64/40 Area* – This location contains some of the newer commercial development in O’Fallon and has good access to I-64. However, there is no identity to the area and existing development is uncoordinated. Therefore, master planned infill development designed to create a more unified mixed-use development is needed.



- Bryan Road and I-70 Area* – There are several large undeveloped parcels at this location. It is proposed that retail be integrated into a dense residential community, which could take advantage of access to I-70.



- *Caledonia Area* – This location represents the largest new mixed-use development opportunity, which should be developed in a master planned manner emphasizing office, research, entertainment, and retail, with some associated higher density residential development. Zona Rosa in the Kansas City area is an example of the type of development that could be constructed at this location. The photographs on the following page show Zona Rosa as the type of retail development envisioned for this area.





1



2. Assure that zoning regulations match actual desired land and building uses. Utilize or amend O'Fallon's zoning code, as necessary, to encourage reinvestment consistent with the goal of targeting future retail in unique nodes. Current zoning and land use reveals that there is enough land capacity to increase the current amount of retail space in O'Fallon by another two million square feet. However, if allowed to develop in this manner it will only further disperse the existing sprawling pattern of retail development. Therefore, suggested actions include:

- Use of the existing "Mixed-Use Traditional Development District (MUTDD), or a modified version, to encourage a mix of retail, office and residential development within a small definable area.
- Additional development of residential units and office space should be encouraged to provide more density and increase the base consumer spending.
- Reduction in the amount of land zoned for retail use, thereby encouraging developers to look at existing retail properties as candidates for enhanced retail development or redevelopment. Higher density residential, office space or entertainment uses should be promoted for areas not contemplated for future retail development in order to support the consumer base for existing retail centers.

3. Demonstrate hypothetical development and/or reorganization possibilities of selected locations.

Proactive planning for selective retail concentrations by the City, with input from local residents and businesses, will ensure that these districts meet the goals of the strategic retail plan. It will also allow economic development staff to focus and market to developers with the skills and experience to develop projects that meet the community's vision. It will further provide developers with the confidence of a coordinated community effort backing the project, which will ultimately result in a quicker approval process, as well as customer sales and loyalty once the project is completed. To achieve these goals the City could:

- Prepare prospective development concepts.
- Prepare retail tenanting objectives.
- Prepare a public financing incentive catalog that could be appropriate for these locations
- Prepare requests for proposals.

4. **Prepare capital improvement plan for selected retail locations to anticipate and fund necessary public infrastructure on a timely basis.** With the possible exception of Downtown O'Fallon, there has been limited public investment that would help to create identifiable retail nodes or districts. As part of a comprehensive strategy to create unique, identifiable retail locations, this type of investment is desirable, especially along Highway K, which extends for nearly eight miles without any particular distinguishable difference. Public investment could include:

- Planting of street trees and other landscaping
- Special lighting
- Banners
- District signage
- Street furniture
- Special paving and sidewalks
- Burying of overhead utilities



5. At strategic locations promote reinvestment in existing retail centers. Survey results showed that most residents feel that O'Fallon retail lags behind other shopping destinations or is “just as good as anywhere”. This suggests that the perception of O'Fallon is all too average. Only the Central Highway K retail district was highly rated. In an effort to improve the retail image of O'Fallon, investment will be required to upgrade the shopping environment of existing shopping centers and districts. Owners of existing centers and the business in retail centers should be encouraged to make upgrades that could include:

- Façade improvements to provide a more coordinated look for the center.
- Additional landscaping
- Improved signage

The City could potentially assist with matching grants or loan programs.

6. At strategic locations encourage new development or redevelopment of commercial centers. A number of O'Fallon's retail centers are showing their age or are located on narrow property that cannot be easily adapted or expanded as sustainable centers for the future. In addition, at selective locations, it may be difficult for a developer to acquire adequate land to accommodate the scale of new development that would facilitate the type of coordinated mixed-use development that is desirable. Therefore, the City should:

- Consider providing infrastructure improvements (roads and utilities) to facilitate new development or redevelopment.
- Strategically utilize available redevelopment incentive tools to facilitate land acquisition, infrastructure improvements, and financial assistance.
- Consider creating a land trust or other land banking mechanism that pools public and civic funds earmarked to acquire strategic properties deemed critical to achieving plan objectives. In addition to zoning, ownership of key properties is another method to steer development in directions that meet the City's development goals. Such property can then be more effectively marketed to key development interests. Sale of the properties could be contingent on planned development meeting the goals and guidelines outlined in the City's retail strategy.

SUPPORT AND DEVELOP LOCAL MERCHANTS

Essential to any retail strategy for O'Fallon is the nurturing of local merchants. These merchants can provide a unique flavor to commercial developments, compliment and balance some of the national retail offerings, and provide a base of retailers that are more tied and loyal to the City of O'Fallon. Suggested steps to promote local merchants include:

1. Organize stakeholders into geographic associations representing distinct retail zones of the City.

With over 4 million square feet of retail space, 600 store fronts and 170 retail properties, focusing on smaller retail districts will allow each to identify strengths to build upon and weaknesses on which to focus further efforts. Cooperation between associations should be encouraged, by sharing best practices and organizing cooperative marketing efforts. Each association should:

- Identify unique themes for each area.
- Name the areas to give them brand recognition.
- Meet regularly to address common problems and identify common resources.

The City should offer administrative assistance to organize and coordinate retail district initiatives.

2. Establish an entrepreneurial training program for aspiring retail and restaurant business owners.

Many independent shop owners are new to the retail business. As a result, they could benefit greatly by learning from experts in the business to avoid mistakes and capitalize on opportunities. The challenges faced by a new business owner are many and can seem daunting. So an experienced hand can provide the help and guidance that comes only with years in the business. This is especially true in the current economic environment which, provides unique challenges, but also opportunities. High vacancy rates and falling lease rates make it less expensive for a new business to start-up. In addition, some workers leaving the corporate world may look for entrepreneurial opportunities. Start-up businesses are not saddled with excess inventory, unfavorable locations, and unnecessary staff, so they can more easily adjust to the difficult economic conditions and are positioned for strong growth as the economy recovers. We believe that supporting new local businesses is an important step in fostering unique retail centers that are attractive to the residents of O'Fallon and drawing shoppers from other areas.

3. Establish a forgivable or no interest loan fund to support local shop and restaurant owners that fulfill identified niches or meet established goals of the retail strategy.

Although these programs can take many forms, a forgivable loan fund should be established to provide additional capital to new businesses. The amount and terms of the loan are typically based on existing bank financing, owner equity, and how well the business meets goals established by the program. This loan can help a business

meet unexpected expenses during start-up, subsidize rents to afford a better location, or upgrade finish and signage.

- 4. Hire a full-time retail specialist or liaison to coordinate retail retention and attraction programs, and serve as an ombudsman between retailers, brokers, and the City.** Overseeing major changes to the O'Fallon retail marketplace and guiding marketing, recruitment, and retention efforts on a day to day basis is a full-time job, requiring experience and expertise in the field. This person could be an employee of the City or the newly established merchants associations, and put full effort towards reinforcing existing shopping centers and moving O'Fallon forward as an attractive shopping destination. In addition, this person could be the main conduit between the City and its retailers, and provide consulting and assistance to individual stores as needed.

ATTRACTING MISSING RETAIL DEVELOPMENT

As previously discussed, there are some gaps in the retail offerings that it is desirable to fill in order to make the retail in O'Fallon more attractive to shoppers. Steps to promote needed diversification include:

1. Establish targets for recruiting specific retailers to O'Fallon. This analysis identified several retail niches that were lacking in O'Fallon. It is likely that local shoppers are going outside the City to fulfill this demand. The City should target these types of retailers specifically to keep residents shopping in O'Fallon and to attract shoppers from other areas. The retail gaps that need to be filled include:

- Electronics stores
- Unique, locally-owned, fine dining establishments
- Large bookstore
- Warehouse and club stores
- Niche clothing and accessories
- Entertainment venues such as movie theaters and bowling alleys

These new retail establishments could help anchor existing centers that lack major draws or new retail centers.

2. Identify and recruit specific developers to O'Fallon. Targeting specific retailers may spur interest, but it is unlikely that new anchor stores will locate in older vacant retail space. Therefore, it is critical that tenant recruitment occur alongside the recruitment of developers that can successfully build new space or redevelop existing centers. Many developers have the relationships to attract stores that create retail destinations. Focusing on selective new developers will also provide something fresh and new to the O'Fallon retail mix, and move away from the generic shopping center development that has occurred for decades. Similar cities in the Midwest have seen new and innovative retail development, so O'Fallon should strive for the same goals. Therefore, the City should be proactive in attracting developers that have experience:

- Developing new and innovative shopping centers
- Creating successful developments in similar cities
- Attracting tenants that appeal to local shoppers and fill identified niches

APPENDICES

1. GENERAL CHARACTERISTICS OF RETAIL CENTERS IN O'FALLON
2. OVERALL SALES VOLUME AND SUPPLY
3. RESPONSES TO THE RETAIL SURVEY OF O'FALLON SHOPPERS
4. RESPONSES TO THE RETAIL SURVEY OF O'FALLON MERCHANTS
5. REMATCH ANALYSIS
6. OVERVIEW OF RETAIL SPACE BY DISTRICTS

APPENDIX 1 – GENERAL CHARACTERISTICS OF RETAIL CENTERS IN O'FALLON

Historical Pattern of Retail Development in O'Fallon

The original retail development occurred in the Main Street district just north of Interstate 70. This is the historic center of city including City Hall, but the city boundaries as well as residential and retail development have expanded southward over the past 25 years. Today, Main Street retailers account for eight percent of all retail space in O'Fallon with an average age for the retail building of just over 30 years.

The next area of retail expansion occurred in the late 1980s and mid 1990s as the expansion of St.

Charles County extended westward along the Interstate 70 corridor. This new retail development was concentrated around the Highway K interchange with Interstate 70 and the intersection of Highway K and Mexico Road. The two retail districts, 70 Central Corridor and Highway K, Central remain the two largest retail districts in the city and combine for 55 percent of the total retail space in the city, including most of its largest stores.

During the period from 1990 to 1994 there was a noticeable lack of retail development, with less than 5,000 square feet of space added during this period. A similar drop in the rate of new retail space added was seen in many areas of the region. This period coincided with a national recession and may provide some guidance into what might be expected in the current economic downturn.

The next phases of development occurred in the mid 1990s as development moved east and west from the Highway K interchange into the Bryan Road Corridor, near the Bryan Road interchange with Interstate 70, and Northeast O'Fallon near the interchange of Salt Lick Road and including the TR Hughes minor league baseball stadium. Continuing through the 1990s development continued to move south along Highway K as more available land was needed to serve the strong growth of the community. The Highway K corridor between Highway N on the north and O'Fallon Road on the south has been designated as the Highway K South district.

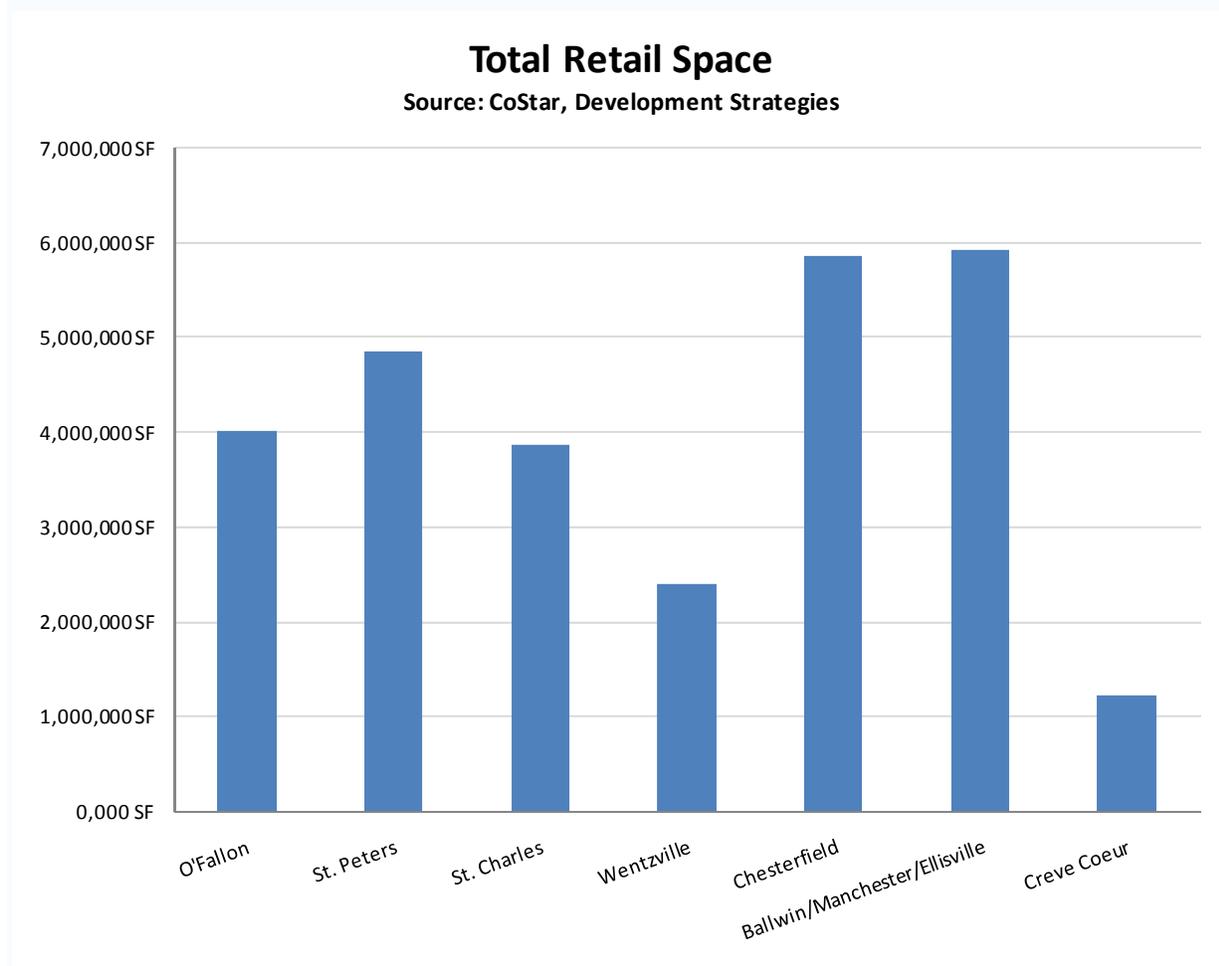
As Highway 40 was widened and improved through Chesterfield Valley and St. Charles County to its intersection with Interstate 70, the southern portion of the city became much more attractive and viable for residential and commercial development. This included major office development such as the CitiMortgage and MasterCard headquarters in the early 2000s. Retail development continued south along Highway K

Retail District Summary

<i>Retail District</i>	<i>Avg. Year</i>		<i>% of All</i>
	<i>Built</i>	<i>Total GLA</i>	<i>Retail</i>
Main Street	1976	334,786	8%
70 Central Corridor	1990	813,688	20%
Highway K, Central	1990	1,392,871	35%
Northeast O'Fallon	1993	297,188	7%
Bryan Road	1994	168,417	4%
Highway K, South	2000	434,248	11%
Caledonia/Cinema*	2004	51,958	1%
Highway K & 40	2005	344,245	9%
WingHaven	2005	196,458	5%
OVERALL	1992	4,033,859	100%

connecting with Highway 40 in the Highway K and 40 retail district, and extended westward along Highway 40 with the development of WingHaven. Both areas contain the newest retail development in O'Fallon with an average age of less than five years. These most recently developed areas account for 14 percent of retail space in O'Fallon, but 28 percent of the city's vacant space.

Wentzville, St. Peters and St. Charles each include major retail concentrations located along major interstates: Wentzville to the west on Interstate 70, St. Peters to the east on Interstate 70 and Chesterfield to the southeast on Interstate 64/Highway 40. The following chart shows the gross amount of retail space for these cities and major retail concentrations.

