

MARKET ASSESSMENT

Homer Glen's 2005 Comprehensive Plan identified creating a town center as a top priority. That aspiration is being moved closer to reality through the work of this "Town Center Visioning" project. The first phase began with engaging the entire community through a variety of in-person and online formats, and asking residents what they want – What do they envision when they imagine a town center? The current phase – the market assessment – is both a reality test and a melding of the aspirational and the achievable, the ideal and the realistic. The goal of this market assessment is to find a town center solution at the intersection of what residents want, what a developer might reasonably build, and what the market could sustain – and to *manage community expectations with market realities*.

The market assessment will inform Phase 3, Concept Development, which will envision conceptual designs. During concept development, the Homer Glen community will once again be asked, in a workshop format, whether the designs match residents' priorities and how the initial concepts might be refined.



Making the town center a reality will involve additional steps that build on this work. There are several reasonable paths to achieve the desired outcome, but the following graphic illustrates one potential process:



- » **Site control.** In order to move from the concept stage toward implementation, there will need to be agreement on location and a negotiated option for site control.
- » **Pro forma with Village as client.** The Village may wish to engage its own representative to develop a detailed pro forma based on the preferred concept. A pro forma prepared for the Village will provide negotiation leverage with prospective developers by accounting for the costs of open spaces and amenities; number, type, and finishes of housing products; commercial space sizes and anticipated leasing terms; financing; anticipated developer profit; among other variables.
- » **Concept alignment.** The pro forma will likely propose modifications to the initial concept designs, phasing, or incentives needed for the project to pencil.
- » **Request for Proposals.** The Village may then issue an RFP, asking interested developers to submit a plan that reflects the Village's preferred concept. Interested respondents will create their own pro forma, based on their own cost and profit assumptions. Having prepared a financial model on the public-sector side, the Village will then be able to negotiate a final design with a selected developer.

- » **Approval and entitlement.** Having set out a clear concept and process, the Village should commit itself to a streamlined approval and entitlement process, including agreements on the public amenities, incentives, or investments needed.

What We Know About Town Centers

Successful town centers – those that are more than an outdoor mall by another name – emulate a time-tested format. They may look different from historic Main Streets (which are often linear), but they incorporate traditional planning principles that lend social and economic vitality. These qualities include:

- » **Compactness.** A compact design puts the different components and uses of the town center in close proximity to each other. In this way, the town center is different from a residential subdivision and, of course, different from a shopping center. Compactness is an essential characteristic in creating a “place.”
- » **Walkability.** Walkability is an extension of compact design. It allows residents of the development to accomplish a variety of activities (including just relaxing) without having to drive, and it allows visitors to park once and walk among their intended destinations. Shopper activities are often sequenced or linked together in a single outing. Walkability is not “exercise” per se (though it can include exercise); walkability defines a kind of planning and design where walking is a useful form of mobility.
- » **Mix of uses.** Shopping malls and shopping centers are organized primarily around retail uses, though they often also contain dining and entertainment. Vibrant town centers rely on a mix of uses that typically includes housing, retail, dining and entertainment, and public spaces. They may also often contain civic, religious, and other institutions. It is the mix of uses that creates different reasons for people to come, and also the rhythm of different shoppers and visitors throughout the course of the day.
- » **Range of housing options and product types.** Town centers can appeal to a broad range of households, from young couples to empty-nesters, by providing different types of housing for different life stages.

These planning principles are generally supported by access, proximity to transportation corridors, visibility, and unique natural or manmade features.

Introduction of “Reference Communities”

During the Engagement phase of this work, Homer Glen residents offered examples of downtowns and town centers that they like. We have called these “Reference Communities” and they are discussed in greater detail later in this report. The most frequently mentioned places included:

- » Naperville
- » Frankfort
- » Lemont
- » Downers Grove
- » Burr Ridge

All of these illustrate, in different forms, the characteristics of compactness, walkability, mix of uses, and a range of housing types. Naperville is perhaps the most densely developed and on the scale of a small

city, while Frankfort has the look and feel of a small town. In each case, the businesses are walkable from nearby homes, but also rely on attracting other local and regional shoppers and diners.

What We Know About Homer Glen Residents

Population

Homer Glen remains a relatively small (by population), low-growth southwest Chicago suburb. Its population – 24,543 in the 2020 Census – had grown by only 323 people from the 2010 Census, an average annual growth rate of just 0.1%. In 2023, the population is estimated at 24,689. However, like forecasts for Chicago and the rest of the state, and not accounting for any significant development in the village, Homer Glen is projected to begin a very gradual loss of population (-0.1%) by 2028.¹

| Population | 2010 Census | 2020 Census | 2023 Estimate | 2028 Forecast |
|------------|-------------|-------------|---------------|---------------|
| Population | 24,220 | 24,543 | 24,689 | 24,665 |

Households and household size

Households, the common statistical unit used in economic development planning, have increased in number somewhat more rapidly than the number of persons, with an average annual growth rate of 0.45% from 2010 to 2020. Average household size in Homer Glen has edged downward (as it has nationally) from 3.00 persons in 2010 to 2.87 persons in 2020.² The decline in household size accounts for the faster growth in number of households during a period of low population growth. (More single-person households, for example, leads to a larger total number of households for the same population.) The US average household size is 2.6 persons.

| Households | 2010 Census | 2020 Census | 2023 Estimate |
|------------|-------------|-------------|---------------|
| Households | 8,129 | 8,503 | 8,672 |

Income

Homer Glen is a relatively affluent community. The estimated 2023 median household income is \$112,681, compared to \$72,603 for all U.S. households. This also compares favorably to the median household income for the Chicago metro (CBSA) at \$80,564. Median household disposable income, the portion of income available for spending on discretionary purchases, is estimated at \$92,354.³ With their significant disposable income, most Homer Glen residents can afford a range of leisure activities, restaurant dining, and other nonessential spending.

¹ Source: U.S. Bureau of the Census, 2010 & 2020 Census, ESRI BIS forecasts for 2023.

² Source: ESRI

³ Source: ESRI. CBSA is Chicago-Naperville-Elgin, IL-IN-WI Core Based Statistical Area.

| Income | 2023 Estimate |
|------------------------------------|----------------------|
| Median Household Income | \$112,681 |
| Per Capita Income | \$52,314 |
| Median Household Disposable Income | \$92,354 |

Age and generations

Homer Glen has a median age of 43.2 years, older than the US median age of 38.1. Many Homer Glen households are still in their family formation and child-rearing years; 38.9% of Homer Glen households have children at home.

Millennials are the largest living generation in the nation currently and soon they will be the largest generation in Homer Glen. Today, Baby Boomers in Homer Glen edge out Millennials at 24%. They are now 59 to 77 years old. But by 2028, the largest generation will be Millennials, at 25%. Millennials today are 25 to 42 years old, their prime years of adulthood.⁴

| Generation | 2023 | 2028 |
|---|-------------|-------------|
| Generation Alpha (Born 2017 or Later) | 7% | 13% |
| Generation Z (Born 1999 to 2016) | 21% | 17% |
| Millennials (Born 1981 to 1998) | 22% | 25% |
| Generation X (Born 1965 to 1980) | 22% | 21% |
| Baby Boomers (Born 1946 to 1964) | 24% | 21% |
| Silent & Greatest Generations (Born 1945/Earlier) | 5% | 3% |

Millennials will therefore be an important market to consider for a new town center. Their history and generational traits are relevant to the town center’s design not just because of their relative size but because their life stage over the next five to ten years coincides with a potential customer group for much that a town center would provide.⁵

- » Most Millennials are digital natives, having adopted online tools in childhood. Today, they do much of their shopping online and much of their work online.
- » They are mostly the children of Baby Boomers and grew up with an optimistic view of the world. That was later impacted by the Great Recession of 2008, slowing their ability to reach certain life milestones, like living independently or buying a car or house. While Millennials have largely recovered economically, the Great Recession interrupted their path and influenced their goals.
- » Millennials as a generation live a “slow life” strategy: They marry later, they wait longer to have children, and have fewer children. While they are currently in their family formation years, it is different for this generation, with fewer Millennials having children at all compared to previous generations. Millennials were the first to use “parenting” as a verb, having carefully planned the number and timing of their children.

