



landscape architecture
planning
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environmental science

September 6, 2006

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Subject: Draft: Market Overview Report
Plainwell Mill Redevelopment Plan, Plainwell MI
JJR project No. 24805.000

Dear Linda,

Please find the attached draft of the Market Overview report prepared for the former Plainwell Mill property, in Plainwell Michigan. The purpose of the overview is to suggest potential land uses that are based on the market realities of Plainwell and the region. It has been prepared as part of the redevelopment planning process and is understood to be one of the many planning influences, along with environmental, site factors, adjacent land uses, etc. that are and/or will be considered during the planning process for the site.

At a preliminary level, the Market Overview provides an understanding of the demographics of the region, including Allegan and Kalamazoo counties, and the cities of Kalamazoo and the Grand Rapids. Statistical data on the state and national levels are included to provide comparative perspective of the demographic trends.

Demographic shifts are one of the indicators of land use trends. The Market Overview includes a preliminary discussion about these land use trends and considers how they may or may not be suitable for the redevelopment of mill property.

Further, the Market Overview:

- Identifies potential land use types (i.e., residential, retail, office, etc.)
- Does not provide more detailed analysis within each land use type. (i.e., multi-family versus single family)
- Is not intended to identify the location of the potential land uses on the site.
- Offers a statistical overview within the potential market area up until 2004. Development after 2004 is not part of this overview.

- Does not factor in environmental issues on the mill site, when considering potential land uses.
- Is meant to be used in conjunction with, and balanced by, other site influences considered in the planning process.

Please let us know if you have any questions regarding this overview.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cheryl Zuellig". The signature is fluid and cursive, with the first name "Cheryl" written in a larger, more prominent script than the last name "Zuellig".

Cheryl Zuellig

Cc: MOF



Economics Research Associates

Draft Report

**Market Overview
Former Plainwell Mill Property
Plainwell, Michigan**

Submitted to:
JJR

Submitted by:
Economics Research Associates

September 6th, 2006

ERA Project Number: 16598

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Introduction

Economics Research Associates (ERA) was engaged to provide a market overview for the market area including a demographic analysis and trend assessments for a site in downtown Plainwell, Michigan.

Site Setting

The site is the former Plainwell Mill containing over 230,000 square feet of former paper mill buildings. It sits on 34.5 acres of land along approximately 2,400 feet of the Kalamazoo River. The property is located on the north side of M-89, a local east-west carrier (Allegan Street). It is directly east of the US-131 interchange, a major north-south route that links the cities of Kalamazoo and Grand Rapids. The site, while close to US-131, is not visible from the highway so is not ideal for users that prefer highway visibility and immediate access. The existing Comfort Inn blocks the view of the site from US-131 even though the subject property is quickly reached off of the highway. For this reason, while ERA considered some of the highway-related uses, they did not become high priorities in our evaluation. The site is approximately 15 miles from downtown Kalamazoo. Currently, Plainwell residents tend to visit the Kalamazoo area for services and attractions. Redevelopment of the site could potentially attract more residents and visitors to the downtown Plainwell area. The former mill property is located directly across the mill race from the main area of Plainwell and is highly visible from downtown. The river itself is a strong amenity for a mix of activities that would draw from its beauty and energy.

Scope of Study

This analysis includes a characterization of the current demographic characteristics, past trends, and future forecasts for the population within surrounding geographic areas. The proposed mixed-use development would draw largely from the Kalamazoo and Allegan counties. To reflect this, data from these two counties are compared to other highlighted jurisdictions. ERA compiled information from the following sources:

US Census
ArcView Business Analyst
State of Michigan
Michigan Department of Treasury
Michigan Department of Revenue
Michigan Department of Labor

Specific Limiting Conditions

This report is based on ERA's judgment and preliminary data to identify mixed-use and tenure concepts that could be realistic for the site – based on the market characteristics as identified in this study and our experience with current development trends in other communities. The report does not take into consideration select site attributes such as its status on the National Priorities List (NPL) (federal Superfund) or potential environmental concerns. The report is intended only to provide direction for the decisions regarding the preliminary land use scenarios and does not take into account planned developments across the river and in the township, or any effects of the Kalamazoo Promise.

Demographic Assessment

Population Change

The former Plainwell Mill property is located in the southeast corner of Allegan County. The closest population center is the city of Kalamazoo, which is approximately 15 miles south of the city of Plainwell in Kalamazoo County. The city of Grand Rapids is approximately 35 miles north of Plainwell, in Kent County. The following table shows population change factors for Kalamazoo and Allegan counties in comparison with other select jurisdictions. The Grand Rapids Metropolitan Statistical Area (MSA) includes Allegan County, Kent County, Muskegon County and Ottawa County. Allegan County is large, extending westward to Lake Michigan.

