



# MARKET ASSESSMENT



# South Main Revitalization Strategy

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## Section 4: Market Assessment

### Background

By several measures, South Main Street, and Southwest Rockford as a whole, is one of the City's most culturally and economically diverse neighborhoods. This diversity is reflected in the neighborhood's housing stock and South Main Street's mix of commercial and industrial land uses. South Main Street itself traverses a lot of ground and, over the course of the five miles from Downtown to the Airport, the street makes several transitions in land uses from urban commercial, residential, and industrial along its northern segment, to open space and semi-rural at its southern end. However, South Main is different from Rockford's other major commercial corridors — especially East State Street, with its “Miracle Mile” of retail interspersed by residential zones. South Main Street is one corridor, but it is not one neighborhood.

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Historically, the northern segments of South Main Street, close to Downtown, did not function as Rockford's principal business district. However, the economic condition of South Main today reflects the same profound changes in retailing that have affected Downtown Rockford and other traditional business districts across the country. As people became more mobile with the automobile and moved to suburban communities, retail followed them in new shopping malls and strip commercial centers, leaving traditional downtowns and commercial buildings in a less competitive position. Over the last two decades retailing has continued to consolidate into larger-format stores such as Target and Wal-Mart serving larger trade areas. As a result, local consumers travel greater distances than they once did, even for convenience purchases like groceries and drug store items. In Rockford, much of the large-format retail has developed on East State Street with additional apparel retail locating outside the City to places such as CherryVale Mall.

### Purpose and Methodology

The purpose of this market assessment is to identify viable economic revitalization strategies for the South Main Corridor. This study begins by examining South Main and Southwest Rockford's economic conditions in order to determine the Corridor's position in the Rockford market place and consider the alternatives for long-term sustainable economic development.

Rockford's economy has been studied quite extensively. Most notably, a 2008 *Rockford Retail and Residential Market Study* by Economic Research Associates (ERA, now AECOM) looked at economic indicators, trends and opportunities across Rockford and conducted brief economic assessments of several neighborhood sub-markets. While the study was recent and exhaustive, and no large, market-changing population shifts or new developments have occurred since 2008, it is worth noting that the ERA study was completed during volatile economic times. The

study was conducted in the midst of the 2007 housing crisis where the over-leveraging of home mortgages had already sent housing prices downward. This nationwide housing market collapse quickly reversed any market absorption forecasts for new home construction. As households had less money to spend and reined in their consumption, retailing faced its own challenges as many cities and communities were over-built for the amount of retail space their population could support. In Rockford, financing for new commercial and residential development projects began to dry up, although the City did not experience the same level of downward pricing trends and housing foreclosures faced by some regions of the country.

In that context, some of the more optimistic findings of the 2008 ERA study should be put in perspective, including the Citywide potential for 400,000 square feet of new retail by 2012. The relatively modest forecast of 28,000 square feet of new retail space on South Main (7% of the 400,000 SF) may be supportable, but there is no local movement and momentum among the development community currently to build it. More significantly, the ERA study examined Citywide conditions in a regional context, and it included broad recommendations for neighborhoods including Southwest Rockford. The ERA study was used as a starting point for a closer look at the economics of South Main.