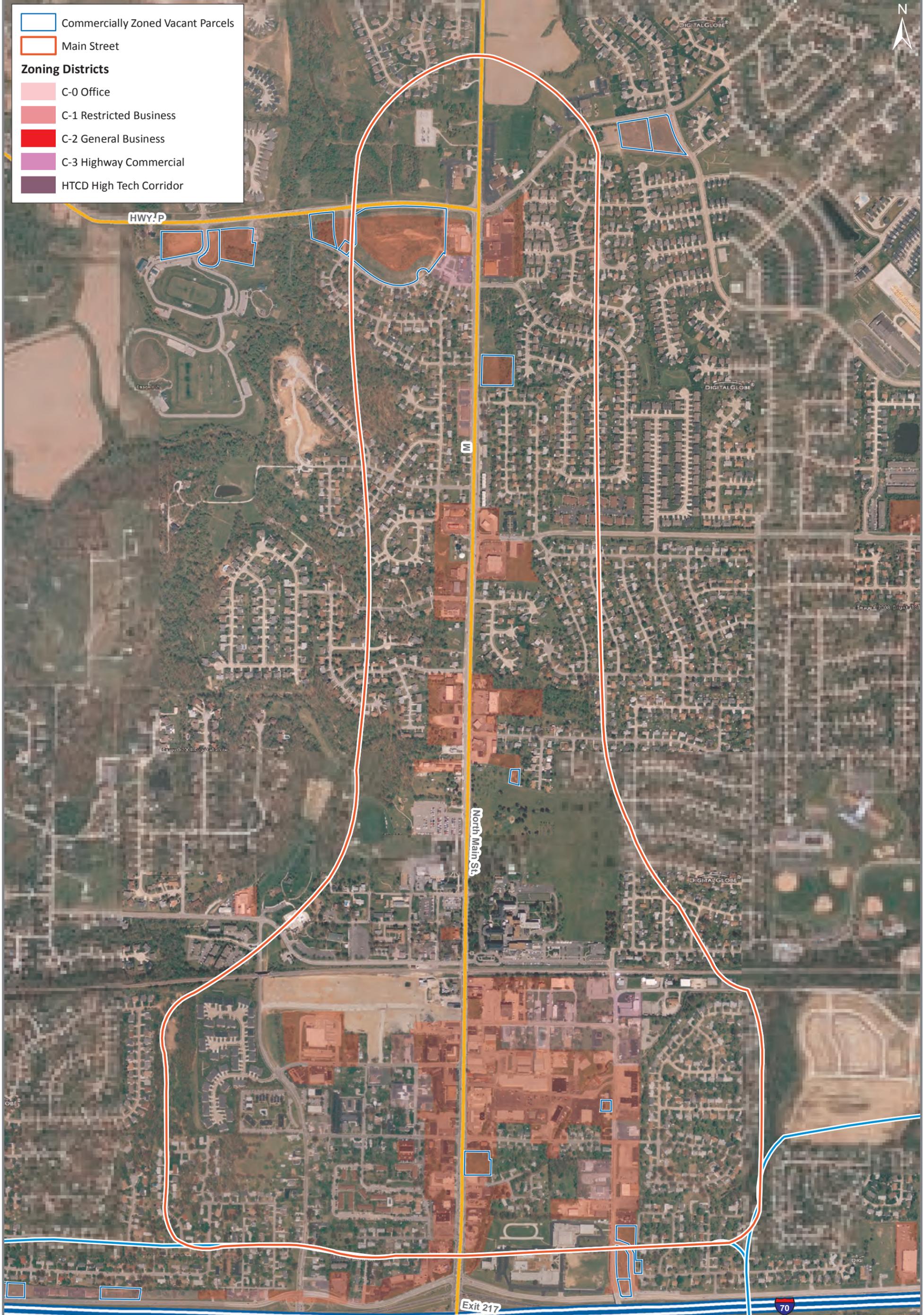


This chart highlights the strong competition that O'Fallon faces in the regional retail market. Although St. Peters has a significant retail presence with Mid Rivers Mall and surrounding retail centers, the vast majority of O'Fallon's retail growth has occurred since the mall was developed in the early 1980s. On the other hand the retail development in Chesterfield Valley and emergence of major retail development in Wentzville has been a relatively recent occurrence and represents new competition for retail spending in O'Fallon.

Total Developed Retail Acreage and Available Zoned Land

To determine the land capacity available for new retail development and identify vacant land currently available for retail development aerial photographs were overlaid with zoning maps from the City of O'Fallon in a geographic information system (GIS). Through this process the amount of commercially zoned undeveloped and developed land was calculated and maps of vacant land available for development were created. These maps included an overall map of O'Fallon and detailed maps of each retail district. Maps of these districts are included on the following pages.

- Commercially Zoned Vacant Parcels
- Main Street
- Zoning Districts**
- C-0 Office
- C-1 Restricted Business
- C-2 General Business
- C-3 Highway Commercial
- HTCD High Tech Corridor

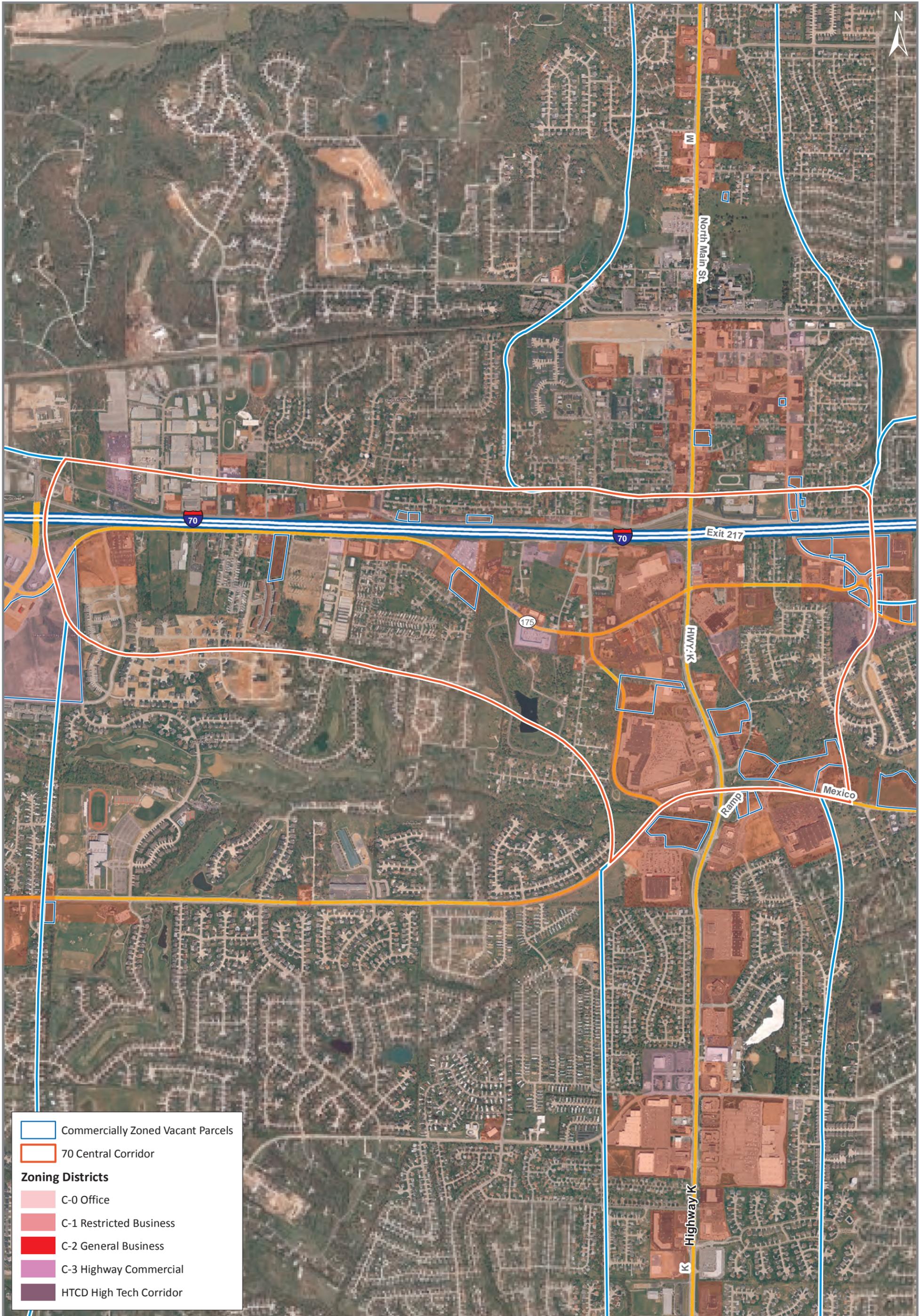


COMMERCIALLY ZONED VACANT PARCELS - MAIN STREET

O'Fallon MO Retail Strategy
O'Fallon, MO



February 2009



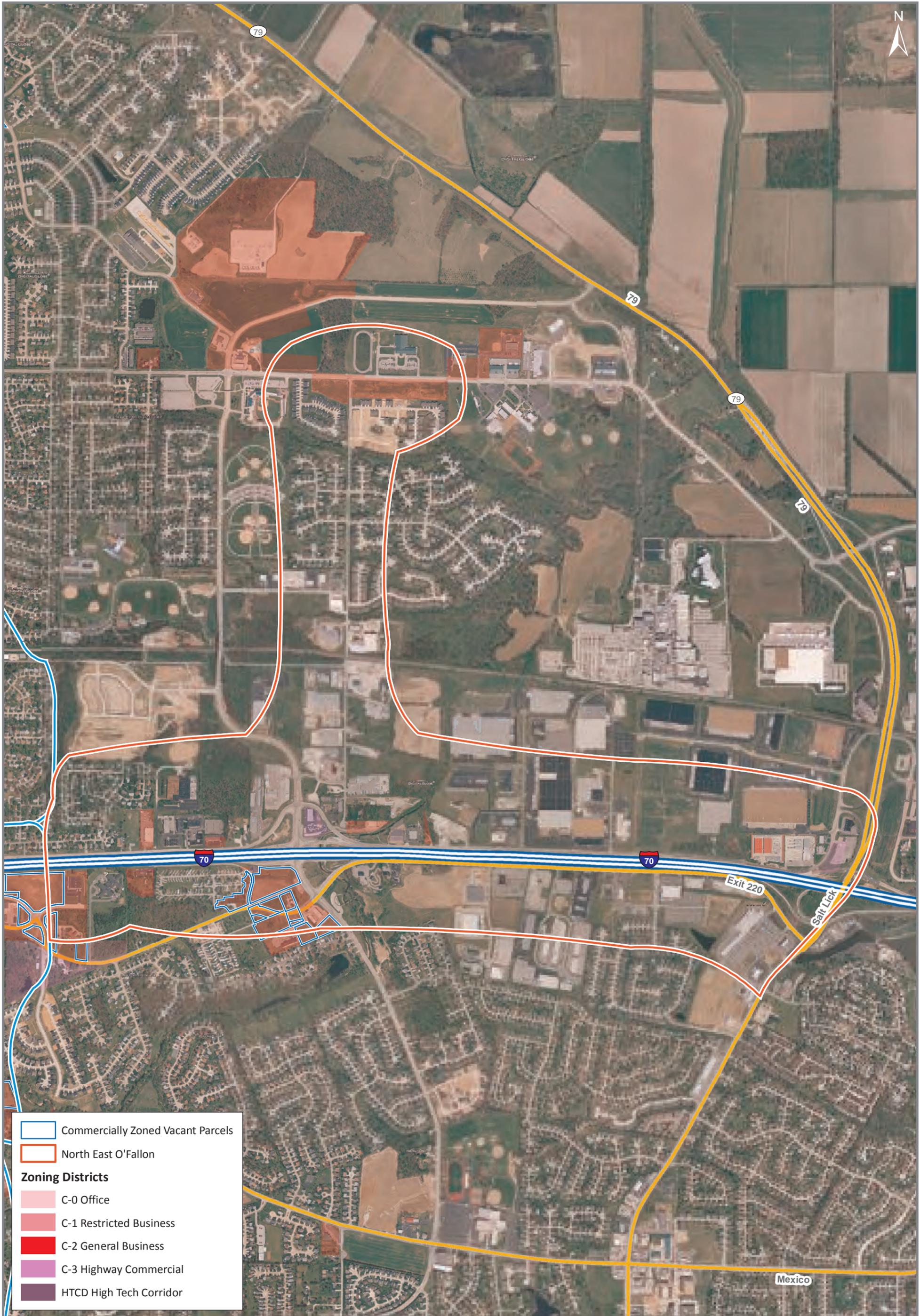
Commercially Zoned Vacant Parcels
 70 Central Corridor
Zoning Districts
 C-0 Office
 C-1 Restricted Business
 C-2 General Business
 C-3 Highway Commercial
 HTCD High Tech Corridor

COMMERCIALLY ZONED VACANT PARCELS - 70 CENTRAL CORRIDOR

O'Fallon MO Retail Strategy
O'Fallon, MO



February 2009



- Commercially Zoned Vacant Parcels
- North East O'Fallon
- Zoning Districts**
- C-0 Office
- C-1 Restricted Business
- C-2 General Business
- C-3 Highway Commercial
- HTCD High Tech Corridor