Allegan County's compound annual growth rate (CAGR '90-'00) of 1.6% is high relative to the state (0.7%), and is closer to the CAGR ('90-'00) for the nation (1.2%) and the Grand Rapids MSA (1.5%). Kalamazoo County shows a CAGR ('90-'00) closer to that of the state. Allegan and Kalamazoo counties each added roughly 1,500 residents per year from 1990 to 2000 and Allegan County represented roughly 10% of overall MSA growth over the period of record. Importantly, from 2000 to 2004, the table suggests that growth in Kalamazoo County has accelerated. From 1990s to 2000, the county added roughly 1,500 residents per year. From 2000 to 2004, the county added about 1,700 residents per year. The rate of change in Allegan County remained at roughly 1,500 new residents per year from 1990 through 2004 while Plainwell's population has been essentially stable for this study.

Table 1. Population

Jurisdiction	1990	2000	2004	CAGR ('90-'00)	Annual Change ('90-'00)	CAGR ('00-'04)	Annual Change ('00-'04)
USA	248,709,873	281,421,906	293,646,842	1.2%	3,271,203	1.1%	3,056,234
Michigan	9,295,297	9,938,444	10,104,206	0.7%	64,315	0.4%	41,441
Grand Rapids MSA	937,890	1,088,513	1,140,897	1.5%	15,062	1.2%	13,096
Kalamazoo County	223,411	238,603	245,470	0.7%	1,519	0.7%	1,717
Allegan County	90,509	105,665	111,784	1.6%	1,516	1.4%	1,530
Kalamazoo	80,277	77,145	77,471	-0.4%	-313	0.1%	82
Plainwell	4,057	3,933	4,088	-0.3%	-12	1.0%	39

Source: US Census, ESRI and ERA

Population By Age

The following two tables highlight population by age shifts between 1990 and 2000 for noted jurisdictions. Table 2 shows that, in 1990, 32% of Allegan County's population consisted of residents up to the age of 19, which is above state and US averages. In Kalamazoo County, 29% of the population is part of this age cohort, which is in line with national data. In addition, Allegan and Kalamazoo counties display a percentage of residents between the ages of 35 and 54 equal to the nation and the state.

Table 2. Population by Age, 1990

Age Cohort	USA	Michigan	Grand Rapids MSA	Kalamazoo County	Allegan County	Kalamazoo	Plainwell
≤ 19	29%	30%	32%	29%	32%	30%	30%
20-24	8%	8%	8%	11%	6%	17%	7%
25-34	17%	17%	18%	17%	17%	18%	17%
35-54	25%	25%	24%	25%	25%	19%	24%
55-64	9%	9%	8%	8%	8%	6%	7%
65+	13%	12%	11%	11%	12%	11%	16%

Source: US Census and ESRI

Table 3 shows the corresponding population by age statistics for the year 2000. Between 1990 and 2000, in Allegan and Kalamazoo counties, the percentage shares of the two youngest age groups declined while the share of those aged 35 to 54 increased. In 1990, there were 7,051 residents in Allegan County between 55 and 64. By 2000, this segment increased to 8,895, which represents a 26% increase, higher than any other listed jurisdiction. Based on nationwide trends in development, this segment of the population would be a likely target market for more urban, walkable downtown development. The data in Table 3 shows some noticeable differences between Plainwell and Kalamazoo County. For example, Plainwell shows an older population with a larger proportion of the 35-54 and 65+ age groups.

Table 3. Population by Age, 2000

Age Cohort	USA	Michigan	Grand Rapids MSA	Kalamazoo County	Allegan County	Kalamazoo	Plainwell
≤ 19	29%	27%	31%	26%	29%	27%	26%
20-24	7%	6%	7%	10%	5%	17%	5%
25-34	14%	21%	14%	21%	19%	23%	22%
35-54	29%	27%	29%	26%	28%	19%	26%
55-64	9%	8%	7%	7%	8%	5%	7%
65+	12%	11%	11%	10%	10%	9%	14%

Source: US Census and ESRI

Growth in the younger family-correlated cohorts, seen mostly in the 25-34 age cohort, as well as senior / retiree cohorts (65+) is a significant consideration looking to the future, raising relevant planning considerations, including:

- Younger families with children and retirees generate rather different demand for residential services
- Related implications for per capita income growth, population change, household size, and retail demand based on growth in younger families versus retirees.

Educational Attainment

Tables 4 and 5 summarize educational attainment for residents aged 25 years or older in 1990 and 2000. In 1990, Plainwell and Allegan County, overall, supported the highest percentages of residents with a

high school degree, along with a lower percentage of graduate or professional degrees compared to noted jurisdictions.