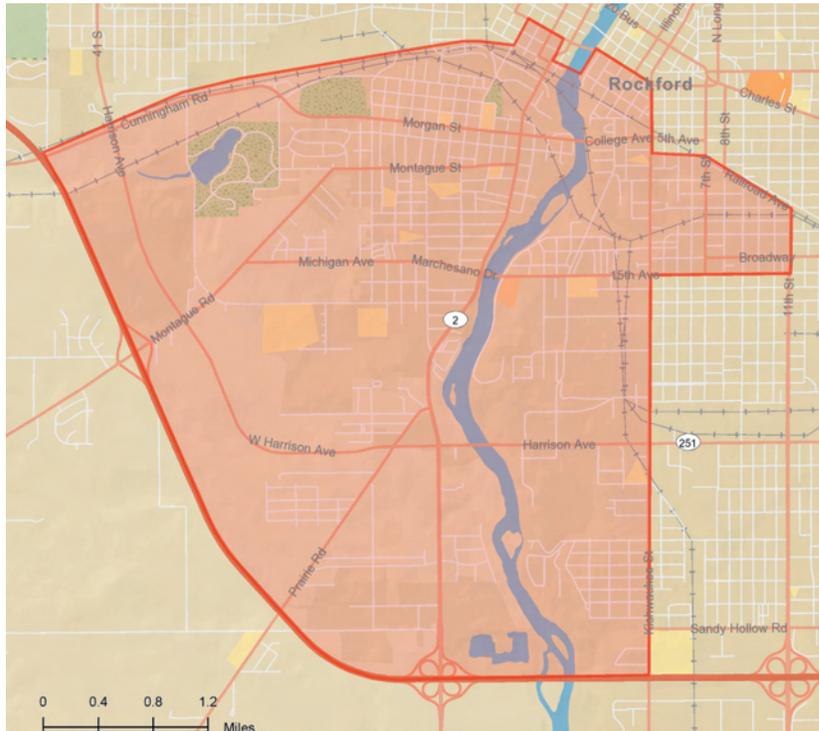
### Questions

With an overall goal of leveraging South Main road improvements to spur economic revitalization, this assessment begins with several questions as a foundation for guiding current research and articulating future strategies:

- Is there market support for traditional retail on South Main? (This question is separate from what type or form such retail might take.) Additionally, to the extent the neighborhood could support new retail, what would be the impacts on other retail areas of the City?
- How will neighborhood demographic changes affect retail and housing demand on South Main?
- How would residential development on South Main impact other in-town revitalization efforts in Rockford (such as housing initiatives in and close to Downtown)?
- How will potential new train service affect retail and housing economics on South Main?
- A number of local leaders and residents have considered creating an “ethnic village” on South Main. Is that a viable strategy and could it bring additional wealth and economic development to the City?

### Population Characteristics

The ERA's study defined the trade area for retail businesses on South Main as a nine-square-mile polygon straddling the Rock River and weighted toward Southwest Rockford neighborhoods, as in the map below:



Trade area map. (Source: CLUE Group; ESRI.)

The delineated trade area corresponds to the aggregate of several Rockford Census tracts, allowing comparisons between data from Environmental Systems Research Institute (ESRI, a private demographic data provider) and from the U.S. Census Bureau.<sup>1</sup> The delineation from ERA is accurate and population analyses and retail trade calculations have been developed based on this trade area. Data has also been gathered from both the American Community Survey (the newly named detailed data tables of the U.S. Census) and ESRI.

The Southwest Rockford trade area had a 2010 estimated population of 18,208 comprising 6,168 households. That population represents 12% of the City's total population, and about 10% of the City's households. Southwest Rockford's households, at 2.91 persons, are slightly larger than households in the City overall, at 2.48 persons.

Between 2000 and 2010, the population of Southwest Rockford grew at a slower rate than the City's, adding 0.9% for the neighborhood, compared to 3.2% for the City. Growth over the current five year period (2010 to 2015) is predicted by ESRI to slow to only one-third the growth rate of the previous five-year period.

## Households

For most areas of study, households were analyzed rather than total population. Households, which function as an economic unit, spend money in more predictable ways than individuals and therefore changes in their numbers, income, or composition tend to have important implications for the types of retail and housing activity that a community can support.

Households in Southwest Rockford are poorer than the City as a whole, with a 2010 median income of \$32,029. That represents only 53% of the City’s median household income, but it is an improvement over the 43% disparity between Southwest Rockford and the City in 2000. Forecasts for 2015 predict a continued, or increasing, disparity of wealth between Southwest Rockford and the City as a whole. See table below.

<b>City of Rockford</b>	<b>2000</b>	<b>2010</b>	<b>2015</b>
Median Household Income	\$ 37,797	\$ 48,874	\$ 56,952
Average Household Income	\$ 49,066	\$ 59,887	\$ 69,834
Per Capita Income	\$ 19,781	\$ 24,036	\$ 28,057

<b>SW Rockford</b>			
Median Household Income	\$ 26,364	\$ 32,029	\$ 38,909
Average Household Income	\$ 34,892	\$ 41,644	\$ 49,185
Per Capita Income	\$ 12,286	\$ 14,368	\$ 16,917

Source: ESRI.

## Race and Ethnicity

Southwest Rockford is the most racially and ethnically diverse area of the City with about 61% of the population identifying as a non-white race or ethnicity. In 2010, an estimated 34% of the neighborhood’s population was Black/African American and 36% was of Hispanic origin (any race). While the proportion of African Americans in Southwest Rockford is predicted to remain relatively stable through the periods of 2000, 2010, and 2015, the Hispanic population is predicted to continue to increase, though at a slower pace than in the previous five-year period. (See table below.)

