Stoughton *Wisconsin*

DEMOGRAPHICS & MARKETS

STOUGHTON Redevelopment Authority

The following demographic data considers downtown Stoughton's primary markets. The markets include:

- .5-Mile, or Pedestrian, Market: This market includes nearby residents and employees who can easily walk to downtown Stoughton.
- 5-Minute, or Convenience Drive, Market: Located within a 5-minute drive or a 10-minute bike ride to downtown Stoughton, these residents and employees can readily access downtown's businesses. Like nearby residents, they frequently patronize downtown businesses.
- 30-Minute, or Destination, Market: This geography (see map below) represents the destination market for downtown Stoughton. This market has increased in importance with the advent of online ordering and mobile phone use. For most consumers, 30-minutes represents the drive time for same day pick-up of an online purchase. 'Near Me' searches are important for consumer restaurant selection and in determining whether to attend an event.
- Custom Market: Downtown's business owners described this geography as the market for most of their customers during stakeholder interviews. (A map of this market follows the 30-minute drive time map.)
- City of Stoughton: The City's demographics are displayed for comparison purposes. Residents of any community identify with their downtown and represent an important component of downtown business revenues. For Stoughton, much of the City is located within 5-minutes of downtown.

The data and maps are followed by chart displaying downtown Stoughton's current business mix, based upon information provided by Stoughton's Redevelopment Authority (RDA).

Demographics and Markets

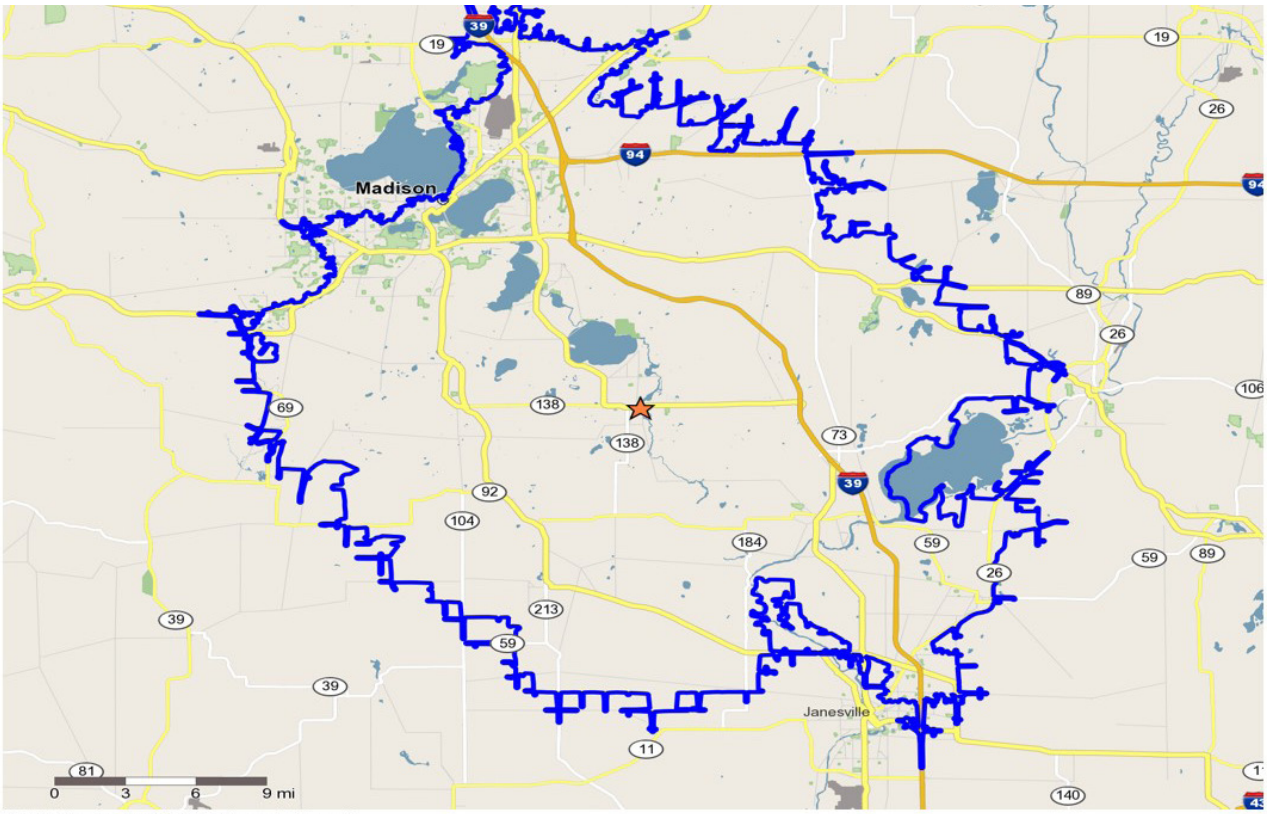
Downtown Stoughton Markets	.5 Mile Pedestrian	5 Minute Drive Convenience (or 10 Minute Bike Ride)	30 Minute 'Near Me' (Destination)	Custom Market	City of Stoughton
Total Population	2,938	12,047	350,366	230,711	13,518
Total Households	1,336	5,104	147,654	96,519	5,574
Average Household Size	2.20	2.36	2.37	2.39	2.43
Population Density (per Sq. Mi.)	3,732.74	2,458.94	472.75	509.19	2,638.73
Projected Population Change by 2023	0.7%	2.9%	5.1%	4.0%	2.9%
Median Age	39.7	40.7	35.0	34.1	40.6
Employees	1,772	4,905	233,728	147,066	4,816
Jobs Per Household	1.3	1.0	1.6	1.5	0.9
Average Household Income	$72,399	$77,054	$84,030	$90,861	$79,166
Median Household Income	$61,174	$66,707	$65,805	$68,003	$68,310
Per Capita Income	$33,238	$32,909	$35,698	$38,377	$32,875
Renter Occupied Housing Units	38.9%	35.4%	42.1%	44.1%	33.6%
Estimated Spending: Dining	$4,241,600	$17,147,552	$500,960,491	$301,082,334	$19,285,148

© 2017 Experian, Inc. All Rights Reserved, Alteryx, Inc.