Table 4. Educational Attainment (Ages 25+, 1990)

Level	USA	Michigan	Grand Rapids MSA	Kalamazoo County	Allegan County	Kalamazoo	Plainwell
Less than 9th Grade	10%	8%	8%	5%	10%	7%	8%
9th to 12th Grade	14%	15%	14%	11%	15%	14%	11%
High School Graduate	30%	32%	33%	28%	39%	23%	40%
Some College	19%	20%	20%	21%	17%	20%	22%
Associate Degree	6%	7%	8%	7%	6%	7%	5%
Bachelor's Degree	13%	11%	12%	16%	8%	17%	10%
Graduate or Prof. Degree	7%	6%	6%	11%	4%	13%	4%

Source: US Census and ERA

Table 5 summarizes attainment statistics for 2000. The table shows the change in the percentage distribution associated with Allegan and Kalamazoo counties. Like the nation overall, the percentage shares of those with bachelor's or graduate degrees increased while the shares of those with education levels below high school decreased. As was the case in 1990, Kalamazoo shows the highest percentage share of residents with bachelor or graduate level degrees. Plainwell shows a high proportion of high school graduates, or those with some college but falls below the other areas in regards to associate, bachelor or graduate degrees obtained.

Table 5. Educational Attainment (Ages 25+, 2000)

Level	USA	Michigan	Grand Rapids MSA	Kalamazoo County	Allegan County	Kalamazoo	Plainwell
Less than 9th Grade	8%	5%	5%	3%	6%	5%	6%
9th to 12th Grade	12%	12%	11%	8%	12%	11%	15%
High School Graduate	29%	31%	31%	26%	39%	24%	32%
Some College	21%	23%	23%	24%	21%	22%	24%
Associate Degree	6%	7%	8%	7%	6%	6%	5%
Bachelor's Degree	16%	14%	16%	19%	11%	18%	14%
Graduate or Prof. Degree	9%	8%	7%	12%	5%	14%	4%

Source: US Census and ERA

Household Change and Household Size

Table 6 summarizes changes in household formations (family and non-family households) from 1990 to 2000. Allegan County's CAGR of 1.9% is above the national, state and MSA growth rates. The table below indicates that Allegan County saw an annual increase of about 650 new household formations per year between 1990 and 2000. This rate of growth increased the county's share of MSA households from 3.5% to 3.6% between 1990 and 2000. Plainwell, again, had essentially a flat trend in household growth.

Table 6. Household Change (Family and Non-Family)

Jurisdiction	1990	2000	CAGR	Annual Change
USA	91,947,410	105,480,101	1.4%	1,353,269
Michigan	3,419,331	3,785,661	1.0%	36,633
Grand Rapids MSA	913,562	1,058,970	1.5%	14,541
Kalamazoo County	83,702	93,479	1.1%	978
Allegan County	31,709	38,165	1.9%	646
Kalamazoo	29,409	29,413	0.0%	0
Plainwell	1,488	1,506	0.1%	2

Source: US Census, ESRI and ERA

In terms of overall household formations, the growth and emergence of non-family households is a key driver of housing demand. US Census data reveals the following details about family and non-family household change between 1990 and 2000:

- Nationally, non-family households increased from 30% to 32% of total households
- In Allegan County, non-family households increased from 23% to 25%
- In Kalamazoo County, the increase was from 34% to 38%

Growth in non-family housing is reflected in on-going reductions in average household size. Table 7 highlights how this trend is occurring nationally and locally. Plainwell, which saw a decline in average household size, is also likely to be experiencing shifts in household characteristics.

Table 7. Average Household Size

Jurisdiction	1990	2000	CAGR
USA	2.63	2.59	-0.2%
Michigan	2.66	2.56	-0.4%
Grand Rapids MSA	2.74	2.67	-0.3%
Kalamazoo County	2.54	2.43	-0.4%
Allegan County	2.81	2.72	-0.3%
Kalamazoo	2.41	2.30	-0.5%
Plainwell	2.59	2.48	-0.4%

Source: US Census and ERA

Tables 8 and 9 show changes by age of household for Allegan and Kalamazoo counties. Allegan County experienced a notable increase in the more senior age cohorts from 1990 to 2000. The highest percentage increases occurred in the 35 to 54 and 55 to 64 year old age cohorts. Family households show increases of 3.4% and 2.0% and non-family households show increases of 5.0% and 4.5%.

Table 8. Allegan County Households by Age, 1990

Family households	1990	2000	CAGR
15 to 24	1,044	1,034	-0.1%
25 to 34	6,002	5,206	-1.4%
35 to 54	10,422	14,545	3.4%
55 to 64	3,100	3,761	2.0%
65 to 74	2,428	2,532	0.4%
75+	1,336	1,530	1.4%
Total	24,332	28,608	1.6%
Non-Family Households			
15 to 24	423	631	4.1%
25 to 34	1,250	1,281	0.2%
35 to 54	1,953	3,168	5.0%
55 to 64	8,68	1,354	4.5%
65 to 74	1,437	1,223	-1.6%
75+	1,463	1,980	3.1%
Total	7,394	9,637	2.7%

Source: US Census and ERA

Like Allegan County, a significant portion of the growth in Kalamazoo County households was among the 35 to 54, and 55 to 64 year old age segments. From 1990 to 2000, family households within these cohorts show 1.1% and 0.4% growth while the same non-family household cohorts show growth rates of 3.9% and 3.7%.