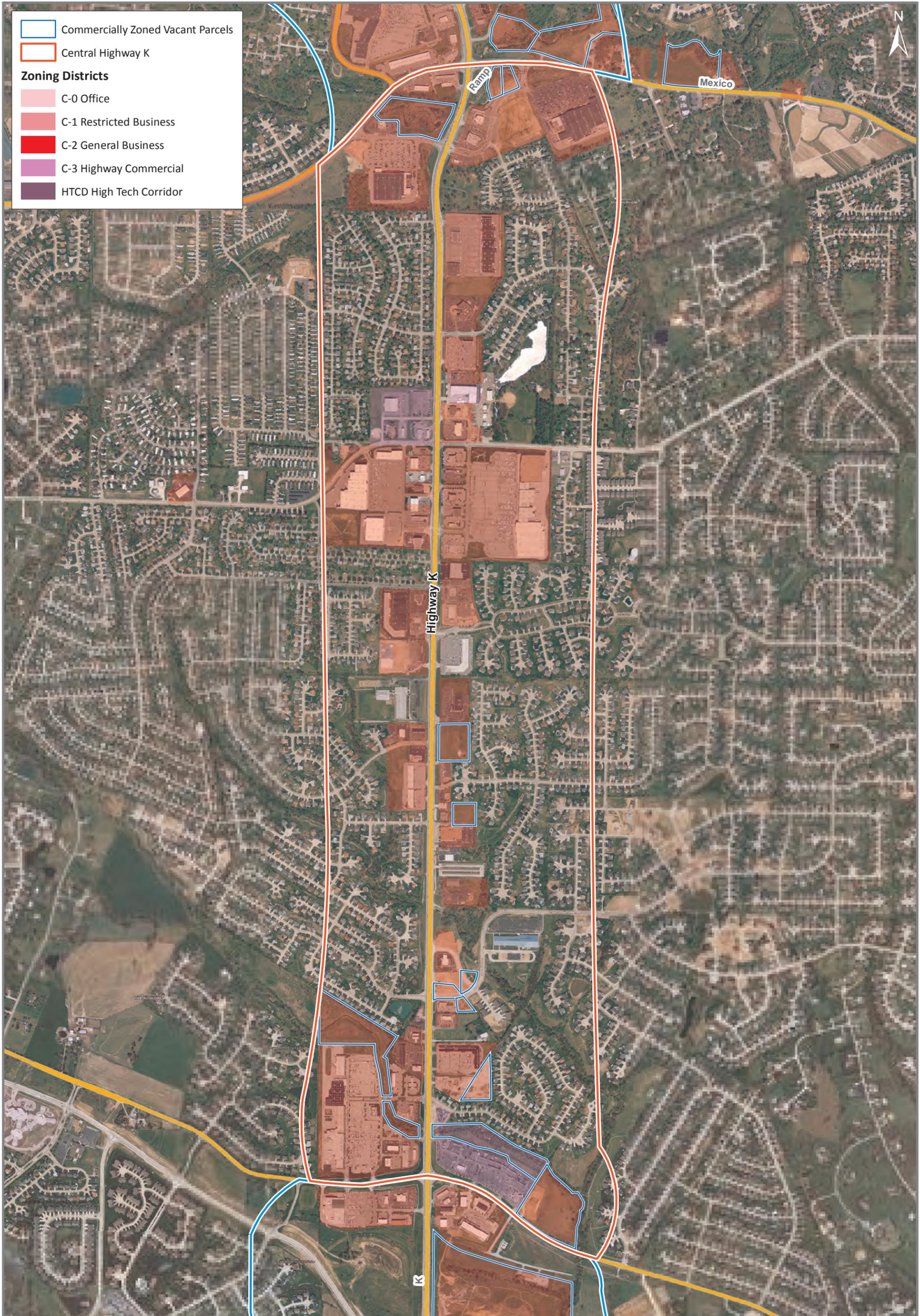
COMMERCIALLY ZONED VACANT PARCELS - NORTH EAST O'FALLON

O'Fallon MO Retail Strategy
O'Fallon, MO



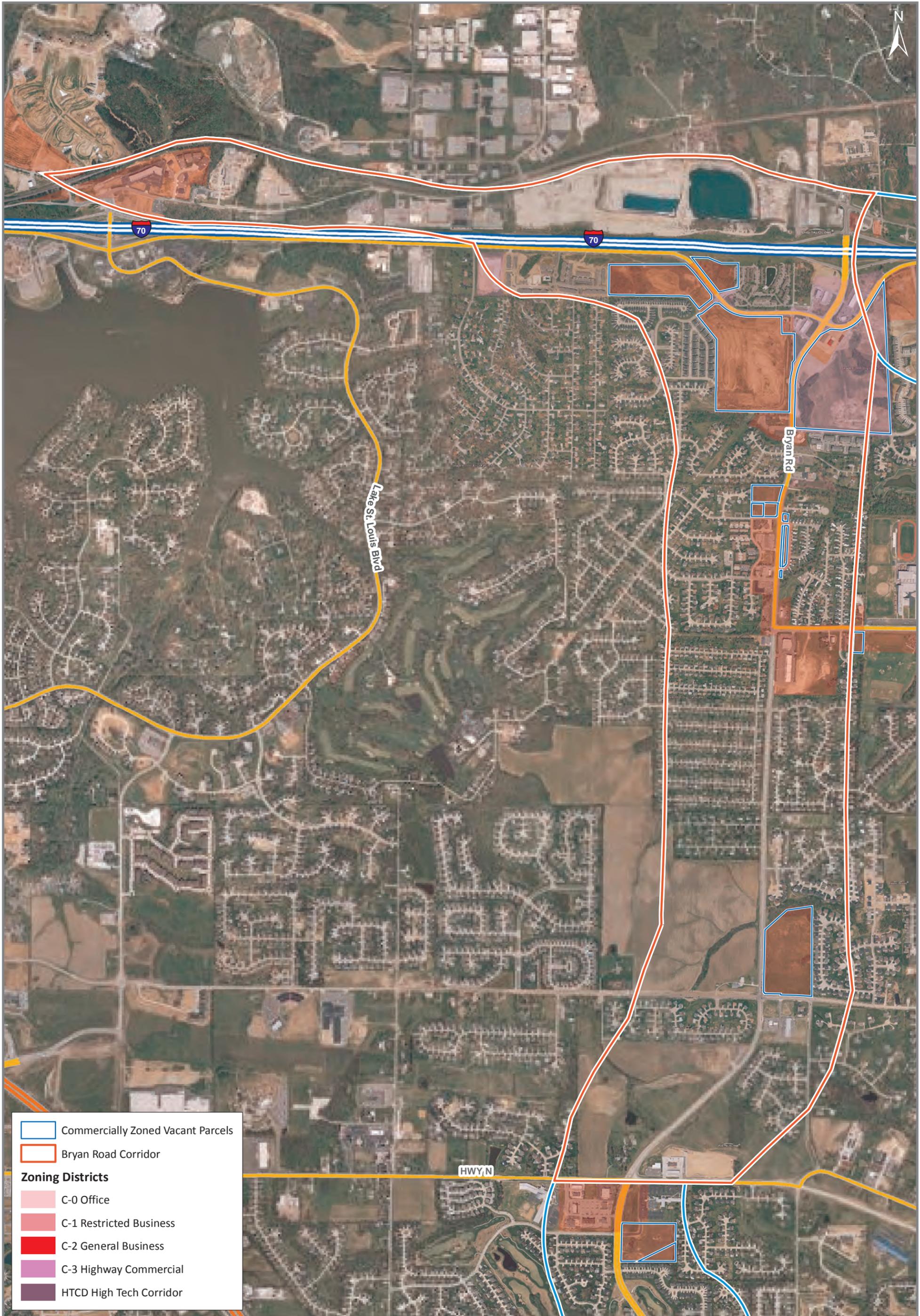
February 2009

- Commercially Zoned Vacant Parcels
 - Central Highway K
- Zoning Districts**
- C-0 Office
 - C-1 Restricted Business
 - C-2 General Business
 - C-3 Highway Commercial
 - HTCD High Tech Corridor



COMMERCIALLY ZONED VACANT PARCELS - CENTRAL HIGHWAY K

O'Fallon MO Retail Strategy
O'Fallon, MO



COMMERCIALLY ZONED VACANT PARCELS - BRYAN ROAD CORRIDOR

O'Fallon MO Retail Strategy
O'Fallon, MO



February 2009



 Commercially Zoned Vacant Parcels

 South Highway K

Zoning Districts

 C-0 Office

 C-1 Restricted Business

 C-2 General Business

 C-3 Highway Commercial

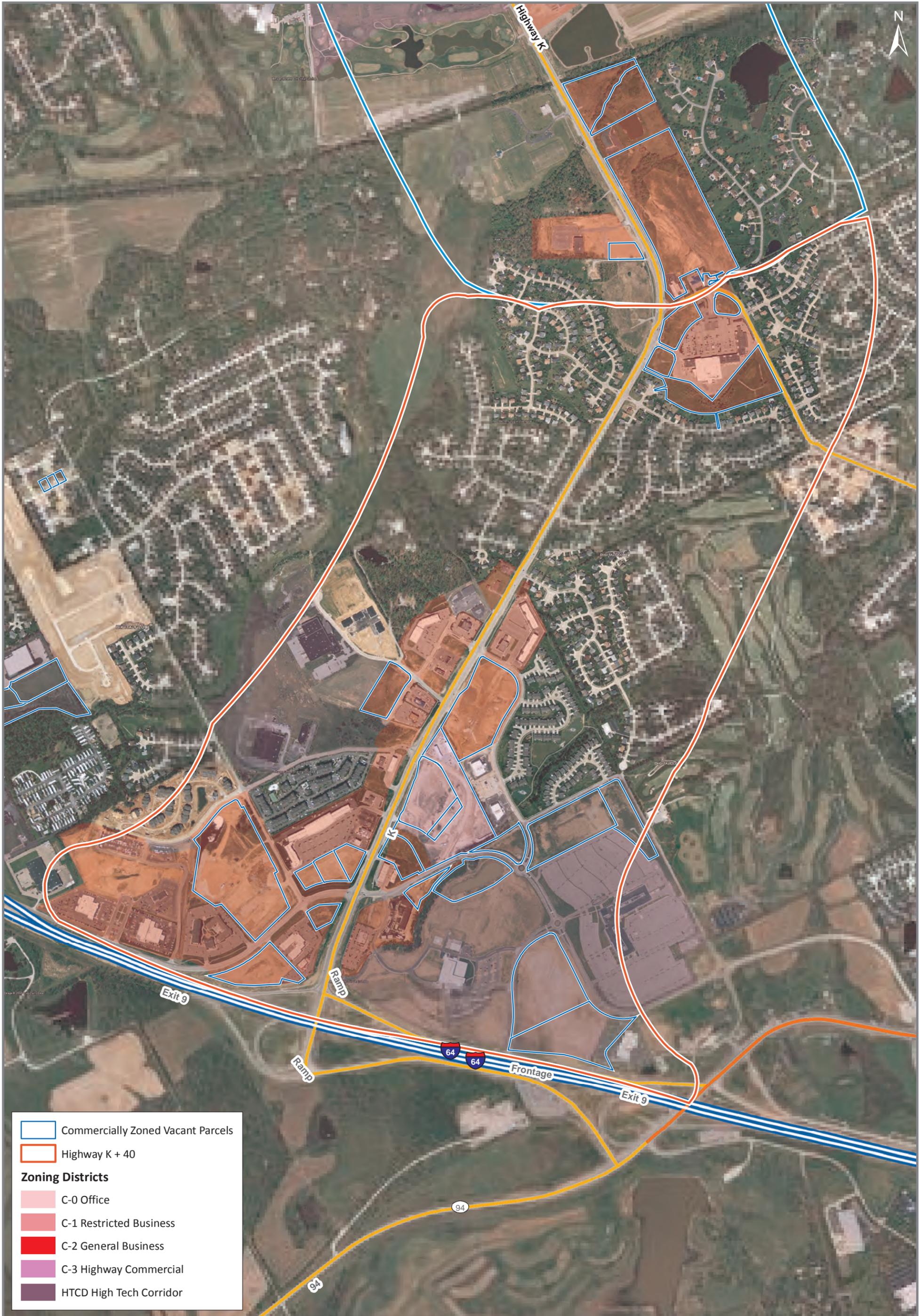
 HTCD High Tech Corridor

COMMERCIALLY ZONED VACANT PARCELS - SOUTH HIGHWAY K

O'Fallon MO Retail Strategy
O'Fallon, MO



February 2009



Commercially Zoned Vacant Parcels
 Highway K + 40
Zoning Districts
 C-0 Office
 C-1 Restricted Business
 C-2 General Business
 C-3 Highway Commercial
 HTCD High Tech Corridor

COMMERCIALLY ZONED VACANT PARCELS - HIGHWAY K + 40

O'Fallon MO Retail Strategy
O'Fallon, MO

- Commercially Zoned Vacant Parcels
- Winghaven
- Zoning Districts**
- C-0 Office
- C-1 Restricted Business
- C-2 General Business
- C-3 Highway Commercial
- HTCD High Tech Corridor



COMMERCIALLY ZONED VACANT PARCELS - WINGHAVEN

O'Fallon MO Retail Strategy
O'Fallon, MO



February 2009



- Commercially Zoned Vacant Parcels
- Caledonia (Great Escape Theater)
- Zoning Districts**
- C-0 Office
- C-1 Restricted Business
- C-2 General Business
- C-3 Highway Commercial
- HTCD High Tech Corridor

COMMERCIALLY ZONED VACANT PARCELS - CALEDONIA

O'Fallon MO Retail Strategy
O'Fallon, MO

The following table summarizes the amount of commercially zoned land in each retail district, and compares the amount of developed land to the amount of land available for development.

Developed and Available Commercial Land

<i>Retail District</i>	<i>Total Commercially Zoned Parcel Area (Acres)</i>	<i>Commercially Zoned Developed Parcel Area (Acres)</i>	<i>Commercially Zoned Vacant Parcel Area (Acres)</i>	<i>% Vacant</i>
Outside defined districts	1,144	558	585	51.2%
South Highway K	214	82	132	61.7%
Highway K + 40	223	110	112	50.5%
Bryan Road Corridor	149	69	80	53.7%
Caledonia/Cinema	81	5	77	94.2%
Central Highway K	279	242	36	13.0%
WingHaven	108	80	28	26.0%
70 Central Corridor	240	212	28	11.7%
North East O'Fallon	45	33	12	26.1%
Main Street	122	119	3	2.7%
Total	2,605	1,511	1,094	42.0%

With a total of over 1,000 acres of commercial land there remains ample land available for additional retail development. Assuming current densities (retail square feet per developed commercial acre), there is capacity to add over 2,000,000 additional square feet of retail space; a potential increase of more than 50 percent. However, based on current occupancy and sales data the wisdom of adding substantial additional retail space is questionable. Instead a targeted approach to development of retail space is recommended.

Although the most available land is located outside of the defined retail districts, it is generally contained in smaller parcels with less than ideal accessibility and visibility from major traffic corridors. However, large parcels or groups of adjacent parcels are located in areas with good visibility and access within the identified retail districts and at key intersections.

- Highway K and Highway N** – Several larger parcels remain undeveloped near the intersection of Highway K and Highway N. Further development at this intersection would be centrally located within the city providing easy access to most residents. These two retail districts have already proven to be among the top performing districts in the City. The intersection is already anchored by Deer Creek Shopping Center with an attractive Dierbergs supermarket as an anchor drawing frequent trips to the area. In addition, the possibility of future improvements to Highway N would make this a main traffic corridor through St. Charles County. The amount of available undeveloped land is sufficient to support an innovative, mixed-use retail center in the heart of O'Fallon.

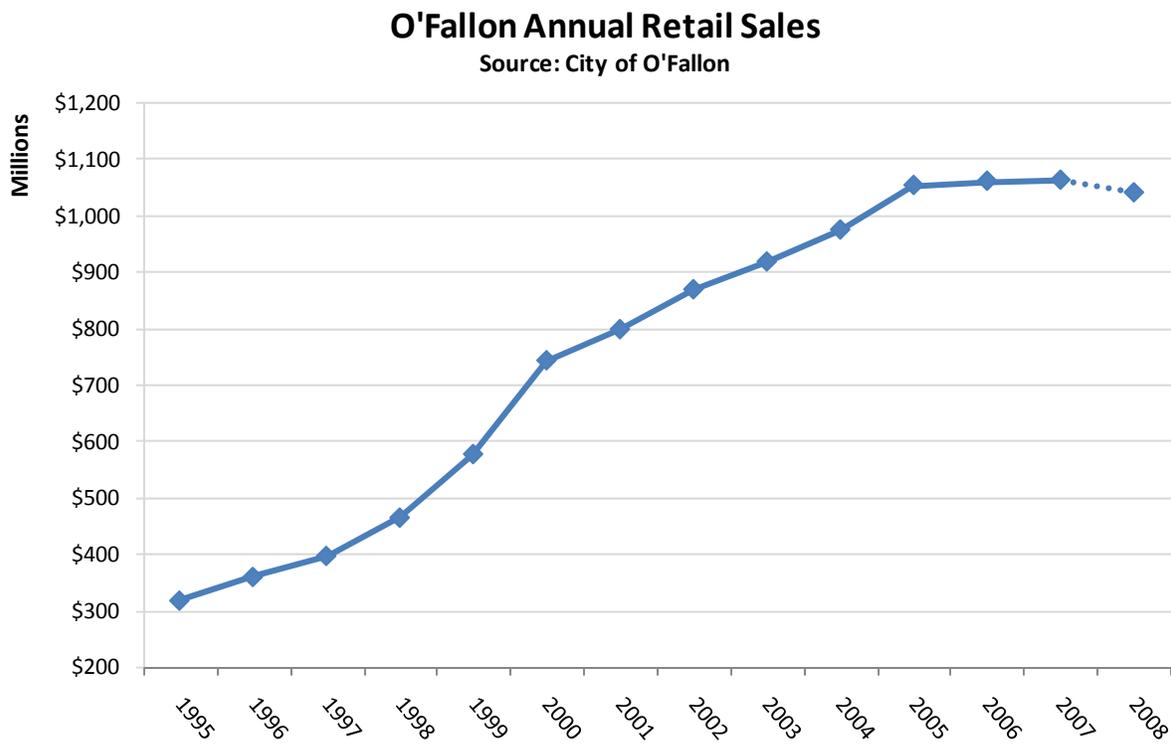
- **Highway 40/WingHaven Boulevard/Caledonia** – Several larger parcels remain undeveloped near the intersection of Highway 40 and WingHaven Boulevard. Although some smaller parcels remain undeveloped on the northeast side of the interchange, the large parcels in the Caledonia district could support substantial new development along this highly traveled corridor. This area has been designated mainly for office development, but a higher density mixed-used development including office, retail and residential space would bring a unique development to the area. Although this site lacks residential development to the south, this type of development would have hundreds of shoppers located directly on-site in apartment, condos and offices. The site already includes an attractive entertainment anchor, the Great Escape O’Fallon 14 theater. In a later section, we note that residents of WingHaven are the least satisfied with shopping options in O’Fallon, and this type of development would directly address these shoppers. Such a development would also provide O’Fallon a landmark presence along the Highway 40 corridor, where it currently has no shopping centers with major anchors.
- **Bryan Road and Interstate 70** – Although retail development in the Bryan Road District lags behind most other areas, the existing retail development is largely scattered in smaller unanchored shopping. Several large parcels offer capacity for large scale development with easy access and visibility from the interstate near this major interchange.
- **Highway K and Mexico Road** – This is the most heavily used intersection in O’Fallon and the Interstate 70 Central Corridor and Highway K, Central districts are among the highest performing retail districts in terms of occupancy and sales. With major anchors such as Walmart and Target in place driving traffic, this would be an excellent location to round out the retail mix with additional restaurants and “lifestyle” retailers, possibly in a mixed-use development. There are four commercially zoned parcels in the northeast quadrant of the intersection that could be combined with adjacent undeveloped land for a project of this scope.