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<b>City of Rockford</b>	<b>2000</b>	<b>2010</b>	<b>2015</b>
White Alone	73%	68%	67%
Black Alone	17%	18%	18%
American Indian Alone	0%	0%	0%
Asian Alone	2%	3%	3%
Pacific Islander Alone	0%	0%	0%
Some Other Race Alone	5%	7%	8%
Two or More Races	3%	3%	4%
Hispanic Origin (Any Race)	10%	16%	18%

<b>Southwest Rockford</b>			
White Alone	44%	39%	39%
Black Alone	35%	34%	33%
American Indian Alone	1%	1%	1%
Asian Alone	2%	2%	2%
Pacific Islander Alone	0%	0%	0%
Some Other Race Alone	14%	19%	20%
Two or More Races	4%	5%	5%
Hispanic Origin (Any Race)	27%	36%	40%

*Source: ESRI.*

Median age in Southwest Rockford was 29.5 years old in 2010, a small increase from the 2000 median age of 29 years old. The City's population is significantly older and continuing to age: the median age Citywide was 34.5 years in 2000 and increased to 36.4 by 2010.

### Population Characteristics: Conclusions

Despite economic indicators, particularly around household income and home ownership, Southwest Rockford's population is showing some vibrancy, particularly in its growing Hispanic population and in its relative youth. These factors will have implications on the types of businesses that may be supportable in the future and on the types and sizes of housing that may be required to support growing families in a primarily rental-based market.

## Business Mix and Current Retail Conditions

South Main’s business mix has been classified into five categories for the purpose of identifying clusters, gaps and strengths to build upon. The categories reflect the variety of business functions in the district:

Category	Description
Retail or retail services	Sells a product that can be “put in a bag” or a service (such as cleaner) that has a similar physical interaction with the customer.
Restaurants or entertainment (including bars)	Like retail, has a physical interaction with the customer.
Service or office	Interacts with customers primarily by phone, email, and the like (e.g., staffing services, tax services).
Industrial	Manufacturing or distribution. Customers are other businesses and geographically dispersed.
Non-profit, institutional, or religious	Includes churches, social service organizations, and municipal functions.

While all businesses need to be oriented around customers, only the first two categories – retail and retail-like businesses, including restaurants and entertainment – are closely connected to a geographic trade area: most customers who patronize these businesses on South Main live or work nearby, or travel through the district on their way to other destinations. Some of these business types (even a few on South Main) may function as destinations, attracting regional customers.

Services or offices like tax preparers, insurance agents, and the like have some walk-in clients, but the nature of their business is not as closely tied to location as retail and retail services or restaurants and entertainment. Business may be conducted by phone, mail and email, and only a small portion of transactions require the customer to come into the office. Cost of space on South Main is likely a more important driver for business location than proximity to customers.

South Main has a long history of industrial uses, and despite the closing of the Barber-Colman factory complex (the largest of these users), manufacturing and distribution remains an important part of the South Main economy. Location drivers include inexpensive large spaces, compatible zoning, infrastructure and power and proximity to transportation networks.

All of these business types create local jobs and local wealth – and demand for real estate – but only retail-like businesses create vibrant streets as a function of their necessary physical interaction with their customers.

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### Business Mix

From Cedar Street south to US Highway 20, South Main Street hosts approximately 60 for-profit businesses and 12 non-profit, religious, or institutional entities.<sup>2</sup> Of the for-profit ventures, about 26 are industrial, with a large variance in their sizes by sales and square-footage; 14 are non-retail services; and 20 are retail, retail services or restaurants and entertainment. As can be observed from driving along South Main, the 20 “retail-like” businesses may appear as even fewer than that. This is due to several “co-located” businesses such as “insurance agent and tax preparer” or “convenience store and gas station.” South Main has scattered retail, but it does not currently function as a retail corridor. Even in its core retail-scaled blocks, from Mill/Kent Streets south to Salter Avenue, retail is incidental and interspersed with vacant buildings or land.