Downtown Stoughton Markets: Race/Ethnicity	City of Stoughton	30 Minute 'Near Me' (Destination)	Custom Market
White	94.8%	82.9%	80.5%
Black	1.2%	5.8%	6.0%
American Indian or Alaska Native	0.2%	0.4%	0.4%
Asian/Native Hawaiian/Other Pacific Islander	1.7%	4.7%	6.7%
Some Other Race	0.4%	3.2%	3.6%
Two or More Races	1.7%	3.0%	2.9%
Hispanic Ethnicity	1.7%	7.5%	8.1%
Not Hispanic or Latino	98.3%	92.5%	91.9%

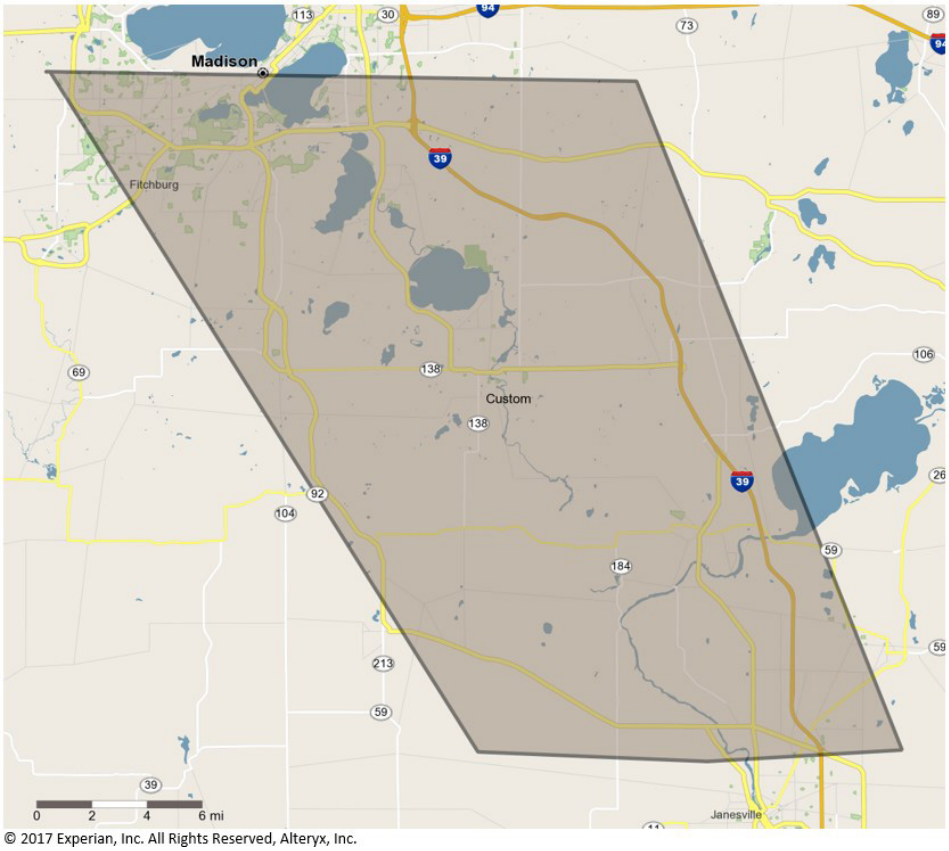
© 2017 Experian, Inc. All Rights Reserved, Alteryx, Inc.

Map: 30-Minute 'Near Me' Market



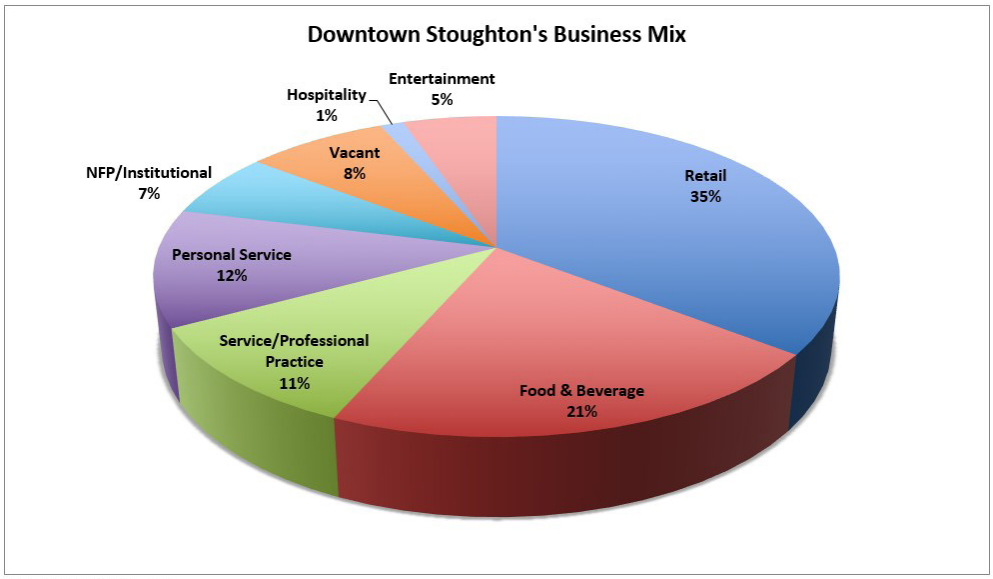
© 2017 Experian, Inc. All Rights Reserved, Alteryx, Inc.

Map: Custom Market



© 2017 Experian, Inc. All Rights Reserved, Alteryx, Inc.

Downtown's Current Business Mix



Source: Stoughton RDA, 2019.

Strategic Implications for Downtown Stoughton

- Overall, downtown Stoughton's markets are strong and growing, particularly the larger markets.
- Downtown's larger market geographies are younger (even excluding the university population), higher income, and growing in population. Estimated dining, or food away from home, spending indicates overall household spending power. Given these market strengths, high performing downtown businesses can compete and capture additional sales from consumers within these larger markets. To effectively compete, downtown businesses will need to match and adapt their operations to changing consumer needs and behaviors, including how consumers use technology.
- According to Experian's psychographic data, 37.3% of Stoughton's households are described as 'Flourishing Families.' Increasing the emphasis on family-friendly activities will enable affinity for downtown as Stoughton's gathering place and for downtown's businesses. This also creates reasons for families from nearby towns or living in the region to visit Stoughton.
- These larger markets also exhibit greater racial and ethnic diversity than the City of Stoughton and the markets closer to downtown. This local trend resembles the national trend of increasing population diversity in all types of communities.
- Currently, the largest component of downtown's business mix by business unit is retail. This is an advantage to downtown Stoughton. Sustaining this component of the mix will require concerted efforts to support business growth (programs, expansion, and recruitment) by private and public sector interests. Nationally and regionally, those business categories seeking lease space, opening, and succeeding in traditional downtowns include health, wellness and personal service businesses and food and beverage businesses, specifically restaurants, coffee shops, and specialty food businesses. Retailers in downtowns and elsewhere now occupy smaller spaces, or store footprints, given sector trends. These newer uses (and in some communities, small office users) are also important by attracting additional and regular foot traffic to any downtown and all businesses.
- Adapting to changing markets, consumer behaviors, and the real estate requirements for current and emerging uses will serve as the foundation for downtown Stoughton's economic future.