Overall, key intersections with good visibility and traffic counts should be targets for new development. Vacant commercially zoned sites with substantial depth (about 800 ft) provide the best opportunity to create a unique shopping destination for O’Fallon. Combining retail with office and/or residential development would create an active and walkable development with “built-in” customers making frequent trips to the development’s stores and restaurants.

APPENDIX 2 – OVERALL SALES VOLUME AND SUPPLY

Retail Sales Volume

In 2007, the most recent year with full sales data available, O'Fallon posted retail sales of \$1,065,100,000, which was an increase of almost 43 percent from the year 2000. However, as the following graph shows, sales have been relatively flat since 2005, and data for 2008 shows a 6.8 percent decline in sales. First quarter data for 2009 shows an even steeper decline of 8.6 percent from the previous year.



O'Fallon and surrounding areas have continued to see strong growth in both population and incomes during this period, and traffic along major roads in O'Fallon continues to increase. Therefore, it is highly unlikely that the declining sales performance of O'Fallon stores is due to demographic factors or shifts in traffic patterns. Since the decline has occurred since 2003, the affect of the current national economic downturn is not reflected in these decreasing sales. **More likely the decrease is the result of increased competition from new retail development in nearby cities.**

Cities such as Chesterfield, Wentzville, Lake St. Louis and St. Peters have increased their inventory of retail space significantly in the past few years at a pace far exceeding population growth. To sustain this growth cities must attract customers from other areas. Just a few years ago O'Fallon represented the first major shopping destination for more rural areas to the north, west and south. With development in Wentzville and

Lake St. Louis, O'Fallon has a greater challenge in capturing these shoppers. And since many of O'Fallon's major anchors, such as Target, Walmart, Home Depot and Lowe's, now exist in these other areas there is very little differentiation between shopping destinations. As a result the trade area for O'Fallon retailers has actually been shrinking in recent years, with stores becoming more dependent on O'Fallon residents. The following table summarizes the development of key retailers in the area surrounding O'Fallon.

Major Anchors Developed Since 1999

<i>Anchor</i>	<i>City</i>	<i>Location</i>	<i>Year Opened</i>
Walmart	O'Fallon	O'Fallon Point	1995
Target	O'Fallon	Shops at Laura Hill	1995
Walmart	Chesterfield	Chesterfield Commons	1999
Target	Chesterfield	Chesterfield Commons East	2002
Walmart	Wentzville	Wentzville Crossroads Marketplace	2002
Walmart	Lake St. Louis	Shoppes at Hawk Ridge	2005
Target	Dardenne Prairie	Dardenne Town Square	2006
Target	Wentzville	Wentzville Crossroads Marketplace	2007

Amount of Retail Space

The following tables summarize the use of retail space city wide. These first two tables list the general use type by both number of storefronts and space.

Summary of Uses, Store Fronts

<i>Use Type</i>	<i># of Stores</i>	<i>% of Stores</i>
Service	346	47%
Restaurant	138	19%
GAFO	89	12%
Vacant	67	9%
Food	24	3%
Pharmacy & Med Supply	22	3%
Home & Garden	15	2%
Other Retail	15	2%
Automotive	11	1%
Gas Station	11	1%
TOTAL	738	100%

Summary of Uses, Space

<i>Use Type</i>	<i>Store GLA</i>	<i>% of GLA</i>
GAFO	1,067,490	26%
Service	981,812	24%
Vacant	547,986	14%
Restaurant	421,393	10%
Home & Garden	409,025	10%
Food	330,300	8%
Pharmacy & Med Supply	110,051	3%
Automotive	68,128	2%
Other Retail	64,325	2%
Gas Station	33,349	1%
TOTAL	4,033,859	100%

Service business occupy the largest number of store fronts by a large margin, followed by restaurants and GAFO (general merchandise, apparel, furniture and other), products typically found in a mall. Ranked by total space occupied, GAFO is the largest use due in part to the large size of general merchandise stores such as Walmart and Target. Service space and vacant space occupy the next largest amounts of space.

The next tables summarize the top specific store types by store fronts and occupied space.

Top 10 Store Types, Store Fronts

<i>Store Type</i>	<i>Store GLA</i>	<i>% of Stores</i>
VACANT	67	9.1%
Salon/Barber/Spa	42	5.7%
Chain, Fast	37	5.0%
Local, Sit-down	33	4.5%
Automotive	28	3.8%
Health Care	28	3.8%
MD/DDS	28	3.8%
Other Services	22	3.0%
Insurance	20	2.7%
Bank	19	2.6%

Top 10 Store Types, Space

<i>Store Type</i>	<i>Store GLA</i>	<i>% of GLA</i>
VACANT	547,986	13.6%
Dept Store	505,474	12.5%
Home Improvement	383,105	9.5%
Supermarket	279,744	6.9%
Furniture/Mattress	250,071	6.2%
Automotive	126,645	3.1%
Fitness	123,265	3.1%
Restaurant - Local, Sit-down	116,853	2.9%
Bank	91,490	2.3%
Restaurant - Chain, Fast	87,876	2.2%

The largest amount of space and storefronts is occupied by vacant space. Seven of the top ten store types by store fronts are considered service uses, with no traditional retail store types. However, due to the size of large retail stores such as Walmart, Target, Lowe's and Home Depot, department stores and home improvement stores appear near the top of the list for store types by space.

Total Space and Occupancy by Property Type

The next table summarizes the total amount of space and occupancy rates by the type of shopping center.

Retail Space by Center Type

<i>Property Type</i>	<i>GLA</i>	<i>Total Available</i>		<i>Service Use GLA</i>	<i>% Service Space</i>	<i>% of Retail Use</i>
		<i>Space (SF)</i>	<i>Occupancy</i>			
Power	551,275	3,120	99%	31,200	6%	94%
Lifestyle	29,717	14,178	52%	4,000	13%	39%
Community	704,418	94,186	87%	90,630	13%	74%
Neighborhood	401,203	26,850	93%	73,736	18%	75%
Strip Center	1,354,478	345,200	75%	592,054	44%	31%
Freestanding	992,768	64,452	94%	181,792	18%	75%
Grand Total	4,033,859	547,986	86%	973,412	24%	62%

<i>Property Type</i>	<i>% of GLA</i>	<i>% of Vacant</i>	<i>Over/Under Performing</i>
Power	14%	1%	13%
Lifestyle	1%	3%	-2%
Community	17%	17%	0%
Neighborhood	10%	5%	5%
Strip Center	34%	63%	-29%
Freestanding	25%	12%	13%
Grand Total	100%	100%	0%

In addition to occupancy, the amount of space utilized for service businesses has also been totaled. These types of uses are important to consider because they typically generate very limited sales tax revenues for the city and large amounts of service tenants can also indicate underperforming shopping centers.

Lifestyle center development with the highest vacancy rate includes a single property located within the WingHaven development and lacks visibility and easy access from high-traffic corridors. It also lacks a major anchor store. For these reasons the high vacancy rate is somewhat expected.

Un-anchored strip centers had the second lowest occupancy at 75 percent, but by far comprise the largest amount of vacant space of any type of retail development – more than three times as much as the next highest shopping center type. These centers account for 34 percent of retail space in O'Fallon, the most of any type of shopping center. Combined these strip centers account for 63 percent of the vacant space in the city. In addition, this type of shopping center has the highest amount of service space use at 44 percent, which results in the lowest amount of retail use of all shopping center types; only 31 percent of the space is generating taxable sales.

Strip centers also contribute to other issues with O'Fallon's retail infrastructure.

- The large number of centers each containing a relatively few amount of stores, disperses merchants over a large area making shopping trips disjointed and inconvenient.
- Without an anchor these stores do not generate significant traffic or draw customers from a large area.
- Most strip centers have generic designs and separate ownership which results in a wide variation of quality and appearance, making it difficult for the city to create or maintain a retail image or strategy.
- Finally, multiple smaller centers may occupy key locations in the city that could be better utilized for larger anchored development that could drive more traffic and sales.

The fact that the Highway K @ Highway 40 and WingHaven retail districts with sites along the Highway 40 corridor have not been developed with anchored shopping centers leaves O'Fallon at a competitive disadvantage to other cities with major anchors along the corridor.

Sales per Square Foot by Property Type

Earlier analysis showed that the vacancy and type of retailers varied by the type of shopping center. Lifestyle centers and un-anchored strip centers had large amounts of vacant space and service businesses that did not contribute to sales tax revenues. The following table summarizes estimated sales per square foot of occupied space. Not all of the retail space could be directly matched to city tax data, so data is provided only on the matched space. These matching statistics are also provided in the table below.

Sales by Property Type

<i>Property Type</i>	<i>Matched Store GLA</i>	<i>% of Total SF Matched</i>	<i>2008 Projected Sales</i>	<i>2008 Sales/SF</i>
Community	473,721	67%	\$ 148,275,564	\$ 313.00
Neighborhood	292,071	73%	\$ 87,076,739	\$ 298.14
Power	417,250	76%	\$ 88,137,182	\$ 211.23
Freestanding	785,320	79%	\$ 154,403,830	\$ 196.61
Strip Center	542,496	40%	\$ 84,921,493	\$ 156.54
Lifestyle	9,939	33%	\$ 1,444,774	\$ 145.36
TOTAL	2,520,797	67%	\$ 564,259,582	\$ 223.84

The property types with the lowest percentage of matched sales were Lifestyle centers and Strip Centers, due to the large amounts of vacant space and service tenants whose revenues are not captured in sales tax records. Matched sales represent sales from stores that are occupied and generating taxable sales. This comparison shows that even considering occupied space generating taxable sales Strip Centers have the lowest sales per square foot performance of all retail types. Although the Lifestyle center posted a lower figure it is difficult to draw a conclusion from a small sample of just one center. Community and Neighborhood centers are typically anchored with a supermarket or a big box retailer which drive traffic and sales. These two center types posted sales of about \$300 per square foot. This is about average for Community centers and above average for Neighborhood centers based on median sales provided by Urban Land Institute (ULI) for shopping centers in the Midwest. The sales at Power Centers were well below the ULI median of \$311 per square foot for the Midwest. This is somewhat surprising, but looking at sales for individual stores, it appears that some of the larger stores are posting below average sales for stores of their type.

The estimated overall sales per square foot applies the matched sales per square foot across all retail space generating taxable sales (matched and unmatched) to estimate total sales. The estimate of total sales is then divided by all space including vacant and service space. These figures draw an even more distinct comparison between un-anchored Strip Centers and other types of shopping center space.

Estimated Overall Sales per Square Foot

<i>Property Type</i>	<i>Retail Space</i>	<i>Sales/SF</i>	<i>Estimated Sales</i>	<i>Total GLA</i>	<i>Estimated Sales/SF</i>
Power	516,955	\$211	\$ 109,198,219	551,275	\$198
Lifestyle	11,539	\$145	\$ 1,677,356	29,717	\$56
Community	519,602	\$313	\$ 162,636,403	704,418	\$231
Neighborhood	300,617	\$298	\$ 89,624,605	401,203	\$223
Strip Center	417,224	\$157	\$ 65,311,606	1,354,478	\$48
Freestanding	746,524	\$197	\$ 146,776,047	992,768	\$148
Total	2,512,461	\$224	\$ 562,393,637	4,033,859	\$139

Anchored shopping centers have average estimated sales of \$217 per square foot, while un-anchored shopping centers have an average of \$52 per square foot. Freestanding retail development has average sales of \$148 per square foot. The difference between the taxable sales performance of anchored and unanchored centers suggests that **for every 100,000 square feet of unanchored retail space that could be redeveloped as anchored retail space, the City would collect an additional \$165,000 in annual sales tax revenue.** Overall, un-anchored strip shopping centers have the highest vacancy rates, smallest amount of stores generating sales and the smallest amount of sales per square foot. While these shopping centers do have a place in the retail mix of a community, they have become the dominant form of shopping center space in O'Fallon.

APPENDIX 3 – RESPONSES TO THE RETAIL SURVEY OF O'FALLON SHOPPERS

During October and November, 2008, residents of O'Fallon were asked to complete an attitudinal survey about their patterns of retail shopping and dining and about the conditions for retailing in O'Fallon. The survey was made available for residents to fill out via several distribution and collection points as well as via an Internet link from the City of O'Fallon's web page.

By mid-November, 210 on-line and written survey responses were received, a very good number for statistical analysis. However, there was an insufficient statistical response from three of six residential "zones" that had been identified in order to conduct a segmentation analysis in the city. A telephone survey was conducted using the same questionnaire on November 22 and 23 with a focus on the three deficient zones. This resulted in a sufficient response from each zone. In the end, there were 284 responses to the survey.

This section summarizes some key observations from the survey of shoppers, and a detailed summary of the survey results is included along with this report.

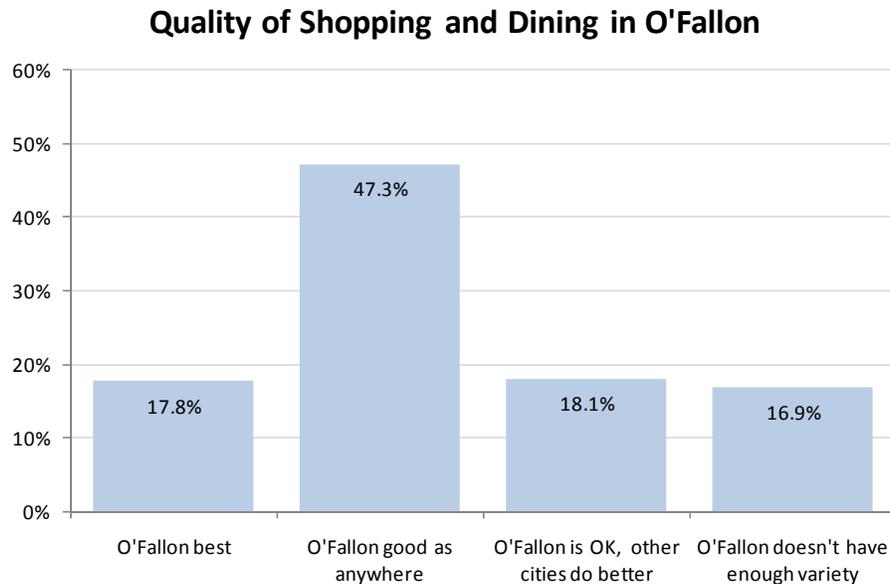
The most frequently patronized retailers are grocery stores, followed by big box department stores.