Table 9. Kalamazoo County Households by Age, 2000

Family households	1990	2000	CAGR
15 to 24	2,725	2,471	-1.0%
25 to 34	12,807	10,751	-1.7%
35 to 54	25,151	28,160	1.1%
55 to 64	7,605	7,924	0.4%
65 to 74	5,271	5,464	0.4%
75+	2,507	3,500	3.4%
Non-Family Households			
15 to 24	4,796	7,356	4.4%
25 to 34	6,510	6,371	-0.2%
35 to 54	6,608	9,645	3.9%
55 to 64	2,377	3,425	3.7%
65 to 74	3,432	3,578	0.4%
75+	4,232	4,850	1.4%

Source: US Census and ERA

Per Capita Income

Table 10 summarizes per capita income trends for 1989, 1999 and 2004. Plainwell shows the strongest five-year annual growth rate of 3.7%, which is higher than all other jurisdictions. In 2004, Kalamazoo County shows the largest per capita income of any jurisdiction. Plainwell, with per capita income at \$20,406 falls below the U.S. and Michigan averages of \$24,020 and \$23,594, respectively.

Table 10. Per Capita Income

Jurisdiction	1989	1999	2004	CAGR ('99-'04)	Annual Change ('99-'04)
USA	\$14,420	\$21,587	\$24,020	2.2%	487
Michigan	\$14,154	\$22,168	\$23,594	1.3%	285
Grand Rapids MSA	\$13,671	\$20,899	\$23,598	2.5%	540
Kalamazoo County	\$14,548	\$21,739	\$25,015	2.8%	655
Allegan County	\$12,498	\$19,918	\$22,384	2.4%	493
Kalamazoo	\$11,956	\$16,897	\$19,634	3.0%	547
Plainwell	\$11,761	\$16,982	\$20,406	3.7%	685

Source: US Census, ESRI and ERA

Demographic Summary

The demographic assessment highlights several notable features of Allegan and Kalamazoo counties.

- Population growth in Kalamazoo County appears to have accelerated since 2000, from a 1990 to 2000 rate of 1,519 new residents per year, to a 2000 to 2004 rate of about 1,716 residents per year. Plainwell's population has been stable.
- Given the smaller size of Plainwell, recent age cohort shifts appear to be significant, and raise implications about community character and lifestyle, including potential demand for more urban, walkable environments.
- In Plainwell, income growth has been strong at 3.7%, which is higher than all the comparative areas.

Looking to the future, key planning issues will include:

- An understanding of regional growth in population and housing demand
- Baby boomer retirement implications

Residential Development Trends

The following section summarizes market area housing characteristics, noting growth in housing units, occupancy, housing permit construction and related factors. Importantly, this section of the report should be interpreted with respect to conclusions noted above regarding population and household change, in that both factors drive demand for new housing.

Housing Units

Table 11 summarizes the number of total housing units in the select jurisdictions from 1990 to 2000. The table shows that Allegan County grew at a rate of 690 housing units per year, resulting in a 1.8% CAGR, higher than all other jurisdictions. The increase of 690 housing units corresponds reasonably well with the annual increase of 646 households noted in Table 6. Plainwell shows little housing construction with only five new units added on an annual basis. As previously noted, these trend assessments do not take into account planned developments across the river or elsewhere in the city/township.

Table 11. Housing Unit Growth

Jurisdiction	1990	2000	CAGR	Annual Change
USA	102,263,678	115,904,641	1.3%	1,364,096
Michigan	3,847,926	4,234,279	1.0%	38,635
Grand Rapids MSA	357,679	422,703	1.7%	6,502
Kalamazoo County	88,955	99,250	1.1%	1,030
Allegan County	36,395	43,292	1.8%	690
Kalamazoo	31,488	31,798	0.1%	31
Plainwell	1,541	1,593	0.3%	5

Source: US Census, ESRI and ERA

Housing Occupancy

Table 12 shows that the majority of housing units in each jurisdiction are owner occupied, including 83% of housing units in Allegan County and 66% of housing units in Kalamazoo County. In 2004, Allegan County shows the largest percentage (83%) of owner occupied housing units of any jurisdiction. Plainwell shows a high income ownership rate, about par with Allegan County and above all other areas summarized.

Table 12. Owner Occupancy %

Jurisdiction	1990	2000	2004
USA	64%	66%	67%
Michigan	71%	74%	75%
Grand Rapids MSA	74%	75%	75%
Kalamazoo County	64%	66%	66%
Allegan County	81%	83%	83%
Kalamazoo Plainwell	47%	48%	47%
	65%	69%	81%

Source: US Census and ESRI

Housing Unit Construction

Tables 13 and 14 summarize single-family and multi-family unit construction trends from 2000 to 2004 for noted jurisdictions. The tables highlight an overall increase in single-family home construction from 2000 to 2004 for the two counties.