The broader market trends affecting all sectors and uses have important implications for commercial districts, whether traditional downtowns, commercial corridors, or neighborhood business districts. Altered consumer behaviors, technology, and lifestyle shifts will continue to influence the future success of businesses and uses in districts like downtown Stoughton. For ground level businesses in traditional downtowns, how they sell is now more important than what they sell. Ground level businesses with strong operating characteristics can succeed in downtown commercial environments. This ability to respond to rapid market change will be critical for Stoughton's downtown stakeholders. For Stoughton, the relevant market and sector trends and their attributes are described below:

- 'The Experience'
    - Welcoming to the entire community
    - Gathering places—public and commercial
    - Unique special events
    - Temporary uses/spaces and Emerging business types/formats creating excitement
    - Residents AND visitors
- Technology, Technology, Technology
- Rapidly Changing Real Estate Needs
    - Smaller footprints
    - Shorter leases for shared, short-term, and seasonal uses
    - Changing work environments
    - Technology as an integrated tool
    - Expansion: New definition
- Retail Sector Trends
    - 'Goods to people' versus 'People to goods'
        - Fostering a 'community' of customers
        - Purpose matters to consumers
    - 'Clicks and Mortar' and market position
    - Stores as showrooms, event spaces, and delivery mechanisms
    - Health, wellness, and beauty are growing
- Restaurant Sector Trends
    - Labor shortages and related costs, particularly for indies
    - Off-premise sales—DoorDash, GrubHub, and UberEATS
    - Non-traditional competition—'groceraunts,' theater dining, and 'ghost' kitchens
    - 'Guest facing' technologies
    - 'Morphing' formats for concept testing
- Employment Sector Trends
    - Workforce diversity—age and race/ethnicity
    - 'Skills' gap and talent scarcity
    - Altered nature of work
    - Entrepreneurship and small business growth
    - The 'gig' economy and 'work from anywhere' benefit
    - Downtown amenities as an employer benefit
- Residential Sector Trends
    - 'Rent by choice' and affordability
    - Access to employment and family needs

- Amenities are key
  - Smaller unit sizes
  - Higher end finishes
  - Package storage
  - Pets
- Availability of housing types, such as 'missing middle,' multi-generational, or ADUs
- 'Homecomers,' or young residents returning to their hometowns

Strategic Implications for Downtown Stoughton

- Business turnover remains a factor in all downtowns, even the most successful. Businesses close for many reasons. Though the perception created may be concerning, the opportunity to attract new businesses with new customers exists.
- Downtown Stoughton has multiple ground level businesses with strong operations. However, the current mix also includes hobby businesses, or businesses serving the owner lifestyle versus consumer needs. Developing a set of business support and growth resources to assist new and existing downtown businesses represents one aspect of addressing turnover.
- Among these business growth resources should be assistance with business succession planning to ensure that strong, established businesses can transition to new owners.
- Downtown's private sector, given the large percentage of owner-occupied buildings, can improve their buildings to enable downtown business, employment, and residential growth.
- Additional downtown (and nearby) employment represents 'bonus' spending power for downtown Stoughton's businesses. Increased employment from small office uses and shared work spaces can also contribute to downtown's activity.
- Enhancing the quality of downtown's residential units can expand the City's available housing types and possible lodging options–both enhancing the local customer base.

During this planning process, market-related observations were obtained through confidential interviews with downtown stakeholders (conducted on site on July 31, 2019 and by phone in August 2019) and in a stakeholder focus group held on August 1, 2019. Participants included downtown business and property owners, Stoughton residents, City officials, and representatives from Stoughton's major employers, local arts organizations, and downtown event organizers.

These interviewees and focus group participants recognize that sustained work will be required to improve downtown Stoughton's economy. They also recognize that improvement will require time and investment by both the private and public sectors. Downtown Stoughton has multiple assets as a commercial district, but approaches and attitudes must change to address how downtown Stoughton will function in the future. Most important, all stakeholders want an economically vital downtown Stoughton that attracts more people, strong businesses, and local investment.

Downtown Stoughton: General Issues and Perceptions

- Recent vacancies have caused concern among downtown's business community. While owners had individual reasons for their business closures, the combined effect creates negative perceptions for residents and visitors.
- In the past, Stoughton functioned as a distinct community with Norwegian roots. The City now serves as an economic component of a larger region and as a Madison suburb.
- Stoughton's downtown needs to become more welcoming to diverse populations. The City has become more diverse, as has the region. Stoughton's Norwegian story now represents one of many stories reflecting the City's history.
- Downtown Stoughton's private and public sector interests need a unified vision for a successful downtown future. The City and its downtown interests are perceived as resistant to change. Implementing any vision will require change. Potential investors also indicate that Stoughton needs to become more forward thinking and open to new ideas specific to downtown's future economic growth.

Downtown's Businesses and Uses

- Downtown's businesses need to recognize that national trends, particularly for retailers, apply to their present and future, and these businesses need to continuously adapt. This adaptation includes 'omni-channel' marketing and sales.
- Many downtown retailers close at 5 or 6PM and are not always open during their posted hours. Other participants indicated that this inhibits early evening purchasing by Stoughton residents who work in Madison or elsewhere. Downtown's retailers indicated that few customers patronize their stores after 5 and that closing earlier is important to their family lives.
- Too many hobby businesses and unsustainable businesses locate in downtown Stoughton. This negatively affects neighboring businesses and has contributed to recent business closings.
- Additional dining options are needed downtown to supplement the current restaurant cluster.
- Additional housing in or near downtown was cited as an opportunity to support downtown business growth.
- There is minimal collaboration among downtown's businesses, including strategic marketing efforts that could benefit multiple businesses. Related to the lack of collaboration is minimal communication among downtown's businesses.
- Temporary uses, such as food trucks, pop-ups, or AirBNB lodging, are emerging opportunities to activate downtown Stoughton. Local regulations may need updates to support emerging uses.