These stores carry food and a wide variety of products shoppers need on a daily or regular basis. As a result these stores draw steady traffic to the shopping centers and retail districts in which they are located. Although these stores consistently post the strongest sales, nearby merchants also benefit from the traffic they create. It is not surprising that shopping centers and retail districts anchored by these stores show the highest occupancies and sales.

O'Fallon is the preferred city for shopping and dining in 12 of 15 categories. Respondents were given a list of 15 retail and dining categories and a list of cities and counties where they might patronize stores in those categories. O'Fallon is the preferred city in 12 categories. St. Peters is the preferred city in the other three categories, which include Electronics & Appliances, Traditional Department Stores, and Warehouse & Club Stores. Other locations rated by respondents are: Wentzville, Lake St. Louis, St. Charles, Chesterfield, other locations in St. Charles and St. Louis Counties, and other counties.

O'Fallon residents are most likely to purchase clothing, books, and electronics on-line. More than half of the respondents to this question (57.3%) said that they buy clothing and shoes on-line through Internet-based merchants (some of whom, by the way, may also have physical stores in O'Fallon). Respondents were to choose up to three categories in which they buy items on-line. Almost half of the respondents buy books and related education resources on-line. Four out of ten buy electronics, and one-fifth buy sporting goods. But there is a wide variety of items purchased on-line. In all likelihood, the Internet is growing as a retail competitor. However, through our field survey and comparisons to other cities, O'Fallon lacks a variety of stores in these lifestyle retail sectors that are most frequently shopped online. This may suggest that O'Fallon shoppers are frequently choosing online retailers for the lack of local options.

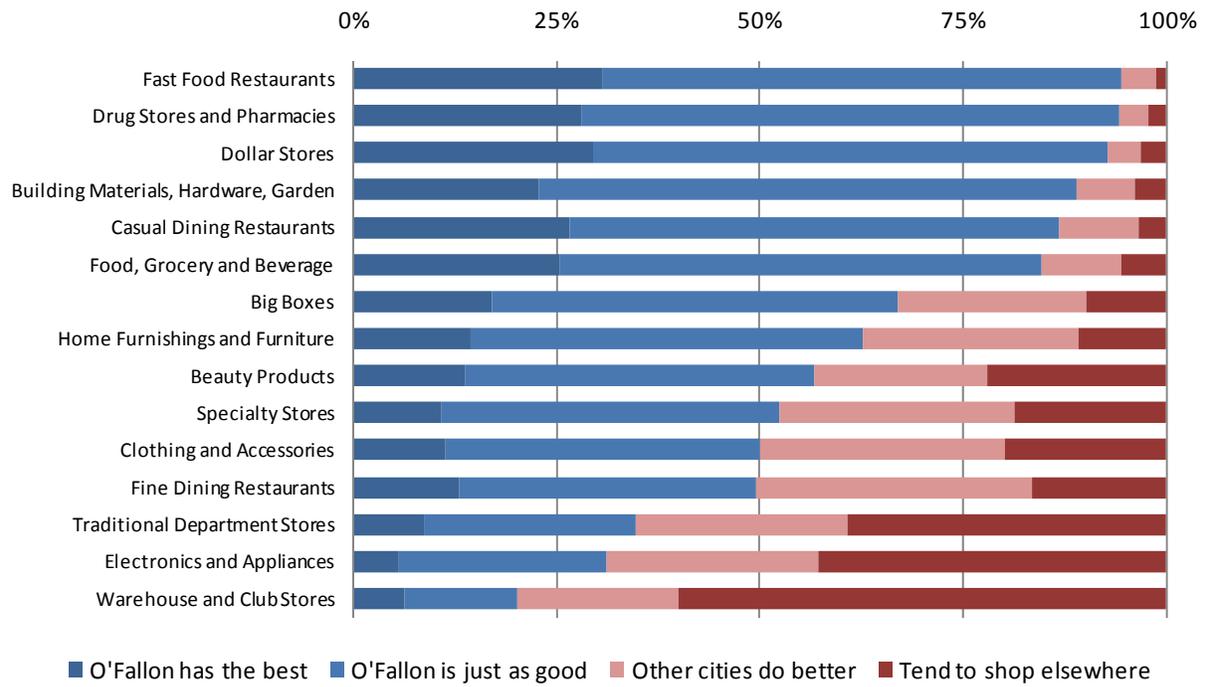
About 18 percent of the respondents rate O'Fallon stores as the best shopping options, while 47 percent O'Fallon just as good as other shopping destinations, and 35 percent prefer other shopping areas to O'Fallon. For the same 15 retail and dining categories noted earlier respondents were asked if the stores in O'Fallon were the *best place to shop*, if O'Fallon stores were *as good as any other city*, if O'Fallon was *OK but other cities have better stores*, or if O'Fallon *didn't have enough variety in stores so it was better to shop elsewhere*. A weighted analysis of the results is summarized on the graph, below.



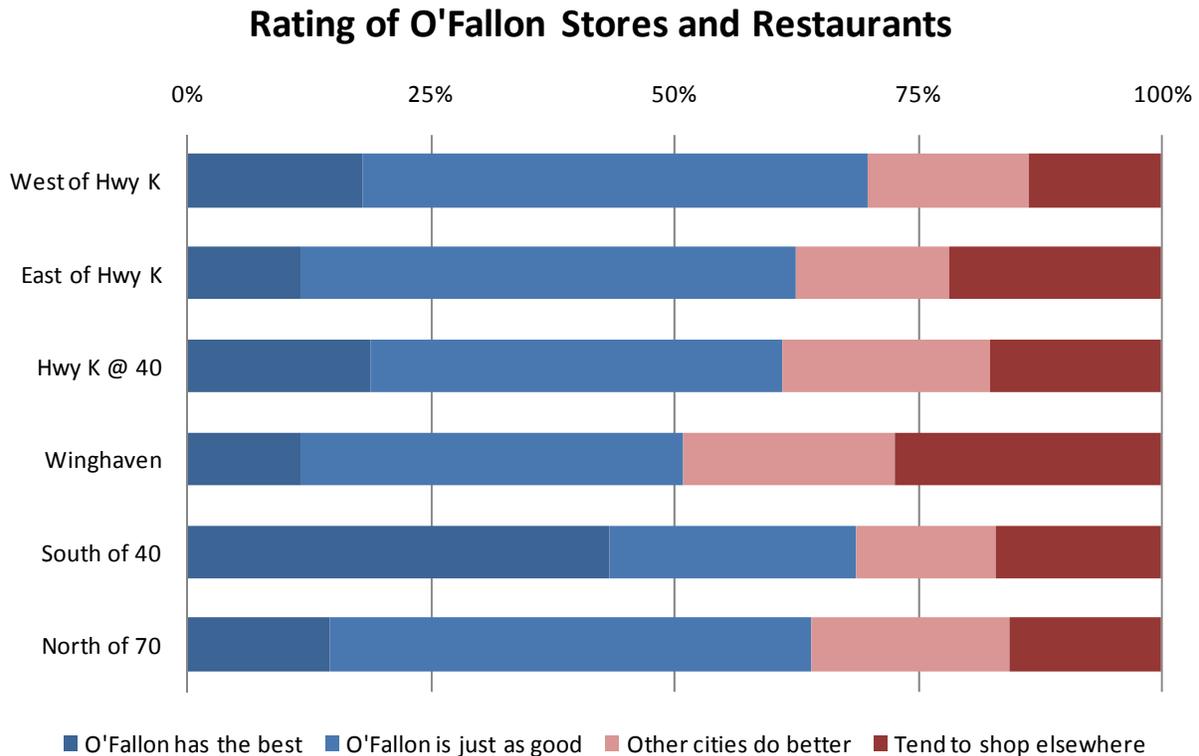
These results can be viewed in several ways. The positive view is that about two-thirds of O'Fallon residents feel that shopping in O'Fallon is as good or better than anywhere else. But, this leaves a full third of O'Fallon shoppers desiring better shopping options. This represents a significant amount of spending that could easily be lost to other shopping destinations. Perhaps as concerning, the half that feels O'Fallon is “just as good as anywhere” might also be willing to shop anywhere, and more receptive to new competition in other areas.

Respondents felt that other cities ranked highest in four categories including Fine Dining, Traditional Department Stores, Electronics & Appliances, and Warehouse & Club Stores. These categories are consistent with gaps found in our supply and demand analysis, comparisons to similar cities, online purchases and shopping most often occurring in other cities. These preferences are graphed below.

Rating of O'Fallon Stores and Restaurants



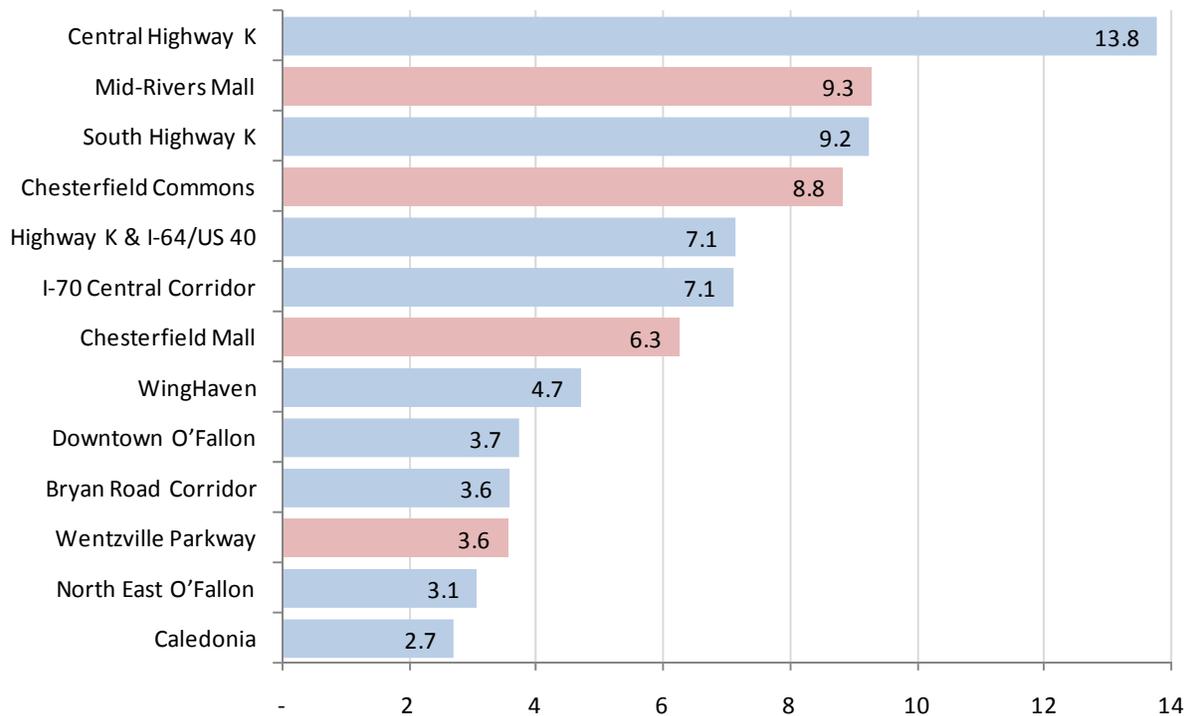
Almost 50 percent of respondents in Zone 4 (WingHaven) prefer shopping outside of O'Fallon, and almost 70 percent of respondents in Zone 5 (South of 40) thought shopping in O'Fallon was the best. These were the only two areas that had preferences significantly different than the city average. Preferences by zone are summarized in the following graph.



The quality of merchandise is the most important factor that attracts O'Fallon residents to retailers. On a scale where 1 equals “not important” and 4 equals “very important,” respondents rated *quality of merchandise* with a 3.81 overall average when asked why they choose particular locations for shopping and dining. They also rate *located close to home* and *everyday low prices* as second and third most important. A key question for strategic planning from the City’s point of view is how well public policy can affect these factors. In all likelihood, it is not in the City’s power to influence most of the factors except in small and targeted ways. Exploration of city actions with regard to each of the following factors is necessary before identifying strategic actions.

The Central Length of Highway K is, by far, the most frequently patronized retail location in O'Fallon. Respondents were asked how often they shopped at stores in 13 locations in O'Fallon and surrounding cities over the past year. Indeed, offering a challenge to O'Fallon policy makers may be the finding that three of the top seven locations on the following graph are outside of the city of O'Fallon, including Mid-Rivers Mall, Chesterfield Commons, and Chesterfield Mall.

Frequency of Patronage in Past Year

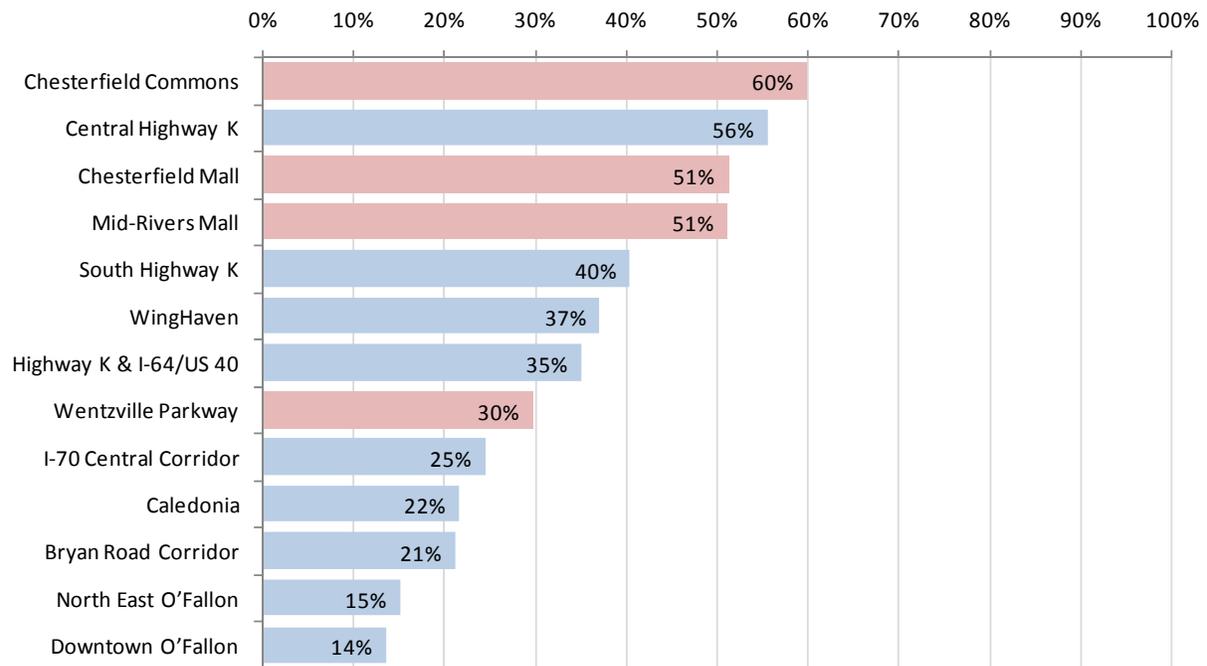


Of particular interest in that regard is the relatively poor patronage indicated for Downtown O'Fallon and North East O'Fallon despite the fact that one-third of survey's respondents live north of I-70 and should find these two locations especially convenient. This can indicate that actions can be taken to make these areas more attractive to local shoppers.

Chesterfield Commons is rated the best in overall quality, followed closely by Central Highway K.

Respondents were asked to rate six factors regarding the quality of retail districts and developments. Areas rated included the identified O'Fallon retail districts and Mid-Rivers Mall, Chesterfield Commons, Chesterfield Mall, and Wentzville Parkway, which are not located in O'Fallon. Multiple locations could be rated highly for each factor.