⁴ Source: U.S. Bureau of the Census, 2010 & 2020 Census, ESRI BIS forecasts for 2023; Vetter Consulting.

⁵ Characteristics of Millennials (below) are drawn from Jean M. Twenge, PhD, “Generations: The Real Differences Between Gen Z, Millennials, Gen X, Boomers, and Silents – and What They Mean for America’s Future” (Atria Books, 2023), pp. 231-285.

- » Because they are having fewer children, and supporting fewer people on their incomes, they have greater spending discretion than previous generations. They may also need smaller homes with fewer bedrooms.
- » Post-pandemic, many Millennials are working from home. This shift also may affect the characteristics they seek in a home.

Boomers, who are mostly in or nearing retirement, will also influence the town center’s design. As the Boomer generation continues to age, many look to downsize from larger homes and to live on a single level. They want to reduce the number of cars they own and how frequently they drive, and they seek out lower-maintenance homes where they have less responsibility for lawn and garden maintenance.

Education

Educational attainment in Homer Glen indicates that 26% are high school graduates, 28% have some college, and 40% of residents have a bachelor’s degree or higher. That compares to a college graduation rate of 42% for the Chicago metro and 23% for the US overall.⁶ Education level correlates with household income and some consumer preferences. Higher levels of education are generally associated with more discerning consumers.

Lifestyles

Lifestyle segmentation sorts American households into groups that share similar attributes across geographies – attributes like wealth, values, and preferences for certain brands, products, and even TV shows. The segments seek to illuminate differences that may not be apparent in Census data. For example, two households of the same age, size, and income may spend differently: one may prefer cultural events while the other prefers hunting or outdoor adventure. Households with similar lifestyle profiles typically live in close proximity to each other. ESRI’s lifestyle segmentation system, Tapestry, sorts American households into 67 national categories. It is not uncommon for households in a small geographic area like Homer Glen to fall largely into just one or two Tapestry segments.

1. Savvy Suburbanites: 59%

A majority – 59% – of Homer Glen households align with the “Savvy Suburbanites” segment. These households are well educated, well read, and well capitalized. Most are homeowners. Families include empty nesters and “empty nester wannabes” who still have adult children at home. They have a high labor force participation rate at 68%, and a majority are two-worker households. Their lifestyle characteristics include:

- » Enjoy gardening and home remodeling. Riding mowers and power tools are popular, although they also hire contractors for larger projects.
- » Use housekeeping and personal care services.
- » Like to cook and prefer natural or organic products.
- » Financially active, using several resources for informed investing; not afraid of debt; many households carry first and second mortgages, plus home equity credit lines.

⁶ Source: ESRI

- » Actively pursue a number of sports from skiing to golf, and invest heavily in sports gear and exercise equipment.

2. Workday Drive: 14%

The second Tapestry category for Homer Glen households, Workday Drive, trails far behind the Savvy Suburbanites segment at 14%. Workday Drive households are characterized by a preference for “suburban wilderness”. These are family-oriented households with a “country flavor”. Like Savvy Suburbanites, labor force participation is high at 71%, and two out of three households include two or more workers. These households tend to carry a higher debt load, with first and second mortgages, and auto loans. Their leisure and retail preferences include:

- » Spend on family-oriented purchases like movie rentals, children’s apparel and toys, and visits to theme parks or zoos.
- » Participate in outdoor activities and sports (e.g., bicycling, jogging, golfing, and boating), and attend sporting events.
- » Contract for many home maintenance services but own the tools for minor upkeep.

3. Pleasantville: 12%

The third segment for Homer Glen, Pleasantville, encompasses just 12% of households. These are slightly older couples, including empty-nesters, who are living in older, single-family homes. They remain in the workforce and have relatively high net worth. Leisure and retail activities include:

- » Investing.
- » Home improvement and remodeling.
- » Spending on classic clothing and quality brands.
- » Gardening, visiting theme parks and museums, and attending concerts.

What We Know About the Homer Glen Economy

Household spending and sales leakages

Household spending data is rigorously collected by the Bureau of Labor Statistics and is considered highly reliable. Sales leakage is more conceptual: it seeks to measure how much of household spending is captured in a given geography (like the village) and how much is “leaked” to other places. In actuality, of course, municipal boundaries are porous; Homer Glen households shop in other places for some things, and residents of other communities also shop in Homer Glen. Sales leakages can provide insight into what new businesses might be supportable in Homer Glen’s town center, based on data that suggests purchases in a particular category are currently leaking to businesses outside the village. However, sales leakage data should be considered in the context of several caveats:

- » The amount of retail sales that have migrated to ecommerce has been increasing every year for the past 20+ years, and the rate increased further as a result of the pandemic. Ecommerce retail sales are now estimated to account for 15% of all retail sales in the US. In addition, a large segment of entertainment spending, which used to happen at theaters or other in-person venues, have migrated to streaming services. All of these sales are “leaked” outside Homer Glen, but not to a

neighboring community. If the right brick-and-mortar business were present in Homer Glen, some of these sales could, theoretically, be recaptured. It is also most useful to focus on those categories which are less likely to compete with online sales, such as restaurant dining, and services.

- » Household spending and retail sales data come primarily from two unrelated sources: the Consumer Expenditure Survey (a survey of households conducted by the US Bureau of Labor Statistics) and the Census of Retail Trade (a survey of businesses conducted by the US Census Bureau). The categories of purchases and sales in these two surveys often do not align with each other, so the two databases are merged by private data services based on certain assumptions.
- » Small and micro businesses do not report their sales to the Census of Retail Trade; their sales are estimated and can vary widely from actual sales.

The following table lists consumer demand, estimated retail sales in Homer Glen (supply), and unmet demand (leakage).⁷ The spending categories included are those that might be suitable uses for a town center. Useful data points are unmet demand and percentage leaked. A high percentage of leakage may not indicate support for a business if the absolute dollar volume is small.

Restaurant dining – the most desired business type for a town center based on resident input – shows unmet local demand of almost \$17 million, enough in theory to support multiple new restaurants. That spending is currently going to restaurants in other communities. Several retail categories suggest potential viability, based on uniqueness and business execution. Undifferentiated, commodity-type, price-sensitive businesses (like pharmacies or electronics stores) are not likely to attract customers from further away unless they are distinguished by their customer service.

Small sales leakages do not in themselves limit business development. It is possible to create a market where one does not currently exist. A highly-specialized business (such as a musical instrument or needlework shop) can attract customers from far and wide, even if local spending alone is not enough to sustain a musical instrument or needlework business.

⁷ Sources: Experian Information Solutions, 2022; The Lakota Group.

Sales Leakage Analysis

| Spending category | Retail Demand | Retail Supply | Unmet Demand | Percent Leakage |
|--|----------------------|------------------------|--------------|-----------------|
| | (All Homer Glen HHs) | (All Homer Glen sales) | | |
| Hardware Stores | \$3,144,646 | \$1,993,892 | \$1,150,754 | 37% |
| Nursery and Garden Centers | 4,804,502 | 2,113,218 | 2,691,284 | 56% |
| Clothing Stores | 22,244,570 | 2,597,441 | 19,647,129 | 88% |
| Clothing Accessories Stores | 1,185,871 | 560,514 | 625,357 | 53% |
| Jewelry, Luggage & Leather Goods | 8,383,196 | 734,072 | 7,649,124 | 91% |
| Electronics and Appliance Stores | 618,4037 | 1,197,230 | 4,986,807 | 81% |
| Specialty Food Stores | 2,256,724 | 123,350 | 2,133,374 | 95% |
| Drinking Places (Alcoholic Beverages) | 1,726,512 | 1,448,862 | 277,650 | 16% |
| Restaurants and Other Eating Places | 49,707,756 | 32,815,308 | 16,892,448 | 34% |
| Furniture and Home Furnishings | 14,355,892 | 3,492,739 | 10,863,153 | 76% |
| Health and Personal Care Stores | 34,479,496 | 10,505,925 | 23,973,571 | 70% |
| Optical Goods Stores | 1,072,567 | 237,932 | 834,635 | 78% |
| Pharmacies and Drug Stores | 29,149,964 | 7,696,333 | 21,453,631 | 74% |
| Florists | 767,990 | 65,361 | 702,629 | 91% |
| Gift, Novelty, and Souvenir Stores | 1,798,909 | 388,391 | 1,410,518 | 78% |
| Used Merchandise Stores | 1,684,961 | 116,339 | 1,568,622 | 93% |
| Hobby, Toys, and Games Stores | 2,506,879 | 520,749 | 1,986,130 | 79% |
| Musical Instrument and Supplies Stores | 169,915 | 0 | 169,915 | 100% |
| Sewing and Needlework Stores | 356,740 | 10,309 | 346,431 | 97% |
| Sporting Goods Stores | 5,782,668 | 1,624,528 | 4,158,140 | 72% |

Perhaps most notably, and not included in the table above, there are only two retail categories where Homer Glen shows a sales *surplus* (rather than sales leakage): Home Center Stores have surplus sales of \$30.1 million, and Beer, Wine, & Liquor Stores, which have a sales surplus of \$1.6 million.