STAKEHOLDER OBSERVATIONS

Downtown's Market Context

- With minor variations, downtown's businesses are generally attracting consumers from similar regional market geographies. (This is displayed in the Custom Market map included in the Demographics and Markets section of this summary.)
- Downtown Stoughton needs new ideas and fresh approaches to increase downtown business revenues and to improve downtown for the future. This will require greater collaboration among all downtown stakeholders.
- While new Stoughton residents are very committed to downtown and the City, both areas need to attract younger residents and families to the community.

Appearance and Design Issues

- Downtown needs to look better. This observation encompassed several aspects—cleanliness outside of storefronts, store window merchandising, certain building facades, and vacancies.
- Alleys, including rear-parking areas, were described as unkempt, poorly maintained, and dangerous in winter weather.
- The Main Street corridor needs more plantings and greenery to create a nicer overall experience.

Access and Circulation

- Parking enforcement during the day was cited as restrictive. The two (2) hour parking limit in most locations is insufficient if customers want to shop and dine.
- Parking is available but difficult for downtown customers to locate. More informational signage and better, consistent wayfinding would help manage any parking issue. This also applies to rear parking areas located behind Main Street buildings requires better signage.

Real Estate and Local Incentives

- Stoughton's downtown real estate includes a high percentage of owner occupants, or business owners who own their storefronts. Rents in leased storefronts are described as 'very high.'
- According to regional real estate professionals, the downtown real estate market is a good market. Prospective tenants considering downtown lease space are primarily personal services and service-related.
- The range of ground level rents for downtown lease space is difficult to determine, given the high percentage of business owner-occupants. Stoughton's ground level rents are described as negotiable, but general in the $8-$13 PSF range. Rents allocated (or paid) by owner-occupants to their buildings vary significantly by property ownership structure and owner tax status. These rents are typically below market rents. Asking rents per square foot (PSF) for vintage ground level lease in the south Madison area generally $12-$15 PSF with varied add-ons. Asking rents for restaurant lease space is slightly higher PSF, typically $14-$20 PSF.
- Downtown's historic buildings suffer from deferred maintenance and disinvestment. For businesses owning their buildings, upper story residential rents are the economic driver for property ownership.
- Currently available local incentive programs need to be modified. These incentives do not match the needs of downtown's property owners.

Downtown Events and Activities

- Stoughton's arts and cultural institutions attract large numbers of visitors to Stoughton's downtown annually. As one example, the continued growth of the Opera House audience is important to the success of downtown's restaurants. The City has also received regional recognition for its arts programming.
- The major downtown festival, Syttende Mai, continues to attract nearly 20,000 each year, providing important exposure to downtown's businesses.
- A more recent event, the Stoughton Community Farmers Market continues to grow attendance and its community of customers through social media.
- The downtown has a complete, annual event calendar including new and established events. Some overlap exists among current events and targeted audiences. Also, there is no single information source (webpage or other media) with the complete downtown event schedule.

Organization and Partnerships

- The partnership between the City and downtown's private sector needs to be strengthened. Roles and responsibilities for the private and public sectors require definition. As one example, the private sector needs to better understand local regulatory processes, and the public sector needs to better educate the private sector about these processes.
- Downtown leadership, or a liaison function, is needed to enable collaboration among businesses. Multiple participants cited this need.
- Strong partnerships with multiple local interests will be important to downtown growth and any downtown leadership. As examples, partnerships with downtown's arts and cultural institutions would be beneficial for downtown's future. This could include multiple activities to enliven downtown in small ways. The City's major employers can provide access to expertise and potential customers.
- Engaging residents interested in seeing downtown succeed will be most important for downtown's future. This includes engaging parents and their young children in their downtown, building their affinity for their community.

Strategic Implications for Downtown Stoughton

- Becoming more welcoming will be key to a successful downtown future. This encompasses multiple efforts and actions—from welcoming diverse people and families to downtown, to permitting visitors and families to access restrooms, and to understanding what new downtown businesses need to succeed. Ultimately, being welcoming is the basis for all attraction efforts, whether for new residents, businesses, current residents or employees, and visitors.
- Collaboration will be required to ensure future success, particularly among private sector interests. A successful downtown means all interests, private and public, benefit from the success. As one example, organizers of downtown events should be working together to eliminate any duplication and to ensure event publicity, success and organization.
- The private and public sector roles in downtown's improvement need greater definition. These defined roles will establish the context for collaboration. The City and Stoughton's RDA can examine their processes, regulations, and approvals to support this plan's implementation and downtown's economic success. The private sector needs to attract more customers to their individual businesses and downtown and to ensure quality improvements to their historic buildings to enable better.

The Downtown Stoughton Resident/Consumer Survey was conducted from August 6, 2019 through October 8, 2019. This online survey consisted of 18 questions and received 1,110 responses. Respondents were not required to answer any individual survey question. The following is a summary of the overall survey results. Detailed survey results will be provided as an appendix to the overall marker analysis within this plan's final deliverables.

The purpose of this online survey was to identify respondent preferences specific to downtown Stoughton, informing this plan's strategic recommendations. Fundamentally, the survey results identify what respondents think, not why they think the way they do. These results also identify respondent behaviors and attitudes about downtown Stoughton's shopping and dining options and about downtown Stoughton's overall experience. In addition, survey results provide guidance for downtown's growth by identifying businesses or business categories that could affect additional purchasing in downtown Stoughton. Overall, survey respondents were very direct in their observations about their downtown Stoughton experience and the kinds of actions needed to improve downtown.

The demographics of the respondent pool are shown on the next two (2) pages, followed by selected survey results by question. In analyzing the 1,110 survey responses, Three (3) sub-groups were identified for additional analysis. These groups were:

- Respondents aged 25-44. This group represented 37.1% of all survey responses. Their preferences are particularly important to downtown's future, given their interest in events and experiences. This sub-group is also forming households, either starting or raising families, and spending higher proportions of their household incomes for both reasons.
- Residents of zip code 53589 (Stoughton residents). This respondent group represented 86.3% of all survey responses. Given this high percentage, resident responses directly correlated with the results from all survey responses.
- Non-residents (other than zip code 53589). Any differences between non-residents' responses and all responses to survey questions are described in the analyses of individual questions below.

Respondent Demographics

Question 16: Please choose the category that matches your age.		
Answer Choices	Survey Responses	City of Stoughton
Under 20	0.9%	25.1%
20 to 24	3.1%	5.7%
25 to 34	15.2%	11.9%
35 to 44	21.9%	13.3%
45 to 54	17.8%	14.7%
55 to 64	21.1%	12.0%
65 to 74	16.4%	8.6%
75 or older	3.5%	8.7%

- The overall respondent pool skews older when compared with the City of Stoughton's population data. The non-residents responses actually skewed older than all responses.
- The percentage of aged 25-44 responses exceeded that of the City's percentage of population.