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### Retail Demand

As determined in the ERA study, Rockford currently captures more retail sales than native spending. In other words, households outside the City make purchases at Rockford stores and therefore, actual retail sales in the City exceed the aggregate household spending by Rockford residents. Current estimates for the City indicate that retailers capture \$1.80 billion in sales on resident demand of \$1.40 billion, a net sales surplus of \$0.40 billion.<sup>3</sup>

In addition to Southwest Rockford representing only 10% of the City’s households, the neighborhood’s relative household incomes generate proportionally lower retail demand than households for the City as a whole. The following table shows Southwest Rockford households’ retail demand for a range of typical products and purchases, excluding gasoline and automobile purchases:



*The prime neighborhood shopping district on South Main Street.*

<b>Industry</b>	<b>Demand</b>
Alcoholic beverages	\$ 2,242,857
Apparel and services	6,520,653
Entertainment and recreation	11,715,414
Eyeglasses and contact lenses	283,788
Food at home (groceries and food consumed at home)	17,836,358
Food away from home (restaurant and other non-home food)	12,516,001
Furniture	2,155,178
Housekeeping supplies	2,725,767
Lawn and garden	1,330,846
Major appliances	1,043,002
Non-prescription and prescription drugs	2,310,150
Personal care products	1,556,225
Pets	1,853,955
Reading materials	549,734
Smoking products	1,906,427
Sports, recreation and exercise equipment	482,446
Toys and games	556,222
Vehicle maintenance and repairs	3,527,018
<b>Total</b>	<b>\$ 67,585,023</b>

*Source: ESRI, CLUE Group.*

Total demand for retail-related products in the Southwest Rockford trade area is about \$67.6 million, not including gasoline and auto sales. Theoretically, this demand is sufficient to support a significant neighborhood retail district. There are two factors to keep in mind, however.

1. Retail demand (and retail leakage) calculations are less informative than they once were because not all retail purchases are made in traditional stores any longer. Some sales have migrated to online merchants, particularly for comparison items (e.g., apparel, books, electronics, etc.). Local retail demand is most relevant to convenience goods (e.g., food, drug store purchases) where shoppers are more likely to shop in a store close to home.

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2. Despite substantial local demand, little of Southwest Rockford's spending is captured in the neighborhood. Of the \$67.6 million in spending on products listed in the table above, it is estimate that only \$3 to \$3.5 million is being captured by businesses on South Main and \$64 million (95%) is leaking to other retail areas mostly within the City.

The largest retailer on South Main is Family Dollar and the majority of its customers are assumed to be local households. Industry profiles for Family Dollar indicate typical gross sales per store of \$1.11 million, with consumables (food, candy, household cleaning supplies, and personal care products) accounting for about two-thirds of revenue and the remainder split among apparel, home products and seasonal and electronics merchandise.

In addition to Carmiceria El Centenario grocery on Marchesano (formerly Supermercado), La Familia, the only other full-line grocery store in Southwest Rockford, closed in fall 2010. (La Familia had replaced an IGA store on the same site.) Based on interviews with people familiar with the situation, the 15,000-square-foot La Familia store was on pace to gross about \$5 million in annual sales, but that fell about 40% short of its projected performance benchmark.



*Family Dollar, largest retail on South Main.*



*La Familia closed in fall 2010.*

### Retail Conclusions

The scattered retail and retail-service businesses at the northern end of the Corridor capture a small amount of local spending. Most sales at the gas stations and convenience stores near the Airport are made to travelers on U.S. Highway 20 and not to neighborhood residents. In addition to having a scattered retail presence, the current retail mix on South Main lacks depth in any category.

Even a small number of retailers could form a cluster (e.g., a cluster of ethnic food stores or a cluster of ethnic restaurants), providing depth and variety within a niche product category. Such clusters often function as a unit, attracting customers due to their variety. A few individual businesses on South Main, including two restaurants, serve as destinations within the City but their attraction is based on the individual businesses, rather than the depth of a business cluster.

Since a grocery store is an important anchor for neighborhood retail, the recent closing of La Familia is important to understand. La Familia's strength was that it filled a neighborhood niche with a product mix that served local Latino households. However, in the intensely competitive grocery business, it could not compete on price with discount supermarkets located in the East State Street corridor. Based

on interviews with local residents, La Familia's closing may reflect the failure of an operator, rather than the failure of the ethnic grocery store concept. Some local customers reported dissatisfaction with the store's prices, cleanliness and operations.

Among the possible re-tenanting or redevelopment options, a small-format general-purpose supermarket would be unlikely to succeed as it would not be able to compete on price with larger stores elsewhere in the City. A focused, destination discount grocery would address the needs of local households, but several such stores, including three Aldi stores, are located within three miles of South Main. Therefore, Aldi would likely conclude they are already capturing Southwest Rockford's spending. A redeveloped site with an industry-competitive, large-format store might succeed, but it would likely be at the expense of other existing supermarkets within the City. With the right operator, the concept of a grocery like La Familia is still viable at the same location on South Main, if its product lines or services were differentiated from Carmiceria El Centenario.