Trade Areas

Geofencing, which tracks the movement of mobile phones, reveals where people shop and where they reside. A geofence report for Bell Road businesses shows that about 31% of Bell Road shoppers live in Homer Glen and the rest come from outside the village, with the second-most-common source being Orland Park.⁸ Because Bell Road is near the eastern boundary of the village, abutting Orland Park, this aligns with what might be expected. (Homer Glen’s retail footprint is relatively small compared to

⁸ Geofencing data from Placer.ai, via Cobalt Community Research. Geofenced area included commercial properties on Bell Road, from the northern boundary of the village, south to 159th Street. (Residential properties were excluded.) Study period: 12 months ending May 2023. A visit is counted when someone remains in the geofenced area for more than seven minutes. Individuals making more than one visit in a day are counted once.

Orland Park. The sales leakage data discussed above suggests that much of Homer Glen’s household spending is captured elsewhere, and it is likely much of it goes to Orland Park.) The top four sources of visitors to Homer Glen’s Bell Road businesses are shown in the table below.

Shoppers at Bell Road Businesses

| Location of Residence | Percentage of visitors | Visits per year |
|----------------------------|------------------------|-----------------|
| Homer Glen (60491) | 31% | 921,246 |
| Orland Park (60467, 60462) | 18% | 558,195 |
| Lockport (60441) | 11% | 340,822 |
| Lemont (60439) | 9% | 284,656 |

The trade area for Bell Road will not be the same as the trade area for Homer Glen’s eventual town center. The actual trade area of the town center will depend on its location, and on the businesses it contains and their particular draw.

Retail real estate market

Retail space in the village, based on data collected and monitored by Village staff, typically ranges from \$16 to \$22 per square foot, depending on the quality, size, and location of the storefront. (Larger spaces typically cost less per square foot than smaller spaces.) Current retail vacancies in the village are lower than historical averages. The low vacancy rate, and the lack of available high-quality storefronts, suggests that new retail space in the village might be absorbed quickly. That said, this is a challenging economy for bringing new retail space to market.

New storefronts in the town center would almost certainly be more appealing in their design than anything that exists in the Homer Glen market currently. However, the space would be expensive to build and would normally require substantially higher rents to support its construction. Whether the storefronts can command those rent levels will depend in large part on location, visibility, and the final design of the town center.

Residential real estate market

Homer Glen has about 8,900 housing units in total and the market has remained strong, especially for highly desired housing products.

- » Owner occupancy is extremely high at 91%. This far exceeds the national homeownership rate of 66%.
- » About 87% of the housing stock was built from 1970 to 2009, with roughly similar construction rates across decades, ranging from 18% to 25%. Rates of home construction slowed dramatically after the 2007-2008 subprime mortgage crisis. In the decade from 2010 to 2019, only an additional 3.6% of units were built, and growth of new residential units has slowed further in recent years, with estimates of under 1% of units added in the last three years.
- » The median home value in Homer Glen is \$368,182. ESRI’s Housing Affordability Index, which measures home prices in relation to income, scores at 102 – almost exactly in the middle of this

scale with a base of 100. This means, for most Homer Glen households, their homes are within their budget means. The typical Homer Glen household spends 19.6% of gross monthly income on its mortgage.

- » Based on interviews with local brokers, home demand in Homer Glen exceeds supply, with the Multiple Listing Service reporting a 1.8 month supply of housing inventory.

Among the strongest-selling housing products in Homer Glen are the Chicago bungalow-style homes in Evelyn’s Gate North, when they come on the market. These homes are mostly three-bedroom homes averaging 2,700 square feet above grade, with a finished basement. They sell almost as soon as they are listed for sale, appealing both to downsizers and young families who prefer properties with less yard maintenance responsibility. Sales prices for these homes range from \$480,000 to \$535,000, with the larger versions fetching up to \$580,000.

Ranch-style townhomes, such as those in the Amberfield subdivision, are slightly smaller than the Evelyn’s Gate North bungalows at about 2,500 square feet. They also sell well, trading at \$400,000 to \$500,000.⁹

The Homer Glen community has been clear that, if new housing is built, it strongly prefers single-family, owner-occupied housing. Multi-family and/or rental housing in the Homer Glen market has not been tested because the product has not been widely available or approved in the past.

Reference Communities

The five reference communities which were identified through the public engagement process provide insight into what Homer Glen residents find appealing and what works economically. In addition to serving as examples of destinations attractive to Homer Glen residents, they also illustrate the quantitative characteristics that make them viable places.

Population within 10-minute walk of center

The 10-minute walk area around the center equates to approximately one-half mile, but varies in footprint from place to place based on street and sidewalk networks. In the 10-minute walk area, Burr Ridge has the lowest density of population among reference communities, largely because it is primarily a retail shopping center with large amounts of surface parking, augmented by a small number of multi-story residential buildings.

Downtown Reference Communities: Population in 10-minute walk area¹⁰

| | Downtown Naperville | Downtown Frankfort | Downtown Lemont | Downtown Downers Grv | Burr Ridge Village Ctr |
|--------------------------|---------------------|--------------------|-----------------|----------------------|------------------------|
| 2023 Population (est.) | 2,566 | 1,633 | 1,635 | 3,359 | 347 |
| 2023 Pop density/sq mile | 4,369 | 2,883 | 3,352 | 6,263 | 880 |

Downtown is generally the most densely populated area of each city. In Homer Glen, the entire village has a population density of 1,116 people per square mile, which is reflective of its semi-rural character.

⁹ ESRI; broker and developer interviews.

¹⁰ Source: ESRI; Vetter Consulting.

Income

Homer Glen’s median household income is close in range to the identified reference communities. The median incomes shown are for the entire village or city, not just those households in the downtown area. Household income and population density are critical factors considered when assessing retail viability. The total number of households (or “rooftops”) in a geography is directly related to the total buying power that the households represent in aggregate.

Reference Community Profiles: Median household income (village/citywide)¹¹

| | Naperville | Frankfort | Lemont | Downers Grv | Burr Ridge | Homer Glen |
|-----------------------|------------|-----------|-----------|-------------|------------|------------|
| Median Household Inc. | \$134,849 | \$140,849 | \$110,626 | \$105,899 | \$155,780 | \$114,676 |

Housing

All the reference community downtowns include multiple types of housing – in most cases, more housing units than would be contemplated for Homer Glen’s town center. The downtown areas also vary by housing tenure, or owners versus renters.

- » Among the reference communities, Downers Grove has the largest number of housing units in the downtown 10-minute walk area.
- » Frankfort and Lemont have the largest proportion of single family to multi-family units.
- » Frankfort has the highest proportion of owner occupants in the downtown area.
- » Naperville has the highest proportion of renter occupants.

Downtown Reference Communities: Housing in 10-minute walk area¹²

| | Downtown Naperville | Downtown Frankfort | Downtown Lemont | Downtown Downers Grove | Burr Ridge Village Ctr |
|----------------------|------------------------|-----------------------|--------------------|---------------------------|---------------------------|
| No. of housing units | 578 | 648 | 851 | 1,793 | 231 |
| Single-family (%) | 58% | 82% | 81% | 49% | 67% |
| Multi-family (%) | 42% | 18% | 19% | 51% | 33% |
| Owner-occupied (%) | 55% | 93% | 74% | 67% | 85% |
| Renter-occupied (%) | 45% | 7% | 26% | 33% | 15% |

Walk Score

Walk Score is a system for comparing the relative walkability of different places. The index has a maximum score of 100: A score of 90-100 means daily errands do not require a car, and a score of under 50 means most errands require a car. Walk Scores are calculated from a point or address. In the table below, all scores are calculated from the center of the downtown, except in the case of Homer Glen, as noted.