Question 15: Choose the answer that best describes your household.	
Answer Choices	Responses
I live alone	12.6%
We are a household composed of two (2) adults and no children	40.9%
We are a family or a household composed of three (3) or more adults over age 18	11.3%
We are a family with pre-school or school aged children living at home	29.4%
Other (please specify)	5.8%

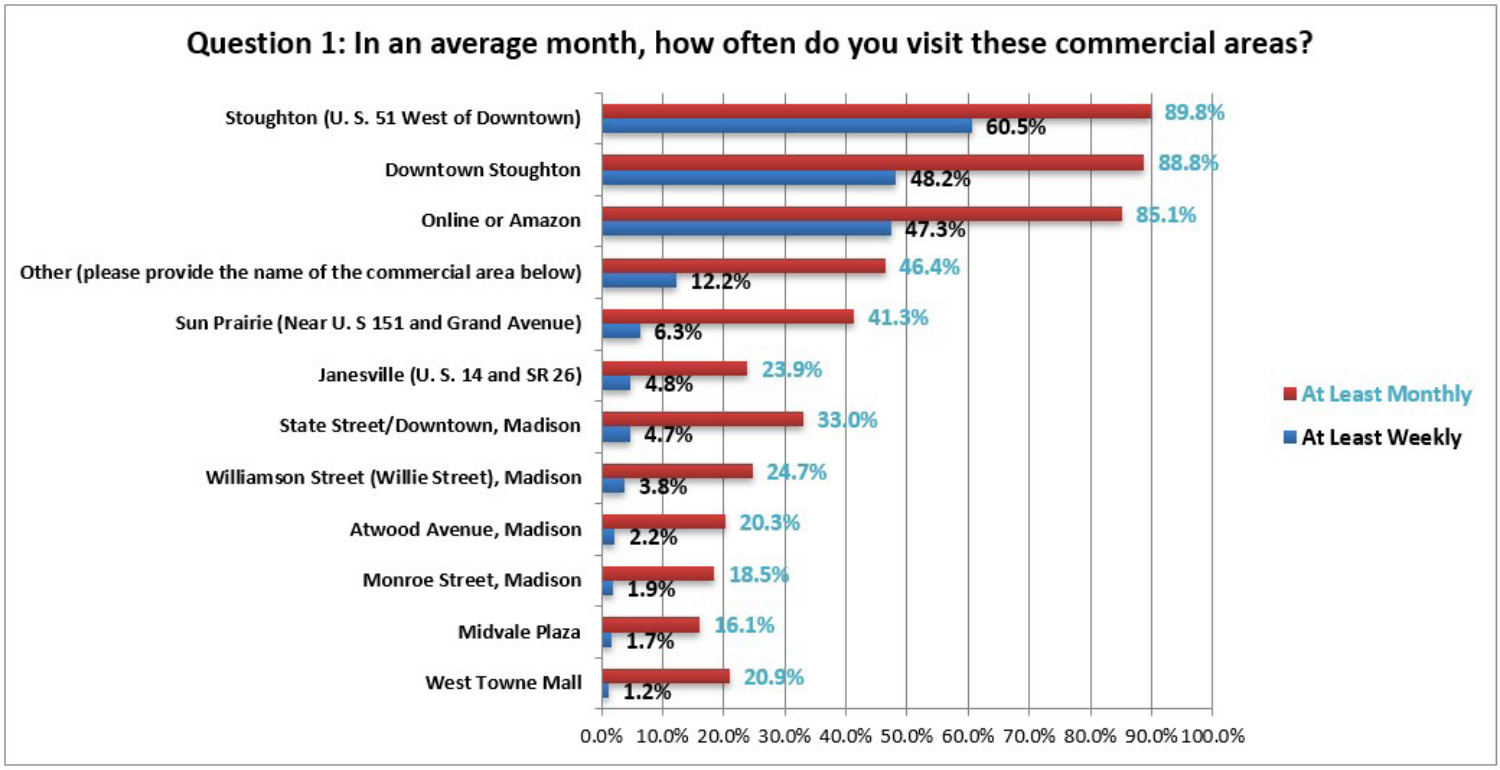
- All responses and non-residents' responses had higher percentages of 'I live alone' responses, generally reflecting their higher percentages of older respondents.
- 86.7% of the aged 25-44 sub-group reside in households with multiple people.
- The 'Other' responses fit into the categories provided with minimal changes to the overall percentages shown for all responses and sub-groups.

Question 13: In what ZIP code is your home located? (Top 3 Zip Codes)		
Zip Code	#	Town
53589	850	Stoughton
53575	22	Fitchburg
53534	11	Edgerton

Question 14: If you are employed, in what ZIP code is your place of employment located? (Top 3 Zip Codes)		
Zip Code	#	Town
Various	273	Madison
53589	270	Stoughton
53717	14	Middleton