Table 13. Single Family Permits

Jurisdiction	2000	2001	2002	2003	2004
USA	1,198,067	1,235,550	1,332,620	1,460,887	1,613,445
Michigan	42,960	40,517	41,656	44,726	45,881
Kalamazoo County	676	600	661	1,104	1,014
Allegan County	352	352	366	736	803

Source: State of Michigan

Table 14. Multi-Family Permits

Jurisdiction	2000	2001	2002	2003	2004
USA	394,200	401,126	415,058	428,327	456,632
Michigan	10,113	10,287	8,847	9,800	9,424
Kalamazoo County	79	138	238	892	294
Allegan County	39	119	25	90	93

Source: State of Michigan

Permit Activity

ERA developed ratios that correlate construction of new housing units since 2000 with growth in population and households since 2000. The intent of the ratios is to assess housing deliveries as compared with resident supported demand. The ratio approach is summarized in the table below. The approach in this case indicates that housing construction in Allegan County is at 1.02 permits (single and multi-family) per new household since 2000, indicating that new construction is nearly totally correlated to household growth and reflects a housing stock that is not overbuilt, one where supply and demand are in balance. This could change depending on planned area developments.

Table 15. New Permit / New Resident Calculation, 2000 to 2004

Jurisdiction	New Residents	New Households	New Building Permits	New Permits per New Resident	New Permits per New Household
USA	12,224,936	4,421,989	8,935,912	0.73	2.02
Michigan	165,762	137,474	264,211	1.59	1.92
Kalamazoo County	2,121	4,592	5,696	2.69	1.24
Allegan County	6,812	2,916	2,975	0.44	1.02

Source: US Census, State of Michigan and ERA

Residential Implications

- Housing markets may shift over the next 12 to 24 months. These shifts in the marketplace may be driven largely by Federal Reserve policy decisions, which could result in a gradual tightening of interest rates, which can shift purchase decisions and create a stronger rental market.
- The impending baby boomer retirements and stronger growth in non-family households that are expected in the next few years will tend to drive further decreases in average household size. Growth in these specific markets will considerably alter area housing markets, and generate potential demand for a greater variety of housing options in more walkable neighborhood environments. Potential housing options include higher density condominiums and town homes, bungalows, row houses, and other similar products (either owner-occupied or rental).
- The maturing Generation-X market is also on the horizon. Nationally, this more diverse market segment has less of a predisposition for traditional suburban single-family housing.
- On a broader level, experts are also evaluating expected future household growth, with a larger share of future demand driven by senior age cohorts and non-family households, which should have an impact on housing construction trends.
- The site has the potential to capture a housing product driven by changing demographics. This an increasing share of non-family households, including the Generation-X and baby boomer segments who are expected to be looking for more urban environments.
- The Kalamazoo Promise, made by a regional benefactor in early 2006, will cover college tuition costs for children in the Kalamazoo school district. Its effect on the city of Plainwell is unknown, but resulting trends in purchase decisions should be followed closely.

Retail Market Assessment

Retail Sales Trends

Table 16 summarizes total retail sales, in thousands for noted jurisdictions. Allegan County consistently shows the lowest level of retail sales, but its CAGR of 4.5% is the highest in the sample.

Table 16. Total Retail Sales (in millions)

Jurisdiction	2000	2001	2002	2003	2004	CAGR ('00-'04)
Michigan	\$104,625.0	\$105,871.7	\$107,331.7	\$107,043.3	\$107,891.7	0.8%
Grand Rapids MSA	\$11,922.0	\$12,608.3	\$12,217.0	\$11,617.4	\$11,638.1	-0.6%
Allegan County	\$585.6	\$606.1	\$611.6	\$698.5	\$698.3	4.5%
Kalamazoo County	\$2,442.0	\$2,496.7	\$2,364.8	\$2,552.8	\$2,661.3	2.2%

Source: Michigan Department of Treasury

Table 17 shows retail sales per capita for the same time period. Allegan County retail sales per capita is lower than the corresponding figures in other jurisdictions. All jurisdictions show negative CAGR's, indicative of slight increases in population growth and proportionally smaller increases in sales.

Table 17. Retail Sales per Capita

Jurisdiction	2000	2001	2002	2003	2004	CAGR ('00-'04)
Michigan	\$11,256	\$11,155	\$11,075	\$10,817	\$10,678	-1.3%
Grand Rapids MSA	\$12,711	\$12,801	\$11,810	\$10,694	\$10,201	-5.4%
Allegan County	\$6,470	\$6,352	\$6,081	\$6,587	\$6,247	-0.9%
Kalamazoo County	\$10,930	\$10,915	\$10,339	\$11,160	\$10,841	-0.2%

Source: Michigan Department of Treasury

To put per capita retail spending into perspective, ERA compares population and spending percentages, as shown below. The following tables list each jurisdiction as a percentage of total state population. Allegan and Kalamazoo County's percentage shares of state population remained relatively flat from 2000 to 2004.