Future retail development on South Main will be the subject of the next phase of this planning process. In considering future retail expansion, several challenges are worth noting: Expansion of locally relevant, economically sustainable retail offerings in Southwest Rockford is highly desired by residents. At the same time, the extent to which South Main becomes a retail strip should be carefully considered. Expanded retail on South Main should be designed to attract new retail sales to Rockford, rather than transferring existing sales from another part of the City.

Potential new train service to Chicago, with a stop on South Main, would create new retail demand. The scale of that demand will depend on frequency of service and ridership. However, it is expected that it would, at minimum, foster the development of amenities such as dining and convenience retail around the station.

### Industrial Conditions

South Main Street has a long and storied industrial history, much of it centered around the former Barber-Colman company, a manufacturer of textile-producing machines and temperature controls. South Main retains some smaller-scaled, specialized manufacturing today, including machining, and hardware. Newer industrial users include distributors, printers and warehousing logistics.

The large, City-owned Barber-Colman site remains vacant and has been the subject of several reuse proposals, including an indoor sports complex, a school and a mixed-use housing and retail development. A new feasibility study is currently being considered for the site. The complex's existing condition and multi-story configuration make it unlikely to find a new industrial use; therefore, recent proposals have focused on mixed commercial and residential uses. In addition to mixed use, alternative scenarios for the site include the development of a casino (a concept which has been studied for other locations in the City), or even the stabilization of portions of the site as an urban ruin incorporated into future riverfront development.

Southrock Industrial Park, with its proximity to the Airport, is a success story for South Main. Its twelve businesses include shipping, printing, manufacturing, distribution, and warehousing, and is an important employment center for the neighborhood and the City. The Park retains a high occupancy rate and has been a strategic partner in the growth of the Chicago Rockford International Airport.

Industrial uses are a core part of the economy and character of South Main and represent an important value to the real estate on the Corridor. However, new industrial users will not be dependent on local demand. Most manufacturers could be located almost anywhere, or in close proximity to local labor, but will more likely be a function of compatible buildings, available land, and financial subsidy. The Rockford Area Economic Development Council (RAEDC) has focused future industrial development efforts on four core areas:

- Renewable energy, including biomass entrepreneurship
- Rail parts and products
- Aerospace
- Software development

Some of these uses may be accommodated on the South Main Corridor on existing or redeveloped parcels.



*Vacant Barber-Colman site.*



*Southrock Industrial Park tenant.*

## Residential Current Conditions

Sale prices for homes in Southwest Rockford (zip code 61102), while among the lowest in the City, have also remained the most stable. Along with Northwest Rockford, these two areas have lost less value than other parts of the City during recent years. Homes in other Rockford zip codes lost 10% to 15% of value in 2010, but homes in 61102 lost only 0.3% of value, with an average sale price of \$49,200.<sup>4</sup>

Home ownership rates in Southwest Rockford are lower than the City overall, with 49% of housing units in Southwest owner-occupied compared to 60% for the City. Home rental prices were researched on Craigslist.org as it serves as a primary marketplace for property owners and renters. Three-bedroom homes in Southwest Rockford range from \$650 to \$800 per month, with the majority priced at \$700 to \$750. Based on observed occasional price drops on homes for rent, inventory currently appears to exceed demand. The highest rents in the area (north of the South Main study boundaries) are at the William Brown Building's loft apartments, where one-bedrooms start at \$715 and two-bedrooms start at \$930.

Ironically, even as values in 61102 have remained relatively stable, the recent foreclosure rate has been in the upper range among Rockford neighborhoods.

Zip code 61102 had 21 foreclosures in January 2011 (or 1 in 398 housing units), representing a rate of 0.25%. That represents a substantial improvement from a 2010 high of 40 foreclosures, or 0.50%, in July 2010.