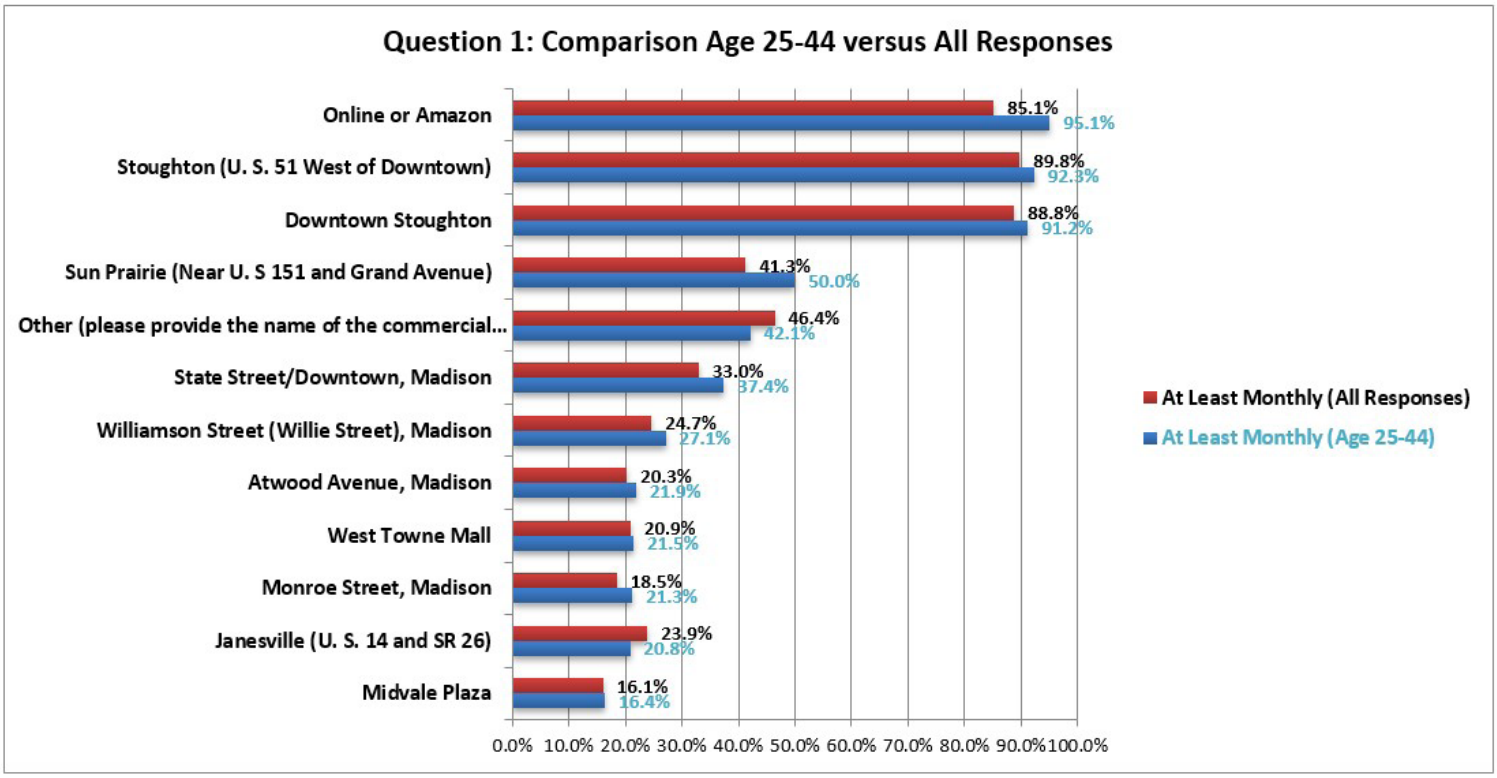
- Question 13 respondents resided in 49 different zip codes.
- Question 14 respondents worked in 72 different zip codes.
- For both Questions 13 and 14, most responses were from the Madison region. A small number of zip code responses to both questions were from out of state. These responses were from either visitors or local residents who telecommute.

Question 1: All Responses



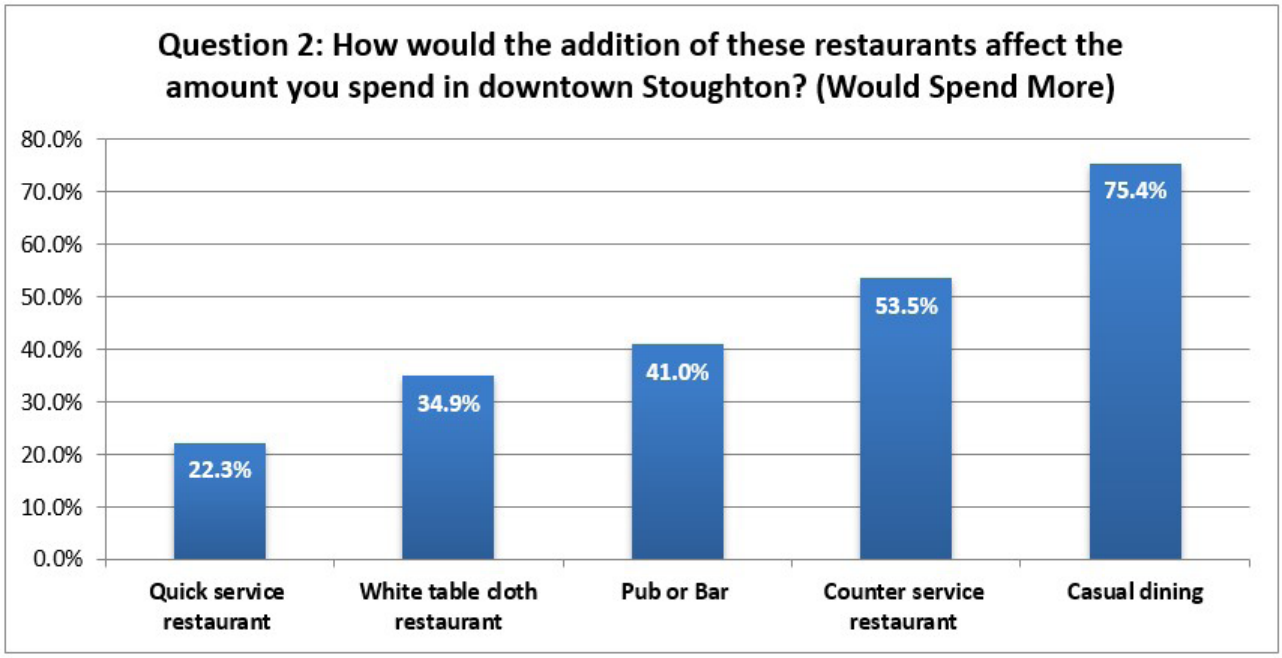
- Online shopping is reality. Over 85% of all respondents shop online at least monthly.
- Respondents are visiting a wide range of commercial locales, reflecting the wide range of accessible options in the Madison region.
- The 'Other' responses included East Towne, Costco/Greenway Station, Middleton, Hilldale, all surrounding downtowns, and major commercial strips in Monona and Sun Prairie. Certain individual destination stores or restaurants were also noted.