Table 18. Percentage of State Population

Jurisdiction	2000	2004
Grand Rapids MSA	10.1%	11.3%
Allegan County	1.0%	1.1%
Kalamazoo County	2.4%	2.4%

Source: US Census and ERA

Table 19 presents the same relationship regarding total retail sales. Each jurisdiction is listed in terms of its percentage of total state retail sales. It is worthwhile to note that in 2004 Allegan County represented only 0.6% of statewide retail sales, which is proportionally lower than its 1.1% share of the state population. This is most likely the result of residents traveling outside their community to make retail purchases due to a lack of quality local retail outlets.

Table 19. Percent of State Retail Sales

Jurisdiction	2000	2004
Grand Rapids MSA	11.4%	10.8%
Allegan County	0.6%	0.6%
Kalamazoo County	2.3%	2.5%

Source: Michigan DOR and ERA

Table 20 shows total retail sales by category over the same time period. Sales amounts are calculated by applying statewide percentage distributions to countywide sales figures. In 2000, for both counties, food sales represented about 14% of total retail sales, general merchandise 10%, building lumber and hardware 8%, furniture 4% and apparel 4%. These percentage shares stayed relatively flat from 2000 to 2004.

Table 20. Total Retail Sales by Category

Category	2000		2004	
	Allegan County	Kalamazoo County	Allegan County	Kalamazoo County
Food	\$4,849	\$20,219	\$6,076	\$23,153
General Merchandise	\$3,514	\$14,652	\$4,148	\$15,808
Building Lumber & Hardware	\$2,881	\$12,014	\$3,855	\$14,690
Furniture	\$1,405	\$5,861	\$1,550	\$5,908
Apparel	\$1,265	\$5,275	\$1,508	\$5,748

Source: Michigan Dept. of Revenue and ERA

Table 21 summarizes several notable shifts in per capita retail spending between 1992 and 2003. The table highlights the nature of key shifts in retailing away from traditional grocery stores, clothing stores, and conventional department stores, and toward superstore, bookstore, and internet shopping outlets.

Table 21. National Per Capita Retail Spending Shifts (in millions)

Retail Sector	1992	2003	Change
Grocery Stores	\$1,325.04	\$1,572.14	1.6%
Clothing Stores	\$336.98	\$438.78	2.4%
Discount Dept. Stores	\$368.08	\$443.93	1.7%
Conventional & Nat'l Chain Dept. Stores	\$342.64	\$304.54	-1.1%
Book Stores	\$32.69	\$58.02	5.4%
Sporting Goods Stores	\$61.57	\$92.58	3.8%
Full-service Restaurants	\$339.15	\$546.86	4.4%
Warehouse Clubs & Superstores	\$156.94	\$750.77	15.3%
Electronic Shopping & Mail Order	\$138.23	\$418.27	10.6%
General Merchandise Stores	\$972.31	\$1,626.02	4.8%

Source: US Census

Another important trend, not reflected in the statistics, is the emergence of lifestyle centers. These centers are a relatively recent trend in entertainment oriented retail development. According to the International Council of Shopping Centers (ICSC), lifestyle centers “cater to the retail needs and ‘lifestyle’ pursuits of consumers,” and generally have an upscale orientation and are often located near affluent residential neighborhoods. These centers typically have an open-air configuration and generally range in size from 150,000 to 500,000 square feet (median is 250,000 square feet). The mix of retail tenants that are commonly found in these centers include national apparel chains such as Gap, Ann Taylor, Eddie Bauer, Banana Republic, Talbot’s, and Victoria’s Secret; Williams Sonoma, Pottery Barn, or Restoration Hardware in home furnishings; and Borders or Barnes & Noble in books and music. Local independent specialty stores and one or more “big box” retailers can also be found at these centers. Department stores, grocery and drug stores, table-service restaurants (5 or 6 on average) and multiplex cinemas often anchor lifestyle centers.

Existing “big box” retail on the west side of US-131 could limit further big box development on the targeted site. In ERA’s experience, cinema or theater development is not sufficient in creating a destination without additional retail components, and is likely to provide a relatively low return on investment. In this situation, upscale retail or lifestyle entertainment activity is likely to be most successful when coupled with higher density residential development entertainment and food and beverage could complement and leveraging the destination restaurants that now exist.