¹¹ Source: ESRI; Vetter Consulting.

¹² Source: ESRI; Vetter Consulting.

Downtown Naperville, Lemont, and Downers Grove are considered highly walkable. Downtown Frankfort feels highly walkable, but some daily living needs are not available within walking distance. Burr Ridge Village Center is auto-oriented, though it is walkable within the center itself.

Homer Glen, given its rural character, has a low Walk Score when measured from Village Hall. As a second data point in Homer Glen, the area with the greatest density of commercial activity, at the corner of Bell Road and 143rd Street, has a Walk Score of 40.

Downtown Reference Community Profiles: Walk Score from the center¹³

| | Naperville | Frankfort | Lemont | Downers Grove | Burr Ridge | Homer Glen at Village Hall | Homer Glen at Bell Rd/143 St |
|------------|------------|-----------|--------|---------------|------------|----------------------------|------------------------------|
| Walk Score | 95 | 56 | 77 | 93 | 36 | 3 | 40 |

What We Know About Developers

While there are developers who build high-quality, well-designed projects and developers who build more value-oriented projects, all developers are in business to make a profit.¹⁴ A developer preparing a plan for a town center in Homer Glen will first build their own pro forma to test feasibility. Their calculations will rely on some known cost assumptions or those that can be estimated with a high degree of confidence (like land value and construction costs) and some qualitative assumptions (like the relative appeal of the market and location conditions). A developer’s core inputs include:

- » **Desirability of the southwest Chicagoland market.** The southwest suburbs are often considered to be an easier point of entry for younger families. Homer Glen has some particular advantages, including its quality of life, easy access to the Tollway, and others. However, the southwest suburbs in general are less “hot” than many areas to the north and west of the city.
- » **Regulatory predictability.** Developers want to move quickly through approval and entitlement because they consume resources and slow the process. A developer will consider it a significant incentive to know that a proposal they bring forward, if it closely aligns with community-informed concepts and expectations, will be quickly approved.
- » **Cost of land.** The cost of land is typically the biggest issue for a developer. Based on parcels recently sold or currently on the market, the current sales price for land in the eight locations under consideration would probably be in the range of \$80,000 to \$100,000 per acre.
- » **Cost of construction.** Construction costs have ballooned in the last several years. Unlike the price of land, construction costs do not vary significantly from one suburban location to another, though they will vary by the architectural design, quality, and finishes of the product. Based on preferences for high-quality design expressed by Homer Glen residents, the likely cost range for housing construction is currently \$300 to \$450 per square foot.¹⁵ For a 2,500 square foot home, the cost without land would be \$750,000 to \$1,125,000. Costs per square foot are slightly less for single-family attached or multi-family products.

¹³ Source: Walkscore.com

¹⁴ Non-profit developers also exist in many cities, typically building housing with a social purpose.

¹⁵ Construction cost estimate based on two developer interviews; cross-checked to recent local building permits.

- » **Cost of money.** Almost any developer building at the scale of a town center (e.g., dozens of homes or more), even in a phased buildout, will need to borrow money. With interest rates at more than seven percent, the developer will be carrying high borrowing costs for two to three years (e.g., from the time construction begins until the developer can sell the homes and repay the loans).
- » **Mixed-use, vertical development.** Historically, ground-floor retail has been a way for developers to enhance both the project’s appeal and its cash flow. In the current environment, for most projects, that formula has changed. Developers now typically view retail as a required community goal or “giveaway” that adds value to the residential component above, but does not generate net income on its own.
- » **Profit.** As a rule of thumb, considering all costs (e.g., land, soft costs, interest, construction, etc.), a developer seeks to make a profit in the range of 10% to 15%. This will be built into their pro forma.
- » **Access and infrastructure.** Land that already has road access and utilities infrastructure simplifies the developer’s costs and modeling.
- » **Sell or hold.** Different developers have different business models and strategies in terms of holding long-term or selling the final product. This strategy is also influenced by the cost of borrowing and market demands. For a developer, apartments have the value of increased cash flow over time, as rents escalate three to five percent per year. Homes and condos have the advantage for the developer of recouping the investment quickly, assuming sales are strong.

There are several tools or strategies a developer may employ to mitigate some of the challenges noted above. For example:

- » **Pre-sales.** Pre-selling homes or condos allows the developer to get their money up front, reducing the amount they need to borrow and therefore reducing their carrying costs. Whether pre-sales are an option for the town center project depends on the strength of the market and the desirability of the product.
- » **Ground lease.** A developer can reduce their up-front costs by taking a long-term ground lease from the landowner rather than purchasing the land outright.
- » **Tax Increment Finance.** The Village could use the future development buildout tax increment to support the town center’s land assemblage, preparation, infrastructure, and community public space.¹⁶
- » **Joint ventures or public-private partnerships.** A developer could enter an agreement with the Village or, even, establish a foundation to raise money for public-benefit aspects of the town center.

What We Know About Retailers

The community engagement phase of this work confirmed that the primary objective among Homer Glen residents for the town center is to focus on small-scale, community-serving retail and restaurants. As discussed in several sections of this report, because of real estate development dynamics, the town center will almost certainly need to be driven by compact residential use with retail provided as an

¹⁶ The agricultural sites currently under consideration may not qualify for TIF.

amenity. Initially, the retail uses may need to be “subsidized” – e.g., attracted by below-market or free rent or other incentives.

Brick-and-mortar retail is an opportunistic enterprise: It is lured to places where people already congregate, with the expectation that it will attract a portion of those people and convert them into customers. Some very specialized retail stores, restaurants, retail services, or entertainment businesses generate their own customer traffic regardless of adjacencies, but these businesses are different from offerings like a café or family restaurant which depend on existing residential units nearby.

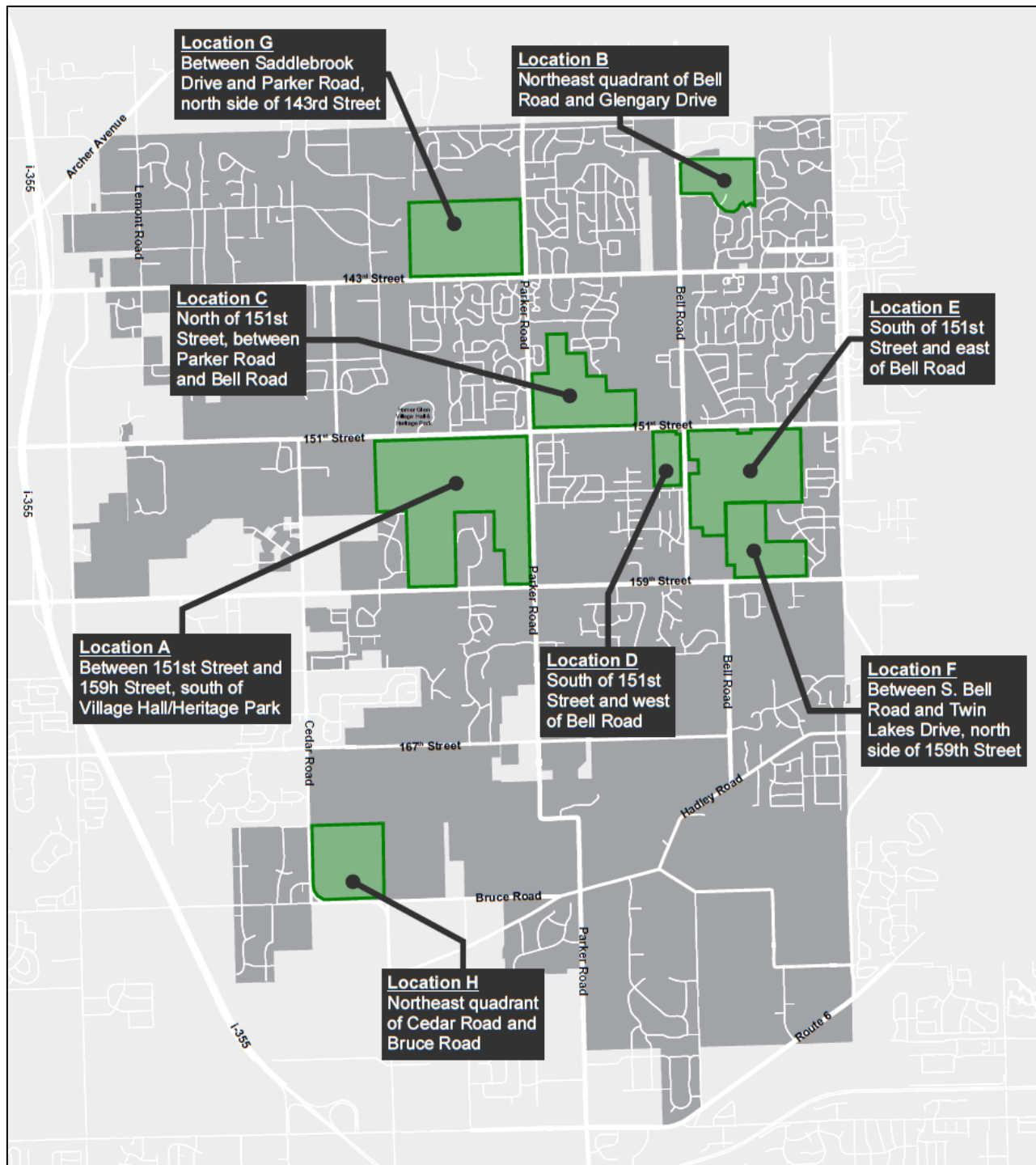
Because of retail’s opportunistic dynamic, it is generally a market follower rather than a market leader. The town center will first need to create a nexus of activity. This can come from a combination of compact residential uses supported by activated public spaces.