Overall "Highly Rated" Responses



Of these top four locations in overall ratings, three are not located in O'Fallon. Indeed, Central Highway K was the only O'Fallon location to achieve high ratings more than half the time. For strategic planning purposes, there may be much to learn from the two regional malls and Chesterfield Commons related to factors that attract and retain O'Fallon retail shoppers.

Lifestyle retailers among the most commonly mentioned stores needed in O'Fallon. There were 217 responses (76 percent of 284 total) responses to this open ended question “What kinds of stores, restaurants, and personal services would you like to have attracted into O'Fallon?” Only 20 respondents felt that nothing additional was needed. The list of replies was varied, but several key trends emerged and are summarized here. The list of individual retailers identified is long, but certain types were mentioned several times, including consumer electronics, bookstores, children’s and baby stores, clothing stores, toy stores, beauty products stores. This was also consistent with several responses looking for more “upscale” retail. Several respondents noted a need for more retail in general north of Interstate 70 including a supermarket. Interestingly several retailers and supermarkets mentioned as “needed” are already located in O'Fallon, including Walmart, Kmart, Kohl’s, Schnucks, Dierbergs, Aldi and Shop ‘n Save. This indicates that some shoppers are unaware of all O'Fallon’s shopping options and/or desire more convenient shopping options. Additional sit-down and fine dining were also common requests. Very few respondents mentioned a need for additional services.

Traffic (especially along Highway K) is listed as the issue most in need of improvement for shopping in O'Fallon. There were 161 responses (54 percent of 284 total) responses to this open ended question “What thoughts or ideas do you have to improve the shopping and dining experience in the city of O'Fallon?” In addition to traffic other issues receiving multiple mentions included improving the downtown area, walkability and accessibility (including sidewalk, bike paths, senior and handicap access), a desire for more locally owned restaurants and shops, a perceived over abundance of strip malls, and shopping centers were identified as “tired” and needing improvements.

APPENDIX 4 – RESPONSES TO THE RETAIL SURVEY OF O'FALLON MERCHANTS

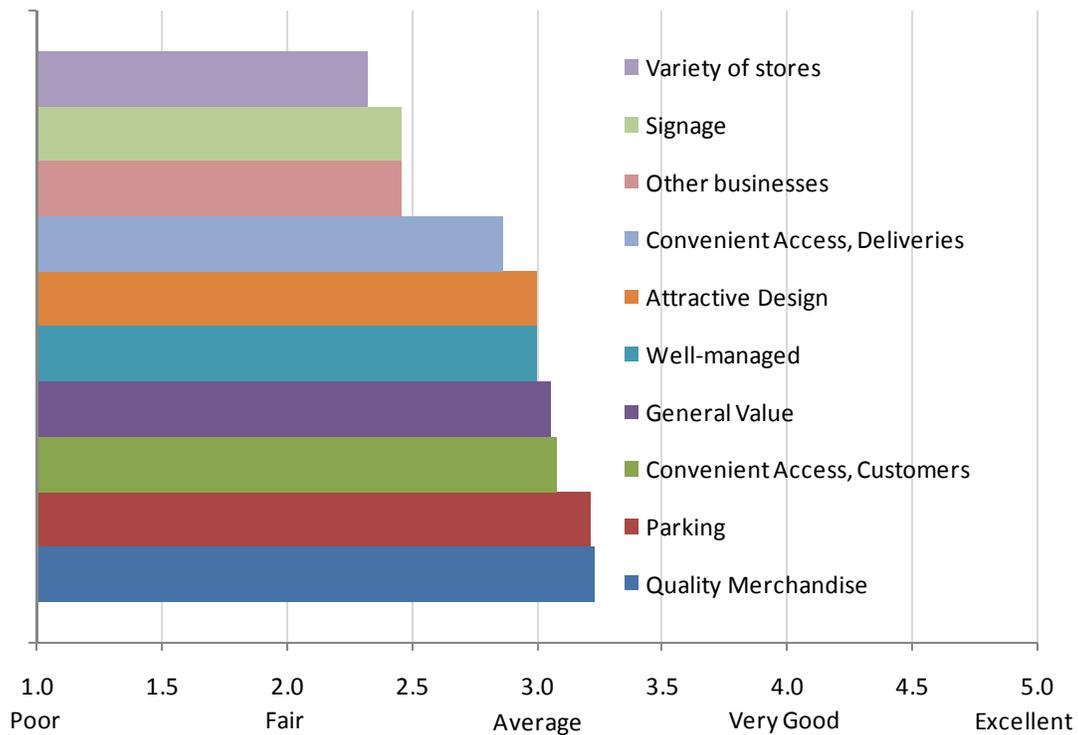
During an initial retailers meeting at City Hall and throughout October and November 2008, O'Fallon merchants were asked to complete an attitudinal survey about their businesses and conditions for retailing in O'Fallon. The survey was an Internet link from the City of O'Fallon's web page, so respondents were encouraged to complete the survey on line. Forty responses were received with 30 percent coming from businesses within the downtown O'Fallon retail district.

This section summarizes some key observations from the survey of merchants, and a detailed summary of the survey results has been included along with this report.

A roughly equal number of businesses report steady or positive sales and profits versus those reporting declines in sales and profits. Fifteen businesses reported performance in the categories “Sales and profits are rising strongly” ranging down to “Sales are stagnant, profits are steady”. On the other hand, 16 businesses reported performance in categories ranging from “Sales are stagnant, profits slim to slightly negative” to “Sales and profits decreasing substantially”. Nine businesses did not report on their performance. This is consistent with additional analysis in this report showing same store sales generally flat or declining slightly, as well as per square foot and per capita sales flat and slowly declining since 2003.

Merchants judged shopping centers and retail clusters in O'Fallon as average. Businesses were asked to rate their location (shopping center or retail cluster) in ten categories. The chart below shows that most retail locations were viewed as average by merchants in most of these areas. Seven of the ten categories had averages ranging between 2.9 and 3.2 with 3.0 being “average”. No categories were seen as above average, but three categories had averages between 2.3 and 2.5, or below average. These categories included adequate signage (2.5), other businesses to help attract customers (2.5), and variety of stores and services (2.3). The graph below summarizes the average response for each aspect of the business location.

Impressions of your Business Location (Shopping Center or Cluster)



These survey results are consistent with other analysis which shows that there is a lack of anchors at most shopping centers which drive traffic and expand trade areas. The lack of store variety in shopping centers also forces shoppers to make disjointed trips with multiple destinations to get their shopping done. This contributes to the traffic frustration cited by many in the customer survey.

Merchants are looking for improvements to signage and improved turning access. There were 33 responses (83 percent of 40 total) responses to this open ended question “What, if any, changes or upgrades could be made to your shopping center or location that would help increase the number of customers and/or sales for your business?” Responses covered a wide variety of topics, but signage and turning access came up most frequently.

Merchants are looking for more retail in O’Fallon, specifically “Big Box” anchors. There were 34 responses (85 percent of 40 total) responses to this open ended question “What kinds of stores, restaurants, and personal services would you like to have attracted to your shopping center or location that would help improve your business?” Comments varied widely. Some themes were discernable, however. There seemed to be a general consensus that more retail was needed. Several respondents noted that they thought O’Fallon needed more “big boxes”.

Merchants feel the city should do more to promote businesses in O'Fallon. There were 26 responses (65 percent of 40 total) responses to this open ended question “What thoughts or ideas do you have to improve the shopping and dining experience in the city of O'Fallon?” Again comments varied widely, but one theme which seemed to run through many of the comments was that the City should do more to promote O'Fallon businesses. Several suggestions along this line included organizing some type of community event to promote shopping locally, such as a holiday themed promotion. Another idea was that the City should organize some type of “coupon day”. The specifics varied, but the overall message was that the City should do more to encourage consumers to shop in O'Fallon stores.

APPENDIX 5 – REMATCH ANALYSIS

To determine whether the current mix of retail stores in O'Fallon is appropriate for the city, Development Strategies has compared the mix of local stores to the stores in comparable cities across the county. The goal of the analysis is to highlight retailers or store types that are common among the matched cities but lacking in O'Fallon.

Using demographic and lifestyle data provided by ESRI, specific ZIP codes across the country were identified that shared similar population, income, growth, home values, and lifestyle segmentation characteristics as O'Fallon. The five most similar ZIP codes were selected and an area encompassed within a four-mile radius surrounding that ZIP code was compared to O'Fallon, so that roughly similar land areas were compared. The following table summarizes the key characteristics of the selected cities along with O'Fallon.

Matched Cities Comparison

<i>City</i>	<i>Population</i>	<i>Avg. HH Income</i>	<i>Proj. Annual Pop. Growth (2008-2013)</i>	<i>Retail SF per Capita (GAFO/ Rest. Only)</i>	<i>Lifestyle Segment</i>
O'Fallon	68,246	\$93,913	3.7%	29	Up and Coming Families
Katy, TX	100,718	\$104,345	3.9%	30	Up and Coming Families
Meridian, ID	81,291	\$86,495	4.2%	28	Up and Coming Families
Henderson, NV	77,274	\$75,528	4.0%	18	Up and Coming Families
Joliet, IL*	84,098	\$89,246	4.5%	43	Up and Coming Families
Lawrenceville, GA	70,869	\$92,909	3.9%	39	Up and Coming Families
Raleigh, NC*	53,751	\$83,704	4.2%	62	Up and Coming Families

* Selected areas contain a Regional Mall

The next step in the analysis is to compare retail within the selected areas to see if O'Fallon has a similar amount and mix of retail businesses. Based on information provided by ESRI and the US Economic Census, shopping and dining space was estimated for each area. For O'Fallon, data from the field survey was used; the per capita retail square footage is smaller than the overall total, since only traditional shopping sectors and restaurants were considered. Two areas contained regional malls, so their per capita retail space was skewed higher. The remaining four areas have per capita retail space ranging from 18 to 39 square feet per person., placing O'Fallon in the middle of the range similar to Katy, a suburb of Houston and Meridian, a suburb of Boise.

Actual businesses were then compared to identify stores that were common among the six areas, but absent from O'Fallon. The following table summarizes this comparison.

Like City Retailers

<i>NAME</i>	<i>Count</i>	<i>Average</i>	<i>O'Fallon</i>
WENDY'S	13	2.2	0
7-ELEVEN	7	1.2	0
PANDA EXPRESS	7	1.2	0
PETCO	7	1.2	0
SONIC DRIVE-IN	6	1.0	0
BIG LOTS	5	0.8	0
EB GAMES	5	0.8	0
BLIMPIE SUBS & SALADS	4	0.7	0
CHICK-FIL-A	4	0.7	0
CHILI'S GRILL & BAR	4	0.7	0
FAMILY DOLLAR STORE	4	0.7	0
LONG JOHN SILVER'S	4	0.7	0
PIER 1 IMPORTS	4	0.7	0
ROSS DRESS FOR LESS	4	0.7	0
WAL-MART SUPERCENTER	4	0.7	0
AMERICAN MATTRESS	3	0.5	0
BABIES R US	3	0.5	0
BED BATH & BEYOND	3	0.5	0
BEST BUY	3	0.5	0
BUDGET BLINDS	3	0.5	0
FOOD 4 LESS	3	0.5	0
HOBBY LOBBY	3	0.5	0
MARSHALLS	3	0.5	0
MOXIE JAVA	3	0.5	0
PHILLY CONNECTION	3	0.5	0
POPEYE'S CHICKEN	3	0.5	0
RAINBOW	3	0.5	0
SEARS ROEBUCK & CO	3	0.5	0
STAPLES	3	0.5	0
TACO DEL MAR	3	0.5	0
WHATABURGER	3	0.5	0
KFC	12	2.0	1
PAYLESS SHOE SOURCE	12	2.0	1
BURGER KING	11	1.8	1

The first segment of retailers were found in more than half of the matched cities, but none were located in O'Fallon. For some retailers, such as Wendy's, cities averaged more than one location. The second group included retailers which were located in half of the cities. And, the third group included retailers averaging about two locations per city, with O'Fallon only having one. Potential anchor tenants have been highlighted in bold. Walmart Supercenter was included on the list because the Walmart in O'Fallon is not currently a supercenter. Overall, there were eight Walmart or Walmart Supercenters in the six cities. This list provides suggestions for potential tenants in existing or future retail development. Since these retailers have stores in multiple similar cities it is more likely that these retailers would consider a location in O'Fallon. The lack of a consumer electronics store was noted earlier and this comparison confirms that gap in O'Fallon's retail mix. Other segments that appear to have potential are baby goods, family apparel, and home accessories. The lack

of a large bookstore was also noted earlier; however, Borders was not located in any of the matched areas and Barnes and Noble was located in two of the areas. While this analysis has identified some potential tenants and sectors for O'Fallon, it is important to note that all of the identified anchors currently have locations in St. Peters, Wentzville and/or Chesterfield. This is another indication the retail competition in the area is very strong.

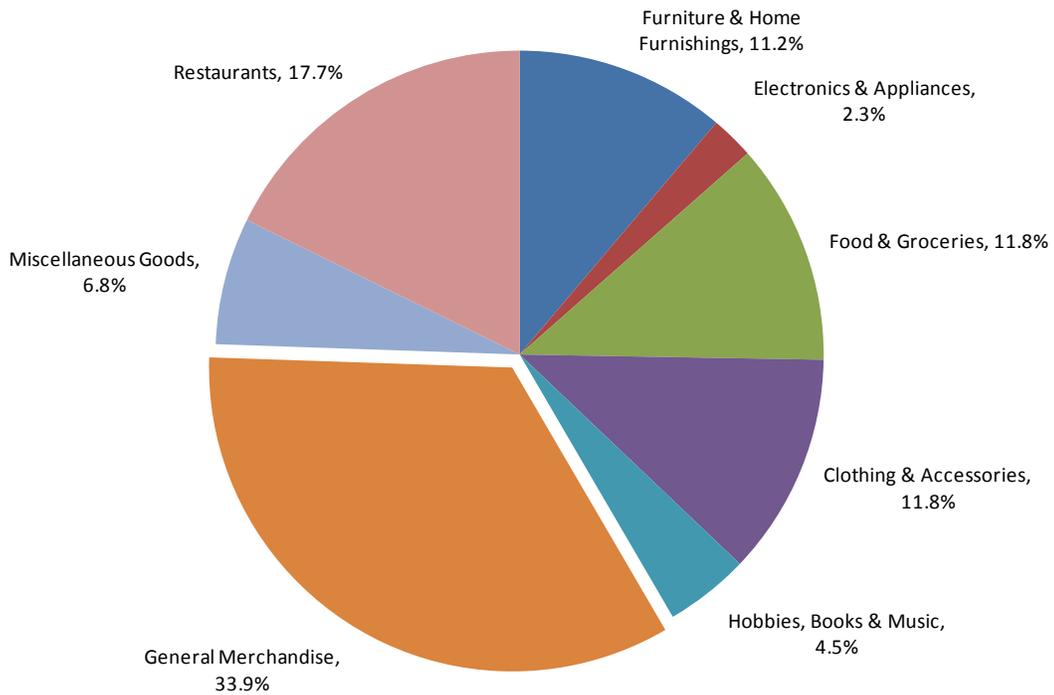
Although some gaps in the retail mix have been identified, O'Fallon does have stores and restaurant chains that were unique to this set of matched cities. The following table summarizes these national chains.