Retail Implications

For Allegan County to better serve its built-in resident market, new retail developments and potential retail planning for the Plainwell site will need to be cognizant of several factors:

- The internet continues to absorb market share from traditional retail formats. Between 1992 and 2003 internet retailing increased from 1.7% to 3.9% of total retail sales, representing growth from about \$35 billion in 1992 to more than \$121 billion in 2003. While the allocation of retail sales to the internet is of little concern to national retailers, the same

cannot be said for communities that support retail space, and see sales dollars and taxes flow elsewhere.

- Recent energy cost increases for oil, natural gas, and gasoline tend to have the strongest impact on low to middle income residents, diverting a share of potential retail spending into energy. While historic spikes in energy prices have been short-lived, changing international economic conditions would tend to point to a future with higher energy prices. National reports clearly show that increases in fuel costs are beginning to take a relevant bite out of disposable income.
- Since 1992, while overall retail sales have increased at about 5% per year, retail sales generated by warehouse clubs and superstores has grown by over 16% per year, greater than rates of growth for internet shopping, which have increased at about 12% per year, again since 1992. Walmart in particular has been driving the superstore trend.
- Retailers are also responding to shifting tastes, with one result being the emergence of a new retail shopping center category, called the lifestyle center. This product lacks the traditional department store anchors found in most malls, and instead focuses on a mix of restaurants, entertainment, and other destination oriented retail to draw shoppers.
- Related to above is the general growth of emphasis on lifestyle / entertainment oriented retail development, linked with the related re-emergence of downtown markets as focal points for this kind of retail activity.
- With the above trends in mind, the Plainwell site best may be suited to provide specialty retail, neighborhood services, and community entertainment that serve a broader community.

Office Market Assessment

The tables below show growth in employees and establishments for select office using sectors from 1998 to 2003 in Allegan County. The majority of office-using sectors show an increase in total establishments and employees. Due to the relatively small size of the Plainwell market, it is likely that the near-term market potential of downtown Plainwell will be driven by tenants relocating from other areas of Allegan or Kalamazoo Counties, rather than by inherent growth in the Plainwell labor market.

Table 22. Growth in Employees, Allegan County

Industry	1998	2003	CAGR
Finance & Insurance	483	587	4.0%
Real estate, Rental & Leasing	251	251	0.0%
Professional, Scientific & Technical Services	447	781	11.8%
Health Care & Social Assistance	2,669	3,028	2.6%

Source: US Census and ERA

Table 23. Growth in Total Establishments, Allegan County

Industry	1998	2003	CAGR
Finance & Insurance	102	103	0.2%
Real estate, Rental & Leasing	59	79	6.0%
Professional, Scientific & Technical Services	109	127	3.1%
Health Care & Social Assistance	144	168	3.1%

Source: US Census and ERA

The following table shows employee per capita data for Allegan County in comparison with the state. By 2003, the concentration of select office-using industries is low in Allegan County relative to the state, overall.

Table 24. Employees per Capita

Industry	Michigan		Allegan County	
	1998	2003	1998	2003
Finance & Insurance	0.017	0.017	0.005	0.005
Real estate, Rental & Leasing	0.006	0.006	0.002	0.002
Professional, Scientific & Technical Services	0.019	0.030	0.004	0.007
Health Care & Social Assistance	0.049	0.052	0.026	0.027

Source: US Census and ERA

To better gauge future market potential for the office employment market, the table below projects growth by industry employment from 2002 to 2012. In this case, the Grand Rapids Area is composed of Allegan, Kent and Ottawa counties. For each industry, the Grand Rapids Area shows slightly higher ten-year CAGRs than the state. Still, this table reinforces the notion that near-term market potentials will be driven by tenants relocating in the market, rather than by substantial employment growth. The implication of this trend is that while tenants will relocate, it will be harder for the overall Grand Rapids

area market to backfill older space. Some of the office space could be filled by resident services in the banking, medical, insurance or accounting industries.

Table 25. Projected Employment by Industry

Industry	Michigan			Grand Rapids Area		
	2002	2012	CAGR	2002	2012	CAGR
Finance & Insurance	159,350	169,920	0.6%	17,230	19,050	1.0%
Real estate, Rental & Leasing	55,640	61,190	1.0%	5,360	6,080	1.3%
Professional, Scientific & Technical Services	595,910	751,110	2.3%	63,210	85,580	3.1%
Health Care & Social Assistance	927,760	1,050,850	1.3%	91,470	106,640	1.5%

Source: Michigan Department of Labor and ERA

Office Implications

Allegan County has lower rates for professional employment per capita compared to Michigan. This may create a situation in which, as the county grows, there will be an increased potential for office-based jobs in the future, and a limited potential for additional office development at the Plainwell site.

Variety of Uses

This market overview considered a number of alternative uses in addition to residential, retail and office development for the targeted site. Possible uses include industrial, entertainment and recreation and hospitality, briefly described below.