In addition to foot traffic, other things retailers need include:

- » **Visibility.** Retailers need visibility to drivers, including signage and clear sightlines.
- » **Adjacencies.** Many retailers benefit from having certain other businesses in close proximity. For example, restaurants do better if there are several restaurants nearby; the same is true for apparel stores.
- » **Special needs.** Some retailers, including restaurants, have special needs, such as a commercial kitchen, outdoor dining areas, and screened trash areas.
- » **Parking.** A core principle of Homer Glen’s town center is that it be walkable. Nevertheless, it will need to incorporate access and parking scaled to a walkable community.

Because the town center will be a new and not-yet-proven retail location, a developer may need to provide special incentives such as reduced or free rent for a period of time, or a developer could consider joint venturing with experienced independent entrepreneurs to lower the risk for a small businesses considering the new location.

Map of Potential Locations Identified by the Village



Assessment of Potential Locations

The Village identified eight locations to be explored for their suitability for a town center. The sites vary in multiple dimensions. They are mostly undeveloped and privately owned (mostly by Gallagher and Henry). All locations would require further engineering and environmental review, as most contain flood zones and some contain wetlands. Street visibility and traffic counts vary widely and these are primary concerns for retailers. (Traffic counts on secondary roads, which are now about 10 years old, will need to be updated.) The overarching test, however, is that any location selected must first satisfy the preferences of Homer Glen residents.

The eight locations were identified by the Village in preparation for this study. The Location Comparison Matrix (see Appendix) compares a range of characteristics for all eight locations.

We recommend four locations for continued evaluation and town center scenario development.

Location A

Location A sits between 151st Street and 159th Street, south of Village Hall/Heritage Park.

Homer Glen residents expressed their greatest preference for this location in the community Open House and in focus groups. It therefore deserves first consideration.

Advantages of Location A:

- » At 374 acres, this location is large enough to accommodate growth over time, testing the market by starting with a small initial development phase.¹⁷
- » This site connects well to Village Hall, the Library, and Heritage Park, all anchors of a civic center in the middle of the village.
- » Traffic provides good visibility on the 159th Street side of the property, though that is the farthest point from Village Hall.
- » Wetland areas exist but are relatively small.
- » Water and sanitary sewer lines are available on adjacent roads.
- » The location connects to existing and planned trail systems, an advantage for linking other assets and reducing the need to drive to, or within, the town center.

Barriers to development:

- » Traffic counts on 151st Street are low, leading to low visibility on the north side of the property.
- » While traffic counts on 159th Street are stronger, this side presents two challenges: The frontage of parcels touching 159th Street is a relatively narrow 725 feet (approximate), meaning there would be



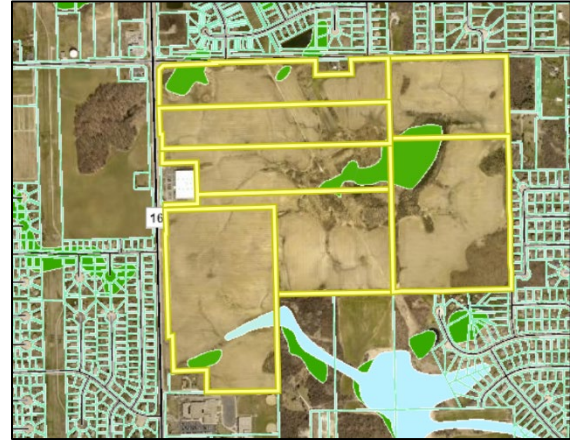
¹⁷ A total of 374 acres is controlled by one owner. The accompanying graphic shows additional parcels under other ownership which could be incorporated into a final land assemblage.

a long travel distance to the center of the site. The depth of this location, from 151st Street to 159th Street, is about one mile.

Location E

Location E lies south of 151st Street and east of Bell Road.

This is the community’s second-most preferred site. Bell Road, a high-traffic thoroughfare, provides good visibility. Existing housing densities are already in place; the site is adjacent to or near some existing commercial uses, providing the benefit of potential cross-shoppers while mitigating impacts to existing residential neighborhoods. Wetlands somewhat reduce buildable portion of site.



Advantages of Location E:

- » At 257 acres, this location is large enough to accommodate growth over time.
- » Traffic and visibility are good; the corner location is advantageous.
- » Residential communities already exist east of Bell Road and north of 151st Street, providing quiet residential adjacency on 151st.
- » Other retail on Bell Road (e.g., Founders Crossing, north of the site) could help provide visibility, though they are not adjacent.
- » Water and sewer are easily accessed.

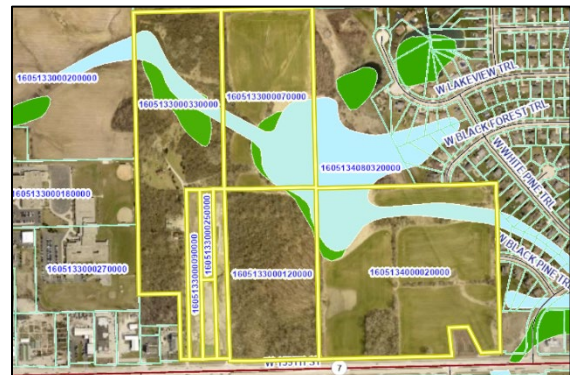
Barriers to development:

- » Wetlands reduce the buildable portion of the site close to Bell Road.

Location F

Location F lies on the north side of 159th Street east of Bell Road.

This site was not strongly favored by the community, but it has some inherent advantages: It is on a high-traffic thoroughfare (159th Street) with restaurant and other commercial uses across 159th Street. Of all the sites under consideration, this would likely have the least perceived impact on existing nearby homes.



Advantages of Location F:

- » Traffic counts and visibility are strong.
- » Existing commercial uses across 159th Street could benefit potential retail uses in a town center.
- » Water and sewer are easily accessed.

Discussion

We believe the development of a well-designed town center could be one of the best things Homer Glen could achieve, providing quality housing and beautiful civic spaces. It could be a treasured place and a center of community. It could offer housing typologies that would allow people to live in the village through all the stages of their lives, providing more options for both young and old. And it could continue to advance the village's goals of protecting both nature and community. But the decision to develop a town center is not ours to make – it is a decision for Homer Glen's elected leaders and its citizens.