National Chains in O'Fallon	Also In
Culver's	None
Dressbarn	None
GNC	None
Gordman's	None
Hometown Buffet	None
InkStop	None
Q'Doba Mexican Grill	None
Rally's	None
Thomas Kincade Gallery	None
White Castle	None
Wingstop	None
Buffalo Wild Wings	Henderson
Jimmy Johns Sandwiches	Joliet
La-Z-Boy Furniture	Joliet
Shoe Carnival	Joliet
Cracker Barrel	Katy
Fazoli's	Katy
Longhorn Steakhouse	Lawrenceville
O'Charley's	Lawrenceville
Krispy Kreme	Meridian
Red Robin Hamburgers	Meridian
Thomasville Furniture	Meridian
Ruby Tuesday	Raleigh

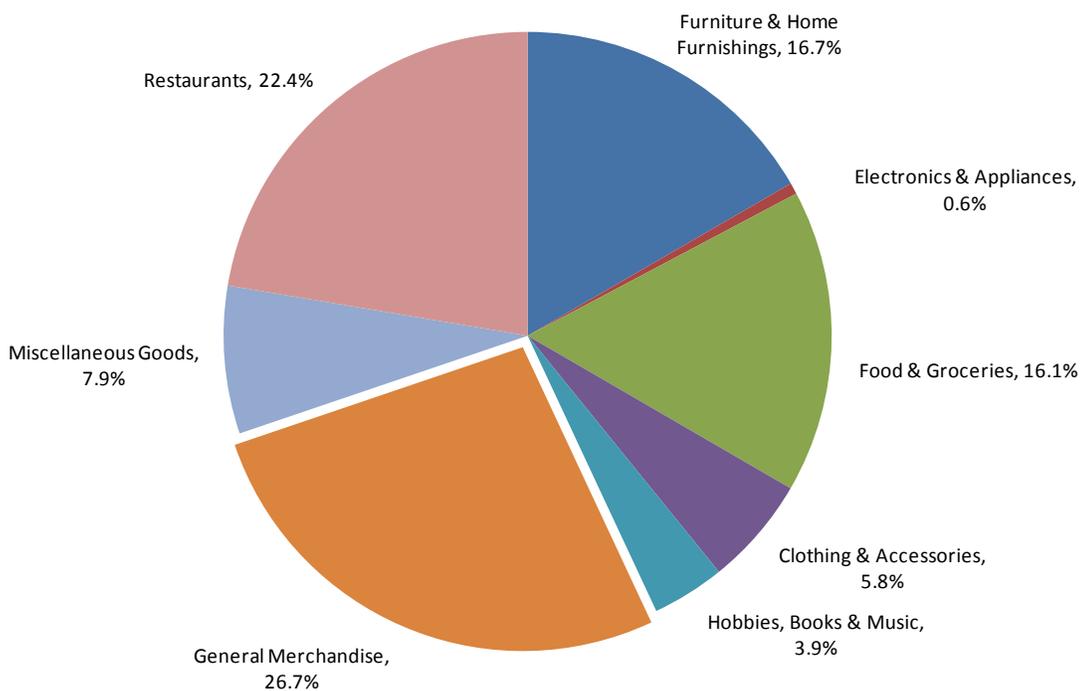
Almost two-thirds of these businesses are chain sit-down or fast-food restaurants, which indicates that O'Fallon has a good supply and variety of national chain restaurants.

The areas were also compared by the breakdown of retail and restaurant business types, to see if O'Fallon had a similar mix of shops and restaurants. The following two pie charts compare the mix of O'Fallon retailers to the average of the six matched areas.

Matched Cities, Percentage of Estimated Retail Space



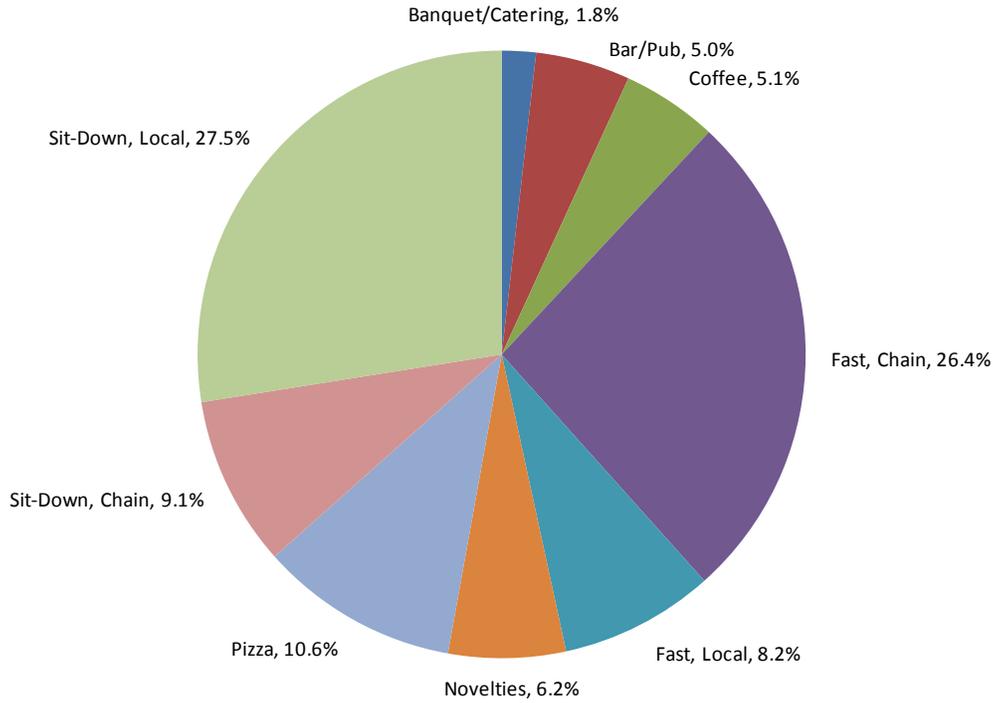
O'Fallon, Percentage of Retail Space



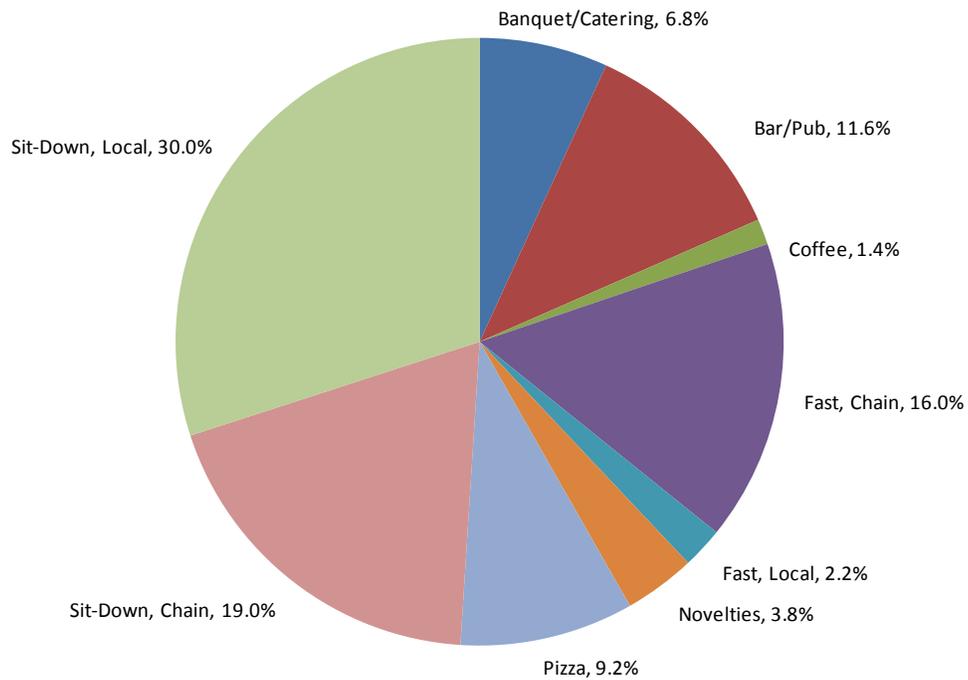
O'Fallon is about five percent above the average in the Restaurant, Furniture & Home Furnishings, and Food & Groceries categories. On the other hand O'Fallon is noticeably below average in the categories of General Merchandise, Hobbies, Books, & Music, Clothing & Accessories, and Consumer Electronics. While no ideal shopping mix has been determined, it is notable that O'Fallon is lacking in most areas that are considered “lifestyle” shopping. This is consistent with the finding that O'Fallon does not see a noticeable increase in sales during the fourth quarter of the year, and may lead O'Fallon shoppers to look elsewhere in the region for this type of shopping.

Since restaurants make up one of the largest categories and there is a variety of restaurant types that make up the category, restaurants have also been broken down by type in the following two graphs.

Matched Cities, Percentage of Estimated Dining Space



O'Fallon, Percentage of Dining Space



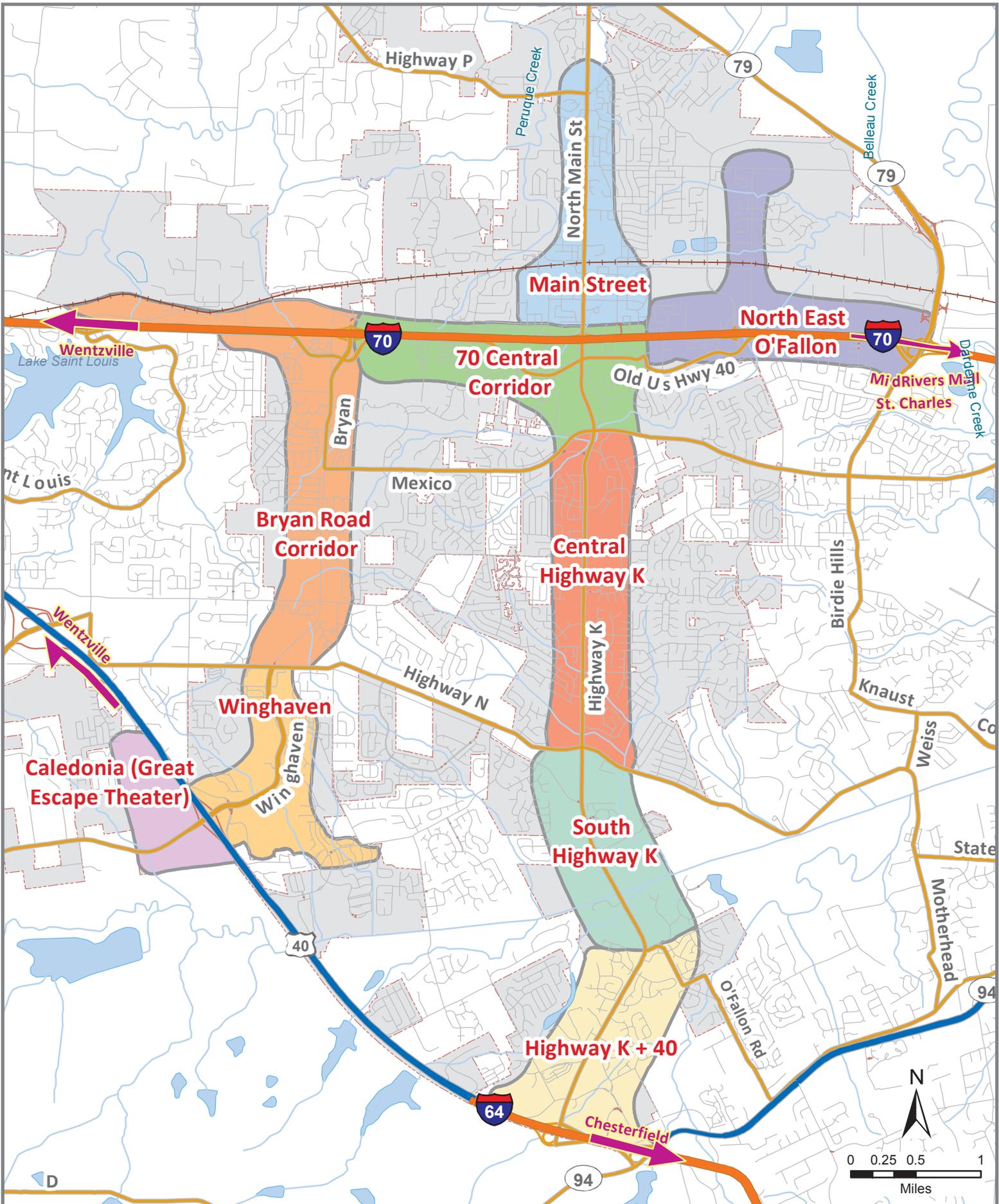
Some notable differences include a lack of local fast-food; O'Fallon has several carry-out Chinese restaurants, but lacks other quick dining options outside of national chains and pizza. This might point to an opportunity to introduce a deli, sandwich shop or other type of quick dining option with local flair. The city also has a higher percentage of bars/taverns and a lower percentage of Coffee houses. O'Fallon also has a smaller percentage of chain fast-food restaurants, but a higher percentage of national sit-down chains. The city also has a slightly higher percentage of local sit-down restaurants than the matched cities, and it accounts for the highest percentage of restaurant space. This runs counter to the impression that the city has an overabundance of chain restaurants. This could provide a good point of marketing for the city.

Overall, the Development Strategies ReMatch analysis shows that O'Fallon lacks a few key retailers that are common in areas across the country with similar demographics. The most notable absence is a major consumer electronics store, but others include baby supplies, home accessories and family apparel. The analysis also indicated that O'Fallon has a lower percentage of "lifestyle" retailers in sectors such as general merchandise, apparel, books, music & hobbies, and consumer electronics. A shortage of these stores may be driving O'Fallon shoppers to other shopping destinations, and it makes it difficult for O'Fallon to attract shoppers from other cities to support new retail development. This is especially true, since nearby cities of St. Peters, Wentzville, and Chesterfield offer these types of retail stores. Finally, the largest percentage of restaurant space in the city is contained with local sit-down restaurants, which may surprise some area diners. And, fast food chains are not as dominant as in similar cities. The city also offers a good variety of chain sit-down options, but there is an opportunity to introduce fast local dining options such as a deli or sandwich shop.

APPENDIX 5 – OVERVIEW OF RETAIL SPACE BY DISTRICTS

To identify specific areas of opportunities or concern, O'Fallon retail space was mapped and nine clusters of retail space were identified as retail districts. This section provides a summary of key characteristics and comparisons of these retail districts. Each section describes a retail district with a district snapshot table comparing key characteristics to O'Fallon on a citywide basis.

The map on the following page identifies these districts.



RETAIL DISTRICTS

O'Fallon Retail Strategy
 O'Fallon, MO

DEVELOPMENT STRATEGIES
 CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT

July 2008

Main Street – Main Street is the oldest and original retail district in O'Fallon. It is located north of the Highway K interchange with Interstate 70. The district contains about eight percent of all O'Fallon retail space, with an average age of over 30 years. Our subjective grade of appearance and condition of the district is slightly below average which would be typical of older shopping centers. Many stores in this district line Main Street, but the district is also anchored by O'Fallon Plaza with over 86,000 square feet of space or about 26 percent of space within the district. The shopping center was built in 1971 and is currently fully occupied with Dollar General as its anchor tenant. Overall, the district is occupied at 91 percent, which is among the highest of the districts. Just over a third of the space in the Main Street district is unanchored strip centers which typically underperform other types of shopping centers. The average sales of matched stores was \$168 per square foot; however, estimated sales per square foot including vacant and service space is \$93 per square foot, which is about \$50 below the city average of \$142 per square foot.