Entertainment / Recreation

ERA considered a variety of entertainment and recreation development options with an emphasis on destination entertainment. Entertainment development and retail operations have been on a converging course for a number of years, fostered by changes in both the retail and entertainment industries. On the retail side, a number of important forces are affecting the retail industry today, making it increasingly competitive, including:

- New development trends such as retail centers with several large anchor tenants (power centers), big-box stores, category killers, low-priced club stores, and factory outlet malls, which have pulled sales from traditional malls and department store formats.
- The rise of major specialty chain stores such as Bass Pro Shops or Cabela's, where the shopper takes on a more participatory and interactive role is a good example of the merging of entertainment and retail. The increasing popularity of mail-order catalogs, shopping via television and the growth of on-line retailing show the growing attraction of the virtual marketplace.

Hotel

The most likely hotel development for the targeted site would be a limited-service hotel. Limited-service hotels offer some amenities. The vast majority of their business is evenly distributed among business and tourist travel. Recently, national hotel markets have improved with rising occupancy levels and average daily rates. However, there are already limited-service hotels nearby the targeted site, which are likely to cut into the potential market for such a development in the near future.

Industrial

ERA considered both heavy and light industrial development at the targeted site. Heavy industry would most often be processing and manufacturing whereas light industry could consist of assembly, storage, warehousing or research and development facilities. There are a number of factors involved in the location and ultimate success of industrial and light industrial developments. Access to transportation networks is beneficial in the form of rail lines, ports and highways (the targeted site is easily accessible to US 131). Proximity to universities or a skilled workforce is also important, especially for research and development activities (which tend to be in close proximity to higher learning campuses).

Heavy industrial development would provide little return on investment with minimal economic spin-off, as there is little opportunity to create economic interdependencies throughout the downtown with a heavy industrial facility. Light industrial development such as research and development would likely require a university presence, a skilled workforce, access to venture capital and, most importantly, time. The most successful R & D complexes have taken many years (more than 10) to form and mature, suggesting that the critical need is to put the pieces in place and create a recognized district.

Conclusions

Based on the market overview, ERA developed several conclusions. These conclusions should be interpreted keeping in mind that this report is based on ERA's judgment and preliminary data to identify mixed-use and tenure concepts that could be realistic for the site – based on the market characteristics and our experience with evolving concepts in other communities. The report does not take into consideration select site attributes such as its status on the National Priorities List (NPL) (federal Superfund) or potential environmental concerns. It is intended only to provide direction for the decisions regarding the preliminary land use scenarios and does not take into account planned developments across the river and in the township, or any effects of the Kalamazoo Promise. Conclusions include the following:

- From 2000 to 2004, the percentage share of Allegan County residents between the ages of 55 and 64 increased at a faster rate than any other age cohort. This underlines the nationwide trend of an increase in the senior age cohorts, which present an ideal target market for downtown Plainwell development.
- From 2000 to 2004, Allegan County households increased at a faster rate than all other jurisdictions. Over the same period, the percentage of non-family households increased and the average household size decreased. These continuing trends point towards increasing demand for denser downtown Plainwell residential development.
- Plainwell shows the highest annual growth rate in per capita income among all jurisdictions. Allegan County, overall, shows an annual rate of increase almost double the statewide rate.
- Compared with the nationwide building permit data, Allegan County does not appear to be overbuilt or approaching any limits in downtown housing inventory that would prevent additional residential development. This could change with proposed area development projects.
- From 2000 to 2004, total retail sales for Allegan County increased at a higher annual growth rate than any other jurisdiction. In 2002, the county represented 1.1% of the state population and 0.6% of statewide retail sales, suggesting that county residents are most likely leaving the county area for retail purchases. Additional retail offering in downtown Plainwell could help to curb this effect.
- Growth in office-using labor markets has been moderate and only slightly above statewide rates. Planned office space at the proposed development should reflect this with moderate sized spaces geared toward professional service firms.
- There is a market for single-family residential development, but market analysis points toward the potential for a more interesting environment with a denser housing product. This could be in the form of town homes or a low-rise condominium development.
- The shape of the site will detract for some types of uses as it does not offer the commercial square development opportunity preferred by some larger retail or office developers. However, with the potential to implement adaptive reuse of some of the more significant structures - - if the marketplace justifies the investment costs - - combined with the views and the proximity to a

quaint downtown, ERA believes the site will have development prospects that need to be market / financial feasibility tested to define their specifics.

- ERA's initial market overview highlights a number of factors, some of which could constrain development potentials. One external factor that should be closely followed is the automobile industry restructuring and its impact on the Southern Michigan economy.

At this point, it is ERA's belief that the targeted site could support a wide variety of uses. A number of uses should be considered including community supported professional office space, a variety of residential options, specialty retail and entertainment destinations and civic buildings. Further conversations with stakeholders should help in focusing on specified uses as the development process continues.

Appendix

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible, and they are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent, and representatives or any other data source used in preparing or presenting this study. No warranty or representation is made by Economics Research Associates that any of the project values or results contained in this study will actually be achieved.

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