Question 1: At Least Monthly Comparing Aged 25-44 Responses with All Responses



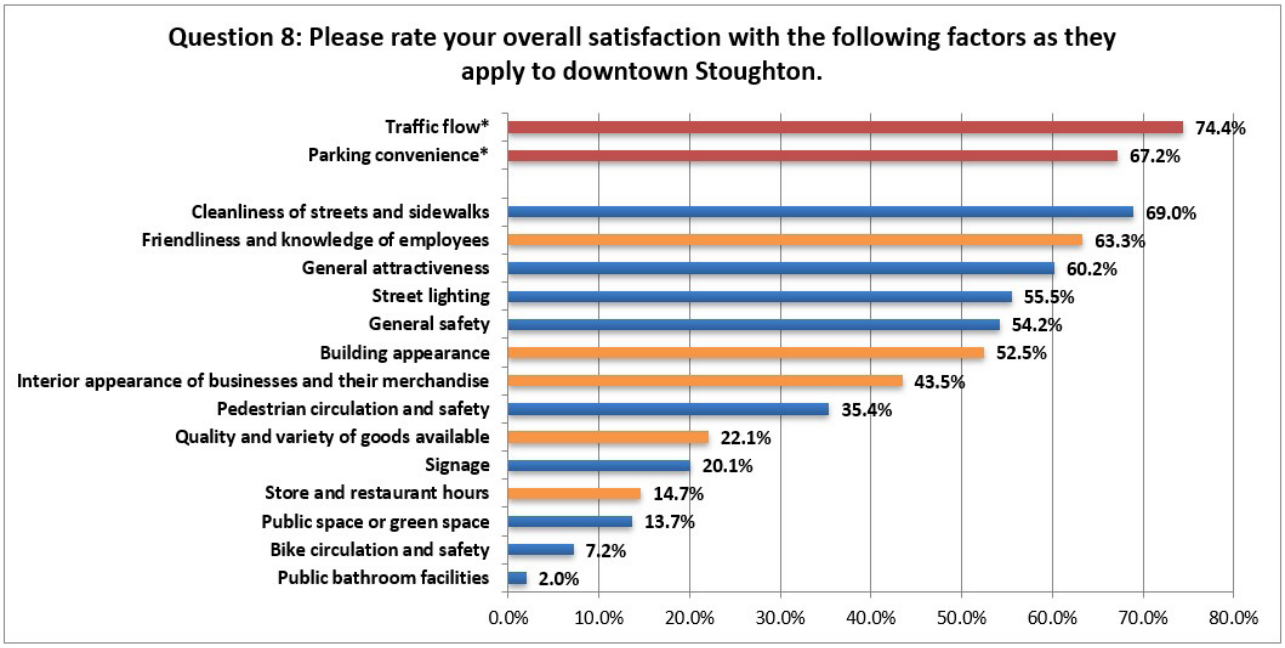
- This younger sub-group shops online much more frequently. 60% shop online at least weekly versus 47.3% of all respondents.
- This same sub-group also visits downtown Stoughton more frequently than all respondents.
- As noted with all responses, the aged 25-44 sub-group is visiting all of the region's commercial areas, in addition to their online activity.

Question 2: All Responses



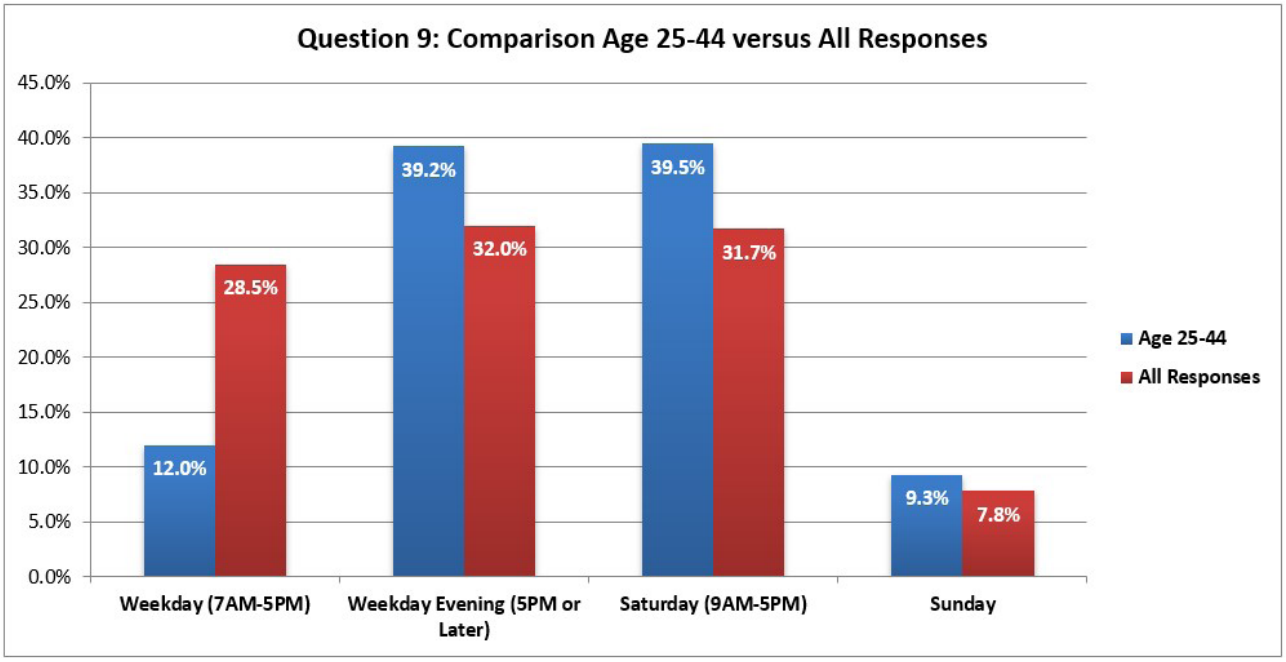
- This chart combines the responses for 'would spend a lot more' and 'would spend a little more' for each restaurant format.
- The aged 25-44 sub-group's responses generally tracked with all responses, but with much higher percentages for each format–for example, 87.4% would spend more for casual dining versus 75.4%.
- Question 3 (In the past month, how many times did you eat out at restaurants?) results are similar for all responses and the non-resident and aged 25-44 sub-groups.
- 1,103 of the 1,110 respondents answered Questions 2 and 3. Roughly 1/3 of all respondents are dining out weekly, and nearly 39% are dining out 7 or more times per month.
- These dining-related responses present a solid opportunity for strong Stoughton and regional food and beverage operators to either expand or consider a downtown Stoughton location, assuming available ground level spaces suitable for restaurant build-outs.

Question 8: All Responses



- The following should be noted in considering the above responses:
  - The percentages displayed in blue and orange combine the Excellent and Above Average ratings for each factor.
  - The percentage for Traffic Flow and Parking combine the Excellent, Above Average, and Average rating for each factor. For any community, being the 'Cadillac' of parking is cost prohibitive at best. Parking signage and online maps were noted within the survey comments as suggestions to address traffic and parking concerns. For traffic flow, many issues associated with traffic flow on Main Street are simply outside of the City's control, given U. S. 51 is a federal highway. Overall, both ratings are very good.
  - The percentages displayed in orange are factors controlled by the private sector, and the percentages shown in blue are factors controlled by the public sector. Downtown store and restaurant hours were frequently mentioned in the survey comments, including the responses to this question.
  - The aged 25-44 sub-group contributed most of this question's respondent comments (51 of 158). These comments, similar to those of other respondents, focused on four (4) areas: bike access (lanes, racks and trail connections in downtown Stoughton); outdoor dining options; the need for entertainment and entertainment venues; and business hours.