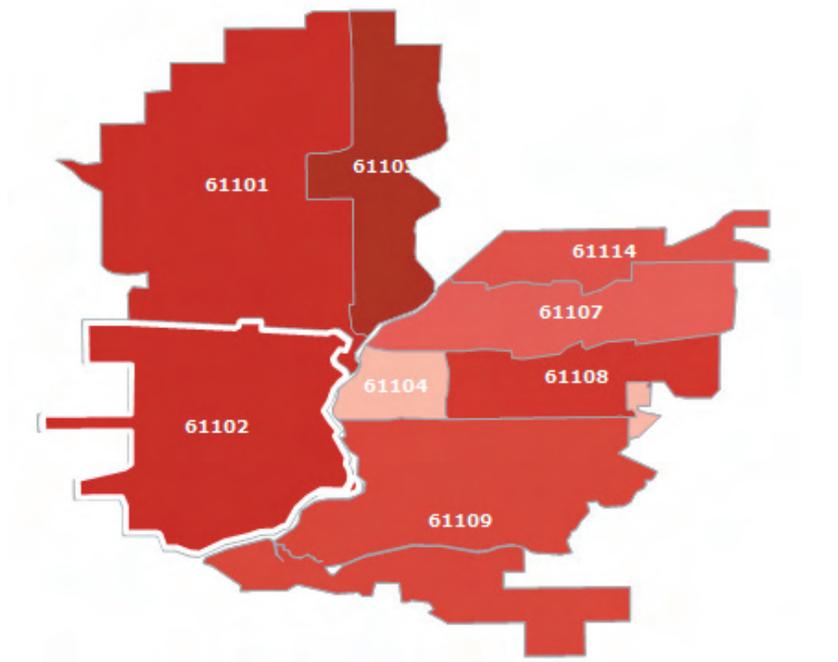


Chart: January 2011 foreclosure rates for Rockford zip codes. (Source: Realtytrac.com)

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Rockford's overall foreclosure rate of 0.22% Citywide is slightly better than Winnebago County (0.24%) and the state of Illinois (0.25%).<sup>5</sup>

The inventory in Southwest Rockford is in generally fair condition with many older homes requiring substantial improvement. One consequence of low home values (where the price does not reflect the replacement value of the structure), however, is a disincentive to invest in repairs and renovations. If values cannot support the cost of repairs, homeowners are not motivated to make the investment. In addition, many households in the neighborhood have fixed incomes which limit their capacity to make improvements. There is local desire for new housing product, but only a handful of new units on South Main have been produced as sale prices do not support the costs. About sixteen new townhomes were developed over the last several years; sales have been weak with prices in the \$100,000 range, or about double the cost of an existing home in the neighborhood.

The growing young Latino population in Southwest Rockford could create additional demand for housing. As family size in Southwest Rockford is larger than the City as a whole, the market will likely prefer a product with more bedrooms than households elsewhere in the City, and may prefer different housing configurations to accommodate multi-generational families. Some residents have expressed a desire for more three-bedroom apartments (as opposed to rented homes), where utility costs are often included in the rent.

New housing production will likely require subsidy. In an elastic market such as Rockford, where there are few regulatory or land-constraint impediments to new development, the path of least resistance is for developers to build on vacant parcels outside the urban core. However, the fundamentals remain the same: the price of a new unit equals the cost of land plus the cost of construction and the developer's profit. Unless there is a strong motivation driving people to live in Southwest Rockford, a City or community-driven initiative to create new housing will require subsidy and incentives.

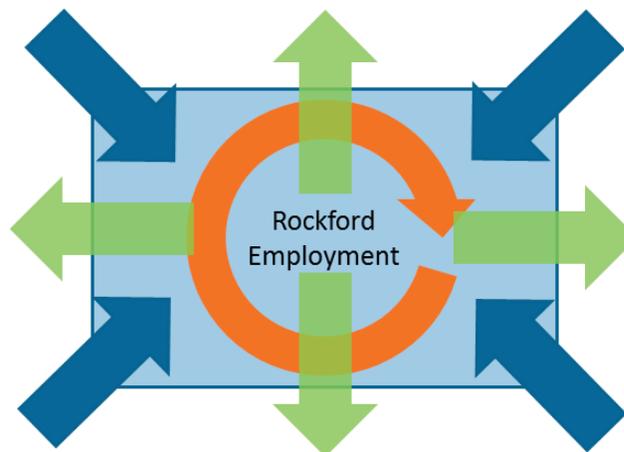
The potential for new train service to Chicago will create some additional demand for retail in the vicinity of the station; the extent to which it will create demand for housing (e.g., a "transit village") is untested. It will depend, in part, on the frequency and pricing of the service – and any housing constraints in the greater Chicago metropolitan area. The length of the ride, the relative availability of affordable housing options closer to Chicago, and the cost of train commuting itself mean the most likely users of the Rockford station will be people who live in Rockford and regularly do business in Chicago (and vice versa), but not necessarily daily commuters. This will influence the types of uses that are developed near the station (see **Employment** sub-section).