70 Central Corridor – This district was one of the next areas of the cities to develop, taking advantage of the major interchange at Highway K. The average age of retail development in the district is approaching 20 years old. The district contains about 20 percent of all O'Fallon retail space, and appearance and condition of the district was graded as average. The district contains some of the city's largest stores including Walmart, Kmart and supermarkets. O'Fallon Pointe shopping center anchored by Walmart and

Retail District Snapshot

<i>Retail District</i>	<i>Main Street</i>	<i>O'Fallon Overall</i>
# of stores	112	672
Total GLA	334,786	4,033,659
Avg Store GLA	2,724	5,195
Avg. Year Built	1976	1992
Avg. Cond. Score	1.8	2.9
Occupancy	91%	86%
% of Strip Center	37%	29%
% of Service Space	36%	23%
% of Non Retail Space	45%	38%
2008 Avg. Sales per Matched SF	\$168	\$203
2008 Est. Taxable Sale per SF	\$93	\$142
Top General Use	Service	GAFO
Top 3 Store Types, by SF	Automotive	Dept Store
	Banquet/Catering	Home Improvement
	Fitness	Supermarket
Largest 3 Stores	Walgreens	Rothman Furniture
	Trigg Banquet Center	Lowe's
	Dollar General	Walmart
Top 3 Total Sales (Matched)	Walgreens	Walmart
	Jack in the Box	Lowe's
	McDonald's	Target

Retail District Snapshot

<i>Retail District</i>	<i>70 Central Corridor</i>	<i>O'Fallon Overall</i>
# of stores	124	672
Total GLA	813,688	4,033,659
Avg Store GLA	5,666	5,195
Avg. Year Built	1990	1992
Avg. Cond. Score	2.3	2.9
Occupancy	86%	86%
% of Strip Center	24%	29%
% of Service Space	15%	23%
% of Non Retail Space	29%	38%
2008 Avg. Sales per Matched SF	\$303	\$203
2008 Est. Taxable Sale per SF	\$215	\$142
Top General Use, by SF	GAFO	GAFO
Top 3 Store Types, by SF	Dept Store	Dept Store
	Supermarket	Home Improvement
	Automotive	Supermarket
Largest 3 Stores	WalMart	Rothman Furniture
	Big Kmart	Lowe's
	Schnucks	Walmart
Top 3 Total Sales (Matched)	WalMart	Walmart
	Shop'n Save	Lowe's
	Schnucks	Target

Office Max is the largest shopping center in the district with 206,000 square feet of retail space. The main use in the 70 Central Corridor is department store retail, which will typically indicate higher sales. The district is 86 percent occupied with one of the smallest amounts of service space and un-anchored strip center space. The average sales of matched stores was \$303 per square foot; and estimated sales per square foot including vacant and service space is \$215 per square foot, which is the highest of all retail districts and about \$50 above the city average.

Central Highway K – This district emerged around the same time as the 70 Central Corridor as residential development moved south along the Highway K corridor. This district is located along the corridor between Mexico Road and Highway N. Retail development in this area occurred between the mid 1980s and 1990s and the average age of development is about 20 years old. The district is the largest in O'Fallon containing about 35 percent of all O'Fallon retail space, and appearance and condition of the district was graded as average. In addition to the large stores located in the 70 Central Corridor, Central Highway K contains the

Retail District Snapshot

<i>Retail District</i>	<i>Highway K, Central</i>	<i>O'Fallon Overall</i>
# of stores	175	672
Total GLA	1,392,871	4,033,659
Avg Store GLA	7,173	5,195
Avg. Year Built	1990	1992
Avg. Cond. Score	2.5	2.9
Occupancy	90%	86%
% of Strip Center	25%	29%
% of Service Space	20%	23%
% of Non Retail Space	30%	38%
2008 Avg. Sales per Matched SF	\$203	\$203
2008 Est. Taxable Sale per SF	\$143	\$142
Top General Use, by SF	GAFO	GAFO
Top 3 Store Types, by SF	Dept Store Home Improvement Furniture/Mattress	Dept Store Home Improvement Supermarket
Largest 3 Stores	Lowe's Target Home Depot	Rothman Furniture Lowe's Walmart
Top 3 Total Sales (Matched)	Lowe's Target Kohl's	Walmart Lowe's Target

city's other main anchor stores, such as Target, Home Depot, Lowe's and Kohl's. Target and Kohl's are located in the city's largest retail property, the Shoppes at Laura Hill power center, with 317,000 square feet of retail space. The district is 90 percent occupied with one of the smallest amounts of service space and un-anchored strip center space, similar to the 70 Central Corridor. The main use in the district is department store retail; however, its matched sales were lower than expected at \$203 per square foot considering the major retailers located in this district. The estimated sales per square foot including vacant and service space is \$143 per square foot, which matches the city average.

Northeast O'Fallon – This district emerged around the mid-1990s as development spread east and west along Interstate 70. On average shopping centers in Northeast O'Fallon are 15 years old. Development in the district also included the TR Hughes minor league baseball stadium. The district has the smallest number of stores (with the exception of Caledonia) with 12 containing about 300,000 square feet of space or seven percent of all O'Fallon retail space, and appearance and condition of the district was graded as above average. Furniture and Home Improvement are the largest

Retail District Snapshot

<i>Retail District</i>	<i>Northeast O'Fallon</i>	<i>O'Fallon Overall</i>
# of stores	12	672
Total GLA	297,188	4,033,659
Avg Store GLA	22,721	5,195
Avg. Year Built	1993	1992
Avg. Cond. Score	3.1	2.9
Occupancy	92%	86%
% of Strip Center	17%	29%
% of Service Space	9%	23%
% of Non Retail Space	17%	38%
2008 Avg. Sales per Matched SF	\$103	\$203
2008 Est. Taxable Sale per SF	\$86	\$142
Top General Use	GAFO	GAFO
Top 3 Store Types, by SF	Furniture/Mattress	Dept Store
	Home Improvement	Home Improvement
	Fitness	Supermarket
Largest 3 Stores	Rothman Furniture	Rothman Furniture
	84 Lumber	Lowe's
	Chic Do-It Center	Walmart
Top 3 Total Sales (Matched)	Rothman Furniture	Walmart
	QuikTrip	Lowe's
	84 Lumber	Target

store types, with Rothman Furniture, 84 Lumber and Chick Do-It Center anchoring the district. Northeast O'Fallon has the highest occupancy at 92 percent and has the smallest amount of non-retail space at just 17 percent. However, the district has one of the lowest matched sales averages at only \$103 per square foot. This is likely due to the major retail uses, which typically are among the lowest performers of major retail types according to ULI and the International Council of Shopping Centers. The estimated sales per square foot including vacant and service space is \$86 per square foot, which is well below the city average.

Bryan Road – The Bryan Road area was developed around the same time as Northeast O'Fallon to the west of the Highway K interchange centered around the next interchange. With the exception of cinema in Caledonia, Bryan Road is the district containing the smallest amount of retail space with four percent of the overall total and 168,400 square feet. More than any other area, this district is dominated by unanchored strip centers. All retail development is either located in a strip center or a free-standing structure, with no

Retail District Snapshot

<i>Retail District</i>	<i>Bryan Road</i>	<i>O'Fallon Overall</i>
# of stores	41	672
Total GLA	168,217	4,033,659
Avg Store GLA	2,822	5,195
Avg. Year Built	1994	1992
Avg. Cond. Score	2.9	2.9
Occupancy	69%	86%
% of Strip Center	69%	29%
% of Service Space	40%	23%
% of Non Retail Space	72%	38%
2008 Avg. Sales per Matched SF	\$216	\$203
2008 Est. Taxable Sale per SF	\$61	\$142
Top General Use, by SF	Service	GAFO
Top 3 Store Types, by SF	Carwash	Dept Store
	Specialty Foods	Home Improvement
	Gas Station	Supermarket
Largest 3 Stores	Best Express Car Wash	Rothman Furniture
	U Gas	Lowe's
	Heaven Scent Bakery	Walmart
Top 3 Total Sales (Matched)	QuikTrip	Walmart
	U Gas	Lowe's
	Heaven Scent Bakery	Target

anchor stores to draw traffic or customers from a wide area. In fact, the largest business and retail property is the Best Express Carwash. Bryan Road has one of the lowest occupancy rates at 69 percent and highest percentages of service space at 40 percent. Combined the district has the lowest percentage of shopping space at 28 percent. While the district has a matched sales average of \$216 per square foot due to decent sales at gas stations, a bakery and several restaurants, the estimated sales per square foot including vacant and service space is just \$61 per square foot, which is about \$80 below the city average.

South Highway K – As development in O'Fallon continues south along Highway K retail development in this area between Highway N and O'Fallon Road emerged in the late 1990s and early 2000s. Shopping centers in the district have an average age of less than ten years. The district is the third largest in O'Fallon containing over 400,000 square feet of retail space and 11 percent of all O'Fallon retail space. Due to its more recent development the appearance and condition of the district were graded as above average to good. Deer Creek Crossing with 227,000 square feet of retail space accounts for more than half of the retail space in the

Retail District Snapshot

<i>Retail District</i>	<i>Highway K, South</i>	<i>O'Fallon Overall</i>
# of stores	80	672
Total GLA	434,248	4,033,659
Avg Store GLA	5,594	5,195
Avg. Year Built	2000	1992
Avg. Cond. Score	3.6	2.9
Occupancy	92%	86%
% of Strip Center	22%	29%
% of Service Space	37%	23%
% of Non Retail Space	39%	38%
2008 Avg. Sales per Matched SF	\$298	\$203
2008 Est. Taxable Sale per SF	\$183	\$142
Top General Use	Service	GAFO
Top 3 Store Types, by SF	Supermarket	Dept Store
	Home Improvement	Home Improvement
	Automotive	Supermarket
Largest 3 Stores	Dierbergs	Rothman Furniture
	Schnucks	Lowe's
	Sears Hardware	Walmart
Top 3 Total Sales (Matched)	Dierbergs	Walmart
	Schnucks	Lowe's
	Sprint Wireless	Target

district. The district is anchored by two strong supermarkets including the Dierbergs at Deer Creek Crossing and Schnucks at Dardenne Crossing. As a result supermarkets comprise the largest store type in the district which generally results in strong overall sales. The area has one of the highest occupancy rates at 91 percent, and 30 percent of the space is occupied by service uses. Matched sales of almost \$300 per square foot is the second highest of the retail districts. The estimated sales per square foot including vacant and service space is \$183 also second only to 70 Central Corridor and \$40 above the city average.

Highway K & 40 – In the middle to late 1990s Highway 40 through Chesterfield Valley to Wentzville was widened and improved making retail development along the corridor much more feasible and attractive. New office development along the corridor also made the prospect of retail development in this area appealing. Development in the area near the Highway K interchange with Highway 40 is some of the newest along with development in WingHaven further to the west. Development in the Highway K & 40 district accounts for less than 10 percent of total retail development in the

Retail District Snapshot

<i>Retail District</i>	<i>Highway K & 40</i>	<i>O'Fallon Overall</i>
# of stores	65	672
Total GLA	344,245	4,033,659
Avg Store GLA	3,512	5,195
Avg. Year Built	2005	1992
Avg. Cond. Score	4.0	2.9
Occupancy	66%	86%
% of Strip Center	37%	29%
% of Service Space	23%	23%
% of Non Retail Space	56%	38%
2008 Avg. Sales per Matched SF	\$280	\$203
2008 Est. Taxable Sale per SF	\$122	\$142
Top General Use, by SF	Vacant>Service	GAFO
Top 3 Store Types, by SF	Supermarket	Dept Store
	Rest. - Local, Sit Down	Home Improvement
	Bank	Supermarket
Largest 3 Stores	Shop 'n Save	Rothman Furniture
	Cracker Barrel	Lowe's
	A'mis Restaurant	Walmart
Top 3 Total Sales (Matched)	Shop 'n Save	Walmart
	Cracker Barrel	Lowe's
	Kitaro Bistro of Japan	Target

city with 344,000 square feet of retail space. This retail space is the newest in O'Fallon and has an average age of less than five years. Although located on this highly traveled corridor retail development in this area is somewhat hampered by the significant lack of residential development to the south which is currently a protected wildlife reserve. As a result trade areas are significantly limited. Two shopping centers account for 55 percent of the space in the district. Monticello Plaza with a Shop n' Save grocery store anchor is 91 percent occupied with strong sales. However, LaBoure Centre is a very large unanchored strip center with almost 90,000 square feet of leasable space, and it remains 62 percent vacant two years after opening. Overall the district is only 66 percent occupied, the lowest occupancy rate of all districts. It is also the only district with vacant space as the largest general use category. The largest store types are supermarket and sit-down dining. The area does contain several popular restaurants including Cracker Barrel, Kitaro Bistro, and A'mis. At the time of our survey the J. Bucks location was not operating and listed as vacant, but we understand that the restaurant will resume operations under a new name. Highway K & 40 has matched sales of \$280 per square foot, which is the third highest of the retail districts. However, estimated sales per square foot including vacant and service space drops to \$122 – \$20 below the city average.

WingHaven – The second concentration of retail development along the Highway 40 corridor is located near the Highway 40 interchange with WingHaven Boulevard. WingHaven itself is a large residential development with integrated retail, office and institutional components. WingHaven and its retail space were developed around the middle 2000s, with an average age of less than five years. Development in this district accounts for five percent of total retail development in the city with 196,000 square feet of retail space. Despite its location along Highway 40 most retail space is located along

Retail District Snapshot

<i>Retail District</i>	<i>WingHaven</i>	<i>O'Fallon Overall</i>
# of stores	62	672
Total GLA	196,458	4,033,659
Avg Store GLA	2,561	5,195
Avg. Year Built	2005	1992
Avg. Cond. Score	4.5	2.9
Occupancy	81%	86%
% of Strip Center	58%	29%
% of Service Space	50%	23%
% of Non Retail Space	69%	38%
2008 Avg. Sales per Matched SF	\$140	\$203
2008 Est. Taxable Sale per SF	\$44	\$142
Top General Use	Service	GAFO
Top 3 Store Types, by SF	Salon/Barber/Spa	Dept Store
	MD/DDS	Home Improvement
	Health Care	Supermarket
Largest 3 Stores	The Spa at WingHaven	Rothman Furniture
	Provider Plus, Inc	Lowe's
	Walgreens	Walmart
Top 3 Total Sales (Matched)	Walgreens	Walmart
	Outback Steak House	Lowe's
	Seamus McDaniels	Target

WingHaven Boulevard or elsewhere within the larger development offering limited visibility from the highway. The Shoppes at WingHaven and an unnamed strip center are located at the interchange but visibility from the highway is limited. The Boardwalk Marketplace is on a minor road away from the highway and WingHaven Boulevard where there is very little traffic. The difficult access and very limited visibility of this center accounts for its high vacancy rate. With the exception of Boardwalk Marketplace, all shopping center space in WingHaven is either strip centers or freestanding retail structures, and the district does not benefit from a large retail anchor, such as a supermarket or big box store. WingHaven has the highest percentage of service space and second highest percentage of strip center space. Its three largest store types are Spa, Doctor & Dentist and other Healthcare, with its largest retail presence being the Spa at WingHaven. Overall the district is 81 percent occupied – below average for the city. WingHaven has matched sales of \$140 per square foot, which is among the lowest of the retail districts. Its estimated sales per square foot including vacant and service space is \$44 the lowest of all retail districts in O'Fallon.

Caledonia/Cinema – The Caledonia district is located on the south side of Highway 40 directly opposite WingHaven. Currently the district is occupied only by Great Escape O'Fallon 14 theater. Although the site was intended for additional retail development, none has materialized since the theater's opening in 2004, despite the strong anchor and good access and visibility. With just a single user the district is the smallest in O'Fallon with full occupancy. The theater generates about \$53 per square foot of taxable sales from concessions, but ticket sales are not subject to sales tax so they are not reflected in this analysis.

Overall, our summary of the retail districts in O'Fallon appears to confirm earlier observations from the analysis of the retail space. Districts with strong retail anchors generally had the highest occupancies and sales performance. On the other hand districts with a large amount of unanchored strip centers and/or service businesses had low occupancies and sales performance. Although the Highway 40 corridor appeared promising for retail development, the promise has never fully materialized. The two main districts, Highway K & 40 and WingHaven, account for 14 percent of retail space in the city, but 28 percent of the vacant space. These districts are hampered by a lack of residential development on the south side of the highway, but they also have not been able to take full advantage of the visibility or access provided by this high traffic corridor. Some shopping centers are not visible or easily accessible from the interstate, there is a noticeable lack of anchor stores, and there is a high percentage of strip centers and service businesses.