Question 9: When is it convenient for you to shop? (Comparison between Aged 25-44 Responses and All Responses)



- This question required respondents to select their most convenient shopping timeframe. Multiple comments noted Saturdays and Sundays as equally convenient.
- The survey's older respondents generally identified weekday hours as most convenient for shopping.
- Of the aged 25-44 sub-group, 98 of the 367 respondents identified early evening hours as most convenient.
- Overall, these results indicate that downtown's businesses interested in sales growth should consider extended hours. Collaboration and ongoing communication about any changes to operating hours will be required. Downtown's businesses also need to remain open for their posted hours.

Other Survey Highlights:

- Respondents, whether all respondents or a sub-group, want downtown gathering places—whether coffee shops, outdoor dining options, or public places for events. Younger respondents are particularly interested in children's activities and events and in experiential uses, such as food trucks, pop-ups and temporary uses.
- Respondents described multiple unique business categories as opportunities for downtown Stoughton in survey comments. Downtown's cultural and arts activities were also cited as significant opportunities for growth and attraction.
- The Syttende Mai Festival remains popular will all survey respondents. The aged 25-44 respondents attend the Farmers Market, Small Business Saturday, and other retail promotions in higher percentages than all respondents do.
- While 20.3% of the all respondents are retired, only 3.3% of the aged 25-44 sub-group is not working. Also, 17.2% of the aged 25-44 sub-group works from home at least one day per week. Recognizing the importance of this sub-group to downtown's economic future will be fundamental to the district's long-term success.
- Most survey respondents (68.1%) visit downtown Stoughton for 30 minutes to 2 hours. This is a positive

characteristic. Extending the time spent downtown by residents and visitors will also remain important to sustained business success.

Strategic Implications for Downtown Stoughton

- Stoughton residents and visitors are regularly patronizing downtown's businesses. Cultivating the kinds of experiences to capture their loyalty and spending will remain important to future growth.
- Understanding how to meet the needs of new and potential downtown customers will be critical to growing the downtown economy.
- Improving downtown's appearance will require joint public and private sector efforts. Determining what actions and programs, including updated incentives, represent the best investment options by both sectors will require evaluation and collaboration.
- Downtown is perceived as having multiple opportunities and assets, as a traditional, historic commercial district. For downtown's business owners, improving operations is one opportunity to immediately impact downtown's economy.

The following hypotheticals are 'back of the envelope' calculations indicative of downtown Stoughton's current real estate market. These assumptions used to develop these calculations are based on three (3) information sources–stakeholder interviews with regional real estate professionals, published sources about downtown real estate sales, and data from real estate listings for the south Madison area. These assumptions will be re-confirmed with the Stoughton RDA's Downtown Revitalization Committee.

Commercial rents are a function of commercial activity. Lots of commercial activity means more business revenues. Commercial districts, including traditional downtowns, with higher rents generate higher sales per square foot in downtown's businesses. The resulting higher returns to business owners and property owners enable reinvestment.

Two (2) hypotheticals are shown on the following page. The first hypothetical describes a ground level business occupying 1,200SF. The $300 in sales per square foot (PSF) figure is an accepted national average for retail sector sales. Ground level rents typically represent 5-8% of total sales for these businesses. For this 1,200 SF space, annual rents at 5% and 8% would be $18,000 and $28,800, respectively. These annual rents equate to $15 and $24 PSF, respectively. The second hypothetical applies the same 5% and 8% average rent expenses to downtown Stoughton's current ground level rents. For this same 1,200SF storefront, the estimated sales PSF for businesses paying $6 or $10 PSF ranges from $75 PSF to $200 PSF. These sales figures are significantly below the $300 average sector sales PSF cited above.

Hypothetical Downtown Storefront: National Average Sales

Storefront SF	National Average Sales PSF	Annual Sales	Annual Rent @ 5% of Sales	Rent PSF @ 5%	Annual Rent @ 8% of Sales	Rent PSF @ 8%
1,200	$300	$360,000	$18,000	$15	$28,800	$24

Hypothetical Downtown Storefront: Stoughton Ground Level Rents

Storefront SF	Estimated Rent PSF	Annual Rent	Annual Sales (Rent as 5% of Sales)	Estimated Sales PSF	Annual Sales (Rent as 8% of Sales)	Estimated Sales PSF
1,200	$6	$7,200	$144,000	$120	$90,000	$75
1,200	$10	$12,000	$240,000	$200	$150,000	$125

The final hypothetical displays the rental income for a hypothetical 2-story building in downtown Stoughton. This building includes one ground level commercial space and two (2) second floor apartments. Again, the current market rents of $6 and $10 PSF are applied. The $6 PSF is the rental rate for an owner-occupant, or a business owner who also owns the building. A ground level tenant pays the $10 PSF rent rate. This hypothetical also assumes that the owner has a $165,000 mortgage on this property. This scenario supports two (2) points made in this plan's stakeholder interviews: (1) that residential rents are often supporting building debt service; and (2) that minimal cash flow is available for building improvement.

Hypothetical 2-Story Downtown Building				
	SF			
Ground level commercial	1,200			
Rental apartments (2)	1,200			
	Estimated Rent PSF*	Annual Rent	Estimated Rent PSF	Annual Rent
Ground level commercial	$6	$7,200	$10	$12,000
Rental apartments (2)	$12	$14,400	$12	$14,400
Building Rental Income		$21,600		$26,400
Expenses (20% of Rental Income)		$4,320		$5,280
Annual Real Estate Taxes		$4,000		$4,000
Net Income		$13,280		$17,120
Debt service (Assumes $165,000 mortgage at 4.5% with 25 year amortization)		$11,040		$11,040
Debt Service Coverage (Net Income/Debt service)		1.20		1.55

*Assumes allocated rent by an owner-occupant.

Strategic Implications for Downtown Stoughton

- Important opportunities exist to improve downtown business and real estate economics. While downtown's overall sales are currently challenged, improved operations by downtown businesses can support incremental growth and reinvestment.
- Initially, local incentives will need to be adapted to address the most needed improvements to downtown buildings. Improving downtown's storefronts in partnership with the private sector can begin to address two (2) issues: improve appearance and potential tenancies; communicate the local commitment to strengthening downtown; and indirectly support overall sales growth.