## Employment

The City of Rockford hosts 83,261 primary jobs, with 4,016 of those jobs in Southwest Rockford. Among jobs in Southwest Rockford, 46% are in manufacturing, wholesale trade, transportation, or warehousing and about 24% of jobs are attributed to retail trade.<sup>6</sup>

The function of a new train station on South Main will, initially, have the greatest use by people who currently make regular trips to Chicago. The availability of train service may change the commuting relationship between Rockford and Chicago over time, as people may choose to locate in Rockford, or in Southwest Rockford specifically, for convenient rail access to Chicago and points in between.

The current commuting dynamics of where people live and work is a complex picture. Of Rockford’s 83,000+ jobs, about 30,000 are residents that live and are employed within the City. Another 53,000 people live outside the City and work in Rockford, and 27,000 people live in Rockford but work outside it. Related to the proposed train service, the most significant commuters are the 5,170 Rockford residents who commute more than 50 miles east from Rockford for their primary job, and 4,387 residents who commute more than 50 miles to the Southeast. Presumably, most of these 9,557 commuters are driving to Chicago or its western suburbs. Some of these commuters – if their work is near the rail corridor – represent a potential future market for train service, and for retail and housing that may be developed around the Rockford station. Future housing demand projections related to the train service should be conservative. Daily long-distance trains (e.g., Amtrak) are unlikely to have a large economic or residential development impact in the vicinity

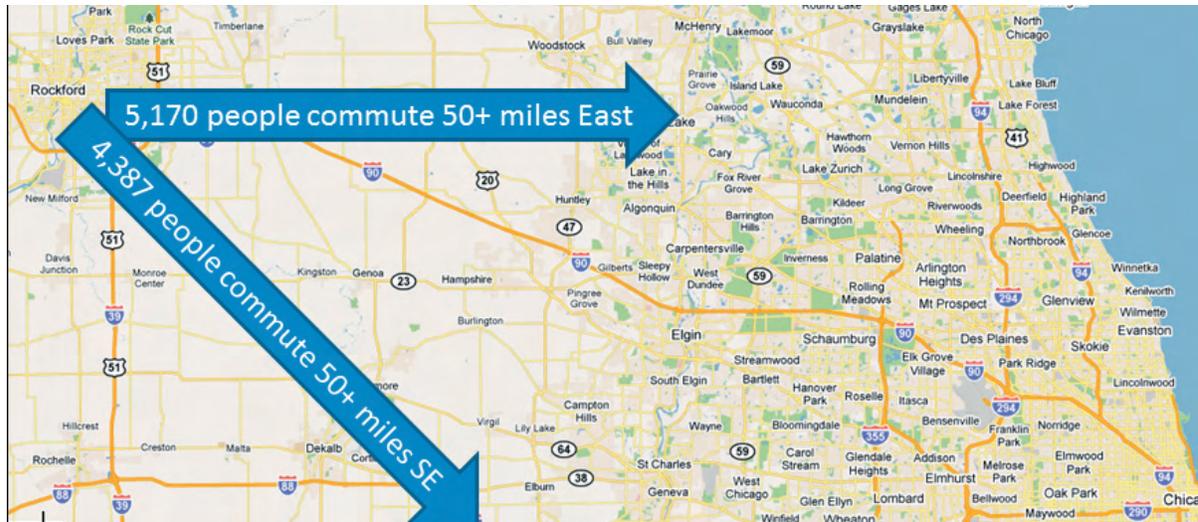


- 30,446 people who work in Rockford also live in Rockford.
- 52,815 people who work in Rockford live outside of Rockford.
- 27,010 people who live in Rockford work outside of Rockford.

*Primary job inflow/outflow for City of Rockford. In this diagram, arrows indicate inflow/outflow and do not relate to compass direction of flow. (Source: American Community Survey; CLUE Group.)*

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*Rockford residents who commute 50 miles or more to the East and Southeast for their primary jobs. (Source: American Community Survey; CLUE Group.)*

of the station. Commuter rail service (e.g., Metra), however, may create an incentive for young professionals or others to live in Rockford and commute to Chicago or other suburban employment centers. Commuters could create new demand for residential development near the station, but such demand will be linked to the cost, speed and frequency of service – and to the lifestyle preferences of the commuters for suburban or urban housing products.