The answer to questions like, “Could Homer Glen support a town center?”, “How big should it be?”, or what should be the mix of uses?” can be informed by the data contained in this report, but they are equally questions for the Homer Glen community to wrestle with in the context of the available data.

In Phase 3 of this assignment, the Lakota team will develop visual concepts of a town center as it might look on three different sites. It will be a culmination of the groundwork that has been laid through community engagement and market assessment, and the imagery should catalyze a positive dialogue for how this process moves forward.

Several key topics are part of this conversation:

- » **Growth or no growth – or something in between?** Several data points suggest that Homer Glen could grow, if the community embraces it. For example, the two nearby exits on the I-355 Tollway, which opened in 2007, have made the commute to downtown Chicago, the airports, and other destinations quicker, making Homer Glen more accessible. In recent years, developers have presented proposals for mixed-use developments on several sites, suggesting the development community believes there is a market for their concepts. Growth in Homer Glen is, in large part, a decision about the Village's priorities.
- » **Retail or residential – or both?** During the community engagement phase of this work, most residents expressed a desire for community-serving retail amenities, particularly a café and restaurant, but also public spaces to gather. Based on current market conditions, what we know about successful town centers, and the current retail and development environment, a town center in Homer Glen will need to lead with housing in order to be viable. Retail will likely need to be incentivized in order to be supportable.
- » **Compact development.** Homer Glen's founding principle, “Community and nature in harmony,” is inspiring and broadly embraced. For some, this means homes on large lots where they can enjoy nature on their own property. For others, it means the ability to enjoy open, undeveloped spaces throughout the village. Compact development can support both of these desires. In a new development based on traditional town planning principles, homes are built on small lots and can include a range of housing styles, from detached and attached single-family to modestly scaled multi-family. The community benefits from this kind of development because the buildings occupy less land and a greater amount of open space can be protected for enjoyment by all. Compact development can feel spacious and advance the values behind the village motto.
- » **Which location?** Eight locations were identified by the Village for evaluation as part of this assignment. They are not the only possible locations for a town center, but several of them are more feasible than other locations in the village. This is based partly on the attributes of the several priority sites (e.g., visibility, access to water and sewer, etc.) and partly on the simplicity of any potential transaction. (They are all owned by one developer.)

- » **Protected and unprotected land.** Homer Glen still retains much of the rural character that initially attracted many of its residents. Some parcels are protected through covenants and easements. But most of the undeveloped land in Homer Glen (including all the locations being evaluated for a town center) is not protected. These mostly agricultural parcels could be developed by-right according to the zoning that currently applies to each. In this way, Homer Glen’s rural character is somewhat illusive. Unless these parcels are purchased and protected, they are not likely to remain agricultural indefinitely.
- » **Public-private partnerships.** During the public engagement phase, residents and elected leaders clearly expressed their principle that any town center development should be the product of the private sector and should not require financial resources or incentives from Village government. In the future years, it is possible the economy will shift to a “seller’s market” for the Village and put Village government in the pilot seat where developers are motivated by profit to bring forward desirable concepts. In the current and near-term foreseeable future, however, a town center that fits the community’s vision will almost certainly require a range of incentives – though not necessarily cash. These might include the Village providing water and sewer service to the site, or building roads or community spaces. Public improvements could, potentially, be bonded based on anticipated future tax revenues. There are advantages to the Village in entering a public-private partnership with a developer: It can incentivize a development that would not otherwise get built, and it can provide the Village Board needed leverage in getting the kind of design and mix of uses it wishes to see.

What Happens Next

Following this market assessment phase, and agreement by the project Steering Committee on preferred locations, Lakota will begin developing concept designs. These will be presented to the Steering Committee on October 27, 2023. Based on the Committee’s feedback, Lakota will refine the concepts and develop additional imaging.

The second community Open House is scheduled for the evening of November 28, 2023. It will include a brief slide show overview and recap of work done to date, with an emphasis on how the market assessment informed the concept development.

During the first community Open House, on May 16, 2023, a group exercise invited people to use photos, markers, and crayons in a charrette-like activity to imagine a town center without limitations. The second Open House will also include a charrette-like interactive component, but will apply some of the constraints learned from the market assessment.

Business Feasibility Profiles

Through focus groups and surveys, Homer Glen residents expressed preferences for businesses they would like to see in a new town center. The top response by far was restaurants, though the list included several food-related business types.

| Type of Business | Survey respondents who mentioned (%) |
|------------------|--------------------------------------|
| Restaurant | 77% |
| Boutique/retail | 25% |
| Coffee/café | 24% |
| Bar | 18% |

The following four feasibility profiles are intended to provide some high-level insight into what would be needed to support a new business in each category. It is important to note two things:

- » In addition to the capacity of the local market to support a new business in any category, the success of any individual business depends on the quality of its execution, as well as other factors like visibility and marketing. Market characteristics are informative and guiding, but not decisive. A superbly run business with a compelling concept can be successful almost anywhere, even under some otherwise adverse conditions, such as poor visibility or poor parking.
- » People don't always know what they want or would support when asked in a survey. Less-common but perhaps supportable ideas may not have immediately come to a respondent's mind. The list of desired businesses offers some insight into what people say they want, but it should not be viewed as an exhaustive list.

For the new town center, business recruitment will be its own area of focus, identifying the right mix of offerings at the right price point. While business development is often thought of as business *recruitment*, outside of malls and shopping centers, most new restaurants or retail businesses are home-grown, developed by a local entrepreneur rather than recruited from another location.

The new town center, when it is built, will be an unproven location. The retail component will be an amenity to the development concept. As such, incentivizing quality restaurants and retailers may necessitate the developer joint-venturing with a curated set of restaurant and retail operators, in order to lessen the risk to entrepreneurs and reduce the barrier to entry.

1. Restaurant

Homer Glen currently has roughly 50 non-grocery, “food-away-from-home” businesses, but not all are restaurants. They cover a wide range that includes donut shops, fast-food chains, specialty ethnic restaurants, sports bars, coffee, ice cream, and a few fine dining restaurants. Based on focus group conversations, residents want more full-service restaurant options at a moderate-to-upscale price point.

What’s going on in the restaurant sector?

The restaurant business is challenging because margins are thin and diners’ tastes can be fickle. The post-pandemic environment has further complicated the restaurant industry:

- » Labor has become more expensive and more difficult to attract, even at higher wages.
- » Raw food costs (particularly for certain meats and seafood) have increased rapidly with recent inflation but menu price increases have often lagged, squeezing profits.
- » Third-party home delivery services have expanded restaurants’ sales channels beyond dine-in only, but have further eroded profit margins because of the high fees the delivery services impose.
- » Social media reviews, which were already a double-edged sword, have reached a new level of impact with some “influencers” wielding outsized power to make or break a restaurant business.

Several trends tip on the positive side of the scale:

- » Americans continue their 100+ year trend of spending an ever-greater amount of their food dollars on food away from home. That trend is not likely to reverse, though inflation has tightened belts.
- » Outdoor dining, which became critical during the pandemic, seems to have become an enduring option, even off-season. Many restaurants have built semi-permanent outdoor structures to protect against the elements, and some of these structures are heated or cooled. Many towns and cities regulate (or have begun to regulate) outdoor dining on public streets and sidewalks through a permitting process that includes fees. Still, the net effect for restaurant operators is favorable: Outdoor dining allows additional seating without requiring a larger (and more expensive) retail space.

Incorporating restaurants into the programming of the town center presents several opportunities that will benefit Homer Glen overall, as well as several real-world challenges to surmount:

| Opportunities | Challenges |
|--|---|
| » Meeting a local desire for additional dining options | » Visibility to traffic, depending on selected site |
| » Attracting additional, regional spending to Homer Glen | » High build-out costs for commercial kitchen |
| » Creating a community gathering space | » Attracting an experienced restaurant operator |

-
- » Generating street activity
 - » Viable dinner service six to seven days and viable lunch service five to six days
 - » Liquor licensing
 - » Potential for noise disruption, if in a residential setting or a mixed-use building
 - » Odors from cooking and trash/waste
-

Additional factors to consider are chains or franchises versus independents, and whether the operator would be an existing Homer Glen or nearby restaurateur.

The Homer Glen community expressed a clear preference for independent businesses. While we are not advocating for a chain restaurant operator, several advantages should be noted.