## Market Assessment: Economic Opportunities

The imminent road improvements on South Main, along with the anticipated rail service, will foster a climate for new private investment along the Corridor. In addition, there are clear, underserved consumer markets in Southwest Rockford whose needs could be met by additional commercial development on South Main. Among the supportable opportunities are the following:

- There is market demand to develop limited new convenience-oriented retail that serves at least some of the needs of Southwest Rockford residents closer to home. This may include groceries, restaurants, drug store and personal care products, and other daily needs.
- Retail on South Main can be expanded but it must be concentrated in development and increased in its depth and variety. There are opportunities to expand existing retail clusters, especially related to

ethnic foods, within the traditional retail area at the northern end of the Corridor.

- It may be viable to foster a small “ethnic village” on South Main, with businesses that serve local Latino and African American residents while, at the same time, attracting shoppers from outside the City. Such a cluster could recapture sales (particularly to Hispanic households) which are currently leaking to other cities east of Rockford. Commercial districts that function as ethnic villages range from “Chinatown” or “Little Italy neighborhoods in many cities to larger neighborhood districts such Fruitvale in Oakland, California, a center for Latino groceries, restaurants, apparel, and even light manufacturing. As part of the implementation strategy for the revitalization plan, specific examples of national retailers fitting the Southwest Rockford market, and methods for cultivating local entrepreneurship and business development will be provided.
- The Corridor can maintain its mix of uses, including residential and industrial. There may be opportunities for new industrial users on the street, though they may not be able to fit into existing historic buildings. Manufacturing opportunities include light manufacturing related to potential ethnic businesses, such as a bakery with wholesaling, tortilla manufacture and specialty apparel. South Main may also be able to attract more intensive uses with connections to regional industries. For example, housing components manufactured in the warehouse and millwork district of downtown Dubuque could be assembled into modular/manufactured housing at a new facility on South Main. More intensive manufacturing uses on South Main should be located south of Harrison Street.
- If Rockford Area Economic Development Council (RAEDC) successfully recruits a new Embry Riddle Aeronautical University campus to South Rockford, it will create additional demand for retail development at the southern end of the Corridor, as well as demand for back-office and support businesses (e.g., cleaning, food service, etc.).
- Klehm Arboretum, with 30,000 annual visitors, serves as a regional attraction. As it offers no food or retail on its grounds, the Arboretum could provide additional customer traffic to businesses on South Main. Currently, Klehm visitors are directed to food and retailing located in other parts of the City.

### Market Assessment: Economic Barriers

The redesign of South Main will create an environment for new economic development, but existing barriers will remain. In addition, the road improvements themselves, unless carefully integrated and planned into the neighborhood framework, may create new barriers to retail development in particular.

- For the core retail zone between Mill Street and Salter Avenue to succeed, it will require significant cosmetic upgrades and improvements to substandard buildings. This will require subsidy, as the current rent structures cannot support capital reinvestment in the buildings.
- Re-tenanting, or attracting new tenants to the core retail zone, will likely depend on the initiative (and incentivizing) of local entrepreneurs, and ethnic businesses in particular, rather than national chains.
- In the current designs for road improvements, South Main will lose on-street parking, even in the denser portion north of Salter Avenue. This will create new obstacles for retailers in this district and will require addressing the limitation with alternatives such as rear parking and rear entrances and/or shared lots.
- Developing significant new retail on South Main has the potential to simply transfer retail spending from elsewhere in the City. If this were to happen, South Main would be strengthened at the expense of other Rockford retail centers. Therefore, one of the tests of any new retail strategy for South Main is whether it increases wealth for both the neighborhood and the City.

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#### Footnotes

<sup>1</sup> Trade area corresponds to Rockford Census tracts 10, 12, 18, 21, 22, 27, and 28.

<sup>2</sup> Data from Polk City Directories and CLUE Group observation. For the purposes of this analysis, we have considered the mobile home parks to be functionally residential, even though they operate as commercial entities.

<sup>3</sup> Retail sales calculations in the 2008 ERA study relied primarily on state sales tax reports from the Illinois Department of Revenue. While this is the best source for such data, the smallest geography reported by the State is for the City of Rockford. The Department of Revenue will not report sales for neighborhoods because it would compromise anonymity of particular businesses. The State and ESRI use different classification systems for retail goods and services, so the data sets are not directly comparable. For consistency, we used ESRI data sets, which are available for small and custom geographies.

<sup>4</sup> Source: Zillow.com

<sup>5</sup> Source: Realtytrac.com

<sup>6</sup> American Community Survey (Census), 2009.