- » Chains offer a tested business model and a recognized brand that shortens the startup period.
- » At the same time, nationals may also have rigid guidelines about location, size of footprint, parking, and traffic counts.
- » Regional chains tend to be more flexible in their location standards because they are familiar with the market dynamics.

There is also the option of attracting an existing restaurant operator (in Homer Glen or nearby) to the new town center, whether moving their restaurant from its current location or opening an additional restaurant. Homer Glen economic development leaders and the developer of the town center would need to show compelling evidence why the town center location would provide an advantage to the existing business – for example, better space, visibility, or parking; lower rents or other costs; or better compatibility with their local customer profile.

Available spending

Sales leakage analysis is one of many factors in assessing restaurant viability. Homer Glen households account for about \$50 million in restaurant spending every year, and Homer Glen food establishments have estimated gross sales of \$33 million, suggesting leakage of \$17 million. (In actuality, of course, not all Homer Glen restaurant spending is captured by Homer Glen businesses. And some restaurant spending captured in Homer Glen comes from households outside the village.) A sales gap of \$17 million could, theoretically, support multiple new restaurants.

Restaurant Dining: Homer Glen¹⁸

| | |
|---|--------------|
| Household spending on restaurant dining | \$50 million |
| Restaurant sales | \$33 million |
| Restaurant dining sales leakage | \$17 million |

Needed sales per square foot to support a restaurant in Homer Glen are roughly estimated at \$325.¹⁹

¹⁸ Source: Experian Information Solutions, 2022.

¹⁹ Source: Vetter Consulting

Siting and design considerations

Restaurants need certain building facilities and site amenities to accommodate business operations. These include:

- » Visibility of the business and signage
- » Parking
- » Commercial kitchen
- » Screened trash facilities, including food waste and grease trap
- » Outdoor dining area (preferred)

Adjacencies are more flexible but include the general experience that restaurants tend to do better when they are near several other restaurants. This attracts people who want to choose a dining option once they arrive in the town center.

The largest hurdle for opening a new restaurant in a vanilla box storefront is a commercial kitchen, which can easily cost \$150,000 to \$300,000. (This cost is separate from dining room build-out and furnishings.) It is possible to build a less-costly kitchen (e.g., without a commercial stovetop or a commercial hood) by applying a creative approach to the restaurant's concept and menu design so dishes do not require flame heat and instead rely on convection ovens and hot plates.

In the initial phase of the town center's development, alternatives to a full-service restaurant may address residents' desires. These could be accomplished with a café or even a "seasonal food truck" with outdoor seating areas.

2. Boutique Retail

Among the types of businesses Homer Glen residents said in a survey that they wanted, “boutique” and related retail terms were frequently mentioned. Different people have different ideas of a “boutique”; based on other input received, it is reasonable to interpret this as meaning independent businesses specializing in quality apparel, home furnishings, or related goods.

Homer Glen currently has about 150 businesses classified as “retail”, but the range includes convenience stores, propane sellers, home improvement stores, pet supplies, and many others. The retail category also includes grocery stores. Most furniture, home furnishings, and apparel available in Homer Glen is sold in big-box stores.

What’s going on in the retail sector?

The retail sector is well into its third major revolution, ecommerce. (This shift follows two earlier retail revolutions: the advent of the enclosed shopping mall in the 1960s and 1970s, followed by the development of the big-box store.) In the new ecommerce consumer paradigm, 15% of retail sales in the US take place online rather than in stores, and Amazon now captures 38% of all online retail sales. While Amazon is the largest online retailer, brick-and-mortar stores such as Walmart, Target, and smaller chains and specialty retailers have tightly integrated their sales channels to make online and in-store shopping almost seamless. (This integration has become known as “BOPIS”: buy online, pickup in-store.)

On the plus side, online selling has been “democratized” in recent years as independent retailers – the variety that Homer Glen residents clearly expressed preference for – now have access to sales platforms that allow them to expand their channels. Amazon has its “Marketplace” where independent sellers can have storefronts, as do eBay, Etsy, and similar branded sites. Other models, like Shopify and SquareSpace, provide customizable platforms and templates for selling through a store’s own website. The two largest challenges for independents are driving traffic to their online storefronts, and managing the logistics of order fulfillment and shipping.

Retailers that are highly differentiated (such as “makers” and micro-manufacturers) have an advantage in a commodified retail environment where consumers can compare the prices of commodity items more easily than ever.

In addition to the integration of online and in-store sales channels, several other retail trends are worth noting:

- » **Consumer demand has remained strong despite an uncertain economy.**
- » **Supply chain disruptions of the pandemic have mostly resolved.**
- » **“Experiential retail” is now a fundamental part of consumer expectations**, whether it’s augmented reality (e.g., for trying on clothes virtually), product testing and learning (such as rock-climbing walls), or tastings of food or drink items available for purchase.
- » **“Classroom retail” has become its own subset of experiential retail.** Sip-‘n-paint studios, knitting shops, quilting shops, and others have become models of combining retail sales with learning, the creation of “third places”, and community-building.
- » **Consumers are gradually shifting toward a commitment to repair and reuse**, changing the replacement cycle and setting new expectations for retailers. The trend has moved beyond cottage industries and thrift shops: Greene Street, for example, operates a chain of stores selling

upscale consignment clothing in the Mid Atlantic region; and Patagonia has established a new brand with brick-and-mortar stores called “Worn Wear” selling used and repaired Patagonia clothing.

- » **Brick-and-mortar retail is trending to smaller spaces in certain categories.** Outside of general merchandise retailers (like Walmart and Target), some apparel and other retailers are shifting to a “showroom” model, where the retail footprint may be only a few hundred square feet and the focus is on viewing, touching, and trying on, rather than on comprehensive inventory. Examples include Bonobos in the apparel sector and Warby Parker in the optical space. (Restoration Hardware, though operating much larger storefronts, has shifted to the showroom model, as well.) Orders are taken in-store (or online) and fulfilled through home delivery.
- » **Building on a trend popularized by food trucks, mobile retailing has found a small niche,** particularly in more rural areas. Mobile retail, where a truck is outfitted like a retail store, can bring advantages to both the seller and communities. For sellers, it allows them to tap into multiple markets without being locked into a single lease or location; for communities, it allows them to attract a quality retailer (typically on a set day each week) to a location that might not be able to support a full-time brick-and-mortar store.

Available spending and sales leakages

Sales leakage analysis is one of many aspects in assessing retail viability, as discussed in the town center Market Assessment. The following retail categories all show sales leakages, which is one factor in determining the viability of a new business.²⁰

| Spending category | Retail Demand (All Homer Glen HHs) | Retail Supply (All Homer Glen sales) | Unmet Demand | Percent Leakage |
|---------------------------------------|---------------------------------------|---|--------------|--------------------|
| Hardware Stores | \$3,144,646 | \$1,993,892 | \$1,150,754 | 37% |
| Nursery and Garden Centers | 4,804,502 | 2,113,218 | 2,691,284 | 56% |
| Clothing Stores | 22,244,570 | 2,597,441 | 19,647,129 | 88% |
| Clothing Accessories Stores | 1,185,871 | 560,514 | 625,357 | 53% |
| Jewelry, Luggage & Leather Goods | 8,383,196 | 734,072 | 7,649,124 | 91% |
| Electronics and Appliance Stores | 6,184,037 | 1,197,230 | 4,986,807 | 81% |
| Specialty Food Stores | 2,256,724 | 123,350 | 2,133,374 | 95% |
| Drinking Places (Alcoholic Beverages) | 1,726,512 | 1,448,862 | 277,650 | 16% |
| Restaurants and Other Eating Places | 49,707,756 | 32,815,308 | 16,892,448 | 34% |
| Furniture and Home Furnishings | 14,355,892 | 3,492,739 | 10,863,153 | 76% |
| Health and Personal Care Stores | 34,479,496 | 10,505,925 | 23,973,571 | 70% |
| Optical Goods Stores | 1,072,567 | 237,932 | 834,635 | 78% |
| Pharmacies and Drug Stores | 29,149,964 | 7,696,333 | 21,453,631 | 74% |
| Florists | 767,990 | 65,361 | 702,629 | 91% |
| Gift, Novelty, and Souvenir Stores | 1,798,909 | 388,391 | 1,410,518 | 78% |

²⁰ Source: Experian Information Solutions, Inc., 2022.

| | | | | |
|--|-----------|-----------|-----------|------|
| Used Merchandise Stores | 1,684,961 | 116,339 | 1,568,622 | 93% |
| Hobby, Toys, and Games Stores | 2,506,879 | 520,749 | 1,986,130 | 79% |
| Musical Instrument and Supplies Stores | 169,915 | 0 | 169,915 | 100% |
| Sewing and Needlework Stores | 356,740 | 10,309 | 346,431 | 97% |
| Sporting Goods Stores | 5,782,668 | 1,624,528 | 4,158,140 | 72% |

Siting and design considerations

Retail stores of different types have different needs, but it is possible that, for the kind of retail that is envisioned for the town center, small-format spaces could be more achievable as a result of being less expensive to build and, therefore, less expensive to rent.

Certain traits common to retail stores include:

- » Retailers have simpler space requirements than restaurants. Retail space is cheaper to build because it can be leased as a vanilla box, in most cases without specialty buildout or specialized mechanical equipment.
- » Retail benefits from having other retail nearby. This is especially true of apparel stores, where shoppers like to compare styles, fit, and pricing before making a purchase. But even in “one-off” shops, a retail street needs a certain density of business activity in order to draw browsers.
- » In addition to compatible businesses, storefront design should be “in-line”, so stores are adjacent to each other and create a sense of a retail street.

3. Coffee Shop | Café

A café is, essentially, the simplest restaurant model. The menu is very limited (often just drinks and bakes-off-site pastries), a kitchen is not needed, and space requirements are flexible.

In a format popularized by Starbucks (though they built on a model pioneered by independent coffee shops), cafes have become “third places” – the places between home and office where people spend time socializing, working, reading, or hanging out.

What’s going on in the café sector?

Though hit hard during the pandemic, coffee chain sales have returned to pre-2020 levels and are continuing to grow.²¹ Cafes fall into a rare category of business that remains popular across generations and across income brackets. Still, independent cafes (the type that Homer Glen residents said they prefer for the town center) face particular challenges in marketing and brand recognition when competing with well-known chains.

A café is cheaper to build and open than a full-service restaurant, making it more achievable as a startup retail use in the new town center. Toast, the point-of-sale system popular in the restaurant and bar industry, estimates startup costs for an independent coffee shop with seating at \$80,000 to \$300,000. Typical sales per square foot needed to support a café are estimated at \$400.²² A coffee food truck, which could be an easier entry point for bringing a café to the town center, has lower startup costs, estimated at \$50,000 to \$154,000.²³

In addition to having a simpler and less expensive buildout and lower overhead than a full-service restaurant, coffee drinks – the core offering of a café – have higher profit margins than other restaurant food sales.

Trends in the industry include:

- » Incorporating community tables as a way to foster interactivity.
- » Fair trade and environmental responsibility – both in sourcing of products and in the design of the shop itself.
- » Coffee “treats”, or dessert-type confections that create reasons to make multiple trips throughout the day. (Think: Starbucks’ Frappuccino and others.)
- » Pre-order technology has become a necessary part of the POS system for many cafes.

Available spending and sales leakages

Coffee beverage purchases are not singled out as a consumer spending category or store category, so it is difficult to calculate total sales demand or sales leakage for Homer Glen. Nevertheless, coffee shops continue to expand nationally, currently at a 7% annual growth rate, the fastest growing segment of the food industry.¹⁶ While there are several independent and chain cafes in Homer Glen, it is safe to assume

²¹ Toast: “Coffee Shop Industry Trends and Statistics in 2023”, <https://pos.toasttab.com/blog/on-the-line/coffee-shop-industry-trends-and-statistics>. Toast is a point-of-sale system used by the restaurant and bar industry. Toast uses POS data it collects to publish white papers on industry trends.

²² Source: Vetter Consulting

²³ Toast: “How to Open a Coffee Shop”, <https://pos.toasttab.com/blog/on-the-line/how-to-start-a-coffee-shop>

that there remains unmet market demand as a subcategory of restaurant dining, which has a reported sales leakage of \$17 million.

Siting and design considerations

Perhaps the biggest challenges for attracting a café to the new town center are visibility and access. Some café customers will include adults working on their laptops, holding meetings, or socializing during the day, and high school kids hanging out after school. But the core customer comes in the morning, often on their way to work. In order to attract this customer, the café needs to be easily accessible to these commuters and in their path of travel. The scale of residential development envisioned for the early phases of the town center will not, on its own, support a full-sized café with seating, so the store will need to attract additional customers from the Homer Glen community and those passing through.

4. Bar

It may come as a surprise to some that a bar was among the top mentions in response to the question in a resident survey about desired businesses. Like the word “restaurant”, a “bar” can take many different forms. A bar is a subset of the same broad consumer spending category that includes restaurants, called “Food Services and Drinking Places”. A “Drinking Place” is one that serves primarily alcoholic beverages, though there may be limited food offerings in addition. As a result, bars have lower startup costs than full-service restaurants. They also have higher sales margins than restaurants or cafes, increasing the chances of profitability.

Like cafes, bars function, in part, as third places – places where people congregate and socialize. Unlike cafes, bar customers must be over 21 years old, and people do not generally use bars as alternative work spaces, but they may come to play games, from darts to trivia nights. Bars can also function as entertainment venues, often incorporating live music as a way to attract customers, though adding live entertainment can complicate licensing.

What’s going on in the bars and drinking-places sector?

No longer just the neighborhood corner bar, drinking establishments have expanded creatively in multiple directions, including:

- » Martini bars with named, recognized mixologists
- » Microbreweries and gastropubs
- » Micro-distilleries
- » Taprooms (generally serving only beer brewed onsite)
- » Cideries

Microbreweries, micro-distilleries, taprooms, and cideries function, in essence, as micro-manufacturers – part of a growing trend of micro-manufacturing in traditional downtowns. These brewers and distillers often incorporate a retail component into their business model for consumption at home (known in the industry as “off-trade”). Depending on licensing, they may even be able to distribute their products through off-site retail channels, enhancing revenues and profitability.

A bar without onsite brewing and distilling is a simpler business than a restaurant, though more complex than a café, partly because of licensing. Startup costs are lower than for a restaurant and in the same range as those for a café, around \$100,000 to \$300,000, depending on size and licensing costs. Typical net profit margins for bars are higher than both restaurants and cafes, at 10% to 15%.²⁴ Typical sales per square foot needed to support a bar are estimated at \$350.²⁵

In addition to trends toward microbrewing and distilling, bars offerings have also expanded to fill demand for non-alcoholic beverages (e.g., mocktails) and low-alcohol beverages. In this way, bars are solidifying their position as community gathering places, not just drinking places.

²⁴ Toast: “What is the Average Bar Profit Margin?” <https://pos.toasttab.com/blog/on-the-line/bar-profit-margin>

²⁵ Source: Vetter Consulting

Available spending and sales leakages

Sales leakage analysis is one of many factors in assessing business viability. Homer Glen households account for about \$1.7 million in annual spending at drinking establishments, and Homer Glen bars account for an estimated \$1.4 million in sales, leaving a sales gap of less than \$300,000. Sales leakage alone does not suggest that the town center could support a new bar in Homer Glen. However, for a highly-differentiated establishment with a specific market niche and/or very appealing design, a new bar could attract additional market from outside the village.

Drinking Places: Homer Glen²⁶

| | |
|---------------------------------------|---------------|
| Household spending on Drinking Places | \$1.7 million |
| Sales at Drinking Places | \$1.4 million |
| Restaurant dining sales leakage | \$0.3 million |

Siting and design considerations

Within a walkable town center, a bar has a particular safety advantage in reducing the number of people who would need to drive to it.

Bars function primarily in the evenings, with their greatest traffic on weekends and after work. Noise from bar patrons (and live music) can be a nuisance in residential neighborhoods, so thoughtful siting and screening are important considerations.

²⁶ Source: Experian Information Solutions, 2022.

Appendices

1. Location Comparison Matrix
2. Homer Glen Demographic and Income Profile
3. Homer Glen Housing Profile
4. Tapestry Segments
5. Sales Leakage Report